EB-2008-0235

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by London Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

London Hydro Inc. ("London Hydro") Responses to London Property Management Association ("LPMA") Interrogatories

Filed: March 20, 2009

Interrogatory # 1

Ref: Exhibit 1, page 2

a) Please indicate where in the Filing Requirements it specifies that May 1 is the effective date for a rate order.

b) Given that London Hydro filed its application and evidence in December rather than in August, please indicate why rates should be made interim effective May 1, 2009?

***RESPONSE*:**

a) The filing requirements do not specify that May 1 is the effective date for a rate order. However, the Board's practice for several years has been to have rate orders come into effect on May 1st of the rate year.

b) The reference in Exhibit 1, page 2 refers to London Hydro's existing distribution rates that became effective on May 1, 2008. Since rate orders are generally issued for a 1 year time frame, the assumption is that these rates are effective until April 30, 2009.

The request for interim rates effective May 1, 2009 is a request to continue with the existing May 1, 2008 rates until such time as the new rates resulting from this Application become effective. The request is consistent with the Board's practice of making existing rates interim as of May 1st of the new rate year in order to ensure that where the Board is not able to issue a new rate order in time for May 1st implementation, a rate order will remain in effect after April 30th of the new rate year under which distributors can charge their customers.

Interrogatory # 2

Ref: Exhibit 1, page 30

Given that London Hydro will not be seeking recovery of the one-time costs associated with the "Earth Day 2007" conservation program in this application or any future application, is London Hydro requesting the closure of this sub-account of deferral account (1508 – Other Regulatory Assets)? If not, why not?

***RESPONSE*:**

As London Hydro has indicated in Exhibit 1, page 30, line 23, the OEB authorized London Hydro to establish a deferral account 1508 - Other Regulatory Assets – to track the costs of London Hydro's Earth Day 2007 Campaign. London Hydro has not acted under that authority to establish this account due to the fact that final costs on this matter were significantly less than originally anticipated.

London Hydro did not open this account and did not record any costs in it, nor did it include any amounts in the reporting of regulatory deferral account balances to the OEB. London Hydro has not requested closure of this sub-account due to the fact that this account was never opened or set up in its accounting system.

Interrogatory # 3

Ref: Exhibit 1, page 36

a) What is the status of the plan for the elimination of the long term load transfer customers?

b) Has or will the plan for the elimination of the long term load transfer customers have any impact on the revenue requirement for London Hydro in 2009? In 2010 or beyond? Please explain fully.

***RESPONSE*:**

a) On December 23, 2008 London Hydro and Hydro One Networks submitted their plan to the OEB for elimination of long-term load transfers during 2009. This application is currently before the OEB for review (Board File Number EB-2008-0390). The OEB has indicated that it will be able to issue a decision and/or order on this application in March of 2009, but to-date a Decision has not been issued. The plan involves the transfer of 6 customers from Hydro One to London Hydro and the transfer of 4 customers from London Hydro to Hydro One and an interim exemption for 6 customers served by Hydro One until December 31, 2009. There have been no interventions or objections submitted with respect to this application.

b) The plan to eliminate long term load transfer customers involves a very limited number of low volume residential customers, and will have no noticeable impact on the revenue requirement for London Hydro in 2009, 2010 or beyond.

Total revenue lost from 4 customers transferred to Hydro One is approximately $3,000 per year. Total revenue gain from 6 customers transferred from Hydro One to London Hydro is approximately $4,500.

Total capital expenditures for 2009 with respect to the 6 customers covered under the interim exemption are estimated to be $28,000 to establish retail metering points.

Interrogatory # 4

Ref: Exhibit 1, page 45

a) Do the figures provided in Table 3 include the cost of the commodity in the calculation?

b) If the answer to part (a) is yes, please provide a revised Table 3 that does not include the cost of the commodity.

***RESPONSE*:**

a) Yes the figures provided in Table 3 include the cost of the commodity.

b) The following table presents the customer total bill impact excluding the cost of the commodity.

EXHIBIT 1 - Average Total Bill Impact Excluding Commodity Cost - Percent and Dollar - TABLE 3

Customer Class		Class Average Impact	Class Maximum Impact	Class Minimum Impact
	1000 kwh's			
Residential	9.4%	10.4%	12.9%	8.6%
	$ 4.74	$ 4.15	$ 6.00	$ 2.85
	2000 kwh's			
General Service Less Than 50 kW	5.8%	4.7%	5.8%	4.1%
	$ 5.83	$ 14.32	$ 22.30	$ 5.83
General Service 50 to 4,999 kW - non interval		5.3%	7.9%	3.8%
		$ 80.98	$ 96.60	$ 68.63
General Service 50 to 4,999 kW - interval		3.4%	4.2%	2.8%
		$ 565.77	$ 1,298.03	$ 129.57
General Service 50 to 4,999 kW - Co-Generation		4.3%	4.5%	4.0%
		$ 2,527.53	$ 3,828.23	$ 1,226.82
Large Use		8.4%	9.3%	7.8%
		$ 12,335.26	$ 17,022.05	$ 7,648.48
Street Lighting		68.3%	68.3%	68.3%
		$ 43,752.54	$ 43,752.54	$ 43,752.54
Sentinel Lighting		93.4%	93.6%	93.2%
		$ 420.86	$ 1,069.67	$ 3.05
Unmetered Scattered Load		13.6%	13.6%	13.6%
		$ 305.98	$ 646.43	$ 12.93

Interrogatory # 5

Ref: Exhibit 1, page 46

What inflation rate did London Hydro use for the 2008 bridge year and 2009 test year forecasts of operating and maintenance costs?

***RESPONSE*:**

Please refer to London Hydro's response to Board Staff Question #16.

Interrogatory # 6

Ref: Exhibit 1, page 85

When available, please provide the Audited Financial Statements for the year ended December 31, 2008.

***RESPONSE*:**

Please refer to Appendix LPMA 6 – 2008 Financial Statement.

Interrogatory # 7

Ref: Exhibit 1, page 104

a) How the expenditures made in 2007 and 2008 related to the Customer Information System (CIS) been treated for PILS purposes? Have the expenditures that have been made been included in the capital cost allowance (CCA) calculations for 2007 and 2008?

b) Has London Hydro included any AFUDC related to the CIS system in the 2009 rate base calculations? If yes, please show the calculation of the amount of AFUDC included.

***RESPONSE*:**

a) Expenditures made in 2007 and 2008 related to the Customer Information System that will be put into service in 2009 have not been included in the CCA calculations for 2007 or 2008. These expenditures are reflected as capital additions to Class 12 on the CCA schedule in 2009 as per Exhibit 4, page 84, Table 40.

b) No.

Interrogatory # 8

Page 5 of 62
Ref: Exhibit 1, page 155

Please provide any changes, and their rationale, to the Conditions of Service that have been made since they were last reviewed by the Ontario Energy Board.

***RESPONSE*:**

On June 5, 2007, in a letter from Brian Hewson, OEB Chief Compliance Officer, directed all LDC's to file their "…most recent and complete versions of individual distributor conditions of service to ensure that distributor have incorporated the amendments to reflect the legal and regulatory requirements". London Hydro complied with the directive and has not been informed by the Chief Compliance Officer of any concerns with London Hydro's 2007 Conditions of Service document.

Since 2007, the only changes made to the Conditions of Service have been to update for any OEB approved rate changes. This includes the Appendix A, Commercial Charges for Electric Service (2008 Commercial Connections Charges) and Appendix F, Approved Retail Rates, effective May 1, 2008.

In addition, to reflect OEB Compliance Bulletin 200705 a comment was added that London Hydro would provide Fire and Safety Notices at the time of disconnection or installation of a load limiter due to non payment.

Interrogatory # 9

Ref: Exhibit 2, Table 6 & Table 8 & Table 15

a) Please provide the actual capital additions for 2008 in the level of detail shown in Table 6

.

b) Please provide the actual 2008 gross asset figures in the same level of detail as shown in Table 8.

c) Please provide the actual 2008 fixed asset continuity schedule in the same level of detail as shown in Table 15.

***RESPONSE*:**

a) See the table provided on the following page.

SUMMARY OF CAPITAL ADDITIONS 2005 - 2009 TEST

		2005	2006	2007	2008 FORECAST	2008 ACTUAL	2009 TEST
Distribution and General Plant							
1805	Land - Substations	-	36,718	-	-	-	-
1806	Land Rights	4,369	6,853	8,162	-	15,943	-
1808	Buildings - Substations	28,108	18,900	-	155,000	168,322	55,000
1820	Substation Equipment	109,661	507,516	567,240	1,136,422	2,070,347	4,190,200
1830	Poles, Towers & Fixtures	1,242,579	1,112,913	1,745,552	1,994,321	2,079,657	1,770,950
1835	OH Conductors & Devices	2,482,943	2,198,663	3,405,807	3,596,995	4,044,468	3,276,900
1840	UG Conduit	1,128,326	1,424,074	2,479,172	2,633,396	3,164,004	2,990,000
1845	UG Conductors & Devices	4,019,833	3,371,928	3,210,150	4,288,906	3,127,332	3,224,750
1850	Line Transformers	3,770,268	2,569,710	4,246,945	3,788,407	5,613,867	3,120,500
1855	Services (OH & UG)	1,026,457	974,520	1,358,409	1,011,706	1,646,654	995,500
1860	Meters	466,277	493,831	497,681	685,847	457,247	613,200
1908	Buildings & Fixtures	21,970	132,013	856,525	1,245,000	2,104,940	1,075,000
1910	Leasehold Improvements	-	-	-	-	-	-
1915	Office Furniture & Equipment	104,071	116,672	92,697	63,000	120,051	120,000
1930	Transportation Equipment	-	-	-	1,430,000	989,181	1,728,000
1935	Stores Equipment	7,727	4,104	2,057	10,000	27,726	10,000
1940	Tools, Shop & Garage Equipment	116,499	85,859	106,544	95,000	123,791	105,000
1945	Measurement & Testing Equipment	-	2,290	-	25,000	11,016	20,000
1950	Power operated Equipment	-	-	39,949	120,000	99,041	50,000
1960	Miscellaneous Equipment	-	-	-	-	-	-
1980	System Supervisory Equipment	65,973	99,161	196,519	450,000	333,272	383,000
		14,595,062	13,155,725	18,813,409	22,729,000	26,196,859	23,728,000
Computer Hardware & Software							
1920	Computer - Hardware	1,132,020	504,125	712,506	488,300	191,039	767,000
1925	Computer - Software	1,168,293	2,056,261	2,403,991	460,078	449,131	9,279,905
		2,300,313	2,560,385	3,116,498	948,378	640,170	10,046,905
Total Additions Before Contributed Capital		16,895,375	15,716,110	21,929,906	23,677,378	26,837,029	33,774,905
1995	Contributions & Grants	(2,772,280)	(2,233,198)	(3,325,389)	(3,145,119)	(3,478,094)	(3,202,900)
		14,123,095	**13,482,911**	**18,604,518**	**20,532,259**	**23,358,935**	**30,572,005**

Reconciliation of London Hydro Fixed Asset Additions to Actual Capital Spending

	2005	2006	2007	2008 FORECAST	2008 ACTUAL	2009 TEST
Fixed Asset Additions (Including contrib cap)	14,123,095	13,482,911	18,604,518	20,532,259	23,358,935	30,572,005
Add back: Contributed Capital	2,772,280	2,233,198	3,325,389	3,145,119	3,478,094	3,202,900
Fixed Asset Additions (excluding contrib cap)	16,895,375	15,716,110	21,929,906	23,677,378	26,837,029	33,774,905
Less: Change in WIP	(183,312)	1,316,412	3,088,662	3,399,622	1,472,131	(6,344,905)
Capital spending	16,712,063	17,032,522	25,018,568	27,077,000	28,309,160	27,430,000

b) See the table provided below

		GROSS ASSET BALANCE						VARIANCE	
OEB ACCT	ASSET GROUP	2006 Board APPROVED *	2006 ACTUAL	2007 ACTUAL	2008 FORECAST	2008 ACTUAL	2009 TEST	2008 FORECAST to 2008 ACTUAL	
		$	$	$		$	$	$	%
	Distribution and General Plant								
1805	Land - Substations	324,954	316,954	316,954	316,954	316,954	316,954	-	-
1806	Land Rights	642,476	653,698	661,860	661,860	677,803	661,860	15,943	2.4
1808	Buildings - Substations	6,716,855	6,685,861	6,685,861	6,840,861	6,854,183	6,895,861	13,322	0.2
1820	Substation Equipment	8,850,234	9,842,464	10,409,704	11,546,126	12,480,051	15,736,326	933,925	8.1
1830	Poles, Towers & Fixtures	5,824,903	8,578,365	10,323,917	12,318,238	12,403,574	14,089,188	85,336	0.7
1835	OH Conductors & Devices	65,330,207	67,919,062	70,281,180	72,341,437	72,788,910	73,941,726	447,473	0.6
1840	UG Conduit	10,899,559	14,313,403	16,792,575	19,425,971	19,956,579	22,415,971	530,608	2.7
1845	UG Conductors & Devices	102,860,450	98,924,519	102,134,669	105,988,543	104,826,969	109,213,293	(1,161,574)	(1.1)
1850	Line Transformers	44,471,305	52,206,547	56,453,492	60,241,899	62,067,359	63,362,399	1,825,460	3.0
1855	Services (OH & UG)	3,691,604	6,111,216	7,469,625	8,481,331	9,116,279	9,476,831	634,948	7.5
1860	Meters	15,534,074	16,738,484	17,236,164	17,922,011	17,693,412	18,535,211	(228,599)	(1.3)
1908	Buildings & Fixtures	11,051,743	11,211,445	12,067,971	13,312,971	14,172,911	14,387,971	859,940	6.5
1910	Leasehold Improvements	11,029	11,029	-	-	-	-	-	-
1915	Office Furniture & Equipment	807,570	1,051,454	1,067,499	963,773	1,020,824	1,055,955	57,051	5.9
1930	Transportation Equipment	7,518,772	7,424,386	7,361,979	8,041,308	8,222,001	9,003,368	180,693	2.2
1935	Stores Equipment	310,047	321,877	323,935	333,935	351,661	282,946	17,726	5.3
1940	Tools, Shop & Garage Equipment	520,698	791,933	898,477	993,477	1,022,268	1,082,235	28,791	2.9
1945	Measurement & Testing Equipment	300,845	299,582	299,582	324,582	310,598	139,490	(13,984)	(4.3)
1950	Power operated Equipment	667,276	621,043	660,993	780,993	672,781	830,993	(108,212)	(13.9)
1960	Miscellaneous Equipment	439,737	135,578	50,958	-	-	-	-	-
1980	System Supervisory Equipment	4,364,641	4,443,356	4,222,726	4,159,851	4,043,123	3,309,452	(116,728)	(2.8)
		291,138,978	308,602,258	325,720,121	344,996,122	348,998,240	364,738,031	4,002,119	1.2
1995	Contributions & Grants	(9,830,390)	(15,649,522)	(18,974,911)	(22,120,030)	(22,453,005)	(25,322,930)	(332,975)	1.5
		281,308,588	292,952,736	306,745,210	322,876,091	326,545,235	339,415,101	3,669,144	1.1
	Computer Hardware and Software								
1920	Computer - Hardware	3,625,351	4,608,552	4,363,090	4,108,797	3,811,536	4,208,176	(297,261)	(7.2)
1925	Computer - Software	5,092,484	7,880,719	10,132,153	9,607,641	9,408,900	13,835,988	(198,741)	(2.1)
		8,717,835	12,489,271	14,495,243	13,716,438	13,220,436	18,044,164	(496,002)	(3.6)
	EDR 2006 Model Adjustment	190,649						-	-
		290,217,072	**305,442,007**	**321,240,453**	**336,592,530**	**339,765,671**	**357,459,265**	**3,173,142**	**0.9**

* applied 1/2 year rule as in the 2006 EDR rate setting process

c) See the following table:

Fixed Asset Continuity Schedule (Distribution & Operations)
2008 ACTUAL

		Cost				Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land - Substations	316,954			316,954	-			-	316,954
1806	Land Rights	661,860	15,943		677,803	435,592	39,797		475,389	202,414
1808	Buildings - Substations	6,685,861	168,322		6,854,183	3,389,680	151,836		3,541,516	3,312,667
1820	Substation Equipment	10,409,704	2,070,347		12,480,051	4,819,802	287,452		5,107,254	7,372,797
1830	Poles, Towers & Fixtures	10,323,917	2,079,657		12,403,574	1,635,470	449,392		2,084,862	10,318,712
1835	OH Conductors & Devices	70,281,180	4,044,468	1,536,738	72,788,910	34,902,330	2,886,672	1,536,738	36,252,264	36,536,646
1840	UG Conduit	16,792,575	3,164,004		19,956,579	3,279,681	700,035		3,979,716	15,976,863
1845	UG Conductors & Devices	102,134,669	3,127,332	435,032	104,826,969	50,700,825	3,908,854	435,032	54,174,647	50,652,322
1850	Line Transformers	56,453,492	5,613,867		62,067,359	21,460,541	2,376,138		23,836,679	38,230,680
1855	Services (OH & UG)	7,469,625	1,646,654		9,116,279	1,163,401	325,532		1,488,933	7,627,347
1860	Meters	17,236,164	457,247		17,693,412	9,135,365	695,161		9,830,526	7,862,886
1908	Buildings & Fixtures	12,067,971	2,104,940		14,172,911	4,983,768	324,151		5,307,919	8,864,992
1915	Office Furniture & Equipment	1,067,499	120,051	166,726	1,020,824	579,037	94,804	166,726	507,115	513,708
1920	Computer - Hardware	4,363,090	191,039	742,593	3,811,536	2,498,440	708,966	742,593	2,464,813	1,346,723
1925	Computer - Software	10,132,153	449,131	1,172,384	9,408,900	4,945,349	2,834,186	1,172,384	6,607,151	2,801,749
1930	Transportation Equipment	7,361,979	989,181	129,159	8,222,001	6,891,144	275,879	129,159	7,037,864	1,184,137
1935	Stores Equipment	323,935	27,726		351,661	201,897	34,768		236,665	114,996
1940	Tools, Shop & Garage Equipment	898,477	123,791		1,022,268	374,332	93,627		467,959	554,309
1945	Measurement & Testing Equipment	299,582	11,016		310,598	238,094	30,038		268,132	42,466
1950	Power operated Equipment	660,993	99,041	87,253	672,781	591,087	25,798	87,253	529,632	143,148
1960	Miscellaneous Equipment	50,958		50,958	(0)	50,958		50,958	(0)	-
1980	System Supervisory Equipment	4,222,726	333,272	512,875	4,043,123	2,805,927	255,415	512,875	2,548,467	1,494,656
1995	Contributions & Grants	(18,974,911)	(3,478,094)		(22,453,005)	(2,908,241)	(803,717)		(3,711,958)	(18,741,046)
	Total before Work in Process	**321,240,453**	**23,358,935**	**4,833,718**	**339,765,670**	**152,174,478**	**15,694,784**	**4,833,718**	**163,035,544**	**176,730,126**
	Work in Process	7,179,144	1,472,131		8,651,275	-			-	8,651,275
	Total after Work in Process	**328,419,597**	**24,831,066**	**4,833,718**	**348,416,945**	**152,174,478**	**15,694,784**	**4,833,718**	**163,035,544**	**185,381,401**
Average Cost and Accumulated Depreciation:					**330,503,061**				**157,605,011**	

Interrogatory # 10

Ref: Exhibit 2, page 20

Has London Hydro seen any indication resulting from the current state of the economy that may impact on the developer works that are growth related?

***RESPONSE*:**

Please refer to London Hydro's responses to EP Question 11.

Interrogatory # 11

Ref: Exhibit 2, page 49

a) Does London Hydro have any customers that are market participants? If yes, how is the cost of power billed for these customers?

b) What proportion of the volumes shown for 2009 of 3,563,033,193 kWh are associated with RPP customers and with non-RPP customers? Please provide an estimate based on historical data if London Hydro does not have a forecast of this for 2009.

c) Based on the same OEB RPP price forecast that has a $0.0603 cost per kWh for RPP customers, what is the forecast average supply cost for non-RPP customers?

d) Does London Hydro agree that the working capital allowance calculation should be based on the most recent available OEB RPP price forecast available at the time that the Board makes its Decision? If not, why not?

***RESPONSE*:**

a) No, London Hydro does not have any customers that are market participants.

b) Based upon historical actual data for 2008, 48% of all kWh's are associated with RPP customers and 52% for non-RPP customers.

c) The forecast average supply cost used for the non-RPP customers is $0.0603, which is the same value used for RPP customers.

d) London Hydro used the most recent available OEB RPP price forecast at the time of filing its application to determine the working capital allowance calculation. It is our understanding that RPP prices are reviewed by the Board every 6 months, and thus over the course of the next 4 years to which this application pertains, RPP prices could potentially change up to 8 times. Thus we fail to understand the logic or rational behind specifying the use of RPP prices at the Decision date versus the filing date of an application. If we are ordered by the Board to use the RPP prices at the Decision date, then we will comply with that order.

Interrogatory # 12

Ref: Exhibit 2, Table 18

a) Please indicate which 2009 capital expenditure plans could be deferred to 2010 or beyond if customer growth is lower than expected.

b) For each such deferral identified in (a) above, please quantify the reduction in the capital expenditure in 2009.

c) Please identify and quantify any other 2009 capital expenditures that could be deferred if the OEB determined that the level of capital expenditures should be reduced from that forecast. In particular, what expenditures could be delayed if the Board determined that the level of capital expenditures for 2009 should be reduced to the average of the 2009, 2010 and 2011 levels shown in Table 17 (i.e. approximately $25.1 million)?

***RESPONSE*:**

a) Growth related capital expenditures have been consolidated under the heading of Developer Works in Table 18, p.59. The projects identified in this section are driven by third party requests and the annual expenditures are dependant on the amount of activity realized in any given year. In recent years there has been a higher than expected level of new development. Notwithstanding the market conditions, this pace has continued through the end of 2008 and into January and February of 2009. It is only now that new development has abated and activity has dropped off.

   In preparing the 2009 capital works program, the net budget for the Developer Works ($5.0M excluding the $2.3M for the Innovation Park expansion) was reduced approximately 21% from the forecasted 2008 expenditures. The actual capital spending in 2008 was $6.4 mil.

   At this point, any further adjustments would be speculative given the market volatility.

b) Please see a) above

c) Excluding the Developer Works discussed in a) above, other distribution infrastructure related capital projects identified in the 2009 Asset Management Plan, Exhibit 2, Appendix A, are selected from a larger collection of initiatives aimed at improving the distribution network. The selected programs have been prioritized by London Hydro's engineers on the basis of safety, reliability and re-enforcement requirements. These projects form part of an annual plan that is

developed to deliver satisfactory system performance. As such, no deferrals are recommended.

London Hydro reviews the proposed replacements of vehicles and equipment annually and any possible deferrals have already been made. The entire 2009 proposed budget for Vehicle and Major Equipment Replacements as outlined in the Asset Management Plan, Exhibit 2, pp. 208 and 210-211, Project 9N1 is considered critical due to safety, reliability, and escalating maintenance cost concerns.

None of the 2009 capital projects related to hardware and software or application development could be deferred.

More than 30% of London Hydro's capital budget for 2009 is directly attributable to hardware and software projects, including desktop solutions, network development, servers and storage requirements, back up solutions, the phone system, and London Hydro's physical plant equipment. One of the core objectives for 2009 will be to upgrade the edge switching technology. This will address the current lifecycle definitions for end-of-life solid-state equipment. London Hydro needs to continue to invest in server and data storage requirements for the new customer information system ("CIS"), file services, application support, and converging solutions. Data management and storage requirements are directly related to operational growth as business objectives are delivered via desktop and backend applications. Systems that are redundant or pose potential threats due to failure or lack of original equipment manufacturer ("OEM") support continue to be phased out. Proactive management of current and future solutions will be supported through the continued deployment of software and hardware that monitor all types of equipment and services.

The remaining 70% of the Information Systems capital projects for 2009 fall under application development and detail on each of these projects is available in the Information Systems Strategy document provided in Exhibit 2, Appendix B, p. 228 – 274.

The new SAP CIS is approximately 95% complete at this time, and post go live it will require the budgeted dollars to make enhancements or modifications to the CIS as directed by regulatory requirements. These enhancements would include items such as:

- New Electronic Business Transactions (EBT) releases from the EBT Working Group and the OEB.
- Bill printing design and requirements changes
- Time of use (TOU) changes
- Other mandatory and/or regulatory changes in future years

The Geographic Information System ("GIS") Data Conversion project budgeted for 2009 is the conversion of underground plant maps. This is the logical next step in the GIS project where London Hydro will be converting its existing paper and Microstation maps to GTechnology to ensure that all mapping data is integrated into London Hydro's new GIS system, easily accessible to the users, geographically accurate, and securely managed.

The Outage Management System ("OMS") project enables London Hydro to seek commercial off-the-shelf ("COTS") software to provide fully integrated outage and mobile workforce management technology in a single application environment. By integrating customer and distribution network information onto a common platform, London Hydro will be able to explore dramatic process re-engineering opportunities. The solution will be highly scalable, configurable, and integrated with our other corporate applications to reduce restoration times and improve operational efficiency.

Interrogatory # 13

Ref: Exhibit 3, Table 3

a) Are the customer numbers provided in Table 3 year-end customer counts or the average number of customers for the year?

b) Are the kWh consumption figures that are shown actual consumption or actual normalized consumption figures?

***RESPONSE*:**

a) The customer numbers provided in Table 3 represent the average number of customers billed each month of the year. Values for 2008 and 2009 are projected values derived from the weather normalized load forecast.

b) The kwh consumption figures shown are the actual consumption billed excluding any uplift for system losses for the years 2006 and 2007. KWh values for 2008 and 2009 are weather normalized values excluding uplift for losses.

Interrogatory # 14

Ref: Exhibit 3

Please update Tables 1 through 15, and 19 through 22 to reflect actual 2008 data.

***RESPONSE*:**

REVISED TABLE 1

EXHIBIT 3 - SUMMARY OF OPERATING REVENUE - TABLE 1

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2008 Actual	2009 Test
Distribution Revenues						
Residential	$ 32,141,159	$ 30,232,801	$ 32,524,237	$ 32,779,453	$ 33,443,302	$ 36,969,041
GS <50 kW	8,270,897	7,770,483	8,664,011	8,809,402	8,649,515	9,634,996
GS 50 to 4,999 kW	8,447,517	8,142,074	8,819,323	8,940,721	8,731,826	11,126,268
GS 50 to 4,999 kW (Co-Generation)	240,697	207,550	288,981	303,603	229,406	300,738
Standby Power	247,191	209,161	260,888	248,222	235,732	298,962
Large Use >5MW	827,496	716,156	838,964	816,303	784,078	1,272,939
Street Light	194,739	171,069	201,505	206,239	196,034	690,641
Sentinel	8,336	7,916	8,189	8,147	8,182	31,925
Unmetered Scattered Load	94,370	65,504	50,515	51,131	57,358	75,994
Base Distribution Revenue	**50,472,402**	**47,522,714**	**51,656,613**	**52,163,221**	**52,335,432**	**60,401,505**
Other Distribution Revenue						
Late Payment Charges	977,721	933,885	1,008,327	1,008,000	969,016	1,000,000
Specific Service Charges	1,728,832	1,096,464	1,206,211	1,185,600	1,174,112	1,189,300
Other Distribution Revenue	1,137,052	2,028,541	2,179,758	2,070,067	1,848,576	1,517,848
Total Other Revenue	**3,843,605**	**4,058,890**	**4,394,296**	**4,263,667**	**3,991,704**	**3,707,148**
Total Revenue Net of Tx Allowance	**$ 54,316,007**	**$ 51,581,605**	**$ 56,050,908**	**$ 56,426,888**	**$ 56,327,136**	**$ 64,108,653**
Variance from 2006 Board Approved		**-5.0%**	**3.2%**	**3.9%**	**3.7%**	**18.0%**
Variance from prior year			**8.7%**	**0.7%**	**0.5%**	**13.8%**

Note: This revenue analysis is net of transformer allowances credited to eligible customers.

REVISED TABLE 2

Exhibit 3 - Normalized Distribution Revenues - Table 2

	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2007 Actual	Variance from 2006 Actual	2008 Bridge	Variance from 2007 Actual Year	2008 Actual	2009 Test	Variance from 2008 Actual
Distribution Revenue:										
Residential	$ 32,141,159	$ 30,232,801	$ (1,908,358)	$ 32,524,237	$ 2,291,436	$ 32,779,453	$ 255,216	$ 33,443,302	$ 36,969,041	$ 3,525,740
GS <50 kW	8,270,897	7,770,483	(500,414)	8,664,011	893,528	8,809,402	145,391	8,649,515	9,634,996	985,482
GS 50 to 4,999 kW	9,314,837	8,924,359	(390,478)	9,608,365	684,006	9,747,492	139,127	9,464,570	11,946,886	2,482,316
GS 50 to 4,999 kW (Co-Generation)	250,708	227,032	(23,676)	318,347	91,315	332,970	14,623	249,461	330,105	80,644
Standby Power	339,049	302,201	(36,848)	353,768	51,567	341,102	(12,666)	328,612	391,842	63,230
Large Use >5MW	1,079,822	979,188	(100,634)	1,091,855	112,667	1,051,915	(39,940)	1,021,395	1,272,939	251,545
Street Light	194,739	171,069	(23,670)	201,505	30,436	206,239	4,734	196,034	690,641	494,607
Sentinel	8,336	7,916	(420)	8,189	273	8,147	(42)	8,182	31,925	23,743
Unmetered Scattered Load	94,370	65,504	(28,866)	50,515	(14,989)	51,131	616	57,358	75,994	18,636
Gross Distribution Revenue	**51,693,917**	**48,680,553**	**(3,013,364)**	**52,820,792**	**4,140,239**	**53,327,852**	**507,060**	**53,418,429**	**61,344,371**	**8,016,519**
Less Transformer Allow.										
GS 50 to 4,999 kW	(867,320)	(782,285)	85,035	(789,042)	(6,757)	(806,772)	(17,729)	(732,744)	(820,618)	(87,874)
GS 50 to 4,999 kW (Co-Generation)	(10,011)	(19,482)	(9,471)	(29,366)	(9,884)	(29,367)	(1)	(20,055)	(29,367)	(9,312)
Standby Power	(91,858)	(93,040)	(1,181)	(92,880)	160	(92,880)	-	(92,880)	(92,880)	-
Large Use >5MW	(252,326)	(263,032)	(10,706)	(252,891)	10,141	(235,612)	17,279	(237,317)	-	237,317
Total Base Dist. Rev. Reqm't	**$ 50,472,402**	**$ 47,522,714**	**$ (2,949,688)**	**$ 51,656,613**	**$ 4,133,898**	**$ 52,163,221**	**$ 506,609**	**$ 52,335,432**	**$ 60,401,505**	**$ 8,156,650**
Variance %			**-5.8%**		**8.7%**		**1.0%**			**15.6%**
Variance from 2006 Board Approved					**2.3%**		**3.3%**			**19.7%**

REVISED TABLE 3

Exhibit 3 - Table 3 - Distribution Revenues by Customer Class

Class	Customers	Consump. (kWh/kW)	Revenue ($)	Unit Rev. $/kWh/kW
Residential Class				
2006 Board Approved	123,095	1,136,096,743	32,141,159	0.0283
2006 Actual	125,906	1,102,286,735	30,232,801	0.0274
2007 Actual	128,164	1,117,323,408	32,524,237	0.0291
2008 Actual	130,185	1,119,770,671	33,443,302	0.0299
2009 Test	132,100	1,134,259,152	36,969,041	0.0326
General Service < 50 kW				
2006 Board Approved	10,351	441,827,933	8,270,897	0.0187
2006 Actual	11,839	412,253,883	7,770,483	0.0188
2007 Actual	11,918	418,300,883	8,664,011	0.0207
2008 Actual	12,034	418,620,436	8,649,515	0.0207
2009 Test	12,241	429,900,054	9,634,996	0.0224
General Service 50 to 4,999 kW				
2006 Board Approved	1,553	3,801,956	8,447,517	2.2219
2006 Actual	1,576	3,870,802	8,142,074	2.1035
2007 Actual	1,595	3,944,920	8,819,323	2.2356
2008 Actual	1,590	3,859,956	8,731,826	2.2622
2009 Test	1,590	3,947,533	11,126,268	2.8185
GS 50 to 4,999 kW (Co-Generation) plus Standby Power				
2006 Board Approved	4	176,353	487,888	2.7665
2006 Actual	3	187,536	416,712	2.2220
2007 Actual	3	203,743	549,869	2.6988
2008 Actual	3	188,224	465,138	2.4712
2009 Test	3	188,224	599,700	3.1861
Large Use >5MW				
2006 Board Approved	3	413,008	827,496	2.0036
2006 Actual	3	438,386	716,156	1.6336
2007 Actual	3	421,485	838,964	1.9905
2008 Actual	3	395,529	784,078	1.9824
2009 Test	3	359,005	1,272,939	3.5457
Street Light				
2006 Board Approved	31,450	61,898	194,739	3.1461
2006 Actual	32,249	63,546	171,069	2.6920
2007 Actual	32,971	64,717	201,505	3.1136
2008 Actual	33,173	65,068	196,034	3.0128
2009 Test	33,728	66,404	690,641	10.4006
Sentinel Lighting				
2006 Board Approved	752	2,490	8,336	3.3478
2006 Actual	765	2,349	7,916	3.3701
2007 Actual	759	2,369	8,189	3.4562
2008 Actual	746	2,335	8,182	3.5041
2009 Test	734	2,334	31,925	13.6784
Unmetered Scattered Loads				
2006 Board Approved	1,481	10,190,081	94,370	0.0093
2006 Actual	1,780	6,328,409	65,504	0.0104
2007 Actual	1,429	4,815,088	50,515	0.0105
2008 Actual	1,513	5,647,094	57,358	0.0102
2009 Test	1,592	5,944,051	75,994	0.0128

***RESPONSE*:** re tables 4 through 15 and 19 through 22.

In order to respond to this interrogatory and interrogatory 16, London Hydro has updated the regression model and the resulting prediction model to reflect actual 2008 data. The following are the requested tables which reflect this update.

Table 4 - Summary of Load and Customer Connection Forecast

Year	Billed (GWh)	Growth (GWh)	Percent Change	Customer/ Connection Count	Growth	Percent Change (%)
2003	3,243			167,458		
2004	3,255	12	0.36%	169,662	2,204	1.32%
2005	3,427	172	5.28%	171,264	1,603	0.94%
2006	3,365	-62	-1.80%	174,120	2,856	1.67%
2007	3,388	22	0.67%	176,842	2,722	1.56%
2008	3,327	-61	-1.79%	179,247	2,405	1.36%
2009 (T)	3,408	81	2.43%	181,992	2,745	1.53%

Table 5 - Billed Energy and Number of Customers/Connection by Rate Class

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load	Total
Energy (GWh)									
2003	1,079	420	1,474	212	27	22	1	9	3,243
2004	1,065	410	1,504	220	23	22	1	9	3,255
2005	1,146	427	1,563	230	28	22	1	8	3,427
2006	1,102	412	1,563	227	31	23	1	6	3,365
2007	1,117	418	1,581	205	37	23	1	5	3,388
2008	1,120	419	1,535	185	39	23	1	6	3,327
2009 (T)	1,134	430	1,590	185	39	24	1	6	3,408
Number of Customers/Connection									
2003	121,195	11,824	1,465	3	4	30,537	822	1,608	167,458
2004	122,755	11,835	1,545	3	4	31,197	797	1,526	169,662
2005	124,049	11,853	1,555	3	3	31,602	790	1,409	171,264
2006	125,906	11,839	1,576	3	3	32,249	765	1,780	174,120
2007	128,164	11,918	1,595	3	3	32,971	759	1,429	176,842
2008	130,185	12,034	1,590	3	3	33,173	746	1,513	179,247
2009 (T)	132,100	12,241	1,590	3	3	33,728	734	1,592	181,992

Table 6 - Annual Usage per Customer/Connection by Rate Class

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load
Energy Usage per Customer/Connection (kWh per customer/connection)								
2003	8,899	35,563	1,005,860	70,576,181	6,713,946	705	1,172	5,634
2004	8,678	34,684	973,493	73,334,621	5,930,843	706	1,146	5,795
2005	9,241	36,043	1,005,383	76,786,538	8,926,921	697	1,145	5,829
2006	8,755	34,821	991,607	75,752,181	10,291,790	703	1,147	3,556
2007	8,718	35,099	990,865	68,382,293	12,475,191	700	1,150	3,368
2008	8,601	34,787	965,333	61,721,980	12,902,289	701	1,156	3,733
2009 (T)	8,586	35,119	999,636	61,721,980	12,902,289	701	1,164	3,733
Annual Growth Rate in Usage per Customer/Connection								
2003								
2004	-2.5%	-2.5%	-3.2%	3.9%	-11.7%	0.2%	-2.2%	2.9%
2005	6.5%	3.9%	3.3%	4.7%	50.5%	-1.4%	-0.1%	0.6%
2006	-5.3%	-3.4%	-1.4%	-1.3%	15.3%	0.9%	0.2%	-39.0%
2007	-0.4%	0.8%	-0.1%	-9.7%	21.2%	-0.4%	0.3%	-5.3%
2008	-1.3%	-0.9%	-2.6%	-9.7%	3.4%	0.3%	0.5%	10.8%
2009 (T)	-0.2%	1.0%	3.6%	0.0%	0.0%	0.0%	0.7%	0.0%

Table 7 - London Hydro's Total System Purchases

(GWh)	Actual	Predicted	% Difference
1996	2,928	2,918	-0.36%
1997	2,914	2,928	0.49%
1998	3,015	3,062	1.56%
1999	3,214	3,198	-0.53%
2000	3,211	3,211	0.00%
2001	3,267	3,254	-0.40%
2002	3,397	3,414	0.53%
2003	3,339	3,311	-0.84%
2004	3,384	3,332	-1.55%
2005	3,560	3,515	-1.26%
2006	3,464	3,449	-0.43%
2007	3,514	3,534	0.57%
2008	3,443	3,524	2.36%
2009 (WN)		3,539	

Table 8 - Historical Loss Factor

(GWh)	Actual Purchases	Actual Billed	Loss Factor
1996	2,928	2,846	2.9%
1997	2,914	2,812	3.6%
1998	3,015	2,912	3.6%
1999	3,214	3,091	4.0%
2000	3,211	3,142	2.2%
2001	3,267	3,149	3.7%
2002	3,397	3,133	8.4%
2003	3,339	3,243	3.0%
2004	3,384	3,255	4.0%
2005	3,560	3,427	3.9%
2006	3,464	3,365	2.9%
2007	3,514	3,388	3.7%
2008	3,443	3,327	3.5%
Average			3.8%

Table 9 - Historical Customer/Connection Data

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads	Total
Number of Customers/Connection									
1996	109,261	9,803	1,882	5	2	n/a	n/a	n/a	120,953
1997	110,307	9,816	1,872	5	2	n/a	n/a	n/a	122,002
1998	111,540	9,804	2,053	4	2	n/a	n/a	n/a	123,404
1999	114,503	11,306	2,258	6	2	n/a	n/a	n/a	128,075
2000	115,388	11,354	2,064	4	3	29,047	850	1,004	159,714
2001	116,945	11,901	1,494	4	3	32,088	798	1,268	164,499
2002	113,470	11,280	1,318	3	4	27,593	783	1,247	155,699
2003	121,195	11,824	1,465	3	4	30,537	822	1,608	167,458
2004	122,755	11,835	1,545	3	4	31,197	797	1,526	169,662
2005	124,049	11,853	1,555	3	3	31,602	790	1,409	171,264
2006	125,906	11,839	1,576	3	3	32,249	765	1,780	174,120
2007	128,164	11,918	1,595	3	3	32,971	759	1,429	176,842
2008	130,185	12,034	1,590	3	3	33,173	746	1,513	179,247

Table 10 - Growth Rate in Customer/Connections

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads
Growth Rate in Customer/Connection								
1996								
1997	0.96%	0.13%	-0.53%	n/a	n/a	n/a	n/a	n/a
1998	1.12%	-0.12%	9.68%	n/a	n/a	n/a	n/a	n/a
1999	2.66%	15.32%	9.98%	n/a	n/a	n/a	n/a	n/a
2000	0.77%	0.42%	-8.61%	n/a	n/a	n/a	n/a	n/a
2001	1.35%	4.82%	-27.62%	n/a	n/a	10.47%	-6.16%	26.25%
2002	-2.97%	-5.21%	-11.75%	n/a	n/a	-14.01%	-1.82%	-1.59%
2003	6.81%	4.82%	11.17%	n/a	n/a	10.67%	4.94%	28.95%
2004	1.29%	0.09%	5.43%	n/a	n/a	2.16%	-3.04%	-5.11%
2005	1.05%	0.15%	0.65%	n/a	n/a	1.30%	-0.87%	-7.71%
2006	1.50%	-0.12%	1.34%	n/a	n/a	2.05%	-3.20%	26.34%
2007	1.79%	0.67%	1.23%	n/a	n/a	2.24%	-0.77%	-19.68%
2008	1.58%	0.97%	-0.32%	n/a	n/a	0.61%	-1.67%	5.83%
Geometric Mean	1.47%	1.72%	-1.39%			1.67%	-1.62%	5.26%

Table 11 Customer/Connection Forecast

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads	Total
Forecast number of Customers/Connection									
2009	132,100	12,241	1,590	3	3	33,728	734	1,592	181,992

Table 12 - Historical Annual Usage per Customer

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads
Annual kWh Usage Per Customer/Connection								
1996	8,753	30,396	626,311	76,847,903	2,381,712	0	0	0
1997	8,461	29,876	667,846	60,836,160	2,917,790	0	0	0
1998	8,617	30,758	650,798	69,727,554	4,248,899	0	0	0
1999	8,788	30,462	635,354	47,297,553	3,877,868	0	0	0
2000	9,029	31,427	705,575	57,275,240	6,809,392	706	1,095	6,401
2001	8,922	32,521	961,067	57,674,079	7,495,692	653	1,226	6,123
2002	9,349	37,379	1,055,399	70,608,148	4,642,401	754	1,164	5,741
2003	8,899	35,563	1,005,860	70,576,181	6,713,946	705	1,172	5,634
2004	8,678	34,684	973,493	73,334,621	5,930,843	706	1,146	5,795
2005	9,241	36,043	1,005,383	76,786,538	8,926,921	697	1,145	5,829
2006	8,755	34,821	991,607	75,752,181	10,291,790	703	1,147	3,556
2007	8,718	35,099	990,865	68,382,293	12,475,191	700	1,150	3,368
2008	8,601	34,787	965,333	61,721,980	12,902,289	701	1,156	3,733

Table 13 - Growth Rate in Usgae per Customer/Connection

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads
Growth Rate in Usage Per Customer/Connection								
1996								
1997	-3.33%	-1.71%	6.63%	-20.84%	22.51%	n/a	n/a	n/a
1998	1.84%	2.95%	-2.55%	14.62%	45.62%	n/a	n/a	n/a
1999	1.99%	-0.96%	-2.37%	-32.17%	-8.73%	n/a	n/a	n/a
2000	2.74%	3.17%	11.05%	21.10%	75.60%	n/a	n/a	n/a
2001	-1.19%	3.48%	36.21%	0.70%	10.08%	-7.60%	12.00%	-4.35%
2002	4.78%	14.94%	9.82%	22.43%	-38.07%	15.58%	-5.06%	-6.23%
2003	-4.81%	-4.86%	-4.69%	-0.05%	44.62%	-6.53%	0.70%	-1.87%
2004	-2.49%	-2.47%	-3.22%	3.91%	-11.66%	0.18%	-2.20%	2.86%
2005	6.49%	3.92%	3.28%	4.71%	50.52%	-1.37%	-0.13%	0.59%
2006	-5.26%	-3.39%	-1.37%	-1.35%	15.29%	0.85%	0.17%	-38.99%
2007	-0.42%	0.80%	-0.07%	-9.73%	21.21%	-0.40%	0.30%	-5.28%
2008	-1.34%	-0.89%	-2.58%	-9.74%	3.42%	0.25%	0.54%	10.82%
Geometric Mean	-0.15%	1.13%	3.67%	-1.81%	15.12%	-0.08%	0.69%	-6.52%

Table 14 - Forecast Annual kWh Usage per Customer/Connection

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads
Forecast Annual kWh Usage per Customers/Connection								
2009	8,601	35,181	1,000,770	61,721,980	12,902,289	701	1,164	3,733

Table 15 - Non - Normalized Weather Billed Energy Forecast

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads	Total
Non-normalized Weather Billed Energy Forecast (GWh)									
2009	1,136	431	1,591	185	39	24	1	6	3,413

Table 19 - Historical Annual kW per Applicable Rate Class

Annual	GS > 50kW	Large User	Cogeneration Total	Cogen Back-up	Cogen Incremental	Streetlights	Sentinel Lights
2000	3,409,084	449,942	221,180	186,600	34,580	56,986	2,585
2001	3,663,518	440,191	196,318	181,300	15,018	63,078	2,734
2002	3,492,609	376,632	171,049	141,900	29,149	54,787	2,517
2003	3,703,095	409,593	185,848	154,800	31,048	60,395	2,614
2004	3,730,755	425,269	168,537	151,300	17,237	61,623	2,477
2005	3,856,524	435,548	186,551	158,300	28,251	62,274	2,455
2006	3,870,802	438,386	187,536	155,066	32,470	63,546	2,349
2007	3,944,920	421,485	203,743	154,800	48,943	64,717	2,369
2008	3,859,956	395,529	188,224	154,800	33,424	65,068	2,335

Table 20 - Historical kW/kWh Ratio per Applicable Rate Class

Load Factor	GS > 50kW	Large User	Cogeneration Total	Streetlights	Sentinel Lights
2000	0.2341%	0.1885%	1.0827%	0.2778%	0.2778%
2001	0.2552%	0.1908%	0.8730%	0.3012%	0.2795%
2002	0.2511%	0.1778%	0.9211%	0.2632%	0.2762%
2003	0.2512%	0.1935%	0.6920%	0.2805%	0.2714%
2004	0.2480%	0.1933%	0.7255%	0.2797%	0.2712%
2005	0.2467%	0.1891%	0.6599%	0.2829%	0.2715%
2006	0.2477%	0.1929%	0.6074%	0.2805%	0.2679%
2007	0.2496%	0.2055%	0.5444%	0.2805%	0.2715%
2008	0.2515%	0.2136%	0.4863%	0.2796%	0.2707%
Average	0.2483%	0.1939%	0.7325%	0.2807%	0.2731%
Chosen	0.2483%	0.1939%	0.4863%	0.2807%	0.2731%

Table 21 - KW Forecast by Applicable Rate Class

Annual	General Service	Large User	Cogeneration	Cogen Back-up	Cogen Incremental	Streetlights	Sentinel Lights
2009	3,947,533	359,005	188,224	154,800	33,424	66,404	2,334

Table 22 - Summary of Forecast Data

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Weather Normal
Actual kWh Purchases		3,463,554,919	3,513,738,064	3,442,614,476	
Predicted kWh Purchases		3,448,734,856	3,533,695,262	3,523,803,830	3,538,623,362
% Difference		-0.43%	0.57%	2.36%	
Billed kWh	3,410,130,471	3,365,222,318	3,387,692,155	3,327,049,201	3,408,041,926
By Class					
Residential					
Customers	123,095	125,906	128,164	130,185	132,100
kWh	1,136,096,743	1,102,286,735	1,117,323,408	1,119,770,671	1,134,259,152
General Service < 50 kW					
Customers	10,351	11,839	11,918	12,034	12,241
kWh	441,827,933	412,253,883	418,300,883	418,620,436	429,900,054
General Service > 50					
Customers	1,553	1,576	1,595	1,590	1,590
kWh	1,571,249,838	1,562,688,435	1,580,736,742	1,535,004,688	1,589,550,879
kW	3,801,956	3,870,802	3,944,920	3,859,956	3,947,533
Large User					
Customers	3	3	3	3	3
kWh	216,962,692	227,256,544	205,146,878	185,165,941	185,165,941
kW	413,008	438,386	421,485	395,529	359,005
Cogeneration					
Customers	4	3	3	3	3
kWh	9,925,644	30,875,410	37,425,167	38,706,866	38,706,866
kW - standby	153,097	155,066	154,800	154,800	154,800
kW - incremental	23,256	32,470	48,943	33,424	33,424
Streetlights					
Connections	31,420	32,249	32,971	33,173	33,728
kWh	22,933,768	22,656,102	23,071,309	23,270,767	23,660,355
kW	61,898	63,546	64,717	65,068	66,404
Sentinel Lights					
Connections	752	765	759	746	734
kWh	943,772	876,800	872,679	862,739	854,628
kW	2,490	2,349	2,369	2,335	2,334
Unmetered Loads					
Connections	1,481	1,780	1,429	1,513	1,592
kWh	10,190,081	6,328,409	4,815,088	5,647,094	5,944,051
Total					
Customer/Connections	168,659	174,120	176,842	179,247	181,992
kWh	3,410,130,471	3,365,222,318	3,387,692,155	3,327,049,201	3,408,041,926
kW from applicable classes	4,302,608	4,407,553	4,482,435	4,356,312	4,408,700

Interrogatory # 15

Ref: Exhibit 3, Table 8

a) Please explain why the actual purchases shown in this table are higher than the figures shown in line 1 of Table 35 shown in Exhibit 4.

b) Please explain why the average historical loss factor is used to adjust the forecast to a billed forecast, rather than the forecasted loss factor shown in Table 35 of Exhibit 4.

c) Why has London Hydro elected to forecast actual purchases and then adjust for the historical load losses rather than forecasting the actual billed amounts directly? Does London Hydro have the actual billed amounts by month from 1996 through 2007? If yes, please redo the stepwise regression analysis on the actual billed energy amounts rather than the actual purchases.

***RESPONSE*:**

a) Please refer to London Hydro's response to Board Staff Question #38 a) – the revised values for Table 35 Exhibit 4 are presented in Appendix OEB 38 – Loss Factors

b) The average historical loss factor for the period 1996 to 2007 has been used to adjust the purchased forecast to a billed forecast since the monthly data used in the regression analysis to produce the load forecasting model for 2008 and 2009 covers the period 1996 to 2007.

c) In preparing the Application, London Hydro reviewed the various load forecasting methods used in the 2008 rate applications. It was observed by London Hydro that the method used in the Toronto Hydro application appeared to receive a higher level of acceptance with parties than other methods. The method used by London Hydro is consistent with the method used by Toronto Hydro and uses a regression analysis to forecast the amount of purchases.

In addition, the Toronto Hydro approach appeared reasonable as London Hydro knows by month the exact amount of kWhs purchased from the IESO and others for use by customers of London Hydro. With a regression analysis these purchases can be directly related to other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. A regression analysis which relates the monthly billed kWh to other monthly variables in London Hydro's view was problematic. The monthly billed amount is not the amount consumed in the month but the amount billed. The amount billed is based on billing cycle meter reading schedules whose reading dates vary and typically are not at month-end. The amount billed could include consumption from the month before or even further back. By using a regression analysis to relate billing data to a variable such as heating degree days does not appear to be logical, since the resulting regression model would attempt to relate heating degree days in a month to the amount billed in the month, not the amount consumed. In London

Hydro's view, variables such as heating degree days impact the amount consumed, and not the amount billed.

In regards to actual monthly billing data, London Hydro does have the actual billed amounts by month from 1996 through 2007. Using the same explanatory variables as outlined in Exhibit 3 of the Application, a regression analysis on the actual billed energy was conducted. The resulting total billed amount for 2009 is 3,424,942,334 kWhs compared to the total billed amount of 3,431,680,138 kWhs in the Application. The alternative approach reduces the kWhs by 6,737,803 kWhs which is a 0.2% variance. Although the two results are close, London Hydro is concerned with using the regression analysis on the actual monthly billed amount as the R square results is only 0.41 which in London Hydro's view is low. London Hydro attempted to improve the R square value by including number of customers as an explanatory variable but this had little impact. London Hydro reiterates its concern with using monthly billing data in the regression analysis as it does not reflect the amount consumed in the month.

Interrogatory #16

Ref: Exhibit 3, page 11

a) Please update the regression equation to use actual monthly 2008 data. If actual data for the Ontario Real GDP Monthly Index is not available for all of 2008, please update the equation to reflect as many months of actual as is available for 2008.

b) Please provide the forecast for 2008 (if applicable) and the 2009 test year using the average of heating and cooling degree days from 1996 through 2008 as the forecast for 2009.

c) Please provide the R^2 for the equation estimated above, along with the t-statistics for each of the estimated coefficients.

d) Please provide the t-statistics for each of the estimated coefficients of the equation shown in page 11.

e) Please provide the Durbin-Watson statistic for the equation shown in page 11.

f) Please indicate why London Hydro did not forecast energy billed by rate class for each class of customers, rather than in aggregate.

***RESPONSE*:**

a) Please see London Hydro's response to Question 14

b) Please see London Hydro's response to Question 14

c) The following table provides the requested information

Variable	Coefficients	t Stat
Constant	(94,111,377)	(4.21)
Heating Degree Days	55,586	15.73
Cooling Degree Days	585,853	20.45
Ontario Real GDP Monthly %	1,086,335	29.26
Number of Peak Hours	77,563	2.19
Number of Days in Month	5,973,015	8.37
Blackout Flag	(12,367,969)	(1.80)
Spring Fall Flag	(8,448,373)	(5.74)

R Square	93.74%

d) The requested information for the equation shown in page 11 is as follows

Variable	Coefficients	t Stat
Constant	(107,256,299)	(5.15)
Heating Degree Days	54,859	16.62
Cooling Degree Days	574,782	21.69
Ontario Real GDP Monthly %	1,149,337	31.59
Number of Peak Hours	76,403	2.27
Number of Days in Month	6,208,119	9.39
Blackout Flag	(13,061,951)	(2.10)
Spring Fall Flag	(8,756,678)	(6.35)

R Square	94.99%

e) The Durbin-Watson statistic is not available from the Excel function that conducts the regression analysis.

f) Please see London Hydro's response to Question 15 c).

Interrogatory # 17

Ref: Exhibit 3, page 10

Please provide the time-series econometric equations, estimated t-statistics, R^2, Durbin-Watson statistic, and data used to forecast the customers by rate class (line 11).

***RESPONSE*:**

As outlined on page 16 of the Application, in most cases the geometric mean growth rate in customer/connection numbers from 1996 to 2007 is used to forecast the number of customers/connections for 2008 and 2009. This method corresponds very closely to the projections for the period 2006 to 2011 in new annual housing completions predicted in the most recent consulting report prepared for the City of London by Clayton Research Associates. A geometric mean time series method does not include an estimated of t-statistics, R2 and Durbin- Watson statistic. As result, these values are not available.

Interrogatory # 18

Ref: Exhibit 3, Table 12

Please provide the actual normalized average use per customer for each rate class as estimated by Hydro One for the 2004 year.

***RESPONSE*:**

The 2004 actual normalized average use per customer for each rate class as estimated by Hydro One is outlined below. The Hydro One data was developed for London Hydro in order to complete the cost allocation study.

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load
Energy Usage per Customer/Connection (kWh per customer/connection)								
2004 Hydro One Data	8,872	35,227	980,838	73,959,600	6,334,579	706	1,146	5,795

Interrogatory # 19

Ref: Exhibit 3

What is the impact on the forecast if there were 150 more GS < 50 kW customers in 2009 than currently forecast (i.e. 12,499 vs. 12,349)? Please show the impact of these additional customers by providing revised Tables 5, 6, 7, 15, 18 and 22.

***RESPONSE*:**

The impact on the forecast with 150 more GS < 50 kW customers in 2009 than currently forecast (i.e. 12,499 vs. 12,349) is outlined in the following tables:

Table 5 - Billed Energy and Number of Customers/Connection by Rate Class

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load	Total
Energy (GWh)									
2003	1,079	420	1,474	212	27	22	1	9	3,243
2004	1,065	410	1,504	220	23	22	1	9	3,255
2005	1,146	427	1,563	230	28	22	1	8	3,427
2006	1,102	412	1,563	227	31	23	1	6	3,365
2007	1,117	418	1,581	205	37	23	1	5	3,388
2008 (B)	1,111	423	1,627	205	37	23	1	5	3,433
2009 (T)	1,083	424	1,653	205	37	24	1	5	3,432
Number of Customers/Connection									
2003	121,195	11,824	1,465	3	4	30,537	822	1,608	167,458
2004	122,755	11,835	1,545	3	4	31,197	797	1,526	169,662
2005	124,049	11,853	1,555	3	3	31,602	790	1,409	171,264
2006	125,906	11,839	1,576	3	3	32,249	765	1,780	174,120
2007	128,164	11,918	1,595	3	3	32,971	759	1,429	176,842
2008 (B)	130,036	12,131	1,595	3	3	33,573	746	1,503	179,593
2009 (T)	131,936	12,499	1,595	3	3	34,187	734	1,581	182,539

Table 6 - Annual Usage per Customer/Connection by Rate Class

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load
Energy Usage per Customer/Connection (kWh per customer/connection)								
2003	8,899	35,563	1,005,860	70,576,181	6,713,946	705	1,172	5,634
2004	8,678	34,684	973,493	73,334,621	5,930,843	706	1,146	5,795
2005	9,241	36,043	1,005,383	76,786,538	8,926,921	697	1,145	5,829
2006	8,755	34,821	991,607	75,752,181	10,291,790	703	1,147	3,556
2007	8,718	35,099	990,865	68,382,293	12,475,191	700	1,150	3,368
2008 (B)	8,545	34,853	1,019,704	68,382,293	12,475,191	700	1,158	3,368
2009 (T)	8,205	33,910	1,035,891	68,382,293	12,475,191	700	1,167	3,368
Annual Growth Rate in Usage per Customer/Connection								
2003								
2004	-2.5%	-2.5%	-3.2%	3.9%	-11.7%	0.2%	-2.2%	2.9%
2005	6.5%	3.9%	3.3%	4.7%	50.5%	-1.4%	-0.1%	0.6%
2006	-5.3%	-3.4%	-1.4%	-1.3%	15.3%	0.9%	0.2%	-39.0%
2007	-0.4%	0.8%	-0.1%	-9.7%	21.2%	-0.4%	0.3%	-5.3%
2008 (B)	-2.0%	-0.7%	2.9%	0.0%	0.0%	0.0%	0.7%	0.0%
2009 (T)	-4.0%	-2.7%	1.6%	0.0%	0.0%	0.0%	0.7%	0.0%

Table 7 - London Hydro's Total System Purchases

(GWh)	Actual	Predicted	% Difference
1996	2,928	2,907	-0.72%
1997	2,914	2,919	0.19%
1998	3,015	3,057	1.39%
1999	3,214	3,199	-0.49%
2000	3,211	3,218	0.21%
2001	3,267	3,261	-0.18%
2002	3,397	3,423	0.77%
2003	3,339	3,323	-0.50%
2004	3,384	3,347	-1.10%
2005	3,560	3,530	-0.83%
2006	3,464	3,468	0.13%
2007	3,514	3,555	1.17%
2008 (WN)		3,563	
2009 (WN)		3,563	

Table 15 - Non - Normalized Weather Billed Energy Forecast

	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Loads	Total
Non-normalized Weather Billed Energy Forecast (GWh)									
2008	1,134	431	1,648	205	37	23	1	5	3,485
2009	1,150	450	1,718	205	37	24	1	5	3,591

Table 18 - Alignment of Non-normal to Weather Normal Forecast for 2009

	2009	Weather Adjustment	2009 Weather Normal
Residential	1,150	(68)	1,083
General Service < 50 kW	450	(26)	424
General Service > 50 kW	1,718	(66)	1,653
Large User	205		205
Cogeneration	37		37
Streetlights	24		24
Sentinel Lights	1		1
Unmetered Loads	5		5
Total	3,591	(160)	3,432

Table 22 - Summary of Forecast Data

	2006 Board Approved	2006 Actual	2007 Actual	2008 Weather Normal	2009 Weather Normal
Actual kWh Purchases		3,463,554,919	3,513,738,064		
Predicted kWh Purchases		3,468,092,595	3,554,954,335	3,563,255,416	3,563,033,193
% Difference		0.13%	1.17%		
Billed kWh	3,410,130,471	3,365,222,318	3,387,692,155	3,432,662,358	3,431,680,138
By Class					
Residential					
Customers	123,095	125,906	128,164	130,036	131,936
kWh	1,136,096,743	1,102,286,735	1,117,323,408	1,111,101,297	1,082,587,102
General Service < 50 kW					
Customers	10,351	11,839	11,918	12,131	12,499
kWh	441,827,933	412,253,883	418,300,883	422,821,645	423,847,194
General Service > 50					
Customers	1,553	1,576	1,595	1,595	1,595
kWh	1,571,249,838	1,562,688,435	1,580,736,742	1,626,745,130	1,652,568,122
kW	3,801,956	3,870,802	3,944,920	4,033,559	4,097,588
Large User					
Customers	3	3	3	3	3
kWh	216,962,692	227,256,544	205,146,878	205,146,878	205,146,878
kW	413,008	438,386	421,485	392,686	392,686
Cogeneration					
Customers	4	3	3	3	3
kWh	9,925,644	30,875,410	37,425,167	37,425,572	37,425,572
kW - standby	153,097	155,066	154,800	154,800	154,800
kW - incremental	23,256	32,470	48,943	48,946	48,946
Streetlights					
Connections	31,420	32,249	32,971	33,573	34,187
kWh	22,933,768	22,656,102	23,071,309	23,492,755	23,921,899
kW	61,898	63,546	64,717	65,965	67,170
Sentinel Lights					
Connections	752	765	759	746	734
kWh	943,772	876,800	872,679	864,724	856,841
kW	2,490	2,349	2,369	2,364	2,342
Unmetered Loads					
Connections	1,481	1,780	1,429	1,503	1,581
kWh	10,190,081	6,328,409	4,815,088	5,064,357	5,326,529
Total					
Customer/Connections	168,659	174,120	176,842	179,593	182,539
kWh	3,410,130,471	3,365,222,318	3,387,692,155	3,432,662,358	3,431,680,138
kW from applicable classes	4,302,608	4,407,553	4,482,435	4,543,520	4,608,732

Interrogatory # 20

Ref: Exhibit 3, Table 20

a) What is the impact on the 2009 revenue requirement if the average kW/kWh ratio of 0.7633% is used instead of the 0.5444% ratio for the cogeneration rate class?

b) What would be the impact of lower natural gas prices that contributed to more self generation and less purchases from London Hydro on the average kWh/kW ratio?

***RESPONSE*:**

a) There would be no impact on the 2009 revenue requirement if the average kW/kWh ratio of 0.7633% is used instead of the 0.5444% ratio for the cogeneration rate class.

b) The impact of lower natural gas prices that contributed to more self generation and less purchases from London Hydro could reduce the kWh and kW by the same percentage. In this case the resulting average ratio would not change. If the kWh were reduced more than the kW then the average kW/kWh ratio would increase. If the kWh increased more than the kW then the average kW/kWh ratio would decrease. In other words, without more information on the direct impacts on kWh and kW from lower natural gas prices, London Hydro is unable to provide the requested impact on the average kW/kWh ratio.

Interrogatory # 21

Ref: Exhibit 3, Table 23

Please provide the actual 2008 figures in the same level of detail as shown in this table.

***RESPONSE*:**

Please refer to the table provided below.

Account Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2008 Actual	2009 Test
4080b-Distribution Services Revenue - SSS Admin fee	$ 342,745	$ 350,951	$ 349,936	$ 350,000	$ 367,299	$ 350,000
4082-Retail Services Revenues	240,370	249,979	265,694	250,000	225,379	255,000
4084-Service Transaction Requests (STR) Revenues	1,507	15,765	21,536	19,000	10,014	20,000
4210-Rent from Electric Property	526,093	639,027	614,593	643,300	642,189	449,500
4220- Standby revenue- one time adj. to accommodate 2006 EDR rate model	247,191	-	-	-	-	-
4225-Late Payment Charges	977,721	933,885	1,008,327	1,008,000	969,016	1,000,000
4235-Miscellaneous Service Revenues	909,700	730,228	853,781	832,600	818,321	832,800
4235-Miscellaneous Service Revenues- recorded as credits in 5330 expenses	550,165	527,055	585,550	535,000	533,859	550,000
4330-Costs and Expenses of Merchandising, Jobbing, Etc.	(6,935)	4,220	(1,852)	2,800	(1,832)	3,000
4355-Gain on Disposition of Utility and Other Property	19,013	67,618	36,964	85,000	87,476	98,600
4390-Miscellaneous Non-Operating Income	207,344	239,935	312,501	306,500	285,874	259,500
4405-Interest and Dividend Income	418,627	861,092	951,297	808,967	631,706	488,048
Total	$ 4,433,541	$ 4,619,754	$ 4,998,328	$ 4,841,167	$ 4,569,301	$ 4,306,448
Less: 4080b SSS Admin fees omitted from 2006 EDR	$ (342,745)	$ -	$ -	$ -		$ -
Less: amounts recorded in account 5330 as credits to expense	-	(527,055)	(585,550)	(535,000)	(533,859)	(550,000)
Less: 50% of Gain on Disposition of Utility Property	-	(33,809)	(18,482)	(42,500)	(43,738)	(49,300)
Total Revenue Offsets	**$ 4,090,796**	**$ 4,058,890**	**$ 4,394,296**	**$ 4,263,667**	**$ 3,991,704**	**$ 3,707,148**
Other Distribution Revenue						
Late Payment Charges	$ 977,721	$ 933,885	$ 1,008,327	$ 1,008,000	$ 969,016	1,000,000
Specific Service Charges	1,728,832	1,096,464	1,206,211	1,185,600	1,174,112	1,189,300
Other Distribution Revenue	1,384,243	2,028,541	2,179,758	2,070,067	1,848,576	1,517,848
	$ 4,090,796	**$ 4,058,890**	**$ 4,394,296**	**$ 4,263,667**	**$ 3,991,704**	**$ 3,707,148**

Interrogatory # 22

Ref: Exhibit 3, page 24 – 26

a) Please provide the number of retailers and retailer customers as of January 1, 2009.

b) Based on the response to part (a), what impact does this have on the 2009 forecast for Retail Services Revenue?

c) Is the SSS Admin Fee of $0.25 per month applicable to each connection or to each customer in the street lighting and USL rate classes?

d) Please reconcile the customer forecast for 2009 shown in Table 5 of Exhibit 3 with the volumes shown used in the calculation of the SSS Admin Fee (1,400,000) and the volume shown in the calculation of the Retail Service Revenue (318,698).

e) If the number of retailer customers has decreased by 22% or more than 6,500 customers since January 1, 2007 and there is growth in the number of customers since 2007, why has there been no corresponding increase in the SSS Admin Fee? Wouldn't these 6,500+ additional customers generate more than $20,000 in incremental SSS Admin Fee revenues?

f) Please provide the actual 2008 level of STR Revenues.

***RESPONSE*:**

a) As of January 1, 2009 there are 12 retailers and 23,872 retailer customers.

b) At time of developing the 2009 forecast for Retail Services Revenue, the number of retailers was 12, and retailer customers were 23,828 as per Exhibit 3, page 26, line 1. There are still 12 retailers and retailer customers have increased by only 0.2%, thus there is no material impact on the projected revenues.

c) The SSS Admin Fee of $0.25 per month is applicable to each customer in the street lighting and USL rate classes. It is not applied to each connection.

d) Please refer to the following analysis:

Revenue projections were based upon prior years' actual data with anticipated growth. Projections as illustrated in the following table produce resulting revenues that differ by $1,300.

Table 5 - Billed Energy and Number of Customers / Connections By Rate Class

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogen	Streetlights	Sentinel Lights	Unmetered Load	Total
Number of Customers/Connection									
2009 (T)	131,936	12,349	1,595	3	3	34,187	734	1,581	182,389
Customer Count	131,936	12,349	1,595	3	3	1	367	100	146,355

Deduct retailer customers	(23,872)
Total average SSS customers	122,483
Annual volume	1,469,794
SSS fee	$ 0.25
Annual SSS revenue	**$ 367,449**
Projected amount	**$ 350,000**
Potential revenue understatement	**$ 17,449**

Retailer customer administration charge

Average number of retailer customers	23,872
Annual average number of customers	286,464
Revenue based on averages	**$ 143,232**
Revenue projected	**$ 159,349**
Potential revenue overstatement	**$ (16,117)**
Net potential revenue understatement	**$ 1,332**

e) 2009 revenue forecasts for the $0.25 SSS admin fee and the retailer consolidated billing charge of $0.30 are based on 2008 Bridge year amounts and 2007 actual amounts. To the extent that either one of these forecasts is over or understated, they will essentially offset each other. Virtually all retailer customers are billed under the distributor consolidated billing option through which $0.30 per customer is charged. Thus when customers move between retailer and default energy supply option, the revenue differential for London Hydro is and increase or decrease of $0.05 per customer per month**.**

As indicated above in the response to IR # 21, SSS actual revenues for 2008 are $17,299 higher than forecast, while Retail Services revenues are $24,621 lower than forecast.

f) The actual 2008 level of STR Revenues was $10,014.

Interrogatory # 23

Ref: Exhibit 3, page 27

a) Has London Hydro reflected any productivity improvements as a result of alleviating the overcrowding by moving its own workforce in to the vacated area? If not, why not?

b) Please explain why the administrative building space rental at $69,000 for 2009 is only one half of the $20.73 per square foot times the 6,656 floor space being rented in 2009 (that is $20.73 x 6,656 =$138,000).

c) For the months of January and February, 2009, what was the floor space that was rented by London Hydro?

d) How many poles were rented at the end of 2008?

e) What is included in "Duct rentals and miscellaneous"?

f) Why is there is a significant reduction in the forecast for 2009 as compared to that for 2008?

***RESPONSE*:**

a) No. There are no cost savings since London Hydro was not renting any space previously that it now will not be using, and utilities, taxes and other common costs will not change. Employee productivity may improve as result of this move, but we are not able to quantify at this time any financial savings that could result.

b) As indicated in Exhibit 3 page 27, lines 9 to 13, this rented space will be vacated by June 30, 2009 and we do not currently have a new tenant to replace this rental income. Thus for 2009 we have forecast revenue for ½ of the year only.

c) Floor space rented in January was 12,498 square feet; floor space rented in February was 6,656 square feet.

d) The number of poles rented at the end of 2008 was 15,826.

e) Please refer to London Hydro's response to Board Staff Question #14a).

f) In 2009, the space rental is only for ½ of the year, and the anticipated true-up in common costs that is recorded as miscellaneous in this account is forecast for only ½ the year.

Interrogatory # 24

Ref: Exhibit 3, page 28

a) Please provide the actual late pay charges for 2008.

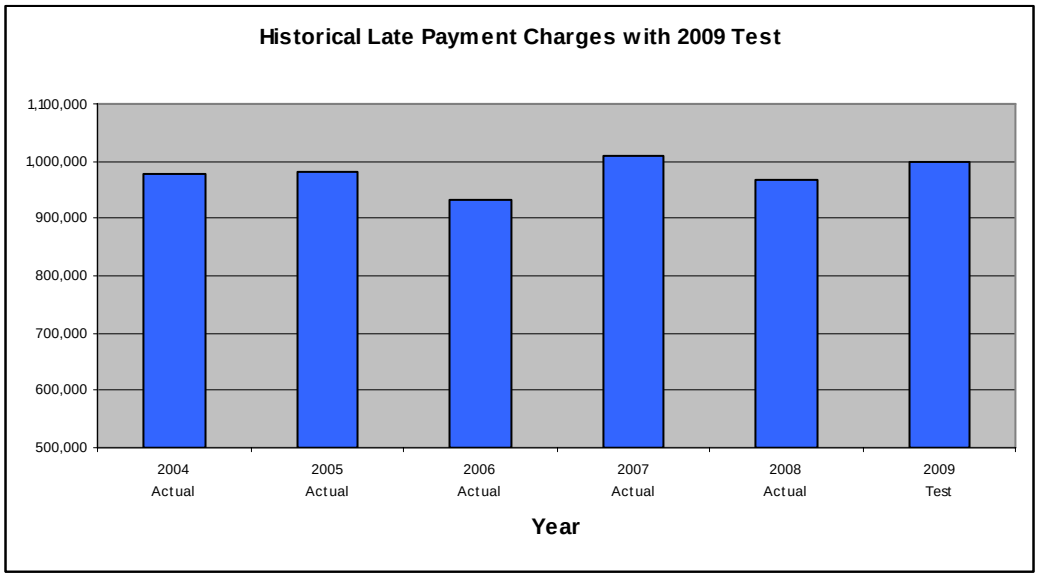
b) How has London Hydro factored in changes in the distribution rates, commodity rates, transmission rates and the growth in customers into the calculation of the late payment charges for the 2009 test year?

***RESPONSE*:**

a) The 2008 actual late payment charges are provided below and compared to the 2008 Bridge and 2009 Test years.

YEAR	AMOUNT
2007 Actual	1,008,327
2008 Actual	**969,016**
2008 Bridge	1,008,000
2009 Test	1,000,000

b) The chart below shows historical actuals and the 2009 Test Year. During this time the total number of customers has increased by 6.9% and overall growth in the annual dollar value of billings has increased by approximately 10% from 2007 to 2009. In contrast the overall change in late payment charges between the 2007 Actual and 2009 Test is down $8k or just under 1%.



The budget for late payment charges is based on historical actual results. The 2009 Test year allows for a 3% increase over the 2008 actual results.

Although late payment charges are affected by growth and rate increases, they have also been affected by other factors such as improved collection practices, and customer payment options. Customers enrolled in direct debit and easy payment plans have increased significantly during the years presented. London Hydro is also aggressively pursuing the collection of its receivables, and using new technology to prompt its customers to pay their accounts quicker. Both of these initiatives drive late payment revenue down and at the same time result in lower bad debt expense.

Please refer to Exhibit 4, p. 37 for the related discussion on bad debt expense.

Interrogatory # 25

Ref: Exhibit 3, page 31

Please explain why ratepayers should not be allocated 100% of the capital gain on depreciable assets that are being replaced with new assets that are included in rate base.

***RESPONSE*:**

This issue has been discussed and resolved by the OEB and all stakeholders during the development of the 2006 EDR Rate Handbook and the Board issued its conclusion on the matter in the 2006 EDR Handbook. London Hydro has followed the directions provided by the Report of the Board, in the 2006 Electricity Distribution Rate Handbook, RP-2004-0188 with respect to its treatment of capital gains on depreciable assets.

The Board's report concludes on page 27 that " f*or assets sold to a non-affiliate, where the fair market value of the gain or loss falls below the materiality threshold in the chart* (0.2% of net fixed assets), *the gain or loss shall be shared between the ratepayers and the shareholders on a 50 / 50 basis"*

For London Hydro, 0.2% of net fixed assets is $361,819 and thus the gain on disposal of $98,600 is less than 0.2% of net fixed assets and 50% has been shared with the ratepayers.

If there had been a loss on disposal, then in accordance with the Board's directions, only 50% of that loss would have been allocated to the ratepayer.

Interrogatory # 26

Ref: Exhibit 3, page 32

a) Please indicate why there is a decrease in the sale of scrap forecast for 2009 after increases in both 2007 and 2008.

b) How does London Hydro define a normalized level of amounts written off given that the 2006 and 2007 levels of $45,000 and $91,473 are described as higher than normal and the 2008 and 2009 levels of $70,000 and $40,000 are described as normal?

c) Why is there no interest income shown for Employee Purchase Interest and Miscellaneous Interest Revenue in 2009?

d) What is the actual 2008 interest income from these items noted above in part (c)?

e) Please explain what is in the "Interest on approved transitional costs" and why this has now become a credit to interest income.

f) Please provide the assumptions (interest rates and balances) used in forecasting the reduction in bank deposit and short term investment interest in 2009 relative to the 2008 figures.

***RESPONSE*:**

a) In 2007 and the early part of 2008, prices for scrap metal were increasing to record levels. Near the end of 2008 the prices dropped significantly. With the uncertainty as to where the price will go over the course of 2009, it is expected that the dollars received for the same quantity of scrap will be less given current prices.

b) Please refer to London Hydro's response to Board Staff Question #14c

c) Employee purchase interest is dependent on purchases made by employees and is difficult to predict. Due to the minor amount involved, no time was expended on attempting to calculate this item.

Miscellaneous interest revenue has come from adjustments to taxes for tax credits re SRED claims related to past returns. At this point in time these claims are up to date and London Hydro has not predicted any further adjustments resulting in interest income.

d) Actuals for 2008 - Employee Purchase Interest $396 Misc Interest Revenue - $11,660

e) Interest on approved transitional costs is the interest on deferral and variance accounts authorized by the Board and as further listed in Exhibit 5.

Please refer to London Hydro's response to Board Staff Question #14 d) with reference to interest amounts reflected as an expense.

f) The interest on bank balances and short-term deposits was developed by estimating the average cash balances over the course of 2009 and apply a forecast interest rate of 3.4% to those balances. Average cash balances were estimated to be $13.6 million over the course of the year with estimated interest to be $465 K rounded off to $450 K for fluctuations in monthly cash levels and monthly interest rates.

Average cash balances take into account several predictions for capital and smart meter spending, results of the Board's Decision on rates, anticipated disposals of deferral and variance accounts, forecast revenues and cost of power and a range of other cost and revenue predictions.

Projected interest revenues for 2008 were based on average cash balances of $22 million and an average interest rate of 4.75 %

Interrogatory # 27

Ref: Exhibit 3, Appendix A

a) Please provide the data shown in Appendix A in a live Excel spreadsheet.

b) Please provide the additional data over the January, 1996 through December, 2007 period in the live Excel spreadsheet:

i) Number of customers/connections by rate class;
ii) Volume of billed energy (kWh) for each rate class.

***RESPONSE*:**

a) Please refer to Appendix LPMA 27 (excel spreadsheet)

b) i) Please refer to Appendix LPMA 27 (excel spreadsheet)

ii) Please refer to Appendix LPMA 27 (excel spreadsheet)

Interrogatory # 28

Ref: Exhibit 5, Table 2

Please update the calculation of the carrying charges to reflect the OEB prescribed interest rate of 2.45% for the first quarter of 2009 and apply this rate to the period to both April 2009 and the May, 2009 through August, 2009 period. If there is an OEB prescribed interest rate for the second quarter of 2009 before this question is answered, please use this figure for the April 2009 and May, 2009 through August, 2009 periods.

RESPONSE:

Please refer to the following table:

Accounts for Which A Disposition Request is Included This Application		1508 Other Regulatory Assets - Sub-account OEB Cost Assessments	1508 Other Regulatory Assets - Sub-account Pension Contributions	1525 Miscellaneous Deferred Debits	1580 RSVA - Wholesale Market Service Charges	Total
Utility Deferral Accounts						
Net Accruals / Variances		$ 392,670	$ 1,491,745	$ 30,810	$ (6,109,269)	$ (4,194,044)
Recoveries / Adjustments						0
Carrying Charges		50,615	149,218		(67,203)	132,630
Ending Balance - December 31,2007		443,285	1,640,962	30,810	(6,176,472)	(4,061,415)
January 1 to March 31,2008						
	Net Accruals / Variances					
	Recoveries / Adjustments					-
	Carrying Charges - 5.14%	5,018	19,064	-	(78,504)	(54,422)
		448,304	1,660,026	30,810	(6,254,976)	(4,115,836)
April 1 to June 30,2008						
	Net Accruals / Variances					
	Recoveries / Adjustments					-
	Carrying Charges - 4.08%	3,983	15,133	-	(62,315)	(43,199)
		452,287	1,675,159	30,810	(6,317,291)	(4,159,035)
July 1, 2008 to April 30,2009						
	Net Accruals / Variances					
	Recoveries / Adjustments					-
Carrying Charges - 3.35%	to Dec 31/08	6,613	25,123	-	(102,330)	(70,594)
Carrying Charges - 2.45%	Jan 1/09 to Mar 31/09	2,372	9,012	-	(37,419)	(26,035)
Carrying Charges - 1.0%	Apr 30/09	323	1,226	-	(5,091)	(3,542)
Forecast Balance at April 30,2009		**$ 461,595**	**$ 1,710,520**	**$ 30,810**	**$ (6,462,131)**	**$ (4,259,206)**
May 1,2009 to August 31,2009						
	Net Accruals / Variances					
	Recoveries / Adjustments					-
	Carrying Charges - 1.0%	1,323	5,013	-	(20,364)	(14,028)
Forecast Balance at August 31,2009		**$ 462,918**	**$ 1,715,533**	**$ 30,810**	**$ (6,482,495)**	**$ (4,273,234)**

Interrogatory # 29

Ref: Exhibit 5, page 6

For Account 1580, the evidence indicates that the credit would be allocated to rate classes on the basis of kW energy consumption by customer class. The following paragraph then states that the allocation of costs to customer classes based upon kWh energy consumption by customer class is recommended since all customer classes pay and have paid the same wholesale market service charge rate based upon their kWh energy consumption. Please explain if the allocation to rate classes is based on kW or kWh.

***RESPONSE*:**

On Exhibit 5, page 6, line 16, there is a typographical error. The sentence should read "on the basis of 2009 kWh energy consumption by customer class". The credit has been allocated to customer classes based upon their 2009 kWh energy consumption.

Please refer to London Hydro's response to OEB Question #37 and Appendix OEB 37 a – Deferral Accounts, for further clarification.

Interrogatory # 30

Ref: Exhibit 6

a) Does London Hydro agree that the short term debt rate, long term debt rate and return on equity will all be updated to reflect the deemed debt rates for 2009 based on January 2009 market interest rates?

b) Does London Hydro agree that if the deemed long term debt rate is higher than 6.00%, the actual rate payable by London Hydro of 6.00% would be applied to calculate the cost of long term debt?

***RESPONSE*:**

a) Yes, it is London Hydro's understanding that the OEB's practice is to update these components of the rate application based upon the data that becomes available to them in January. This data was released by the Board on February 24, 2009.

The data indicates that London Hydro's ROE will be adjusted downward from 8.57% to 8.01%.

The Board's deemed long-term debt rate has been increased from 6.10% to 7.62% and the short-term debt rate has been reduced from 4.47% to 1.33%

b) London Hydro has no short term debt, and therefore assumes that it's deemed short term debt rate will be reduced to 1.33%.

London Hydro's deemed long term debt amount is $126 million. London Hydro has actual long term debt of $70 million at 6.0%, and London Hydro assumes that the rate for this portion of its long-term debt will be 6.0%.

London Hydro has unfunded long term debt of $56 million, and London Hydro would expect that the Board will allow the deemed rate of 7.62% to apply to this portion of London Hydro's deemed long-term debt.

Interrogatory # 31

Ref: Exhibit 4, Table 1

a) Please update Table 1 to include actual 2008 figures in the same level of detail as shown.

b) Please confirm that the charitable donations shown for all years are donations to programs that provide assistance to customers to pay their electricity bills.

***RESPONSE*:**

a) See table provided below

SUMMARY OF OPERATING COSTS

Description	2006 Board Approved	2006 ACTUAL	2007 ACTUAL	2008 BRIDGE	2008 ACTUAL	2009 TEST
OM&A expenses						
Operations	$ 5,460,125	$ 5,686,720	$ 6,465,055	$ 6,870,259	$ 6,639,274	$ 7,180,864
Maintenance	5,279,935	5,448,857	5,779,162	6,068,492	6,275,516	6,323,653
Billing and Collections	3,290,054	3,763,129	3,815,883	4,052,567	3,823,321	4,392,700
Community Relations	105,686	357,778	380,305	295,558	341,246	316,579
Administrative and General Expenses	6,009,812	6,808,647	7,396,336	7,647,408	7,987,783	8,546,464
Insurance Expense	467,144	430,420	415,326	423,700	425,477	459,100
Bad Debt Expense	591,096	545,728	534,840	525,000	524,950	535,000
Advertising Expenses	290,419	374,643	377,498	387,484	361,124	415,040
Other Distribution Expenses	-	-	-		-	-
Total OM&A expense	21,494,271	23,415,921	25,164,406	26,270,467	26,378,691	28,169,400
CDM Third Tranche Spending	-	1,783,156	172,154	-	-	-
Charitable Donations	50,000	50,000	50,000	50,000	100,000	50,000
Amortization Expense	12,135,496	13,351,523	14,075,541	16,015,000	15,694,784	15,919,000
Total Distribution Expenses Before PILs	**$ 33,679,767**	**$ 38,600,600**	**$ 39,462,101**	**$ 42,335,467**	**$ 42,173,475**	**$ 44,138,400**

b) London Hydro confirms that the charitable donations shown for all years are donations to programs that provide assistance to customer to pay their electricity bills.

THAW - London Heat and Warmth program assists customers in financial difficulties that cannot pay their electricity bills. The donation is administered by a community organization ensuring customers meet the criteria. Currently this program is administered by the Salvation Army of London.

Interrogatory #32

Ref: Exhibit 4, Table 3

Please provide a revised version of Table 3 based on the Total OM&A expense (i.e. excluding CDM third tranche spending, charitable donations and amortization expense.

***RESPONSE*:**

See the table provided below. The 2008 Actual results have been used in the calculation of annual increases. Please see the table provided in response to Question #31 a) above.

OM&A COST COMPARISON OF ANNUAL INCREASES

Period	Number of Years	TOTAL CHANGE ($)	CUMULATIVE CHANGE (%)	AVERAGE ANNUAL CHANGE (%)
2004-2009	5	6,675,129	31.1%	6.2%
2004-2008	4	4,884,419	22.7%	5.7%
2006-2009	3	4,753,479	20.3%	6.8%
2007-2009	2	3,004,994	11.9%	6.0%
2007-2008	1	1,214,284	4.8%	4.8%
2008-2009	1	1,790,710	6.8%	6.8%

NOTES:

1.. Exhibit 2, p. 3, Table 3 Revised

2. 2008 Actual replaces 2008 Bridge

3. Excludes CDM Third Tranche, Charitable Donations, Amortization Expense

Interrogatory # 33

Ref: Exhibit 4, Tables 7 & 8 & 9

Please update tables 7, 8 & 9 to reflect actual figures for 2008.

***RESPONSE*:**

Table 7 has been revised to reflect the 2008 Actual results and is provided below:

SUMMARY OF OM&A COSTS BY MAJOR COST CATEGORY

Major Cost Category	2006 Board Approved	2006 ACTUAL	2007 ACTUAL	2008 BRIDGE	2008 ACTUAL	2009 TEST
Labour & benefits	$ 15,660,468	$ 16,703,490	$ 17,824,703	$ 18,274,050	$ 18,761,242	$ 19,393,700
Purchased Services	3,627,975	3,559,303	3,793,126	4,161,600	4,114,023	4,342,000
Materials & supplies	834,241	956,963	994,275	1,041,050	1,036,902	1,074,500
Bad Debts	591,096	545,728	534,840	525,000	524,950	535,000
Property tax & insurance	1,241,696	1,157,996	1,114,952	1,151,800	1,152,093	1,222,000
Facilities maintenance & repair	953,801	1,369,441	1,438,224	1,545,000	1,602,130	1,531,800
Office equipment services & maintenance	882,748	943,689	944,722	1,029,400	1,062,998	1,324,000
Postage	848,431	877,051	893,672	925,000	884,579	975,000
Fleet operations & maintenance	1,276,247	909,942	934,822	1,057,400	1,037,038	1,079,800
Corporate training and employee expenses	545,137	585,182	691,740	813,800	640,157	932,900
Rental Regulatory & other expenses	710,188	860,877	1,044,718	937,067	906,218	1,023,400
Studies and special projects	220,255	85,776	184,344	93,500	46,579	109,000
Allocations to capital, billable, and other activities	(1,722,271)	(1,516,232)	(1,586,844)	(1,679,200)	(1,665,232)	(1,715,700)
Cost Recoveries	(4,175,741)	(3,623,284)	(3,642,889)	(3,605,000)	(3,724,986)	(3,658,000)
	$ 21,494,271	**$ 23,415,921**	**$ 25,164,405**	**$ 26,270,467**	**$ 26,378,691**	**$ 28,169,400**

Table 8 has been revised to reflect the 2008 Actual results and is provided below:

SUMMARY OF OM&A COST VARIANCES BY MAJOR COST CATEGORY

Major Cost Category - VARIANCES	2006 Board Approved to 2008 ACTUAL		2006 ACTUAL to 2008 ACTUAL		2007 ACTUAL to 2008 ACTUAL		2008 ACTUAL to 2009 TEST	
	$	%	$	%	$	%	$	%
Labour & benefits	3,100,774	19.8	2,057,752	12.3	936,539	5.3	632,458	3.4
Purchased Services	486,048	13.4	554,720	15.6	320,897	8.5	227,977	5.5
Materials & supplies	202,661	24.3	79,939	8.4	42,627	4.3	37,598	3.6
Bad Debts	(66,146)	(11.2)	(20,778)	(3.8)	(9,890)	(1.8)	10,050	1.9
Property tax & insurance	(89,603)	(7.2)	(5,903)	(0.5)	37,141	3.3	69,907	6.1
Facilities maintenance & repair	648,329	68.0	232,689	17.0	163,906	11.4	(70,330)	(4.4)
Office equipment services & maintenance	180,250	20.4	119,309	12.6	118,276	12.5	261,002	24.6
Postage	36,148	4.3	7,528	0.9	(9,093)	(1.0)	90,421	10.2
Fleet operations & maintenance	(239,209)	(18.7)	127,096	14.0	102,216	10.9	42,762	4.1
Corporate training and employee expenses	95,020	17.4	54,975	9.4	(51,583)	(7.5)	292,743	45.7
Rental Regulatory & other expenses	196,030	27.6	45,341	5.3	(138,500)	(13.3)	117,182	12.9
Studies and special projects	(173,676)	(78.9)	(39,197)	(45.7)	(137,765)	(74.7)	62,421	134.0
Allocations to capital, billable, and other activities	57,039	(3.3)	(149,000)	9.8	(78,388)	4.9	(50,468)	3.0
Cost Recoveries	450,755	(10.8)	(101,702)	2.8	(82,097)	2.3	66,986	(1.8)
	4,884,420	**22.7**	**2,962,770**	**12.7**	**1,214,286**	**4.8**	**1,790,709**	**6.8**

Table 9 has been revised to reflect the 2008 Actual results and is provided below:

Summary of Changes to Labour & Benefits in OM&A

							VARIANCES							
	2006 Board Approved	2006 ACTUAL	2007 ACTUAL	2008 BRIDGE	2008 ACTUAL	2009 TEST	2006 Board APPROVED to 2008 ACTUAL		2006 ACTUAL to 2008 ACTUAL		2007 ACTUAL to 2008 ACTUAL		2008 ACTUAL to 2009 TEST	
	$	$	$		$	$	$	%	$	%	$	%	$	%
Base Labour	15,235,698	16,180,289	17,164,214	17,949,000	18,413,062	19,192,700	3,177,364	20.85	2,232,773	13.80	1,248,848	7.28	779,638	4.23
Premium Pays	881,341	901,259	1,210,528	1,057,400	1,052,380	1,060,300	171,039	19.41	151,121	16.77	(158,148)	(13.06)	7,920	0.75
Benefit Cost	4,246,742	4,402,624	5,119,936	5,213,950	5,245,707	5,613,300	998,965	23.52	843,083	19.15	125,771	2.46	367,593	7.01
TOTAL Salaries, Wages, & Benefits	20,363,781	21,484,172	23,494,678	24,220,350	24,711,149	25,866,300	4,347,368	21.35	3,226,977	15.02	1,216,471	5.18	1,155,151	4.67
Allocation to Capital, Billable, and Other	(4,703,313)	(4,780,682)	(5,669,975)	(5,946,300)	(5,949,907)	(6,472,600)	(1,246,594)	26.50	(1,169,225)	24.46	(279,932)	4.94	(522,693)	8.78
Labour & Benefits in OM&A	**15,660,468**	**16,703,490**	**17,824,703**	**18,274,050**	**18,761,242**	**19,393,700**	**3,100,774**	**19.80**	**2,057,752**	**12.32**	**936,539**	**5.25**	**632,458**	**3.37**

Interrogatory # 34

Ref: Exhibit 4, Table 17

a) Please update Table 17 to reflect actual figures for 2008

b) What would be the impact on the revenue requirement if the average base (excluding variable) compensation increase in 2009 for the Executive, Director, Middle Management and Non Union categories was limited to the same percentage increase as for the Union category (i.e. 2.0% based on figures of $68,111 and $66,798). Please show all calculations used.

c) What would be the impact on the average benefits costs associated with the changes in (b) above?

***RESPONSE*:**

a) Please refer to Appendix SEC 7 - Table 17 for updates which includes 2008 actuals.

b) Applying a 2% increase to the Executive, Director, Middle Management and Non Union categories would result in a reduction in OM&A expense of approximately $79,000.

Calculation of Impact of 2% Wage Increase for Non Union

	2009 Budget	Budgeted Rate Escalation	Remove Budgeted Increase	Apply Rate of 2.0%	Gross Impact	Est. Alloc to to Capital / Billable - %	Est. Alloc to to Capital / Billable - $	Est. Net OM&A Impact Base Lbr	Est. Net OM&A Impact Burdened
Base Salaries									
Executive (CEO, CFO, VPs)	851,600	3.90%	819,634	836,000	15,600	-	-	15,600	17,160
Directors	1,052,900	3.25%	1,019,758	1,040,200	12,700	-	-	12,700	13,970
Management - Middle	3,056,100	3.25%	2,959,903	3,019,100	37,000	25%	(9,250)	27,750	30,525
Non Union - non-supervisory	2,630,700	3.25%	2,547,893	2,600,100	30,600	25%	(7,650)	22,950	25,245
	7,591,300		7,347,189	7,495,400	**95,900**		(16,900)	**79,000**	**86,900**
Variable Compensation	nil								

Notes:
The 25% allocation to capital is purely an estimate.
Management and Non Union Non Supervisory include a mix of employees (Engineers, Accountants, Information Technology employees and Administrative staff).

Burden has been estimated at 10% rather than 30% since a large majority of benefit costs are fixed or not dependent on earnings.

c) The impact to total benefit cost would be minimal at approximately $8,000 annually. The average annual benefit cost per employee for the related group would drop by approximately $95.00 per employee.

Some benefits, such as health benefits, are not directly connected to salary. Statutory benefit costs related to CPP, and EI would not change as employees in this group would reach their maximums even if the wage increase was based on 2% instead of 3.25%. The only benefit of significance that would be affected would relate to OMERS.

Interrogatory # 35

Ref: Exhibit 4, Table 10

Please provide the increase in the Ontario Consumer Price Index (CPI) for 2005 through 2008 and the forecast used by London Hydro for 2009.

***RESPONSE*:**

The requested CPI increases are as follows:

2005: 2.3%
2006: 1.9%
2007: 2.0%
2008: 2.5%

London Hydro did not use the forecast Ontario CPI for development of its 2009 Test Year forecasts. More detailed and utility specific inflation and cost increase factors were used for developing the 2009 Test Year forecasts.

Please refer to London Hydro's response to Board Staff Question #16 for cost projection data used.

Interrogatory # 36

Ref: Exhibit 4, page 28

Please explain why ratepayers should expected to pay $30,000 for a special celebration marking London Hydro's 100th anniversary. Why should these costs not be born by London Hydro's shareholder?

***RESPONSE*:**

The 100th anniversary of London Hydro is a major milestone that London Hydro plans to celebrate with its customers and employees. This celebration, which is part of London Hydro's community relations program, will focus on educating London Hydro's customers about the history behind the operation of London's electric utility, from the early days of Sir Adam Beck, to today, and beyond.

This forum will also be used to continue to educate London Hydro's customers about living safely with electricity, and communicate ways to reduce the energy they consume with energy saving facts and tips.

London Hydro has been a leader in the utility industry providing safe and reliable delivery of electricity at the best possible price. London Hydro believes that this is worth celebrating and this event will provide beneficial information to its customers, employees, and the community of London.

Since these costs are directly associated with the operation of the electric utility, and will provide valuable information to London Hydro's customers, London Hydro does not believe that the costs should be borne by the shareholder

Interrogatory # 37

Ref: Exhibit 4, page 38

Has London Hydro finalized its insurance costs for 2009? If yes, please provide the estimated cost as compared to that included in the forecast for 2009.

***RESPONSE*:**

The actual cost of insurance for 2009 totals $444,897. The estimated cost included in the 2009 Test year was $501,000.

The 2009 forecast was based on 2008 actuals which totaled $464,030.

Premiums related to insurance coverage provided by MEARIE for commercial and general liability and auto actually declined 6.2% from 2008 while the increase between 2007 and 2008 was approximately 11%.

Interrogatory # 38

Ref: Exhibit 4, page 51

a) Please provide a breakdown of the total expense forecast of $291,400 associated with this Application into consulting, legal, intervenors, etc.

b) Please indicate the amount included in the $291,400 total cost associated with each of a technical conference and an oral hearing. These costs should include preparation, attendance, etc. for consulting, legal and intervener costs as well as any other costs associated with the technical conference and an oral hearing.

***RESPONSE*:**

a) The table below provides the breakdown of the total expense forecast in the amount of $291,400.

Included in the regulatory expense for 2009 is $72,850 related to the expected costs for this Application. London Hydro recognizes the Board's desire to amortize the cost of this rate application over a period of four years. Please refer to Exhibit 4, p. 51, line 24. There is an error in the commentary on p. 51. A late adjustment to the amount was made once London Hydro became aware that the hearing expense should be spread over 4 years and not 3 as was originally thought. The amount was adjusted downward, from $97,133 to $72,850; however, the commentary was not fully changed to reflect the change in the amount. The commentary on line 27 should correctly read: "*The total expense is anticipated to be $291,400, however, the amount included in the proposed 2009 Test Year is only $72 850, or one-fourth of the total cost.*"

The following details the calculation of the amortized amount.

	TOTAL	Over 4 YRS	Over 3 YRS
Hearing Expense Estimated for 2008	70,000	17,500	23,333
Hearing Expense Estimated for 2009	221,400	55,350	73,800
TOTAL Hearing Expense	291,400	72,850	97,133
Remove 3/4 of total Expense	(218,550)		
Hearing Expense in the 2009 RA	72,850		
2009 Test Year Before Adjustment		221,400	221,400
Less Adjustment for LH budget for RA		(148,550)	(124,267)
Amount in RA		72,850	97,133

b) The table below provides a detailed breakdown of the total hearing expense for both 2008 and 2009.

Regulatory Hearing Expense

	2008 ACTUAL	2008 BUDGET	2009 TEST	TOTAL BUDGET	Amort Over 4 Years	NOTES
	87,818	70,000	221,400	291,400	72,850	Note 1
Components of Budget/Actual:						
Consulting						
Rate Application Preparation	37,665	30,000	-	30,000		
Interrogatory Preparation	-		12,500	12,500		
Technical Conference /Followup	-		7,500	7,500		
Oral Hearing	-		5,000	5,000		
		30,000	25,000	55,000		
Legal						
Rate Application Preparation	49,337	40,000	-	40,000		
Interrogatory Preparation	-		15,450	15,450		
Technical Conference /Followup	-		15,450	15,450		
Oral Hearing	-		72,100	72,100		
		40,000	103,000	143,000		
OEB and Intervenor Costs			76,000	76,000		Note 2
Miscellaneous Expenses (accomodation / meals / transport / courier etc.)	816		17,400	17,400		
TOTAL	**87,818**	**70,000**	**221,400**	**291,400**		

Note 1 - Total hearing expense has been amortized over 4 years. $72,850 is included in the 2009 Rate Application

Note 2 - The OEB has issued in Procedural Order #1, information that would indicate that our budget for intervener costs of of $76,000 may be insufficient, and in fact may be closer to $130,000 based on average cost per intervenor (similar LDCs)

Interrogatory # 39

Ref: Exhibit 4, page 73 & Exhibit 2, Table 16

Please show the calculation, including all data used in estimating the 2009 depreciation expense for each of the following accounts (if easier, please provide live spreadsheets):

i) 1835;
ii) 1845;
iii) 1850; and
iv) 1925.

***RESPONSE*:**

The following is a description of the general process used to calculate depreciation and is followed with detailed calculations of the depreciation for each of the OEB accounts listed above.

London Hydro utilizes a fixed asset system and all assets with the exception of transformers are recorded in the system as the assets are put into service. They are amortized at various rates, as discussed in Exhibit 4, p. 72, Table 31. These rates are set up in the system and the depreciation expense is automatically calculated by the system. The system will automatically take into account the impact of assets becoming fully depreciated.

The calculation of depreciation related to transformers remains a manual process due to the specialized accounting required for these assets. Transformers are depreciated from acquisition date, and not when the asset goes into service. For this reason, transformers are not part of the fixed asset system.

Assets were grouped into two main categories for this calculation: 1) Computer hardware and software 2) Distribution and general plant. The distribution and plant was then subdivided further into a) land rights, b) transformers, c) vehicles and power operated equipment, d) contributed capital, and e) other

The following steps describe the methodology used for forecasting 2009 depreciation for distribution and general plant assets.

Step 1 - Using the fixed asset system, project annual amortization expense for 2009 for assets in service as at December 31, 2007; plus

Step 2 – Using forecasted capital additions for 2008, calculate the amortization for these assets for the full year of 2009; plus

Step 3 – Using forecasted capital additions for 2009, calculate the amortization based on the amount and timing of project completion. An average of 6 months depreciation is taken on the majority of additions for 2009.

Work in process is assumed to remain stable at the 2007 amount of approximately $4.2 million for distribution and general plant.

The aggregate depreciation amount from Steps 1 – 3 was $12,975,100. See Schedule A, below.

Step 4 – Calculate the 2009 depreciation expense for transformers

Step 5 – Calculate the 2009 depreciation expense for transportation and power operated equipment

Step 6 – Calculate the amortization of contributed capital

Step 7 – Calculate the amortization for land rights as no additions were forecasted.

The aggregate depreciation amount from Step 4 – 7 was $2,073,463

Step 8 – Prorate depreciation expense to asset groups not calculated separately in Steps 4 – 7, based on the proportions of depreciation for each asset group, taken from the fixed asset system.

The amount used for the prorated calculation is the net of $12,975,100 and $2,073,463 or $10,901,637. This amount was applied to asset categories as per Schedule E.

The OEB Uniform System of Accounts contains a single account to record depreciation expense. The process of prorating the total depreciation across each asset group (1805 – 1995) is completed to forecast the net book value on an individual asset basis, and allows for the preparation of forecasted continuity schedules.

The following shows the detailed calculations for the following asset groups:

i) 1835 - Overhead Conductors and Devices
ii) 1845 - Underground Conductors and Devices
iii) 1850 - Transformers

Depreciation Expense Budget - Distribution and General Plant
to December 31, 2009

Elements of 2009 Depreciation Expense - Dist & General Plant	Source of Estimate	Amount net of Contributed Capital	Contributed Capital	Total Projection
2009 Projection from Fixed Asset system (based on FA at Dec 31, 2007)	Schedule A	9,963,064	(758,982)	9,204,082
Plus 12 months of Transformer Depreciation based on additions to Feb 29, 2008	Schedule B	2,292,840		2,292,840
Additional Depreciation for Assets projected to be added in 2008	Schedule C	1,056,410	(125,752)	930,658
Additional Depreciation for Assets projected to be added in 2009	Schedule D	611,588	(64,058)	547,530
Total Projected Depreciation Expense - Dist & General Plant		**13,923,902**	**(948,792)**	**12,975,110**
Rounded				**12,975,100**
Less:				
Land Rights		(40,021)		
Transformers		(2,500,000)		
Transporation and Operating Equipment		(482,242)		
Contributed Capital		948,800		(2,073,463)
Allocate to Applicable Major Assets, prorated based on current FA system split	Schedule E			10,901,637

Schedule A

Calculation of Total Depreciation Expense - Fixed Asset Module

The Fixed Asset Module contains only assets to end of December 2007

AMORTIZATION		EXPENSE
LH A/C#		Projected 2009
10.9121	Deprn-Land Rights	14,399.48
10.9122	Deprn-Buildings & Fixtures	148,445.53
10.9125	Deprn-Dist Station Equipment	257,965.19
10.9127	Deprn-Poles, Towers & Fixtures	412,967.04
10.9128	Deprn-OH Conductors & Devices	2,747,761.41
10.9130	Deprn-Underground Conduit	671,685.57
10.9131	Deprn-UG Conductors & Devices	3,876,688.08
10.9136	Deprn-Services	298,779.89
10.9138	Deprn-Meters	686,249.65
10.9153	Deprn-Buildings & Fixtures	305,268.02
10.9155	Deprn-Off Furniture & Equipmt	87,292.29
10.9160	Deprn-Stores Equipment	26,378.81
10.9161	Deprn-Tools, Shop, & Gar Equip	88,222.12
10.9162	Deprn-Measuremt & Testing Equp	9,442.97
10.9164	Deprn-Miscellaneous Equipment	0.00
10.9170	Deprn-System Superv Equipmt	165,082.57
10.9182	Deprn-Leasehold Improvements	0.00
10.9191	Deprn-Fleet	166,435.63
Sub total	E & O Only	9,963,064.25
10.9196	Amort Contributed Capital ("CC")	(758,981.83)
Total	Distribution and General Plant (excl CC)	9,204,082.42

Schedule B

2009 Depreciation Expense Calculation - TRANSFORMERS	**Account 1850**	**Note**
Depreciation Expense for transformers owned at Feb 29, 2008		
Monthly depreciation at Feb 29, 2008 for 12 months - see **below**	2,292,861	(1)
Add:		
Forecasted increase in monthly depreciation expense March - Dec 2008 (based on average year on year change, for 10 months)	12,500	(2)
Add:		
Estimate increase for 2009 (based on year to year change in monthly depreciation expense)	180,000	(3)
Total Estimate	2,485,361	
Estimate rounded for budget	2,500,000	(4)

Notes:
Note (1) - monthly depreciation expense as Feb 28 for 12 month s= $191,071.72 * 12 months
Note (2) - using historical change in monthlydeprec, apply to remaining months of 2008 = $15,000 / 12 *10 months
Note (3) - based change (Jan 2007 to Jan 2008) monthly depreciation amount = $15,000 * 12 months in 2009
Note (4) - rounded to $2.5 mil for 2009 budget

Extracted from 2008 Transformer Depreciation Spreadsheet

Monthly Depreciation for 2008
as at February 29, 2008

Capital Additions	**Purchase Cost**	**Installation Cost**	**Remaining Months**	**DEPRECIATION / MONTH Jan-08**	**Feb-08**
Pre Jan 2001 Expense				108,354.24	108,354.24
Monthly amt for 2001 Additions				10,126.52	10,126.52
Monthly amt for 2002 Additions				13,014.81	13,014.81
Monthly amt for 2003 Additions				11,631.19	11,631.19
Monthly amt for 2004 Additions				11,213.23	11,213.23
Monthly amt for 2005 Additions				12,540.72	12,540.72
Monthly amt for 2006 Additions				8,565.70	8,565.70
Monthly amt for 2007 Additions				14,156.49	14,156.49
Jan-08	191,449.44		300	638.16	638.16
Feb-08	249,197.04		300		830.66
Monthly Depreciation				**190,241.06**	**191,071.72**

There are no scheduled disposals in 2008 or 2009

Schedule C

Calculation of 2009 Projected Depreciation on Estimated Capital Additions for 2008

Category of Additions	Life Months	Estimated Additions for 2008	2009 Depreciation Estimate
Buildings	300	1,400,000	56,000
Distribution Assets	300/360	18,934,000	757,360
Misc & Office Equipment	120	193,000	19,300
SCADA Equipment	180	450,000	30,000
Vehicles	60/96	1,550,000	193,750
Sub total - E&O		22,527,000	1,056,410
Contributed Capital	300	(3,143,804)	(125,752)
Total - E&O (including Contrib Cap)		19,383,196	930,658

Schedule D

Calculation of 2009 Projected Depreciation on Estimated Capital Additions for 2009

Category of Additions	Life Months	Estimated Additions for 2009	2009 Depreciation Estimate
Buildings	300	1,130,000	22,600
Distribution Assets	300/360	20,166,200	441,164
Misc & Office Equipment	120	255,000	12,750
SCADA Equipment	180	398,800	13,293
Vehicles	60/96	1,778,000	121,781
Sub total - E&O		23,728,000	611,588
Contributed Capital	300	(3,202,900)	(64,058)
Total - E&O (including Contrib Cap)		20,525,100	547,530

SCHEDULE E
Prorate Based on Split from Fixed Asset System

Related Asset		F/A Module 2009 Projected	% of Total	Spread Deprec Budget To OEB Objects
1808	Deprn-Buildings & Fixtures	148,446	1.5%	165,433
1820	Deprn-Dist Station Equipment	257,965	2.6%	287,485
1830	Deprn-Poles, Towers & Fixtures	412,967	4.2%	460,224
1835	Deprn-OH Conductors & Devices	2,747,761	28.1%	3,062,195
1840	Deprn-Underground Conduit	671,686	6.9%	748,548
1845	Deprn-UG Conductors & Devices	3,876,688	39.6%	4,320,308
1855	Deprn-Services	298,780	3.1%	332,970
1860	Deprn-Meters	686,250	7.0%	764,779
1908	Deprn-Buildings & Fixtures	305,268	3.1%	340,201
1915	Deprn-Off Furniture & Equipmt	87,292	0.9%	97,281
1935	Deprn-Stores Equipment	26,379	0.3%	29,397
1940	Deprn-Tools, Shop, & Gar Equip	88,222	0.9%	98,318
1945	Deprn-Measuremt & Testing Equp	9,443	0.1%	10,524
1980	Deprn-System Superv Equipmt	165,083	1.7%	183,973
	Sub Total (prorated categories)	9,782,229	100.0%	10,901,636

iv) 1925 – Computer Software

The following steps describe the methodology used for forecasting 2009 depreciation for computer software – OEB 1925.

Step 1 - Using the fixed asset system, project annual amortization expense for 2009 for assets in service as at December 31, 2007; plus

Step 2 – Using forecasted capital additions for 2008, calculate the amortization for these assets for the full year of 2009; plus

Step 3 – Using forecasted capital additions for 2009, calculate the amortization based on the amount and timing of project completion.

The forecasted actual additions by projects are provided below.

2009 Depreciation Expense Calculation

Software

	Additions	Amount	NOTES
Projected 2009 depreciation expense for assets in service at Dec 31, 2007		1,412,733	(1)
Less: Sierra CIS (additional depreciation taken in 2008)		(549,475)	(2)
Depreciation on Estimated Additions for 2008 (12 months)	460,078	92,016	(3)
Plus Depreciation Expense on estimated additions for 2009:			
New SAP system - in service in 1st quarter (10 months depreciation)	6,096,874	1,016,146	(4)
New OMS system - in service in 4th quarter (1 month depreciation)	818,000	13,633	(5)
Assume 6 months depreciation on the balance of 2009 additions	2,365,031	236,503	(6)
Total Software Depreciation Expense for 2009		**2,221,556**	

NOTES:

Note 1 - taken from fixed asset system
Note 2 - the amortization of the existing CIS system is being accelerated to coincide with the expected go live date of new system
Note 3 - $460,078 /60 * 12 months
Note 4 - $6,096,874 / 60 * 10 months
Note 5 - $818,000 / 60 * 1 month
Note 6 - $2,365,301 / 60 * 6 months

Capital Additions for 2008 and 2009 - Software

2008

Project	Opening WIP at Dec 31, 2007	Capital Spending in 2008	Less WIP at Dec 31, 2008	Additions in 2008
Customer Information System	2,907,074	3,189,800	(6,096,874)	-
Outage Management System (OMS)	38,031		(38,031)	-
Recurring Software Purchases		423,500	-	423,500
Geographical Information System (GIS)		14,028	-	14,028
IVR		22,550	-	22,550
Call Monitoring		210,000	(210,000)	-
	2,945,105	3,859,878	(6,344,905)	**460,078**

2009

Project	Opening WIP at Dec 31, 2008	Capital Spending in 2009	Less WIP at Dec 31, 2009	Additions in 2009
Customer Information System	6,096,874	1,443,000	-	7,539,874
Outage Management System (OMS)	38,031	818,000	-	856,031
Recurring Software Purchases	-	274,000	-	274,000
Geographical Information System (GIS)	-	200,000	-	200,000
IVR	-	100,000	-	100,000
Call Monitoring	210,000	100,000	-	310,000
	6,344,905	2,935,000	-	**9,279,905**

Interrogatory # 40

Ref: Exhibit 4, page 75 & Exhibit 9, page 22

Please explain why the total loss factor for a secondary metered customer > 5,000 kW is shown as 1.0315 in Exhibit 4, but as 1.0144 in Exhibit 9.

***RESPONSE*:**

In responding to this Question, London Hydro has determined that there is a typographical error on Table 34, page 75 of Exhibit 4. The total loss factor for secondary metered customers > 5000 kW should read 1.0144 as indicated in Exhibit 9.

Interrogatory # 41

Ref: Exhibit 4, Table 35

a) Why does London Hydro consider the supply facility loss factor of 0.34% in 2004 to be abnormal, but not the loss factor of 0.48% in 2006?

b) Please update Table 35 to include actual data for 2008.

c) What is the distribution loss factor based on the same 3 year average as that used for the supply facility loss factor?

***RESPONSE*:**

a) Please refer to London Hydro's response to Board Staff Question #38.

- The tables have been revised for a formula error.
- Based on the actual data presented to the end of 2007, the supply facility loss factor is now 0.42% for 5 years and 0.44% for 3 years. The factor of 0.34% has the highest variation from any of the other values in any of the years presented and for that reason this value has been consider to be the abnormal value in this analysis.

b) Please refer to Appendix LPMA 41 – Loss Factors

c) Please refer to Appendix LPMA 41 – Loss Factors

- With the data updated for 2008 actual amounts, distribution loss factor is now 3.53% for 3 years.

Interrogatory # 42

Ref: Exhibit 4, pages 79 - 80

a) Is London Hydro aware of the Ontario Energy Board approving any such "normalization" related to CCA deductions for income tax purposes for any other utility in Ontario? If yes, please provide details and references.

b) What is the impact on the revenue requirement for 2009 if the CCA normalization adjustment proposed by London Hydro is rejected by the OEB?

c) If London Hydro is proposing the normalization of the CCA for tax purposes of the non-recurring software expenditures of $6,739,874 over the four year period 2009 through 2012, why would it not be appropriate to normalize the addition of this expenditure to rate base so that in 2009, only one-quarter, or $1,684,968 be added to rate base with the corresponding changes to return on capital and depreciation expense?

d) What is the depreciation expense associated with the non-recurring expenditure of $6,739,874 that is included in the 2009 revenue requirement? Please show how this amount has been calculated.

***RESPONSE*:**

a) Although London Hydro has yet to identify any specific OEB approvals as to normalization of CCA deductions for PILs purposes, London Hydro has noted the OEB's practice, in past distribution rate-related policies and proceedings, of attempting to normalize data for rate application purposes. For instance, contained in the 2006 EDR Handbook, page 16 is the direction that "…it is mandatory for the applicant to identify non-routine/ unusual occurrences and to make the appropriate adjustment". The use of Tier One Adjustments in the 2006 EDR process by factoring for "unusual/non-routine" amounts in both distribution expenses and rate base, allows distributors to provide data that would reflect normal cost and rate base patterns. A further example of allowing for normalizations is contained in London Hydro's 2006 EDR filing EB-2006-0127 on Schedule 3-2 in which approval from the Board was requested and received to normalize the amount of bad debt expense to be allowed for rate setting purposes.

Normalization of costs is a standard Board practice as can be evidenced in virtually every Decision the Board has issued in the 2008 Cost of Service rate applications with respect to the regulatory hearing costs associated with these applications and any similar non-recurring expenses. The principle to be addressed here is not whether the OEB has approved the "normalization" of CCA deductions for income tax purposes, but whether or not normalization of any rate component is a standard practice used by the Board. As evidenced in many Decisions issued by the Board, normalization of costs is a common practice.

b) If the OEB were to reject the CCA normalization adjustment, the impact on base revenue requirement ("BRR") would be a reduction of $829,910 in the PILs component of the 2009 revenue requirement. This reduction in the PILs component would remain in rates for a 4 year time frame. The reduction in actual PILs paid would only exist for 2009 and 2010. Thus for 2011 and 2012 the actual PILs paid would be $829,910 higher in each of those years than the amount of PILs being recovered through rates. The impact of this is a total revenue shortfall of $1,659,820 during 2011 and 2012.

c) Due to the method by which rate base is calculated on the average of opening and closing asset balances, only 50% of the $6,739,874 of non recurring capital additions have been included in the calculation of the 2009 rate base to establish rates for the period 2009 to 2012.

LPMA is proposing that only 25% of this addition should be incorporated into the rate base to establish rates for this time frame. London Hydro has invested 100% of the $6,739,874 in the operation this utility, and is effectively recovering only 50% of that investment through rates. LPMA appears to be suggesting that a 25% recovery through rates would be more appropriate.

London Hydro cannot accept the LPMA approach. London Hydro's suggestion to normalize the CCA impact is made simply to achieve revenue neutrality. The suggestion by LPMA would generate a revenue deficiency larger that the one that is already incorporated into this Application.

d) This non-recurring capital addition was forecast to be put into service in March of 2009 and an amount of $1,123,312 was included in the 2009 amortization expense portion of the revenue requirement. The asset is amortized over 5 years on a straight-line basis.

Expense is calculated as 10 months/60 months X $6,739,874 = $1,123,312.

Interrogatory # 43

Ref: Exhibit 4, Tables 39 & 40, Exhibit 2, Tables 15 & 16

a) Please explain why there are no additions to CCA Class 50 (computers & Systems Hardware) in either 2008 (Table 39) or 2009 (Table 40) in Exhibit 4, when there is an addition to computer hardware of $488,300 shown in 2008 (Table 15) and a further addition of $767,000 (Table 16) for 2009 shown in Exhibit 2.

b) Please recalculate the 2009 CCA deduction assuming that the $488,300 is put into CCA Class 50 in 2008 and the $767,000 is put into Class 50 in 2009. Please provide a revised Table 39 and Table 40 showing this change.

c) The January, 2009 federal budget accelerated the CCA deduction for assets in Class 50 acquired after January 27, 2009 to 100%. Further this enhanced rate is not subject to the half year rule. This results in the full deduction of the cost of Class 50 assets acquired after January 27, 2009. Please revise the 2009 CCA calculations for 2009 requested in (b) above to reflect the full deduction of 2009 capital expenditure in Class 50.

d) What is the impact on the revenue requirement in aggregate of (i) moving the computer expenditures in 2008 of $488,300 to Class 50, (ii) utilizing the full CCA deduction for the $767,000 in computer expenditures for 2009, and (iii) utilizing the full CCA deduction associated with the software expenditures for 2009 as requested in Interrogatory #41 above?

***RESPONSE*:**

a) In regard to "OEB Account 1920" – Computer Hardware Additions – as reflected in Tables 15 and 16, Exhibit #2, pages 54 and 55, these forecasted expenditures have been included in Class 10 Computer Hardware/Vehicles Additions in Tables 39 and 40, Exhibit #4, pages 83 and 84.

In the process of responding to this interrogatory, London Hydro consulted with its tax advisors at KPMG, on the appropriate classifications of Computer Hardware and Software additions, and they have verbally provided certain direction in this regard.

Specifically, in reviewing both 2008 Bridge Year and 2009 Test Year Capital Expenditures for Computer Hardware, the nature of most expenditures does not satisfy CRA requirements for inclusion in class 50. The majority of these hardware purchases are not "general purpose" and therefore should be classified as Class 8 expenditures, not Class 50. London Hydro's tax advisors have indicated that general purpose hardware such as laptops and other desktop solutions should be classified as Class 50.

Upon receipt of this advice from its consultant, London Hydro has recalculated the revisions required to the 2008 and 2009 CCA schedules and the impact on the revenue requirement. This analysis is included in Appendix LPMA 43 – CCA Tables. The impact is a reduction of $36,740 in revenue requirement.

b) Please refer to Appendix LPMA 43 – CCA Tables

c) Please refer to Appendix LPMA 43 – CCA Tables

d) Please refer to Appendix LPMA 43 – CCA Tables – with the adjustments that LPMA is suggesting, the revenue requirement would decrease by $1,185,592. Our consultants advise that the adjustments being suggested by LPMA are not in accordance with appropriate CCA classifications and the disallowance of the normalization of the CCA deduction as described in our response to IR 42 a) is not in accordance with past Board practices of normalization of data for distribution rate setting purposes.

Interrogatory # 44

Ref: Exhibit 4, Table 37

a) Please explain what the tax credits (SRED) of $58,000 are related to and show how the 2008 and 2009 figures are calculated.

b) Please explain the addition to accounting income of $17,000 shown for Ontario Specified Tax Credits. Why does a tax "credit" increase taxable income?

c) Please explain the addition to accounting income of $495,000 for non-deductible company pension plans.

***RESPONSE*:**

a) Scientific Research and Experimental Development Claim (SRED) of $58,000 – London Hydro hired, its tax advisors, KPMG to review its Capital Projects to determine what expenditures might be eligible for an SRED Tax Credit application to CRA. London Hydro had KPMG review 2005 and 2006 Projects. Based on a preliminary study by the KPMG, it was determined that London Hydro could apply for a net tax credit of approximately $116,000 for the two years. Therefore, based on the $116,000 for two years the per annum results would be an average of $58,000 (the amount included in the Application for the 2009 Test Year). Projects on which credits were claimed included distribution system reliability; premature cable failures; metering and billing system technology; wireless network technology; and network system reliability.

b) For Ontario tax calculation purposes, the $17,000 reduction in income taxes payable is also required to be added to taxable income for accounting purposes. The credit represents a refund of labour costs paid to employees which has been expensed for tax purposes. Please refer to Calculation of Income for Tax Purposes in Exhibit 4, page 116, line item 293 of the tax schedule for required tax treatment as indicated for 2007.

c) The addition to accounting income of $495,000 for non-deductible company pension plans represents the annual change on the balance accrual for Employee Future Benefit Costs. The change in the liability is not deductible for tax purposes until actually paid out. Please refer to Calculation of Income for Tax Purposes in Exhibit 4, page 116, line item 124 of the tax schedule for required tax treatment as indicated for 2007.

Interrogatory # 45

Ref: Exhibit 9, page 10

London Hydro states that it has elected not to file a claim for Lost Revenue Adjustment or Shared Savings Mechanism with this Application. Does this mean that London Hydro will file a claim for the Lost Revenue Adjustment and/or Shared Savings Mechanism at some future time or is London Hydro indicating that it will not file for recovery of these historical amounts that it could have included in this Application at any time?

***RESPONSE*:**

London Hydro does not intend to file an LRAM or SSM claim for any lost revenues incurred during the period 2005 to 2008 with this Application or any other application in the future, since London Hydro believes that the revised load forecasts used to develop its 2009 revenue requirement will incorporate the impacts of CDM programs undertaken during the period 2005 to 2008.

London Hydro cannot advise at this time that it will not file an LRAM or SSM at some time in the future for lost revenues that may occur for the period after 2008 for CDM programs implemented after 2008.

Interrogatory # 46

Ref: Exhibit 9, pages 12 – 13

a) Please update the monthly deferral account balances and the further analysis to include as many months after September, 2008 as are available.

b) Does the updated information impact on London Hydro's current proposal to not adjust the rates upwards by 3% to 4%? Please explain.

***RESPONSE*:**

a) Please refer to the following table:

Variance Analysis of Monthly Balances in RTSR Deferral Accounts

Month End Balances	A/C 1584 RSVA Network	A/C 1586 RSVA Connection	Total Network & Connection
Sep-06	2,068,136	234,388	2,302,525
Oct-06	1,917,344	98,973	2,016,316
Nov-06	1,790,534	(31,455)	1,759,078
Dec-06	1,921,292	41,524	1,962,816
Jan-07	1,837,608	(59,305)	1,778,303
Feb-07	1,948,992	(60,029)	1,888,963
Mar-07	1,869,687	(208,688)	1,660,999
Apr-07	1,823,260	(303,169)	1,520,091
May-07	2,017,755	(131,236)	1,886,519
Jun-07	2,280,604	(48,388)	2,232,216
Jul-07	2,495,032	78,093	2,573,125
Aug-07	2,512,585	166,138	2,678,723
Sep-07	2,740,209	356,069	3,096,279
Oct-07	2,712,310	295,402	3,007,712
Nov-07	2,395,225	107,153	2,502,378
Dec-07	2,076,193	(61,787)	2,014,406
Jan-08	1,706,827	(237,715)	1,469,113
Feb-08	1,464,847	(280,872)	1,183,975
Mar-08	1,046,792	(531,180)	515,612
Apr-08	824,507	(640,546)	183,961
May-08	461,504	(895,160)	(433,656)
Jun-08	598,531	(803,464)	(204,933)
Jul-08	601,762	(958,388)	(356,626)
Aug-08	752,869	(810,146)	(57,277)
Sep-08	860,919	(680,794)	180,125
Oct-08	616,588	(972,342)	(355,754)
Nov-08	570,486	(1,068,278)	(497,793)
Dec-08	502,406	(1,102,453)	(600,047)
Jan-09	281,713	(1,255,968)	(974,255)

b) Please refer to London Hydro's response to Board Staff, Question 40.

The above balances indicate a pattern of increasing or decreasing variances, but transactions included in these accounts include month end accruals and estimations of unbilled amounts.

In London Hydro's response to Board Staff, Question 40 it indicates that for the period from July 2008 to January 2009 the revenues and costs for network and connection charges are fairly evenly matched and are not creating any significant variance account accumulations.

The significant variances shown for May and June 2008 result from the fact that rate changes which occurred on May 1, 2008 were not fully reflected in the above analysis until approximately July 2008 due to the flow through of unbilled consumption at April 30, 2008 being billed at previous rates during May and June 2008.

Other month to month variances occur as a result of variances in billing cycles and customer consumption patterns from month to month.

The updated information in London Hydro's response to Board Staff Question 40 further supports London Hydro's decision to not adjust the rates further upwards by 3% to 4%, as stated in Exhibit 9, page 13, line 2 and 3.

Appendices for Responses to LPMA Interrogatories

London Hydro Inc.

Financial Statements
For the Year Ended December 31, 2008

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Canada

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AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

We have examined the balance sheet of London Hydro Inc. as at December 31, 2008 and the statements of earnings and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of London Hydro Inc. as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

February 13, 2009

London Hydro Inc.

Balance Sheet
(in thousands of dollars)
As at December 31, 2008

	2008	2007
ASSETS		
Current assets		
Cash and equivalents	$ 29,099	$ 24,564
Accounts receivable (Notes 5, 10, and 12)	45,740	46,554
Income taxes receivable	472	-
Regulatory assets (Note 6)	395	3,269
Inventories	4,123	3,917
Prepaid expenses	932	859
	80,761	79,163
Regulatory assets (Note 6)	790	480
Capital assets (Note 7)	185,381	176,245
Future income tax assets (Note 14)	8,140	7,451
	$ 275,072	$ 263,339
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities (Note 8)		
Accounts payable and accrued liabilities -		
Due to Independent Electricity System Operator	$ 22,315	$ 21,053
Other	10,803	8,638
Income taxes payable	-	1,458
Regulatory liabilities (Note 6)	4,290	405
Customer and other deposits (Note 9)	2,357	3,672
Due to shareholder (Note 10)	5,892	4,677
Future income tax liabilities (Note 14)	-	569
	45,657	40,472
Long-term liabilities		
Regulatory liabilities (Note 6)	7,211	5,919
Customer and other deposits (Note 9)	8,723	8,666
Due to shareholder (Note 10)	70,000	70,000
Employee future benefits (Note 15)	9,037	8,631
	94,971	93,216
Shareholder's equity		
Share capital (Note 11)	96,116	96,116
Retained earnings	38,328	33,535
	134,444	129,651
	$ 275,072	$ 263,339

Contingencies (Note 18)
Commitments (Note 20)
Subsequent event (Note 19)

On behalf of the Board:

Director **Director**

See accompanying notes to the financial statements

London Hydro Inc.

Statement of Earnings and Retained Earnings
(in thousands of dollars)
For the Year Ended December 31, 2008

	2008	2007
Distribution revenue (Note 12)	$ 52,335	$ 51,657
Operating expenses		
Plant operating and maintenance	10,634	9,910
General and administrative	20,364	19,441
Amortization of capital assets	15,695	14,076
	46,693	43,427
Less: Costs recovered (Note 10)	(3,304)	(3,255)
	43,389	40,172
Operating income	8,946	11,485
Other Income (expense)		
Interest and other revenue (Note 13)	5,159	4,873
Interest expense (Note 10)	(4,439)	(4,498)
	720	375
Earnings before income taxes	9,666	11,860
Income taxes (Note 14)	2,873	4,734
Net earnings for the year	6,793	7,126
Retained earnings, beginning of year	33,535	28,409
Dividends	(2,000)	(2,000)
Retained earnings, end of year	$ 38,328	$ 33,535

See accompanying notes to the financial statements

London Hydro Inc.

Statement of Cashflows
(in thousands of dollars)
For the Year Ended December 31, 2008

	2008	2007
Operating activities		
Net earnings for the year	$ 6,793	$ 7,126
Charges to operations not affecting cash		
Amortization of capital assets	15,695	14,076
Gain on disposal of capital assets	(87)	(37)
Future income taxes	(1,258)	(1,084)
	21,143	20,081
Net increase (decrease) in non-cash working capital balances related to operations	3,247	(442)
Increase in employee future benefits	406	452
Decrease in customer and other deposits	(1,258)	(2,158)
Cash provided by operating activities	23,538	17,933
Financing activities		
Dividends	(2,000)	(2,000)
Developer contributions to capital asset costs	3,478	3,325
Cash provided by financing activities	1,478	1,325
Investing activities		
Additions to capital assets	(28,309)	(25,018)
Proceeds on disposal of capital assets	87	40
Decrease in regulatory assets and liabilities	7,741	11,293
Cash used in investing activities	(20,481)	(13,685)
Increase in cash and equivalents during the year	4,535	5,573
Cash and equivalents, beginning of the year	24,564	18,991
Cash and equivalents, end of the year	$ 29,099	$ 24,564
Cash and equivalents are comprised of		
Cash	$ 7,109	$ 3,613
Banker's Acceptance at 1.40% (2007 - 4.40%)	21,990	20,951
	$ 29,099	$ 24,564
Supplemental cashflow information		
Interest paid	$ 4,202	$ 4,200
Income taxes paid	$ 6,445	$ 5,860

See accompanying notes to the financial statements

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

1. Regulated Business Operations and Distribution Rates

London Hydro Inc. ("the Company") is a wholly owned subsidiary company of the Corporation of the City of London and provides regulated electrical distribution services to the inhabitants of the City of London.

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act (1998). The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

2. Financial Effects of Distribution Rate Regulation

The financial results presented are in accordance with generally accepted accounting principles and within that framework the Company accounts for the impact of regulatory actions in the following manner:

a) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to the Company's distribution rates, such occurrences are immediately reflected in the Company's accounts.

b) Regulatory Direction and Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities. Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of that decision, and such adjustment is reflected in net earnings for the period.

Amounts currently confirmed by final regulatory decision, and amounts currently accounted for in the absence of final regulatory decision together with related provisions for future uncertainty, are more fully described in note 6 to the financial statements.

3. Summary of Significant Accounting Policies

a) Revenue recognition

In accordance with Ontario Energy Board regulations, the Company recognizes as revenue the regulated distribution tariffs associated with energy distributed, and variances between energy purchase costs and energy billed are recorded as regulatory assets or liabilities for future rate application consideration.

The Company follows the practice of cycle billing customers' accounts and revenue is recognized in the period billed. An accrual is made in the accounts at December 31 for distribution revenue earned on power supplied but not billed to customers between the date the meters were last read and the end of the year.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

3. Summary of Significant Accounting Policies, continued

b) Financial assets and liabilities

The standards require that as financial assets and liabilities are initially recognized that they be measured at fair value, except for certain related party transactions. After initial recognition, financial assets are categorized as assets held-for-trading, held-to-maturity investments, loans and receivables or, available-for-sale assets, and financial liabilities must be classified as held-for-trading, or other financial liabilities The Company has classified its financial instruments as follows:

Cash and equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other Liabilities
Due to Independent Electricity Systems Operator	Other Liabilities
Customer and other deposits	Other Liabilities

c) Inventories

Effective January 1, 2008, the Company adopted Canadian Institute of Chartered Accountant's (CICA) Handbook Section 3031, Inventories. Under the new standard, inventories are required to be measured at the lower of cost and net realizable value and any items considered to be major future components of property, plant and equipment are to be transferred to fixed assets. This new standard also provides updated guidance on the appropriate methods of determining cost and the impact of any write-downs to net realizable value. The implementation of this standard did not have any impact on the Company's results of operations.

d) Capital assets

Capital assets are amortized over their estimated useful lives using the straight-line method over the following periods:

Buildings	50 to 60 years
Other construction	25 to 30 years
Substation equipment	30 years
Distribution lines, transformers and meters	25 years
System supervisory equipment	15 to 25 years
Service, office and other equipment	8 to 10 years
Automotive equipment	4 to 8 years
Computer equipment	5 years

When a capital asset is sold or otherwise disposed of, the related cost and accumulated amortization are removed from the respective accounts and any gain or loss on disposition is recognized in earnings.

Capital assets that by their nature are not readily identifiable as individual assets are grouped together. Under this method, the related cost and accumulated amortization are removed from their respective grouping account at the end of the asset's estimated useful life, regardless of actual service life. Any proceeds on disposition are recognized in earnings in the year of disposition.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

3. Summary of Significant Accounting Policies, continued

e) Contributions to capital costs

Contributions are received from developers and contractors for capital costs incurred by the Company. These contributions are included as a reduction to the cost of the related capital assets when those assets are placed in service.

f) Cash and equivalents

Cash on hand and on deposit with banks, and short-term investments with maturity of three months or less, are considered cash and equivalents.

g) Income taxes

The Company follows the liability method for accounting for income taxes whereby future income tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities and their respective values for income tax purposes. These differences are measured using substantively enacted tax rates in effect in the period in which those differences are expected to be recovered or settled. To the extent that there is uncertainty regarding the recovery of a future income tax asset a valuation allowance reducing the future income tax asset is recorded.

h) Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements.

Certain estimates are also required as regulations, which will ultimately determine the actual results, have yet to be finalized and are dependent on the completion of regulatory proceedings or decisions. Due to these uncertainties, actual results might differ from those estimates and the impact will be recorded in the current period when the actual results are known.

i) Employee future benefits

The Company has adopted the following policies for future benefits provided to both active and retired employees:

(i) Pension benefits

The Company has a pension agreement with the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer contributory defined benefit plan. Company contributions to the plan are recognized as pension expense in the period that they are incurred.

(ii) Other Post-Retirement and Post-Employment benefits

The Company provides other benefits to active and retired employees including group life insurance and health-care benefits. Recognition of these benefits are actuarially determined using the projected benefit method pro rated on service using management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

4. Inventories

Inventory, which consists of parts and supplies acquired for internal construction, consumption, or recoverable work, is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is determined by replacement cost.

The amount of inventories consumed by the Company and recognized as an expense during 2008 was $0.7 million (2007 - $0.6 million).

5. Accounts Receivable

	2008	2007
Accounts receivable -		
Energy and water	$ 45,443	$ 46,570
Sundry	1,774	1,547
	47,217	48,117
Less: Allowance for doubtful accounts	1,477	1,563
	$ 45,740	$ 46,554

Included in accounts receivable is approximately $4.9 million (2007 - $4.6 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London. At the year-end, approximately $0.3 million (2007 - $0.4 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption.

6. Regulatory Assets and Liabilities

	2008	2007
Regulatory assets		
Amounts approved and included in distribution rates	$ 684	$ 3,269
Amounts submitted for future rate approval:		
Ontario Energy Board annual assessment costs	459	443
Other	42	37
	1,185	3,749
Less: Current portion	395	3,269
	$ 790	$ 480

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

6. Regulatory Assets and Liabilities, continued

	2008	2007
Regulatory liabilities		
Current amounts		
Conservation and Demand Management – recoveries	$ 1,489	$ 436
Conservation and Demand Management - expenditures	(413)	(31)
Purchase power cost variances (non-commodity)	2,869	-
Purchase power cost variances (commodity)	345	-
	$ 4,290	$ 405
Long-term amounts		
Purchase power cost variances (non-commodity)	$ 5,739	$ 3,817
Purchase power cost variances (commodity)	689	1,703
Smart meter recoveries in excess of start-up expenditures	783	399
	$ 7,211	$ 5,919

a) Amounts approved and included in distribution rates

The regulatory decision of December 9, 2004 affirmed the recovery of these amounts in rates which have been recovered through a distribution rate rider over a three-year period ending in fiscal 2008. The remaining balance, if approved by the OEB, will be recovered through a revised rate rider to be implemented in 2009.

b) Ontario Energy Board annual assessment costs

In December of 2004, electric distribution companies were allowed to establish a deferral account to record the annual costs assessed by the regulator. The amounts recorded as deferred costs are the amounts by which the annual OEB assessment costs for the period January 1, 2004 to April 30, 2006, exceed the amounts being recovered through distribution rates. Subsequent to April 30, 2006, the annual assessment costs have been fully borne by the Company and expensed. It is anticipated the costs deferred will be reviewed by the regulator for final approval and rate recovery commencing in 2009.

In the absence of rate regulation, generally accepted accounting principles would require the Company to record such costs in the operating results of the year in which they are incurred, and if applied, fiscal 2008 reported earnings would not be materially affected and opening retained earnings would be approximately $0.3 million lower.

c) Smart meter expenditures and recoveries

The Company has been authorized under Ontario Regulation 427/06 to undertake discretionary metering activities under the Provincial Smart Meter Program, and to recover through rates, the funding required for the initial investigation and start-up costs associated with the implementation of this program. These balances represent the extent to which recoveries to date have exceeded or fallen short of associated costs. Variances between recoveries and costs will be included for recovery or disposition in future rate submissions.

d) Purchased power cost variances

As a regulated distributor of electricity, the Company is obligated to provide default energy supply to those consumers who elect not to purchase their energy from an energy retailer. The regulatory framework requires that all default energy commodity and non-commodity costs be billed to the consumer at regulated rates.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

6. Regulatory Assets and Liabilities, continued

d) Purchased power cost variances, continued

Variances between purchase costs and amounts billed are required to be captured in Retail Settlement Variance Accounts for disposition in future rates.

Currently, the variances accumulated are for the period commencing January 1, 2004 to December 31, 2008. Variances accumulated prior to January 1, 2004 in the amount of $9.9 million plus allowed interest are included in the regulatory assets that were approved for rate recovery in December 2004.

The variance accounts have been further defined by the regulator into commodity related and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis. For all variance accounts, the review period does not in itself determine whether any adjustment will be permitted as the regulator will determine when the balances are material enough to warrant an adjustment to rates. The Company has estimated the current portion of this liability based upon regulatory submissions it has made during the year, which have yet to be approved by the regulator.

e) Conservation and Demand Management expenditures and recoveries

During the year conservation and demand management initiatives were undertaken with respect to programs sponsored by the Ontario Power Authority (OPA). As at December 31, 2008, the Company has $1.1 million of program funding in excess of expenditures to date, to be applied to future program expenditures or to be returned to OPA at the completion of the program.

7. Capital Assets

	2008			2007
	Cost	Accumulated Amortization	Net	Net
Land and land rights	$ 995	$ 475	$ 520	$ 543
Buildings	21,027	8,849	12,178	10,381
Plant and equipment	41,344	25,775	15,569	15,795
Distribution system	276,400	127,937	148,463	142,347
Work in progress	8,651	-	8,651	7,179
	$ 348,417	$ 163,036	$ 185,381	$ 176,245

8. Bank Indebtedness

At December 31, 2008, the Company had provided $6.6 million (2007 – $13.2 million) in bank standby letters of credit to the Independent Electricity System Operator.

9. Customer and Other Deposits

Customer and other deposits include security deposits for energy consumption bearing interest at a rate of prime less 2% per annum and developer deposits held in accordance with regulation.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

10. Related Party Balances and Transactions

	2008	2007
Non-interest bearing trade balances due to shareholder, without stated repayment terms	$ 5,892	$ 4,677
Unsecured promissory note, bearing interest at 6% per annum, payable on demand with 367 days notice, maturing October 31, 2010	70,000	70,000
	75,892	74,677
Less: Current portion	5,892	4,677
	$ 70,000	$ 70,000

Included in the accounts receivable is $0.8 million (2007 - $0.8 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

During the year and within the course of normal operations, the Company provided services to the City of London on an estimated cost recovery basis at an amount of $3.3 million (2007 - $3.3 million), and paid interest to the City in the amount of $4.2 million (2007 - $4.2 million).

11. Share Capital

Authorized

An unlimited number of common shares

An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount

Issued	2008	2007
1,001 common shares	$ 96,116	$ 96,116

12. Distribution Revenue

In addition to distribution revenues of $52.3 million (2007 - $51.7 million), by regulation the Company is responsible for billing, collecting and settling energy purchase costs in the amount of $272.6 million (2007 - $279.0 million).

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

13. Interest and Other Revenue

	2008	2007
Interest	$ 575	$ 1,069
Late payment charges	969	1,008
Sundry	1,532	1,574
Ontario Power Authority incentives	914	-
Customer billing service fees	647	675
Rentals	373	370
Scrap sales and other	149	177
	$ 5,159	$ 4,873

14. Income Taxes

a) Income tax status

As a wholly owned subsidiary Company of the Corporation of the City of London, the Company is exempt from income taxes under the Income Tax Act (Canada). Pursuant to the Electricity Act (1998)(Ontario) the Company is required to make payments in lieu of tax to the Ontario Electricity Financial Corporation. The amount of payments in lieu of tax will be approximately equivalent to the income and capital taxes that would have to be paid if the Company was a taxable corporation under the Income Tax Act (Canada)

b) Income tax expense

The Company's effective income tax rates differed from the statutory combined federal and provincial rates primarily due to the following:

	2008	2007
Earnings before income taxes	$ 9,666	$ 11,860
Income tax expense based on combined federal and provincial statutory income tax rate of 33.5% (2007 - 36.1%)	$ 3,238	$ 4,284
Effect of changes to substantively enacted rates	-	450
Other items	(365)	-
Income tax expense recognized	$ 2,873	$ 4,734
Income tax expense is comprised of the following:		
Current income tax	$ 4,131	$ 5,818
Future income tax	(1,258)	(1,084)
	$ 2,873	$ 4,734

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

14. Income Taxes, continued

c) Future income tax balances

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities are as follows:

	2008	2007
Future income tax assets (liabilities):		
Capital assets	$ 6,829	$ 6,266
Employee future benefits	1,311	1,194
Deferred regulatory asset recoveries	-	(578)
	$ 8,140	$ 6,882
Classified in the balance sheet as follows:		
Non-current assets	$ 8,140	$ 7,451
Current liabilities	-	(569)
	$ 8,140	$ 6,882

15. Employee Future Benefits

a) Pension plan

The Company has a pension agreement with the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. During the year, the Company contributed $1.4 million (2007 - $1.3 million).

b) Medical and life insurance benefits plan

The Company provides medical and life insurance benefit coverage to certain retirees of the Company. Based on a recent actuarial, the following information has been determined:

	2008	2007
Accrued benefit obligation		
Balance, beginning of year	$ 10,348	$ 10,632
Current service cost	221	231
Interest cost	577	551
Benefits paid	(427)	(421)
Actuarial loss (gain)	(899)	(645)
Balance, end of year	$ 9,820	$ 10,348

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

15. Employee Future Benefits, continued

	2008	2007
Accrued benefit liability		
Accrued benefit obligation	$ 9,820	$ 10,348
Benefits paid between measurement date of September 30, 2008 and December 31, 2008	(108)	(104)
Unamortized net actuarial loss	(675)	(1,613)
Accrued benefit liability, end of year	$ 9,037	$ 8,631

The Company's net periodic benefit cost is comprised of the following:

	2008	2007
Current service cost	$ 221	$ 231
Interest cost	577	551
Amortization of net actuarial loss	39	86
	$ 837	$ 868

The excess of the net actuarial loss in excess of ten percent of the accrued benefit obligation is amortized over the average remaining service life of employees, which is estimated to be 16 years.

The significant actuarial assumptions are as follows:

	2008	2007
Discount rate	6.6%	5.6%
Initial medical cost rate	9.0%	9.3%
Ultimate medical cost rate	4.5%	5.0%
Year ultimate rate reached	2028	2013
Dental cost rate	4.5%	5.0%
Rate of compensation increase	4.0%	4.0%

The estimated impact on fiscal 2008 reported pension amounts of a one percent increase or decrease in the health care cost assumptions is as follows:

	Reported	+1.0%	-1.0%
Current service cost	$ 221	$ 272	$ 182
Interest cost	$ 577	$ 635	$ 530
Accrued benefit obligation	$ 10,348	$ 11,335	$ 9,548

16. Financial Instruments and Credit Risk

a) Financial Instruments

As a rate-regulated entity, the nature of the Company's operations are defined and restricted by regulation. Financial operations and risks are also substantially influenced by regulation, limiting the necessity to engage in risk mitigation strategies involving the use of derivatives or hedges, and the Company does not engage in those activities, at the present time.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

16. Financial Instruments and Credit Risk, continued

b) Credit Risk

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, 17% of amounts billed to customers is for distribution charges and 83% of the bill is energy related. Unless the retailer elects to bill the customer directly for the energy portion of the bill, the Company is exposed to a credit risk substantially greater than their portion of the electricity bill.

Mitigation of substantial losses is provided through the opportunity to apply for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator. Additionally, regulation provides for certain customers to provide security deposits for a prescribed period to mitigate collection loss.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer.

17. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

On February 13, 2008, the AcSB announced that publicly accountable enterprises will be required to change over to IFRS effective January 1, 2011. Some of the converged standards will be implemented in Canada during the transition period with the remaining standards adopted at the change over date. The Company has launched an internal initiative to govern the conversation process and is currently in the process of evaluating the potential impact of the conversation to IFRS on its financial statements.

18. Contingencies

A class action lawsuit claiming $500,000 in restitutionary payments plus interest was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The action was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code. The Municipal Electric Association is undertaking the defense of this class action.

On February 4, 2008, the OEB, in response to an application filed by Enbridge, ruled that all of Enbridge's costs related to settlements of the class action lawsuits, including legal costs, settlement cost and interest, are recoverable from ratepayers. The OEB's decision allows Enbridge to recover all amounts over a five year period commencing in 2008.

In May 2008, the representative plaintiff in the class action made a petition to the Lieutenant Governor in Council of Ontario ("LGiC") in which he asked the LGiC to require the OEB to reconsider it's decision of February 4, 2008 and potentially re-hear the matter. Interested parties have made their submission to the LGiC. It is not clear when the LGiC will make its decision regarding the petition.

London Hydro Inc.
Notes to the Financial Statements
(tabular amounts in thousands of dollars)
For the Year Ended December 31, 2008

18. Contingencies, continued

The Defendant Class may have defenses available to it in this action that was not disposed of by the Supreme Court in the Consumers' Gas class action. Also, the determination of whether the late payment charges collected by the Corporation from its customers were in excess of the interest limit stipulated in section 347 of the Criminal Code is fact specific in each circumstance.

At this time, given the preliminary status of this action, it is not possible to quantify the effect, if any, on the financial statements of the Company. Consequently, no provision has been made in these financial statements with respect to any possible losses that may arise as a result of this matter.

19. Subsequent Event

On March 3, 2009 the Board of Directors declared a $2.0 million dividend payable to the sole shareholder, the Corporation of the City of London.

20. Commitments

The Company has commitments of approximately $1.0 million to complete their new Customer Information System.

LPMA IR # 41

Exhibit 4 - Operating Costs - Table 35

Total Loss Factor Calculations	2003	2004	2005	2006	2007	2008	TOTAL
1 "Wholesale" kWh IESO plus Embedded Generation	3,339,281,164	3,384,229,604	3,559,556,957	3,463,554,919	3,513,738,064	3,442,614,476	20,702,975,185
2 "Wholesale" kWh for Large Use Customers	213,845,828	222,204,044	232,663,210	229,529,109	207,198,347	187,017,600	1,292,458,140
3 Net "Wholesale" kWh (1 - 2)	3,125,435,336	3,162,025,560	3,326,893,747	3,234,025,810	3,306,539,717	3,255,596,876	19,410,517,045
4 "Retail" kWh (Distributor)	3,243,113,573	3,254,806,464	3,426,780,716	3,365,222,318	3,387,692,155	3,327,049,201	20,004,664,426
5 "Retail" kWh for Large Use Customers	211,728,543	220,004,004	230,359,614	227,256,544	205,146,878	185,165,941	1,279,661,525
6 Net "Retail" kWh (4 - 5)	3,031,385,030	3,034,802,460	3,196,421,102	3,137,965,774	3,182,545,277	3,141,883,260	18,725,002,902
7 Loss Factor (3 / 6)	3.10%	4.19%	4.08%	3.06%	3.90%	3.62%	3.66%
Distribution System Loss Adjustment Factor (5 year avg.)						**5 year average**	**3.77%**
						3 year average	**3.53%**
Supply Facility Loss Factor	0.34%	0.43%	0.48%	0.42%	0.41%	0.39%	0.41%
Supply Facility Loss Factor Adjustment (3 year avg)						**5 year average**	**0.43%**
(a 3 year average has been chosen due to the abnormal 2004 results)						**3 year average**	**0.41%**
Total Loss Factor						**5 year average**	**4.20%**
						3 year average	**3.93%**

Note:
London Hydro has used the default large use Distribution Loss Factor (DLF) of 1% as the loss factor for Large Use Customers. London Hydro's Large Use customers are primary metered and the default loss for primary metered customers with demands >5000 kW is 1.0000 excluding supply facility losses.

Exhibit 4 - Operating Costs - Table 36

Supply Facility Loss Factor	2003	2004	2005	2006	2007	2008	TOTAL
"Wholesale" kWh IESO Adjusted for Supply Facility Losses	3,312,990,976	3,360,017,241	3,540,138,470	3,451,376,082	3,502,498,962	3,436,139,394	20,603,161,125
"Wholesale" kWh IESO not adjusted for Supply Facility Losses	3,301,836,751	3,345,645,231	3,523,196,683	3,436,871,884	3,488,082,788	3,422,785,235	20,518,418,573
Supply Facility Losses	11,154,225	14,372,010	16,941,787	14,504,198	14,416,174	13,354,159	84,742,552
Supply Facility Loss Factor	0.0034	0.0043	0.0048	0.0042	0.0041	0.0039	0.0041

ANALYSIS AS REQUESTED BY LPMA INTERROGATORY 43 a , b and c

CCA Continuity Schedule (2008)										
Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	97,137,388	-	-	97,137,388	-	97,137,388	4%	3,885,496	93,251,892
2	Distribution System - pre 1988	46,204,539	-	-	46,204,539	-	46,204,539	6%	2,772,272	43,432,267
1	Buildings	5,845,783	-	-	5,845,783	-	5,845,783	4%	233,831	5,611,952
8	General Office/Stores Equip	3,753,061	313,000	-	4,066,061	156,500	3,909,561	20%	781,912	3,284,149
10	Computer Hardware/ Vehicles	2,469,989	1,430,000	-	3,899,989	715,000	3,184,989	30%	955,497	2,944,492
10.1	Certain Automobiles	-	-	-	-	-	-	30%	-	-
12	Computer Software	1,201,996	460,078	-	1,662,074	230,039	1,432,035	100%	1,432,035	230,039
13 1	Lease # 1		-	-	-	-	-	20%	-	-
13 2	Lease #2		-	-	-	-	-		-	-
50	Computers & Systems Hardware acq'd post Mar 19/07	381,969	488,300	-	870,269	244,150	626,119	55%	344,365	525,904
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		-	-	-	-	-	30%	-	-
47	Distribution System - post 22-Feb-2005	29,667,155	17,840,881	-	47,508,036	8,920,441	38,587,596	8%	3,087,008	44,421,028
	SUB-TOTAL - UCC	**186,661,880**	**20,532,259**	**-**	**207,194,139**	**10,266,130**	**196,928,010**		**13,492,416**	**193,701,723**

CCA Continuity Schedule (2009)										
Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	**Distribution System - 1988 to 22-Feb-2005**	93,251,892	-	-	93,251,892	-	93,251,892	4%	3,730,076	89,521,817
2	**Distribution System - pre 1988**	43,432,267	-	-	43,432,267	-	43,432,267	6%	2,605,936	40,826,331
1	**Buildings**	5,611,952	-	-	5,611,952	-	5,611,952	4%	224,478	5,387,474
8	**General Office/Stores Equip**	3,284,149	305,000	-	3,589,149	152,500	3,436,649	20%	687,330	2,901,819
10	**Computer Hardware/ Vehicles**	2,944,492	1,728,000	-	4,672,492	864,000	3,808,492	30%	1,142,548	3,529,945
10.1	**Certain Automobiles**	-	-	-	-	-	-	30%	-	-
12	**Computer Software**	230,039	9,279,905	-	9,509,944	4,639,953	4,869,992	100%	4,869,992	4,639,953
12	**Computer Software - CCA normalization adjustment for calc of regulatory PILs**	-	-	-	-	-	-	100%	(1,684,969)	-
13 1	**Lease # 1**	-	-	-	-	-	-	20%	-	-
13 2	**Lease #2**	-	-	-	-	-	-		-	-
50	**Computers & Systems Hardware acq'd post Mar 19/07**	525,904	-	-	525,904	-	525,904	55%	289,247	236,657
50	**Computers & Systems Hardware acq'd post Jan 27/09**	-	767,000	-	767,000	-	767,000	100%	767,000	-
46	**Data Network Infrastructure Equipment (acq'd post Mar 22/04)**	-	-	-	-	-	-	30%	-	-
47	**Distribution System - post 22-Feb-2005**	44,421,028	18,492,100	-	62,913,128	9,246,050	53,667,078	8%	4,293,366	58,619,762
	SUB-TOTAL - UCC	**193,701,723**	**30,572,005**	**-**	**224,273,728**	**14,902,503**	**209,371,225**		**16,925,003**	**205,663,756**

Summary of Revisions	From Class 10	To Class 50
Capital additons for 2008	$ 488,300	$ 488,300
Capital additons for 2009	$ 767,000	$ 767,000

Summary of Impact on Revenue Requirement

Total CCA deduction for 2009 as filed	$ 16,202,860
Revised CCA deduction	$ 16,925,003
Base Revenue Requirement Before Adj	$ 60,401,505
Base Revenue Requirement After Adj	$ 60,045,823
Total reduction in revenue requirement	**$ (355,682)**

ANALYSIS AS REQUESTED BY LPMA INTERROGATORY 43 c

CCA Continuity Schedule (2008)										
Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	97,137,388	-	-	97,137,388	-	97,137,388	4%	3,885,496	93,251,892
2	Distribution System - pre 1988	46,204,539	-	-	46,204,539	-	46,204,539	6%	2,772,272	43,432,267
1	Buildings	5,845,783	-	-	5,845,783	-	5,845,783	4%	233,831	5,611,952
8	General Office/Stores Equip	3,753,061	313,000	-	4,066,061	156,500	3,909,561	20%	781,912	3,284,149
10	Computer Hardware/ Vehicles	2,469,989	1,430,000	-	3,899,989	715,000	3,184,989	30%	955,497	2,944,492
10.1	Certain Automobiles	-	-	-	-	-	-	30%	-	-
12	Computer Software	1,201,996	460,078	-	1,662,074	230,039	1,432,035	100%	1,432,035	230,039
13 1	Lease # 1		-	-	-	-	-	20%	-	-
13 2	Lease #2		-	-	-	-	-		-	-
50	Computers & Systems Hardware acq'd post Mar 19/07	381,969	488,300	-	870,269	244,150	626,119	55%	344,365	525,904
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		-	-	-	-	-	30%	-	-
47	Distribution System - post 22-Feb-2005	29,667,155	17,840,881	-	47,508,036	8,920,441	38,587,596	8%	3,087,008	44,421,028
	SUB-TOTAL - UCC	**186,661,880**	**20,532,259**	**-**	**207,194,139**	**10,266,130**	**196,928,010**		**13,492,416**	**193,701,723**

CCA Continuity Schedule (2009)										
Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	**Distribution System - 1988 to 22-Feb-2005**	93,251,892	-	-	93,251,892	-	93,251,892	4%	3,730,076	89,521,817
2	**Distribution System - pre 1988**	43,432,267	-	-	43,432,267	-	43,432,267	6%	2,605,936	40,826,331
1	**Buildings**	5,611,952	-	-	5,611,952	-	5,611,952	4%	224,478	5,387,474
8	**General Office/Stores Equip**	3,284,149	305,000	-	3,589,149	152,500	3,436,649	20%	687,330	2,901,819
10	**Computer Hardware/ Vehicles**	2,944,492	1,728,000	-	4,672,492	864,000	3,808,492	30%	1,142,548	3,529,945
10.1	**Certain Automobiles**	-	-	-	-	-	-	30%	-	-
12	**Computer Software**	230,039	9,279,905	-	9,509,944	4,639,953	4,869,992	100%	4,869,992	4,639,953
12	**Computer Software - CCA normalization adjustment for calc of regulatory PILs**	-	-	-	-	-	-	100%	-	-
13 1	**Lease # 1**	-	-	-	-	-	-	20%	-	-
13 2	**Lease #2**	-	-	-	-	-	-		-	-
50	**Computers & Systems Hardware acq'd post Mar 19/07**	525,904	-	-	525,904	-	525,904	55%	289,247	236,657
50	**Computers & Systems Hardware acq'd post Jan 27/09**	-	767,000	-	767,000	-	767,000	100%	767,000	-
46	**Data Network Infrastructure Equipment (acq'd post Mar 22/04)**	-	-	-	-	-	-	30%	-	-
47	**Distribution System - post 22-Feb-2005**	44,421,028	18,492,100	-	62,913,128	9,246,050	53,667,078	8%	4,293,366	58,619,762
	SUB-TOTAL - UCC	**193,701,723**	**30,572,005**	**-**	**224,273,728**	**14,902,503**	**209,371,225**		**18,609,972**	**205,663,756**

Summary of Revisions	From Class 10	To Class 50
Capital additons for 2008	$ 488,300	$ 488,300
Capital additons for 2009	$ 767,000	$ 767,000

Summary of Impact on Revenue Requirement

Total CCA deduction for 2009 as filed	$ 16,202,860
Revised CCA deduction	$ 18,609,972
Base Revenue Requirement Before Adj	$ 60,401,505
Base Revenue Requirement After Adj	$ 59,215,913
Total reduction in revenue requirement	**$ (1,185,592)**

Revisions required by London Hydro to CCA schedules for 2008 and 2009

Original Tables from Rate Application Exhibit 4 pages 83 and 84 Tables 39 and 40

CCA Continuity Schedule (2008)

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	97,137,388	-	-	97,137,388	-	97,137,388	4%	3,885,496	93,251,892
2	Distribution System - pre 1988	46,204,539	-	-	46,204,539	-	46,204,539	6%	2,772,272	43,432,267
1	Buildings	5,845,783	-	-	5,845,783	-	5,845,783	4%	233,831	5,611,952
8	General Office/Stores Equip	3,753,061	709,300	-	4,462,361	354,650	4,107,711	20%	821,542	3,640,819
10	Computer Hardware/ Vehicles	2,469,989	1,430,000	-	3,899,989	715,000	3,184,989	30%	955,497	2,944,492
10.1	Certain Automobiles	-	-	-	-	-	-	30%	-	-
12	Computer Software	1,201,996	460,078	-	1,662,074	230,039	1,432,035	100%	1,432,035	230,039
13 1	Lease # 1		-	-	-	-	-	20%	-	-
13 2	Lease #2		-	-	-	-	-		-	-
50	Computers & Systems Hardware acq'd post Mar 19/07	381,969	92,000	-	473,969	46,000	427,969	55%	235,383	238,586
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		-	-	-	-	-	30%	-	-
47	Distribution System - post 22-Feb-2005	29,667,155	17,840,881	-	47,508,036	8,920,441	38,587,596	8%	3,087,008	44,421,028
	SUB-TOTAL - UCC	**186,661,880**	**20,532,259**	**-**	**207,194,139**	**10,266,130**	**196,928,010**		**13,423,064**	**193,771,075**

CCA Continuity Schedule (2009)

Class	Class Description	UCC Prior Year Ending Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	**Distribution System - 1988 to 22-Feb-2005**	93,251,892	-	-	93,251,892	-	93,251,892	4%	3,730,076	89,521,817
2	**Distribution System - pre 1988**	43,432,267	-	-	43,432,267	-	43,432,267	6%	2,605,936	40,826,331
1	**Buildings**	5,611,952	-	-	5,611,952	-	5,611,952	4%	224,478	5,387,474
8	**General Office/Stores Equip**	3,284,149	1,024,500	-	4,308,649	512,250	3,796,399	20%	759,280	3,549,369
10	**Computer Hardware/ Vehicles**	2,944,492	1,728,000	-	4,672,492	864,000	3,808,492	30%	1,142,548	3,529,945
10.1	**Certain Automobiles**	-	-	-	-	-	-	30%	-	-
12	**Computer Software**	230,039	9,279,905	-	9,509,944	4,639,953	4,869,992	100%	4,869,992	4,639,953
12	**Computer Software - CCA normalization adjustment for calc of regulatory PILs**	-	-	-	-	-	-	100%	(1,684,969)	-
13 1	**Lease # 1**	-	-	-	-	-	-	20%	-	-
13 2	**Lease #2**	-	-	-	-	-	-		-	-
50	**Computers & Systems Hardware acq'd post Mar 19/07**	525,904	-	-	525,904	-	525,904	55%	289,247	236,657
50	**Computers & Systems Hardware acq'd post Jan 27/09**	-	47,500	-	47,500	-	47,500	100%	47,500	-
46	**Data Network Infrastructure Equipment (acq'd post Mar 22/04)**	-	-	-	-	-	-	30%	-	-
47	**Distribution System - post 22-Feb-2005**	44,421,028	18,492,100	-	62,913,128	9,246,050	53,667,078	8%	4,293,366	58,619,762
	SUB-TOTAL - UCC	**193,701,723**	**30,572,005**	**-**	**224,273,728**	**15,262,253**	**209,011,475**		**16,277,453**	**206,311,306**

Summary of Revisions	From Class 10	To Class 8	To Class 50	Reference
Capital additons for 2008	$ 488,300	$ 396,300	$ 92,000	Exh 2, pge 100 - desktop solutions
Capital additons for 2009	$ 767,000	$ 719,500	$ 47,500	Exh 2, pge 71 - desktop solutions

Summary of Impact on Revenue Requirement

Total CCA deduction for 2009 as filed	$ 16,202,860
Revised CCA deduction	$ 16,277,453
Base Revenue Requirement Before Adj	$ 60,401,505
Base Revenue Requirement After Adj	$ 60,364,765
Total reduction in revenue requirement	**$ (36,740)**