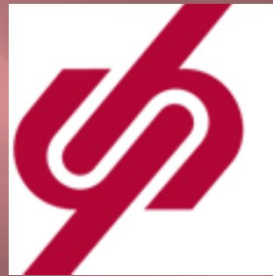


GREATER SUDBURY HYDRO INC



Cost of Service (COS) and Rate
Setting Process - 2013 Rates

Cost of Service (COS) and Rate Setting Process 2013 Rates

▣ COS Overview

- Early in 2012 the Ontario Energy Board (OEB) identified utilities required to file COS applications for 2013 with an established deadline of August 31, 2013.
- GSHI was included in that group of LDCs.
- Staff commenced work on the COS application in February of 2012.
- Six key individuals devoted hundreds of hours from May through October. Other staff participation as well.

Cost of Service (COS) and Rate Setting Process

2013 Rates

▣ Details of the COS Application

- Submission of a Transfer Pricing Study earlier in the year as ordered by the OEB in the 2009 Decision and Order (deals with allocation of costs between affiliates including the City of Greater Sudbury). This transfer pricing study was performed by a third party with expertise in regulatory matters. The study is required to prove that value flows to GSHI from the affiliate including, Agilis Networks.
- Operating and capital budgets approved by the GSH Inc Board (submitted in summary but details provided as per OEB requests).
- Capital Asset Management Plan (CAMP).
- Capital Asset Condition Assessment Report
- Green Energy Plan (GEA).

Cost of Service (COS) and Rate Setting Process

2013 Rates

- ▣ Details of the COS Application (continued)
 - Conservation and Demand Management Plan details (part of a separate filing which must support the 2013 COS application).
 - Service quality and reliability performance reporting.
 - Cost Allocation Model which allocates assets/operating costs to rate classes.
 - Load forecast model projecting purchases/sales by customer class (used in determining actual rates for each class).
 - Smart Meter Model - substantiation of capital and operating expenditures for the smart meter implementation - requesting approval for recovery of costs incurred and future budget costs for recovery.
 - Cost of capital, rate base calculations and revenue requirements.

Cost of Service (COS) and Rate Setting Process 2013 Rates

▣ Post Application

- The original application and supporting documentation was submitted November 9, 2012 - 1071 pages of detailed information along with additional excel models/schedules that made up another approximate 800 pages.
- Notice of the application was published in the newspapers and five interveners of record applied to intervene in the rate setting process.

Cost of Service (COS) and Rate Setting Process 2013 Rates

- ▣ Post Application (continued)
 - Interveners had until January 21st to submit questions and GSHi staff had until February 13, 2013 to respond to 173 questions about its original application.
 - Interveners had until March 11, 2013 to submit a second set of questions and GSHi staff had until March 18, 2013 to respond to the 50 additional interrogatories.
 - The process was completed in late March and submitted to the OEB for its review and approval.
 - The OEB Board approved the 2013 rates May 2, 2013.

Cost of Service (COS) and Rate Setting Process 2013 Rates

▣ Interrogatories

- Interveners requested extensive detail for all capital projects and major capital/and operating variances year over year (we were required to report 2008 actual through 2013 projections).
- Several questions tested the Transfer Pricing Study Report which tested the assertion that the affiliates of GSHI provided value that went towards moderating distribution rates.
- Business case and/or cost benefit analysis details were requested for certain capital projects - in particular a substation rebuild and replacement of major vehicles - age of plant/physical condition/engine hours, etc.
- Of paramount importance was our internal GSH Board's approval of all major components of the COS application.

Cost of Service (COS) and Rate Setting Process 2013 Rates

- ▣ Interrogatories (continued)
 - Justification for changes in FTEs was requested.
 - Level of dollar value of scrutiny for an application with an overall revenue requirement of \$23,951,000 and operating costs of \$14,190,000.
 - \$3,088 missed revenue for microFIT customers.
 - Ontario tax credits of \$14,147 missed in the tax module.
 - Gain on sale of vehicles - \$43,658 .
 - Revenues from sale of scrap overlooked - \$100,000.
 - Reduction in retailer STR revenues from prior years - \$529.