

**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  
School Energy Coalition (“SEC”) Interrogatories**

**Filed: March 20, 2009**

**General**

1. Re: Exhibit 1, p. 47: with respect to the OM&A per customer chart, please provide the equivalent value for London Hydro for the 2009 test year using the forecast customer numbers and OM&A budget.

**RESPONSE**

London Hydro’s OM&A cost per customer for the 2009 Test Year is \$193.00. Please refer to Exhibit 4, p 5, Lines 3 – 21, and Exhibit 4, p. 6, Table 6 for more discussion related to OM&A cost per customer.

2. Ref. Exhibit 1, p. 51: please provide the distribution revenue for 2008. (i.e. the 2008 equivalent for the \$52,457,928 shown in the table).

***RESPONSE:***

The 2008 equivalent Bridge Year forecast distribution revenue as per Exhibit 3, p. 2, and Table 1 is \$52,163,221. The actual 2008 distribution revenue was \$52,335,432.

**Rate Base and Capital Expenditures**

3. Ref. Exhibit 2: please provide London Hydro's capital expenditures, broken down by major category, from 2006 actual to 2009.

***RESPONSE:***

The table on the following page provides actual capital expenditures for 2006 – 2008, and the 2009 Test Year.

See also London Hydro's related response to VECC Question 7.

| <b>SUMMARY OF CAPITAL EXPENDITURES 2006 BOARD APPROVED to 2009 TEST</b> |                        |                        |                        |                      |
|---|------------------------|------------------------|------------------------|----------------------|
|   | <b>2006<br/>ACTUAL</b> | <b>2007<br/>ACTUAL</b> | <b>2008<br/>ACTUAL</b> | <b>2009<br/>TEST</b> |
| <b>Distribution and General Plant</b>                                   |                        |                        |                        |                      |
| 1805 Land - Substations   | 36,718                 |                        | 68,701                 | -                    |
| 1806 Land Rights  | 18,357                 | 7,240                  | 5,144                  | -                    |
| 1808 Buildings - Substations  | 20,204                 | 20,664                 | 157,646                | 55,000               |
| 1820 Substation Equipment   | 518,937                | 1,193,828              | 1,446,920              | 4,190,200            |
| 1830 Poles, Towers & Fixtures   | 1,268,902              | 2,004,599              | 1,946,484              | 1,770,950            |
| 1835 OH Conductors & Devices  | 2,418,470              | 4,247,295              | 3,362,827              | 3,276,900            |
| 1840 UG Conduit   | 1,604,502              | 2,287,028              | 3,219,627              | 2,990,000            |
| 1845 UG Conductors & Devices  | 3,293,303              | 2,989,190              | 3,474,931              | 3,224,750            |
| 1850 Line Transformers  | 2,701,697              | 4,361,065              | 5,767,333              | 3,120,500            |
| 1855 Services (OH & UG)   | 985,086                | 1,113,303              | 1,725,001              | 995,500              |
| 1860 Meters   | 414,118                | 519,834                | 544,810                | 613,200              |
| 1908 Buildings & Fixtures   | 636,684                | 540,884                | 2,119,920              | 1,075,000            |
| 1910 Leasehold Improvements   | -                      |                        |                        | -                    |
| 1915 Office Furniture & Equipment                                       | 124,834                | 87,991                 | 148,019                | 120,000              |
| 1930 Transportation Equipment   | -                      |                        | 1,447,709              | 1,728,000            |
| 1935 Stores Equipment   | 4,104                  | 2,057                  | 27,726                 | 10,000               |
| 1940 Tools, Shop & Garage Equipment                                     | 85,859                 | 106,544                | 124,447                | 105,000              |
| 1945 Measurement & Testing Equipment                                    | 2,290                  |                        | 11,016                 | 20,000               |
| 1950 Power operated Equipment   | -                      | 39,949                 | 99,041                 | 50,000               |
| 1960 Miscellaneous Equipment  | -                      |                        |                        | -                    |
| 1980 System Supervisory Equipment                                       | 188,956                | 250,667                | 101,722                | 383,000              |
|   | <u>14,323,020</u>      | <u>19,772,139</u>      | <u>25,799,022</u>      | <u>23,728,000</u>    |
| <b>Computer Hardware &amp; Software</b>                                 |                        |                        |                        |                      |
| 1920 Computer - Hardware  | 612,792                | 642,004                | 393,276                | 967,000              |
| 1925 Computer - Software  | 2,096,710              | 4,604,426              | 2,116,862              | 2,735,000            |
|   | <u>2,709,502</u>       | <u>5,246,429</u>       | <u>2,510,138</u>       | <u>3,702,000</u>     |
| <b>Total Expenditures Before Contributed Capital</b>                    | <b>17,032,522</b>      | <b>25,018,568</b>      | <b>28,309,160</b>      | <b>27,430,000</b>    |
| 1995 Contributions & Grants   | (2,233,198)            | (3,325,389)            | (3,478,094)            | (3,202,900)          |
|   | <u>14,799,324</u>      | <u>21,693,179</u>      | <u>24,831,066</u>      | <u>24,227,100</u>    |

**Reconciliation of Capital Expenditures to Capital Additions (Original Table 6, pg 18)**

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Capital Expenditures (including contributed capital)       | 14,799,324        | 21,693,179        | 24,831,066        | 24,227,100        |
| Add back: Contributed Capital                              | 2,233,198         | 3,325,389         | 3,478,094         | 3,202,900         |
| Capital Expenditures (excluding contrib cap)               | <u>17,032,522</u> | <u>25,018,568</u> | <u>28,309,160</u> | <u>27,430,000</u> |
| Add: Change in WIP   | (1,316,412)       | (3,088,662)       | (1,472,131)       | 6,344,905         |
| Fixed Asset Additions ties back to Table 6, and LPMA #9 a) | <u>15,716,110</u> | <u>21,929,906</u> | <u>26,837,029</u> | <u>33,774,905</u> |

4. Please reconcile the capital spending table found at Exhibit 2, pg. 18, lines 2-3 with the table found at Exhibit 2, p. 133. The two tables appear to both report total capital expenditures for various years but the amounts differ.

**RESPONSE:**

The table at Exhibit 2, p. 18, lines 2-3 reports the total net capital expenditures by year.

The table found at Exhibit 2, p. 133 is not total net capital expenditures, but a sub-schedule contained in the 2009 Asset Management Plan ("AMP") related to gross capital spending on Infrastructure and City and Developer Works. The total shown for 2009 is \$19,950,000. The AMP is developed on a gross budget basis, and does not include cost recoveries.

The AMP contains four sections: Infrastructure; City and Developers Works; Metering Program; and Fleet and Facilities. It does not include capital spending for Hardware and Software, and Application Development which is covered under the IT strategy document.

Please refer to Exhibit 2, p. 56, Table 17. This table outlines the total 2009 capital spending plan and breaks it down by the major groups within both the AMP and the IT Strategy. Table 18 provides both the gross and net capital budgets included in the AMP.

Table 17 totals \$27,430,000 which reconciles to Exhibit 2, p. 18 lines 2-3.

5. Please identify all 2009 capital expenditures that are customer growth related and state whether assumptions underlying those projects have changed in view of recent economic conditions.

**RESPONSE:**

The total gross capital expenditures for 2009 projects that are customer growth related are \$7,900,000. Cost recoveries in the amount of \$576,000 are forecasted, therefore, the net capital expenditures are forecasted to be \$7,324,000.

Please refer to Exhibit 2, p. 67, and Table 18, p. 59 as well as the Asset Management Plan, Appendix A, pp.125, 167-176 for details related to customer growth related capital projects.

Included in the total capital expenditures for 2009 is a large industrial expansion for the Innovation Park in London (part of project 9E1, Exhibit 2, p. 167). The budget contains funding for this development in the amount of \$2.3 million. This project has been confirmed to be going ahead in 2009. As this is an expansion project there is no cost recoveries related to this work.

In preparing the 2009 capital works program, the net budget for the Developer Works (\$5.0 million excluding the \$2.3 million for the Innovation Park expansion) was reduced approximately 21% from the actual 2008 net expenditures (\$6.4 million) to reflect this down turn.

The following table provides a comparison of 2007 and 2008 actual net capital expenditures and the 2009 Test Year related to developer driven projects.

| <b>Comparison of Developer Driven Work - NET Capital Expenditures</b> |                    |                |                |
|---|--------------------|----------------|----------------|
| Project Code and Description  | Amount in Millions |                |                |
|   | 2007<br>Actual     | 2008<br>Actual | 2009<br>Budget |
| Residential Underground   | 1.8                | 2.4            | <b>1.6</b>     |
| Multi Family Residential  | 0.8                | 0.7            | <b>0.8</b>     |
| Commercial Distribution   | 2.1                | 2.6            | <b>1.9</b>     |
| Developer Expansions & Reloc - general                                | 0.7                | 0.7            | <b>0.7</b>     |
| <b>Sub Total</b>  | 5.4                | 6.4            | <b>5.0</b>     |
| Developer Expansions & Reloc - Innovation Park                        |                    |                | <b>2.3</b>     |
| Total Developer Spending  | 5.4                | 6.4            | <b>7.3</b>     |

**Operating Costs**

6. Exhibit 4, p.7-8:
- (a) Please provide a copy of the directives provided to department managers regarding the preparation of the 2009 departmental budgets;
  - (b) Please provide copies of the work plans, or budgets, provided to senior management by the department managers.
  - (c) If different from above, please provide copies of the labour plans submitted to senior management by department managers.

***RESPONSE:***

- (a) Please refer to Appendix SEC 6 – Budget Process
- (b) Please refer to Appendix SEC 6 – Budget Process
- (c) Please refer to Exhibit 4, Tables 9, 13 and 14 for labour plans submitted to senior management for incorporation into the work plans.

7. Ex. 4, p. 23: Employee Complement
- (a) Please provide an update on the number of new staff for 2009 hired thus far.
  - (b) Please insert a column in Table 17 to show 2006 actuals.
  - (c) Please provide a breakdown of where the additional 16 FTE's (over 2007) will be working and what work they will be doing.

**RESPONSE:**

- (a) Please refer to London Hydro's response to VECC Question 19 d) for an update on new staff for 2009 hired thus far.
- (b) Please refer to Appendix – SEC 7 for updates to Table 17 to show 2006 actuals.
- (c) The table on the following page provides position detail for the total increase in full time equivalents between 2004 and the 2009 Test Year. Please also refer to London Hydro's response to SEC Question 10 for further information related to the total increase in full time equivalents.



**New and Deleted Positions 2004 - 2009 (Includes Base Labour Cost and FTE)**

| CHANGES IN FTE 2004 - 2009                  |                         |                      |                  |                  |                  |            |
|---|-------------------------|----------------------|------------------|------------------|------------------|------------|
|   | GROUP<br>(see<br>Index) | Deleted<br>Positions |                  | New<br>Positions |                  | NOTES      |
|   |                         | FTE                  |                  | FTE              |                  |            |
| <b>Engineering and Operations:</b>          |                         |                      |                  |                  |                  |            |
| Supv Fac Fleet Admin                        | N                       | (1.00)               | (54,000)         |                  |                  |            |
| Electric Meter Technician                   | U                       | (1.00)               | (70,400)         |                  |                  |            |
| GIS Supervisor                              | M                       |                      |                  | 1.00             | 78,300           |            |
| Powerline Maintainers - Apprentices         | U                       |                      |                  | 6.00             | 347,800          | (1)        |
| Cable / URD Maintainers - Apprentices       | U                       |                      |                  | 2.00             | 96,500           | (1)        |
| I&C Technologists - Apprentices             | U                       |                      |                  | 2.00             | 94,900           | (1)        |
| Underground Plant Locator (return from LTD) | U                       |                      |                  | 1.00             | 55,900           |            |
| Executive Assistant                         | NP                      |                      |                  | 1.00             | 52,800           |            |
| Temp Staff                                  | NP                      |                      |                  | (0.20)           | (56,600)         |            |
|   |                         | (2.00)               | (124,400)        | 12.80            | 669,600          |            |
| <b>Customer Services:</b>                   |                         |                      |                  |                  |                  |            |
| Business Analyst - C/S                      | N                       | (1.00)               | (80,400)         |                  |                  |            |
| Interval Meter Data & Settlements Analyst   | N                       | (1.00)               | (15,300)         |                  |                  |            |
| Interval Meter Data Coordinator             | U                       | (1.00)               | (32,000)         |                  |                  |            |
| Settlements Engineer                        | N                       | (1.00)               | (53,500)         |                  |                  |            |
| Cashier                                     | U                       | (1.00)               | (51,100)         |                  |                  |            |
| Customer Support Trainer                    | NP                      | (0.20)               | (9,400)          |                  |                  |            |
| Director, Energy Management                 | D                       |                      |                  | 1.00             | 101,100          |            |
| Manager Metering Technology                 | M                       |                      |                  | 1.00             | 97,100           |            |
| Customer Services Payment Rep               | U                       |                      |                  | 1.00             | 47,200           |            |
| Customer Service Acct Rep                   | U                       |                      |                  | 1.00             | 63,000           |            |
| Smart Meter Coordinator                     | N                       |                      |                  | 1.00             | 62,200           |            |
| P/T Customer Service Representatives        | NP                      |                      |                  | 3.50             | 122,300          |            |
| Contract Utility & CSS                      | M                       |                      |                  | 0.20             | 18,700           |            |
| CDM Project Coordinator                     | NP                      |                      |                  | 0.50             | 17,500           |            |
|   |                         | (5.20)               | (241,700)        | 9.20             | 529,100          |            |
| <b>Information Systems:</b>                 |                         |                      |                  |                  |                  |            |
| Computer Operator                           | U                       | (1.00)               | (52,300)         |                  |                  |            |
| Temp Staff                                  | NP                      | (0.10)               | (12,800)         |                  |                  |            |
| Supervisor Systems Support                  | M                       |                      |                  | 1.00             | 58,800           |            |
| Manager of Technical Services               | M                       |                      |                  | 1.00             | 89,500           |            |
| Application Developer                       | N                       |                      |                  | 1.00             | 72,900           |            |
|   |                         | (1.10)               | (65,100)         | 3.00             | 221,200          |            |
| <b>Financial Services:</b>                  |                         |                      |                  |                  |                  |            |
| Regulatory Accountant                       | N                       |                      |                  | 1.00             | 65,100           |            |
|   |                         | -                    | -                | 1.00             | 65,100           |            |
|   |                         | <b>(8.30)</b>        | <b>(431,200)</b> | <b>26.00</b>     | <b>1,485,000</b> | <b>(2)</b> |

NOTE: 1

Total succession planning FTE for apprentice program and base labour cost

10 \$ 539,200

NOTE 2

Overall Increase is 17.7 FTE

**Legend for Employee Group**

| <b><u>GROUP</u></b>          | <b><u>CODE</u></b> |
|------------------------------|--------------------|
| Executive                    | E                  |
| Director                     | D                  |
| Middle manager - supervisory | M                  |
| Non Union - non supervisory  | N                  |
| Union                        | U                  |
| Non Permanent                | NP                 |

8. Please provide the proportion of labour expenses charged to OM&A and capital from 2006 to 2009.

**RESPONSE:**

The following table provides the proportion of gross labour charged to OM&A, capital, and billable and other. New apprentices required as part of the succession plan are being deployed to capital activities and result in higher allocations to capital. The OPA program support, and new incremental labour costs budgeted in 2009 related to smart meter activities, account for the increase in the allocations to billable and other.

| <b>Historical Labour Deployment (2006 - 2009)</b>  |                        |                        |                        |                      |              |
|--|------------------------|------------------------|------------------------|----------------------|--------------|
|  | <b>2006<br/>ACTUAL</b> | <b>2007<br/>ACTUAL</b> | <b>2008<br/>ACTUAL</b> | <b>2009<br/>TEST</b> | <b>NOTES</b> |
| Gross Labour   | 21,484,172             | 23,494,679             | 24,711,148             | 25,866,300           | (1)          |
| <b>Allocations:</b>  |                        |                        |                        |                      |              |
| to Capital   | 4,434,639              | 5,331,763              | 5,357,993              | 5,789,200            |              |
| to Billable and Other  | 346,043                | 338,213                | 591,913                | 683,400              |              |
| to OM&A  | 16,703,490             | 17,824,703             | 18,761,242             | 19,393,700           |              |
| Total Allocations  | 21,484,172             | 23,494,679             | 24,711,148             | 25,866,300           |              |
| <b><u>Allocations as % of Gross Labour</u></b>   |                        |                        |                        |                      |              |
| to Capital   | 20.6%                  | 22.7%                  | 21.7%                  | 22.4%                | (2)          |
| to Billable and Other  | 1.6%                   | 1.4%                   | 2.4%                   | 2.6%                 | (3)          |
| to OM&A  | 77.7%                  | 75.9%                  | 75.9%                  | 75.0%                | (2)          |
| Total Allocations  | 100.0%                 | 100.0%                 | 100.0%                 | 100.0%               |              |
| <i>Figures for Gross Labour, and allocations taken from Exhibit 4, Table 9, p. 12</i>                          |                        |                        |                        |                      |              |
| Note 1 - Gross labour includes base salaries, overtime, and benefit cost                                       |                        |                        |                        |                      |              |
| Note 2 - Higher allocations to capital related to additional apprentices, results in lower allocations to OM&A |                        |                        |                        |                      |              |
| Note 3 - Increased allocation to OPA programs and to Smart Meter Deferral Accounts                             |                        |                        |                        |                      |              |

9. Ex. 4: aging workforce

- (a) The demographic information provided at Table 12 (p. 16) shows the average age and years of service for London Hydro's workforce to be 45.8 and 16.8 respectively. Please explain why London Hydro anticipates a large number of retirements in the next five years.
- (b) Please set out the retirement rules pursuant to London Hydro's pension plan- at what combination of age and years of service are employees eligible for a full pension? What proportion of employees will meet that threshold in 2009 vs. 2013?
- (c) Please provide the total dollars in 2009 OM&A that are due to retirement planning issues - whether succession planning, training costs, etc.

**RESPONSE:**

- (a) Statistically speaking, an average age of 45.8 years is an indication of an aging workforce. There are a large number of employees at or nearing the 55 years of age threshold at which many employees can retire without taking a reduced pension.

The table provided below is the latest look at the number of full time employees by department over the age of 50. Currently 24% of the total full time workforce is between 50 - 54 years of age and 14% are 55 or older. Of this total many are skilled trades.

The actual average retirement age that London Hydro experienced from 2001 - 2008 was 56.5 years old. This combined with the current age demographics points to a significant number of retirements in the next five years.

These statistics are comparable in the industry.

| Department             | Total No. Employees | Age 50-54 | Age 55-59 | Age 60+ | Total 50-60+ |
|------------------------|---------------------|-----------|-----------|---------|--------------|
| Executive              | 5                   | 1         | 1         | 1       | 3            |
| HR & Safety            | 6                   | 2         | 1         |         | 3            |
| Eng. & Ops             | 155                 | 32        | 17        | 4       | 53           |
| Finance                | 12                  | 4         | 1         | 2       | 7            |
| CS & Strategy Planning | 58                  | 18        | 5         | 3       | 26           |
| Information Systems    | 15                  | 2         | 1         | 0       | 3            |

- (b) An employee can retire with a “full” pension or an “unreduced” pension. A full pension requires 35 years of credited service and minimum age of 55 years old. However, many employees retire once they reach the requirement to receive an “unreduced” pension, meaning that they can retire early, but without penalty.

The rules for an “unreduced” pension are as follows:

The employee must be at least 55 years of age, and satisfy any one of the 3 criteria:

- 1) have 30 years of credited service;
- 2) have reached the “90 factor” which is calculated as eligible service plus credited service plus age to equal 90; or
- 3) be 65 year old

Retirement forecasts include the assumption that employees will retire once they are eligible to receive an “unreduced” pension. The following shows the number of employees in 2009 and 2013 that are or will be eligible to retire.

| <b>Eligible for retirement:</b> | <b>2009</b> | <b>2013</b> | <b>2009</b> | <b>2013</b>  |
|---------------------------------|-------------|-------------|-------------|--------------|
| 65 years old                    | 0           | 6           | 0.0%        | 2.4%         |
| both 55 + 30 yrs                | 9           | 30          | 3.6%        | 12.0%        |
| 90 factor                       | 2           | 6           | 0.8%        | 2.4%         |
|                                 | <b>11</b>   | <b>42</b>   | <b>4.4%</b> | <b>16.8%</b> |

- (c) The 2009 Test year includes a total of 10 new apprentice positions related to succession planning. The apprentices are deployed to capital activities, and therefore the labour cost related to succession planning is not included in OM&A expense.

Please refer to the related discussion in London Hydro’s response to Question 8, above.

Training for both skilled trades, and non-skilled trades is included in OM&A. Training programs may be directly or indirectly related to the succession plan.

Apprentice training, directly related to succession planning, will be approximately \$80,000. Other on-going supervisory training programs (\$64,500) and general professional development programs (\$169,700) are included in the 2009 Test

Year. These programs provide learning opportunities to enhance knowledge and skills, and prepare employees for future advancement opportunities. Please refer to Exhibit 4, pp.48 – 50 for related discussions.

10. Ex. 4: base labour costs

- (a) Please provide a more detailed breakdown for the increase in base labour costs in each of the years 2006, 2007, 2008 and 2009. For each year, for example, please provide the dollar amount of base labour increases that were due to overall wage increases, grid increases, succession planning, new hires not related to succession planning, and "corporate re-organization and industry changes."
- (b) For new hires not related to succession planning, please explain the reason for the new hires;
- (c) Please explain what is meant by the term "corporate re-organization and industry changes", as it appears Exhibit 4, p. 17.

**RESPONSE:**

Preamble: The labour budget is developed based on a labour plan for all activities completed by the utility, being OM&A, capital, billable services, OPA, energy management, and smart meters. From this plan total headcount requirements are established. The cost of this plan is presented in the budget as base labour. Labour is then deployed to the various activities listed above, as required.

For clarification, discussions related to the increase in total base labour do not necessarily tie to increases in total OM&A cost, as deployment to non-OM&A activities has also increased.

As an example, increases in base labour have been included in the 2009 budget related to the need for additional non-permanent staff for smart meter activities, however, the related costs are charged to the smart meter deferral account in accordance with OEB directives, and do not form part of the 2009 Test Year OM&A labour costs that are included in the 2009 revenue requirement.

The information provided below speaks to major changes in base labour.

- a)** The breakdown of change in base labour costs between the 2006 Board Approved Year and the 2009 Test Year provided in Exhibit 4, p. 15 was compiled by looking at 2004 actual data and comparing it to the 2009 Test Year on an employee by employee basis. This is entirely a manual process, as London Hydro does not have a system to provide this type of detailed analysis on an automated basis. This is not part of London Hydro's standard labour reporting system. The analysis of the information included in the rate application was developed over an extended time frame during the preparation of the application and involved an extensive amount of time and manual effort to create. Any attempt to fully recreate this data on a year by year basis, as requested by SEC would require a significant amount of time and resources and could not be achieved within any reasonable time frames.

In an effort to respond to this information request, we have been able to recreate in detail certain portions of this information that comprise approximately 86% of the total amount. Annual fluctuations in cost related to maternity leaves, job reclassification, step progressions, and hiring delays are not provided.

The following table is provided for the changes in base labour by year related to overall wage increases, succession planning, and corporate reorganization and industry changes.

| <b>SUMMARY OF SIGNIFICANT CHANGES TO BASE LABOUR by YEAR</b> |          |        |         |         |         |         |         |          |
|--|----------|--------|---------|---------|---------|---------|---------|----------|
| <b>2006 BOARD APPROVED TO 2009 TEST YEAR</b>                 |          |        |         |         |         |         |         |          |
| Change in Base Labour - in \$000's                           | Total    | %      | 04 - 05 | 05 - 06 | 06 - 07 | 07 - 08 | 08 - 09 | Overall  |
| Cumulative Wage Increase                                     | \$ 2,350 | 59.4%  | \$ 434  | \$ 449  | \$ 463  | \$ 477  | \$ 527  | \$ 2,350 |
| TOTAL New Positions  | 1,485    | 37.5%  | 122     | 130     | 381     | 312     | 541     | 1,485    |
| Corporate Reorganization - Deleted Positions                 | (431)    | -10.9% | (163)   | (203)   | (75)    | 10      | -       | (431)    |
|  | 1,054    | 26.6%  | (41)    | (73)    | 306     | 322     | 541     | 1,054    |
| Succession Planning Impact                                   | (539)    | -13.6% |         | (30)    | (78)    | (43)    | (388)   | (539)    |
| Net - New Positions  | 515      | 13.0%  | (41)    | (103)   | 228     | 279     | 153     | 515      |

(b) The total change in full time equivalent is 17.7 between 2004 and the 2009 Test Year. Of this total 10 are related to succession planning with the hiring of new apprentice positions. The base labour cost of this succession plan is shown in a) above.

The following provides detail on the positions not related to succession planning and the reason for the hires:

- A GIS Supervisor (1 FTE) was hired after the implementation of the new GIS system. The position will supervise the AM/FM Surveyor Technicians and play a lead role in the development and operation of London Hydro's Geographical Information System ("GIS") and work with other departments to make recommendations and provide assistance in implementing and maintaining their GIS needs. This position is responsible for department performance, efficiency improvements, and data integrity by overseeing and reviewing work prepared by staff.
- Regulatory requirements have increased significantly and resulted in an addition to the finance staff compliment (1 FTE) for a new specialized Regulatory Accountant. Responsibilities include, among other things, the completion of various quarterly and annual regulatory reporting requirements, participation in regulatory work groups and task forces, assisting in the compilation of rate application, the monitoring of changes in regulatory accounting and implementing associated changes to internal London Hydro process to ensure compliance.



- New non-permanent headcount (3.5 FTE) related to staff are included in the 2009 budget to assist in responding to customer inquiries expected to increase with the roll out of the new smart metering program. As indicated above, these labour costs will be charged to the smart meter deferral accounts and are not included in the 2009 Test Year OM&A labour costs which form part of the 2009 revenue requirement.
  - The new Supervisor of System Support (1 FTE) has been added to provide additional support with project planning and scheduling, resource planning, operating and capital budget development and monitoring, short and long-range strategic plan development, and support with the procurement of server, telephony and desktop technology. This was required to alleviate a long-standing deficiency, and resulted in efficiencies and improved productivity within the Information Services department as well as in all other departments who rely heavily on IS support.
  - A new Application Developer (1 FTE) joined the workforce to address an increased demand for application support services to all departments; to assist in the administration and configuration of UNIX and Oracle environment; and to manage and maintain London Hydro's databases.
- (c) Total base labour has been affected by "corporate reorganizations and industry changes". These changes in operating requirements include, among others, efficiency gains connected to technology improvements; changes in services provided to London Hydro's customers; and new industry requirements.

London Hydro has responded to these changes by redeploying headcount to new activities wherever possible, and deleting redundant positions. This has been accomplished through attrition; by re-training existing staff to take on new functions; or by hiring new positions as required. The detail provided in response to Question 7(c) illustrates the type of positions that have been deleted during the period 2004 – 2009. It also outlines new positions that have been required.

The following are examples of some changes and the impacts to base labour cost from 2004 to 2009:

- Technology improvements resulted in the reduction in the number of employees required to manage the wholesale settlement process, and the elimination of the need for a computer operator by automating manual processes.
- New technology allows customer to pay bills electronically thus eliminating the need for a cash payment office.

- Efficiencies in the management of the fleet and facilities areas resulted in the elimination of a fleet and facility administrative position and the redeployment of staff to other functions.

11. Ex. 4: Account 5085

- (a) Please quantify the impact of each of the major drivers of the increase in this account as set out on pp.60-62 (call locates, new meter installation, building maintenance, labour cost increases, etc.);
- (b) For each of these major cost drivers for the increase in this account, please set out what assumptions were made for 2009 and how they differ from 2007 and 2008. For example, how many locates are projected in 2009 and how does this compare to 2007 and 2008?

**RESPONSE:**

- (a) The table on the following page quantifies the impact of each of the major cost drivers related to Miscellaneous Distribution Expense – OEB 5085.

| <b>OPERATIONS DETAIL BY OEB ACCOUNT</b>                          |  |                        |  |                                     |              |
|--|--|------------------------|--|-------------------------------------|--------------|
| OEB No   | Operating Expense  | 2006 Board<br>Approved | 2009<br>TEST   | 2006 Board Approved<br>to 2009 TEST |              |
| <b>5085</b>  | <b>Miscellaneous distribution expense</b>  | <b>\$ 1,721,816</b>    | <b>\$ 2,490,213</b>                                    | <b>\$ 768,397</b>                   | <b>44.6%</b> |
| <b><u>Variance by Major Cost Drivers:</u></b>                    |  |                        | <b><u>2006 Board<br/>Approved to<br/>2009 TEST</u></b> |                                     |              |
| <b><u>Plant Locates</u></b>                                      |  |                        |  |                                     |              |
|  | Cumulative wage increases 16.2% and benefit cost increases   |                        | 44,700   |                                     |              |
|  | Contracted locate services - increase due to higher volume requested and avoiding additional permanent on-staff headcount  |                        | 178,900  |                                     |              |
|  | Declined recoveries due to the City of London no longer requires plant locate services provided by LH  |                        | 140,000  |                                     |              |
|  |  |                        | <u>363,600</u>   |                                     |              |
| <b><u>New Meter Installation</u></b>                             |  |                        |  |                                     |              |
|  | New electric meter installed to measure consumption in 2007, and hydro consumption costs are now recorded  |                        | <u>88,000</u>  |                                     |              |
| <b><u>Building Maintenance</u></b>                               |  |                        |  |                                     |              |
|  | More conservative approach related to the capitalization of minor renovations and replacement of building fixtures   |                        | 67,810   |                                     |              |
|  | Janitorial expense increases   |                        | 18,978   |                                     |              |
|  | Landscaping  |                        | 3,212  |                                     |              |
|  |  |                        | <u>90,000</u>  |                                     |              |
| <b><u>Other Labour costs</u></b>                                 |  |                        |  |                                     |              |
|  | Labour - cumulative wage increases 16.2% including benefit overhead for Administrative staff and Radio & Communication   |                        | 66,700   |                                     |              |
|  | Corporate restructuring - transfer in two headcount as Operations Service Representatives from Fleet and Engineering to support the distribution administration function |                        | 126,400  |                                     |              |
|  |  |                        | <u>193,100</u>   |                                     |              |
| <b><u>Other cumulative inflationary impacts</u></b>              |  |                        |  |                                     |              |
|  | Office equipment and maintenance   |                        | 16,507   |                                     |              |
|  | Materials and supplies   |                        | 17,190   |                                     |              |
|  |  |                        | <u>33,697</u>  |                                     |              |
| <b>Total Change in 5085 - Miscellaneous distribution expense</b> |  |                        | <b><u>768,397</u></b>                                  |                                     |              |

(b) Please see the following table:

| <b>ASSUMPTIONS INCLUDED IN 2009 TEST YEAR - 5085 MISCELLANEOUS DISTRIBUTION EXPENSE</b> |   |
|---|---|
| <b><u>Plant Locates</u></b>   |   |
| <u>Labour increases</u>   | <u>Wage Escalation</u>  |
|   | 2009 3.25%  |
|   | 2008 3.00%  |
|   | 2007 3.00%  |
| <u>Contracted locate services</u>   | The level of effort was measured in hours to comply with the increased demand and OEB mandate to accomplish 90% of locates within 5 days:   |
|   | <u>Hours</u> <u>Increase (%)</u>  |
|   | 2009 12,265 3.0%  |
|   | 2008 11,903 6.1%  |
|   | 2007 11,216 14.4%   |
|   | 2006 9,800  |
|   | It is anticipated that the upwards trend will continue into 2009 and beyond, due to the ongoing "Call Before You Dig" awareness campaigns across the province. The Ontario Regional Common Ground Alliance and OOC have been actively trying to increase awareness regarding the importance of underground utility locating, thereby decreasing damages and injury. |
| <u>Recoveries from COL</u>  | City of London no longer requires plant locate services provided by LH, this activity ceased at the beginning of 2005.  |
| <b><u>New Meter Installation</u></b>  |   |
|   | New electric meter installed to measure consumption in 2007, and hydro consumption costs are now recorded   |
|   | <u>Total Budgeted</u>   |
| 2009  | \$ 88,000 consumption and cost to remain flat   |
| 2008  | \$ 88,000 consumption and cost to remain flat   |
| 2007  | \$ 88,000 new electric meter installed, this is an increase from 2006   |
| <b><u>Building Maintenance</u></b>  |   |
|   | The more conservative approach related to the capitalization of minor renovations and replacement of building fixtures, etc.  |
| 2009  | Approximately 2% increase is budgeted for total building mtce expense including minor renovation - inflationary increase  |
| 2008  | No major increase in the level of minor renovation activities   |
| 2007  | No major increase in the level of minor renovation activities   |
| <b><u>Other Labour costs</u></b>  |   |
| <u>Labour increases</u>   | <u>Wage Escalation</u>  |
|   | 2009 3.25%  |
|   | 2008 3.00%  |
|   | 2007 3.00%  |
| <u>Corporate Restructuring</u>  |   |
| 2009  | no headcount change   |
| 2008  | no headcount change   |
| 2007  | no headcount change   |
|   | The transfer of the two headcount as Operations Service Representatives from Fleet and Engineering to support the distribution administration function happened in 2006.  |
| <b><u>Other cumulative inflationary impacts</u></b>                                     |   |
|   | Office equipment and maintenance, software maintenance, materials and supplies  |
|   | 3% inflationary increases each year   |

12. Ex. 4, Meter Reading Expense- Account 5305

- (a) What is the basis for the assumption that the external contractor costs for meter reading will increase by \$30,900 in 2009?
- (b) Please provide a breakdown of the anticipated increase in this account that is due to labour cost increases.
- (c) Please explain whether any costs in this account have been decreased as a result of expenses being recorded to the smart meter deferral accounts. If so, what are they?

**RESPONSE:**

(a) The increase of \$30,900 in external meter reading contract costs for the 2009 Test Year is approximately a 3% increase over the 2008 Bridge Year. The current contract expires on June 30, 2009, and a rate increase is anticipated at the time of contract renewal. Additionally, London Hydro is projecting an increase of approx 1.5% in its customer base for 2009, which will result in a higher number of meter reads in a year. Since the current contract pricing is based on the actual number of readings, this will result in higher meter reading contract costs.

(b) The following table summarizes the increase in meter reading expense that is related to labour cost increases. Please refer to Exhibit 4, p. 63 for related discussion.

| <b>Salaries, Wages, and Benefit Cost Increases<br/>2006 Board Approved to 2009 Test year</b>             |                |
|--|----------------|
| Cumulative wage increase (16.2%)   | 101,300        |
| Corporate Restructuring: (Note 1)  |                |
| Meter Technology Manager   | 126,300        |
| Smart Meter Co-ordinator   | 80,900         |
|  | 207,200        |
| <b>TOTAL</b>   | <b>308,500</b> |
| <i>Note 1 - corporate restructuring completed to realign resources, and delete redundant positions .</i> |                |

The introduction of smart meters, and other operational changes in recent years, have resulted in the reorganization of some existing positions. Both of the positions referred to above were transferred from other departments or functions. Redundant positions were deleted. There are no incremental headcount increases associated with this reorganization.

The reorganization of existing positions has allowed London Hydro to respond to new operating needs and at the same time avoid increases in its headcount wherever possible. Although involved in smart meter activity, London Hydro does not consider the costs of the positions referred to above as new incremental costs. Higher costs for meter reading expense are offset with cost savings in other areas. An example of this is the decrease in costs related to Wholesale settlement, where automation has reduced resource requirements.

(c) There have been no decreases to this account as a result of expenses being recorded to the smart meter deferral accounts. As directed by the OEB, London Hydro is only recording incremental costs incurred in connection with smart meters to OEB account 1556 – Smart Meter OM&A Variance Account.

The following is an excerpt from the OEB Accounting Procedures Handbook, Article 220, at p. 24:

*“A. This account shall be used by the distributor to record **incremental** operating, maintenance, amortization and administrative expenses directly related to smart meters.”*

13. Ex. 4: Operations USoA Accounts

- (a) A number of the Operations accounts show significant variances in the historical years, yet no explanation is provided as the dollar values do not meet the materiality threshold. Therefore:
- i) Please explain what accounts for the 32% increase in account 5005 from 2006 actual to 2008;
  - ii) Please explain the increases in accounts 5005 to 5035 from 2006 actual to 2009.

**RESPONSE:**

(a) (i) The table below shows the elements of cost increase in account 5005 from the 2006 Actual to 2008 Bridge Year. As shown in the table London Hydro allocates Supervision and Engineering between OEB account 5005 and OEB account 5105. The allocation could vary year on year as it is prorated depending on costs charged to other operating and maintenance activities.

| <b>OPERATIONS DETAIL BY OEB ACCOUNT (5005)</b> |  |                |                           |                               |                     |
|--|--|----------------|---------------------------|-------------------------------|---------------------|
| OEB No   | Operating Expense  | 2006<br>ACTUAL | 2008<br>BRIDGE            | 2006 ACTUAL to<br>2008 BRIDGE |                     |
| 5005   | Operation supervision & engineering  | \$ 848,413     | \$ 1,118,251              | \$ 269,837                    | 31.8%               |
|  |  |                | <b>TOTAL<br/>VARIANCE</b> | <b>OEB<br/>5005</b>           | <b>OEB<br/>5105</b> |
| <b>Base Labour variances (OH included):</b>    |  |                |                           |                               |                     |
|  | Cumulative wage increase 2006 Actual - 2008 Projections  |                | 143,909                   | 87,329                        | 56,579              |
|  | Management job evaluation  |                | 21,063                    | 12,782                        | 8,281               |
|  | New position: Executive Assistant  |                | 69,456                    | 42,149                        | 27,308              |
|  | New position: GIS Supervisor   |                | 95,014                    | 57,658                        | 37,356              |
|  | New position: Student Engineer in training   |                | 15,118                    | 9,174                         | 5,944               |
|  | Director of Network Planning (temporarily allocating time to Customer Services                       |                | 119,251                   | 72,366                        | 46,885              |
|  | Transfer out Eng Technical Assistant from supervision/engineering area                               |                | (78,118)                  | (47,405)                      | (30,713)            |
|  | Reclass / progressions, other  |                | 41,278                    | 25,049                        | 16,229              |
|  | Change in days per year  |                | 10,072                    | 6,112                         | 3,960               |
|  | Variable compensation - not a budgeted item, and not included in the 2008 Bridge Year                |                | (35,759)                  | (21,700)                      | (14,059)            |
|  |  |                | 401,284                   | 243,515                       | 157,769             |
| <b>Other</b>                                   |  |                |                           |                               |                     |
|  | Employee development   |                | 20,223                    | 12,272                        | 7,951               |
|  | Incremental GIS software maintenance by Intergraph   |                | 8,749                     | 5,309                         | 3,440               |
|  | Projected easement services  |                | 10,000                    | 6,068                         | 3,932               |
|  | Contracted services for Safe Work Practices and Strikes Database in 2006, nothing projected for 2008 |                | (10,132)                  | (6,148)                       | (3,984)             |
|  | Cable fault analysis by external consultants   |                | 15,000                    | 9,103                         | 5,897               |
|  | Other insignificant variances  |                |                           | (281)                         | 281                 |
|  | <b>Variance explained</b>  |                | <b>445,124</b>            | <b>269,837</b>                | <b>175,286</b>      |



**(a) (ii)**

London Hydro has provided detailed cost variances for any OEB account that has exceeded the threshold in accordance with OEB Filing Requirements. The remaining variances between operating and maintenance accounts (both the increases and the decreases) result mainly from changes in the activities being completed in any given year, and examining the variances in isolation does not explain cost increases or decreases. They are simply variances in the type of activity that is being performed in a given year.

Please refer to discussion in Exhibit 4, p 59, and the full disclosure of all cost variances by element of cost at pp. 8 – 58.

The table below reports the total costs in the OEB O&M accounts, and removes elements already explained. Once this is done, the remaining average cost increase over the three years 2006 to 2009 is 3.5%. Other significant cost increases or decreases are then listed with a reference to further commentary contained in Exhibit 4. The remaining cost increases are 3.0% per year.

| <b>Operating and Maintenance OEB Accounts - Variance Analysis</b> |        |                   |                   |                     |                |             |
|---|--------|-------------------|-------------------|---------------------|----------------|-------------|
|   |        | <b>2006</b>       | <b>2009</b>       | <b>TOTAL CHANGE</b> | <b>Average</b> |             |
|   |        | <b>ACTUAL</b>     | <b>TEST</b>       |                     | <b>Annual</b>  |             |
|   |        | <b>\$</b>         | <b>\$</b>         | <b>\$</b> <b>%</b>  | <b>Change</b>  |             |
|   |        |                   |                   |                     | <b>%</b>       |             |
| OEB Operating Costs   |        | 5,686,720         | 7,180,864         | 1,494,144           | 26.3%          | 8.8%        |
| OEB Maintenance Costs   |        | 5,448,857         | 6,323,653         | 874,796             | 16.1%          | 5.4%        |
| <b>Total Operating and Maintenance Costs</b>                      |        | <b>11,135,577</b> | <b>13,504,517</b> | <b>2,368,940</b>    | <b>21.3%</b>   | <b>7.1%</b> |
| Less: Variances provided in detail:                               | Note 1 |                   |                   |                     |                |             |
| 5085 - Miscellaneous distribution expense                         |        |                   |                   | 768,397             |                |             |
| 5005/5105 Supervision and Engineering                             | Note 2 |                   |                   | <u>445,124</u>      |                |             |
| Remaining Variance  |        |                   |                   | 1,155,419           | 10.4%          | 3.5%        |
| Other Significant Changes   |        |                   |                   |                     |                |             |
| PCB Removal costs   | Note 3 |                   | (89,000)          |                     |                |             |
| Wholesale Meter Mtce  | Note 4 |                   | 106,000           |                     |                |             |
| Standby by Generator Mtce   | Note 5 |                   | 22,000            |                     |                |             |
| Training  | Note 6 |                   | 100,000           |                     |                |             |
|   |        |                   |                   | <u>139,000</u>      |                |             |
| <b>Remaining Increases</b>  | Note 7 |                   |                   | <b>1,016,419</b>    | <b>9.1%</b>    | <b>3.0%</b> |

**Note 1** - see Exhibit 4, pp. 59 - 62. and response to SEC questions 11 and 13 for detailed variance explanations and related commentary  
**Note 2** - explanation provided is for 2006 - 2008 as requested in SEC question 13 a) i)  
**Note 3** - London Hydro is now PCB free, and requires only a small budget for ongoing maintenance. See Exhibit 4, p 26, lines 20 - 26  
**Note 4** - New maintenance expense with Hydro One, for the wholesale metering points See Exhibit 4, pp. 26 - 27  
**Note 5** - New standby generator requires on-going maintenance and testing. This is contracted externally. See Exhibit 4, p. 39, lines 19 - 21 and Table 24, p 40  
**Note 6** - See discussion related to succession planning for both skilled-trade and non skilled-trade in Exhibit 4, pp. 10 -14 and Exhibit 4, p. 48, lines 11 - 23  
**Note 7** - Labour is approximately 70 % of the total costs in the OEB Operating and Maintenance accounts. Annual wage increases during 2006 - 2009 are 3.0%, 3.0%, and 3.25% respectively.

14. Ex. 4, Appendix A- Maintenance USoA accounts
- (a) Pg. 89 of 174, Schedule 6: the table shows a of USoA Maintenance accounts with significant variances from 2006 actual to 2008, with additional increases in 2009. There do not appear to be any explanations for these increases in the pre-filed evidence. Therefore, please provide an explanation for the increases in accounts 5105 to 5175 from 2006 actual to 2008.

**RESPONSE:**

Please see London Hydro's response to Question 13, above.

**Cost Allocation**

15. Ex. 8

- a) Please provide the distribution revenue collected from each rate class for the years 2006, 2007, 2008, and 2009;
- b) Please explain whether London Hydro intends on any further movements in revenue to cost ratios towards 100% after 2010. If not, why not?
- c) Please explain whether and when London Hydro intends to move all rate classes towards 100% revenue to cost ratios.

**RESPONSE:**

(a) Please refer to the following table:

|                                    | 2006<br>Actual       | 2007<br>Actual       | 2008<br>Bridge       | 2008<br>Actual       | 2009<br>Test         |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Distribution Revenue:</b>       |                      |                      |                      |                      |                      |
| Residential                        | \$ 30,232,801        | \$ 32,524,237        | \$ 32,779,453        | \$ 33,443,302        | \$ 36,969,041        |
| GS <50 kW                          | 7,770,483            | 8,664,011            | 8,809,402            | 8,649,515            | 9,634,996            |
| GS 50 to 4,999 kW                  | 8,924,359            | 9,608,365            | 9,747,492            | 9,464,570            | 11,946,886           |
| GS 50 to 4,999 kW (Co-Generation)  | 227,032              | 318,347              | 332,970              | 249,461              | 330,105              |
| Standby Power                      | 302,201              | 353,768              | 341,102              | 328,612              | 391,842              |
| Large Use >5MW                     | 979,188              | 1,091,855            | 1,051,915            | 1,021,395            | 1,272,939            |
| Street Light                       | 171,069              | 201,505              | 206,239              | 196,034              | 690,641              |
| Sentinel                           | 7,916                | 8,189                | 8,147                | 8,182                | 31,925               |
| Unmetered Scattered Load           | 65,504               | 50,515               | 51,131               | 57,358               | 75,994               |
| <b>Gross Distribution Revenue</b>  | <b>48,680,553</b>    | <b>52,820,792</b>    | <b>53,327,852</b>    | <b>53,418,429</b>    | <b>61,344,371</b>    |
| <b>Less Transformer Allow.</b>     |                      |                      |                      |                      |                      |
| GS 50 to 4,999 kW                  | (782,285)            | (789,042)            | (806,772)            | (732,744)            | (820,618)            |
| GS 50 to 4,999 kW (Co-Generation)  | (19,482)             | (29,366)             | (29,367)             | (20,055)             | (29,367)             |
| Standby Power                      | (93,040)             | (92,880)             | (92,880)             | (92,880)             | (92,880)             |
| Large Use >5MW                     | (263,032)            | (252,891)            | (235,612)            | (237,317)            | -                    |
| <b>Total Base Dist. Rev. Reqmt</b> | <b>\$ 47,522,714</b> | <b>\$ 51,656,613</b> | <b>\$ 52,163,221</b> | <b>\$ 52,335,432</b> | <b>\$ 60,401,505</b> |

(b) In this Application, London Hydro is proposing changes to revenue to cost ratios based upon the results of the cost allocation informational filings from 2007 and in accordance with the directions and guidelines that have been provided by the Board. The Board has established acceptable ranges for revenue to cost ratios, and London Hydro's current proposal ensures that revenue to cost ratios for all customer classes fall within those ranges by 2010, in accordance with applicable Board guidelines.

In the absence of any further Board Guidelines or Directions to adjust revenue to cost ratios, London Hydro is not proposing any further adjustments after 2010 to these revenue to cost ratios.

- (c) London Hydro supports the principle of moving all customer classes to a 100% revenue to cost ratio but acknowledges that much work remains to be done within the industry to refine load forecast data, input cost data and other components that drive the output and results from the cost allocation process. London Hydro supports the movement all revenue to ratios closer to the 100% mark when cost allocation filings have been developed and submitted based upon improved data.

16. Exhibit 9: Rate Design

- (a) Please provide the avoided cost (lower bound) and the avoided costs plus allocated customer costs (upper bound) for each of the general service rate classes.

**RESPONSE:**

- (a) Please refer to the following table.

| Summary  | General Service Less Than 50 kW | General Service 50 to 4,999 kW | General Service 50 to 4,999 kW (CoGeneration) |
|--|---------------------------------|--------------------------------|---|
| Customer unit cost per month - Avoided Cost                  | \$ 5.10                         | \$ 27.23                       | \$ 149.63                                     |
| Customer unit cost per month - Directly Related              | \$ 7.52                         | \$ 39.84                       | \$ 192.30                                     |
| Customer unit cost per month - Minimum System with PLCC Adj. | \$ 11.82                        | \$ 41.81                       | \$ 193.91                                     |
| Fixed Charge per approved 2006 EDR                           | \$ 32.00                        | \$ 236.78                      | \$ 3,001.39                                   |

For further information on this issue and London Hydro's rationale behind its proposed fixed customer charge for 2009 please refer to Exhibit 9, pp. 3 to 6.

## **Appendices for Responses to SEC Interrogatories**

## 2009 OPERATING BUDGET GUIDELINES

### **Timeline:**

- The operating budget template is **issued** on **February 29, 2008**.
- The **completed budget** package is to be **returned** to the **Finance** department on the **due date March 26th**.

### **Finance Contacts:**

- Primary: Karen Lyons Ext. 4575
- Secondary: Susan Casciano Ext. 5243

### **What's New:**

- Budgets are being prepared in the Spring, rather than the Fall, for the following year.

### **Wage Escalations:**

- The **wage escalation** for **union employees** has been set at **3.25%** based on the current contract
- The **wage escalation** for **management employees** has been set for **3.25% based on current estimates**

### **Labour tab:**

- The **labour tab** has been prepared **based on 2008 approved headcount**. **Please ensure that adjustments** are made for any **scheduled additions or deletions**.
- Budgeted **pay rates include** adjustments for **pay rate step increases** scheduled for the forthcoming year.
- Most **budgeted hours** have been set based on the **assumption** that the employee will be **working a full year**. **Please ensure that adjustments** are made where an employee will **not be working a full year**.
- Areas in the labour tab **highlighted in blue require input** for **training, inclement weather** and **other** indirect labour time.
- All information in the labour tab is **automatically updated to** the applicable business unit labour tab (**BU# lbr**).

### **BU# lbr tabs:**

- These tabs facilitate the **allocation** of labour to **O&M, capital, billable and/or other business units**.
- Any labour amounts which have not been allocated will remain as the "Net G&A labour" expense of the business unit.

### **BU# tabs - 2008 Projections:**

- Projection amounts in **object detail** are required for **non labour categories**.
- Unless you find it helpful to report in object detail, projection amounts at the **total category level** are sufficient for labour items.

### **BU# tabs:**

- For each BU # tab, complete the area provided for the "**2009 Budget**" for each **non-labour object of expenditure**.
- Areas in individual **business unit tabs highlighted in blue** are formula driven and **should not be overridden**
- Notes and comments within the budget package are of great assistance to all. They assist in keeping readers informed, refreshing memories and explaining significant changes. **Please use notes and/or comments often**.

### **Prstn tab:**

- The "Prstn tab" represents a summary schedule of all projections and budgets based on links from individual business units. **Please review** this schedule **before returning the budget** package to the Finance Department, **to ensure** that it **reflects the overall plan** of the department for the forthcoming year.

If you have any questions or require assistance, please do not hesitate to call.



The following information and assumptions have been used in the development of the labour budget data.

| ASSUMPTIONS:                               | 2009   | Explanation                                    |
|--|--------|--|
| Wage escalation-Union                      | 3.25%  | per contract                                   |
| Wage escalation-Management                 | 3.25%  | to be determined                               |
| Benefit O/H allocation - F/T               | 30.00% | To be developed by Finance                     |
| Benefit O/H allocation - Incentive bonuses | 0.0%   |  |
| Benefit O/H allocation - P/T               | 12%    | To be developed by Finance                     |
| Full benefit allocation - F/T              | 62.00% | To be developed by Finance                     |
| Full benefit allocation - P/T              | 22%    | To be developed by Finance                     |
| Billable benefit allocation - F/T          | 62.00% | To be developed by Finance                     |
| Vac. Pay - Temp                            | 4%     | Temp employees receive 4% vacation pay weekly  |
| Stat Holidays - Casual                     | 12     | Casual employees receive 12 statutory holidays |
| Stat Holidays - Other                      | 12     | Perm & Temp employees receive 12 stat holidays |

**INFORMATION:**

Legend - Employee Status:

- M Management
- U Union
- FULL Permanent Full Time
- EXEC Executive Office / Director
- TEMP Temp
- CON Contract
- CA Casual (vac pay accumulated)
- CAV Casual (vac pay paid weekly)

**ESTIMATED PERCENTAGE PRICE INCREASES FOR MATERIALS  
 AND SUPPLIES FOR THE 2009 BUDGET**

| <b>COMMODITY</b>     | <b>INCREASE</b> |
|----------------------|-----------------|
| Ashpalt              | 8%              |
| Cable                | 4%              |
| Clothing             | 2%              |
| Electrical Materials | 4%              |
| Electric Meters      | 2%              |
| Furniture            | 3%              |
| Gasoline             | 10%             |
| Granulars, Gravel    | 6%              |
| Lamps                | 2%              |
| Line Materials       | 4%              |
| Lumber               | 4%              |
| Paint                | 3%              |
| Postage              | 2%              |
| Readymix Concrete    | 5%              |
| Stationary           | 2%              |
| Steel                | 12%             |
| Switchgear           | 6%              |
| Telephone            | 2%              |
| Transformers         | 8%              |
| Trucking - rentals   | 10%             |
| Wire                 | 4%              |
| Wood Poles           | 5%              |

**Provided by:** Tom Beacock, Purchasing  
**Date:** March 11, 2008

**London Hydro**

**Human Resources  
2009 Controllable Budget**

**WORK PLANS**

|                                    | <b>2008<br/>Budget<br/>\$</b> | <b>2008<br/>Projection<br/>\$</b> | <b>2009<br/>Budget<br/>\$</b> | <b>Projection to<br/>2009 Budget<br/>Incr./(Decr.)<br/>\$</b> | <b>%</b>     | <b>Budget<br/>to Budget<br/>Incr./(Decr.)<br/>\$</b> | <b>%</b>    |
|------------------------------------|-------------------------------|-----------------------------------|-------------------------------|---|--------------|--|-------------|
| Employee Services                  | 839,900                       | 825,000                           | 884,600                       | 59,600  | 7.2%         | 44,700   | 5.3%        |
| Corporate Health & Safety          | 336,200                       | 273,500                           | 326,600                       | 53,100  | 19.4%        | (9,600)  | -2.9%       |
| <b>Total Human Resources (net)</b> | <b>1,176,100</b>              | <b>1,098,500</b>                  | <b>1,211,200</b>              | <b>112,700</b>  | <b>10.3%</b> | <b>35,100</b>  | <b>3.0%</b> |

Analysis by Business Unit:

Employee Services  
Corporate Health & Safety  
**Total Human Resources (net)**

|                                    | <b>2008<br/>Budget<br/>\$</b> | <b>2008<br/>Projection<br/>\$</b> | <b>2009<br/>Budget<br/>\$</b> | <b>Projection to<br/>2009 Budget<br/>Incr./(Decr.)<br/>\$</b> | <b>%</b>     | <b>Budget<br/>to Budget<br/>Incr./(Decr.)<br/>\$</b> | <b>%</b>    |
|------------------------------------|-------------------------------|-----------------------------------|-------------------------------|---|--------------|--|-------------|
| Labour (incl benefit allocation)   | 721,300                       | 677,850                           | 702,300                       | 24,450  | 3.6%         | (19,000)   | -2.6%       |
| Other employee expenses            | 125,200                       | 108,700                           | 116,800                       | 8,100   | 7.5%         | (8,400)  | -6.7%       |
| Employee development               | 71,600                        | 53,800                            | 97,000                        | 43,200  | 80.3%        | 25,400   | 35.5%       |
| Meeting expenses                   | 9,500                         | 8,000                             | 9,600                         | 1,600   | 20.0%        | 100  | 1.1%        |
| Business Equipment/Communications  | 27,900                        | 26,900                            | 28,500                        | 1,600   | 5.9%         | 600  | 2.2%        |
| Fleet Expense                      | 14,000                        | 14,000                            | 14,400                        | 400   | 2.9%         | 400  | 2.9%        |
| Professional services              | 145,000                       | 158,500                           | 163,800                       | 5,300   | 3.3%         | 18,800   | 13.0%       |
| Materials and Supplies             | 29,000                        | 21,750                            | 32,800                        | 11,050  | 50.8%        | 3,800  | 13.1%       |
| Studies and Special Projects       | 9,000                         | 7,000                             | 22,100                        | 15,100  | 215.7%       | 13,100   | 145.6%      |
| Miscellaneous expenses             | 23,600                        | 22,000                            | 23,900                        | 1,900   | 8.6%         | 300  | 1.3%        |
| <b>Total Human Resources (net)</b> | <b>1,176,100</b>              | <b>1,098,500</b>                  | <b>1,211,200</b>              | <b>112,700</b>  | <b>10.3%</b> | <b>35,100</b>  | <b>3.0%</b> |

Analysis by Object of Expenditure:

Labour (incl benefit allocation)  
Other employee expenses  
Employee development  
Meeting expenses  
Business Equipment/Communications  
Fleet Expense  
Professional services  
Materials and Supplies  
Studies and Special Projects  
Miscellaneous expenses

**London Hydro**

**Information Services  
2009 Controllable Budget**

**WORK PLANS**

| <u>Analysis by Business Unit:</u>         | <b>2008 Budget</b> | <b>2008 Projection</b> | <b>2009 Budget</b> | <b>Projection to 2009 Budget</b> | <b>Budget to Budget</b> |
|---|--------------------|------------------------|--------------------|----------------------------------|-------------------------|
|   | <b>\$</b>          | <b>\$</b>              | <b>\$</b>          | <b>Incr.:(Decr.)</b>             | <b>Incr.:(Decr.)</b>    |
|   |                    |                        |                    | <b>\$</b>                        | <b>%</b>                |
| Technical Support                         | 1,037,100          | 1,010,800              | 1,132,100          | 121,300                          | 12.0%                   |
| Business Systems Support                  | 1,104,500          | 1,163,600              | 1,411,600          | 248,000                          | 21.3%                   |
| <b>Total Information Services (gross)</b> | <b>2,141,600</b>   | <b>2,174,400</b>       | <b>2,543,700</b>   | <b>369,300</b>                   | <b>17.0%</b>            |
| External Cost Recoveries                  | (363,000)          | (363,000)              | (366,000)          | (3,000)                          | 0.8%                    |
| <b>Total Information Services (net)</b>   | <b>1,778,600</b>   | <b>1,811,400</b>       | <b>2,177,700</b>   | <b>366,300</b>                   | <b>20.2%</b>            |

| <u>Analysis by Object of Expenditure:</u> | <b>2008 Budget</b> | <b>2008 Projection</b> | <b>2009 Budget</b> | <b>Projection to 2009 Budget</b> | <b>Budget to Budget</b> |
|---|--------------------|------------------------|--------------------|----------------------------------|-------------------------|
|   | <b>\$</b>          | <b>\$</b>              | <b>\$</b>          | <b>Incr.:(Decr.)</b>             | <b>Incr.:(Decr.)</b>    |
|   |                    |                        |                    | <b>\$</b>                        | <b>%</b>                |
| Labour (incl benefit allocation)          | 1,570,500          | 1,581,600              | 1,764,200          | 182,600                          | 11.5%                   |
| Other employee expenses                   | 1,300              | 3,600                  | 1,400              | (2,200)                          | -61.1%                  |
| Employee development                      | 103,100            | 103,100                | 105,400            | 2,300                            | 2.2%                    |
| Meeting expenses                          | 4,100              | 4,100                  | 4,100              | -                                | 0.0%                    |
| Business Equipment/Communications         | 67,300             | 64,900                 | 66,100             | 1,200                            | 1.8%                    |
| Fleet Expense                             | 100                | 100                    | 100                | -                                | 0.0%                    |
| Professional services                     | 380,600            | 403,200                | 587,400            | 184,200                          | 45.7%                   |
| Materials and Supplies                    | 14,600             | 13,800                 | 15,000             | 1,200                            | 8.7%                    |
| <b>Total Information Services (net)</b>   | <b>2,141,600</b>   | <b>2,174,400</b>       | <b>2,543,700</b>   | <b>369,300</b>                   | <b>17.0%</b>            |
| External Cost Recoveries                  | (363,000)          | (363,000)              | (366,000)          | (3,000)                          | 0.8%                    |
| <b>Total Information Services (gross)</b> | <b>1,778,600</b>   | <b>1,811,400</b>       | <b>2,177,700</b>   | <b>366,300</b>                   | <b>20.2%</b>            |

**London Hydro**

**Corporate Services  
2009 Controllable Budget**

**WORK PLANS**

|                                       | 2008<br>Budget<br>\$ | 2008<br>Projection<br>\$ | 2009<br>Budget<br>\$ | Projection to<br>2009 Budget<br>Incr./(Decr.)<br>\$ | %            | Budget<br>to Budget<br>Incr./(Decr.)<br>\$ | %            |
|---------------------------------------|----------------------|--------------------------|----------------------|---|--------------|--|--------------|
| Corporate General                     | 908,700              | 1,359,400                | 1,539,600            | 180,200   | 13.3%        | 630,900                                    | 69.4%        |
| Board of Directors                    | 140,400              | 163,800                  | 177,300              | 13,500  | 8.2%         | 36,900                                     | 26.3%        |
| Executive Administration              | 459,600              | 440,200                  | 451,600              | 11,400  | 2.6%         | (8,000)                                    | -1.7%        |
| Marketing                             | 471,300              | 454,700                  | 514,100              | 59,400  | 13.1%        | 42,800                                     | 9.1%         |
| <b>Total Corporate Services (net)</b> | <b>1,980,000</b>     | <b>2,418,100</b>         | <b>2,682,600</b>     | <b>264,500</b>                                      | <b>10.9%</b> | <b>702,600</b>                             | <b>35.5%</b> |

Analysis by Business Unit:

Corporate General  
Board of Directors  
Executive Administration  
Marketing

Total Corporate Services (net)

|                                       | 2008<br>Budget<br>\$ | 2008<br>Projection<br>\$ | 2009<br>Budget<br>\$ | Projection to<br>2009 Budget<br>Incr./(Decr.)<br>\$ | %            | Budget<br>to Budget<br>Incr./(Decr.)<br>\$ | %            |
|---------------------------------------|----------------------|--------------------------|----------------------|---|--------------|--|--------------|
| Labour (incl benefit allocation)      | 613,300              | 594,500                  | 629,800              | 35,300  | 5.9%         | 16,500                                     | 2.7%         |
| Other employee expenses               | 7,500                | 7,500                    | 7,600                | 100   | 1.3%         | 100  | 1.3%         |
| Employee development                  | 15,900               | 11,200                   | 16,100               | 4,900   | 43.8%        | 200  | 1.3%         |
| Meeting expenses                      | 20,300               | 15,500                   | 20,600               | 5,100   | 32.9%        | 300  | 1.5%         |
| Business Equipment/Communications     | 508,700              | 467,600                  | 715,000              | 247,400   | 52.9%        | 206,300                                    | 40.6%        |
| Fleet Expense                         | 15,000               | 15,000                   | 15,500               | 500   | 3.3%         | 500  | 3.3%         |
| Professional services                 | 679,400              | 677,500                  | 740,300              | 62,800  | 9.3%         | 60,900                                     | 9.0%         |
| Materials and Supplies                | 41,200               | 50,600                   | 42,400               | (8,200)   | -16.2%       | 1,200                                      | 2.9%         |
| Studies and Special Projects          | 18,000               | 518,000                  | 363,400              | (154,600)   | -29.8%       | 345,400                                    | 1918.9%      |
| Miscellaneous expenses                | 60,700               | 60,700                   | 131,900              | 71,200  | 117.3%       | 71,200                                     | 117.3%       |
| <b>Total Corporate Services (net)</b> | <b>1,980,000</b>     | <b>2,418,100</b>         | <b>2,682,600</b>     | <b>264,500</b>                                      | <b>10.9%</b> | <b>702,600</b>                             | <b>35.5%</b> |

Analysis by Object of Expenditure:

Labour (incl benefit allocation)  
Other employee expenses  
Employee development  
Meeting expenses  
Business Equipment/Communications  
Fleet Expense  
Professional services  
Materials and Supplies  
Studies and Special Projects  
Miscellaneous expenses

**London Hydro**

**Financial Services  
2009 Controllable Budget**

**WORK PLANS**

Analysis by Business Unit:

Risk Management  
Finance

**Total Financial Services (net)**

|  | 2008<br>Budget<br>\$ | 2008<br>Projection<br>\$ | 2009<br>Budget<br>\$ | Projection to<br>2009 Budget<br>Incr./(Decr.)<br>\$ | %            | Budget<br>to Budget<br>Incr./(Decr.)<br>\$ | %            |
|--|----------------------|--------------------------|----------------------|---|--------------|--|--------------|
|  | 83,700               | 81,500                   | 83,600               | 2,100   | 2.6%         | (100)                                      | -0.1%        |
|  | 1,945,400            | 1,950,100                | 2,214,100            | 264,000   | 13.5%        | 268,700                                    | 13.8%        |
|  | <b>2,029,100</b>     | <b>2,031,600</b>         | <b>2,297,700</b>     | <b>266,100</b>                                      | <b>13.1%</b> | <b>268,600</b>                             | <b>13.2%</b> |

Analysis by Object of Expenditure:

Labour (incl benefit allocation)  
Other employee expenses  
Employee development  
Meeting expenses  
Business Equipment/Communications  
Professional services  
Materials and Supplies  
Regulatory Expenses  
Miscellaneous expenses

|  | 2008<br>Budget<br>\$ | 2008<br>Projection<br>\$ | 2009<br>Budget<br>\$ | Projection to<br>2009 Budget<br>Incr./(Decr.)<br>\$ | %            | Budget<br>to Budget<br>Incr./(Decr.)<br>\$ | %            |
|--|----------------------|--------------------------|----------------------|---|--------------|--|--------------|
|  | 1,187,400            | 1,189,900                | 1,225,900            | 36,000  | 3.0%         | 38,500                                     | 3.2%         |
|  | 6,500                | 6,500                    | 6,600                | 100   | 1.5%         | 100  | 1.5%         |
|  | 13,600               | 13,600                   | 13,900               | 300   | 2.2%         | 300  | 2.2%         |
|  | 800                  | 800                      | 800                  | -   | 0.0%         | -  | 0.0%         |
|  | 104,800              | 104,800                  | 107,800              | 3,000   | 2.9%         | 3,000                                      | 2.9%         |
|  | 203,000              | 203,000                  | 269,300              | 66,300  | 32.7%        | 66,300                                     | 32.7%        |
|  | 13,000               | 13,000                   | 13,400               | 400   | 3.1%         | 400  | 3.1%         |
|  | 458,000              | 458,000                  | 617,200              | 159,200   | 34.8%        | 159,200                                    | 34.8%        |
|  | 42,000               | 42,000                   | 42,800               | 800   | 1.9%         | 800  | 1.9%         |
|  | <b>2,029,100</b>     | <b>2,031,600</b>         | <b>2,297,700</b>     | <b>266,100</b>                                      | <b>13.1%</b> | <b>268,600</b>                             | <b>13.2%</b> |

**London Hydro**  
 Customer Services  
 2009 Controllable Budget

**WORK PLANS**

| <u>Analysis by Business Unit:</u>         |                  | 2008             | 2008             | 2009           | Projection to | Budget         |             |
|---|------------------|------------------|------------------|----------------|---------------|----------------|-------------|
|   | Budget           | Projection       | Budget           | Budget         | 2009 Budget   | to Budget      |             |
|   | \$               | \$               | \$               | \$             | Incr./(Decr.) | Incr./(Decr.)  |             |
|   |                  |                  |                  |                | \$            | \$             |             |
|   |                  |                  |                  |                | %             | %              |             |
| Customer Systems Support                  | 378,900          | 364,200          | 333,300          | (30,900)       | -8.5%         | (45,600)       | -12.0%      |
| Wholesale & Retailer Settlement           | 323,400          | 212,100          | 402,100          | 190,000        | 89.6%         | 78,700         | 24.3%       |
| Energy & Key Account Management           | 220,200          | 184,600          | 210,800          | 26,200         | 14.2%         | (9,400)        | -4.3%       |
| Meter Data Management                     | 2,111,700        | 2,112,100        | 2,174,300        | 62,200         | 2.9%          | 62,600         | 3.0%        |
| Revenue Protection                        | 1,694,600        | 1,741,600        | 1,850,300        | 108,700        | 6.2%          | 155,700        | 9.2%        |
| Contact Centre                            | 3,126,400        | 3,157,000        | 3,190,900        | 33,900         | 1.1%          | 64,500         | 2.1%        |
| Energy Management                         | 271,400          | 147,300          | 134,300          | (13,000)       | -8.8%         | (137,100)      | -50.5%      |
| Corporate Planning & Administration       | 447,500          | 452,800          | 459,700          | 6,900          | 1.5%          | 12,200         | 2.7%        |
| <b>Total Customer Services (gross)</b>    | <b>8,574,100</b> | <b>8,371,700</b> | <b>8,755,700</b> | <b>384,000</b> | <b>4.6%</b>   | <b>181,600</b> | <b>2.1%</b> |
| External Cost Recoveries                  | (2,662,000)      | (2,662,000)      | (2,684,000)      | (22,000)       | 0.8%          | (22,000)       | 0.8%        |
| <b>Total Customer Services (net)</b>      | <b>5,912,100</b> | <b>5,709,700</b> | <b>6,071,700</b> | <b>362,000</b> | <b>6.3%</b>   | <b>159,600</b> | <b>2.7%</b> |
| <u>Analysis by Object of Expenditure:</u> |                  | 2008             | 2008             | 2009           | Projection to | Budget         |             |
|   | Budget           | Projection       | Budget           | Budget         | 2009 Budget   | to Budget      |             |
|   | \$               | \$               | \$               | \$             | Incr./(Decr.) | Incr./(Decr.)  |             |
|   |                  |                  |                  |                | \$            | \$             |             |
|   |                  |                  |                  |                | %             | %              |             |
| Labour (incl benefit allocation)          | 4,951,500        | 4,751,600        | 5,017,600        | 266,000        | 5.6%          | 66,100         | 1.3%        |
| Other employee expenses                   | 17,100           | 17,100           | 17,200           | 100            | 0.6%          | 100            | 0.6%        |
| Employee development                      | 80,500           | 55,500           | 87,100           | 31,600         | 56.9%         | 6,600          | 8.2%        |
| Meeting expenses                          | 25,500           | 29,000           | 25,800           | (3,200)        | -11.0%        | 300            | 1.2%        |
| Business Equipment/Communications         | 1,058,500        | 1,058,500        | 1,113,500        | 55,000         | 5.2%          | 55,000         | 5.2%        |
| Fleet Expense                             | 29,700           | 29,700           | 30,500           | 800            | 2.7%          | 800            | 2.7%        |
| Professional services                     | 1,742,500        | 1,716,500        | 1,737,300        | 20,800         | 1.2%          | (5,200)        | -0.3%       |
| Materials and Supplies                    | 156,800          | 176,800          | 179,700          | 2,900          | 1.6%          | 22,900         | 14.6%       |
| Miscellaneous expenses                    | 512,000          | 537,000          | 547,000          | 10,000         | 1.9%          | 35,000         | 6.8%        |
| <b>Total</b>                              | <b>8,574,100</b> | <b>8,371,700</b> | <b>8,755,700</b> | <b>384,000</b> | <b>4.6%</b>   | <b>181,600</b> | <b>2.1%</b> |
| External Cost Recoveries                  | (2,662,000)      | (2,662,000)      | (2,684,000)      | (22,000)       | 0.8%          | (22,000)       | 0.8%        |
|   | <b>5,912,100</b> | <b>5,709,700</b> | <b>6,071,700</b> | <b>362,000</b> | <b>6.3%</b>   | <b>159,600</b> | <b>2.7%</b> |

**London Hydro**

**Engineering and Operations  
2009 Controllable Budget**

**WORK PLANS**

| Analysis by Business Unit:                        | 2008              |                   | 2009              |        | Projection to  |                 | Budget        |               |
|---|-------------------|-------------------|-------------------|--------|----------------|-----------------|---------------|---------------|
|   | Budget            | Projection        | Budget            | Budget | 2009 Budget    | Incr./(Decr.)   | Incr./(Decr.) | %             |
|   | \$                | \$                | \$                | \$     | \$             | \$              | \$            | %             |
| <b>Operations</b>                                 |                   |                   |                   |        |                |                 |               |               |
| Operations Administration                         | 562,300           | 564,900           | 581,100           |        | 16,200         | 18,800          | 2.9%          | 3.3%          |
| Overhead Distribution                             | 2,217,900         | 2,224,900         | 2,392,200         |        | 167,300        | 174,300         | 7.5%          | 7.9%          |
| Forestry  | 654,200           | 704,200           | 679,500           |        | (24,700)       | 25,300          | -3.5%         | 3.9%          |
| Fleet   | 1,654,700         | 1,654,700         | 1,698,300         |        | 43,600         | 43,600          | 2.6%          | 2.6%          |
| Internal Cost Allocation                          | (1,654,700)       | (1,654,700)       | (1,698,300)       |        | (43,600)       | (43,600)        | 2.6%          | 2.6%          |
| Underground Systems                               | 1,730,900         | 1,805,900         | 1,810,000         |        | 4,100          | 79,100          | 0.2%          | 4.6%          |
| Construction                                      | 266,700           | 266,700           | 274,400           |        | 7,700          | 7,700           | 2.9%          | 2.9%          |
| Plant Office                                      | 404,000           | 355,900           | 416,400           |        | 60,500         | 12,400          | 17.0%         | 3.1%          |
| Plant Locates                                     | 728,000           | 748,800           | 782,900           |        | 34,100         | 54,900          | 4.6%          | 7.5%          |
| Control Room                                      | 1,038,000         | 1,038,000         | 1,069,300         |        | 31,300         | 31,300          | 3.0%          | 3.0%          |
| Radio & Communications                            | 290,600           | 290,700           | 340,800           |        | 50,100         | 50,200          | 17.2%         | 17.3%         |
|   | <b>7,892,600</b>  | <b>8,000,000</b>  | <b>8,346,600</b>  |        | <b>346,600</b> | <b>454,000</b>  | <b>4.3%</b>   | <b>5.8%</b>   |
| <b>Planning &amp; Networks</b>                    |                   |                   |                   |        |                |                 |               |               |
| Substation Maintenance                            | 969,600           | 992,500           | 1,064,300         |        | 71,800         | 94,700          | 7.2%          | 9.8%          |
| Electric Meter                                    | 841,600           | 841,600           | 873,400           |        | 31,800         | 31,800          | 3.8%          | 3.8%          |
| System Planning                                   | 313,900           | 273,400           | 335,700           |        | 62,300         | 21,800          | 22.8%         | 6.9%          |
|   | <b>2,125,100</b>  | <b>2,107,500</b>  | <b>2,273,400</b>  |        | <b>165,900</b> | <b>148,300</b>  | <b>7.9%</b>   | <b>7.0%</b>   |
| <b>Engineering</b>                                |                   |                   |                   |        |                |                 |               |               |
| Engineering                                       | 887,700           | 740,300           | 797,400           |        | 57,100         | (90,300)        | 7.7%          | -10.2%        |
| Internal Cost Allocation                          | -                 | -                 | -                 |        | -              | -               | -             | 0.0%          |
|   | <b>887,700</b>    | <b>740,300</b>    | <b>797,400</b>    |        | <b>57,100</b>  | <b>(90,300)</b> | <b>7.7%</b>   | <b>-10.2%</b> |
| <b>Other</b>                                      |                   |                   |                   |        |                |                 |               |               |
| Corporate Facilities                              | 2,881,400         | 2,909,700         | 2,961,800         |        | 52,100         | 80,400          | 1.8%          | 2.8%          |
| Materials Management                              | 887,600           | 877,600           | 910,100           |        | 32,500         | 22,500          | 3.7%          | 2.5%          |
| Internal Cost Allocation                          | (823,500)         | (813,500)         | (850,100)         |        | (36,600)       | (26,600)        | 4.5%          | 3.2%          |
| Engineering Admin                                 | 527,400           | 527,400           | 538,500           |        | 11,100         | 11,100          | 2.1%          | 2.1%          |
|   | <b>3,472,900</b>  | <b>3,501,200</b>  | <b>3,560,300</b>  |        | <b>59,100</b>  | <b>87,400</b>   | <b>1.7%</b>   | <b>2.5%</b>   |
| <b>Total Engineering &amp; Operations (gross)</b> | <b>14,378,300</b> | <b>14,349,000</b> | <b>14,977,700</b> |        | <b>628,700</b> | <b>599,400</b>  | <b>4.4%</b>   | <b>4.2%</b>   |
| External Cost Recoveries                          | (275,000)         | (311,000)         | (128,000)         |        | 183,000        | 147,000         | -58.8%        | -53.5%        |
| <b>Total Engineering &amp; Operations (net)</b>   | <b>14,103,300</b> | <b>14,038,000</b> | <b>14,849,700</b> |        | <b>811,700</b> | <b>746,400</b>  | <b>5.8%</b>   | <b>5.3%</b>   |



|                                   | 2008<br>Budget<br>\$ | 2008<br>Projection<br>\$ | 2009<br>Budget<br>\$ | Projection to<br>2009 Budget<br>Incr.(Decr.)<br>\$ | %      | Budget<br>to Budget<br>Incr./(Decr.)<br>\$ | %      |
|-----------------------------------|----------------------|--------------------------|----------------------|--|--------|--|--------|
| Labour (incl benefit allocation)  | 9,621,400            | 9,478,600                | 10,053,900           | 575,300  | 6.1%   | 432,500                                    | 4.5%   |
| Other employee expenses           | 254,200              | 254,200                  | 273,200              | 19,000   | 7.5%   | 19,000                                     | 7.5%   |
| Employee development              | 179,000              | 179,000                  | 190,600              | 11,600   | 6.5%   | 11,600                                     | 6.5%   |
| Meeting expenses                  | 14,500               | 14,500                   | 14,500               | -  | 0.0%   | -  | -      |
| Business Equipment/Communications | 276,700              | 251,800                  | 288,100              | 36,300   | 14.4%  | 11,400                                     | 4.1%   |
| Fleet Expense                     | 1,057,400            | 1,057,400                | 1,079,800            | 22,400   | 2.1%   | 22,400                                     | 2.1%   |
| Professional services             | 1,246,300            | 1,365,000                | 1,309,900            | (55,100)   | -4.0%  | 63,600                                     | 5.1%   |
| Insurance                         | 114,000              | 101,100                  | 110,000              | 8,900  | 8.8%   | (4,000)                                    | -3.5%  |
| Building Expense                  | 1,465,000            | 1,545,000                | 1,531,800            | (13,200)   | -0.9%  | 66,800                                     | 4.6%   |
| Property Taxes                    | 726,600              | 688,600                  | 721,000              | 32,400   | 4.7%   | (5,600)                                    | -0.8%  |
| Materials and Supplies            | 861,000              | 861,000                  | 889,700              | 28,700   | 3.3%   | 28,700                                     | 3.3%   |
| Studies and Special Projects      | 42,500               | 42,500                   | 42,500               | -  | 0.0%   | -  | 100.0% |
| Miscellaneous expenses            | 344,400              | 347,000                  | 350,400              | 3,400  | 1.0%   | 6,000                                      | 1.7%   |
| Vehicle & Equipment               | 653,500              | 631,500                  | 670,700              | 39,200   | 6.2%   | 17,200                                     | 2.6%   |
| Internal Cost Allocation          | (2,478,200)          | (2,468,200)              | (2,548,400)          | (80,200)   | 3.2%   | (70,200)                                   | 2.8%   |
|                                   | 14,378,300           | 14,349,000               | 14,977,700           | 628,700  | 4.4%   | 599,400                                    | 4.2%   |
| External Cost Recoveries          | (20,000)             | (35,000)                 | (48,000)             | (13,000)   | 37.1%  | (28,000)                                   | 140.0% |
| External COL Cost Recovery        | (255,000)            | (276,000)                | (80,000)             | 196,000  | -71.0% | 175,000                                    | -68.6% |
|                                   | 14,103,300           | 14,038,000               | 14,849,700           | 811,700  | 5.8%   | 746,400                                    | 5.3%   |

Analysis by Object of Expenditure:

INFORMATION SERVICES - CAPITAL BUDGET

**2009 Budget Guidelines**

FINANCE CONTACTS:

PAULA BARNES EXT 4753  
 SUSAN CASCIANO EXT 5243

SUBMISSION DUE DATE:

Wednesday, March 26, 2008

ASSUMPTIONS FOR 2008:

Wage Increase 3.25% *(based on negotiated wage settlement, applied to all staff)*  
 Benefit OH Allocation 62% *(no change from prior year, Finance to update as required)*

REGULATORY EXPENDITURES - SMART METERING:

ALL capital spending for the smart meter initiatives will be completed in a separate document.  
 Please contact Mark Steeves for submissions as required.  
 Please DO NOT include expenditures associated with smart meters in this submission

BUDGET SUPPORTING DOCUMENTATION:

Although supporting documentation is required for the capital budget, the content is not mandated by Finance.  
 Please ensure that a copy of your detailed capital plan is submitted along with this summary spreadsheet  
 by the due date above.

LABOUR ALLOCATIONS:

- allocations of labour (excluding benefits) into capital must reconcile to labour out of each department's labour plan (Operating Budget Prep Pkg)

Example:

|  |                   |
|--|-------------------|
| Total IS Labour Plan (operating budget prep pkg) | \$ 1,000,000      |
| Allocation out of operating plan to capital      | \$ (100,000)      |
| Labour Remaining in Operating                    | <u>\$ 900,000</u> |

\*\* NB - labour for capital projects might be sourced from various departments and must reconcile. Please consult with other departments as necessary.

|                                |                   |
|--------------------------------|-------------------|
| Labour allocated to IS Capital | <u>\$ 100,000</u> |
|--------------------------------|-------------------|

**INFORMATION SERVICES - CAPITAL BUDGET**

## About this Spreadsheet

The following is provided to assist with the proper use of this spreadsheet.  
 Questions? See budget guidelines tab for Finance contacts.

**DATA ENTRY:**

- ALL DATA ENTRY POINTS ARE HIGHLIGHTED IN YELLOW. OTHER CELLS ARE FORMULAE DRIVEN, AND NO INPUT IS REQUIRED

**THREE MAIN REQUIREMENTS:**

**1. 2008 PROJECTIONS** *see Projections tab*

- year to date actuals provided for the period ended **Jan 31, 2008** for each capital project
- ENTER forecasted spending to December 31, 2008 for each capital project. **Segregate hardware cost.**
- ENTER project status at end of year, choose options from the drop down list provided

**2. 2009 BUDGET** *see 2009 Budget tab*

Projects grouped into the following categories:

|                               |   |
|-------------------------------|---|
| Recurring Projects            | - by their nature this capital spending occurs annually, eg computer purchases, servers, miscellaneous software |
| Previously Approved - Car     | - these projects were approved and started in 2008, but will not be completed until 2009                        |
| Deferred - from previous year | - these projects approved in 2008, were not started, and require reapproval in 2009                             |
| New                           | - new projects  |

- projects from 2008, with a status of "continues in 2009", "deferred", or "ongoing" must be listed in the 2009 Budget tab

- CAPITAL CATEGORY** ENTER project type, choose from options in the drop down list provided
- 2009 BUDGET** ENTER total 2009 budget by project - must be budgeted gross (excluding cost recoveries)
- COST ELEMENTS** ENTER each projects cost elements in the columns provided. Must equal total 2009 budget
- PROJECTED SPENDING** ENTER the monthly spending anticipated by project. Must equal total 2009 budget
- MESSAGE CENTRE** AUDIT CHECK - Notifies if monthly spending does not equal total 2009 budget

**3. FUTURE YEARS OUTLOOK** *see Future Years Outlook tab*

- high level forecast of spending for 2010, and 2011 is required
- ENTER in highlighted areas

**4. MAP to OEB**

-This tab to be completed by Finance



**London Hydro - Finance**

**Guideline for Capitalization of Labour Costs  
Related to New Software Implementation  
Projects**

As a general guideline the following rules should be applied when determining the division of labour between capital versus operating related to new software implementation projects (ie GIS, CIS, JDE etc.)

**CAPITAL**

**Capitalized labour costs will as general rule be restricted to:**

1. Direct labour costs of IT staff that are dedicated to this project.
2. Direct labour costs of other employees that have been assigned full-time to this project and incremental corporate costs have been incurred for a replacement staff member that has been hired on a temporary basis to perform their normal day to day operating functions, or incremental overtime costs have been incurred that are specifically related to the project.

**Activities that will normally be associated with capitalized labour are:**

Program development, coding, installation, production of training & system documentation, testing, training costs for the implementation team.

**OPERATING**

**Labour costs that will normally be considered Operating Expense:**

Labour costs associated with intermittent time commitments made by various staff members to attend meetings, provide input, advice, etc. while they continue to fulfill their normal operating functions should not be allocated to the capital project.

**Activities that will normally be associated with operating labour are:**

Planning, conceptual design, establishing feasibility, user training.

The purpose of the above guidelines is to provide some assistance in applying the appropriate allocation of labour costs between capital and operating. A review of the types of activities that will qualify as capital should assist in identifying those personnel that should be charging their activities to capital.

If you require any further clarification on these procedures, please contact Dave Williamson or Susan Casciano in the Finance Department.

**Appendix – Table 17**

In the course of responding to the various intervener questions, London Hydro realized that it had inadvertently misclassified non permanent staff. This issue has been rectified and the effected employee groups have been revised.

This change did not impact total base salaries, total variable compensation, premium pays, or benefits, however it does impact the averages reported within the various employee groups.

This Appendix contains a restated Table 17 (from Exhibit 4, pp. 23 – 24) and provides further details by year as has been requested.

London Hydro apologizes for any inconvenience this may have caused.

Please see Table 17 below:

**APPENDIX - TABLE 17: Employee Complement and Compensation**

| Employee Complement and Compensation           |                        |                   |                   |                   |                   |                   |                   |
|--|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2006 BOARD<br>APPROVED | 2005<br>ACTUAL    | 2006<br>ACTUAL    | 2007<br>ACTUAL    | 2008<br>BRIDGE    | 2008<br>ACTUAL    | 2009<br>TEST      |
| <b>Number of Employees (FTE):</b>              |                        |                   |                   |                   |                   |                   |                   |
| Executive (CEO, CFO, VPs)                      | 5.0                    | 5.0               | 5.0               | 5.0               | 5.0               | 5.7               | 5.0               |
| Directors                                      | 7.0                    | 7.0               | 7.0               | 8.0               | 8.8               | 8.7               | 9.0               |
| Management - Middle managers/Supervisors       | 32.8                   | 33.8              | 32.9              | 33.8              | 33.3              | 33.6              | 36.0              |
| Non Union - non-supervisory                    | 37.0                   | 37.0              | 38.0              | 35.5              | 34.8              | 35.4              | 35.0              |
| Union  | 166.0                  | 165.8             | 167.2             | 169.2             | 168.7             | 168.7             | 176.0             |
| Non Permanent                                  | 13.4                   | 9.7               | 9.5               | 11.5              | 16.7              | 18.9              | 17.9              |
|  | <b>261.2</b>           | <b>258.3</b>      | <b>259.5</b>      | <b>263.0</b>      | <b>267.3</b>      | <b>271.0</b>      | <b>278.9</b>      |
| <b>BASE (excluding variable comp):</b>         |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 638,100                | 668,000           | 760,700           | 793,600           | 828,500           | 947,100           | 851,600           |
| Director                                       | 691,100                | 711,700           | 750,400           | 874,900           | 984,300           | 1,021,200         | 1,052,900         |
| Middle Management - supervisory                | 2,276,100              | 2,448,300         | 2,528,500         | 2,694,700         | 2,731,200         | 2,767,400         | 3,056,100         |
| Non Union - non-supervisory                    | 2,121,600              | 2,299,300         | 2,350,300         | 2,295,100         | 2,510,100         | 2,516,700         | 2,630,700         |
| Union  | 8,694,200              | 8,897,600         | 9,195,300         | 9,771,700         | 10,193,600        | 10,066,800        | 10,902,500        |
| Non Permanent                                  | 506,588                | 378,670           | 338,889           | 473,800           | 701,300           | 789,100           | 698,900           |
|  | <b>14,927,688</b>      | <b>15,403,570</b> | <b>15,924,089</b> | <b>16,903,800</b> | <b>17,949,000</b> | <b>18,108,300</b> | <b>19,192,700</b> |
| <b>VARIABLE:</b>                               |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 138,900                | 137,300           | 193,600           | 202,200           | -                 | 175,900           | -                 |
| Director                                       | 26,800                 | 23,900            | 25,800            | 29,200            | -                 | 45,700            | -                 |
| Middle Management - supervisory                | 69,300                 | 56,800            | 23,400            | 18,800            | -                 | 32,700            | -                 |
| Non Union - non-supervisory                    | 73,000                 | 62,200            | 13,300            | 10,200            | -                 | 50,400            | -                 |
| Union  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
|  | <b>308,000</b>         | <b>280,200</b>    | <b>256,100</b>    | <b>260,400</b>    | <b>-</b>          | <b>304,700</b>    | <b>-</b>          |
| <b>TOTAL BASE AND VARIABLE</b>                 | <b>15,235,688</b>      | <b>15,683,770</b> | <b>16,180,189</b> | <b>17,164,200</b> | <b>17,949,000</b> | <b>18,413,000</b> | <b>19,192,700</b> |
| <b>OVERTIME BY GROUP</b>                       |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Director                                       | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Middle Management - supervisory                | 103,400                | 140,900           | 122,000           | 129,900           | 126,100           | 132,200           | 126,500           |
| Non Union - non-supervisory                    | 2,400                  | 1,900             | 7,500             | 6,200             | 6,800             | 5,700             | 6,900             |
| Union  | 771,400                | 801,100           | 771,800           | 1,074,400         | 924,500           | 914,500           | 926,900           |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
|  | <b>877,200</b>         | <b>943,900</b>    | <b>901,300</b>    | <b>1,210,500</b>  | <b>1,057,400</b>  | <b>1,052,400</b>  | <b>1,060,300</b>  |
| <b>BENEFITS BY GROUP</b>                       |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 85,449                 | 92,292            | 110,035           | 114,925           | 102,973           | 128,123           | 106,859           |
| Director                                       | 89,512                 | 95,948            | 103,472           | 122,371           | 134,468           | 138,115           | 145,856           |
| Middle Management - supervisory                | 326,003                | 363,528           | 378,705           | 409,912           | 412,022           | 409,308           | 471,502           |
| Non Union - non-supervisory                    | 325,853                | 361,062           | 379,043           | 376,844           | 396,799           | 393,953           | 425,423           |
| Union  | 1,578,348              | 1,657,162         | 1,740,372         | 1,889,544         | 1,989,537         | 1,946,367         | 2,190,860         |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
|  | <b>2,405,165</b>       | <b>2,569,992</b>  | <b>2,711,628</b>  | <b>2,913,596</b>  | <b>3,035,800</b>  | <b>3,015,867</b>  | <b>3,340,500</b>  |
| <b>AVERAGE BASE (excluding variable comp):</b> |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 127,620                | 133,600           | 152,140           | 158,720           | 165,700           | 166,158           | 170,320           |
| Director                                       | 98,729                 | 101,671           | 107,200           | 109,363           | 112,491           | 117,379           | 116,989           |
| Middle Management - supervisory                | 69,393                 | 72,435            | 76,854            | 79,725            | 82,030            | 82,363            | 84,892            |
| Non Union - non-supervisory                    | 57,341                 | 62,143            | 61,931            | 64,651            | 72,129            | 71,093            | 75,163            |
| Union  | 52,375                 | 53,681            | 55,012            | 57,752            | 60,424            | 59,673            | 61,946            |
| Non Permanent                                  | 37,805                 | 39,038            | 35,673            | 41,200            | 41,894            | 41,751            | 39,067            |
| <b>AVERAGE VARIABLE COMP:</b>                  |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 27,780                 | 27,460            | 38,720            | 40,440            | -                 | 30,860            | -                 |
| Director                                       | 3,829                  | 3,414             | 3,686             | 3,650             | -                 | 5,253             | -                 |
| Middle Management - supervisory                | 2,113                  | 1,680             | 711               | 556               | -                 | 973               | -                 |
| Non Union - non-supervisory                    | 1,973                  | 1,681             | 350               | 287               | -                 | 1,424             | -                 |
| Union  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>AVERAGE OVERTIME:</b>                       |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Director                                       | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| Middle Management - supervisory                | 3,152                  | 4,169             | 3,708             | 3,843             | 3,787             | 3,935             | 3,514             |
| Non Union - non-supervisory                    | 65                     | 51                | 198               | 175               | 195               | 161               | 197               |
| Union  | 4,647                  | 4,833             | 4,617             | 6,350             | 5,480             | 5,421             | 5,266             |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>AVERAGE BENEFITS:</b>                       |                        |                   |                   |                   |                   |                   |                   |
| Executive                                      | 17,090                 | 18,458            | 22,007            | 22,985            | 20,600            | 22,478            | 21,372            |
| Director                                       | 12,787                 | 13,707            | 14,782            | 15,296            | 15,400            | 15,875            | 16,206            |
| Middle Management - supervisory                | 9,939                  | 10,755            | 11,511            | 12,128            | 12,400            | 12,182            | 13,097            |
| Non Union - non-supervisory                    | 8,807                  | 9,758             | 9,988             | 10,615            | 11,400            | 11,129            | 12,155            |
| Union  | 9,508                  | 9,998             | 10,412            | 11,168            | 11,800            | 11,537            | 12,448            |
| Non Permanent                                  | -                      | -                 | -                 | -                 | -                 | -                 | -                 |