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May 26, 2009

Delivered by E-mail & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: OEB File No. EB-2008-0235
London Hydro Inc. 2009 Electricity Distribution Rate Application

We are counsel to London Hydro Inc. ("London Hydro") with respect to the above-captioned matter. Please find accompanying this letter two hard copies of London Hydro's responses to the supplementary interrogatories of Ontario Energy Board Staff and those intervenors that filed supplementary interrogatories in this proceeding, together with an electronic version of same. The numbering of the interrogatories and responses continues from that of the first round of interrogatories.

Please note that Appendix OEB 110(36b) is being provided in both pdf and Excel formats. The Excel version is being sent to parties by e-mail. We ask that only the pdf version of this workbook be posted on the Board's website.

You will also find accompanying this letter a confidential envelope containing a copy of Appendix 21a to the responses to the School Energy Coalition ("SEC") supplementary interrogatories. Appendix 21a is a copy of a confidential "Water Meter Management Study" (referred to here as the "Study") prepared by BMA Management Consulting Inc. for the City of London in 2003 and 2004. London Hydro is filing the Study in confidence in its entirety, pursuant to the Board's Practice Direction on Confidential Filings, for the reasons set out in London Hydro's response to SEC Supplementary Interrogatory 21(a). As noted in that response, London Hydro is prepared to provide copies of the Study to parties' counsel and experts or consultants provided that they have executed the Board's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to London Hydro's right to object to the Board's acceptance of a Declaration and Undertaking from any person.

Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Original signed by James C. Sidlofsky

James C. Sidlofsky
JCS/dp

cc: David Williamson, London Hydro
Susan Casciano, London Hydro
Bernie Watts, London Hydro
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Intervenors of Record

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EB-2008-0235

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

AND IN THE MATTER OF an Application by London Hydro Inc. for an Order or Orders approving and fixing just and reasonable distribution rates and other charges, effective May 1, 2009.

LONDON HYDRO INC.

RESPONSES TO SUPPLEMENTARY INTERROGATORIES

FILED: MAY 26, 2009

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EB-2008-0235

London Hydro Inc. ("London Hydro")
2009 Electricity Distribution Rate Application

London Hydro Responses to Interrogatories

Filed: May 26, 2009

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EB-2008-0235

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

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

London Hydro Inc. ("London Hydro") Responses to Ontario Energy Board Staff Supplementary Interrogatories

Filed: May 26, 2009

Rate Base and Capital Expenditures

101. Ref: CCC IR #3 and Energy Probe IR #21 b) – Fleet and Facilities Capital Expenditures

The response to CCC IR #3 indicates that 2008 and 2009 capital expenditures for fleet and facilities are significantly higher than for previous years. Board staff has replicated the information provided in that response in the following table, also showing the annual percentage change.

Fleet and Facilities Capital Expenditures

Description		2005 Actual	2006 Actual	2007 Actual	2008 Forecast	2009 Budget	Total
Operating Equipment	$	$ 124,226	$ 92,253	$ 108,601	$ 130,000	$ 135,000	$ 590,080
	yr/yr change		-25.7%	17.7%	19.7%	3.8%	
Office Furniture and Equipment	$	$ 172,174	$ 124,834	$ 87,991	$ 63,000	$ 120,000	$ 567,999
	yr/yr change		-27.5%	-29.5%	-28.4%	90.5%	
Building and Fixtures	$	$ 55,625	$ 614,501	$ 534,088	$ 1,400,000	$ 1,130,000	$ 3,734,214
	yr/yr change		1004.7%	-13.1%	162.1%	-19.3%	
Vehicles and Major Equipment	$	$ -	$ -	$ 39,949	$ 1,550,000	$ 1,778,000	$ 3,367,949
	yr/yr change		#N/A	#N/A	3779.9%	14.7%	
Total	$	$ 352,025	$ 831,588	$ 770,629	$ 3,143,000	$ 3,163,000	$ 8,260,242
	yr/yr change		136.2%	-7.3%	307.8%	0.6%	

a) Please update the above table showing 2008 actuals.

b) In the response to Energy Probe #21 b), London Hydro states that the average age of London Hydro's transport and work equipment is still relatively old, despite replacement made in 2008. In light of this statement of the aging of its fleet, please provide further explanation of why London Hydro had expenditures for Vehicles and Major Equipment of $nil in 2005 and 2006 and $39,949 in 2007 and has begun significant fleet replacement in 2008 and 2009 with annual expenditures over $1.5 million in each year.

c) Please provide further general explanation on the increase in Building and Fixtures capital expenditures in the $500,000 to $600,000 range in 2006 and 2007 to over $1.1 million in each of 2008 and 2009.

d) It appears that the Three Year Gross Capital Expenditure Plan provided in Exhibit 2 / Appendix A / page 133 does not include estimates for Fleet and Facilities Capital Expenditures.

i) Please confirm or clarify if this is the case.

ii) If Fleet and Facilities Capital Expenditures are not shown, please update the Three Year Gross Capital Expenditure Plan to show Fleet and Facilities and Metering capital expenditures forecasts for all years (2008 Budget to 2011 Budget).

RESPONSE:

a) The following Table provides the 2008 actual results for Fleet and Facilities.

Fleet and Facilites Capital Spending - Summarized

Actual 2005 - 2008, 2008 Forecast, 2009 Budget

Description		2005 Actual	2006 Actual	2007 Actual	2008 Forecast	2008 Actual	2009 Budget	Total
Operating Equipment	$	124,226	92,253	108,601	130,000	163,190	135,000	623,270
	yr/yr change %		-25.7%	17.7%	19.7%	50.3%	3.8%	
Office Furniture and Equipment	$	172,174	124,834	87,991	63,000	148,019	120,000	653,018
	yr/yr change %		-27.5%	-29.5%	-28.4%	68.2%	90.5%	
Buildings & Fixtures	$	55,625	614,501	534,088	1,400,000	2,150,162	1,130,000	4,484,376
	yr/yr change %		1004.7%	-13.1%	162.1%	302.6%	-19.3%	
Vehicles & Major Equipment	$	-	-	39,949	1,550,000	1,546,750	1,778,000	3,364,699
	yr/yr change %		0.0%	0.0%	3779.9%	3771.8%	14.7%	
		352,025	831,598	770,629	3,143,002	4,008,125	3,163,001	9,125,363

b) In 2004, as a result of the new environment of deregulation with an increased emphasis on cost management, London Hydro reviewed its process relating to the replacement of vehicles and major equipment. The evaluation criteria shifted from a mileage based system to a more stringent assessment of unit condition including, among others, general wear and tear, body condition and rust, safety reviews, ergonomics, as well as a financial review of anticipated annual maintenance costs.

This resulted in a “time shift” of the replacement program for a number of years which resulted in extending the useful life and operation of the units. The vehicles slated for replacement in 2008 and 2009 would have been replaced earlier under the old mileage based process, and are now requiring increased maintenance beyond that which is economical. Keeping these units beyond this time would lead to safety and roadworthiness issues.

As identified by the 2008 actual and 2009 – 2011 budget the replacement cycle has normalized within the new approach to replacement assessment and a regular more cost effective program has evolved.

c) During 2008 and 2009, there were a number of special and large end of life type projects that occurred related to Buildings and Fixtures. The following is a summary of these major projects and general explanations pertaining to the increase in spending during those years. Capital spending for buildings and fixtures is anticipated to be approximately $1.0 million in both 2010 and 2011.

Project	General Explanation for Project	Approx. Cost
2008		
Building Controls & Automation System	The system allows facilities personnel to monitor, control and automate the HVAC and backup generation systems at London Hydro. The impetus for the project relates to conservation efforts at London Hydro. It was projected that the cost recovery for this investment is 4 years	464,000
Environmental Site Management	This project comprises several environmental control systems that mitigates potential contamination of the Thames River from London Hydro's site which abuts the river.	1,110,000
Administrative Building Evaporative Cooling	This project resulted from the inability of the existing equipment to maintain correct building temperature during the summer months. This condition was due to an increase in the use of computers along with the additon of new heat pumps as well as environmental changes.	402,000
Sub Station Sound Barrier	This sound barrier, unforseen at the time of the 2008 budget preparation, was required to bring the noise levels of the station within regulated levels	87,000
2009		
Operating Building Roof Replacement	The roof is 29 years old. An independent roof inspector found wet insulation, blisters, heaving of insulation and general poor condition of the roofing which is resulting in multiple roof leaks.	575,000
Operation Yard Paving	Sections of the Operations Yard requires repaving due to severe deterioration of the asphalt due to age and very poor quality base material. This has been identified as a safety concern. The 2009 budget is part of a multi-year replacement program.	100,000
Operation Yard Environmental Project	This represents the completion of the 2008 project identified above. The work comprises the installation of alarms and sutomation which will be tied in to the Building Automation System.	200,000
Control System	This sytem is to better manage the Stand-by power equipment and connect to the yeard environmental equipment	75,000

d) The capital plan has been separated into two key components being (i) Distribution and General Plant, and (ii) Computer Hardware, Software and Application Development programs. The Asset Management Plan contains plans for infrastructure related projects, City and Developer works, Metering programs, and Fleet and Facility related projects. The Three Year Gross Capital Expenditure Plan referred to above and provided in Exhibit 2, Appendix A, page 133 of the Application is the forecast for the infrastructure component only. Please refer to Exhibit 2, page 56 for a summarized three year spending plan (2009 – 2011). The following table provides further detail for Fleet and Facilities and Metering capital expenditure forecasts for all years (2008 Budget – 2011 Budget).

Fleet and Facilites Capital Plan 2008 - 2011

Description	2008 Budget	2009 Budget	2010 Forecast	2011 Forecast
Operating Equipment	130,000	135,000	125,000	125,000
Office Furniture and Equipment	63,000	120,000	100,000	100,000
Buildings & Fixtures	1,400,000	1,130,000	1,000,000	1,000,000
Vehicles & Major Equipment	1,550,000	1,778,000	1,900,000	2,035,000
	3,143,000	3,163,000	3,125,000	3,260,000
Wholesale Metering	880,000	1,000,000	480,000	0
Revenue Meters and Other	522,000	482,000	490,000	490,000
	1,402,000	1,482,000	970,000	490,000

Depreciation

102. Ref: Exhibit 4 / p. 69, LPMA IR #39 – Depreciation Expense

On page 69 of Exhibit 4, London Hydro states that it amortizes capital assets on a straight line basis, with amortizing commencing in the quarter that the asset is energized or put into service. In the response to LPMA IR #65, London Hydro provides detailed calculations of the amortization for 2009, of certain capital asset accounts.

Based on the software depreciation calculation shown in part iv) of LPMA IR #39, it appears that London Hydro calculates one month of depreciation for the quarter that an asset enters service. For instance, London Hydro calculates 10 months of depreciation for an asset entering service in 2009 Q1, but only one month of depreciation for an asset entering service in 2009 Q4. For assets for which the in-service date is unknown, London Hydro assumes the half-year rule, common in the industry, which is equivalent to assuming that the assets are in-service mid-year.

a) Is staff's understanding of London Hydro's amortization policy, summarized above, correct?

b) Analogous to the half-year rule, why does London Hydro not use a mid-quarter (1.5 months) approach for calculating depreciation expense of in-service additions in a given quarter.

c) How long has London Hydro been using this approach?

d) Please identify other distributors, transmitters or regulated entities that have adopted this approach.

***RESPONSE*:**

a) The response to LPMA IR #39 provides the methodology used by London Hydro in the preparation of the 2009 budget. For some capital additions the estimated in-service date can be forecasted, and for these assets, the depreciation budget is based on the estimated quarter that the asset will be in service. This methodology is used primarily for vehicle and equipment, and computer hardware and software. Forecasting of in-service dates for other capital additions cannot be easily determined during the budget preparation, and therefore, an estimated 6 months is used for that component of the depreciation budget.

Board Staff's understanding of London Hydro's amortization policy is not completely accurate. To clarify, actual amortization is recorded based on the actual in service date for all capital additions, whereas for budgeting and forecasting purposes, London Hydro uses a mid-year estimate for some additions where the in-service date can not be accurately or easily forecast. As outlined in Exhibit 4, page 69, all capital additions start amortization in the quarter that they are put in service. London Hydro does not use the general mid-year rule for recording actual depreciation expense.

b) As London Hydro does not use the half-year rule for calculating actual depreciation expense, the use of a mid-quarter approach is also not used. The current automated process provides an accurate, consistent method of recording amortization while simplifying the accounting process and ongoing fixed asset system maintenance.

c) London Hydro has been using this approach since the year 2000.

d) London Hydro has not undertaken any surveys of other distributors, transmitters or regulated entities to determine what approach they follow with respect to amortization methodologies and how many other entities employ London Hydro's approach, or the approach suggested by Board Staff.

London Hydro takes its guidance in applying an appropriate amortization methodology from the Board's Accounting Procedures Handbook ("APH"), Article 410, page 20 which states:

> *"The APHandbook does not provide prescriptive guidance for the amortization of property, plant and equipment but allows professional judgement to be used in choosing the method that allows amortization to be recognized in a rational and systematic manner appropriate to the nature of the property plant and equipment."*

103. Ref: Exhibit 2 / Appendix A / p. 210, CCC IR #8, Energy Probe IR #8, Energy Probe #14, VECC #8 – Transportation Equipment and Depreciation

London Hydro indicates that it is purchasing eleven pre-owned vehicles, which it states are buy-outs of previously leased low-mileage and low-usage vehicles.

a) Please indicate how London Hydro accounted for depreciation of these vehicles under lease.

b) Please indicate the average remaining expected life of these vehicles, and how London Hydro will handle depreciation of these vehicles for their expected remaining economic lives.

***RESPONSE*:**

a) During the period that these vehicles were under lease, the leases were treated as operating leases and no amortization was recorded.

b) The average remaining expected life of these vehicles is 4 to 5 years. Vehicles of this nature are amortized over 5 years.

Operating Revenues

104. Ref: Exhibit 3 / p. 24, Board staff IR #14 d) – Revenue Offsets

In its response to Board staff interrogatory # 14 (d) London Hydro stated that the interest on Retail Settlement Variance Accounts (RSVA) was recorded in account 4405 in accordance with the Board's accounting guidelines specified in Article 490 of the Accounting Procedures Handbook. London Hydro further stated that its RSVA balances are in a significant credit position, therefore the entry to the RSVA accounts is a credit, and a debit to account 4405. London Hydro previously showed a negative balance of $19,000 in the deferral and variance accounts portion of account 4405. London Hydro then revised the amount to exclude the interest on the Smart Meter deferral and variance accounts, which has been incorrectly incorporated into the forecast of 2009 interest in account 4405, to negative $350,000.

a) Please provide a detailed breakdown providing the specific deferral and variance accounts and interest amounts that relate to the $350,000 interest expense recorded in account 4405.

b) Please explain why London Hydro does not separate the interest revenue from interest expense for deferral and variance accounts using both account 4405 and account 6035, respectively. Please provide a breakdown of the interest carrying charges by each of these accounts.

c) The interest associated with deferral and variance accounts remains and forms part of these account balances until they are disposed of in rates through the regulatory asset rate rider process. Why is London Hydro including the interest income and / or expense (recorded in accounts 4405 and 6035) related to deferral and variance account balances in the revenue offsets, given that these interest amounts will be included in rates through a "regulatory asset" rate rider? Please adjust the evidence to exclude interest related to deferral and variance accounts in the revenue offset.

***RESPONSE*:**

a) Please refer to OEB Appendix 104 – Revenue Offsets – for a detailed breakdown providing the specific deferral and variance accounts and interest amounts that relate to the $350,000 interest expense recorded in account 4405.

b) London Hydro has not separated the interest revenue from the interest expense for deferral and variance accounts using both accounts 4405 and 6035 due to the fact that, at times, major deferral and variance accounts such as the RSVA accounts fluctuate back and forth on a monthly basis from debits to credits, and the separation of the interest into the two interest accounts was felt to distort the annual results. Additionally, such as with the case of this application, the credit balances in the RSVA accounts have provided surplus cash balances on which bank deposit and short-term interest revenue is being earned and the charging of the related interest expense to earn this interest revenue was felt to provide a more accurate presentation of information for financial reporting purposes.

London Hydro uses account 6035 to record interest expense paid on customer deposits, interest paid on periodic short term bank loans and other miscellaneous interest costs. These amounts forecast in the amount of $320,000 for 2009 are excluded from the calculation of the revenue requirement as they are accounted for in the Boards cost of capital and deemed interest calculations. There are no other amounts recorded in account 6035.

Please refer to OEB Appendix 104 for a breakdown of the interest on deferral and variance accounts between account 4405 and account 6035. This analysis indicates that the $350,000 interest expense referred to in IR 104 a) would be allocated as an expense amount of $426,910 to account 6035 and an income amount of $77,792 to account 4405. The difference of $882 is due to rounding of amounts during the development of revenue and expense forecasts.

c) In London Hydro's evidence in Exhibit 3 page 32, London Hydro agrees with the Board that the following amounts have been incorrectly included in the calculation of revenue offsets:

- Interest expense on deferral and variance accounts of $19,000 composed of forecast interest income of $331,000 on smart meter investments offset by $350,000 in forecast interest expense on RSVA accounts and on deferral and variance accounts 1508 –OEB costs, 1518, 1548 and 1550.
- Estimated interest income of $47,048 on other remaining deferral and variance accounts.
- The following tables (Table 23 from Exhibit 3, page 24 and from Exhibit 3 page 32) represent the evidence as filed excluding interest related to deferral and variance accounts.

EXHIBIT 3 - Table 23

Account Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
4080b-Distribution Services Revenue - SSS Admin fee	$ 342,745	$ 350,951	$ 349,936	$ 350,000	$ 350,000
4082-Retail Services Revenues	240,370	249,979	265,694	250,000	255,000
4084-Service Transaction Requests (STR) Revenues	1,507	15,765	21,536	19,000	20,000
4210-Rent from Electric Property	526,093	639,027	614,593	643,300	449,500
4220- Standby revenue- one time adj. to accommodate 2006 EDR rate model	247,191	-	-	-	-
4225-Late Payment Charges	977,721	933,885	1,008,327	1,008,000	1,000,000
4235-Miscellaneous Service Revenues	909,700	730,228	853,781	832,600	832,800
4235-Miscellaneous Service Revenues- recorded as credits in 5330 expenses	550,165	527,055	585,550	535,000	550,000
4330-Costs and Expenses of Merchandising, Jobbing, Etc.	(6,935)	4,220	(1,852)	2,800	3,000
4355-Gain on Disposition of Utility and Other Property	19,013	67,618	36,964	85,000	98,600
4390-Miscellaneous Non-Operating Income	207,344	239,935	312,501	306,500	259,500
4405-Interest and Dividend Income	418,627	789,725	1,122,242	1,025,400	460,000
Total	$ 4,433,541	$ 4,548,387	$ 5,169,273	$ 5,057,600	$ 4,278,400
Less: 4080b SSS Admin fees omitted from 2006 EDR	$ (342,745)	$ -	$ -	$ -	$ -
Less: amounts recorded in account 5330 as credits to expense	-	(527,055)	(585,550)	(535,000)	(550,000)
Less: 50% of Gain on Disposition of Utility Property	-	(33,809)	(18,482)	(42,500)	(49,300)
Total Revenue Offsets	**$ 4,090,796**	**$ 3,987,523**	**$ 4,565,241**	**$ 4,480,100**	**$ 3,679,100**
Other Distribution Revenue					
Late Payment Charges	$ 977,721	$ 933,885	$ 1,008,327	$ 1,008,000	1,000,000
Specific Service Charges	1,728,832	1,096,464	1,206,211	1,185,600	1,189,300
Other Distribution Revenue	1,384,243	1,957,174	2,350,703	2,286,500	1,489,800
	$ 4,090,796	**$ 3,987,523**	**$ 4,565,241**	**$ 4,480,100**	**$ 3,679,100**

4405 - Interest and Dividend Income	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Short term Investment Interest	$ -	$ 187,751	$ 151,752	$ 242,800	$ 85,000
Bank Deposit Interest	293,548	593,713	948,402	766,200	365,000
	293,548	781,464	1,100,153	1,009,000	450,000
Employee Purchase Interest	495	412	461	400	-
Miscellaneous Interest Revenue		2,468	16,042	6,000	-
Sundry A/R Interest	20,838	5,381	5,585	10,000	10,000
Deferral and variance accounts	1,277,839				
Less: Interest on approved transitional costs	(1,174,094)				
	$ 418,627	$ 789,725	$ 1,122,242	$ 1,025,400	$ 460,000

105. Ref: Exhibit 3 / p.29, Board staff IR # 14 b) – Occupancy Charges

London Hydro stated in its response to Board staff interrogatory # 14 (b) that in developing the initial forecasts for revenues from occupancy charges for the 2009 test year the amount of $660,000 was developed in reference to the bridge year amount actual dollars of $663,000. London Hydro further stated that multiplying the quantities times the rate will produce revenue of $675,000.

a) Please confirm that $675,000 is the correct amount for the 2009 test year.

b) Based on London Hydro's response to IR 14 (b) Board staff has applied the methodology of multiplying the quantities times the rate to re-calculate occupancy charges for the years 2006 actual, 2007 actual, 2008 bridge and 2009 test, see table below. Please reconcile the different amounts in revenues for occupancy charges for those years.

4235 - Miscellaneous Service Revenues	Rate	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Volumes					
TOU Meter Charges	$ 5.50	5,268	6,220	6,309	6,600
Occupancy Charges	$ 30.00	26,332	22,589	22,513	22,500
Arrears Certificates	$ 15.00	2,942	3,034	2,867	2,867
Temporary service - install and remove overhead no transformer	$ 500.00	39	26	37	38
Temporary service - install and remove underground no transformer	$ 300.00	15	17	19	20
Revenues					
TOU Meter Charges		$ 28,974	$ 34,210	$ 34,700	$ 36,300
Occupancy Charges		$ 789,960	$ 677,670	$ 675,390	$ 675,000
Arrears Certificates		$ 44,130	$ 45,510	$ 43,005	$ 43,005
Temporary service - install and remove overhead no transformer		$ 19,500	$ 13,000	$ 18,500	$ 19,000
Temporary service - install and remove underground no transformer		$ 4,500	$ 5,100	$ 5,700	$ 6,000

***RESPONSE*:**

a) London Hydro confirms that the 2009 forecast volume of 22,500 times the rate of $30.00 equals the Board's calculated amount of $675,000. The actual revenue amount for 2008 was $641,699 compared to the bridge forecast of $663,000.

b) For 2006 the actual value reported was $527,924. Board staff has calculated an amount of $789,960 using a rate of $30.00 times the annual volume of 26,332, but that result is not correct. Prior to May 1, 2006 the Occupancy charge was $8.80. The variance between $789,960 and $527,924 is due in part to the significantly lower rate during the first 4 months of the year. A simple allocation of quantities and rates for the year will produce a value of $604,000 but move-ins and move-outs are not evenly distributed over each month of the year and thus variances for this specific year are also due to the pattern of activity during the year.

For 2007 the actual revenue reported was $677,682 vs. the Board staff calculated value of $677,670.

For the 2008 Bridge year the value reported was $663,000 vs. the Board staff calculated value of $675,390. The 2008 Bridge year value was a dollar estimate based upon a review of the account balance in mid-2008 during the preparation of the Application. The actual 2008 revenue was $641,699, which is lower than the 2007 actual.

For clarification, dollar value revenue projections for occupancy charges are not based solely on the statistical data from the billing system for occupancy charges times the rate as certain activities in the billing system may generate a statistic without any corresponding revenue, such as when a tenant leaves a property and no new tenant moves in. The landlord/property manager will be automatically "moved in" to the services in London Hydro's system and be responsible for any charges. In that situation there is a statistic but no revenue.

OM&A

106. Ref: Board staff IR #28 – Training Costs

In the response to Board staff IR #28, London Hydro explained that $80,000 of the $198,000 increase in corporate training costs between 2007 actual and 2009 test year is due to the apprenticeship program (for 16 staff at $5,000 each). Please provide further explanation of the remaining increase in training costs of $118,000.

***RESPONSE*:**

Other training cost increases between the 2007 Actual and 2009 Test Year relate primarily to professional development and supervisory training programs. As London Hydro prepares for future retirements it is developing the supervisory skills of existing staff to ensure that qualified in-house candidates are prepared for future advancement. Supervisory skills workshops focus on, among others, change management, conflict management, motivational training, and labour relations training. Professional development programs expand knowledge related to regulatory requirements and compliance, computer technology and software applications, and general trade training.

107. Ref: Board staff IR #31 and SEC IR #31 – Regulatory Expenses and CDM

a) In explaining the cost components charged to the Regulatory Expenses Account (OM&A account 5655), London Hydro responds that 2007 actuals of $537,901 includes $142,000 for a one-time write-off of CDM program costs that will not be recovered. Please explain why the write-off was charged to the Regulatory Expenses account, and whether any consideration was given to the impact this treatment would have on year-over-year comparisons.

b) Please also explain how these program costs differ from the CDM 3rd tranche spending of $172,154 in 2007 indicated in the response to SEC IR #31.

***RESPONSE*:**

a) The write-off was charged to the Regulatory Expenses account due to the fact that London Hydro was aware that in the rate application process, a detailed analysis of this account would be required and London Hydro did not want to put this cost into any other OM&A account where it might be accidentally omitted from the detailed analysis.

London Hydro did not consider the impact on year-over year comparisons in this account when it decided to record the cost in this account.

b) These program costs were costs that were over and above the funds available through distribution rates for CDM 3rd Tranche spending. London Hydro is unable to locate the reference to SEC IR # 31, but in reference to LPMA IR # 31 part a) the table illustrates that CDM 3rd Tranche spending in 2006 was $1,783,156 and in 2007 it was $172,154. 3rd tranche spending prior to 2006 was $881,481 for a total of $2,836,791 which was the amount approved by the Board.

The program costs of $142,000 that were expensed in 2007 in OM&A account 5655 were for the Earth Day Program conducted by London Hydro. This program was not part of the approved programs under the 3rd Tranche CDM spending plans submitted.

As advised in response to LPMA IR # 2, London Hydro received approval from the Board to establish a deferral account for these costs, but elected not open this account and not to seek recovery from the ratepayers for the cost of this program.

108. Ref: CCC IR #15 – Bad Debt Expenses

It appears that no bad debt expense costs are allocated to the Water Billing Service charged to the City of London.

a) Please confirm that no bad debt related to water services is charged to City of London.

b) When both electric and water payments appear on a customer's bill, please explain the basis used to split any unpaid (bad receivables) balances between electricity and water accounting records.

***RESPONSE*:**

a) Bad debt expense related to the billing of water is not included in the service agreement with the City of London currently budgeted at $3,050,000 for the 2009 Test Year and therefore is excluded from the details provided in London Hydro's response to CCC IR #15. However, London Hydro does charge the City for bad debt related to water services. London Hydro bills the City separately for the water related bad debt based on actual write-offs.

b) Payments on accounts which include both electric and water charges are allocated between the electric and water receivables based on the actual make up of each individual bill. To illustrate, if the electric transactions on a bill total $70 and the water transactions are $30 a payment of $50 is allocated 70% to electric and 30% to water. If the remaining $50. remains unpaid the same percentage allocation would be used to split the balance between electric and water bad debt. As stated above in part a), the City is billed periodically for the actual write offs related to water billings. There is no impact to London Hydro's OM&A costs due to unpaid water receivables.

Cost of Capital

109. Ref: Exhibit 6, LPMA IR #30, Board letter of February 24, 2009 (attached) – Cost of Capital

In its response to LPMA IR #30, London Hydro states that its deemed long-term debt amount is $126 million, and that it expects that actual debt of $70 million will attract the embedded or actual debt rate of 6.0%, while $56 million of "unfunded long term debt" will attract the deemed rate of 7.62%. This appears to alter London Hydro's original application in Exhibit 6, in which there is no discussion of unfunded long-term debt or its treatment for rate-setting. Please explain what is meant by "unfunded long term debt".

a) In the Board's Decision and Order for Hydro One Remote Communities Inc.'s 2009 distribution rates, the Board's findings are as follows:

> The Board finds that it is not appropriate to apply the Board's deemed long-term debt rate to the notional or deemed long-term debt. The two are quite separate concepts. The deemed long-term debt rate is intended to apply in the absence of an appropriate market determined cost of debt, such as affiliate and variable rate debt situations. For companies with embedded debt, it is the cost of this embedded debt which should be applied to any additional notional (or deemed) debt that is required to balance the capital structure.
>
> Remote's cost of capital will be adjusted to use its weighted average cost of embedded debt (5.60%) for purposes of determining the cost to be applied to the notional or deemed long-term debt. This is consistent with the treatment given to other LDCs that have undergone rebasing in 2008 and 2009.[1]

In light of the Board's findings in this recent decision and the Board's approach in general, please explain why London Hydro expects that the current debt rate of 7.62% should apply to the unfounded long-term debt of $56 million.

b) Please provide the following table on London Hydro's proposed capitalization and Cost of Capital reflecting Exhibit 6 of its Application and updated, as applicable, to reflect the updated Cost of Capital parameters as announced in the Board's letter of February 24, 2009:

London Hydro's 2009 Test Year Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		Application			
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	0%	$ -	0.00%	$ -
2	Short-term Debt	0%	$ -	0.00%	-
3	Total Debt	0%	$ -	0.00%	$ -
	Equity				
4	Common Equity	40%	$ -	0.00%	$ -
5	Preferred Shares	0%	$ -	0.00%	$ -
6	Total Equity	40%	$ -	0.00%	$ -
7	Total	100%	$ -	0.00%	$ -

RESPONSE:

a) Unfunded long-term debt is the portion of London Hydro's deemed debt for which no actual debt exists. London Hydro has $126,070,949 of deemed long-term debt and an actual $70 million affiliate, callable debt. The remaining balance of $56,070,949 is London Hydro's unfunded portion of long-term debt. London Hydro does not have the option of acquiring any additional affiliate debt from its sole Municipal shareholder at the stated rate of 6.0% or any other rate due to the fact that the Municipal shareholder is restricted under the Municipal Act, 2001 and Ontario Regulation 438/97 sec. 8, from increasing its existing debt payable from London Hydro. Thus London Hydro's unfunded debt portion may only be funded through external third party sources. Considering the Board has determined the current market rate for long term debt is 7.62% it would appear reasonable to London Hydro that the rate assigned to the unfunded amount should be 7.62% since this should be reflective of the rate London Hydro may need to pay in the current market conditions in order to secure third party

[1] Ontario Energy Board, Decision with Reasons EB-2008-0232, April 30, 2009, p. 11.

long term debt.

b) In the Board's Decision and Order for Hydro One Remote Communities Inc.'s 2009 distribution rates, the Board's findings would appear to further support London Hydro's interpretation of the Report of the Board on Cost of Capital and how that will be applied to London Hydro's affiliate callable debt.

This Decision which pertains to Hydro One Remote Communities Inc.'s third party long term debt states that: (underline added):

> *"The Board finds that it is not appropriate to apply the Board's deemed long-term debt rate to the notional or deemed long-term debt. The two are quite separate concepts. <u>The deemed long-term debt rate is intended to apply in the absence of an appropriate market determined cost of debt, such as affiliate and variable rate debt situations.</u> For companies with embedded debt, it is the cost of this embedded debt which should be applied to any additional notional (or deemed) debt that is required to balance the capital structure."*

It is London Hydro's understanding that the Board's Decision in this instance relates to third party long-term debt, and not to affiliate callable debt.

London Hydro's understanding of this issue would appear to be further supported by the Decision and Order of the Board EB-2008-0226 for COLLUS Power Corp.

In this Decision issued on April 17, 2009 the Decision relates to callable affiliate debt. The Boards findings on page 21 of that Decision read in part (underline added):

> *"The Board therefore finds that COLLUS should use the Board's current deemed long term debt rate of 7.62% as the imputed rate on its new demand loan in determining its cost of debt for regulatory purposes.*
>
> *<u>The Board finds that this rate will also be applicable to COLLUS' promissory note as it is callable affiliate debt.</u> The Board notes that all parties agreed that this was the appropriate rate to apply under the Board's policy".*

c) Please refer to the following table as requested by Board Staff with additional, presentation of amounts as filed and as proposed.

Table as requested by Board Staff IR# 109 c)

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
	Application				
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56%	$ 126,070,949	6.00%	$ 7,564,257
2	Short-term Debt	4%	9,005,068	1.33%	119,767
3	Total Debt	60%	$ 135,076,017	7.33%	$ 7,684,024
	Equity				
4	Common Equity	40%	$ 90,050,678	8.01%	$ 7,213,059
5	Preferred Shares	0%	$ -	0.00%	$ -
6	Total Equity	40%	$ 90,050,678	8.01%	$ 7,213,059
7	Total	100%	$ 225,126,695	15.34%	$ 14,897,084

Table provided in response to supplementary IR VECC 37 b)

- Column "A" is application as filed.
- Column "B" is as proposed by London Hydro.
- Column "C" is column B with affiliated debt rate applied to unfunded long term debt

	COLUMN "A"		COLUMN "B"		COLUMN "C"	
	2009 Test Year		2009 Test Year		2009 Test Year	
	Amount	%	Amount	%	Amount	%
Total rate base	$ 225,126,695		$ 225,126,695		$ 225,126,695	
Long term debt	$ 126,070,949	56.0%	$ 126,070,949	56.0%	$ 126,070,949	56.0%
Short term debt	9,005,068	4.0%	9,005,068	4.0%	9,005,068	4.0%
Common equity	90,050,678	40.0%	90,050,678	40.0%	90,050,678	40.0%
	$ 225,126,695		$ 225,126,695		$ 225,126,695	
Long-term debt						
Affiliate	$ 70,000,000		$ 70,000,000		$ 70,000,000	
Unfunded	56,070,949		56,070,949		56,070,949	
	$ 126,070,949		$ 126,070,949		$ 126,070,949	
Interest on Long-term debt		**Rate**		**Rate**		**Rate**
Affiliate debt	$ 4,200,000	6.00%	$ 4,200,000	6.00%	$ 4,200,000	6.00%
Unfunded long-term	3,364,257	6.00%	4,272,606	7.62%	3,364,257	6.00%
Interest on short term debt	402,527	4.47%	119,767	1.33%	119,767	1.33%
Return in Equity		**Rate**		**Rate**		**Rate**
Return on common equity	7,717,343	8.57%	7,213,059	8.01%	7,213,059	8.01%
Return on rate base	$ 15,684,127	6.97%	$ 15,805,433	7.02%	$ 14,897,084	6.62%

In London Hydro's original pre-filed evidence London Hydro did not instruct the Board to apply the deemed long term debt rate to London Hydro's $56 million unfunded portion of the deemed long-term debt during the process of updating the application for revised cost of capital information. This matter was not an issue of concern at the time of filing, due to the fact that the deemed long-term debt rate was 6.10% and the rate on the $70 million affiliate debt was 6.0%. With this relatively small variance in interest rates, London Hydro elected to forgo recovery from ratepayers of the additional $56,000 dollars in interest that would apply to the unfunded portion of debt. (i.e.: 0.1% x $56 million)

London Hydro could not anticipate that long-term debt rates would be adjusted so dramatically from the levels approved by the Board at the time of filing this application, producing an interest cost differential that would increase from $56,000 to $900,000. (i.e.: 1.62% x $56 million)

If London Hydro had anticipated this differential at the time of filing, it would have made its expectations clear to the Board with respect to the rate of 7.62% being applied to its unfunded debt.

The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 does not appear to provide any directions on how the issue of unfunded debt will be handled in the rate making process. The report on page 14 does address the issue of both embedded and new affiliate and third party debt. London Hydro has embedded affiliate debt in the amount of $70 million and no other long term debt.

In the first paragraph on page 14 of this report, the Board indicates that:

> *"For all variable-rate debt and for all affiliate debt that is callable on demand the Board will use the current deemed long-term debt rate. When setting distribution rates at rebasing these debt rates will be adjusted regardless of whether the applicant makes a request for the change."*

In the fifth paragraph on page 14 of this report, the Board indicates that:

> *"Distribution rates will be adjusted for embedded debt only when the distributor is rebased and only up to the maximum allowed by the approved capital structure and at the weighted average cost of the embedded debt"*

This comment does not appear to address the issue of unfunded debt, and London Hydro's understanding is that the comment refers to the combination of affiliate and third party debt.

London Hydro cannot identify any specific directions or comments in the Board's Report that speak specifically to the issue of unfunded debt.

The directions provided in the Boards Cost of Capital Report as noted above from page 14, indicate that the Board will apply the deemed debt rate of 7.62% to London Hydro's entire $126 million of deemed debt upon rebasing.

London Hydro is not asking for the Board to apply the 7.62% to its existing callable affiliate debt, but it is requesting that the 7.62% rate be applied to the unfunded $56 million debt in accordance with the Boards policy.

Deferral and Variance Accounts

110. Ref: Board staff IR #36 – Appendix, Board staff IR #37 c) – Appendix

The continuity table provided in response to Board staff IR #36 b) does not include data for the deferral accounts and variance accounts listed in the top half of the table. Some of those accounts are amongst those for which London Hydro has requested disposition of the account balances, including accounts 1508 and 1525. Other accounts, such as account 1548, would affect rate riders in other scenarios, as shown in the response to Board staff IR #37 c). Please provide a complete continuity table, filling in the entries that are blank in the response to Board staff IR #36 b) but that are non-zero in the response to Board staff IR #37 c) (p. 215 of 221).

***RESPONSE*:**

Please refer to Appendix 110 (36 b) – Deferral Accounts (revised) – for the completed continuity table, including the accounts that are blank in the response to Board staff IR #36 b) but that are non-zero in the response to Board staff IR #37 c) (p. 215 of 221).

111. Ref: Board staff IR #36 – Appendix

Please identify the interest rate(s) used to calculate the interest on deferral account balances for 2006 (p. 2, third column from right), and in 2007 (p. 3, second column from right) as shown in the Regulatory Assets Continuity Schedule.

RESPONSE:

The following table shows the interest rates used for 2006 and 2007 used to calculate interest on deferral account balances.

Interest Rates Used for Deferral and Variance Accounts

	A/C #	Jan to Apr 2006	May to Jun 2006	Jul to Dec 2006	Jan to Sept 2007	Oct to Dec 2007
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	5.75%	4.14%	4.59%	4.59%	5.14%
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	3.88%	4.14%	4.59%	4.59%	5.14%
Retail Cost Variance Account - Retail	1518	7.00%	4.14%	4.59%	4.59%	5.14%
Misc. Deferred Debits	1525	0.00%	0.00%	0.00%	0.00%	0.00%
Retail Cost Variance Account - STR	1548	7.00%	4.14%	4.59%	4.59%	5.14%
Smart Meter Capital and Recovery Offset	1555			4.59%	4.59%	5.14%
Smart Meter Operaqtion, Maintenance and Administration	1556			4.59%	4.59%	5.14%
Deferred Payments in Lieu of Taxes	1562	7.00%	4.14%	4.59%	4.59%	5.14%
Recovery of Regulatory Asset Balances	1590	7.00%	4.14%	4.59%	4.59%	5.14%
2006 PILs & Taxes Variance	1592			4.59%	4.59%	5.14%
Low Voltage Variance Account	1550			4.59%	4.59%	5.14%
RSVA - Wholesale Market Service Charge	1580	7.00%	4.14%	4.59%	4.59%	5.14%
RSVA - One Time Charges	1582	7.00%	4.14%	4.59%	4.59%	5.14%
RSVA - Retail Transmission Network Charge	1584	7.00%	4.14%	4.59%	4.59%	5.14%
RSVA - Retail Transmission Connection Charge	1586	7.00%	4.14%	4.59%	4.59%	5.14%
RSVA - Power (including Global Adjustment)	1588	7.00%	4.14%	4.59%	4.59%	5.14%
RSVA - Power - Sub-Account - Global Adjustment	1588	7.00%	4.14%	4.59%	4.59%	5.14%

The following tables show the calculation of the weighted average interest rates used by London Hydro for input into Board Staff's worksheet provided in Board Staff IR # 36

Projected Interest on Dec 31 -07 balance from Jan 1, 2008 to Dec 31, 2008

Period	Board Rate	Days	Annual
Q1 - 08	0.0514	91	0.0128
Q2 - 08	0.0418	91	0.0104
Q3 - 08	0.0335	92	0.0084
Q4 - 08	0.0335	92	0.0084
		366	
	Weighted Average Rate		3.99%

Projected Interest on Dec 31 -07 balance from Jan 1, 2009 to April 30, 2009

Period	Board Rate	Days	Annual
Q1 - 09	0.0245	90	0.0184
Apr r09	0.01	30	0.0025
		120	
	Weighted Average Rate		2.09%

Cost Allocation

112. Reference: VECC IR #24 b)

Please file the following worksheets for the run of the cost allocation model that was filed in response to VECC IR # 24 b):

a) worksheet I3 'Trial Balance Data' (first page only, showing step 7); and

b) worksheet I6 'Customer Data'.

***RESPONSE*:**

a) Please refer to Appendix OEB 112 - Cost Allocation Sheets I3 and I6

b) Please refer to Appendix OEB 112 - Cost Allocation Sheets I3 and I6

113. Reference: Board staff IR #43 a), VECC IR #24 b)

The table provided in response to Board staff # 43 b) shows how London Hydro corrected the treatment of revenue from the Standby Power class in two ways from the initial Informational Filing:

- it added revenue of $339,049 (column 11 of the table), and
- it decreased the forecast revenue offset by $247,191 (distributed across classes in row 4 of the table).

These two adjustments differ by $91,859, which shows up as the discrepancy in the revised cost allocation results filed in response to VECC IR #24 (row "Existing Revenue minus Allocated Costs"). Board staff notes that the discrepancy is nearly equal to the amount of the Transformer Ownership Allowance ("TOA") for this class ($92,880 in 2009) shown in the response to VECC IR #10.

a) Given that the revenue for each class is net of TOA in the response to VECC #24, please re-examine the Standby Power revenue of $339,049, and determine if it should be decreased for TOA.

b) If necessary, provide a revised calculation of the revenue-to-cost ratio.

***RESPONSE*:**

a) Please refer to London Hydro's response to VECC supplementary IR # 42. The information filed in respect to the above Board Staff supplementary IR # 112 has been corrected for this difference of $91,859.

b) Please refer to London Hydro's response to VECC supplementary IR # 42 and to Appendix – VECC # 42 a) for the revised calculation of the revenue-to-cost ratios presented in Sheet O1. For ease of reference, sheet O1 has been duplicated in Appendix OEB – 112

114. Ref: Exhibit 8 / Table 4 and VECC IR #24 – Appendix

London Hydro's proposed revenue to cost ratios for 2009 and beyond are found at Exhibit 8 / p. 7 (Table 4). The proposed ratio for Standby Power appears to be based on the status quo ratio of 84.8%. The adjusted ratio in the response to VECC #24 is 108.7%.

a) Does London Hydro propose a different ratio for Standby Power, in light of the VECC result and/or any further calculation in part b) of the previous interrogatory?

b) Given that the Board has found in several previous 2009 Decisions[2] that the modified cost allocation requested by VECC provides a valid starting point for revenue re-balancing, does London Hydro propose revenue to cost ratios different from those found in Exhibit 8 for any or all classes?

***RESPONSE*:**

a) Please refer to OEB IR # 113 b) and the revised revenue to cost ratios on sheet O1. With the revision made for the transformer discounts related to the Standby Power, the revised revenue to cost ratio in this analysis is now 79.85%. If the Board were to direct London Hydro to use this analysis for deriving the revenue to cost ratios London Hydro would adjust this ratio to the minimum range established by the Board of 80%.

b) No. As explained in VECC IR # 24 and VECC IR # 30 London Hydro does not agree that the modified cost allocation requested by VECC provides a valid starting point for London Hydro's cost allocation filing. London Hydro's understanding is that VECC's modified methodology reduces the distribution revenues used in the model for the transformer discounts, and then removes an equivalent value from expenses for the cost of transformation. When this methodology is applied with London Hydro's data and model, the following observation is made as noted in London Hydro's response to VECC IR 30 a).

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[2] Decision and Order EB-2008-0238, Westario Power Inc., April 24, 2009, p. 27, Decision and Order EB-2008-0237, Niagara-on-the-Lake Hydro Inc., March 25, 2009, pp. 24-25.

For the Large User Class, no transformation costs were allocated to this class in the Cost Allocation Model. Using VECC's methodology, transformer discounts of $252,326 are deducted from the revenue amount of $1,079,822 that London Hydro used in its Application. Thus in VECC's methodology for this customer class, revenues are reduced with no corresponding reduction in costs. This adjustment results in a reduction from 80.8% in the revenue to cost ratio for this class in London Hydro's Application to a value of 61.99% determined by VECC in their alternate methodology. That would presumably lead to a request to increase the revenue to cost ratio for the Large User Class, for the benefit of other classes whose revenue to cost ratios are greater than 100%, but that would not be appropriate because, as shown above, the VECC methodology is incorrect.

London Hydro is not able to assess what distortions, if any, may be created in the other classes, nor can London Hydro determine from the alternate methodology how such distortions might be corrected. For the reasons as noted, London Hydro is not proposing any change to the revenue to cost ratios as presented in Exhibit 8 for any or all classes.

Rate Design

115. Ref: Board staff IR #41 b)

The interrogatory notes that London Hydro's application has different Retail Transmission rates for interval-metered customers versus other customers in the GS 50 – 4999 kW class, and points out that the customers who have previously not had interval meters will soon have Smart Meters. In the interrogatory, as all customers in the GS 50 – 4999 kW are and will continue to be metered through interval or Smart Meters, Board staff was seeking information on whether London Hydro intends to bill customers at a higher rate upon having a Smart Meter installed, or if London Hydro intends on developing new blended or weighted average RTSRs for this customer class, and to provide the rationale for London Hydro's proposal. The response does not address the different RTSRs or any plans to blend the RTSR rates. Please provide a more complete response to part b) of the interrogatory.

***RESPONSE*:**

London Hydro has a policy of only installing interval meters (5 and 15 minute) in the demand rate classes. Therefore, as the non interval metered customers in the General Service 50 to 4,999 kW rate class have an interval meter installed they are moved into the higher General Service 50 to 4,999 kW interval metered rate class, as stated in the previous interrogatory response. The actual percentage of total billed demand for the non interval metered customers in the General Service 50 and 4,999 kW rate class is approximately 31% while interval metered customers currently represent 69% of total billed demand for the General Service 50 to 4,999 kW rate class. London Hydro has provided a table illustrating these calculations at the end of this response, for the Board's assistance.

Differences between the actual wholesale transmission coincident charges and the retail charges are captured in the transmission variance accounts for future reconciliation. London Hydro plans to blend the two RTSRs in future rate submissions and clear any variances, as prescribed by the Board. This will consolidate the two general service categories over time, similar to the current London Hydro distribution rate treatment, in which the two classes have equivalent distribution rates. The original RTSRs designed for the non interval group used estimates for determining the coincidental peak demand factors. London Hydro believes that adding the incremental non interval meter accounts into the interval metered RTSRs class over time and then blending the two rates is the best action to follow, as the customer impact is marginal. London Hydro has no foreseeable plans to lower its mandatory interval meter threshold and smart meter deployment will initially primarily focus on the non-demand rate classes to meet prescribed smart meter timelines.

2008	Class	Customer	Customer	Energy	Energy	Demand	Demand
Customer Class		#	%	MWH	%	MW	%
General Service 50 to 4999 kW	Interval	503	31%	1,166,018	73%	2,678,857	69%
General Service 50 to 4999 kW	Non-Interval	1106	69%	433,610	27%	1,181,099	31%
	Total	1609	100%	1,599,628	100%	3,859,956	100%

Appendices for Responses to Board Staff Interrogatories

OEB IR # 104 a) b)

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
PROJECTED OPENING ACCOUNT BALANCES													
RSVA - wholesale market service charges	**A/C 1580**	$ (9,671,064)	$ (9,671,064)	$ (9,738,795)	$ (9,835,554)	$ (10,543,829)	$ (10,500,801)	$ (10,437,924)	$ (9,693,580)	$ (9,027,248)	$ (8,379,991)	$ (7,773,293)	$ (7,188,569)
RSVA - one-time charges	**A/C 1582**	358,738	358,738	359,956	361,061	362,288	363,479	335,989	308,369	280,692	252,921	225,028	197,068
RSVA - network charges	**A/C 1584**	1,499,905	1,499,905	1,367,971	1,408,004	1,267,192	1,158,531	1,096,369	1,110,824	1,048,457	829,824	774,751	488,007
RSVA - connection charges	**A/C 1586**	(281,071)	(281,071)	(392,279)	(393,473)	(571,194)	(697,734)	(537,442)	(398,203)	(287,759)	(190,860)	(29,019)	(134,099)
RSVA - power	**A/C 1588**	(1,115,451)	(1,115,451)	(646,188)	(441,329)	(981,965)	(1,172,662)	(1,254,324)	(46,368)	218,785	614,144	151,798	(162,855)
OEB Cost Assessment Deferral	**A/C 1508**	392,670	392,670	392,670	392,670	359,948	327,225	294,503	261,780	229,058	196,335	163,613	130,890
Retail Cost Variance - Retail	**A/C 1518 RCVA retail**	(211,112)	(216,582)	(222,052)	(227,522)	(208,562)	(189,602)	(170,642)	(151,681)	(132,721)	(113,761)	(94,801)	(75,841)
Retail Cost Variance - STR	**A/C 1548 RCVA str**	106,501	107,773	109,045	110,317	101,124	91,931	82,738	73,545	64,352	55,159	45,965	36,772
Low Voltage Variance Account	**A/C 1550**	10,425	10,765	11,105	11,445	10,492	9,538	8,584	7,630	6,676	5,723	4,769	3,815
		$ (8,910,459)	**$ (8,914,317)**	**$ (8,758,567)**	**$ (8,614,380)**	**$ (10,204,508)**	**$ (10,610,096)**	**$ (10,582,150)**	**$ (8,527,684)**	**$ (7,599,710)**	**$ (6,730,507)**	**$ (6,531,189)**	**$ (6,704,811)**
FORECAST INTEREST RATE		4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%
# DAYS INTEREST CALCULATED		31	28	31	30	31	30	31	31	30	31	30	31
Forecast Interest Amounts	**$ (349,118)**	**$ (30,877)**	**$ (27,901)**	**$ (30,350)**	**$ (28,888)**	**$ (35,361)**	**$ (35,580)**	**$ (36,669)**	**$ (29,550)**	**$ (25,485)**	**$ (23,323)**	**$ (21,902)**	**$ (23,234)**
SEPARATION OF DEFERRAL AND VARIANCE ACCOUNT INTEREST BETWEEN A/C 4405 AND A/C 6035													
Total accounts with credit balances		$ (11,278,699)	$ (11,284,169)	$ (10,999,314)	$ (10,897,878)	$ (12,305,550)	$ (12,560,799)	$ (12,400,332)	$ (10,289,832)	$ (9,447,729)	$ (8,684,612)	$ (7,897,113)	$ (7,561,364)
Total accounts with debit balances		2,368,239	2,369,851	2,240,748	2,283,498	2,101,042	1,950,703	1,818,182	1,762,148	1,848,019	1,954,106	1,365,924	856,553
Total deferral and variance account balances		**$ (8,910,459)**	**$ (8,914,317)**	**$ (8,758,567)**	**$ (8,614,380)**	**$ (10,204,508)**	**$ (10,610,096)**	**$ (10,582,150)**	**$ (8,527,684)**	**$ (7,599,710)**	**$ (6,730,507)**	**$ (6,531,189)**	**$ (6,704,811)**
	2009 Total												
Interest expense A/C 6035	$ (426,910)	$ (39,083)	$ (35,318)	$ (38,115)	$ (36,545)	$ (42,641)	$ (42,122)	$ (42,970)	$ (35,656)	$ (31,682)	$ (30,094)	$ (26,482)	$ (26,202)
Interest income A/C 4405	77,792	8,206	7,417	7,765	7,658	7,281	6,542	6,300	6,106	6,197	6,771	4,581	2,968
	$ (349,118)												

Ontario Energy Board
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Toronto ON M4P 1E4
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Facsimile: 416- 440-7656

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Ontario

February 24, 2009

To: All Licensed Electricity Distributors
All Registered Intervenors in 2009 Cost of Service Applications

Re: Cost of Capital Parameter Updates for 2009 Cost of Service Applications

The Ontario Energy Board (the "Board") has determined the values for the Return on Equity ("ROE") and the deemed Long-Term and Short-Term debt rates for use in the 2009 rate year Cost of Service applications.

On December 20, 2006, following the consultative process conducted under Board Files EB-2006-0087/0088, the Board issued the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Board Report"). The Board Report documents the methodologies and formulae used to determine the Cost of Capital parameters: the Return on Equity ("ROE") and the deemed Long-Term and Short-Term debt rates (collectively, the "Cost of Capital parameters").

The methodologies documented in the Board Report stated that the updated parameters will be derived from *Consensus Forecasts* and Bank of Canada/Statistics Canada three (3) months ahead of the implementation date for the proposed rates. Therefore, the January 2009 data will be used for estimating the Cost of Capital parameters used for setting new distribution rates to be effective May 1, 2009.

The Board has applied the methodologies as documented in the Board Report to update the Cost of Capital parameters. The source for the Long-term Bond Yields – All Corporates, used in the calculation of the deemed long-term debt rate is TSX Inc. available to the Board on a subscription basis. The terms of the agreement preclude the Board from publishing the TSX Inc. data but permit it to be viewed in the Information Resource Centre (the "IRC") at the Board's offices during normal business hours.

The Board has determined the values for the updated Cost of Capital parameters, shown in the following table:

Parameter	**Value for 2009 Cost of Service Applications (assuming May 1, 2009 implementation date for rate changes)**
Return on Equity	8.01%
Long-Term Debt Rate	7.62%
Short-Term Debt Rate	1.33%

These values will be used in the Board decisions regarding approval of the rates for the 2009 electricity Cost of Service applications. A summary of the calculation of the ROE is provided in Appendix A.

In addition, the Board wishes to advise parties that it will be initiating a review of its current policy regarding the cost of capital. The Board considers that such a review is appropriate at this time. The Board will consider the appropriateness of the parameters in different economic and financial conditions and their impact on infrastructure investment. Details of this initiative will be announced in due course.

All queries on the cost of capital parameters should be directed to the Board's Market Operations hotline, at 416 440 7604 or market.operations@oeb.gov.on.ca .

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment

Appendix A
Summary of Return on Equity Calculation
For 2009 Cost of Service Electricity Distribution Rate Applications

Step		
1	Ten Year Government of Canada Bond Yield – end of April 2009 (*Consensus Forecasts*, January 2009)	2.7%
	Ten Year Government of Canada Bond Yield – end of January 2010 (*Consensus Forecasts*, January 2009)	3.1%
	Average of three- and twelve-month forecasts	2.9%
2	Add the average spread between 30-year and 10-year Government of Canada bonds for all business days in January 2009 as posted by the Bank of Canada	0.814%
3	Equals the forecasted yield on Long-term Government of Canada Bonds	3.714%

Per the mathematical formula documented in Appendix B of the Board Report:

4.	Updated ROE calculated as: 9.35% + (0.75 X (3.714% - 5.50%))	8.011%
5.	Maximum allowed ROE (rounded to two decimal places)	8.01%

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	London Hydro Inc
Application ID NUMBER	EB-200X-XXXX
Date	

Enter appropriate data in cells which are highlighted in yellow only.
Enter the total applied for Regulatory Asset amounts for each account in the appropriate cells below:
Debits should be recorded as positive numbers and credits should be recorded as negative numbers.
Repeat cells going across as necessary for each year in application

		2005								
Account Description	**Account Number**	**Opening Principal Amounts as of Jan-1-05** [1]	**Transactions (additions) during 2005, excluding interest and adjustments** [5]	**Transactions (reductions) during 2005, excluding interest and adjustments** [5]	**Adjustments during 2005 - instructed by Board** [2]	**Adjustments during 2005 - other** [3]	**Closing Principal Balance as of Dec-31-05**	**Opening Interest Amounts as of Jan-1-05**	**Interest Jan-1 to Dec31-05**	**Closing Interest Amounts as of Dec-31-05**
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 106,070	$ 220,565				$ 326,635	$ -	$ 13,659	$ 13,659
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ -	$ 1,070,550				$ 1,070,550	$ -	$ 18,307	$ 18,307
Other Regulatory Assets - Sub-Account - Bill 210 Cheque Issuance Costs	1508	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -					$ -	$ -		$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -					$ -	$ -		$ -
Retail Cost Variance Account - Retail	1518	$ 77,804	$ (21,199)		$ (65,327)		$ (8,722)	$ 6,615	$ (5,242)	$ 1,373
Misc. Deferred Debits	1525	$ -					$ -	$ -		$ -
Retail Cost Variance Account - STR	1548	$ 61,002	$ 29,528		$ (31,085)		$ 59,445	$ 3,039	$ 1,138	$ 4,177
Qualifying Transition Costs [4]	1570	$ -	n/a	n/a	$ -	$ -	$ -	$ -	$ -	$ -
Pre-Market Opening Energy Variances Total [4]	1571	$ -	n/a	n/a	$ -	$ -	$ -	$ -	$ -	$ -
Extra-Ordinary Event Costs	1572	$ -					$ -	$ -		$ -
Deferred Rate Impact Amounts	1574	$ -					$ -	$ -		$ -
RSVA -- One-time Wholesale Market Service	1582	$ -	see below					$ -		$ -
Other Deferred Credits	2425	$ -					$ -	$ -		$ -
Sub-Total		$ 244,876	$ 1,299,444	$ -	$ (96,412)	$ -	$ 1,447,908	$ 9,654	$ 27,862	$ 37,516
Smart Meter Capital and Recovery Offset	1555	$ -					$ -			$ -
Smart Meter Operaqtion, Maintenance and Administration	1556	$ -					$ -			$ -
Deferred Payments in Lieu of Taxes	1562	$ 2,194,122	5,893,053	(9,171,846)			$ (1,084,671)	$ 533,894	$ 35,798	$ 569,692
Deferred PILs Contra Account [8]	1563	$ -					$ -			$ -
CDM Expenditirues and Recoveries	1565	$ 22,799	$ 858,682	(2,122,024)			$ (1,240,543)			$ -
CDM Contra Account	1566	$ -					$ -			$ -
Recovery of Regulatory Asset Balances	1590	$ (4,508,231)		(6,451,847)	24,994,293		$ 14,034,215	$ (91,524)	$ 590,814	$ 499,290
2006 PILs & Taxes Variance	1592	n/a	n/a	n/a	n/a	n/a		n/a	n/a	
No sub-total										
Low Voltage Variance Account	1550	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -
RSVA - Wholesale Market Service Charge	1580	$ 5,001,128	$ 2,625,186		$ (5,939,798)		$ 1,686,516	$ 740,410	$ 108,027	$ 848,437
RSVA - One Time Charges	1582	$ 227,494	$ 187,552		$ (126,298)		$ 288,748	$ 15,720	$ 13,921	$ 29,641
RSVA - Retail Transmission Network Charge	1584	$ 2,434,888	$ 576,003		$ (2,184,173)		$ 826,718	$ 238,452	$ 56,934	$ 295,386
RSVA - Retail Transmission Connection Charge	1586	$ 933,309	$ (166,297)		$ (971,566)		$ (204,554)	$ 97,753	$ (1,118)	$ 96,635
RSVA - Power (including Global Adjustment)	1588	$ 1,086,937	$ (1,153,567)		$ (789,739)		$ (856,369)	$ 17,762	$ 73,951	$ 91,713
RSVA - Power - Sub-Account - Global Adjustment	1588	$ -	$ (1,042,191)				$ (1,042,191)		$ (66,763)	$ (66,763)
Sub-Total		$ 9,683,756	$ 2,068,877	$ -	$ (10,011,574)	$ -	$ 1,741,059	$ 1,110,097	$ 251,715	$ 1,361,812

Footnotes

1 As per general ledger, if does not agree to Dec-31-04 balance filed in 2006 EDR then provide supplementary analysis
2 Provide supporting statement indicating whether due to denial of costs in 2006 EDR by the Board, 10% transition costs write-off, and etc.
These are the costs approved by Board in Dec 2004 Transition cost hearings and authorized to transfer to account 1590 for recovery.

3 Provide supporting statement indicating nature of this adjustments and periods they relate to
4 Closed April 30, 2002
5 For RSVA accounts only, report the net additions to the account during the year. For all other accounts, record the additions and reductions separately.
6 Please describe "other" components of 1508 and add more component lines if necessary.
7 Interest projected on December 31, 2007 closing principal balance.
8 1563 is a contra-account and is not included in the total but is shown on a memo basis. Account 1562 establishes the obligation to the ratepayer.

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	London Hydro Inc
Application ID NUMBER	EB-200X-XXXX
Date	

Account Description	Account Number	2006 Opening Principal Amounts as of Jan-1-06	Transactions (additions) during 2006, excluding interest and adjustments [5]	Transactions (reductions) during 2006, excluding interest and adjustments [5]	Adjustments during 2006 - instructed by Board [2]	Adjustments during 2006 - other [3]	Transfer of Board-approved amounts to 1590 as per 2006 EDR	Closing Principal Balance as of Dec-31-06	Opening Interest Amounts as of Jan-1-06	Interest Jan-1 to Dec31-06	Transfer of Board-approved amounts to 1590 as per 2006 EDR	Closing Interest Amounts as of Dec-31-06
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 326,635	$ 66,035	$ -	$ -	$ -	$ -	$ 392,670	$ 13,659	$ 18,388		$ 32,047
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 1,070,550	$ 421,195					$ 1,491,745	$ 18,307	$ 60,371		$ 78,678
Other Regulatory Assets - Sub-Account - Bill 210 Cheque Issuance Costs	1508	$ -						$ -	$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -						$ -	$ -			$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -						$ -	$ -			$ -
Retail Cost Variance Account - Retail	1518	$ (8,722)	$ (57,735)					$ (66,457)	$ 1,373	$ (1,267)		$ 106
Misc. Deferred Debits	1525	$ -	$ 30,860	$ (50)				$ 30,810	$ -	$ -		$ -
Retail Cost Variance Account - STR	1548	$ 59,445	$ 18,145					$ 77,590	$ 4,177	$ 3,577		$ 7,754
Qualifying Transition Costs [4]	1570	$ -	n/a	n/a				$ -	$ -			$ -
Pre-Market Opening Energy Variances Total [4]	1571	$ -	n/a	n/a				$ -	$ -			$ -
Extra-Ordinary Event Costs	1572	$ -						$ -	$ -			$ -
Deferred Rate Impact Amounts	1574	$ -						$ -	$ -			$ -
RSVA -- One-time Wholesale Market Service	1582								$ -			$ -
Other Deferred Credits	2425	$ -						$ -	$ -			$ -
Sub-Total		$ 1,447,908	$ 478,500	$ (50)	$ -	$ -	$ -	$ 1,926,358	$ 37,516	$ 81,069	$ -	$ 118,585
Smart Meter Capital and Recovery Offset	1555		$ 293,831	$ (268,949)				$ 24,882	$ -	$ 3,320		$ 3,320
Smart Meter Operaqtion, Maintenance and Administration	1556		$ 10,901					$ 10,901	$ -	$ 122		$ 122
Deferred Payments in Lieu of Taxes	1562	$ (1,084,671)	$ 1,822,073	$ (612,385)				$ 125,017	$ 569,692	$ (33,415)		$ 536,277
Deferred PILs Contra Account [8]	1563	$ -						$ -	$ -			$ -
CDM Expenditirues and Recoveries	1565	$ (1,240,543)	$ 1,783,156	$ (714,767.21)				$ (172,154)	$ -			$ -
CDM Contra Account	1566	$ -						$ -	$ -			$ -
Recovery of Regulatory Asset Balances	1590	$ 14,034,215		(5,972,966)				$ 8,061,249	$ 499,290	$ 471,801	$ -	$ 971,091
2006 PILs & Taxes Variance	1592	$ -		-	(86,752)			$ (86,752)	$ -	$ (1,165)		$ (1,165)
No sub-total												
Low Voltage Variance Account	1550	$ -	$ 1,935					$ 1,935	$ -	$ 25		$ 25
RSVA - Wholesale Market Service Charge	1580	$ 1,686,516	$ (3,461,347)					$ (1,774,831)	$ 848,437	$ (750,325)		$ 98,112
RSVA - One Time Charges	1582	$ 288,748	$ 14,203					$ 302,951	$ 29,641	$ (2,223)		$ 27,418
RSVA - Retail Transmission Network Charge	1584	$ 826,718	$ 1,015,878					$ 1,842,596	$ 295,386	$ (216,691)		$ 78,695
RSVA - Retail Transmission Connection Charge	1586	$ (204,554)	$ 274,763					$ 70,209	$ 96,635	$ (125,319)		$ (28,684)
RSVA - Power (including Global Adjustment)	1588	$ (856,369)	$ (188,751)					$ (1,045,120)	$ 91,713	$ (312,422)		$ (220,709)
RSVA - Power - Sub-Account - Global Adjustment	1588	$ (1,042,191)	$ 1,993,545					$ 951,354	$ (66,763)	$ (16,785)		$ (83,548)
Sub-Total		$ 1,741,059	$ (2,343,319)	$ -	$ -	$ -	$ -	$ (602,260)	$ 1,361,812	$ (1,406,955)	$ -	$ (45,143)

Footnotes

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY London Hydro Inc
Application ID NUMBER EB-200X-XXXX

Date

Account Description	Account Number	2007 Opening Principal Amounts as of Jan-1-07	Transactions (additions) during 2007, excluding interest and adjustments [5]	Transactions (reductions) during 2007, excluding interest and adjustments [5]	Adjustments during 2007 - instructed by Board [2]	Adjustments during 2007 - other [3]	Closing Principal Balance as of Dec-31-07	Opening Interest Amounts as of Jan-1-07	Interest Jan-1 to Dec31-07	Closing Interest Amounts as of Dec-31-07
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 392,670	$ -				$ 392,670	$ 32,047	$ 18,568	$ 50,615
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 1,491,745	$ -				$ 1,491,745	$ 78,678	$ 70,539	$ 149,217
Other Regulatory Assets - Sub-Account - Bill 210 Cheque Issuance Costs	1508	$ -					$ -	$ -		$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -					$ -	$ -		$ -
Other Regulatory Assets - Sub-Account - Other [6]	1508	$ -					$ -	$ -		$ -
Retail Cost Variance Account - Retail	1518	$ (66,457)	$ (73,545)				$ (140,002)	$ 106	$ (5,193)	$ (5,087)
Misc. Deferred Debits	1525	$ 30,810	$ -				$ 30,810	$ -	$ -	$ -
Retail Cost Variance Account - STR	1548	$ 77,590	$ 12,375				$ 89,965	$ 7,754	$ 3,927	$ 11,681
Qualifying Transition Costs [4]	1570	$ -	n/a	n/a			$ -	$ -		$ -
Pre-Market Opening Energy Variances Total [4]	1571	$ -	n/a	n/a			$ -	$ -		$ -
Extra-Ordinary Event Costs	1572	$ -					$ -	$ -		$ -
Deferred Rate Impact Amounts	1574	$ -					$ -	$ -		$ -
RSVA -- One-time Wholesale Market Service	1582							$ -		$ -
Other Deferred Credits	2425	$ -					$ -	$ -		$ -
Sub-Total		$ 1,926,358	$ (61,170)	$ -	$ -	$ -	$ 1,865,188	$ 118,585	$ 87,841	$ 206,426
Smart Meter Capital and Recovery Offset	1555	$ 24,882	$ 22,639	$ (479,611)			$ (432,090)	$ 3,320	$ (8,836)	$ (5,516)
Smart Meter Operaqtion, Maintenance and Administration	1556	$ 10,901	$ 26,757				$ 37,658	$ 122	$ 973	$ 1,095
Deferred Payments in Lieu of Taxes	1562	$ 125,017					$ 125,017	$ 536,277	$ 5,912	$ 542,189
Deferred PILs Contra Account [8]	1563	$ -					$ -	$ -		$ -
CDM Expenditirues and Recoveries	1565	$ (172,154)	$ 172,154				$ (0)	$ -		$ -
CDM Contra Account	1566	$ -					$ -	$ -		$ -
Recovery of Regulatory Asset Balances	1590	$ 8,061,249		(5,949,872)			$ 2,111,378	$ 971,091	$ 186,218	$ 1,157,309
2006 PILs & Taxes Variance	1592	$ (86,752)			(43,381)		$ (130,133)	$ (1,165)	$ (5,744)	$ (6,909)
No sub-total										
Low Voltage Variance Account	1550	$ 1,935	$ 4,092				$ 6,027	$ 25	$ 191	$ 216
RSVA - Wholesale Market Service Charge	1580	$ (1,774,831)	$ (4,334,438)				$ (6,109,269)	$ 98,112	$ (165,315)	$ (67,203)
RSVA - One Time Charges	1582	$ 302,951	$ -				$ 302,951	$ 27,418	$ 14,325	$ 41,743
RSVA - Retail Transmission Network Charge	1584	$ 1,842,596	$ 65,099				$ 1,907,695	$ 78,695	$ 89,803	$ 168,498
RSVA - Retail Transmission Connection Charge	1586	$ 70,209	$ (98,324)				$ (28,115)	$ (28,684)	$ (4,988)	$ (33,672)
RSVA - Power (including Global Adjustment)	1588	$ (1,045,120)	$ (262,843)				$ (1,307,963)	$ (220,709)	$ (173,929)	$ (394,638)
RSVA - Power - Sub-Account - Global Adjustment	1588	$ 951,354	$ (65,126)				$ 886,228	$ (83,548)	$ 23,591	$ (59,957)
Sub-Total		$ (602,260)	$ (4,626,414)	$ -	$ -	$ -	$ (5,228,674)	$ (45,143)	$ (239,913)	$ (285,056)

Footnotes

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	London Hydro Inc
Application ID NUMBER	EB-200X-XXXX
Date	

	Board Rate	Days	Average Interest 08 Annual
Q1 - 08	0.0514	91	0.0128
Q2 - 08	0.0418	91	0.0104
Q3 - 08	0.0335	92	0.0084
Q4 - 08	0.0335	92	0.0084
Weighted Average Rate			**3.99%**

	Board Rate	Days	Average Interest 09 Annual
Q1 - 09	0.0245	90	0.0184
Apr r09	0.01	30	0.0025
		120	
			2.09%

Account Description		**Account Number**	**Projected Interest on Dec 31 -07 balance from Jan 1, 2008 to Dec 31, 2008 [7]**	**Projected Interest on Dec 31 -07 balance from Jan 1, 2009 to April 30, 2009 [7]**	**Balance before Forecasted Transactions**	**Forecasted Transactions, Excluding Interest from Jan 1, 2008 to Dec 31, 2008**	**Forecasted Transactions, Excluding Interest from Jan 1, 2009 to April 30, 2009**	**Projected Interest from Jan 1, 2008 to Dec 31, 2008 on Forecasted Transx for 2008**	**Projected Interest from Jan 1, 2009 to April 30, 2009 on Forecasted Transx for 2008 and 2009**	**Balance**
Other Regulatory Assets - Sub-Account - OEB Cost Assessments		1508	$ 15,668	$ 2,695	$ 461,647	$ -				$ 461,647
Other Regulatory Assets - Sub-Account - Pension Contributions		1508	$ 59,521	$ 10,238	$ 1,710,720	$ -	$ -	$ -	$ -	$ 1,710,720
Other Regulatory Assets - Sub-Account - Bill 210 Cheque Issuance Costs		1508	$ -	$ -	$ -	$ -				$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508	$ -	$ -	$ -	$ -				$ -
Other Regulatory Assets - Sub-Account - Other [6]		1508	$ -	$ -	$ -	$ -				$ -
Retail Cost Variance Account - Retail		1518	$ (5,586)	$ (961)	$ (151,636)	$ (33,236)	$ (12,600)	$ (694)	$ (86)	$ (198,252)
Misc. Deferred Debits		1525	$ -	$ -	$ 30,810	$ -	$ -	$ -	$ -	$ 30,810
Retail Cost Variance Account - STR		1548	$ 3,590	$ 617	$ 105,853	$ 24,034	$ 9,844	$ 502	$ 68	$ 140,300
Qualifying Transition Costs [4]		1570	$ -	$ -	$ -	$ -				$ -
Pre-Market Opening Energy Variances Total [4]		1571	$ -	$ -	$ -	$ -				$ -
Extra-Ordinary Event Costs		1572	$ -	$ -	$ -	$ -				$ -
Deferred Rate Impact Amounts		1574	$ -	$ -	$ -	$ -				$ -
RSVA -- One-time Wholesale Market Service		1582	$ -	$ -	$ -	$ -				$ -
Other Deferred Credits		2425	$ -	$ -	$ -	$ -				$ -
	Sub-Total		$ 73,192	$ 12,589	$ 2,157,395	$ (9,202)	$ (2,756)	$ (192)	$ (19)	$ 2,145,226
Smart Meter Capital and Recovery Offset		1555	$ (17,240)	$ (2,965)	$ (457,812)	$ (484,796)	$ (167,086)	$ (8,100)	$ (4,218)	$ (1,122,012)
Smart Meter Operaqtion, Maintenance and Administration		1556	$ 1,503	$ 258	$ 40,514	$ 106,552	$ 235,886	$ 1,051	$ 1,566	$ 385,569
Deferred Payments in Lieu of Taxes		1562	$ 4,988	$ 858	$ 673,052	$ -	$ -	$ -	$ -	$ 673,052
Deferred PILs Contra Account [8]		1563	$ -	$ -	$ -					$ -
CDM Expenditirues and Recoveries		1565	$ (0)	$ (0)	$ (0)	$ -	$ -	$ -	$ -	$ (0)
CDM Contra Account		1566	$ -	$ -	$ -					$ -
Recovery of Regulatory Asset Balances		1590	$ 14,782	$ -	$ 3,283,469	(2,598,880)	$ -	$ -	$ -	$ 684,589
2006 PILs & Taxes Variance		1592	$ (5,192)	$ (893)	$ (143,127)	-	$ -	$ -	$ -	$ (143,127)
	No sub-total									
Low Voltage Variance Account		1550	$ 240	$ 41	$ 6,525	$ 4,227	$ 341	$ 97	$ 2	$ 11,192
RSVA - Wholesale Market Service Charge		1580	$ (243,760)	$ (41,928)	$ (6,462,160)	$ (1,850,000)	$ 80,000	$ (44,835)	$ (14,257)	$ (8,291,252)
RSVA - One Time Charges		1582	$ 12,088	$ 2,079	$ 358,861	$ -	$ -	$ (2,481)	$ -	$ 356,380
RSVA - Retail Transmission Network Charge		1584	$ 76,117	$ 13,093	$ 2,165,403	$ (1,666,545)	$ (280,000)	$ 1,275	$ (15,679)	$ 204,454
RSVA - Retail Transmission Connection Charge		1586	$ (1,122)	$ (193)	$ (63,102)	$ (1,032,424)	$ (200,000)	$ (6,894)	$ (9,927)	$ (1,312,347)
RSVA - Power (including Global Adjustment)		1588	$ (52,188)	$ (8,977)	$ (1,763,765)	$ 818,995	$ 300,000	$ (87,031)	$ 9,013	$ (722,788)
RSVA - Power - Sub-Account - Global Adjustment		1588	$ 35,360	$ 6,082	$ 867,714	$ 1,074,898	$ -	$ 38,361	$ 8,658	$ 1,989,631
	Sub-Total		$ (208,624)	$ (35,884)	$ (5,758,239)	$ (3,725,747)	$ (99,659)	$ (139,869)	$ (30,848)	$ (9,754,361)

Footnotes

Ontario

2006 Cost Allocation Information Filing
London Hydro Inc
EB-2005-0389 EB-2007-0002
Wednesday, February 28, 2007

Sheet I3 Trial Balance Data - First Run

Instructions:

Step 1: Copy 2006 EDR Trial Balance values (Sheet 2-4, Column P17 to P446) to Column D21 of this worksheet. Use the Edit - *Paste Special - Values* function.

Step 2: Enter the amounts needed to be reclassified to column F.

Step 3: Enter Target Net Income from approved EDR (Sheet 4-1, cell F23)

Step 4: Enter PILs from approved EDR (Sheet 4-2, cell E15)

Step 5: Enter Interest from approved EDR (Sheet 4-1, cell F21)

Step 6: Enter specific service charges offset from approved EDR (Sheet 5-5, cell D19)

Step 7: Enter Transformation Ownership Allowance Credit from approved EDR (Sheet 6-3, cell R120)

Step 8: Enter Low Voltage Wheeling Adjustment Credit from approved EDR (Sheet ADJ 3, cell F46)

Step 9: Enter Revenue Requirement from approved EDR (Sheet 5-1, cell F22)

Step 10: Enter Total Rate Base from approved EDR (Sheet 3-1, cell F21)

Step 11: Enter Directly Allocated amounts into column G.

		From this Sheet
Approved Target Net Income ($)	$8,090,399	
Approved PILs ($)	$5,953,665	
Approved Interest ($)	$6,592,177	
Approved Specific Service Charges ($)	$1,728,832	
Approved Transformer Ownership Allowance ($)		
Approved Low Voltage Wheeling Adjustment ($)	$0	
Approved Revenue Requirement ($)	$54,316,006	
Revenue Requirement to be Used in this model ($)	$54,316,006	**$20,636,241**
Approved Rate Base ($)	$199,762,942	
Rate Base to be Used in this model ($)	$199,762,942	**$5,051,965**

2006 Cost Allocation Information Filing
London Hydro Inc
EB-2005-0389 EB-2007-0002
Wednesday, February 28, 2007

Sheet I6 Customer Data Worksheet - First Run

Total kWhs	3,410,130,472
Total kWs	4,302,609
Total Approved Distribution Revenue ($)	$50,225,210

Billing Data

			1	2	3	6	7	8	9	11	12
	ID	**Total**	**Residential**	**GS less than 50**	**GS > 50 (blended TOU and Non-TOU)**	**Large User**	**Street Light**	**Sentinel Light**	**Unmetered Load**	**Stand-By**	**CoGen**
kWh from approved EDR model, Sheet 7-1, Col M	**CEN**	3,410,130,472	1,136,096,743	441,827,933	1,571,249,838	216,962,692	22,933,768	943,772	10,190,081		9,925,644
kW from approved EDR model, Sheet 7-1, Col S	**CDEM**	4,302,609			3,801,956	413,008	61,898	2,490			23,256
kW, included in CDEM, from customers with line transformer allowance from approved EDR model, Sheet 6-3, Col P		1,882,761			1,445,533	420,543					16,685
Optional - kWh, included in CEN, from customers that receive a line transformation allowance on a kWh basis. In most cases this will not be applicable and will be left blank.		-									
KWh excluding KWh from Wholesale Market Participants	**CEN EWMP**	3,409,186,700	1,136,096,743	441,827,933	1,571,249,838	216,962,692	22,933,768		10,190,081		9,925,644
kWh - 30 year weather normalized amount		3,863,777									3,863,777
Approved Distribution Rev from approved EDR, Sheet 7-1, Col AK + Sheet 7-3 Col H	**CREV**	$50,225,210	$32,141,159	$8,270,897	$8,447,517	$827,496	$194,739	$8,335	$94,370		$240,697
Bad Debt 3 Year Historical Average from Approved EDR Model	**BDHA**	$989,312	$789,822	$143,239	$56,251	$0	$0	$0	$0	$0	$0
Late Payment 3 Year Historical Average	**LPHA**	$942,696	$566,322	$152,290	$214,944	$0	$3,754	$223	$5,163	$0	$0
Weighting Factor - Services			1.0	2.0	0.0	0.0	1.0	1.0	1.0	0.0	15.0
Weighting Factor - Billings			1.0	2.0	7.0	15.0	1.0	0.1	1.0	0.0	15.0
Number of Bills	**CNB**	2,013,954	1,813,611	172,043	22,268	36	12	4,011	1,937	-	36
Number of Connections (Unmetered)	**CCON**	16,270					14,037	752	1,481		
Total Number of Customer from Approved EDR, Sheet 7-1, Col H excluding connections	**CCA**	137,240	123,095	10,351	1,553	3	1	752	1,481	-	4

Bulk Customer Base	CCB	-	-	-	-	-	-	-	-	-	
Primary Customer Base	CCP	137,240	123,095	10,351	1,553	3	1	752	1,481	-	4
Line Transformer Customer Base	CCLT	137,078	123,095	10,349	1,398	-	1	752	1,481	-	2
Secondary Customer Base	CCS	128,489	123,095	3,158		-	1	752	1,481	-	2
Weighted - Services	CWCS	145,711	123,095	6,316	-	-	14,037	752	1,481	-	30
Weighted Meter -Capital	CWMC	10,165,500	6,133,200	1,313,100	2,659,200	30,000	-	-	-	-	30,000
Weighted Meter Reading	CWMR	2,364,018	1,893,735	414,183	55,890	105	-	-	-	-	105
Weighted Bills	CWNB	2,317,003	1,813,611	344,086	155,876	540	12	401	1,937	-	540
Data Mismatch Analysis											
Revenue with 30 year weather normalized kWh		93,697	-	-	-	-	-	-	-	-	93,697

Weather Normalized Data from Hydro

	Total	Residential	GS less than 50	GS > 50 (blended TOU and Non-TOU)	Large User	Street Light	Sentinel Light	Unmetered Load	Stand-By	CoGen
kWh - 30 year weather normalized amount	3,400,431,247	**1,137,053,818**	435,422,164	1,549,471,922	222,125,960	22,971,877	911,744	9,199,531	19,247,790	4,026,442
2006 EDR Distribution Loss Factor		**1.0421**	1.0421	1.0421	1.0317	1.0421	1.0421	1.0421	1.0421	1.0421

Bad Debt Data from EDR 2006

Sheet ADJ5 rows 26 - 32, column E	1,213,651	968,925	175,720	69,006						
Sheet ADJ5 rows 26 - 32, column F	1,163,189	928,638	168,414	66,137						
Sheet ADJ5 rows 26 - 32, column G	591,096	471,904	85,583	33,609						
Three-year average	**989,312**	**789,822**	**143,239**	**56,251**	-	-	-	-	-	-

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 Energy Probe Round Two Interrogatories

Filed: May 26, 2009

Interrogatory # 29

Ref: Response to Energy Probe Interrogatory # 7

The response to this IR references "municipal infrastructure improvements in Canada" as a driver for city works projects requiring London Hydro plant work. Please provide details of the "announced government infrastructure initiatives" referred to in the IR response and specific road or buried municipal utility infrastructure in London that will require London Hydro involvement.

***RESPONSE*:**

Please refer to the attached Appendix EP 29 – Municipal Infrastructure, which provides the announced Government Infrastructure Initiatives and the proposed spending plans under these initiatives prepared by the City of London.

London Hydro has made allowance in its 2009 forecast capital spending for the following projects that will require London Hydro involvement:

- Life cycle repairs to roads (Project 1.12)
- Sewer reconstruction (Project 1.15)
- Innovation Park Phase III (Project 2.1)
- Infrastructure upgrade to Hale Trafalgar overpass (Project 3.10)

London Hydro has forecast that there will be additional work resulting from these projects over and above traditional municipal infrastructure refurbishment programs. For example, some of the more specific projects currently in London Hydro's forecast include:

- Wonderland Road North widening and reconstruction from Gainsborough Rd. to Fanshawe Park Rd.
- Southdale Road widening and reconstruction from Wharncliffe Rd. to Wonderland Rd.
- Oxford Street widening from Hyde Park Rd. to Sanitorium Rd.

Interrogatory # 30

Ref: Response to Energy Probe Interrogatory # 11

The response to part (a) of this IR states that developers have so far in 2009 committed to 60 lots. In addition London Hydro states that there is a high probability of another 120 lots being committed and a further 430 lots are "under discussion". The response seems to suggest that there are about 180 lots of SFR development that are either committed or likely to be committed for 2009. Another 430 lots are possible for a potential total of 610 lots. London Hydro has forecast 800 lots of SFR development in 2009. Should this forecast be revised downwards for 2009?

***RESPONSE*:**

To clarify, the response to part (a) in Energy Probe IR # 11, the first sentence in the second paragraph advises that "*Year to date net capital spending in 2009 for single family residential ("SFR") underground distribution ($334,314) actually is a more active pace than the comparative time in 2008."*

This actual 2009 spending amount referred to in the response reflected 257 lots that had been or were nearing completion at that time. In addition to these 257 lots, there were firm commitments for 60 lots, plus a high probability of 120 lots with a further 430 lots under discussion. This brings the total to 867 lots. Based on these numbers, the forecast of 800 lots appears reasonable.

The current status for 2009 is that 316 lots have been completed, engineering specifications are being developed on 123 lots and there are 428 lots that are under discussion with developers. Based upon this level of activity the forecast of 800 lots for 2009 does not appear to require a downward adjustment.

Interrogatory # 31

Ref: Response to Energy Probe Interrogatory # 24

The response to this IR refers Energy Probe to the response to SEC #10. That response in part (c) addresses the subject of base labour costs due to "corporate reorganization and industry changes" but appears to conclude that labour costs have decreased as a result of these influences. Energy Probe's IR#24 questioned the base labour *increase* in OM&A which does not appear to be addressed in the SEC #10 response. Please explain.

***RESPONSE*:**

The response to SEC IR # 10 part (c) explains the total corporate staffing level changes that have occurred over the period 2004 to 2009. In that response explanations are provided detailing certain labour cost reductions and efficiencies that have been achieved in specific areas and activities, but the response refers to the detail provided in response to SEC 7 (c). That detail lists the positions that have been deleted during the period 2004 – 2009 and also lists new positions that have been created.

This table in SEC 7 c) details the staffing level changes that have occurred which include those related to "corporate reorganization and industry changes" and quantifies these changes in both full time equivalents (FTE) and labour cost dollars.

The table indicates that 8.3 FTE's have been deleted with an overall labour cost reduction of $431,200, but the table also indicates that 26.0 FTE's have been added over this time frame with an overall cost increase of $1,485,000. In summary, the table indicates a net FTE increase of 17.7 and a net labour cost increase of $1,053,800.

Interrogatory # 32

Ref: Response to Energy Probe Interrogatory # 26

The response to part (d) of this IR concerning what actions London Hydro is taking to control benefit costs did not mention asking employees to bear a larger share of these costs. Has London Hydro considered this option? If yes, what has been the response of the employees? If not, why not?

***RESPONSE*:**

Yes, London Hydro always includes benefit costs as an item to be negotiated during Collective Bargaining for each new Collective Agreement.

London Hydro has found that attempts to roll back benefits through the collective bargaining process, for London Hydro and the industry in general, are rarely successful with any union.

However, it is London Hydro's belief that discussing the benefits at the bargaining table has assisted in controlling costs in that it helps to offset Union demands to negotiate increases to the existing benefit packages.

Appendix for Responses to Energy Probe Interrogatories

Infrastructure Canada **Government of Ontario**

Jul 24, 2008 10:30 ET

Canada and Ontario Sign $6.2-Billion Building Canada Infrastructure Agreement

Improvements to Highway 11/17 in northwestern Ontario, Ontario rural broadband coverage, Waterloo Region rapid transit, and the Huron Elgin London Project for clean water are priorities under Building Canada and ReNew Ontario

LONDON, ONTARIO--(Marketwire - July 24, 2008) - The governments of Canada and Ontario today announced the signing of an infrastructure Framework Agreement worth more than $6.2 billion under Building Canada, the Government of Canada's long-term infrastructure plan. The Plan will help address infrastructure needs and priorities in Ontario until 2014.

The Honorable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, the Honourable George Smitherman, Ontario Deputy Premier and Minister of Energy and Infrastructure, the Honourable Jim Flaherty, Minister of Finance, and the Honourable Dwight Duncan, Ontario Minister of Finance, participated in today's announcement.

The governments of Canada and Ontario also identified improvements on Highway 11/17 in northwestern Ontario, expanding rural broadband coverage in southern and eastern Ontario, and rapid transit in the Waterloo region as initial priorities that the two governments will work together on under Building Canada. In addition, the Government of Canada has previously announced up to $50 million to the HELP Clean Water (Huron Elgin London Project) and Ontario today also committed up to $50 million for the project as well. Both governments have also previously announced up to $50 million each towards the expansion of the Ottawa Congress Centre.

"The Building Canada infrastructure plan will help support economic growth, a cleaner environment and the overall prosperity of all Ontarians," said Minister Cannon. "Substantial infrastructure funding was long overdue in this country and we're getting it done. Clean drinking water, safer highways, expanded public transit and improved connectivity are all clear examples of the concrete results that Building Canada will deliver to the people, cities and communities of Ontario."

"The Framework Agreement will help keep Ontarians green and connected - through investments in transit, roads, and surfing the Internet. The McGuinty government is committed to building a better quality of life for Ontarians, and this agreement is a clear example of how we all benefit when the governments of Ontario and Canada work together," said Minister Smitherman.

"As Canada's Minister of Finance, I appreciate the importance of investing in infrastructure, that's why we are making the largest single federal investment in public infrastructure since World War Two, that's why we made federal gas tax funding permanent, and that's why we have established the Government of Canada's first public, private partnership office," said Minister Flaherty.

"The funding under the Framework Agreement will help create good-paying jobs and strengthen our economic competitiveness," said Minister Duncan. "Together, we are making the right investments in Ontario's infrastructure to position this province for future prosperity."

"I'm truly happy we've signed the Framework Agreement with the Province of Ontario," said Canada's Environment Minister John Baird. "It will greatly benefit our cities and communities by helping ensure a more competitive economy, stronger communities, a cleaner environment, and a more prosperous Ontario."

Through its unprecedented $33-billion Building Canada infrastructure plan, the Government of Canada will provide long-term, stable and predictable funding to help meet infrastructure needs across Canada. Building Canada will support a stronger, safer and better country.

For further information on the Building Canada plan, visit www.buildingcanada.gc.ca

BACKGROUNDER

The Framework Agreement sets the stage for a collaborative investment in the infrastructure needs in Ontario. Under this Agreement, approximately $3.09 billion from the Building Canada Fund, a centrepiece of the overall plan, will go towards infrastructure initiatives in Ontario through two components: more than $2.73 billion in funding will support larger-scale projects; while under the Communities Component, $362 million in funding will be available for partnership investments in communities with populations less than 100,000. Ontario will match federal funding, meaning that more than $6 billion will be made available for investment in the province's infrastructure.

Further, under the Plan, the Government of Canada will provide $25 million in base funding annually, for a total of $175 million through to 2014 for core infrastructure priorities in Ontario. A further $2.98 billion will flow to Ontario municipalities through the extension of the federal Gas Tax Fund agreement from 2010 to 2014.

The Canada-Ontario Framework Agreement outlines how the Building Canada Plan will operate in the province. It also establishes a governance framework through which the two governments will work together, in the spirit of open federalism, to identify and address further infrastructure priorities.

In addition to the $6.2 billion of guaranteed funding outlined in this agreement, under Building Canada, Ontario and its municipalities will also have potential access to the Gateways and Border Crossing Fund as well as the Public-Private Partnership Fund. Finally, with the full GST rebate and the Gas Tax Fund, over fifty per cent of the Building Canada Plan flows directly to municipalities to further strengthen local infrastructure priorities.

Through the Framework Agreement, Ontario is building on the success of ReNew Ontario, the province's five-year $30 billion-plus infrastructure investment plan to be completed by 2010. The province is currently developing a long-term comprehensive strategy for the additional investment in infrastructure that Ontario families depend on, totalling at least $60 billion.

Federal financial support for the priority funding initiatives announced today is conditional upon the initiatives meeting all applicable federal eligibility requirements under Building Canada.

Provincial financial support for the priority funding initiatives announced today is conditional upon the initiatives meeting all applicable eligibility requirements under ReNew Ontario and on satisfactory completion of provincial due diligence.

Canada and Ontario's contribution towards HELP Clean Water Project is conditional on the successful completion of a federal and provincial due diligence review of the project, including an analysis of the business case by the Infrastructure Framework Committee.

The contribution is also conditional on the municipalities securing any funding approvals that may be required respectively by federal and provincial Treasury Boards, all applicable environmental assessments, consistency with provincial water policy, and the signing of a contribution agreement that will detail the project elements, schedule, costs, and funding parameters.

For more information, please contact

Office of the Minister of Transport, Infrastructure
and Communities
Karine White - Press Secretary
613-991-0700

or

Infrastructure Canada
613-948-1148

or

Office of the Minister of Energy and Infrastructure
Laurel Ostfield
Press Secretary
416-327-4418

Back

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To Shelley	From CAROL	
Co./Dept.	Co.	
Phone #	Phone # 661-2500 ext 4599	
Fax # 661-5082	Fax #	

London
CANADA

300 Dufferin Avenue
P.O. Box 5035
London, ON
N6A 4L9

March 31, 2009

J. A. Fielding, Chief Administrative Officer
V. A. Coté, General Manager of Finance and Corporate Services and Acting City Treasurer
R. W. Panzer, General Manager of Planning and Development
R. L. Fair, General Manager of Community Services
P. McNally, General Manager of Environmental and Engineering Services & City Engineer

I hereby certify that the Municipal Council, at its session held on March 30, 2009, resolved:

3. That the following actions be taken with respect to fiscal stimulus funding from the Federal and Provincial Governments:

Infrastructure Stimulus Fund

(a) the projects detailed in the attached Table 1, which are funded from the property tax rates, **BE SUBMITTED** as priorities for The Corporation of the City of London for Infrastructure Stimulus Funding; it being noted that all of the projects are construction ready and will be completed by March 31, 2011; it being further noted that the City's contribution for the projects detailed in Table 1 is $20 million of the total construction value of $63.7 million;

(b) the projects detailed in the attached Table 2, which are funded from sewer rates, **BE SUBMITTED** as priorities for The Corporation of the City of London for Infrastructure Stimulus Funding; it being noted that all of the projects are construction ready and will be completed by March 31, 2011; it being further noted that the sewer rate contribution for the projects detailed in Table 2 is $7.3 million of the total construction value of $22 million;

(c) the projects detailed in the attached Table 3, which are economic development projects funded from the property tax rates and sewer and water rates, **BE SUBMITTED** as priorities for The Corporation of the City of London for Infrastructure Stimulus Funding; it being noted that support of Project No. 2.3 - London International Airport Capital Improvements Project is subject to a report back, as soon as possible, on the scope of and alternative servicing and financing for this project; it being noted that all of the projects are construction ready and can be completed by March 31, 2011;

The Corporation of the City of London
Office: 519 661-2500 ext. 4599
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webmaster@london.ca
www.london.ca

(d) the projects detailed in the attached revised Table 4, which are funded from the property tax rates, **BE SUBMITTED** as priorities for The Corporation of the City of London for Infrastructure Stimulus Funding; it being noted that all of the projects are construction ready and can be completed by March 31, 2011; it being further noted that the original Table 4 was revised as follows:

(i) by deleting Project No. 3.3 Life Cycle Upgrades to Government Buildings and Property – London Regional Art Gallery and Historical Museum;

(ii) by increasing the Construction Value of Project No. 3.7 – Life Cycle Repairs to Roads to $5.3 million, and by proportionately increasing the amount of City Debt;

(iii) by deleting Project No. 3.8 – Infrastructure Upgrades – Road Widening – Wonderland Road and Project No. 3.9 – Infrastructure Upgrades – Road Widening – Oxford Street, as there is alternative financing already in place for these Projects;

(iv) by increasing the Construction Value of Project No. 3.11 – Veterans Memorial Parkway – Enhancements (Beautification) by $350,000 in order to fully complete the work, and by proportionately increasing the amount of City Debt;

it being understood that approval of Project No. 3.10 is **SUBJECT TO** the General Manager of Environmental and Engineering Services and City Engineer ensuring that CN will be providing an acceptable share of funding for this Project and determining if the City of London can access a portion of the $72 million in funding being made available for improving railway safety;

Community Recreation and Facilities Stimulus Fund

(e) the projects detailed in the attached revised Table 5, which are funded from the property tax rates, **BE SUBMITTED** as priorities for The Corporation of the City of London for Community Recreation and Facilities Funding; it being noted that all of the projects are construction ready and can be completed by March 31, 2011; it being further noted that the City's contribution for the projects detailed in Table 5 is $1.03 million of the total construction value of $5.1 million; it being also noted that the Civic Administration was requested to report back with respect to the East London Optimist Soccer Dome project;

Housing Initiatives Fund

(f) the Federal and Provincial Governments **BE ADVISED** that the City of London is able to participate fully in the lifecycle repairs improvements to public and social housing through a combination of reserves and federal and provincial stimulus and that these works are construction ready for completion by March 31, 2012; it being noted that no additional City contribution will be required;

(g) the Federal and Provincial Governments **BE ADVISED** that the City of London is in the process of identifying construction ready new social housing projects through an expression of interest process and will be able to participate in new affordable housing stimulus through the use of existing City reserve funds for projects to be completed by March 31, 2012;

Green Initiatives Fund

(h) the Civic Administration **BE REQUESTED** to report back to the Board of Control and Council, following the release of the details of the Green Initiatives Fund, to determine if any of the projects listed in Tables 1 through 4 would qualify for funding under this program;

Build Canada Initiatives

(i) consideration **BE GIVEN** by the Municipal Council to larger-scale strategic economic initiatives that could provide long-term economic benefit to this Region, including the Hwy. 401/Wonderland Road South interchange, and a priority list **BE ESTABLISHED** for undertaking detailed analysis, with the assistance of the Civic Administration, a feasibility study, as well as continued discussions with the Federal and Provincial Governments, in order to establish a priority project(s); and

Municipal Infrastructure Loan Program

(j) the Civic Administration **BE AUTHORIZED** to make an application to the Federal and Provincial Governments under the Municipal Infrastructure Loan Program for the City's debt component for both property tax supported projects and sewer rate supported projects identified by the Municipal Council as priority projects for stimulus funding. (3/13/CW) (AS AMENDED)

Kevin Bain
City Clerk
/crg

c. The Honourable Jim Flaherty, Minister of Finance
The Honourable Jim Watson, Minister of Municipal Affairs and Housing
London International Airport
Fanshawe Pioneer Village
London Regional Children's Museum
London Transit Commission
Upper Thames River Conservation Authority
London Regional Art Gallery and Historical Museum
London Economic Development Corporation
London District Building & Construction Trades Council
Keep London Growing Coalition
T. Partalas, President, London Optimist Sports Centre
R. Sexsmith
Goodwill Industries, Ontario Great Lakes
J. Kobarda
G. T. Hopcroft
M. Turner
M. Hayward
L. Stevens
Board of Control

TABLE 1 - INFRASTRUCTURE FUND - "Shovel Ready Projects" - Tax Supported

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
1.1		**Material Waste Recovery Facility Total**	**$ 15,000,000**	**$ 15,000,000**		**$ 5,000,000**	**$ 15,000,000**
1.2	Na	Exterior Fencing - Labatt Park	$ 250,000	$ 250,000	Yes	$ 83,333	$ -
1.2	PD1022	Play Structures/Skateboard Park/Parking Lot - Medway District Park	$ 550,000	$ 550,000	Yes	$ 183,333	$ 550,000
1.2	PD1281	Play Structures - Replacement and upgrade to other park amenities - Piccadilly Park	$ 350,000	$ 350,000	Yes	$ 116,667	$ 350,000
1.2	RC2748	Replace Washroom Facilities - McMahon Park (Specific site location to be determined as part of condition survey)	$ 450,000	$ 450,000	Yes	$ 150,000	$ 450,000
1.2	RC2748	Replace Washroom Facilities - Basil Grover Park	$ 450,000	$ 450,000	Yes	$ 150,000	$ 450,000
1.2		**Outdoor Sports, Recreation and Play Improvements - District Parks Total**	**$ 2,050,000**	**$ 2,050,000**		**$ 683,333**	**$ 1,800,000**
1.3	Na	Pool - Gibbons Pool - New Heated & Utility Upgrades	$ 400,000	$ 400,000	Yes	$ 133,333	$ -
1.3	RC2200	Pool - North East Pool - Rebuild Pool and Mechanical Equipment	$ 1,800,000	$ 1,800,000	Yes	$ 600,000	$ 1,414,000
1.3	RC2771	New Spray Pad - Ed Blake Park	$ 400,000	$ 400,000	Yes	$ 133,333	$ 400,000
1.3	RC2771	New Spray Pad - Oakridge District Park	$ 400,000	$ 400,000	Yes	$ 133,333	$ 400,000
1.3	RC2771	New Spray Pad - Medway District Park	$ 400,000	$ 400,000	Yes	$ 133,333	$ 400,000
1.3		**Outdoor Sports, Recreation and Play Improvements - Spray Pads and Pools Total**	**$ 3,400,000**	**$ 3,400,000**		**$ 1,133,333**	**$ 2,614,000**
1.4	PD1022	Pathway System and Park Upgrades - Oakridge District Park	$ 150,000	$ 150,000	Yes	$ 50,000	$ 150,000
1.4	PD1022	Pathway System and Park Upgrades - includes play structures, pathways and washrooms - Ed Blake District Park (2017 and 2018 portion for washroom from PD1167 $225 2017 & $225 2018)	$ 775,000	$ 775,000	Yes	$ 258,333	$ 775,000

TABLE 1 - INFRASTRUCTURE FUND - "Shovel Ready Projects" - Tax Supported

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
1.4	PD1172	Replace Washroom Facilities - Springbank Park (Pathway Trail)	$ 450,000	$ 450,000	Yes	$ 150,000	$ 450,000
1.4	PD2134	Pathways - Expansion - Thames Valley Parkway - South Branch Pottersburg Connection	$ 1,600,000	$ 1,600,000	Yes	$ 533,333	$ 1,600,000
1.4	PD2134	Pathways - Upgrades - Thames Valley Parkway	$ 850,000	$ 850,000	Yes	$ 283,333	$ 850,000
1.4	RC2748	Replace Washroom Facilities - Greenway and Springbank (Pathway Trail)	$ 900,000	$ 900,000	Yes	$ 300,000	$ 900,000
1.4		**Outdoor Sports, Recreation and Play Improvements - Thames Valley Pathway Total**	**$ 4,725,000**	**$ 4,725,000**		**$ 1,575,000**	**$ 4,725,000**
1.5	Na	Community Centre Expansion and Renovation - Springbank Gardens Community Centre (1,000 sq ft)	$ 300,000	$ 300,000	Yes	$ 100,000	$ -
1.5	RC2200	Community Centre Expansion and Renovation - Boyle Community Centre (1,500 sq ft)	$ 1,200,000	$ 1,200,000	Yes	$ 400,000	$ 696,000
1.5	RC2200	Community Centre Expansion and Renovation - Byron Community Centre (1,500 sq ft)	$ 1,296,000	$ 1,296,000	Yes	$ 432,000	$ 586,000
1.5	RC2200	Recreation Centre - Interior/Exterior Renovations - Carling Heights T Block	$ 1,100,000	$ 1,100,000	Yes	$ 366,667	$ 1,100,000
1.5		**Indoor Sports, Recreation and Play Improvements - Community Centres Total**	**$ 3,896,000**	**$ 3,896,000**		**$ 1,298,667**	**$ 2,382,000**
1.6	RC2200	Roof Replacement - Farquharson, Carling and Oakridge Arenas	$ 1,730,000	$ 1,730,000	Yes	$ 576,667	$ 1,280,000
1.6	RC2200	Refrigeration upgrade - Oakridge and Carling Arenas	$ 100,000	$ 100,000	Yes	$ 33,333	$ 100,000
1.6	TS6217	Arena Lighting Energy Efficient Utility Upgrades	$ 500,000	$ 500,000	Yes	$ 166,667	$ 500,000
1.6		**Indoor Sports, Recreation and Play Improvements - Arenas Total**	**$ 2,330,000**	**$ 2,330,000**		**$ 776,667**	**$ 1,880,000**
1.7	GG1588	Security Measures - Downtown Camera Control - Emergency Ops Centre Downsized to Station #12	$ 300,000	$ 300,000	Yes	$ 100,000	$ 300,000
1.7	GG1600	Emergency Management - Emergency Ops Centre Downsized to Station #12	$ 200,000	$ 200,000	Yes	$ 66,667	$ 200,000
1.7	PP4325	Emergency Operations Centre	$ -	$ -	Yes	$ -	$ (3,000,000)
1.7		**Emergency Operations Centre Total**	**$ 500,000**	**$ 500,000**		**$ 166,667**	**$ (2,500,000)**

TABLE 1 - INFRASTRUCTURE FUND - "Shovel Ready Projects" - Tax Supported

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
1.8		**Life Cycle Upgrades to Government Buildings and Property - London Transit Garage Total**	**$ 6,080,000**	**$ 6,080,000**		$ 2,026,667	**$ 6,080,000**
1.9		**Life Cycle Upgrades to Government Buildings and Property - City Hall Total**	**$ 2,400,000**	**$ 2,400,000**		$ 800,000	**$ 2,400,000**
1.9	GG1714	Operations Facilities - Parking Lot, Lighting and Darinage Improvements	$ 519,000	$ 519,000	Yes	$ 173,000	$ 519,000
1.9	TS6200	Operations Facilities - Parking Lot, Lighting and Darinage Improvements	$ 481,000	$ 481,000	Yes	$ 160,333	$ 481,000
1.9	TS6200	Operations Facilities - Upgrades - Oxford, Rose Garden, Wolseley	$ 3,004,000	$ 3,004,000	Yes	$ 1,001,333	$ 3,004,000
1.10		**Life Cycle Upgrades to Government Buildings and Property - Operations Centres Total**	**$ 4,004,000**	**$ 4,004,000**		**$ 1,334,667**	**$ 4,004,000**
1.11		**Life Cycle Upgrades to Government Buildings and Property - Fire Halls Total**	**$ 1,225,000**	**$ 1,225,000**		**$ 408,333**	**$ 1,225,000**
1.12	TS1445	Roads Life Cycle Repairs - Main	$ 2,000,000	$ 2,000,000	Yes	$ 666,667	$ 2,000,000
1.12	TS3013	Roads Life Cycle Repairs - Local	$ 2,000,000	$ 2,000,000	Yes	$ 666,667	$ 2,000,000
1.12		**Life Cycle Repairs to Roads Total**	**$ 4,000,000**	**$ 4,000,000**		**$ 1,333,333**	**$ 4,000,000**
1.13		**Life Cycle Repairs and Improvements to Sidewalks Total**	**$ 2,400,000**	**$ 2,400,000**		**$ 800,000**	**$ 2,400,000**
1.14		**UTRCA Administration Building Total**	**$ 12,000,000**	**$ 8,000,000**		**$ 2,666,667**	**$ -**

TABLE 2 - INFRASTRUCTURE FUND - "Shovel Ready Projects" - Sewer/Water Rate Supported

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
1.15	ES2413	Sewer Reconstruction	$ 10,000,000	$ 10,000,000	Yes	$ 3,333,333	$ 10,000,000
1.15	ES2461	Combined Sewer Overflow Program (CSO)	$ 4,000,000	$ 4,000,000	Yes	$ 1,333,333	$ 4,000,000
1.15	ES2692	Sewer Lining and Specialized Repair	$ 8,000,000	$ 8,000,000	Yes	$ 2,666,667	$ 8,000,000
1.15		**Life Cycle Repairs to Sewer System Total**	**$ 22,000,000**	**$ 22,000,000**		**$ 7,333,333**	**$ 22,000,000**

TABLE 3 - INFRASTRUCTURE FUND - Economic Development Projects to be considered

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
2.1	ID1168	Innovation Park Phase III - Roads Oversizing	$ 7,300,000	$ 7,300,000	Yes	$ 2,433,333	$ 7,300,000
2.1	ID2058	Innovation Park Phase III - Sewer Oversizing	$ 6,800,000	$ 6,800,000	Yes	$ 2,266,667	$ 6,639,000
2.1		**Development of Industrial Land - Innovation Park - Roads Total**	**$ 14,100,000**	**$ 14,100,000**		**$ 4,700,000**	**$ 13,939,000**
2.2	ID1265	Skyway Phase III - Roads	$ 6,000,000	$ 6,000,000	Yes	$ 2,000,000	$ 3,750,000
2.2	ID2171	Skyway Phase III - Water	$ 350,000	$ 350,000	Yes	$ 116,667	$ 350,000
2.2		**Development of Industrial Land - Skyway Industrial Park - Roads Total**	**$ 6,350,000**	**$ 6,350,000**		**$ 2,116,667**	**$ 4,100,000**

TABLE 4 - INFRASTRUCTURE FUND - Other tax supported projects to be considered

	2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
3.1		Recycling Depots Total	$ 2,000,000	$ 2,000,000		$ 666,667	$ -
3.2		Life Cycle Upgrades to Government Buildings and Property - Library Branches Total	$ 400,000	$ 400,000		$ 133,333	$ 400,000
3.4		Implementation of Governance Task Force Recommendations - Accessibility & Technology Total	$ 2,000,000	$ 2,000,000		$ 666,667	$ -
3.5	MU1135	Operations Facilities - Upgrades - London Transit Garage Repairs-Existing Facility (Highbury)	$ 3,500,000	$ 3,500,000	Yes	$ 1,166,667	$ 3,500,000
3.5		Life Cycle Upgrades to Government Buildings and Property - London Transit Garage Total	$ 3,500,000	$ 3,500,000		$ 1,166,667	$ 3,500,000
3.6		Life Cycle Repairs to Bridges Total	$ 4,000,000	$ 4,000,000		$ 1,333,333	$ 4,000,000
3.7		Life Cycle Repairs to Roads Total	$ 5,700,000	$ 5,700,000		$ 1,900,000	$ 4,000,000
3.10		Infrastructure Upgrades - Bridges - Hale Trafalgar Overpass Total	$ 16,300,000	$ 11,850,000		$ 3,950,000	$ 1,975,000
3.11		Veterans Memorial Parkway - Enhancements (beautification) Total	$ 700,000	$ 700,000		$ 233,333	$ -
3.12		Fanshawe Pioneer Village Total	$ 500,000	$ 500,000		$ 166,667	$ -
3.13		London Regional Children's Museum Total	$ 500,000	$ 500,000		$ 166,667	$ -

TABLE 5 - RECREATION FACILITIES FUND - Potential Projects to be considered

2009 Budget Ref	Budget Project Description	Construction Value	Gross Cost to City of London Budget	Included in 10 year Capital Plan?	Assume 1/3 City Debt	Capacity in Future Budgets
4.1	Outdoor Sports, Recreation and Play Improvements - Sports Fields Total	$ 1,590,000	$ 1,590,000		$ 530,000	$ 910,000
4.2	East London Optimist Soccer Dome Total	$ 3,500,000	$ 1,000,000		$ 333,333	$ -

EB-2008-0235

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

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

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

Filed: May 26, 2009

Interrogatory # 47

Ref: Response to LPMA Interrogatory #5

What is the impact on the revenue requirement if the Board decided that an inflation rate of 2.3% for 2009, consistent with the IRM filings for 2009 should be applied to all of the OM&A costs, excluding wages and benefits?

***RESPONSE*:**

The following table of OM&A costs excluding wages and benefits is taken from Exhibit 4, page 9, Table 7 of the Application. To this table, London Hydro has added a column to calculate the 2009 Test Year OM&A costs based upon the 2008 Bridge Year values plus 2.3% for inflation and a column to illustrate what impact this would have on the revenue requirement in the Application.

The calculation indicates that if the Board decided that the inflation rate of 2.3% used for the 2009 IRM rate application process was applied in the 2009 cost of service rate application process to London Hydro's 2008 Bridge Year OM&A costs excluding labour, then London Hydro's revenue requirement would be reduced by $563,329.

SUMMARY OF OM&A COSTS EXCLUDING LABOUR AND BENEFITS				
Major Cost Category	**2008 BRIDGE**	**2009 TEST AS FILED**	**2009 TEST BASED ON 2008 BRIDGE + 2.3%**	**REVENUE REQUIREMENT IMPACT**
Purchased Services	4,161,600	4,342,000	4,257,317	(84,683)
Materials & supplies	1,041,050	1,074,500	1,064,994	(9,506)
Bad Debts	525,000	535,000	537,075	2,075
Property tax & insurance	1,151,800	1,222,000	1,178,291	(43,709)
Facilities maintenance & repair	1,545,000	1,531,800	1,580,535	48,735
Office equipment services & maintenance	1,029,400	1,324,000	1,053,076	(270,924)
Postage	925,000	975,000	946,275	(28,725)
Fleet operations & maintenance	1,057,400	1,079,800	1,081,720	1,920
Corporate training and employee expenses	813,800	932,900	832,517	(100,383)
Rental Regulatory & other expenses	937,067	1,023,400	958,620	(64,780)
Studies and special projects	93,500	109,000	95,651	(13,350)
	$ 13,280,617	**$ 14,149,400**	**$ 13,586,071**	**$ (563,329)**

Interrogatory # 48

Ref: Response to LPMA Interrogatory #25

Please confirm that only one-half of the capital gain being allocated to ratepayers has been included in the calculation of income taxes. If this is not confirmed, please indicate how much of the capital gain has been included in income for tax purposes.

***RESPONSE*:**

Confirmed. One-half of the capital gain in the amount of $49,300 was allocated to ratepayers, and this same amount has been used in the calculation of income for tax purposes.

Interrogatory #49

Ref: Response to LPMA Interrogatory # 30 b

a) Please show where in the original pre-filed evidence that London Hydro expected that the Board would allow the deemed long term debt rate to apply to the unfunded long term debt of $56 million portion of the deemed long-term debt?

b) Please provide the precise references in the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 that London Hydro is relying on in its expectation that the Board will allow a deemed rate of 7.62% to apply to the unfunded long term debt of $56 million.

c) What is the impact on the revenue requirement of a deemed debt rate of 7.62% associated with the unfunded long term debt of $56 million, as compared to the rate of 6.0% used in the original filing?

***RESPONSE*:**

b) Please refer to Board Staff IR # 109.

b) Please refer to Board Staff IR # 109.

b) The impact on the revenue requirement of a deemed debt rate of 7.62% on the unfunded long-term debt of $56 million is an increase of $908,349 in deemed long-term interest expense (calculated as 1.62% * $56,070,949) and an increase of $908,349 in the revenue requirement related to this specific component of the cost of capital.

Interrogatory #50

Ref: Response to LPMA Interrogatory #31 & Consultation on Energy Issues Relating to Low-Income Consumers Report of the Board: Low-Income Energy Assistance Program (EB-2008-0150).

The response to the LPMA interrogatory indicates that London Hydro has included $50,000 in charitable donations in the 2009 test year revenue requirement.

a) Please calculate the amount based on the EB-2008-0150 Report of the Board that indicates the amount should be 0.12% of the Board-approved distribution revenue requirement. Please show the calculations.

b) Please confirm that London Hydro has deducted the charitable donations in the calculation of the income tax component of the revenue requirement. If this cannot be confirmed, please explain why.

RESPONSE:

a) Please refer to the following table that calculates the Board's recommended charitable donation level based on the March 10, 2009 Report of the Board in EB-2008-150.

Calculation of Board Recommended Charitable Donations	2009 TEST YEAR AS FILED
Total distribution revenue requirement	$ 64,108,653
Board recommended values from EB-2008-0150	0.12%
Calculation of charitable donation amount recommended	$ 76,930

b) Confirmed. London Hydro has deducted the charitable donations in the calculation of the income tax component of the revenue requirement.

Interrogatory #51

Ref: Response to LPMA Interrogatory #32

What is the impact on the revenue requirement if the OM&A costs are increased in 2009 from the 2008 level by 5.7%, which is the average shown for the 2004 through 2008 period, rather than the 6.8% increase shown for 2008 to 2009?

***RESPONSE*:**

As indicated in the following table, the impact on the revenue requirement if the OM&A costs are increased in 2009 from the 2008 level by 5.7%, rather than 6.8%, would be a reduction of $287,124 in the revenue requirement.

	2008 Actual	2009 Test	Change
Operations, Maintenance and Administrative Costs	$ 26,378,691	$ 28,169,400	6.8%
Calculation as requested at 5.7% increase		$ 27,882,276	5.7%
Impact on revenue requirement		**$ (287,124)**	

Interrogatory #52

Ref: Response to LPMA Interrogatory #33

What is the impact on the revenue requirement if the OM&A costs are increased by 4.8% in 2009 as compared to the actual 2008 level, the same rate of increase as posted in 2008 as compared to 2007 costs?

***RESPONSE*:**

As indicated in the following table, the impact on the revenue requirement if the OM&A costs are increased in 2009 from the 2008 level by 4.8%, rather than the 6.8%, would be a reduction of $524,532 in the revenue requirement.

	2008 Actual	2009 Test	Change
Operations, Maintenance and Administrative Costs	$ 26,378,691	$ 28,169,400	6.8%
Calculation as requested at 4.8% increase		$ 27,644,868	4.8%
Impact on revenue requirement		**$ (524,532)**	

Interrogatory #53

Ref: Response to LPMA Interrogatory #38 b

Procedural Order No. 2 in this proceeding replaced the technical conference with a second round of interrogatories and indicated that there may not be a need for an oral hearing.

a) Please provide an updated estimate of the components of the regulatory hearing expense that replaces the technical conference with a second round of interrogatories and eliminates the oral hearing.

b) Please provide the information used by London Hydro to indicate that intervenor costs may be closer to $130,000 than to $76,000 based on average cost per intervenor for similar LDC's. For each similar LDC, please provide the total intervenor costs, number of intervenors requesting/receiving costs and whether or not there was an oral hearing, technical conference or settlement conference.

RESPONSE:

a) The following table illustrates the original budget and costs forecast for the regulatory hearing expense as outlined in LPMA Interrogatory # 38 b with an updated estimate of the components of the regulatory hearing expense that replaces the technical conference with a second round of interrogatories and eliminates the oral hearing.
The table indicates that the original budget of $291,400 is now replaced with a budget of $202,950 and the anticipated total forecast of actual costs is now $220,854. The original budget of $291,400 was normalized over a 4 year time frame in the amount of $72,850 per year. The revised cost estimate of $220,854 amortized over 4 years would be $55,213 per year.

	A	B	C = A + B	D	E	F	G = E + F	H = D - G	I	J = G + I
REGULATORY HEARING EXPENSE	**2008 BUDGET**	**2009 TEST**	**TOTAL BUDGET**	**REVISED TOTAL BUDGET**	**2008 ACTUAL**	**2009 ACTUAL TO APRIL 30**	**TOTAL ACTUAL TO-DATE**	**TOTAL BUDGET REMAINING**	**ESTIMATED REMAINING EXPENDITURES**	**TOTAL FORECAST COSTS**
	70,000	221,400	291,400	202,950	87,818	32,036	119,854	83,096	101,000	220,854
Components of Budget/Actual:										
Consulting										
Rate Application Preparation	30,000	-	30,000	30,000	37,665		37,665	(7,665)	-	37,665
Interrogatory Preparation		12,500	12,500	12,500	-	11,218	11,218	1,282	-	11,218
2n Round of Interrogatory Preparation				5,000				5,000	5,000	5,000
Technical Conference /Followup		7,500	7,500	-	-		-	-	-	-
Oral Hearing		5,000	5,000	-	-		-	-	-	-
	30,000	25,000	55,000	47,500	37,665	11,218	48,883	(1,383)	5,000	53,883
Legal										
Rate Application Preparation	40,000	-	40,000	40,000	49,337		49,337	(9,337)	-	49,337
Interrogatory Preparation		15,450	15,450	15,450	-	17,248	17,248	(1,798)	-	17,248
2n Round of Interrogatory Preparation				7,000				7,000	7,000	7,000
Technical Conference /Followup		15,450	15,450	-	-		-	-	-	-
Oral Hearing		72,100	72,100	-	-		-	-	-	-
Final arguments and submissions				10,000				10,000	10,000	10,000
	40,000	103,000	143,000	72,450	49,337	17,248	66,585	5,865	17,000	83,585
OEB and Intervenor Costs		76,000	76,000	76,000			-	76,000	76,000	76,000
Miscellaneous Expenses (accomodation / meals / transport / courier etc.)		17,400	17,400	7,000	816	3,570	4,386	2,614	3,000	7,386
TOTAL HEARING EXPENSE	**70,000**	**221,400**	**291,400**	**202,950**	**87,818**	**32,036**	**119,854**	**83,096**	**101,000**	**220,854**

b) On January 26, 2009 the Board issued Procedural Order No. 1 in London Hydro's rate application EB-2008-0235. The order which was issued to all intervenors contained Appendix "B" which included a table of intervener costs for certain 2008 cost of service awards.

London Hydro developed its budget for intervenor and Board costs prior to having access to this information, but used the information in this table to assess the adequacy of its budget for these costs.

The information in the following table is extracted from the table provided by the Board. Based on this information and using the average costs for Enersource and Hydro Ottawa, it was estimated that the actual intervenor and Board costs may be closer to $130,000 based upon this information. It is London Hydro's understanding that the two comparable LDC's had a settlement conference and one of the utilities had a technical conference. London Hydro is not requesting any adjustments to its revenue requirement for this potential underestimate of costs.

Review of Forecasted Intervenor Cost Compared to LH Budget

extracted from OEB Procedural Order #1
LDC s with > 50,000 customers

	# of Intervenors	Approved Cost Award	Average Cost per Intervenor		
Oshawa	3	22,204.50	7,401.50		
AMPCO Motion	4	45,032.40	11,258.10		
Barrie	2	11,968.00	5,984.00		
Enersource	5	111,258.31	22,251.66	21,304.07	*Average*
Hydro Ottawa	4	81,425.95	20,356.49		
Toronto	5	250,344.26	50,068.85		
London Hydro	**5**	**106,520.37**	*using average cost per intervenor of $21,304*		
Board Costs		**22,000.00**			
		128,520.37			
London Hydro Budget Amount		**76,000.00**			
London Hydro potential budget shortfall		**52,520.37**			

Interrogatory # 54

Ref: Response to LPMA Interrogatory #39

a) Please recalculate the software depreciation expense for 2009 assuming that all additions in 2009 attract depreciation for one half of the year.

b) Are any of the assets in service at Dec. 31, 2007 to be retired in or before 2009? If yes, please provide an estimate of the reduction in the depreciation expense in 2009 resulting from these retirements.

c) Is there any amortization cost in the 2009 forecast associated with the Sierra CIS? If yes, please quantify the amount for 2009 and any amounts remaining to be amortized over future years (i.e. 2010 and beyond).

***RESPONSE*:**

a) The following table recalculates the depreciation expense for 2009 with the assumption that all additions for 2009 attract depreciation for one half of the year.

The original calculation of software depreciation expense assumed that the existing Sierra CIS system would be fully depreciated in January 2009 through a manual entry process that accelerated the remaining undepreciated value of that asset during 2008 and the first month of 2009.

The revised presentation requested by LPMA with a go-live date of July 2009 assumes that the projected Sierra CIS depreciation in 2009 would have been for 6 months based on the July 2009 go-live date.

In the application as filed, the depreciation expense on the old and new CIS systems would be $126,300 plus $1,016,146 totaling $1,142,446. With a go-live date projected to be July 2009 that amount would have been filed in the application as $675,775 on the Sierra system and $609,687 on the new CIS for a total of $1,285,462. Annual depreciation on the new CIS commencing in 2010 will be $1,219,375 ($6,096,874 / 5).

2009 Depreciation Expense Calculation Software	**Additions**	**AS FILED** **Amount**	**AS ADJUSTED FOR 6 MONTHS DEPRECIATION ON 2009 ADDITIONS** **Amount**	**NOTES**
Projected 2009 depreciation expense for assets in service at Dec 31, 2007		1,412,733	1,412,733	(1)
Less: Sierra CIS included in above		(675,775)	(675,775)	
Add: 2009 depreciation expense on Sierra CIS		126,300	675,775	(2)
Depreciation on Estimated Additions for 2008 (12 months)	460,078	92,016	92,016	(3)
Plus Depreciation Expense on estimated additions for 2009:				
New SAP system - in service in 1st quarter (10 months depreciation)	6,096,874	1,016,146	609,687	(4)
New OMS system - in service in 4th quarter (1 month depreciation)	818,000	13,633	81,800	(5)
Assume 6 months depreciation on the balance of 2009 additions	2,365,031	236,503	236,503	(6)
Total Software Depreciation Expense for 2009		**2,221,556**	**2,432,739**	

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

b) Yes. The estimated reduction in depreciation expense in 2009 resulting from assets retired in or before 2009, that were in service at Dec. 31, 2007 is $292,993.

c) Yes. As detailed in response to LPMA IR # 54 (a) and (b), the Sierra CIS system was fully depreciated as at January 31, 2009 and there are no remaining amounts to be amortized over future years (i.e. 2010 and beyond).

Interrogatory # 55

Ref: Response to LPMA Interrogatory # 42

a) Please provide the impact on the base revenue requirement for 2009 if London Hydro were to "normalize" the calculation of the Ontario Capital Tax using a rate of 0.225% for 2009, .075% for 2010 and 0% for 2011 and 2012.

b) Why has London Hydro not proposed to normalize the Ontario Capital Tax over the rate rebasing year of 2009 and the IRM period of 2010 through 2012?

c) Please provide the impact on the base revenue requirement for 2009 if London Hydro were to "normalize" the calculation of the Corporate Income Tax using figures as shown below from the most recent federal and provincial budgets:

	2009	2010	2011	2012
Federal	19.00	18.00	16.50	15.00
Provincial (1)	14.00	13.00	11.75	11.25
Total	33.00	31.00	28.25	26.25

(1) Provincial tax changes reflect current rate of 14.00%, reduction to 12.00% on July 1, 2010, 11.50% on July 1, 2011 and 11.0% on July 1, 2012.

In responding to this interrogatory, please use the taxable income for 2009 for each of 2010 through 2012 and show all calculations.

d) Why has London Hydro not proposed to normalize the Corporate Income Tax over the rate rebasing year of 2009 and the IRM period of 2010 through 2012?

e) The March Provincial budget reduces the small business tax rate from 5.5% to 4.5% on the first $500,000 of taxable income effective July 1, 2010 and eliminates the current claw back of 4.25% on income between $500,000 and $1,500,000 would be eliminated. What is the incremental impact over and above that calculated in (c) above of this change if London Hydro were to "normalize" its Corporate Income Tax to reflect this change. Please show all calculations.

RESPONSE:

a) The following table calculates the impact on the base revenue requirement for 2009 if London Hydro were to "normalize" the calculation of the Ontario Capital Tax using a rate of 0.225% for 2009, .075% for 2010 and 0% for 2011 and 2012.

Ontario Capital Tax Included in Base Revenue Requirement				
Description	**2009**	**2010**	**2011**	**2012**
Total Rate Base	225,126,695	225,126,695	225,126,695	225,126,695
Exemption	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Deemed Taxable Capital	**210,126,695**	**210,126,695**	**210,126,695**	**210,126,695**
Rate	0.225%	0.075%	0.000%	0.000%
Gross Tax Payable	**472,785**	**157,595**	**0**	**0**
Surtax	0	0	0	0
Net Capital Tax Payable	**472,785**	**157,595**	**0**	**0**
Base Revenue Requirement	$ 60,401,505	$ 60,086,315	$ 59,928,720	$ 59,928,720
Change in Base Revenue Requirement		$ (315,190)	$ (472,785)	$ (472,785)
Normalized Base Revenue Requirement (average if 2009 to 2012)	$ 60,086,315			
Change in 2009 Base Revenue Requirement	$ (315,190)			

b) Due to the timing of the Provincial Budget in March of 2009, this issue was not evaluated or considered. London Hydro will be filing a 3rd Generation IRM rate application in late 2009 for rates that become effective on May 1, 2010. It is London Hydro's expectation that the Board's 3GIRM rate model that will be used for this 2010 rate application will allow for any adjustments that may be required due to changes in tax rates that may not be reflected in London Hydro's 2009 rate submission.

c) The following table calculates the impact on the base revenue requirement for 2009 if London Hydro were to "normalize" the calculation of the Corporate Income Tax using the combined Federal and Provincial tax rates of 33% for 2009, 31% for 2010, 28.25% for 2011 and 26.25% for 2012.

The taxable income amounts used in the calculations are taken from Exhibit 4, page 81, table 37 of the Application.

CALCULATION OF CORPORATE INCOME TAX USING FUTURE TAX RATES

Description		2009	2010	2011	2012
Taxable income prior to adjusting revenue to PILs		$ 7,923,481	$ 7,923,481	$ 7,923,481	$ 7,923,481
Combine tax rate - Federal and Provincial	A	33.00%	31.00%	28.25%	26.25%
Total income taxes	B	$ 2,614,749	$ 2,456,279	$ 2,238,383	$ 2,079,914
Less: SRED tax credits - estimated		(58,000.00)	(58,000.00)	(58,000.00)	(58,000.00)
Total PILs before gross up	**C**	**2,556,749**	**2,398,279**	**2,180,383**	**2,021,914**
Gross up of PILs amount = C / (1-A)		$ 3,816,043	$ 3,475,767	$ 3,038,862	$ 2,741,578
Change in Gross PILs component of revenue requirement			$ (340,276)	$ (777,181)	$ (1,074,465)
Base Revenue Requirement		$ 60,401,505	$ 60,061,229	$ 59,624,324	$ 59,327,040
Change in Base Revenue Requirement			$ (340,276)	$ (777,181)	$ (1,074,465)
Normalized Base Revenue Requirement (average if 2009 to 2012)		$ 59,853,525			
Change in 2009 Base Revenue Requirement		$ (547,981)			

d) Due to the timing of the budgets, this issue was not evaluated or considered. London Hydro will be filing a 3rd Generation IRM rate application in late 2009 for rates that become effective on May 1, 2010. It is London Hydro's expectation that the Board's 3GIRM rate model that will be used for this 2010 rate application will allow for any adjustments that may be required due to changes in tax rates that may not be reflected in London Hydro's 2009 rate submission.

e) Please refer to the following table which is the same table taken from London Hydro's response to LPMA IR # 55 (c) with the additional calculated impacts of the change in the small business tax rates effective July 1, 2010. Savings in 2010 would be $18,750 which is calculated as $500,000 X (12.0% less 4.5%) X 50% for effective date July 1, 2010.

CALCULATION OF CORPORATE INCOME TAX USING FUTURE TAX RATES

Description		2009	2010	2011	2012
Taxable income prior to adjusting revenue to PILs		$ 7,923,481	$ 7,923,481	$ 7,923,481	$ 7,923,481
Combine tax rate - Federal and Provincial	**A**	33.00%	31.00%	28.25%	26.25%
ADJUSTMENT RE: SMALL BUSINESS TAX RATE					
Provincial tax rate		14.00%	12.00%	11.75%	11.25%
Provincial tax rate on first $500,000 of taxable income		14.00%	4.50%	4.50%	4.50%
Rate adjustment for first $500,000 of taxable income			-7.50%	-7.25%	-6.75%
Adjustment to income taxes on first $500,000			$ (18,750)	$ (36,250)	$ (33,750)
Total income taxes - adjusted for small business rate	**B**	$ 2,614,749	$ 2,437,529	$ 2,202,133	$ 2,046,164
Less: SRED tax credits - estimated		(58,000.00)	(58,000.00)	(58,000.00)	(58,000.00)
Total PILs before gross up	**C**	**2,556,749**	**2,379,529**	**2,144,133**	**1,988,164**
Gross up of PILs amount = C / (1-A)		$ 3,816,043	$ 3,448,593	$ 2,988,339	$ 2,695,815
Change in Gross PILs component of revenue requirement			$ (367,450)	$ (827,704)	$ (1,120,228)
Base Revenue Requirement		$ 60,401,505	$ 60,034,055	$ 59,573,801	$ 59,281,277
Change in Base Revenue Requirement			$ (367,450)	$ (827,704)	$ (1,120,228)
Normalized Base Revenue Requirement (average if 2009 to 2012)		$ 59,822,660			
Change in 2009 Base Revenue Requirement		$ (578,845)			

Interrogatory # 56

Ref: Response to LPMA Interrogatory # 43a

a) Please provide tables for each of 2008 and 2009 that show the specific hardware included in the amount of $396,300 in CCA class 8 in 2008 (as compared to Table 24 in Exhibit 2) and in the amount of $719,500 in CCA class 8 in 2009 (as compared to Table 19 in Exhibit 2).

b) For each item in the tables above, please indicate why they do not qualify to be included in CCA Class 46 – Data Network Infrastructure Equipment and Systems Software at a CCA rate of 30%.

***RESPONSE*:**

a) London Hydro does not maintain sufficient details in its fixed asset ledgers to provide the type of listing that is being requested with respect to the values of $396,300 and $719,500. The detailed spending forecasts as listed in Tables 19 and 24 of Exhibit 2 are the budgets for IT hardware and software. When these budget amounts are spent and put into service they are charged to the appropriate ledger account but individual tracking of each sub component through the financial systems is not maintained.

These amounts have been determined by identifying from the financial records the value of additions put into service, and deducting the values for "Desktop Solutions" from these two tables. The values for Desktop Solutions are put into Class 50 and the remaining balance is assumed to be Class 8 expenditures. Total budgeted spending amounts listed in Tables 19 and 24 of Exhibit 2 will not reconcile to amounts capitalized on the CCA schedules due to amounts that flow in and out of the year end work in progress account.

b) London Hydro requested its technical IT staff to read and review the definition of assets that qualify as CCA Class 46 assets and to review the listing of technical hardware and software in Tables 19 and 24 of Schedule 2 to determine if any of those assets might qualify as Class 46 assets.

London Hydro's IT department has reviewed these Hardware and Software listings in an effort to determine if these expenditures match those set out in CRA bulletin 1104(2). The data network infrastructure equipment means "network infrastructure equipment that controls, transfers, modulates or directs data, and that operates in support of telecommunications applications such as e-mail, instant messaging, audio- and video-over-Internet Protocol or Web browsing, Web searching and Web hosting, including data switches, multiplexers, routers, remote access servers, hubs, domain name servers, and modems, but does not include

(a) network equipment (other than radio network equipment) that operates in support of telecommunications applications, if the bandwidth made available by that equipment to a single end-user of the network is 64 kilobits per second or less in either direction,

(b) radio network equipment that operates in support of wireless telecommunications applications unless the equipment supports digital transmission on a radio channel,

(c) network equipment that operates in support of broadcast telecommunications applications and that is unidirectional,

(d) network equipment that is end-user equipment, including telephone sets, personal digital assistants and facsimile transmission devices,

(e) equipment that is described in paragraph (f.2) or (v) of Class 10 or in Class 45,

(f) wires or cables, or similar property, and

(g) structures; "

London Hydro's IT department has indicated that there might be certain expenditures that might qualify for inclusion of CCA class 46; however, the CRA bulletin may be interpreted in more than one manner. London Hydro has discussed the issue of how to correctly interpret this bulletin in two phone calls with the Canada Revenue Agency (CRA) but CRA staff has been unable to provide a clearer understanding of the CCA class 46 and how to identify such assets. London Hydro has commenced a request to the CRA (Advanced

Interpretations) to try to obtain any documentation or information that can provide a better understanding of this CCA class but they have not provided a timeline for response.

London Hydro's review of this matter to date has revealed that identification of assets for Class 46 does not appear to be a well understood issue, and in the absence of certainty on this issue there may be certain assets that are classified as Class 8 that potentially could be Class 46.

As indicated in its response, London Hydro has initiated a process to gather more information on this issue, but in the absence of a clearer understanding of Class 46 determination, London Hydro is not proposing any adjustments of assets from Class 8 to Class 46, which, if incorrect, could lead to further tax reassessments and penalties.

Interrogatory # 57

Ref: Response to LPMA Interrogatory # 44d

a) Was the non-recurring capital addition put into service in March of 2009?

b) If not, when was it put into service, or when is it now forecast to be put into service?

c) What was the actual cost of the non-recurring capital addition that was or is now forecast to be put into service?

d) If the non-recurring capital addition was not put into service in March of 2009, please update the 2009 amortization expense to reflect the actual in-service date or the new forecast in-service date.

***RESPONSE*:**

The above reference to LPMA Interrogatory # 44d does not appear to be correct, as LPMA IR # 44 had only parts a, b and c. London Hydro believes the correct IR reference number for this question is LPMA IR # 42d, and the following response is with respect to that reference number.

a) No. The non-recurring capital addition was not put into service in March of 2009.

b) It is currently forecast to be put into service in late May of 2009.

c) The actual forecasted cost has not changed from London Hydro's previous projection of $6.7 million.

d) Please refer to the following table which updates the 2009 software depreciation expense to reflect the adjustments for an in-service date of May 2009 for the new SAP CIS system and a fully depreciated date of January 31, 2009 for the Sierra CIS system as explained in LPMA IR # 54 (a) and (b).

2009 Depreciation Expense Calculation Software	**Additions**	**AS FILED** **Amount**	**AS ADJUSTED FOR MAY 2009 IN-SERVICE DATE OF NEW SAP CIS** **Amount**	**NOTES**
Projected 2009 depreciation expense for assets in service at Dec 31, 2007		1,412,733	1,412,733	(1)
Less: Sierra CIS included in above		(675,775)	(675,775)	
Add: 2009 depreciation expense on Sierra CIS		126,300	505,200	(2)
Depreciation on Estimated Additions for 2008 (12 months)	460,078	92,016	92,016	(3)
Plus Depreciation Expense on estimated additions for 2009:				
New SAP system - in service in 1st quarter (10 months depreciation)	6,096,874	1,016,146	609,687	(4)
New OMS system - in service in 4th quarter (1 month depreciation)	818,000	13,633	81,800	(5)
Assume 6 months depreciation on the balance of 2009 additions	#REF!	236,503	236,503	(6)
Total Software Depreciation Expense for 2009		**2,221,556**	**2,262,164**	

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

Interrogatory # 58

Ref: Response to LPMA Interrogatory # 44

a) Please update, if necessary, the Scientific Research and Experimental Development Claim (SRED) estimate of $58,000 to reflect any changes resulting from the March Provincial budget.

b) Does London Hydro employ any eligible students to quality for the Co-operative Education Tax Credit (CETC)? If yes, please indicate the amount of the CETC in each of 2007 and 2008 that was claimed by London Hydro.

c) Please show the credit available to London Hydro in 2009 and show where in the calculation of income taxes shown in Table 37 of Exhibit 4 this credit is reflected. Please update this estimate to reflect the March Provincial budget that increased the maximum credit from 10% of salaries and wages paid to a maximum credit of $1,000 per work placement to 25% to a maximum credit of $3,000.

***RESPONSE*:**

a) The March Provincial Budget did not contain any pronouncements or changes that would impact on the Scientific Research and Experimental Development Claim (SRED) estimate of $58,000.

b) Yes. The amount of the CETC claimed in 2007 was $2,346 and the amount in 2008 was $599.

c) Due to the relatively small claims received to date, no amounts were budgeted for 2009. There are no amounts in Table 37 of Exhibit 4.

Interrogatory # 59

Ref: Response to LPMA Interrogatory # 44

The SRED credit does not appear to reflect any tax credits available apprenticeship training.

a) Please provide the actual Apprenticeship Training Tax Credit (ATTC) that was claimed in 2007 and 2008.

b) Please indicate where the 2009 ATTC credit is shown in Table 37 of Exhibit 4.

c) Please show the calculation of the 2009 ATTC credit based on the number of apprentices and the amount per apprentice.

d) Please update the ATTC credit based on the March Provincial budget that increased the maximum credit from 25% of the salaries and wages to a maximum annual credit of $5,000 to 35% and an annual maximum tax credit of $10,000.

***RESPONSE*:**

a) The actual Apprenticeship Training Tax Credit ("ATTC") that was claimed in 2007 was $ 16,274 and the actual amount for 2008 was $15,000.

b) The 2009 ATTC credit is taxable for Federal and Ontario Tax purposes and must be included as an addition to accounting income for tax purposes. The addition of this tax credit to taxable income is included in Table 37 of Exhibit 4 in the 2009 test year in the amount of $17,000 under "Ontario Specified Tax Credits".

c) After calculating Federal and Provincial income taxes payable, the ATTC credit should then be deducted from the amount of Ontario income taxes payable. In the process of responding to this IR and in reviewing London Hydro's tax calculations, it appears an omission was made in that the 2009 ATTC tax credit amount of $17,000 was not deducted from the total calculated PILs before gross up.

The impact of this omission on the 2009 revenue requirement and grossed up PILs amount would be $17,000 * 1/ (1-33) = $25,373.

d) The original estimate of $17,000 for the 2009 ATTC prepared in 2008 was based on the historical actual experience to date. The following calculations have been made to estimate the expected ATTC tax credit for 2009 based on current tax pronouncements.

	2009
Apprentice 1 (3 year term ends May 2009)	1,500
Apprentice 2 (3 year term ends May 2009)	1,500
Apprentice 3 (3 year term ends May 2010)	5,000
Apprentice 4 (estimate for new)	5,000
Apprentice 5 (estimate for new)	5,000
Apprentice 6 (estimate for new)	5,000
Apprentice 7 (estimate for new)	5,000
	28,000.00

e) Please refer to the following analysis which updates the 2009 projected ATTC tax credit as indicated in the above response to LPMA IR # 59 (c) for the changes announced in the March Provincial budget that increased the maximum credit from 25% of the salaries and wages to a maximum annual credit of $5,000 to 35% and an annual maximum tax credit of $10,000:

	2009	
Apprentice 1 (3 year term ends May 2009)	10,000	term would extend to 4 years
Apprentice 2 (3 year term ends May 2009)	10,000	term would extend to 4 years
Apprentice 3 (3 year term ends May 2010)	10,000	max $10k vs $5k
Apprentice 4 (estimate for new)	10,000	max $10k vs $5k
Apprentice 5 (estimate for new)	10,000	max $10k vs $5k
Apprentice 6 (estimate for new)	10,000	max $10k vs $5k
Apprentice 7 (estimate for new)	10,000	max $10k vs $5k
	70,000.00	

EB-2008-0235

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

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

London Hydro Inc. ("London Hydro") Responses to School Energy Coalition ("SEC") Round Two Interrogatories

Filed: May 26, 2009

17. Ref: General:

In various IR responses (for example: in response to Board Staff #14, LHI has agreed that the revenue offsets should be $15,000 higher than as-filed due to a counting error). LHI has provided answers that have altered costs or revenues, with a consequential impact on the revenue requirement. Please provide a table summarizing the various changes to the application along with the changes to the revenue requirement.

RESPONSE

With respect to Board Staff IR # 14 and the projections for occupancy charge revenues, and interest income and expense, please refer to London Hydro's response to Board Staff supplementary IRs # 104 & # 105.

During the first round of interrogatories, intervenors and Board Staff requested analysis of data that presented various alternate calculations and financial results, but other than the adjustments resulting from Board Staff IR # 14, London Hydro cannot identify any other adjustments or corrections that have been agreed to by London Hydro. As noted in the response to LPMA IR #59, there appears to be an adjustment to PILs associated with second round IRs.

For a listing of adjustments and potential adjustments contained in first and second round IR responses, please refer to the following table.

Intervener	IR #	Issue	Impact on Revenue Requirement
Board Staff	14 b & 105	Other revenues- occupancy charges	$ (15,000)
Board Staff	14 d & 104	Removal of forecast interest income on smart meters	331,000
Board Staff	14 d & 104	Removal of forecast interest expense on RSVA and deferral accounts	(350,000)
Board Staff	14 d & 104	Removal of forecast interest income on other deferral accounts	47,048
			$ 13,048
Potential Adjustments from Supplementary IRs			
LPMA	Sup 59	ATTC tax credit adjustment (70000 * 1/(1-33)	(104,478)
			$ (78,382)

18. Ref: Board Staff #14 and Ex. 3, p. 29:

Please provide the 2008 actuals for account 4235 - Miscellaneous Service Revenues;

RESPONSE

Please refer to the following table:

4235 - Miscellaneous Service Revenues	Rate	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2008 Actual	2009 Test
Volumes							
TOU Metering Charges	$ 5.50	1,793	5,268	6,220	6,309	6,466	6,600
Occupancy Charges	$ 30.00	29,232	26,332	22,589	22,513	21,382	22,500
Arrears Certificates	$ 15.00	-	2,942	3,034	2,867	2,807	2,867
Temporary service - install and remove overhead no transformer	$ 500.00	38	39	26	37	29	38
Temporary service - install and remove underground no transformer	$ 300.00	12	15	17	19	21	20
Revenues							
TOU Metering Charges		$ 9,863	$ 28,975	$ 34,211	34,700	35,562	36,300
Occupancy Charges		876,970	527,924	677,682	663,000	641,699	660,000
Arrears Certificates		-	44,131	45,506	43,000	42,105	43,000
Electric - Service calls		-	3,249	6,667	5,000	5,937	5,000
Temporary service - install and remove overhead no transformer		19,167	19,500	13,000	18,500	14,500	19,000
Temporary service - install and remove underground no transformer		3,700	4,500	5,100	5,700	6,300	6,000
Temporary service - install and remove - non standard		-	102,383	68,225	59,700	63,216	61,500
Misc Customer Service Charges			(435)	3,390	3,000	9,002	2,000
		$ 909,700	$ 730,228	$ 853,781	$ 832,600	$ 818,321	$ 832,800

19. Ref. Board Staff #17:

a) Please explain whether the increase in allocation of labour to capital - from $4.4 million in 2006 to $5.8 million in 2008 - represents the total cost of apprentice hiring. If not, please provide the total cost of apprentice program in 2009.

RESPONSE

a) The primary driver for the total increase of $1.4 million in capitalized labour is related to the new additional full time apprentices. Of this total increase the amount related to the new additional apprentices is $712,000. The base labour costs excluding benefits for these new apprentices are provided in SEC interrogatory #7. The remaining increase of in capitalized labour of $688,000 is due to cumulative increases over the period related to negotiated wages agreements and benefit cost increases. In addition to these capitalized apprenticeship costs of $712,000 there are training costs, boot and tool allowances and safety supplies and corporate clothing costs included in OM&A of approximately $60,000 related to these new additional apprentices. The total apprentice program costs for 2009 based on these amounts is $772,000.

20. Ref. Board Staff IR#19:

a) On what basis does LHI take the position that only new incremental, as opposed to all, costs related to smart meters should be excluded from OM&A and recorded in the smart meter deferral account?

b) What does the fact that certain individuals have been transferred from other departments (as opposed to newly hired) have to do with whether or not the cost is related to smart meters?

RESPONSE

a) London Hydro's understanding that only incremental, as opposed to all costs related to smart meters should be included in the deferral and variance account 1556 for smart meter OM&A accounting is based upon the direction provided by the Board on October 22, 2008 in Guideline G-2008-0002. In Appendix "A", page II to that Guideline, the Board provides the following instructions in the last paragraph on page II:

> *"Incremental operating, maintenance, amortization and administrative expenses directly related to smart meters will be recorded in the operating expense variance account 1556. At present, avoid allocating general expenses that are not specifically related to smart meters. After consultation with the utilities and interested parties, the Board may establish criteria to follow for allocating indirect costs and expenses".*

London Hydro is not aware of any consultations or subsequent directions with respect to indirect costs that have occurred since this directive on October 22, 2008 was issued.

b) The fact that certain individuals have been transferred from other departments (as opposed to newly hired) has nothing to do with whether or not the cost is related to smart meters, but it does explain why the costs are not treated as incremental costs and why they do not qualify under the Board's Guideline G-2008-0002 as costs that should be charged to the smart meter OM&A deferral and variance account # 1556.

21. Ref. Board Staff IR#32(c):

a) please provide the consultant's study referred to in the response;

b) Have the rates for water billing services been re-examined since 2005? If not, how have the current rates been indexed for inflation or other market changes?

RESPONSE

a) Please refer to attached Appendix SEC 21a) – Water Billing Consultant's Study (the Study). Please note that the Study, a confidential "Water Meter Management Study" prepared by BMA Management Consulting Inc. ("BMA") for the City of London in 2003 and 2004, is being filed in confidence, for the following reasons:

- The Study was provided in confidence to the City and, to London Hydro's knowledge, has not been made public to date.
- BMA is a corporation which is engaged in competitive businesses. The disclosure of BMA's study methodology could reasonably be expected to prejudice the economic interest of, significantly prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interest of BMA since it would enable its competitors to ascertain the scope of BMA's methods.
- The Study involved a comparison of pricing of water and sewer billing services for 13 other Ontario municipalities. The disclosure of this information, even if it may now be somewhat dated, could reasonably be expected to prejudice the economic interest of, significantly prejudice the competitive position of, cause undue financial loss to, and be injurious to the financial interests of the comparator municipalities since it would enable other prospective service providers to manipulate pricing for proposed water and sewer-related services and prevent the municipalities from obtaining competitive bids for those services should any of the municipalities wish to pursue them.

The OEB's *Practice Direction on Confidential Filings* (the "Practice Direction") recognizes that these are among the factors that the Board will take into consideration when addressing the confidentiality of filings. They are also addressed in subsection

17(1) of the *Freedom of Information and Protection of Privacy Act* ("FIPPA"), and the Practice Direction notes (at Appendix C of the Practice Direction) that third party information as described in subsection 17(1) of FIPPA is among the types of information previously assessed or maintained by the OEB as confidential.

London Hydro does not have the consent of the City, BMA or the comparator municipalities to the placement of the Study on the public record.

Accordingly, London Hydro requests that the Study be kept confidential. London Hydro is prepared to provide copies of the Study to parties' counsel and experts or consultants provided that they have executed the OEB's form of Declaration and Undertaking with respect to confidentiality and that they comply with the Practice Direction, subject to London Hydro's right to object to the Board's acceptance of a Declaration and Undertaking from any person. In keeping with the requirements of the Practice Direction, London Hydro is filing a confidential unredacted version of the Study. The unredacted version of the document has been placed in a sealed envelope marked "Confidential". London Hydro has designated the Study as Appendix SEC 21(a) to these responses.

b) No. The rates for water billing services have not been re-examined since 2005. In the Consultant's report's summary of Key Findings, the external consultant concluded that based upon a detailed costing analysis, and based upon comparative market values for this service, the 2004 rates to the City of London for water billing services should be approximately $2.1 million as compared to London Hydro's contract rate of $3.5 million. Due to this significant costing variance between the consultant's report and London Hydro's contract rate, the rate was adjusted to $3.0 million for 2005, 2006 and 2007, $3.025 million in 2008 and $3.050 million in 2009. The contract will be renegotiated when it expires on June 30, 2009, at which time inflationary and other factors will be considered.

22. Ref. Board Staff IR#33(b): IFRS costs in revenue requirement

a) Please state whether LHI is requesting an update to its $25,000 forecast included in revenue requirement for IFRS costs;

b) Please provide LHI's view as to why costs associated with IFRS should not be dealt with in the IFRS proceeding currently before the Board.

RESPONSE

a) No, London Hydro is not requesting an update its $25,000 forecast that is currently included in the revenue requirement for IFRS costs.

b) Although the Board has initiated a consultation on Transition to IFRS (EB-2008-0408), in the Innisfil Hydro Decision (EB-2008-0233), the Board recognized “that reasonably incurred IFRS cost requests should be considered for recovery.” In both the Innisfil Hydro decision and the Lakeland Power decision (EB-2008-0234), the Board approved the costs related to transition to IFRS. In these decisions the recovery of the costs were spread over a four year period of time, within OM&A costs.

London Hydro has forecast $25,000 in its revenue requirement for IFRS and current information indicates that in 2009 alone, expenditures will be in the $50,000 to $75,000 range for consulting costs only. Further expenditures, yet to be determined will be incurred in 2010 and 2011 for additional consulting and systems conversion cost.

Given that every utility will incur IFRS conversion costs and given that these are unusual and non-recurring in nature, it may be appropriate for the Board to consider establishing a deferral account for these costs. London Hydro is of the view that it would be appropriate for the Board to establish a recovery mechanism for these costs in conjunction with the IFRS proceeding. Such a mechanism should be designed to capture these costs in a deferral account and establish a recovery process for prudent costs incurred in excess of amounts that have been approved and recovered through distribution rates.

23. Ref. CCC IR#4:

a) The response indicates that LHI did not, for regulatory purposes, prepare and file a capital expenditure forecast for the years 2006 to 2008. Did LHI have an internal forecast of capital expenditures for each of those years, whether in each year or as a three-year block? If so, please provide it.

RESPONSE

CCC IR #4 requested that London Hydro provide a schedule in the same format as Table 6 – Capital Additions. The presentation in Table 6 is based upon OEB general ledger account numbers, and amounts for the period 2005 to 2008 represent the cost of capital additions put into service for the year. These amounts do not reflect the amount of capital spending that occurred during the year by each OEB account number due to the spending amounts contained in work-in-progress and the annual changes in work-in-progress.

London Hydro prepares an annual capital spending plan for each year, but it does not prepare this plan on the basis of OEB general ledger accounts and it does not forecast the amount of capital additions that will be put into service by OEB account numbers each year.

For the purposes of this rate application, London Hydro prepared a forecast for 2009 that included allocation of its 2009 Capital Spending Plan to OEB account numbers. An allocation of its Capital Spending Plan for prior years based on OEB account numbers has not been performed as part of the budget process.

Table 17, at Exhibit 2, page 56 of the Application, illustrates the format in which London Hydro prepares its Capital Spending Plan. The following table contains the information presented in Table 17, Exhibit 2 with the additional Capital Spending Plan information for 2006 to 2008 including actual total spending as indicated on page 18 of Exhibit 2.

	2006 Plan	2007 Plan	2008 Plan	2009 TEST	2010 FORECAST	2011 FORECAST
INFRASTRUCTURE						
Substation Rebuilds	$ 105,000	$ 320,000	$ 2,140,000	**$ 3,110,000**	$ 500,000	$ 500,000
Subdivision Rebuilds	300,000	1,400,000	2,300,000	**1,825,000**	2,500,000	2,500,000
Main Feeders	3,925,000	6,000,000	4,100,000	**1,050,000**	2,000,000	1,000,000
Network	915,000	900,000	1,410,000	**1,250,000**	2,000,000	2,000,000
Overhead Line Works	405,000	750,000	2,700,000	**3,455,000**	3,500,000	3,500,000
Automation	65,000	250,000	450,000	**610,000**	400,000	400,000
	5,715,000	9,620,000	13,100,000	**11,300,000**	10,900,000	9,900,000
CITY & DEVELOPER WORKS (net of cost recoveries)						
City Works	627,000	660,000	660,000	**459,000**	760,000	760,000
Developer Works	5,195,000	5,529,000	5,102,000	**7,324,000**	4,923,000	4,923,000
	5,822,000	6,189,000	5,762,000	**7,783,000**	5,683,000	5,683,000
METERING PROGRAM						
Wholesale Metering	-	2,070,000	880,000	**1,000,000**	480,000	-
Revenue Meters and Other	1,689,000	363,000	522,000	**482,000**	490,000	490,000
	1,689,000	2,433,000	1,402,000	**1,482,000**	970,000	490,000
FLEET & FACILITIES PROGRAM	630,000	627,000	3,143,000	**3,163,000**	3,125,000	3,260,000
HARDWARE & SOFTWARE	729,500	1,012,000	1,020,000	**1,041,000**	1,145,000	1,260,000
APPLICATION DEVELOPMENT	2,595,000	4,685,000	4,567,000	**2,661,000**	2,668,000	2,668,000
TOTAL CAPITAL EXPENDITURES	**$ 17,180,500**	**$ 24,566,000**	**$ 28,994,000**	**$ 27,430,000**	**$ 24,491,000**	**$ 23,261,000**
Actual Capital Spending (ref. pg 18 exh. 2)	**$ 17,032,522**	**$ 25,018,565**	**$ 27,077,000**			

In 2008, favourable spending variances of $3.0 million related to delays in the completion of the new CIS implementation was partially offset by a budget overrun of $750,000 related to the facilities capital program. Overall variance to budget for 2008 was $1.9 million.

24. Ref. CCC #15:

Please explain how the allocations as between Electric and Water (as shown on the table at p. 25) were developed.

RESPONSE

The allocations between Electric and Water (as shown on the table at p. 25) were developed using the following processes.

- London Hydro identified those cost elements in its accounting systems that contained costs associated with the services being provided under a service level agreement.

- These cost elements were reviewed to estimate the applicable portions relating to the water billing activities.

- As illustrated in the table provided on page 25 there were varying degrees of allocation applied based upon the nature of the cost element

- For example, meter reading, collection agency fees, collection service fees and postage were allocated on a 50% basis.

- Labour and benefit costs were allocated based upon the estimated additional staffing required to support the water billing services.

25. Ref. SEC IR #9(b):

Please explain the difference between a "full" and "unreduced" pension: specifically, what advantage is there in waiting for a full pension vs. an unreduced pension?

RESPONSE

A “full” pension is one in which the employee has attained 35 years of credited service and has reached the minimum age of 55 years.

The pension amount is calculated as 2% times the years of service (to a maximum of 35) times the average of the best five years earnings, thus a “full” pension is one that has not had any reduction factor applied to it, plus it is based upon 35 years of service.

An “unreduced” pension is one in which the employment has either reached the age of 65, or has 30 years of service or has an age/service factor of 90. IE: the employees age plus years of service equal 90.

Thus the key difference between “full” and “unreduced” is the years of service. Full is 35 years; unreduced is less than 35 years. The advantage to the employee of receiving a full pension vs. an unreduced pension is that the full pension will result in higher pension value because the calculation is based on more years of service.

26. Ref. LPMA IR#30(b):

LHI has proposed using the Board's deemed debt rate (currently 7.62%) for its un-funded debt. In EB-2008-0232 (Hydro One Remote Communities), the Board in its Decision dated April 30, 2009, found as follows:

The Board finds that it is not appropriate to apply the Board's deemed long-term debt rate to the notional or deemed long-term debt. The two are quite separate concepts. The deemed long-term debt rate is intended to apply in the absence of an appropriate market determined cost of debt, such as affiliate and variable rate debt situations. For companies with embedded debt, it is the cost of this embedded debt which should be applied to any additional notional (or deemed) debt that is required to balance the capital structure.

Remote's cost of capital will be adjusted to use its weighted average cost of embedded debt (5.60%) for purposes of determining the cost to be applied to the notional or deemed long-term debt.

a) Given the above, please explain whether LHI continues to believe that its unfunded long-term debt in the amount of $56 million should receive the deemed long-term debt rate of 7.62% and if so, on what basis.

RESPONSE

b) Please refer to London Hydro's responses to LPMA Supplementary IR # 49; Board Staff Supplementary IR # 109 and VECC Supplementary IR # 37.

EB-2008-0235

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

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

London Hydro Inc. ("London Hydro") Responses to Second Round IRs of the Vulnerable Energy Consumers Coalition (VECC)

Filed: May 26, 2009

VECC Question # 35

References: IRR VECC#5; Appendix VECC 5 - Service Level Agreement with COL for Water Service.

a) Please provide schedule that "Maps'' the data in the Table in IRR VECC#5 to each of the 6 water-related major services provided to the City of London (as listed in the SLA). Provide the historic cost 2005-2008 for each and the forecast for 2009 as well as the annual totals.

b) For the largest of the 6 services provide a fully allocated cost calculation for 2009 and compare this to the cost of the service as provided in the response to part a)

c) The Notes to the 2008 Audited Financial Statement indicate:

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

Please reconcile this cost to the costs provided in IRR VECC#5

d) Confirm that Hydro increased the fees for service by $25,000 a year following the renewal of the SLA by letter of June 28, 2007? Reconcile the increased fee for 2008 and 2009 to the answer to VECC IR#5

e) How has the level of service increased/decreased from 2005 to 2009? For example provide metrics such as number of water meters, accounts and bills 2005-2009.

f) Has Hydro renewed the SLA with the City given the (Current) Expiry date of June 30, 2009? If so what is the new cost/fee per year

RESPONSE:

a) The SLA agreement was not written in a manner that was designed or intended to map to either London Hydro's or the OEB's accounting structures. The purpose and intent of the SLA agreement is to describe the nature and extent of services that will be provided for the annual total fees to be charged. As the SLA agreement was not structured or intended to map to the accounting systems, such a schedule does not exist. Any attempts to create such a schedule would require an in-depth cost allocation study of all potential internal and OEB accounts and cost elements that may contain any related costs and involve a detailed process of attempting to identify and allocate costs in these costs and accounts to the 6 different major services on the basis of the descriptive information contained in the SLA. Such a process would require a significant undertaking of time and resources that would be far beyond the timelines available for responding to these supplementary IR's. The information presented in VECC IR # 5 provides the historical comparative data for the period 2006 to 2009 in the format that financial data can be derived from the financial records.

b) In response to CCC IR # 15, London Hydro created an analysis of the internal cost components associated with water billing services to the City of London as could be identified within the framework of the accounting systems, and has presented an allocation of the cost components. In this table of costs allocated the largest cost component is labour and benefits costs. The following analysis illustrates how this cost element was determined.

Gross Labour * and FTEs to Support Water Biling Services to the City of London

	Full Time Equivalents	2009 Budget
Information Services:		
CIS Supervisor	0.50	58,400
Business Analyst	2.20	228,400
Director of IS	0.05	11,100
Customer Services:		
Meter Readers & Data Mgmt	3.00	197,300
Lead Meter Manager & Supervisor	0.50	94,000
Key Account Supervisor	0.25	24,600
Collections - 1.5 FTE (incl benefits)	1.50	116,500
Customer Service Representatives	7.00	484,900
Director - Customer Service	0.30	40,400
VP - Customer Serv and Strategic Planning	0.10	22,100
Total to Support Water Billing Services	15.40	1,277,700

* labour cost includes base wages and benefits

c) In the notes to the financial statements the notes advise that costs recovered in 2008 were $3.3 million and costs recovered in 2007 were $3.3 million. In addition to these amounts recovered for services provided, London Hydro paid interest to the City of London in the amount of $4.2 million in 2008 and 2007. The interest pertains to the $70 million callable demand note held by the City.

In VECC IR # 5, the actual costs recovered for services for 2008 are $3,303,926 and the actual costs recovered for 2007 are $3,254,939. These values are rounded to $3.3 million to produce the values in the notes to the financial statements.

d) Confirmed. London Hydro increased the fees for service by $25,000 per year commencing with the 2008 calendar year fee. The fees presented in the answer to VECC IR # 5 are shown as $3,000,000 for 2006 and 2007, $3,025,000 for 2008 and $3,050,000 for 2009. The values of $3.3 million shown in the notes to the financial statements for 2007 and 2008 are identical due to the inclusion in those values of other recovery amounts as listed in VECC IR # 5 and due to the rounding off of amounts to millions.

e) There has been no change in the level of service provided under the SLA agreement, but the number of water meters, customer accounts and bills has increased over the 2005 to 2009 time frame due to the growth in the customer base.

The growth in the customer base for water customers will not parallel the growth rate for electric customers due to the fact that not all electric customers have a corresponding water meter account and over this timeframe there have been conversions of bulk to individual metering. The following table lists the change in water meters/accounts and annual billings over the period 2004 to 2009.

	2004	2005	2006	2007	2008	2009
Water Meters/Accounts	85,677	90,107	95,496	101,342	106,942	112,242
Annual Bills	1,028,124	1,081,284	1,145,952	1,216,104	1,283,304	1,346,904

f) No, the agreement that expires on June 30, 2009 has not yet been renewed. A new cost/fee per year has not yet been discussed.

VECC Question # 36

References: Table 19, Exhibit 4, p 71; VECC IRR#9; CCC IRR #7

a) For the total capital expenditure of $7,726,000 for SAP CIS (before upgrades) provide a breakdown of cost by major function

b) Provide an estimate of the annual operating cost of the CIS and cost per year per customer. For the billing function provide the operating cost per bill.

c) Compare these costs to those of the current legacy system

d) For the services provided to the City for water services, provide an estimate of the *incremental* capital and operating costs of the functionality required in the new CIS. How are these costs charged/recovered

e) Provide an estimate of the fully allocated costs of the water billing function by applying the # of water accounts/.bills to the estimated 2009 unit utility billing costs (part b) above).

RESPONSE:

a) The SAP CIS system was purchased as a complete integrated system, not a modular system that contained modular or functional costing. Unlike certain other off the shelf systems that may be sold by function such as general ledger, accounts payable, etc. the SAP CIS system is a fully integrated system that offers many functions, but pricing by function is not available. The supplier of this system was not requested to provide, nor has it provided any type of breakdown of its contract pricing based upon system major functions. Thus, London Hydro does not have a cost breakdown as requested.

b) London Hydro does not maintain records that capture the annual operating costs of its individual systems such general ledger, accounts payable, work order, inventory, GIS and CIS. London Hydro can identify the individual vendor associated maintenance costs of these systems, and in that respect CIS annual maintenance cost is $221,000 for 2009. This annual fee covers all system functions including the billing function. As explained in part a) the SAP CIS system costs cannot be broken down by major function.

c) Please see London Hydro's response to parts a) and b) for comments related to the costs of the SAP CIS system. There were no previous system maintenance costs for the legacy CIS system as it was an in house built system. Unlike the SAP CIS replacement system the in-house system required internal resource costs to maintain which will now be offset by the new system maintenance costs. As indicated in part b) the exact cost of maintaining individual systems is not tracked for accounting or reporting purposes.

d) London Hydro cannot estimate what incremental capital costs may have been incurred to replicate the existing water billing functions in the new CIS system as costs are not captured or recorded at that level of detail. The existing service level agreement contains a cost recovery element for capital and operating costs of these services and continues to contain this cost recovery element.

e) As explained in part b), costs of the billing function component of the CIS system cannot be determined on their own and as such the information required to perform this calculation is not available.

VECC Question # 37

References: VECCIRR#23 Part b); Appendix VECC 22 pg 117

Preamble: The response to VECC IR#23 b) indicates in part

> As detailed in Exhibit 6, page 4, table 3, London Hydro has applied its actual rate of 6% to its total deemed debt of 56% to calculate the deemed interest on long term debt of $7,564,257. Given that the Board has now updated it's prescribed long-term debt rate from 6.1% to 7.62%, we submit that the unfunded portion of London Hydro's long-term debt should be subject to the Board's prescribed debt rate of 7.62%

a) Has Hydro reviewed the Board Decision in EB-2008-0232 – Hydro One Remotes, regarding Unfunded Debt (page 12)? If so what is Hydro's position as to how this Decision applies to its debt rate for the $56 million of unfunded debt and the average debt cost for 2009.

b) Provide a current (updated) projection of the Cost of Capital for 2009 Rate setting purposes.

RESPONSE:

a) Please refer to Board Staff IR # 109.

b) Please refer to Board Staff IR # 109.

VECC Question # 38

Reference: Board Staff #14 d)

Preamble: In its recent decision regarding the 2009 Rates for Niagara-on-the-Lake Hydro (EB-2008-0237, page 7), the Board's findings stated that:

> The Board finds that any interest associated with deferral and variance accounts does not form part of the calculation of the revenue requirement as it remains in and forms part of those accounts until cleared. Although the amounts are not large, as this is a matter of principle, the Board directs NOTL to remove these amounts from its distribution revenue.

a) In view of these findings please explain why London Hydro considers it appropriate to include a forecast negative interest amount of $350,000 for deferral/variance accounts in its determination of Revenue Offsets.

RESPONSE:

a) Please refer to the response to Board Staff IR # 104. London Hydro agrees that interest revenue and expense associated with deferral and variance accounts should not form part of the calculation of revenue requirement.

VECC Question # 39

Reference: Board Staff #43 b)

a) With reference to Appendix 43 b) provided as part of the response, please explain the adjustments made to a) Distribution Revenue by Class and b) Net Revenue Offsets by Class.

b) Please explain why the Distribution Stand-By Revenue ($339,040) added to the Stand-By class does not equal the Distribution Stand-By Revenue ($247,191) included in the Revenue Offsets.

c) Please explain why the total Revenue Requirement reported in the CA Run filed in response to Board Staff #43 a) is $55,445,662; while the total Revenue Requirement reported in the CA results presented in Board Staff #43 b) is $55,537,520.

RESPONSE:

a) Distribution Revenue by Class – this adjustment or increase of $339,049 to the Stand-By customer class is the revenue from standby power charges before the deduction of transformer discounts.

Net Revenue Offsets by Class – this adjustment or reduction of $247,191 is the removal from revenue offsets for the stand-by power of $339,049 less transformer discounts of $91,858 that was included in the total of $4,090,796.

The amounts removed by customer class are removed in the same proportion that the total $4,090,796 revenue offset amount was originally allocated to customer classes.

b) As indicated in part (a), the difference of $91,858 represents the transformer discounts which, to be consistent with the model and the other distribution revenue amounts in the model, are entered before the deduction of any transformer discounts.

c) The total Revenue Requirement reported in the CA Run filed in response to Board Staff #43 a) of $55,445,662 is the original filing that was made prior to the above noted correction for the treatment of Stand-By Power distribution revenue amounts.

The above corrections as noted involved the addition of $339,049 for stand-by power before transformer discounts and the deduction of $247,191 from other revenues which represented stand-by power revenues less transformer discounts. These adjustments result in a net increase of $91,858 to the Revenue Requirement values reported in the CA model which accounts for the revised amount of $55,537,520.

VECC Question # 40

Reference: Board Staff #44 a)

a) Why is the fixed/variable split for other customer classes a relevant consideration in determining the fixed/variable split for the USL class?

b) Does London Hydro agree that the proportion of fixed versus variable costs involved in serving a USL customer will differ from those associated with serving customers in other classes? If not, why not?

c) Please comment on the appropriateness of London Hydro's proposed fixed/variable split for USL based on the cost range established for the charge in the Cost Allocation run and the Board's direction in its report "Application of Cost Allocation for Electricity Distributors" dated November 28, 2007 (EB-2007-0667).

RESPONSE:

a) In arriving at its proposal for the fixed/variable split for USL class London Hydro compared the variable distribution rate per kWh for this class to the General Service < 50 kW class with which there has historically been a fairly close relationship, and in arriving at the fixed/variable splits for USL selected a fixed rate that would result in a variable rate that maintained this relationship.

It was determined that a fixed rate of $1.20 per connection was required to produce a variable rate of $0.0100 per kWh which compares to the GS<50kW variable rate of $0.0108. With the fixed rate of $1.20 per connection, the resulting fixed/variable split that resulted was 30/70. To maintain the previous fixed/variable split of 15/85 the required variable rate would be $0.121 per kWh and the fixed rate would be $0.60 per connection.

While the fixed/variable split of other classes was considered in this review, the primary consideration in changing the fixed/ variable split for the USL class was not based on the fixed/variable split of other classes, but on the relativity of the variable rates between classes, and the desire to maintain that relativity. London Hydro chose to maintain this relativity as it was of the opinion that it may assist in eliminating any customer misunderstandings with respect to proposed rates.

b) Yes, but as noted on page 9 of the Board's report on "Application of Cost Allocation for Electricity Distributors" dated November 28, 2007 (EB-2007-0667) "The majority of distributors charge USL customers on the basis of the GS<50 rate schedule (possibly with a modification of the Monthly Service Charge)." As explained in part a) London Hydro chose to maintain the historical relativity of variable rates between this class and the GS < 50 kW class in an effort reduce potential customer misunderstandings.

c) In London Hydro's Cost Allocation, on sheet O2 of the filing, the information generated by the model with respect to the monthly fixed charge component for USL was as follows:

- Customer unit cost per month – Avoided cost ($0.26)
- Customer unit cost per month – Directly related ($0.22)
- Customer unit cost per month – Minimum System with PLCC Adj. $5.69
- Fixed charge per approved 2006 EDR - $0.42

With respect to the proposed fixed charge component of $1.20, London Hydro understands that this charge falls within the directions provided in the Board's report on "Application of Cost Allocation for Electricity Distributors" dated November 28, 2007 (EB-2007-0667).

This report establishes that the fixed charge must be above the avoided cost of ($0.26) and as stated in the report on page 12, "*the Board does not expect distributors to make changes to the monthly service charge (MSC) that result in a charge that is greater than the ceiling as defined in the Methodology for the MSC".*

London Hydro's proposed rate of $1.20 complies with these directions.

With respect to the fixed/variable revenue split within the USL class, with the exception of the commentary on page 12 of the Board's Report, there would appear to be no other discussion pertaining to this matter.

VECC Question # 41

Reference: VECC #15 d) & e)

a) Please confirm whether London Hydro is proposing to update its 2008 and 2009 load forecasts to values presented in this response.

b) Please provide a revised version of Exhibit 3, Table 18 consistent with this revised forecast.

c) Please revise the response to VECC #15 (e) so that it reflects the updated forecast per part (d).

RESPONSE:

a) London Hydro confirms it proposes to update its 2008 and 2009 load forecast to the values presented in the referenced responses when final rates are determined for the draft rate order.

b) The following is a revised version of Exhibit 3, Table 18 consistent with the revised forecast.

	2009	Weather Adjustment	2009 Weather Normal
Residential	1,150	(59)	1,091
General Service < 50 kW	445	(23)	422
General Service > 50 kW	1,718	(67)	1,651
Large User	205	(5)	200
Cogeneration	37	(1)	36
Streetlights	24		24
Sentinel Lights	1		1
Unmetered Loads	5		5
Total	3,586	(154)	3,432

c) The following table revises the response to VECC #15 (e) so that it reflects the updated forecast per part (d).

Year	Residential	General Service < 50 kW	General Service > 50 kW	Large User	Cogeneration	Streetlights	Sentinel Lights	Unmetered Load
Energy Usage per Customer/Connection (kWh per customer/connection)								
2004 Hydro One Data	8,872	35,227	980,838	73,959,600	6,334,579	706	1,146	5,795
2008 (B)	8,562	34,925	1,018,946	67,839,399	12,366,172	700	1,158	3,368
2009 (T)	8,272	34,186	1,034,937	66,828,460	12,163,164	700	1,167	3,368

VECC Question # 42

Reference: VECC #24 a) & b)

a) In the O1 Sheet provided Total Revenues ($54,407,864) do not equal the total Revenue Requirement ($54,316,006). The discrepancy ($91,858) appears to be due to the Revenue Requirement not being adjusted for the Stand-By revenue adjustment as it was in the response to OEB Staff #43

Please provide a corrected version of Sheet O1 such that total Revenues match the total Revenue Requirement and explain any adjustments made to the original response provided.

RESPONSE:

a) Please see Appendix – VECC 42 a) Alternative Cost Allocation

The adjustment that was made was for transformer discounts of $91,858 with respect to the Stand-By revenues of $339,049 that were omitted from the O1 sheet provided in response to VECC # 24 a) & b).

VECC Question # 43

Reference: VECC #27 and #33 a)

a) Please confirm that in response to VECC #33 the range of distribution bill impacts for Residential customers is 14.2% to 16.5%; while for GS >50 Interval Metered the range is -3.9% to 6.9% and for GS > 50 Non-interval Metered the range is 5.6% to 7.8%.

b) Please reconcile the higher range for Residential vs. GS>50 with the response provided to VECC #27.

RESPONSE:

a) In response to VECC #33, London Hydro confirms that the range of distribution bill impacts for Residential customers is 14.2% to 16.5% and for GS >50 Interval Metered the range is -3.9% to 6.9%.

For GS > 50 Non-interval Metered London Hydro's response states that the range is 8.3% to 13.8%, and not 5.6% to 7.8%.

b) The bill impact percentages illustrated in response to VECC #33 are percentages that reflect the total change in the distribution component of the bill from 2008 to 2009. The distribution component of the bill in this analysis includes the fixed monthly charge, the variable distribution charge, the smart meter rate adder and the deferral and variance account rate rider. The following analysis illustrates how these percentage impacts were calculated. As is illustrated in the analysis, the amount of the deferral and variance account rate rider determined for each class has an impact on the percentage calculations in this analysis.

BILL IMPACTS BY CONSUMPTION – DISTRIBUTION COMPONENT ONLY

RESIDENTIAL									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			11.75			13.14	1.39	11.83%
250 kWh	Distribution (kWh)	250	0.0130	3.25	250	0.0149	3.73	0.48	14.62%
	Smart Meter Rider (per month)			0.27		1.5896	1.00	0.73	270.37%
	Deferral Accounts (kWh)	250	0.0000	0.00	250	(0.0003)	(0.08)	(0.08)	100.00%
	Sub-Total			**15.27**			**17.78**	**2.51**	**16.46%**

RESIDENTIAL									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			11.75			13.14	1.39	11.83%
1,500 kWh	Distribution (kWh)	1,500	0.0130	19.50	1,500	0.0149	22.35	2.85	14.62%
	Smart Meter Rider (per month)			0.27		0	1.00	0.73	270.37%
	Deferral Accounts (kWh)	1,500	0.0000	0.00	1,500	(0.0003)	(0.49)	(0.49)	100.00%
	Sub-Total			**31.52**			**36.00**	**4.48**	**14.22%**

GENERAL SERVICE 50 to 4,999 Kw - Non-Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
20,000 kWh	Distribution (kWh)	20,000	0.0000	0.00	20,000	0.0000	0.00	0.00	0.00%
75 kW	Distribution (kW)	75	1.2912	96.84	75	1.5793	118.45	21.61	22.31%
	Smart Meter Rider (per month)			0.27			1.00	0.73	270.37%
	Deferral Accounts (kWh)	75	0.0000	0.00	75	(0.3295)	(24.71)	(24.71)	100.00%
	Sub-Total			**334.23**			**380.34**	**46.11**	**13.79%**

GENERAL SERVICE 50 to 4,999 Kw - Non-Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
100,000 kWh	Distribution (kWh)	100,000	0.0000	0.00	100,000	0.0000	0.00	0.00	0.00%
199 kW	Distribution (kW)	199	1.2912	256.95	199	1.5793	314.28	57.33	22.31%
	Smart Meter Rider (per month)			0.27			1.00	0.73	270.37%
	Deferral Accounts (kWh)	199	0.0000	0.00	199	(0.3295)	(65.57)	(65.57)	100.00%
	Sub-Total			**494.34**			**535.31**	**40.97**	**8.29%**

GENERAL SERVICE 50 to 4,999 Kw - Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
100,000 kWh	Distribution (kWh)	100,000	0.0000	0.00	100,000	0.0000	0.00	0.00	0.00%
250 kW	Distribution (kW)	250	1.2912	322.80	250	1.5793	394.83	72.03	22.31%
0 kW - disc	Smart Meter Rider (per month)			0.27			1.00	0.73	270.37%
	Transformer Credit - (kW)	0	(0.6000)	0.00	0	(0.6000)	0.00	0.00	0.00%
	Deferral Accounts (kWh)	250	0.0000	0.00	250	(0.3295)	(82.37)	(82.37)	100.00%
	Sub-Total			**560.19**			**599.05**	**38.86**	**6.94%**

GENERAL SERVICE 50 to 4,999 Kw - Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
1,600,000 kWh	Distribution (kWh)	1,600,000	0.0000	0.00	1,600,000	0.0000	0.00	0.00	0.00%
4,000 kW	Distribution (kW)	4,000	1.2912	5,164.80	4,000	1.5793	6,317.20	1,152.40	22.31%
4,000 kW - disc	Smart Meter Rider (per month)			0.27			1.00	0.73	270.37%
	Transformer Credit - (kW)	4,000	(0.6000)	(2,400.00)	4,000	(0.6000)	(2,400.00)	0.00	0.00%
	Deferral Accounts (kWh)	4,000	0.0000	0.00	4,000	(0.3295)	(1,317.99)	(1,317.99)	100.00%
	Sub-Total			**3,002.19**			**2,885.81**	**(116.38)**	**(3.88%)**

The total revenue requirement adjustment percentages illustrated in response to VECC IR #27 represent the percentage change in total distribution revenue by class, excluding deferral and variance account and smart meter rate riders. The detailed analysis presented above is repeated in the table on the following page, excluding the smart meter and deferral and variance account rate riders. The percentage impacts after this adjustment are reflective of the percentages illustrated in response to VECC IR # 27.

BILL IMPACTS BY CONSUMPTION – DISTRIBUTION COMPONENT ONLY EXCLUDING SMART METER AND DEFERRAL ACCOUNT RATE RIDERS

RESIDENTIAL									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			11.75			13.14	1.39	11.83%
250 kWh	Distribution (kWh)	250	0.0130	3.25	250	0.0149	3.73	0.48	14.62%
	Sub-Total			**15.00**			**16.87**	**1.87**	**12.43%**

RESIDENTIAL									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			11.75			13.14	1.39	11.83%
1,500 kWh	Distribution (kWh)	1,500	0.0130	19.50	1,500	0.0149	22.35	2.85	14.62%
	Sub-Total			**31.25**			**35.49**	**4.24**	**13.57%**

GENERAL SERVICE 50 to 4,999 Kw - Non-Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
20,000 kWh	Distribution (kWh)	20,000	0.0000	0.00	20,000	0.0000	0.00	0.00	0.00%
75 kW	Distribution (kW)	75	1.2912	96.84	75	1.5793	118.45	21.61	22.31%
	Sub-Total			**333.96**			**404.05**	**70.09**	**20.99%**

GENERAL SERVICE 50 to 4,999 Kw - Non-Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
100,000 kWh	Distribution (kWh)	100,000	0.0000	0.00	100,000	0.0000	0.00	0.00	0.00%
199 kW	Distribution (kW)	199	1.2912	256.95	199	1.5793	314.28	57.33	22.31%
	Sub-Total			**494.07**			**599.88**	**105.81**	**21.42%**

GENERAL SERVICE 50 to 4,999 Kw - Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
100,000 kWh	Distribution (kWh)	100,000	0.0000	0.00	100,000	0.0000	0.00	0.00	0.00%
250 kW	Distribution (kW)	250	1.2912	322.80	250	1.5793	394.83	72.03	22.31%
0 kW - disc	Transformer Credit - (kW)	0	(0.6000)	0.00	0	(0.6000)	0.00	0.00	0.00%
	Sub-Total			**559.92**			**680.43**	**120.51**	**21.52%**

GENERAL SERVICE 50 to 4,999 Kw - Interval Metered									
		2008 BILL			2009 BILL			IMPACT	
		Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %
Consumption	Monthly Service Charge			237.12			285.60	48.48	20.45%
1,600,000 kWh	Distribution (kWh)	1,600,000	0.0000	0.00	1,600,000	0.0000	0.00	0.00	0.00%
4,000 kW	Distribution (kW)	4,000	1.2912	5,164.80	4,000	1.5793	6,317.20	1,152.40	22.31%
4,000 kW - disc	Transformer Credit - (kW)	4,000	(0.6000)	(2,400.00)	4,000	(0.6000)	(2,400.00)	0.00	0.00%
	Sub-Total			**3,001.92**			**4,202.80**	**1,200.88**	**40.00%**

VECC Question # 44

Reference: VECC #33 b)

a) VECC notes that it has posed this same question to all LDC's filing for 2009 rates based on Cost of Service and London Hydro is the only one unable to respond. Please comment on what is unique about London Hydro's billing system (e.g. different service provider, different software?) that makes this the case.

RESPONSE:

a) The information requested by VECC can be created through an ad-hoc report developed by London Hydro's IT staff from its billing system, but this report has not been developed as a standard reporting tool within London Hydro's system as this form of data analysis is not used in its operations, and to date the information has not been requested by the Board in any of its information filing requirements.

The information that is requested by VECC was created in 2004 using 2003 data in response to an inquiry on this information at that time. The ad hoc program created in 2004 was not maintained and updated due to the numerous and ongoing modifications and updates to the billing systems over the past 5 years.

For the purposes of this IR, London Hydro IT staff has recreated the ad-hoc report that was developed in 2004 with the following results:

Residential Customer Consumption Groupings	2008
Consume less than 100 kWh per month	1.0%
Consume 100 -> 250 kWh per month	5.9%
Consume 250 -> 500 kWh per month	24.5%
Consume 500 -> 750 kWh per month	29.4%
Consume 750 -> 1000 kWh per month	19.3%
Consume 1000 -> 1500 kWh per month	14.7%
Consume over 1500 kWh per month	5.1%

Appendix for Responses to VECC Interrogatories

APPENDIX VECC 42 a) - Alternative Cost Allocation

Class Revenue, Cost Analysis, and Return on Rate Base

VECC IR # 24 - ALTERNATIVE COST ALLOCATION SHEET O1

			1	2	3	4	5	6	7	8	9	10	11	12
Rate Base Assets		**Total**	**Residential**	**GS less than 50**	**GS > 50 (blended TOU and Non-TOU)**	**GS> 50-TOU**	**GS >50-Intermediate**	**Large User**	**Street Light**	**Sentinel Light**	**Unmetered Load**	**Embedded Distributor**	**Stand-By**	**CoGen**
crev	Distribution Revenue - before discounts	$51,354,867	$32,141,159	$8,270,897	$9,314,837	$0	$0	$1,079,822	$194,739	$8,335	$94,370	$0	$0	$250,708
	Transformer discounts	($1,221,515)			($867,320)			($252,326)					($91,858)	($10,011)
	Distribution Revenue (actual standby sale)	$339,049											$339,049	
mi	Miscellaneous Revenue (mi)	$4,090,796	$2,755,053	$591,125	$654,257	$0	$0	$31,928	$35,015	$2,237	$11,160	$0	$7,271	$2,750
	Standby distribution revenue adjust (in misc rev)	($247,190)	($166,477)	($35,719)	($39,535)			($1,929)	($2,116)	($135)	($674)		($439)	($166)
	Total Revenue	**$54,316,006**	**$34,729,735**	**$8,826,303**	**$9,062,239**	**$0**	**$0**	**$857,495**	**$227,638**	**$10,437**	**$104,856**	**$0**	**$254,023**	**$243,281**
	Expenses													
di	Distribution Costs (di)	$9,987,249	$5,429,762	$1,222,325	$2,610,151	$0	$0	$308,778	$273,372	$14,620	$37,391	$0	$70,717	$20,134
cu	Customer Related Costs (cu)	$4,633,959	$3,521,701	$701,050	$403,439	$0	$0	$2,779	$11	$377	$1,822	$0	$0	$2,779
ad	General and Administration (ad)	$6,923,060	$4,202,691	$906,006	$1,457,416	$0	$0	$150,954	$134,145	$7,339	$19,094	$0	$34,325	$11,090
dep	Depreciation and Amortization (dep)	$12,135,496	$6,652,971	$1,493,444	$3,166,754	$0	$0	$331,284	$328,216	$17,571	$43,827	$0	$76,866	$24,563
INPUT	PILs (INPUT)	$6,174,240	$3,378,729	$759,462	$1,614,664	$0	$0	$170,079	$168,155	$9,000	$22,471	$0	$39,296	$12,383
INT	Interest	$6,836,408	$3,741,087	$840,912	$1,787,832	$0	$0	$188,319	$186,189	$9,966	$24,881	$0	$43,511	$13,711
	Total Expenses	**$46,690,413**	**$26,926,941**	**$5,923,200**	**$11,040,254**	**$0**	**$0**	**$1,152,194**	**$1,090,089**	**$58,873**	**$149,486**	**$0**	**$264,715**	**$84,661**
	Direct Allocation	**($764,545)**	**($129,973)**	**($122,327)**	**($512,245)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
NI	Allocated Net Income (NI)	$8,390,138	$4,591,334	$1,032,029	$2,194,157	$0	$0	$231,119	$228,505	$12,230	$30,536	$0	$53,400	$16,827
	Revenue Requirement (includes NI)	**$54,316,006**	$31,388,302	$6,832,901	$12,722,166	$0	$0	$1,383,313	$1,318,594	$71,104	$180,022	$0	$318,115	$101,488
		Revenue Requirement Input equals Output												
	Rate Base Calculation													
	Net Assets													
dp	Distribution Plant - Gross	$265,337,269	$144,263,740	$32,745,647	$70,039,176	$0	$0	$7,638,860	$7,018,884	$375,659	$944,971	$0	$1,766,281	$544,052
gp	General Plant - Gross	$34,710,192	$18,994,454	$4,269,527	$9,077,278	$0	$0	$956,146	$945,331	$50,598	$126,328	$0	$220,916	$69,616
accum dep	Accumulated Depreciation	($127,657,458)	($68,921,236)	($15,810,344)	($34,033,675)	$0	$0	($3,846,256)	($3,269,179)	($174,961)	($443,883)	$0	($890,006)	($267,918)
co	Capital Contribution	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Total Net Plant	**$172,390,004**	**$94,336,957**	**$21,204,830**	**$45,082,779**	**$0**	**$0**	**$4,748,750**	**$4,695,036**	**$251,295**	**$627,416**	**$0**	**$1,097,191**	**$345,750**
	Directly Allocated Net Fixed Assets	**($9,830,390)**	**($1,671,166)**	**($1,572,862)**	**($6,586,361)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
COP	Cost of Power (COP)	$226,477,918	$75,469,696	$29,350,159	$104,376,452	$0	$0	$14,412,600	$1,523,466	$9,278	$676,916	$0	$0	$659,350
	OM&A Expenses	$21,544,269	$13,154,155	$2,829,381	$4,471,005	$0	$0	$462,511	$407,528	$22,337	$58,307	$0	$105,042	$34,003
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Subtotal	***$248,022,187***	***$88,623,850***	***$32,179,540***	***$108,847,458***	***$0***	***$0***	***$14,875,111***	***$1,930,994***	***$31,615***	***$735,223***	***$0***	***$105,042***	***$693,353***
	Working Capital	**$37,203,328**	**$13,293,578**	**$4,826,931**	**$16,327,119**	**$0**	**$0**	**$2,231,267**	**$289,649**	**$4,742**	**$110,284**	**$0**	**$15,756**	**$104,003**
	Total Rate Base	**$199,762,942**	**$105,959,368**	**$24,458,899**	**$54,823,536**	**$0**	**$0**	**$6,980,017**	**$4,984,685**	**$256,037**	**$737,700**	**$0**	**$1,112,947**	**$449,752**
		Rate Base Input equals Output												
	Equity Component of Rate Base	**$89,893,324**	**$47,681,716**	**$11,006,504**	**$24,670,591**	**$0**	**$0**	**$3,141,008**	**$2,243,108**	**$115,217**	**$331,965**	**$0**	**$500,826**	**$202,389**
	Net Income on Allocated Assets	**$8,390,138**	**$7,932,766**	**$3,025,431**	**($1,465,770)**	**$0**	**$0**	**($294,699)**	**($862,451)**	**($48,436)**	**($44,630)**	**$0**	**($10,692)**	**$158,621**
	Net Income on Direct Allocation Assets	**($299,738)**	**($50,956)**	**($47,958)**	**($200,825)**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Income	**$8,090,400**	**$7,881,811**	**$2,977,473**	**($1,666,595)**	**$0**	**$0**	**($294,699)**	**($862,451)**	**($48,436)**	**($44,630)**	**$0**	**($10,692)**	**$158,621**
	RATIOS ANALYSIS													
	REVENUE TO EXPENSES %	**100.00%**	110.65%	129.17%	71.23%	0.00%	0.00%	61.99%	17.26%	14.68%	58.25%	0.00%	79.85%	239.71%
	EXISTING REVENUE MINUS ALLOCATED COSTS	**$0**	$3,341,433	$1,993,402	($3,659,927)	$0	$0	($525,819)	($1,090,956)	($60,666)	($75,166)	$0	($64,092)	$141,793
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.00%	16.53%	27.05%	-6.76%	0.00%	0.00%	-9.38%	-38.45%	-42.04%	-13.44%	0.00%	-2.13%	78.37%