KITCHENER WILMOT HYDRO INC.
P.O. BOX 9010
301 VICTORIA STREET SOUTH
KITCHENER, ONTARIO
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August 28, 2009

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Kitchener-Wilmot Hydro Inc. Application for Approval of 2010 Electricity Distribution Rates, Licence No. ED-2002-0573
EB Number: EB-2009-0267

Dear Ms. Walli:

On March 5, 2009, the Ontario Energy Board (the "Board") issued its Final Selection of Electricity Distributors for Rebasing in 2010 and 2011 (EB-2009-0028) and communicated that list in a letter to all licensed electricity distributors. In Appendix A of that letter, Kitchener-Wilmot Hydro Inc. was selected for rebasing in 2010. Accordingly, Kitchener-Wilmot Hydro Inc., referred to herein as the "Applicant", submits its rebasing application to adjust its electricity distribution, retail transmission rates, specific service charges, loss adjustment factors and other rate riders, effective May 1, 2010.

The Applicant has followed the following documents issued by the Board in the preparation of this rate application:

- ✓ Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006.
- ✓ Revised Guidelines for Retail Transmission Service Rate (G-2008-0001) dated May 27, 2009.
- ✓ Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR) dated July 31, 2009
- ✓ Smart Meter Funding and Cost Recovery Applications (G-2008-0002) dated October 22, 2008.

The Applicant has provided substantial data for Exhibit 2 – Rate Base. The Applicant is developing its final Asset Management Plan. The Asset Management Plan will be complete and submitted to the Board by September 18, 2009.

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The Applicant's submission, which has been previously electronically filed through the Board's web portal, consists of three hard copies of one (1) book. An electronic copy in Adobe Acrobat (pdf) has been provided on CD ROM, as well as Excel copies of KW Hydro's Cost Allocation model. There are three (3) copies of the Cost Allocation model as per the Filing Requirements. Two (2) copies of the 2006 model have been provided. One as filed with the Board in 2007 and another with the Transformer Ownership Allowance removed. The third copy is the new 2010 Cost Allocation model.

As a result of adjustments made through rebasing for 2010, subject to adjustments to be made through the review process, the estimated bill impact for residential customers consuming 800 kWh per month would result in an increase in the total bill of 5.25%.

A general service <50 kW, 2000 kWh per month customer would experience an increase of 1.7%.

Should you require any further information or clarification, please contact the undersigned.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng.

President & CEO

Attachment

KITCHENER WILMOT HYDRO INC.
P.O. BOX 9010
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N2G 4L2

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September 10, 2009

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Kitchener-Wilmot Hydro Inc. revision to Exhibit 8 – Appendix A in its Application for Approval of 2010 Electricity Distribution Rates, Licence No. ED-2002-0573
EB Number: EB-2009-0267

Dear Ms. Walli:

On August 31, 2009, Kitchener-Wilmot Hydro Inc. (KWHI) submitted its application for new rates to be effective May 1, 2010.

KWHI formally submits its revised Appendix A of Schedule 8 – Rate Design, to correct discrepancies identified by Board staff and to add an additional version which includes the rate impacts on the Delivery Line of the customer bill.

Three hard copies are included in this submission, which has been previously filed through the Board's RESS system.

Should you require any further information or clarification, please contact the undersigned.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng. President & CEO

Attachment

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September 18, 2009

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

Re: Kitchener-Wilmot Hydro Inc. Addendum to Exhibit 1– Rate Base
Appendix E in its Application for Approval of 2010 Electricity Distribution Rates
Licence No. ED-2002-0573
EB Number: EB-2009-0267

Dear Ms. Walli:

On August 31, 2009, Kitchener-Wilmot Hydro Inc. (KWHI) submitted its application for new rates to be effective May 1, 2010. At the time of its original filing, KWHI's Asset Management Strategy was not yet complete and was not included as part of the original package.

KWHI formally submits its Asset Management Strategy as Appendix E to Exhibit 2 – Rate Base.

Three hard copies of the Asset Management Strategy are included in this submission. A full electronic copy of the revised application has been filed through the Board's RESS system. Note that both the revisions of September 10th and 18th are included in the revised package, including an electronic copy of the September 10th cover letter.

Should you require any further information or clarification, please contact the undersigned.

Respectfully submitted,

Original Signed by

J. Van Ooteghem, P.Eng. President & CEO

Attachment

KITCHENER-WILMOT HYDRO INC.
APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES
EFFECTIVE MAY 1, 2010

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CONTACT INFORMATION:

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EXECUTIVE SUMMARY

2010

DISTRIBUTION

RATE APPLICATION

EXECUTIVE SUMMARY

APPLICATION: (Exhibit 1)

Kitchener-Wilmot Hydro Inc. is submitting this Application for revised distribution rates effective May 1, 2010 in accordance with the 2010 Rate Filing Guidelines for Cost of Service rate applications.

The proposed distribution rates are required to:

1) Maintain current capital investment levels in infrastructure to ensure a reliable distribution system.

2) Meet future staffing requirements.

3) Manage staffing levels and skills to ensure regulatory compliance, promote conservation programs, implement changes resulting from the adoption of International Financial Reporting Standards and ensure KW Hydro can continue to move forward with changes stemming from the Green Energy and Green Economy Act.

4) Maintain or improve the level of service expected by our customers.

5) To provide a reasonable rate of return to the Shareholder.

The Schedule of Proposed Rates and Charges are set out in Exhibit 1, Table 1.

The information presented in this Application is KW Hydro's forecasted results for its 2010 Test Year. KW Hydro is also presenting the historical information for the OEB-approved data for 2006, Actual data for fiscal years 2006 through 2008, and forecast results for the 2009 Bridge Year.

The financial information supporting the Test Year for this Application will be KW Hydro's fiscal year ending December 31, 2010 (the "2010 Test Year"). However, this information will be used to set rates for the period May 1, 2010 to April 30, 2011.

KW Hydro's forecast has been prepared over many months, beginning in the third quarter of 2008. It has been approved by KW Hydro's Senior Management for us in this application on August 14, 2009.

CAPITAL EXPENDITURES & RATE BASE: (Exhibit 2)

Kitchener-Wilmot Hydro is an infrastructure-based business with its distribution system assets the key element in the delivery of electricity to its existing and new customers. KW Hydro's distribution assets include seven (7) Transformer Stations that step down the voltage from 115kV/230kV to 13.8kV for distribution in the City of Kitchener. KW Hydro has constructed, owned, operated and maintained its own Transformer Stations since 1954. A new Transformer Station #9 is currently under construction in Wilmot Township to meet the growth needs of the area as outlined in the Region of Waterloo's Interim Population Forecast which projects the population to double by 2031. The new station will be located near the load centre in New Hamburg and Baden to reduce construction costs for new distribution facilities and improve system efficiency. A description of the Long Term Plan for the distribution system in the Township of Wilmot is included in Exhibit 2.

KW Hydro's distribution assets range in age from new to over 60 years old. KW Hydro first developed a ten year capital expenditures plan in 1995 as part of a corporate strategic plan. The current version of the ten year Capital Expenditures Plan is included in Exhibit 2, Appendix B and examines trends in asset condition and age and outlines expected capital expenditures over the next ten years. The following are some of the key elements of the current plan:

- Complete the construction of Transformer Station #9 in 2010; replace T5 transformer at Transformer Station #3 in 2011; upgrade or expand other Transformer Station facilities as outlined in the ten year Capital Expenditures Plan.
- Accelerate the replacement of aging overhead pole line assets that are reaching end of life due to age or are in poor condition. Note that KW Hydro has already replaced over 4000 distribution poles and transformers and re-insulated 265km of overhead pole lines during a 4kV voltage conversion program from 1982-1998.
- Accelerate the replacement of underground primary cable that are reaching end of life due to age or are in poor condition. Note that KW Hydro has already replaced over 110km of old 4kV underground cable during a voltage conversion program from 1982-1998.
- Maintain investments in Information Technology, Vehicles and Other Equipment to improve efficiencies and continue to meet the servicing needs of our customers.

LOAD FORECAST & OPERATING REVENUE: (Exhibit 3)

KW Hydro has a long and proud history of serving its customers in the City of Kitchener (since 1906), and in the Township of Wilmot (since 1978) when the local electricity distribution service areas were restructured in the Regional Municipality of Waterloo.

KW Hydro's service area has been an area of steady growth at approximately 2% per year, excluding the current economic downturn that has affected all sectors of the economy. Historically, the City of Kitchener has been home to a strong manufacturing economy. The local landscape has changed dramatically in the last 10-15 years as a number of large manufacturing facilities have closed or relocated to other locations outside the service area. This has had a significant impact on electricity usage which requires a load forecast model that is less dependent on historical data and more reflective of the new economy to predict future Operating Revenue. The load forecast model and Operating Revenue calculations are included in Exhibit 3.

OPERATING COSTS: (Exhibit 4)

KW Hydro's continued investments in infrastructure upgrades have helped to keep the Corporation's OM&A costs amongst the lowest in the province.

Based on the OEB's *Comparison of Ontario Electricity Distributors Costs (EB-2006-0268)*, as updated with 2007 Data issued on December 4, 2009, KW Hydro's OM&A costs per customer compare favorably with its 'Mid Size Southern Medium-High Undergrounding" cohort. In 2007, the average OM&A cost per customer for the cohort was $188.00 while KW Hydro's cost was $149.00. Over the 3-year average from 2005-2007, KW Hydro's cost was $145.00 while the average for the cohort was $182.00. Details of the calculations supporting this analysis are included in Appendix A to this schedule.

As the distribution system expands and ages, however, it is reasonable to expect that additional costs will be incurred to maintain the additional assets. Likewise, additional investments in new distribution system infrastructure and facilities increases amortization expense, for example, the addition of Transformer Station #9 in Wilmot Township in 2010.

APPENDIX A

COMPARISON OF KW HYDRO'S

2007 OM&A COSTS TO

"Mid Size Southern Medium-High Undergrounding"

COHORT GROUPING

SUMMARY OF THE APPLICATION

Comparison of Kitchener-Wilmot Hydro Inc.
OM&A Costs to "Mid Size Southern Medium-High Undergrounding"
Cohort Grouping

Cohort Groupings	Total OM&A	
By Distribution Company	2005-2007 3 Year Avg.	2007
Barrie Hydro Distribution Inc.	$ 121.00	$ 124.00
Kitchener-Wilmot Hydro Inc.	**$ 145.00**	**$ 149.00**
Cambridge and North Dumfries Hydro Inc.	$ 158.00	$ 172.00
Oshawa PUC Networks Inc.	$ 163.00	$ 172.00
Waterloo North Hydro Inc.	$ 179.00	$ 179.00
Newmarket – Tay Power Distribution Ltd.	$ 189.00	$ 186.00
Oakville Hydro electricity Distribution Inc.	$ 196.00	$ 189.00
Burlington Hydro Inc.	$ 196.00	$ 189.00
Brantford Power Inc.	$ 197.00	$ 217.00
Guelph Hydro Electric Systems Inc.	$ 197.00	$ 213.00
Milton Hydro Distribution Inc.	$ 201.00	$ 198.00
Whitby Hydro Electric Corporation	$ 206.00	$ 214.00
Halton Hills Hydro Inc.	$ 220.00	$ 220.00
Average for Cohort Group	**$ 208.00**	**$ 214.00**

SOURCE:

Comparison of Ontario Electricity Distributors Costs [EB-2006-0268], updated with 2007 Data Issued December 4, 2008.

Service Quality Indicators

Every year, KW Hydro tracks and files its Service Quality Indicators with the Board through its RRR reporting. The results are reviewed by Senior Management to ensure that KW Hydro is maintaining the high level of service that its customers expect. When deficiencies are identified, KW Hydro's Senior Management team investigates to correct any issues that may exist.

KW Hydro has consistently exceeded the OEB's Service Quality Indicators and has targeted to maintain its performance at levels equal to or above the OEB's standards in 2009 and 2010.

KW Hydro tracks service reliability statistics SAIDI (System Average Interruption Duration Index) and SAFI (System Average Frequency Index) including and excluding Hydro One related incidents (loss of supply).

In 2008, KW Hydro's service reliability statistics were negatively affected by adverse weather. A severe lightning storm during the month of July caused numerous outages and tree contacts as well as a major winter storm in December. As a result, SAIDI and SAIFI reliability indexes including and excluding Hydro One related incidents saw a slight increase compared to previous years.

KW Hydro is committed to the reliability of the distribution system and continues to make capital investments in infrastructure in order to maintain or improve its reliability statistics.

KW Hydro has successfully maintained a high level of service to its customers as indicated in its Service Quality Indicators presented in Tables 1 and 2, and in its 2008 Customer Satisfaction Survey (attached as Appendix F) which reported a 92% customer satisfaction rate with KW Hydro.

Table 1
KITCHENER-WILMOT HYDRO'S SERVICE QUALITY INDICATORS
THREE YEAR COMPARISON

Appointments Met – at the appointed time		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
91.46%	92.03%	93.12%
Telephone Accessibility – answered in person within 30 seconds		
SQI Standard: 65% of the time		
2006	**2007**	**2008**
85.74%	85.10%	85.17%
Underground Cable Locates – within 5 working days		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
99.95%	100.00%	99.97%
Connection of New Low Voltage Services – within 5 working days		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
90.64%	91.03%	90.01%
Connection of New High Voltage Services – within 10 working days		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
100.00%	100.00%	100.00%
Emergency Response – Urban within 60 minutes		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
100.00%	100.00%	98.21%
Emergency Response – Rural within 120 minutes		
SQI Standard: 90% of the time		
2006	**2007**	**2008**
100.00%	100.00%	100.00%
Written Responses to Inquiries – within 10 working days		
SQI Standard: 80% of the time		
2006	**2007**	**2008**
99.71%	98.02%	98.26%

Table 2
KW HYDRO'S SERVICE QUALITY INDICATORS
TARGET PERFORMANCE FOR 2009, 2010

Connection of New Service - Low Voltage within 5 working days		
SQI Standard: 90% of the time		
2008 Actual	**2009 Target**	**2010 Target**
90.01%	92.00%	92.00%
Connection of New Service - High Voltage within 5 working days		
SQI Standard: 90% of the time		
2008 Actual	**2009 Target**	**2010 Target**
100.00%	100.00%	100.00%
Underground Cable Locates - within 5 working days		
SQI Standard: 90% of the time		
2008 Actual	**2009 Target**	**2010 Target**
99.97%	Discontinued	Discontinued
Telephone Accessibility - answered in person within 30 seconds		
SQI Standard: 65% of the time		
2008 Actual	**2009 Target**	**2010 Target**
85.17%	85%	85%
Appointments Met - at the appointed time		
SQI Standard: 90% of the time		
2008 Actual	**2009 Target**	**2010 Target**
93.12%	95.00%	95.00%
Written Responses to Inquiries - within 10 working days		
SQI Standard: 80% of the time		
2008 Actual	**2009 Target**	**2010 Target**
98.26%	100.00%	100.00%
Emergency Response - Urban within 60 minutes		
SQI Standard: 80% of the time		
2008 Actual	**2009 Target**	**2010 Target**
98.21%	100.00%	100.00%
Emergency Response - Rural within 120 minutes		
SQI Standard: 80% of the time		
2008 Actual	**2009 Target**	**2010 Target**
100.00%	100.00%	100.00%

New customer service performance indicators for 2009 are appointment scheduling, rescheduling a missed appointment and telephone call abandon rate. Underground cable locates stats are now included in the appointment scheduling

COST OF CAPITAL & CAPITAL STRUCTURE: (Exhibit 5)

KW Hydro completed its transition to a capital structure of 60% debt and 40% equity through its 2009 electricity distribution rate application as outlined in the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006 (the "Cost of Capital Report"). KW Hydro plans to maintain its current capital structure with no changes in 2010.

KW Hydro has assumed a return on equity of 8.01% consistent with the Cost of Capital Parameter Updates for 2009 Cost of Service Applications issued by the OEB on March 16, 2009. KW Hydro understands the OEB will be finalizing the return on equity for 2010 rates based on January 2010 market interest rate information.

CALCULATION OF REVENUE REQUIREMENT: (Exhibit 6)

KW Hydro's requested revenue requirement for 2010 in the amount of $40,631,182 includes the recovery of its costs to provide distribution services and its' permitted Return on Equity ("ROE") as shown on Table 3 and on the enclosed Revenue Requirement Work Form. When forecasted energy and demand levels for 2010 are considered, KW Hydro estimates that its present rates will produce a deficiency in Gross Distribution Revenue of $6,157,264 for the 2010 Test Year. Should this revenue deficiency continue, KW Hydro will not be able to sustain the current capital investment, staffing requirements and maintenance required to ensure a safe and reliable distribution system.

The revenue deficiency is primarily the result of:

- Additions to capital assets in all years except 2009 exceeded depreciation levels resulting in an increased rate base on which the rate of return is calculated. In particular, in 2010, KW Hydro will put in-service its new transformer station in Wilmot Township.
- Increases in OM&A (discussed in Exhibit 4) primarily due to:
    - Increases in direct and indirect labour costs
        - Economic wage increases have increased salaries and wages paid each year. Effective April 1 of each year, economic increases negotiated through collective agreements were 3.5%, 3.3% and 3.3% for 2006, 2007 and 2008 respectively. KW Hydro has used a 3% annual increase in estimating its incremental payroll for 2009 and 2010.
        - Increased overtime due to staff shortages and increased pressures due to capital and maintenance requirements.
    - Other Payroll-related Increases
        - Payroll related costs have been steadily increasing each year (approximately 5% annually) with the exception of 2007. The costs included in this category include WSIB, EI and CPP contributions, Employee Fringe Benefits (dental, life insurance, medical etc.), and Ontario Health Tax Premiums.
    - Inflation
    - Increasing Regulatory Expenses
        - KW Hydro's regulatory expenses have been steadily increasing year to year and it further expects to incur $228,000 in additional expenses due to the 2010 rate application.

Table 3

Revenue Deficiency Determination

Description	2009 Bridge Actual	2010 Test Existing Rates	2010 Test - Required Revenue
Revenue			
Revenue Deficiency			**6,157,264**
Distribution Revenue	32,515,539	32,748,623	32,748,623
Other Operating Revenue (Net)	1,750,692	1,725,295	1,725,295
Smart Meter Deferral Account Adjustment			
Total Revenue	**34,266,231**	**34,473,918**	**40,631,182**
Costs and Expenses			
Administrative & General, Billing & Collecting	6,099,700	6,287,776	6,287,776
Operation & Maintenance	7,142,000	7,812,700	7,812,700
Depreciation & Amortization	9,723,672	10,735,844	10,735,844
Property Taxes	529,300	550,500	550,500
Capital Taxes	314,594	222,170	222,170
Deemed Interest	5,573,506	7,047,153	7,047,153
Total Costs and Expenses	**29,382,772**	**32,656,142**	**32,656,142**
Less OCT Included Above			
Total Costs and Expenses Net of OCT	**29,382,772**	**32,656,142**	**32,656,142**
Utility Income Before Income Taxes	**4,883,458**	**1,817,776**	**7,975,040**
Income Taxes:			
Corporate Income Taxes	1,836,808	840,749	2,748,885
Total Income Taxes	**1,836,808**	**840,749**	**2,748,885**
Utility Net Income	**3,046,650**	**977,027**	**5,226,155**
Capital Tax Expense Calculation:			
Total Rate Base	154,819,612	163,113,438	163,113,438
Exemption	15,000,000	15,000,000	15,000,000
Deemed Taxable Capital	**139,819,612**	**148,113,438**	**148,113,438**
Ontario Capital Tax	314,594	222,170	222,170
Income Tax Expense Calculation:			
Accounting Income	4,883,458	1,817,776	7,975,040
Tax Adjustments to Accounting Income	758,385	975,865	975,865
Taxable Income	**5,641,843**	**2,793,641**	**8,950,905**
Income Tax Expense before ATTC	1,861,808	865,749	2,773,885
ATTC	(25,000)	(25,000)	(25,000)
Income Tax Expense after ATTC	1,836,808	840,749	2,748,885
	33.00%	30.99%	30.99%
Actual Return on Rate Base:			
Rate Base	154,819,612	163,113,438	163,113,438
Interest Expense	5,573,506	7,047,153	7,047,153
Net Income	3,046,650	977,027	5,226,155
Total Actual Return on Rate Base	**8,620,156**	**8,024,180**	**12,273,308**
Actual Return on Rate Base	5.57%	4.92%	7.52%
Required Return on Rate Base:			
Rate Base	154,819,612	163,113,438	163,113,438
Return Rates:			
Return on Debt (Weighted)	6.00%	7.20%	7.20%
Return on Equity	9.00%	8.01%	8.01%
Deemed Interest Expense	5,573,506	7,047,153	7,047,153
Return On Equity	5,573,506	5,226,155	5,226,155
Total Return	**11,147,012**	**12,273,308**	**12,273,308**
Expected Return on Rate Base	7.20%	7.52%	7.52%
Revenue Deficiency After Tax	**2,526,856**	**4,249,128**	**0**
Revenue Deficiency Before Tax	**3,771,427**	**6,157,264**	**0**

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC. (1)

File Number: EB-2009-0267

Rate Year: 2010 *Version:* *1.0*

Table of Content

Sheet	Name
A	Data Input Sheet
1	Rate Base
2	Utility Income
3	Taxes/PILS
4	Capitalization/Cost of Capital
5	Revenue Sufficiency/Deficiency
6	Revenue Requirement
7	Bill Impacts

Notes:

(1) Pale green cells represent inputs

(2) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***

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REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Ontario

		Data Input		Adjustments		Per Board Decision	
		Application					(1)
1	**Rate Base**						
	Gross Fixed Assets (average)	$269,440,297	(4)			$269,440,297	
	Accumulated Depreciation (average)	($129,624,197)	(5)			($129,624,197)	
	Allowance for Working Capital:						
	Controllable Expenses	$14,650,976	(6)			$14,650,976	
	Cost of Power	$140,664,613				$140,664,613	
	Working Capital Rate (%)	15.00%					
2	**Utility Income**						
	Operating Revenues:						
	Distribution Revenue at Current Rates	$32,748,623					
	Distribution Revenue at Proposed Rates	$38,905,888					
	Other Revenue:						
	Specific Service Charges	$256,727					
	Late Payment Charges	$200,400					
	Other Distribution Revenue	$841,300					
	Other Income and Deductions	$426,868					
	Operating Expenses:						
	OM+A Expenses	$14,100,476				$14,100,476	
	Depreciation/Amortization	$10,735,844				$10,735,844	
	Property taxes	$550,500				$550,500	
	Capital taxes	$222,170					
	Other expenses						
3	**Taxes/PILs**						
	Taxable Income:						
	Adjustments required to arrive at taxable income	$975,865	(3)				
	Utility Income Taxes and Rates:						
	Income taxes (not grossed up)	$1,897,006					
	Income taxes (grossed up)	$2,748,886					
	Capital Taxes	$222,170					
	Federal tax (%)	18.00%					
	Provincial tax (%)	12.99%					
	Income Tax Credits	($25,000)					
4	**Capitalization/Cost of Capital**						
	Capital Structure:						
	Long-term debt Capitalization Ratio (%)	56.0%					
	Short-term debt Capitalization Ratio (%)	4.0%	(2)				(2)
	Common Equity Capitalization Ratio (%)	40.0%					
	Prefered Shares Capitalization Ratio (%)	0.0%					
						Capital Structure must total 100%	
	Cost of Capital						
	Long-term debt Cost Rate (%)	7.62%					
	Short-term debt Cost Rate (%)	1.33%					
	Common Equity Cost Rate (%)	8.01%					
	Prefered Shares Cost Rate (%)						

Notes:

This input sheet provides all inputs needed to complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the components. Notes should be put on the applicable pages to understand the context of each such note.

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)
(2) 4.0% unless an Applicant has proposed or been approved for another amount.
(3) Net of addbacks and deductions to arrive at taxable income.
(4) Average of Gross Fixed Assets at beginning and end of the Test Year
(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Rate Base

Line No.	Particulars		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	$269,440,297	$ -	$269,440,297
2	Accumulated Depreciation (average)	(3)	($129,624,197)	$ -	($129,624,197)
3	Net Fixed Assets (average)	(3)	$139,816,100	$ -	$139,816,100
4	Allowance for Working Capital	(1)	$23,297,338	$ -	$23,297,338
5	**Total Rate Base**		$163,113,438	$ -	$163,113,438

	(1) Allowance for Working Capital - Derivation				
6	Controllable Expenses		$14,650,976	$ -	$14,650,976
7	Cost of Power		$140,664,613	$ -	$140,664,613
8	Working Capital Base		$155,315,589	$ -	$155,315,589
9	Working Capital Rate %	(2)	15.00%		15.00%
10	Working Capital Allowance		$23,297,338	$ -	$23,297,338

Notes

(2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.
(3) Average of opening and closing balances for the year.

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Line No.	Particulars		Utility income Application	Adjustments	Per Board Decision
	Operating Revenues:				
1	Distribution Revenue (at Proposed Rates)		$38,905,888	$ -	$38,905,888
2	Other Revenue	(1)	$1,725,295	$ -	$1,725,295
3	Total Operating Revenues		$40,631,183	$ -	$40,631,183
	Operating Expenses:				
4	OM+A Expenses		$14,100,476	$ -	$14,100,476
5	Depreciation/Amortization		$10,735,844	$ -	$10,735,844
6	Property taxes		$550,500	$ -	$550,500
7	Capital taxes		$222,170	$ -	$222,170
8	Other expense		$ -	$ -	$ -
9	Subtotal		$25,608,990	$ -	$25,608,990
10	Deemed Interest Expense		$7,047,153	$ -	$7,047,153
11	Total Expenses (lines 4 to 10)		$32,656,143	$ -	$32,656,143
12	**Utility income before income taxes**		$7,975,040	$ -	$7,975,040
13	Income taxes (grossed-up)		$2,748,886	$ -	$2,748,886
14	**Utility net income**		$5,226,154	$ -	$5,226,154

Notes

(1) **Other Revenues / Revenue Offsets**

	Application	Adjustments	Per Board Decision
Specific Service Charges	$256,727		$256,727
Late Payment Charges	$200,400		$200,400
Other Distribution Revenue	$841,300		$841,300
Other Income and Deductions	$426,868		$426,868
Total Revenue Offsets	$1,725,295		$1,725,295

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
	Determination of Taxable Income		
1	Utility net income	$5,226,155	$5,226,155
2	Adjustments required to arrive at taxable utility income	$975,865	$975,865
3	Taxable income	$6,202,020	$6,202,020
	Calculation of Utility income Taxes		
4	Income taxes	$1,897,006	$1,897,006
5	Capital taxes	$222,170	$222,170
6	Total taxes	$2,119,176	$2,119,176
7	Gross-up of Income Taxes	$851,880	$851,880
8	Grossed-up Income Taxes	$2,748,886	$2,748,886
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$2,971,056	$2,971,056
10	Other tax Credits	($25,000)	($25,000)
	Tax Rates		
11	Federal tax (%)	18.00%	18.00%
12	Provincial tax (%)	12.99%	12.99%
13	Total tax rate (%)	30.99%	30.99%

Notes

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
	Application				
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$91,343,525	7.62%	$6,960,377
2	Short-term Debt	4.00%	$6,524,538	1.33%	$86,776
3	**Total Debt**	60.00%	$97,868,063	7.20%	$7,047,153
	Equity				
4	Common Equity	40.00%	$65,245,375	8.01%	$5,226,155
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$65,245,375	8.01%	$5,226,155
7	**Total**	100%	$163,113,438	7.52%	$12,273,308
	Per Board Decision				
		(%)	($)	(%)	
	Debt				
8	Long-term Debt	56.00%	$91,343,525	7.62%	$6,960,377
9	Short-term Debt	4.00%	$6,524,538	1.33%	$86,776
10	**Total Debt**	60.00%	$97,868,063	7.20%	$7,047,153
	Equity				
11	Common Equity	40.0%	$65,245,375	8.01%	$5,226,155
12	Preferred Shares	0.0%	$ -	0.00%	$ -
13	**Total Equity**	40.0%	$65,245,375	8.01%	$5,226,155
14	**Total**	100%	$163,113,438	7.52%	$12,273,308

Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Ontario

Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		$6,157,265		$6,157,265
2	Distribution Revenue	$32,748,623	$32,748,623	$32,748,623	$32,748,623
3	Other Operating Revenue Offsets - net	$1,725,295	$1,725,295	$1,725,295	$1,725,295
4	**Total Revenue**	$34,473,918	$40,631,183	$34,473,918	$40,631,183
5	Operating Expenses	$25,608,990	$25,608,990	$25,608,990	$25,608,990
6	Deemed Interest Expense	$7,047,153	$7,047,153	$7,047,153	$7,047,153
	Total Cost and Expenses	$32,656,143	$32,656,143	$32,656,143	$32,656,143
7	**Utility Income Before Income Taxes**	$1,817,775	$7,975,040	$1,817,775	$7,975,040
8	Tax Adjustments to Accounting Income per 2009 PILs	$975,865	$975,865	$975,865	$975,865
9	**Taxable Income**	$2,793,640	$8,950,905	$2,793,640	$8,950,905
10	Income Tax Rate	30.99%	30.99%	30.99%	30.99%
11	**Income Tax on Taxable Income**	$865,749	$2,773,885	$865,749	$2,773,885
12	**Income Tax Credits**	($25,000)	($25,000)	($25,000)	($25,000)
13	**Utility Net Income**	$977,026	$5,226,154	$977,026	$5,226,154
14	**Utility Rate Base**	$163,113,438	$163,113,438	$163,113,438	$163,113,438
	Deemed Equity Portion of Rate Base	$65,245,375	$65,245,375	$65,245,375	$65,245,375
15	Income/Equity Rate Base (%)	1.50%	8.01%	1.50%	8.01%
16	Target Return - Equity on Rate Base	8.01%	8.01%	8.01%	8.01%
	Sufficiency/Deficiency in Return on Equity	-6.51%	0.00%	-6.51%	0.00%
17	Indicated Rate of Return	4.92%	7.52%	4.92%	7.52%
18	Requested Rate of Return on Rate Base	7.52%	7.52%	7.52%	7.52%
19	Sufficiency/Deficiency in Rate of Return	-2.61%	0.00%	-2.61%	0.00%
20	Target Return on Equity	$5,226,155	$5,226,155	$5,226,155	$5,226,155
21	Revenue Sufficiency/Deficiency	$4,249,129	($0)	$4,249,129	($0)
22	**Gross Revenue Sufficiency/Deficiency**	$6,157,265 **(1)**		$6,157,265 **(1)**	

Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

Line No.	Particulars	Revenue Requirement	
		Application	Per Board Decision
1	OM&A Expenses	$14,100,476	$14,100,476
2	Amortization/Depreciation	$10,735,844	$10,735,844
3	Property Taxes	$550,500	$550,500
4	Capital Taxes	$222,170	$222,170
5	Income Taxes (Grossed up)	$2,748,886	$2,748,886
6	Other Expenses	$ -	$ -
7	Return		
	Deemed Interest Expense	$7,047,153	$7,047,153
	Return on Deemed Equity	$5,226,155	$5,226,155
8	Distribution Revenue Requirement before Revenues	$40,631,183	$40,631,183
9	Distribution revenue	$38,905,888	$38,905,888
10	Other revenue	$1,725,295	$1,725,295
11	**Total revenue**	$40,631,183	$40,631,183
12	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	($0) (1)	($0) (1)

Notes

(1) Line 11 - Line 8

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: KITCHENER-WILMOT HYDRO INC.
File Number: EB-2009-0267
Rate Year: 2010

		Selected Delivery Charge and Bill Impacts Per Draft Rate Order							
		Monthly Delivery Charge				Total Bill			
			Per Draft	Change			Per Draft	Change	
		Current	Rate Order	$	%	Current	Rate Order	$	%
Residential	**1000** kWh/month	$ 29.56		-$ 29.56	-100.0%	$ 111.35		-$ 111.35	-100.0%
GS < 50kW	**2000** kWh/month	$ 56.15		-$ 56.15	-100.0%	$ 223.83		-$ 223.83	-100.0%

Notes:

* Amount above does NOT include the Standard Supply Administration Charge

COST ALLOCATION: (Exhibit 7)

KW Hydro notes that for the majority of its customers, the current revenue to cost ratio of each class does not fall within the applicable threshold defined by the OEB in the November 28, 2007, Report on Application of Cost Allocation for Electricity Distributors. As a result, adjustments have been made in this Application to bring all rate classes within the allowed ranges of the revenue to cost ratios.

RATE DESIGN: (Exhibit 8)

In preparing this application, KW Hydro has considered the impact on its customers, with a goal of minimizing those impacts. Customer impacts including percentage average Total Bill Impact are set out in Table 4. Embedded in this monthly bill impact is the effect of revised distribution rates (monthly service charge and volumetric rate), Smart Meter Funding Adder, revised Loss Factors, LRAM and SSM rate rider, and Deferral and Variance Account Rate Rider to dispose of the balances in the Deferral and Variance accounts requested in this Application over a four-year period.

Table 4

Monthly Bill Impact — Percent & Dollar

Class	Typical Usage	Monthly Bill Impact	
		$	%
Residential	800 kWh/month		
Comparison to 2009		4.51	5.25%
Comparison to 2008		5.82	6.89%
GS < 50	2,000 kWh/month		
Comparison to 2009		3.62	1.69%
Comparison to 2008		5.98	2.82%
GS > 50	800,000 kWh/month, 1,000 kW		
Comparison to 2009		(397.96)	-0.54%
Comparison to 2008		5,559.09	8.26%
Large User	3,100,000 kWh/month, 8,000 kW		
Comparison to 2009		130.40	0.04%
Comparison to 2008		23,858.60	8.64%
Street Lighting	720 kWh/month, 2 kW		
Comparison to 2009		(1.06)	-1.46%
Comparison to 2008		4.40	6.50%
USL	350 kWh/month		
Comparison to 2009		(2.11)	-4.50%
Comparison to 2008		0.32	0.73%

DEFERRAL AND VARIANCE ACCOUNTS: (Exhibit 9)

KW Hydro is holding significant net credit balances in various Deferral and Variance accounts. KW Hydro is requesting the disposition of the amounts specified in Exhibit 9 over a four-year period, via a rate rider, allocated to the six major rate classes.

KW Hydro is also requesting the continuation of the standard Smart Meter Funding Adder of $1.00 per metered customer per month that was approved by the Board through the 2009 electricity distribution rate application process.

LRAM AND SSM: (Exhibit 10)

KW Hydro seeks approval for the recovery of 2005 to 2007 LRAM and SSM amounts as part of this Application. Recovery is to be based on a volumetric rate rider commencing May 1, 2010. KW Hydro is proposing a four-year recovery period in order to mitigate customer rate impacts, therefore the rate rider would remain in effect until April 30, 2014.

KW Hydro notes that it implemented a number of CDM programs which were included in its third-tranche CDM plans and approved by the OEB. These programs were previously summarized in KW Hydro's 2005 to 2008 Annual CDM Reports. Additionally, KW Hydro participated in several OPA programs in 2007 that have been included in the LRAM calculations.

ORGANIZATION STRUCTURE

UTILITY ORGANIZATIONAL STRUCTURE:

Corporate Structure

KW Hydro is a wholly-owned subsidiary of Kitchener Power Corporation which is 92.25% owned by the City of Kitchener and 7.75% owned by the Township of Wilmot.

There are 7 members on Kitchener Power Corporation's Board of Directors. KW Hydro also has 7 members on its Board of Directors. 43% of the members of KW Hydro's Board of Directors are independent from any affiliate. Charts 1, 2 and 3 illustrate the corporate structure.

There are no shared services among any members of the corporate group.

KW Hydro provides street lighting capital and maintenance services to both its shareholders, the City of Kitchener and the Township of Wilmot. KW Hydro does not purchase any services from its shareholders.

Strategic Goals

The strategic goals of the Corporation have been identified as follows:

1. Customer Satisfaction

- Enhance customer satisfaction through high quality service.
- Promote the efficient use of electricity.
- Continue to deliver reliable electricity at the lowest reasonable rates.
- Minimize system outages.

2. Asset Management

- Plan expansion of the transformation and distribution systems to meet the electrical needs of customers.
- Continue to refurbish aging plant facilities.
- Improve system performance reliability

3. Environment

- Support environmental programs (Reduce, Reuse, Recycle)
- Promote the purchase of environmentally friendly products.
- Provide an information system that addresses environmental issues. In particular one that reduces the need to produce volumes of paper to attain desirable results, where possible.
- Promote the efficient use of electricity by encouraging energy conservation.

4. Health & Safety

- Promote safety performance for staff and the public.
- Create a "Safety Culture" within the Corporation.
- Create a healthy environment for staff.

5. Corporate Management

- Continue to employ required staff with the necessary skills to meet customer needs and expectations.
- Maintain sound financial performance.
- Provide adequate tools, equipment and training to improved productivity and allow staff to serve the Corporation and its customers effectively and efficiently.
- Provide the systems necessary to capture, store and make readily available required information of all types to assist staff in effectively performing their function within the Corporation.
- Establish a totally compatible Internal Information Systems Network that will allow optimum utilization of a mix of hardware and software solutions regardless of their manufacturer.
- Build value for our Shareholders, the City of Kitchener and Township of Wilmot.

Organizational Structure

KW Hydro's corporate organizational structure is illustrated in Charts 1 thru 9.

Chart 1

Ownership

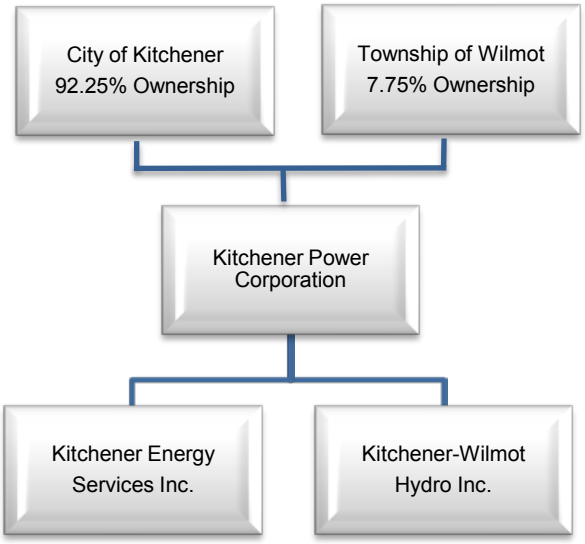


Chart 2

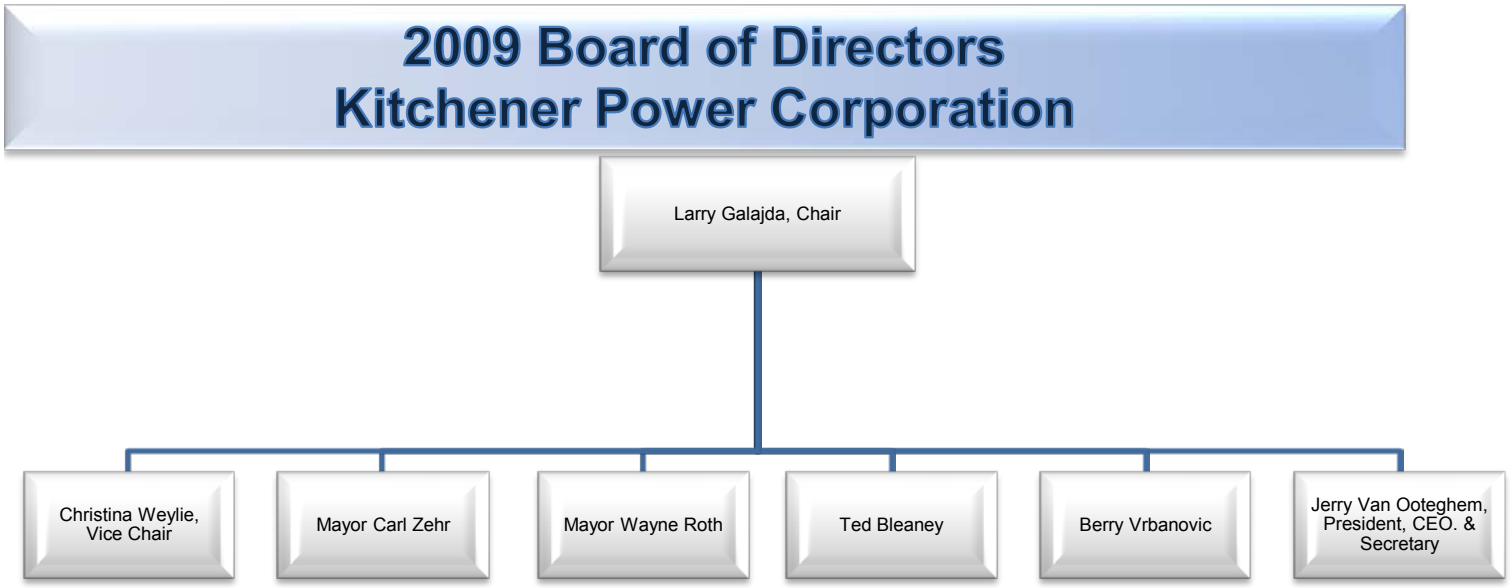


Chart 3

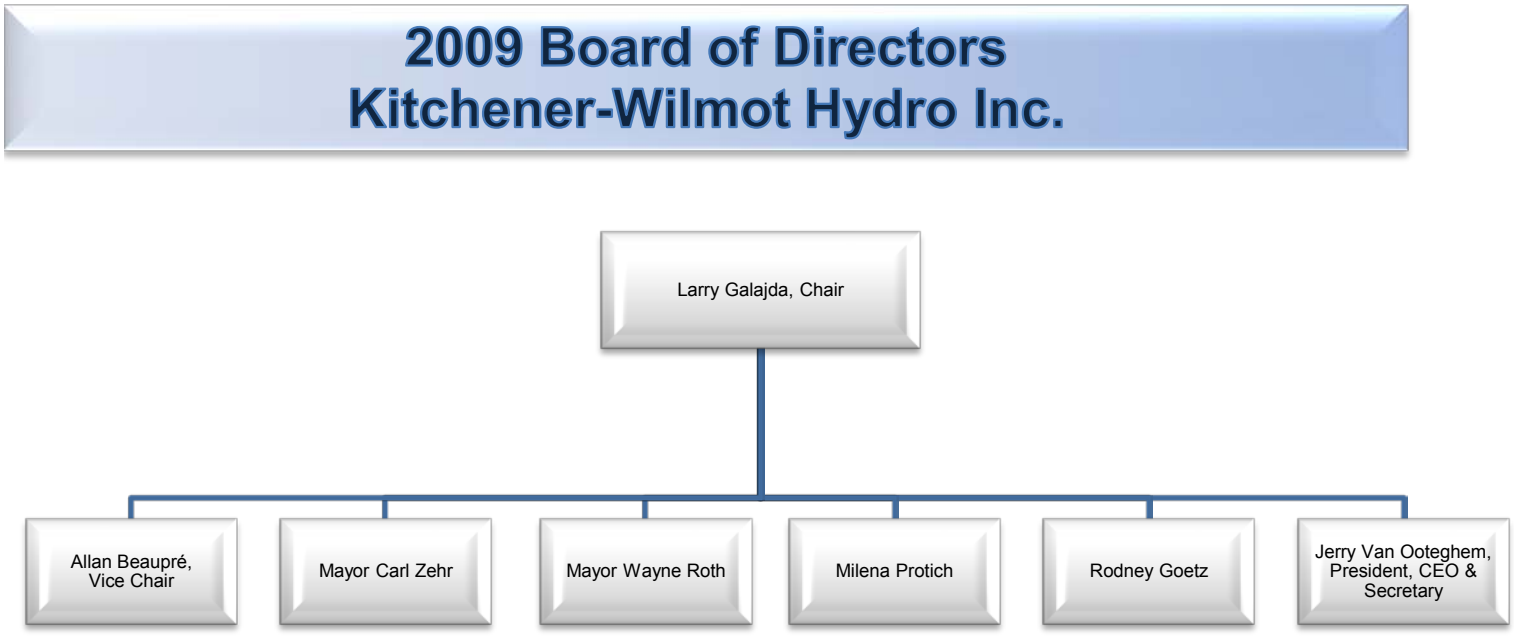


Chart 4

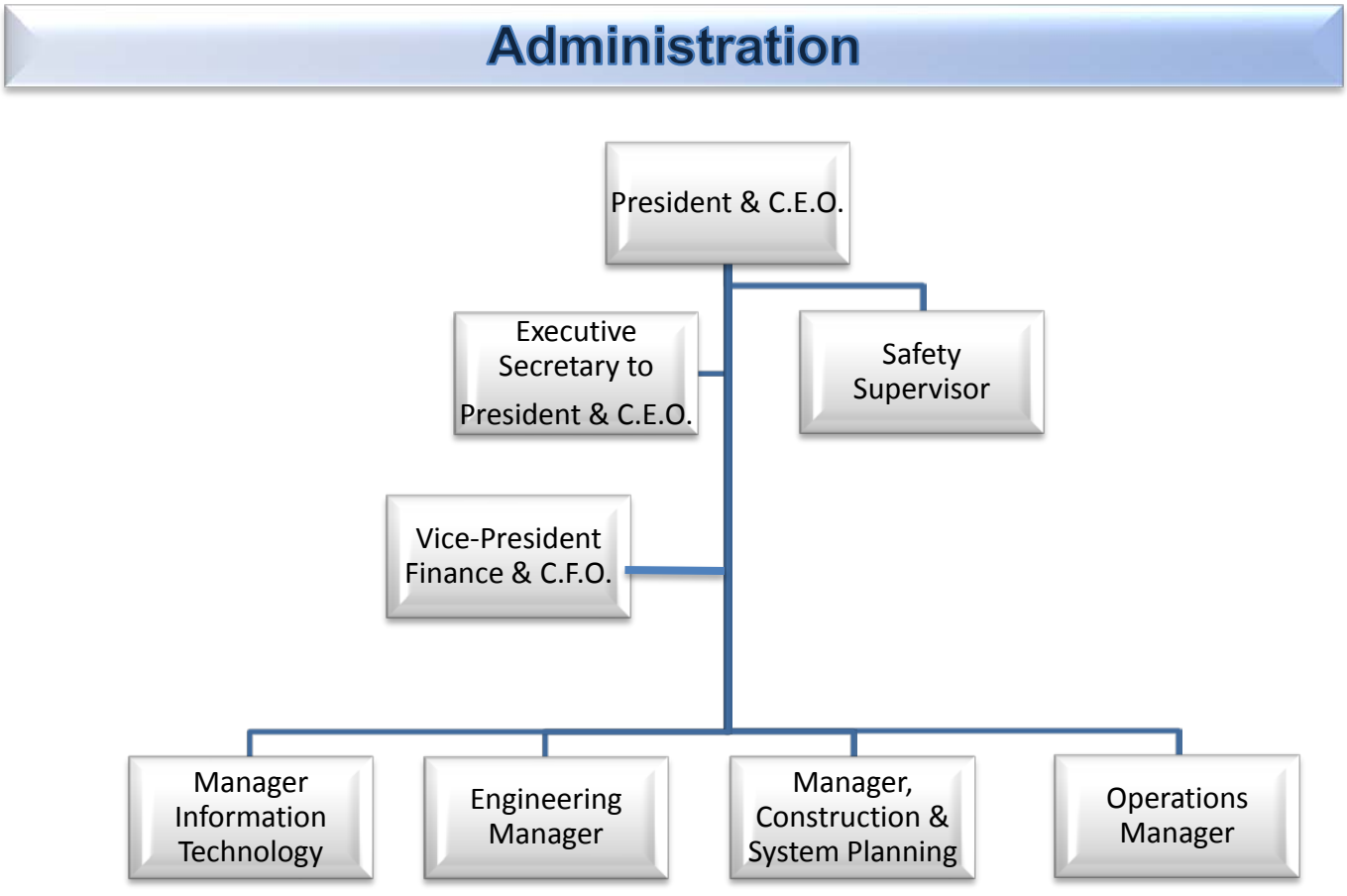

Administration
President & C.E.O.
Executive Secretary to President & C.E.O.
Safety Supervisor
Vice-President Finance & C.F.O.
Manager Information Technology
Engineering Manager
Manager, Construction & System Planning
Operations Manager

Chart 5

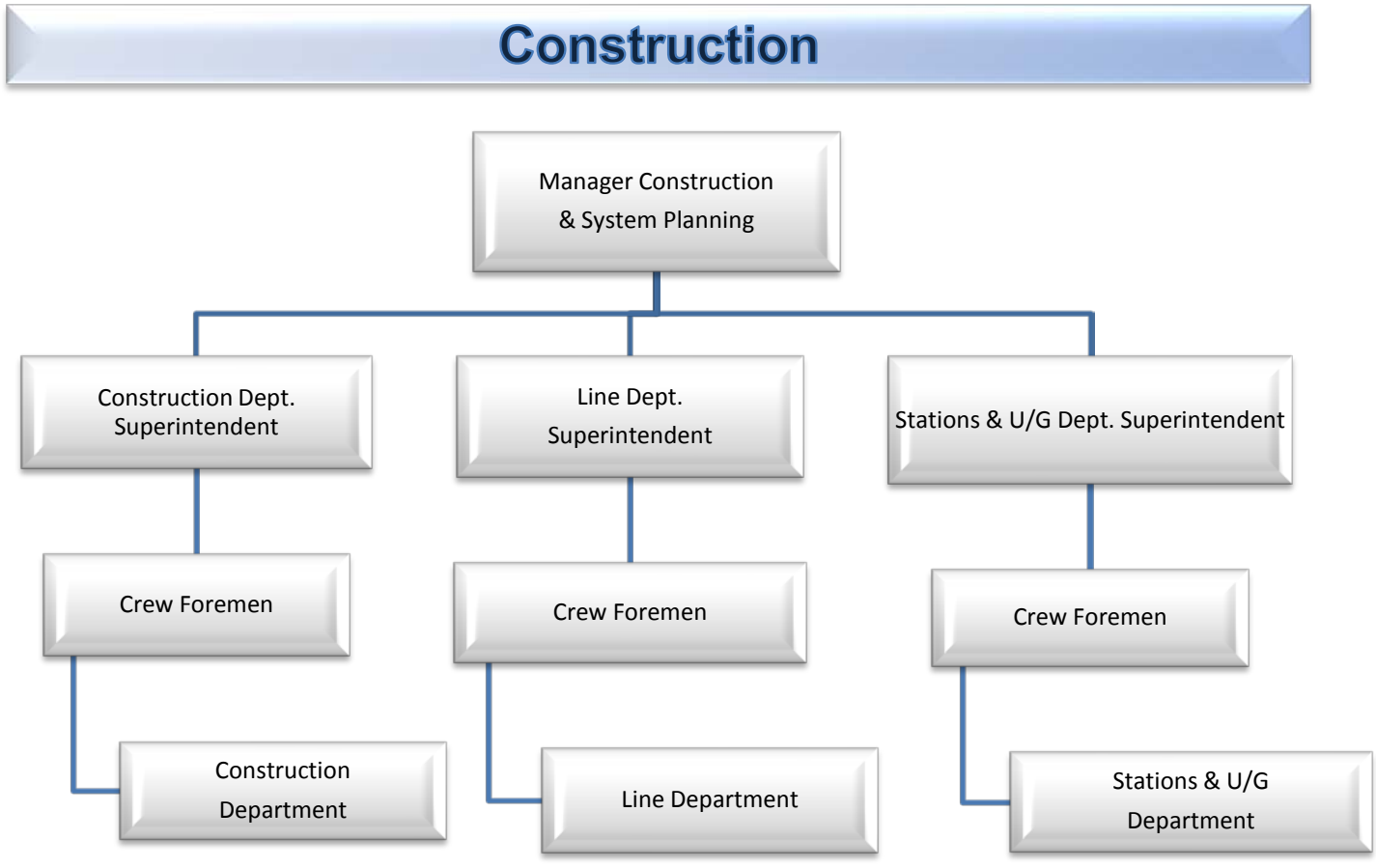

Construction
Manager Construction & System Planning
Construction Dept. Superintendent
Line Dept. Superintendent
Stations & U/G Dept. Superintendent
Crew Foremen
Crew Foremen
Crew Foremen
Construction Department
Line Department
Stations & U/G Department

Chart 6

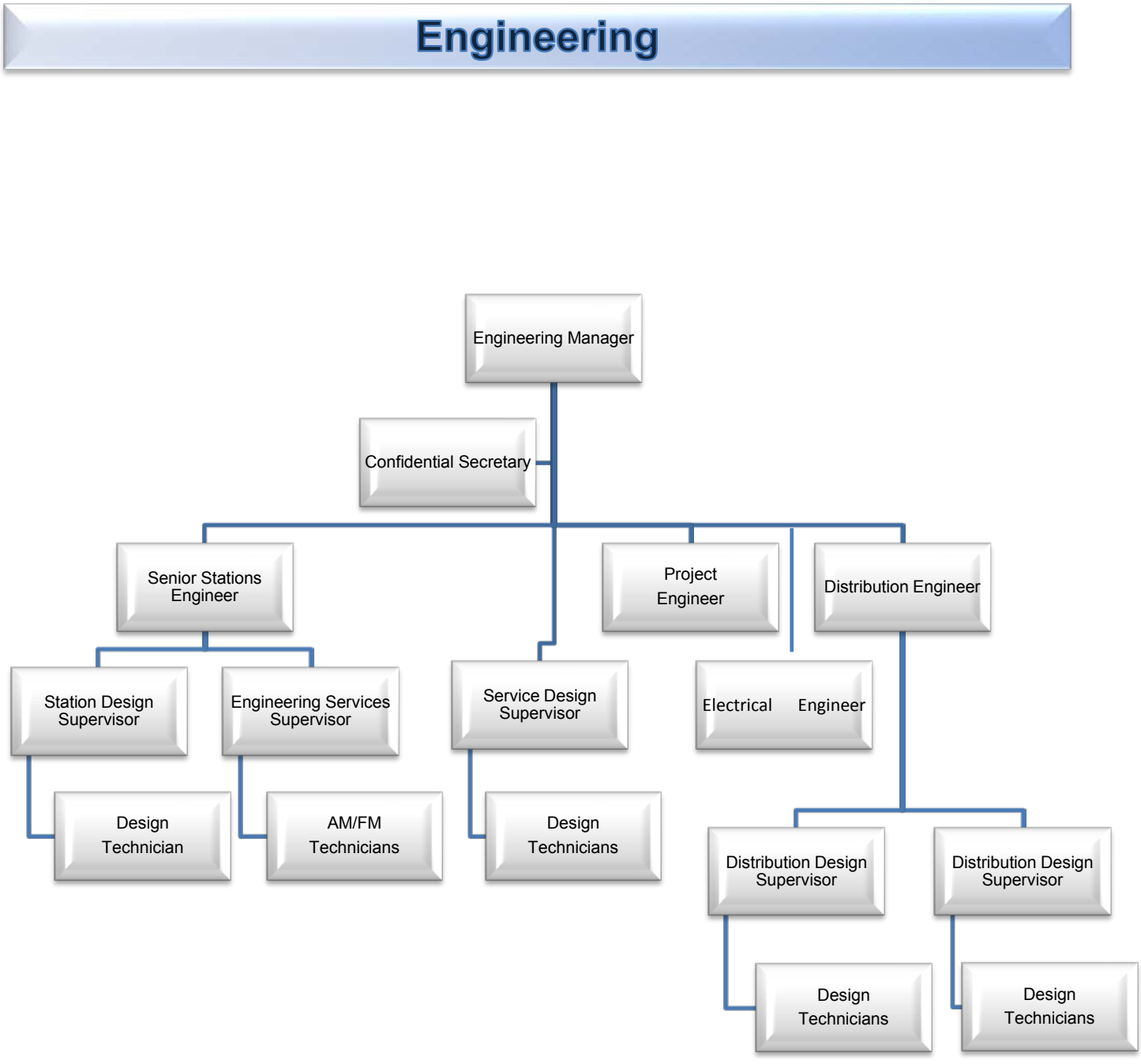

Engineering
Engineering Manager
Confidential Secretary
Senior Stations Engineer
Project Engineer
Distribution Engineer
Station Design Supervisor
Engineering Services Supervisor
Service Design Supervisor
Electrical Engineer
Design Technician
AM/FM Technicians
Design Technicians
Distribution Design Supervisor
Distribution Design Supervisor
Design Technicians
Design Technicians

Chart 7

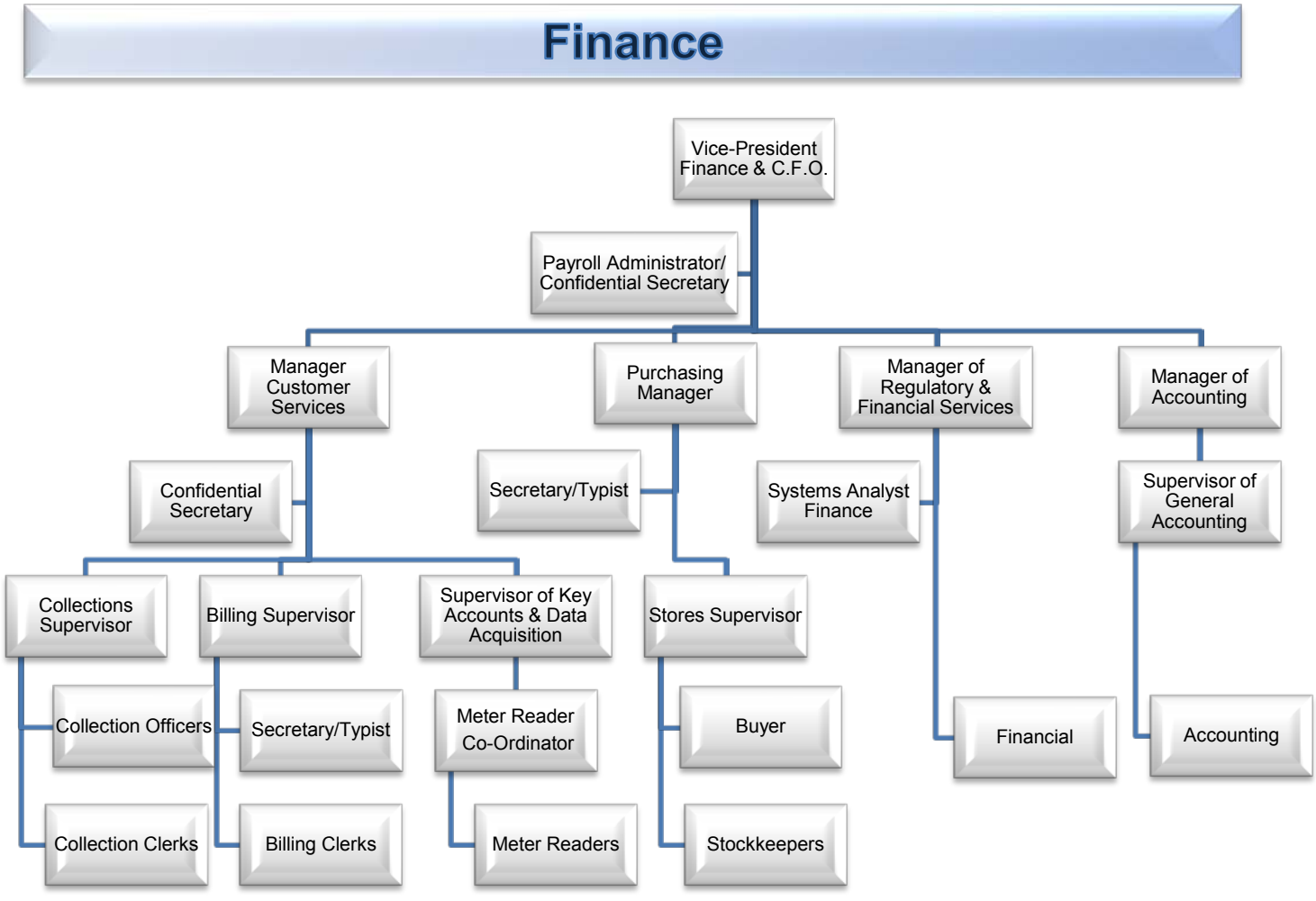

Finance
Vice-President Finance & C.F.O.
Payroll Administrator/ Confidential Secretary
Manager Customer Services
Purchasing Manager
Manager of Regulatory & Financial Services
Manager of Accounting
Confidential Secretary
Secretary/Typist
Systems Analyst Finance
Supervisor of General Accounting
Collections Supervisor
Billing Supervisor
Supervisor of Key Accounts & Data Acquisition
Stores Supervisor
Collection Officers
Secretary/Typist
Meter Reader Co-Ordinator
Buyer
Financial
Accounting
Collection Clerks
Billing Clerks
Meter Readers
Stockkeepers

Chart 8

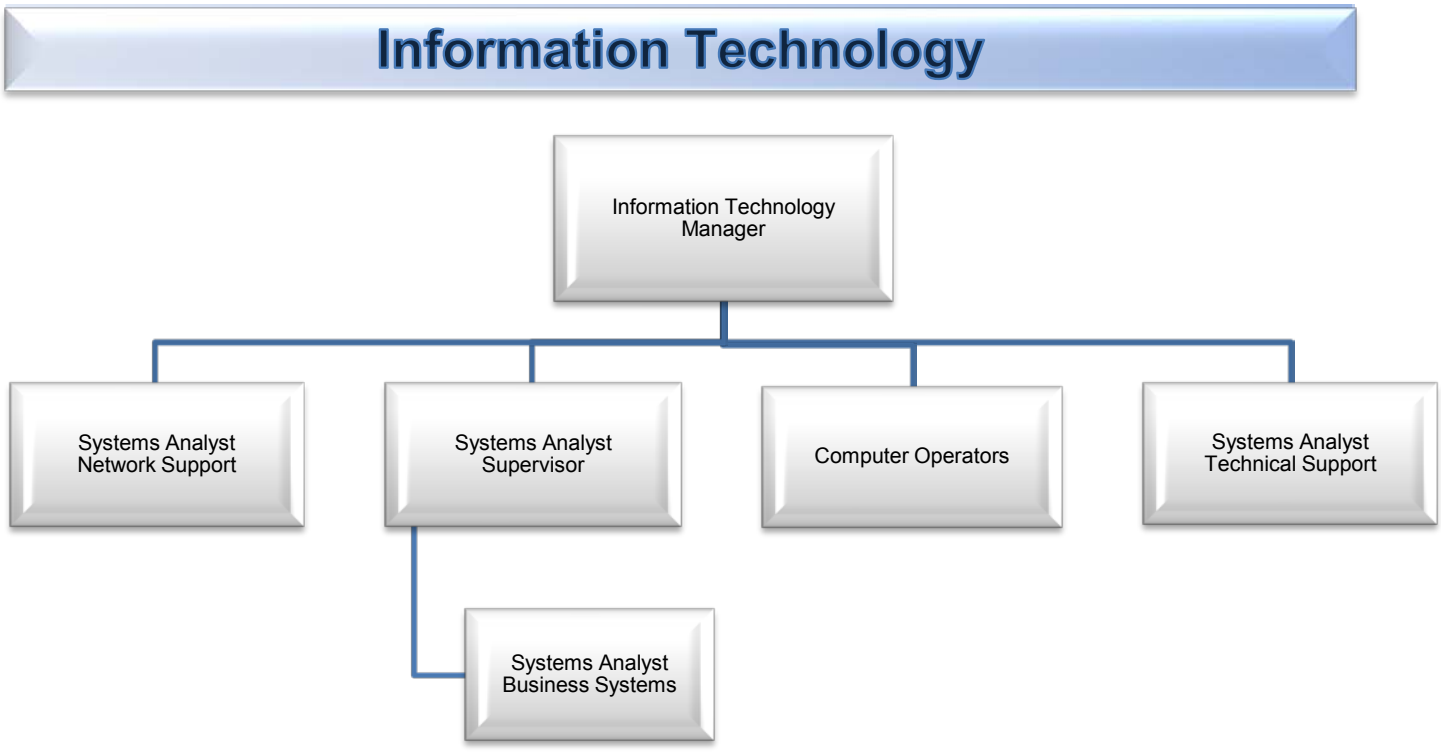
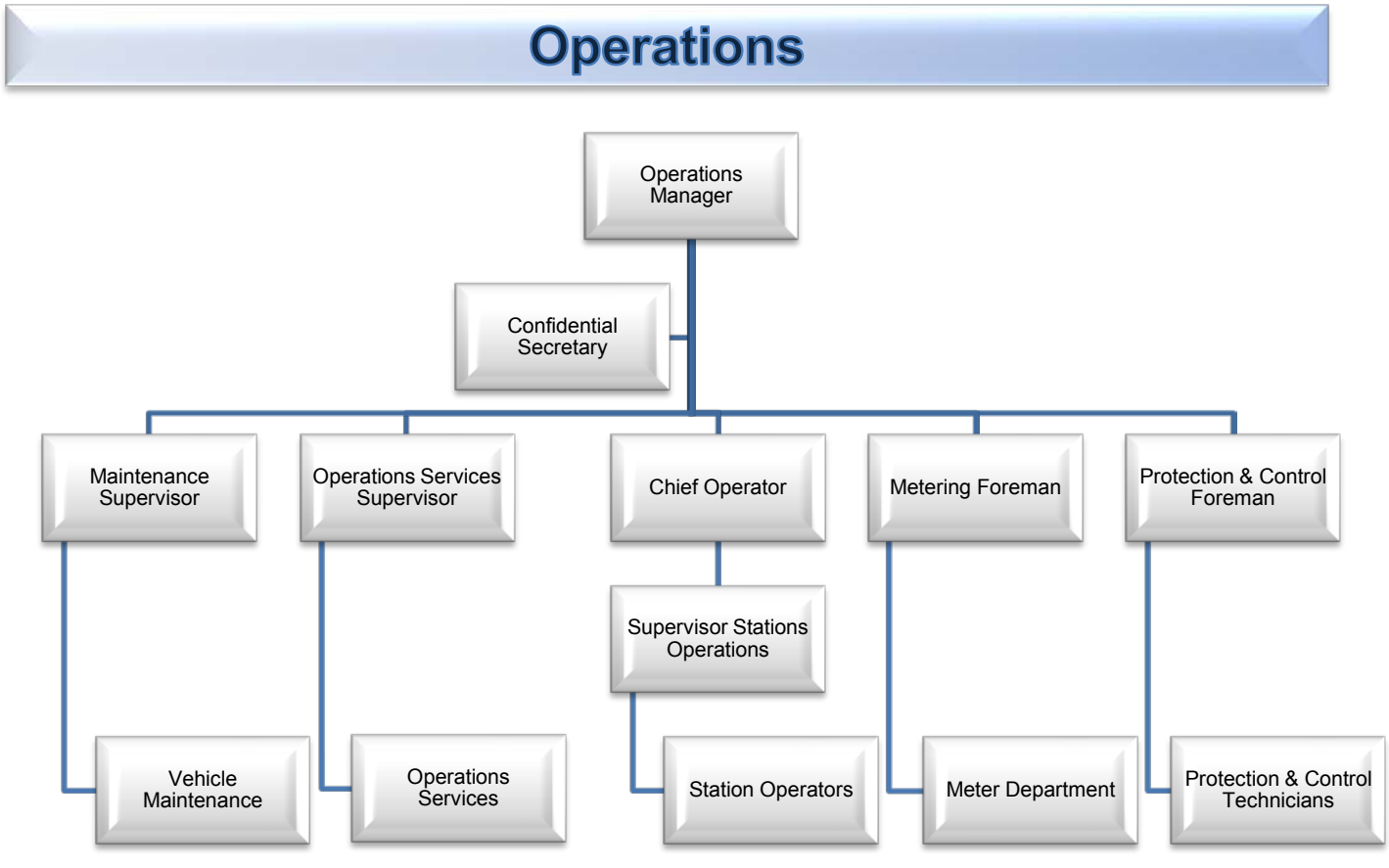


Chart 9



PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE:

No changes to KW Hydro's corporate and operational structures are planned at the present time.

LIST OF WITNESSES:

While KW Hydro requests that this Application be disposed of by way of a written hearing, should a technical conference or an oral hearing be necessary the witnesses that KW Hydro will provide are as follows:

Jerry Van Ooteghem

Jerry is President and CEO of Kitchener-Wilmot Hydro Inc. Jerry's career with Kitchener-Wilmot Hydro spans over 28 years where he held various positions in the design, planning and operations of electric power distribution systems and transformer stations prior to his current position.

Jerry is a member of the Utility Advisory Council for the Electrical Safety Authority; a member of the Electricity Distributors Associations' Conservation and Demand Management Caucus; and a Board Director of the Electrical & Utilities Safety Association. Jerry has also previously served as a member of the Ministry of Labour's Provincial Labour Management Safety Committee for the electrical sector; and a member of the Ministry of Training, Colleges and Universities Provincial Advisory Committee for Powerline Technicians.

Jerry is a Professional Engineer with a BASc in Electrical Engineering from the University of Waterloo and MASc in Management Sciences from the University of Waterloo.

Gerry Guthrie

Gerry is the Vice-President of Finance & CFO of Kitchener-Wilmot Hydro Inc. where she has been employed for the past 13 years

As the Chief Financial Officer, she reports to the President & CEO, and is directly responsible for the strategic financial planning of the corporation, as well as the management and direction of the Finance & Accounting, Customer Care, Purchasing, Regulatory Compliance, and Administrative departments of the organization.

She is a professional accountant, (CGA) with over 37 years of administrative, accounting, regulatory and financial experience within the electric utility industry.

Throughout her extensive career in the electricity industry, she has held several senior management positions in both large and small utilities including Secretary-Treasurer, Controller, and Senior Project Manager.

Gerry has been an active supporter of the Electricity Distributors Association (EDA) and the Municipal Electricity Reciprocal Insurance Exchange (MEARIE), serving in various capacities on boards and committees. She is currently serving as a Director of the MEARIE Management Inc. (MMI) Board since 2001, and has been a member of the EDA Finance & Corporate Issues Council since 2007.

Lloyd J. Frank

Lloyd is the Manager of Construction and Systems Design. He has been employed by Kitchener-Wilmot Hydro since 1989, with ever increasing levels of responsibility in design and management, as a Distribution Engineer, Senior Distribution Engineer and Senior Planning and Standards Engineer, responsible for supervising the design of various elements of the power distribution system and for performing a variety of studies in support of managerial decision making. As the Manager of Construction and System Design, he is responsible for overseeing approximately seventy-four Power Line Technicians and construction workers engaged in the construction, operation and maintenance of the power distribution system and stations.

Lloyd has 30 years of experience providing engineering and management services to the electric power transmission and distribution industry. He graduated with a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo in 1979 and graduated with a Master of Applied Science degree in Management Sciences from the University of Waterloo in 1995.

Previously employed by Canadian International Power Services from 1979 to 1989, he provided engineering design services (distribution, transmission and generation) to electric power utilities in Ontario, the Caribbean, South and Central America and the Middle East. During this time, held licenses to practice engineering in Ontario and Barbados and was a designated consulting engineer with the Association of Professional Engineers of Ontario.

Wilfred Meston

Wilfred is the Operations Manager for Kitchener-Wilmot Hydro Inc. Wilfred joined Kitchener-Wilmot Hydro in September 1989 as the Operations Project Engineer and he has held various positions of increasing responsibility within Kitchener-Wilmot Hydro's Operations Department. In his current position, Wilfred has overall responsibility for the Control Room, Operations Services, Metering, Protection and Control and Vehicle Maintenance departments.

Wilfred is a Professional Engineer with a Bachelor of Engineering Science from the University of Western Ontario.

Margaret Nanninga

Margaret is the Manager of Regulatory and Financial Services for Kitchener-Wilmot Hydro Inc. Margaret joined Kitchener-Wilmot Hydro in June 1996 as a Senior Accounting Clerk and has held various positions of increasing responsibility within Kitchener-Wilmot Hydro's Finance Department. In her current position, Margaret is responsible for regulatory matters affecting the Corporation, internal audit, and the integrity of the JD Edwards Enterprise Financial system.

Margaret was active in the 2006 EDR process as a member of two of the working groups. In addition to being a member of the Executive working group, Margaret was the Chair of the Cost Allocation & Rate Design sub-group. Margaret has served on the EDA Regulatory Compliance Council for a number of years.

Margaret is a professional accountant (CGA) with a Bachelor of Accounting Science from the University of Calgary and a Master of Business Administration from Laurentian University in Sudbury, Ontario.

Angela Visser

Angela Visser is the Manager of Accounting of Kitchener-Wilmot Hydro Inc. She joined the company in October 2004. Reporting to the Vice-President of Finance and Chief Financial Officer, Angela's primary responsibilities encompass budgeting and financial accounting.

Angela is a professional accountant (CGA) since 2001 with over 25 years experience in financial, cost and management accounting in Canada, Indonesia and Singapore. She also has a Bachelor of

Applied Business Administration Degree – Major in Accounting and Information Technology from Southern Alberta Institute of Technology, Calgary.

DISTRIBUTION SERVICE AREA

&

DISTRIBUTION SYSTEM

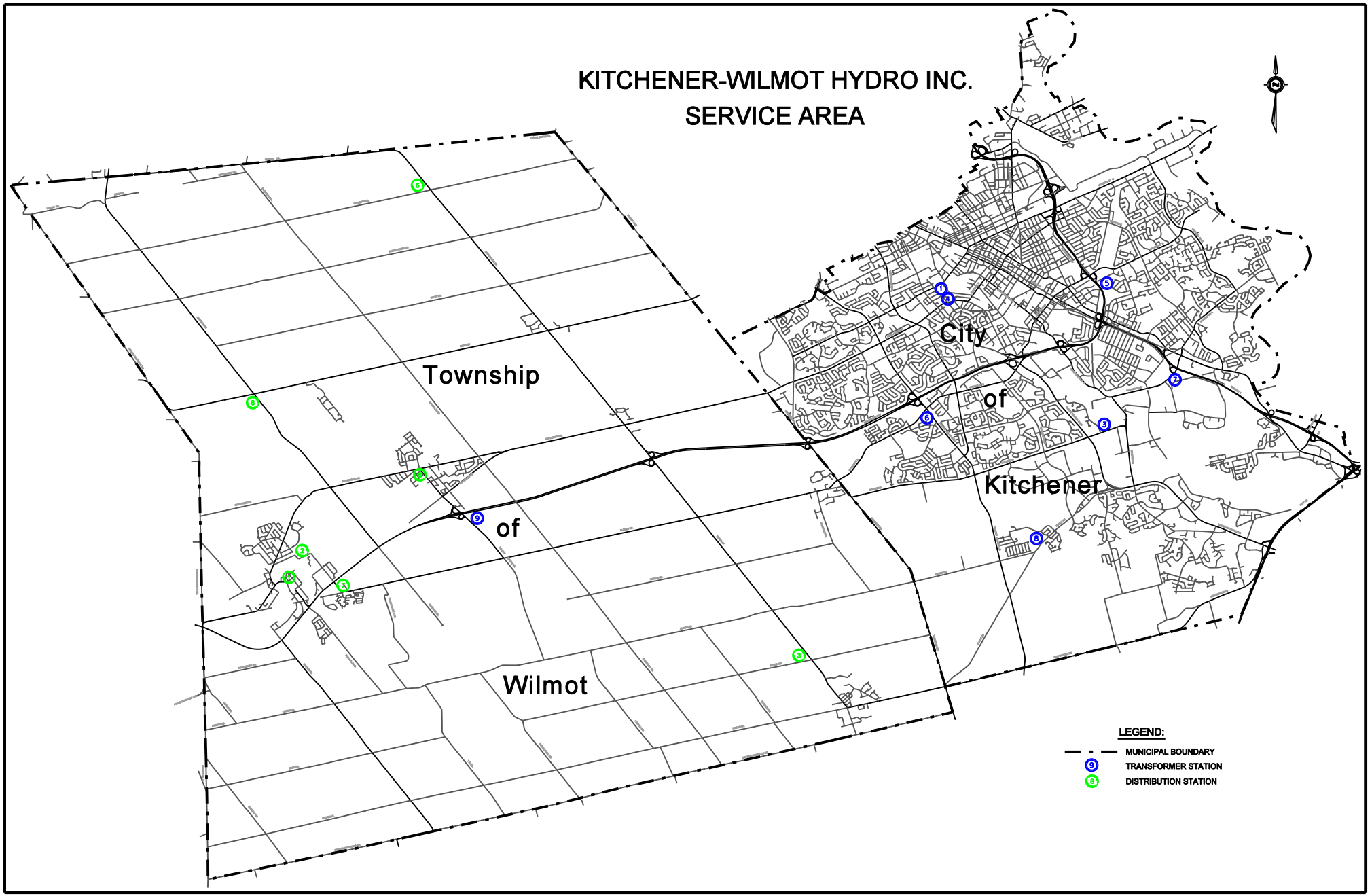
DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM:

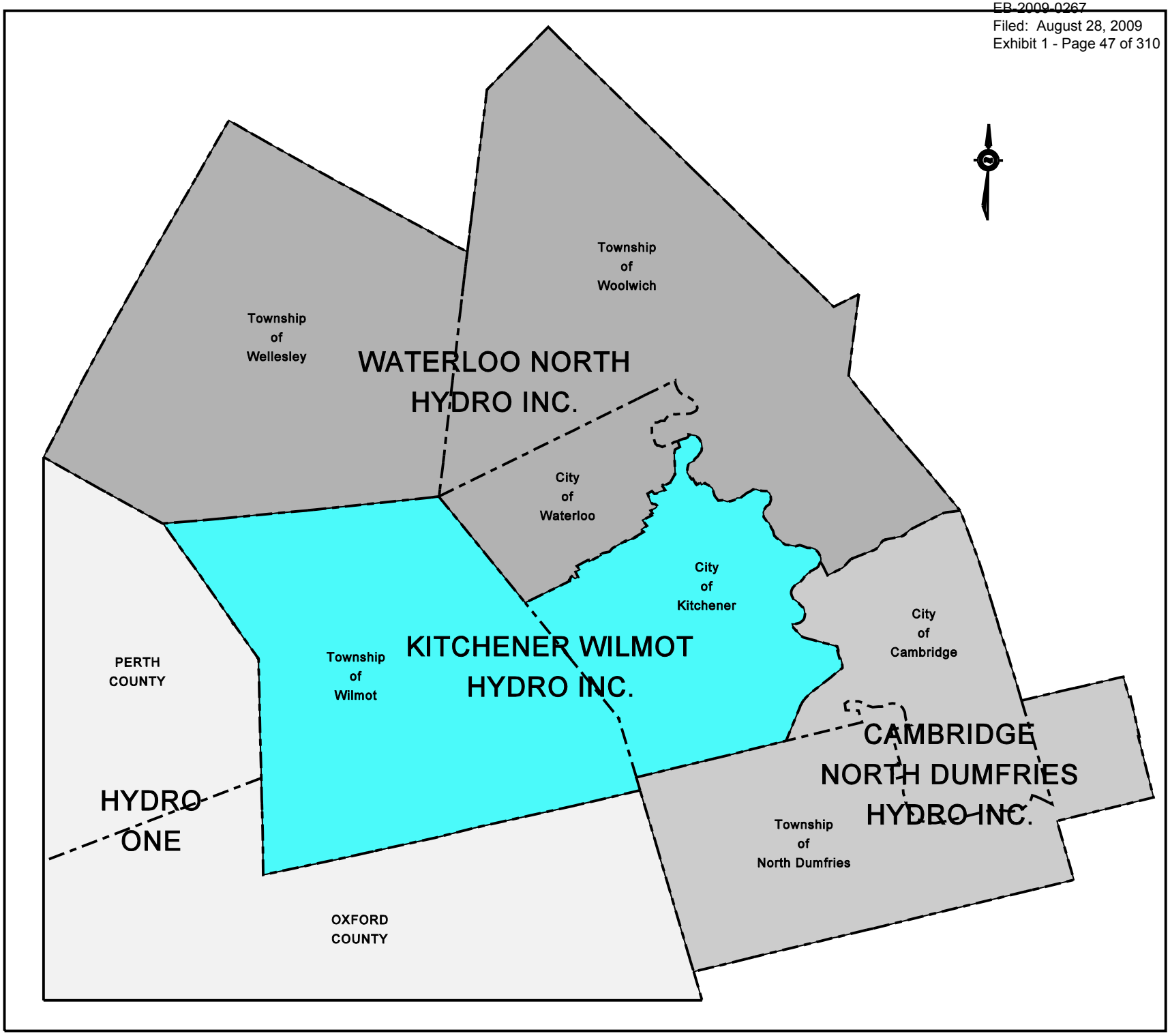
Description of Distributor

Community Served:	City of Kitchener and the Township of Wilmot
Total Service Area:	403 sq km
Rural Service Area:	280 sq km
Distribution Type:	Electricity Distribution
Service Area Population:	236,883
Municipal population:	236,883
Boundaries:	West: Hydro One
	North: Waterloo North Hydro Inc.
	East: Waterloo North Hydro Inc. & Cambridge & North Dumfries Hydro Inc.
	South: Hydro One and Cambridge & North Dumfries Hydro Inc.

A map of the KW Hydro's Distribution Service Territory and a map of neighbouring utilities are attached as Diagrams 1 and 2

A schematic diagram of KW Hydro's distribution system are attached as Diagrams 3, 4 and 5.


KITCHENER-WILMOT HYDRO INC.
SERVICE AREA
Township
of
Wilmot
City
of
Kitchener
LEGEND:
MUNICIPAL BOUNDARY
TRANSFORMER STATION
DISTRIBUTION STATION


Township of Woolwich
Township of Wellesley
WATERLOO NORTH HYDRO INC.
City of Waterloo
City of Kitchener
City of Cambridge
KITCHENER WILMOT HYDRO INC.
Township of Wilmot
PERTH COUNTY
CAMBRIDGE NORTH DUMFRIES HYDRO INC.
Township of North Dumfries
HYDRO ONE
OXFORD COUNTY

KITCHENER-WILMOT HYDRO'S DISTRIBUTION SYSTEM:

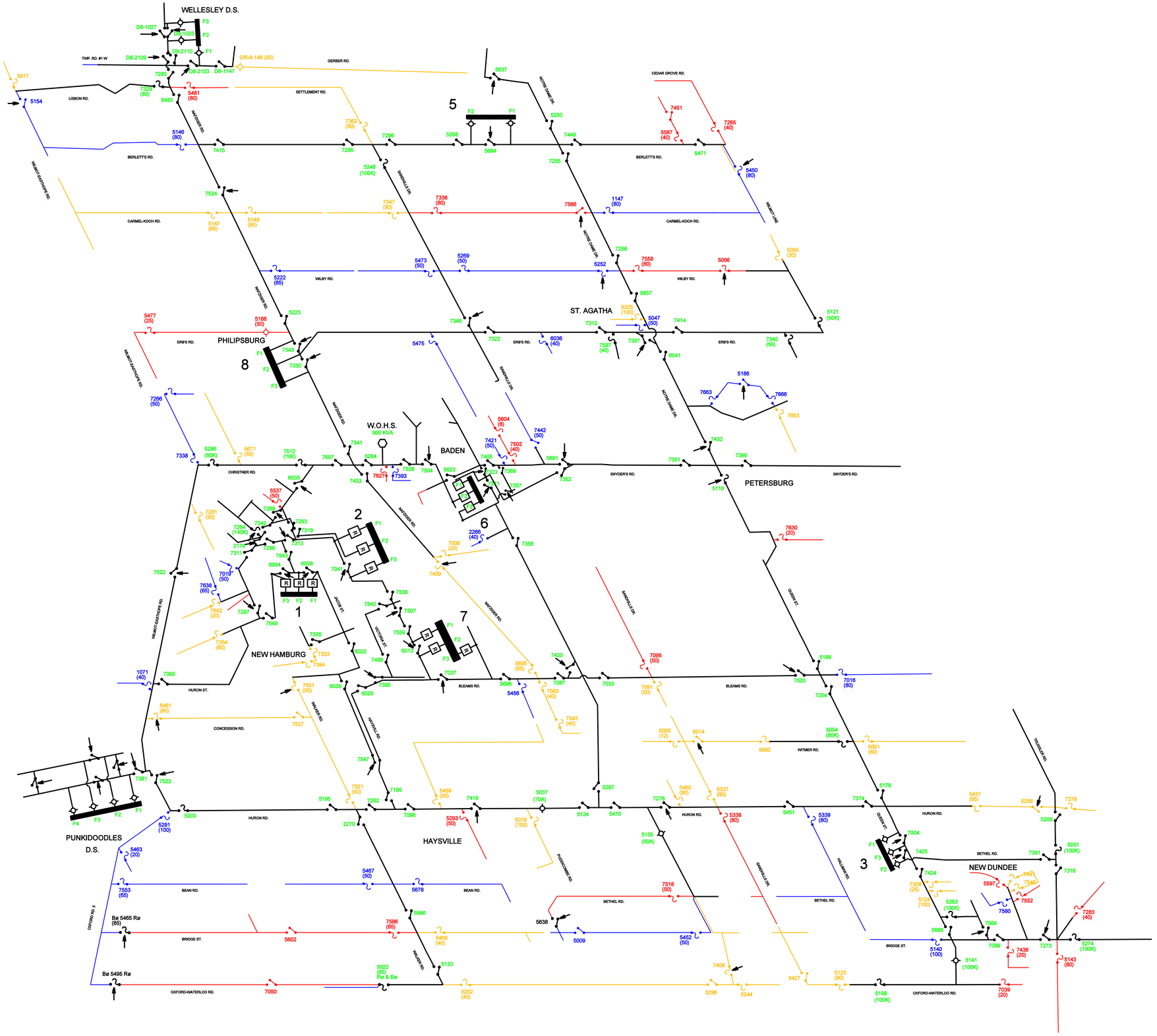
KW Hydro owns and operates the electricity distribution system in its licensed service area in the City of Kitchener and the Township of Wilmot, serving approximately 84,673 Residential, General Service, Large Use, Street Light, Unmetered Scattered Load and Embedded Distributor Customers.

KW Hydro is supplied through the Hydro One distribution system at primary voltages of 115kV, 230kV and at 27.6 kV from Hydro One's Detweiler Station (to be eliminated in 2010). Electricity is then distributed through KW Hydro's service area of 402.76 square kilometres, over 846 kilometres of underground cable and 1044 kilometres of overhead conductor. KW Hydro delivers electricity at its primary supply voltage to Large Use and larger General Service >50 kW (27.6kV delta (note: in 2010 this will change to 27.6kV wye) or 13.8kV wye), General Service (13.8kV or 8.3kV wye) and Residential (16.0kV (not until 2010), 8.0kV or 4.8kV) customers. Primary voltage is stepped down through 7 (8 in 2010) Municipal Transformer Stations and 7 Municipal Distribution Stations to service General Service (347/600 wye, 600 delta, 120/208 wye, three phase) and Residential (120/240 single phase) customers. Voltage is stepped down from the 27.6kV, 13.8kV, and 8.32 kV primary feeders through approximately 10,170 LDC owned distribution transformers.

KW Hydro monitors its distribution system through a supervisory control system at its main office. The control center operates the Supervisory Control and Data Acquisition ("SCADA") system twenty-four hours a day, seven days a week.

KW Hydro owns and maintains approximately 84,673 meters installed on its customers' premises for the purpose of measuring consumption of electricity for billing purposes. Meters vary in type by customer and include meters capable of measuring kWh consumption, kW and kVA demand as well as hourly interval data. KW Hydro is currently active in installing smart meters as part of the Province of Ontario's smart meter initiative. On June 25, 2009, Ontario Regulation 235/08 was filed by the Ontario Provincial Government giving Kitchener-Wilmot Hydro Inc. authorization to proceed with its first phase of Smart Meter installation. KW Hydro's forecast Smart Meter capital is not included in its 2010 revenue requirement but is instead included as part of its Deferral account 1555, per Board direction. Upon completion of its Smart Meter installs, KW Hydro expects to bring an application before the Board to bring its Smart Meter costs into rate base.

In managing its distribution system assets, KW Hydro's main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, public & worker safety and customer service requirements. This Application incorporates KW Hydro's 2010 Capital and OM&A Expense Budgets in determining the revenue requirement to bring these plans to fruition. Further information will be provided later in this Application. KW Hydro considers performance-related asset information including, but not limited to, data on reliability, asset age and condition, loading, customer connection requirements, and system configuration, to determine investment needs of the system.



LEGEND:

- SWITCH NORMALLY OPEN
- 3-1ø DISCONNECT SWITCHES
- 3-1ø FUSED SWITCHES (WITH FUSE SIZE)
- 3-1ø KYLES (WITH COIL SIZE)
- 3ø RECLOSER
- 3ø BREAKER
- LARGE LOAD (>600KVA)

8.3KV SYSTEM DIAGRAM

NOT TO SCALE

B 6305

PLOT 4

LEGEND

- LOADS 1000KVA & OVER
- UNDERGROUND SECTIONS (ALPINE)
- AB
- LBD
- LI
- FLI
- N.O. POINTS
- LINE OPENER

T.S.	FEEDER	AMPS AT PEAK TIME
4	4M11	
	4M12	
	4M13	
	4M14	
STN.	4M15	
LOAD	4M16	
AT	4M17	
SYST.	4M18	
PEAK	4M21	
	4M22	SPARE
MVA	4M23	
	4M24	
	4M25	
	4M26	
	4M27	
	4M28	SPARE
	4M19	SPARE
	4M10	SPARE

T.S.	FEEDER	AMPS AT PEAK TIME
5	5M11	T-99
	5M12	
	5M13	
	5M14	
STN.	5M15	
LOAD	5M16	SPARE
AT	5M17	
SYST.	5M18	SPARE
PEAK	5M21	
	5M22	
MVA	5M23	
	5M24	
	5M25	
	5M26	
	5M27	
	5M28	

T.S.	FEEDER	AMPS AT PEAK TIME
6	6M11	SPARE
	6M12	
	6M13	
	6M14	
STN.	6M15	
LOAD	6M16	
AT	6M17	
SYST.	6M18	
PEAK	6M21	
	6M22	
MVA	6M23	SPARE
	6M24	
	6M25	
	6M26	SPARE
	6M27	
	6M28	

T.S.	FEEDER	AMPS AT PEAK TIME
7	7M1	
	7M2	
	7M3	
	7M4	SPARE
STN.	7M5	
LOAD	7M6	SPARE
AT	7M7	
SYST.	7M8	
PEAK	7M9	
	7M10	
MVA		

T.S.	FEEDER	AMPS AT PEAK TIME
8	8M1	
	8M2	
	8M3	
	8M4	
STN.	8M5	
LOAD	8M6	
AT	8M7	
SYST.	8M8	
PEAK	8M9	
	8M10	
MVA		

T.S.	FEEDER	AMPS AT PEAK TIME
3	3M11	
	3M13	
	3M14	
STN.	3M15	
LOAD	3M16	
AT	3M18	
SYST.	3M20	
PEAK	3M21	
	3M22	
MVA	3M23	
	3M24	SPARE
	3M25	SPARE
	3M26	
	3M27	
	3M28	
	3M29	
	3M210	
	3M211	SPARE
	3M212	

T.S.	FEEDER	AMPS AT PEAK TIME
1	1M1	
	1M2	
	1M3	
	1M4	AA CABLE
STN.	1M5	AC CABLE
LOAD	1M6	AB CABLE
AT	1M7	AD CABLE
SYST.	1M8	
PEAK	1M9	
	1M10	
MVA		

FEEDER LOAD DATA FOR:
MONTH _____ 20 ____ DAY OF WEEK
- PEAK TIME _____ DAY _____
- 13.8KV SYSYEM 15 MIN. PEAK _____ MVA
- TOTAL SYSTEM 15 MIN. PEAK _____ MVA
- AMBIENT TEMPERATURE _____ DEG. C

ABNORMAL SWITCHING CONDITIONS

REV. No.	DESCRIPTION	DATE & INITIALS
1	REVISED AS PER MARCH 1, 2009.	01/03/09 B.S.

KITCHENER WILMOT HYDRO INC.

13.8KV SYSTEM DIAGRAM

DRAWN	JIM TODD	10/16/90	SCALE: NONE
CHECKED			B 5234
APPROVED			
FILE No.	NONE		

LEGEND

- TRANSFORMER
- LOAD TAP CHANGER (LTC)
- AB AIR BREAK
- LI LOAD INTERRUPTER
- FUSED DISCONNECT
- LINE OPENERS
- LIGHTNING ARRESTER
- LBD LOAD BREAK DISCONNECT
- * MILEAGE POINT
- FLI FUSED LOAD INTERRUPTER
- N.O. NORMALLY OPEN POINT
- LINE CLAMP
- M.U.S. MOBILE UNIT SUBSTATION
- F450 - FIXED 450 KVAR CAPACITOR BANK
- F900 - FIXED 900 KVAR CAPACITOR BANK
- S9000 - SWITCHED 900 KVAR CAPACITOR BANK

WELLESLEY D.S.
5600KVA
LB-27-R26 65
CF-27-4006 450KVAR 66
CS-27-5001 900KVAR 68
CF-27-4008 450KVAR 69
4.64 MI. 1/0 ACSR
312 MCM ACSR
PHILIPSBURG No.8 D.S. 5000 KVA
LC-MUS
LC-DS
FLI-27-8
45
PHILLIPSBURG
LI-27-15
LBD-27-12
TOWER 101 47
48
1.62 MI. 556 MCM AL.
115KV LINE
46
LI-27-10 N.O.
CS-27-5000 900KVAR 58
1.56 MI. 556 MCM AL.
LI-27-41
0.02 MI.
LI-27-30
54
LBD-27-41 0.20 MI. 556 MCM AL. 56
CF-27-4009 900KVAR 60
0.19 MI. 556 MCM AL.
LI-27-22
LBD-27-11
FLI-27-14 54
FLI-27-5
0.28 MI. 1/0 AL.
LC-MUS
LC-DS
1500KVA RIVERSIDE BRASS
0.68 MI. 556 MCM AL.
5000/5600KVA NEW HAMBURG No.1 D.S.
1000KVA EURO CAN 55
1500KVA ALLOY CASTING
FX-27-12
AB-27-12
LBD-27-4
CF-27-4002 450KVAR 57
1/0 ACSR
FX-27-4
LI-27-11
LBD-6
LI-27-43 52
N.O.
LC-MUS
LC-DS
FLI-27-3
NEW HAMBURG No.7 D.S. 5000 KVA
CF-27-4003 450KVAR 57
0.50 MI. 556 AL. 50
5.5 MI. 556 AL.
LI-27-16
LI-27-40 51
CF-27-4004 450KVAR 57
FLI-27-2
NEW HAMBURG No.2 D.S. 5000KVA
LC-MUS
LC-DS
LI-27-23 N.O. 52
LBD-27-14
FLI-27-28
P.M.
RIVERSIDE BRASS 3000KVA 46
312 MCM ACSR
NOTE: ALL MAIN LINE SWITCHES ARE 600AMP EXCEPT AS SHOWN.
JOSEPHSBURG #5D.S.
5000 KVA
AB-27-19 47
FX-27-3 (125A) 54
LBD-27-38 N.O.
3.22 MI. 336 MCM AL.
115KV LINE
312 MCM ACSR 5.11 MI.
ST. AGATHA
LI-27-19
LBD-27-73 59
1.61 MI. 336 MCM AL.
LI-27-4 N.O. 62
BADEN
LI-27-14 51
LBD-27-37
LBD-27-33 49
LI-27-25
3.41 MI. 556 MCM AL.
LBD-27-31 53
LBD-27-18
LI-27-6
15T1-LC
LI-27-18 N.O.
0.09 MI. 556 MCM AL.
BADEN #6D.S.
3-1/C 2/0, 27.6KV, XLPEI, PVCJ, SHIELDED
5000 KVA
CF-27-4000 900KVAR 67
FLI-27-1
LBD-27-5
0.09 MI 556 MCM AL
AB-27-13
FX-27-16
MASTER FEEDS 1000 KVA
CF-27-4001 450KVAR 67
LBD-27-38
FLI-27-9
ERB TRANSPORT 2000KVA 54
LBD-27-72
LBD-27-53
FLI-27-24
MURF 2000KVA
LI-27-42 61
2.12 MI. 556 MCM AL.
LBD-27-55 61
LBD-27-52 61
FLI-27-22 61
KRAEHLING FARMS 2500KVA 61
115KV LINE
312 MCM ACSR 2.65 MI.
WATERLOO LFG POWER PLANT
925KW G1 70
925KW G2
925KW G3
925KW G4
925KW G5
1600KW G6
52-U 52-H 89-H 69
FLI-27-11 200E
REGIONAL TRAINING CENTRE 1500KVA 59
FLI-27-15 40E
TOR-W TOR-E
TOR-LC
TOR-1 250E
1.15 MI. 556 MCM AL.
LI-27-21
0.40 MI. 556 MCM AL.
DETWEILER T.S.
26M11 26M12 26M13
-L
M11-M12 N.O.
M12-M13 N.O.
0.15 MI. 336 MCM AL.
LBD-27-54 64
22-LC 47
LBD-27-1
LI-27-3
3.3 MI. 556 MCM AL.
PETERSBURG
0.72 MI. 556 MCM AL.
LI-27-8
AB-27-15
FAVOURITE POULTRY 1500 KVA 45
FLI-27-10 55
REBEL CREEK GOLF COURSE 1000KVA
1.18 MI. 336 MCM AL.
CS-27-5002 900KVAR 68
LBD-27-35 50 47
LI-27-26 50
556 MCM AL. 4.0 MI.
LI-27-20
1.61 MI. 336 MCM AL.
LAFARGE PAVING 66
FX-27-2
1000 KVA
AB-27-17
LBD-27-30 46
0.78 MI. 336 MCM AL. 50
FLI-27-4 54
LBD-27-39 N.O.
0.92 MI. 556 KCMIL AL. 50
LBD-27-10 58
LC-MUS
LC-DS
CF-27-4007 450KVAR
1.14 MI. 336 MCM AL. 63
5000 KVA
NEW DUNDEE #3D.S.
LBD-27-40 60
FX-27-7
1000 KVA
LI-27-13
FRONTIER DISTRIBUTION SERVICES 50

REV. No.	DESCRIPTION	DATE & INITIALS
70	NEW GENERATORS, FUSE SIZES AND NOTES ADDED TO WATERLOO LFG POWER PLANT.	MAR. 12/09 D.F.
69	LEGEND UPDATED TO INCLUDE SYMBOLOGY FOR CAPACITOR BANKS. LBD-27-73 ADDED ON NOTRE DAME DR JUST SOUTH OF ST AGATHA. LINE ENGERNZED BETWEEN LBD-27-53 AND LBD-27-38. LBD-27-72 ADDED.	FEB. 12/09 DF GAC
68	ADD O/H LINE BETWEEN LBD-27-53 TO LBD-27-38 WITH LO-13. CAP BANKS CF-27-4006 @ WELLESLEY D.S., CF-27-4007 @ 3 D.S., CF-27-4008 @ 8 D.S., CF-27-4009 @ ARNOLD ST, N.H., CS-27-5000 @ WATERLOO ST. N.H., CS-27-5001 @ 2277 NAFZIGER RD. AND CS-27-5002 @ LBD-27-35	DEC. 17/07 B.S. S.F.
67	LI-27-42 ADDED ON NEW POLE LINE FEEDING THE M.U.R.F. OFF NAFZIGER RD. M.U.R.F. SERVICE WAS ADDED. CAP BANKS CF-27-4001 @ ERB TRANSPORT, CF-27-4002 @ EURO CAN / ALLOY CASTING, CF-27-4003 @ 7 D.S., CF-27-4004 @ 2 D.S. & CF-27-4000 @ 6 D.S. INSTALLED.	AUG. 24/07 G.A. L.J.F.
66	WARREN BITULITHIC CHANGED TO LAFARGE PAVING.	JUNE 20/07 B.B. L.J.F.
65	LB-27-R26 WAS AB-27-26A AT WELLESLEY D.S.	JUNE 13/07 B.B. L.J.F.
64	LBD-27-54 ADDED ON 26M13 CIRCUIT, NORTH OF HIGHLAND RD.	MAR.10/05 H.T. L.J.F.
63	CO-OP CREAMERY REMOVED.	AUG. 13/04 H.T. LJF BMcK
62	L1-27-41 ADDED AT NAFZIGER RD & WATERLOO ST. LI-27-43 ADDED. CONDUCTOR ADDED BETWEEN LI-27-10 AND LI-27-43.	MAY 25/04 H.T. LJF BMcK
61	LBD-27-55, LBD-27-52 AND FLI-27-22 ADDED TO KRAEHLING FARMS ON ERB'S ROAD AT LOT 4.	JULY 3/03 H.T. LJF BMcK
60	LBD-27-40 ADDED. CONDUCTOR SIZE CHANGED FROM QUEEN ST. (REG. RD. No. 12) BETWEEN HURON RD. AND BETHEL RD. AULT FOODS CHANGED TO FRONTIER DISTRIBUTION SERVICES. DISTANCE CHANGED TO 1.38 MI FROM LI-27-16 TO 2 D.S. NEW HAMBURG. CONDUCTOR SIZE ADDED AT ARNOLD ST. BETWEEN WATERLOO ST. AND 2 D.S.	FEB. 14/03 H.T. LJF BMcK
59	REGIONAL TRAINING CENTRE, FLI-27-11 & FLI-27-15 ADDED TO ERB'S RD.	OCT. 10/02 H.T. L.F. BMcK
58	LBD- 27-41 ADDED TO 27KV LINE TOWARDS TAP TO #1 D.S NEW HAMBURG.	JULY 26/02 H.T. LJF BMcK
57	LI- 27-40 ADDED TO 27KV LINE.	MAY 28/02 H.T. LJF BMcK
56	NEW REBEL CREEK GOLF COURSE & FLI ADDED IN PETERSBURG. STANLEY PRODUCTS CHANGED TO EURO CAN.	MAY 7/02 H.T. LJF BMcK
55	27KV LINE TOWARDS 7 D.S. MOVED SOUTH OF STANLEY PRODUCTS.	APRIL 8/02 H.T. LJF
54	LBD-27-38 ADDED AT #5 D.S. JOSEPHSBURG. LBD-27-39 ADDED AT #3 D.S. NEW DUNDEE. O/H LINE REMOVED FROM WATERLOO ST. NEW HAMBURG TO PUNKEYDOODLES. LINE TO ERB TRANSPORT ADDED WITH LBD-27-38 AND FLI-27-9. FLI-27-14 WAS FLI-67.	JAN. 7/02 B.B. BMcK
53	LBD-27-31, LBD-27-18 & 3a 27.6 KV LINE ADDED AT GINGERICH RD. & SNIDERS RD.	JULY 24/01 D.F. BMcK
52	LI-27-8 IS NOW CLOSED AND LI-27-4 IS NOW THE NORMALLY OPEN POINT.	NOV 15/00 D.F. B.K. BMcK
51	LBD-27-37 (TEMP) INSTALLED ON SNYDER'S ROAD WEST ON THE WEST SIDE OF THE 27.6KV LINE COMING FROM FLI-27-1 ON MILL ST IN BADEN.	AUG. 31/00 D.F. BK LJF BMcK
50	LBD-27-35 INSTALLED SOUTH OF LI-27-5. LI-27-1 REPLACED WITH LI-27-26. LI-27-5 REMOVED.	MAR. 7/00 BB BK LJF BMcK
49	LBD-27-33 ADDED IN BADEN. CUSTOMER OWNED LINE AND GENERATOR STATION ADDED ON ERB RD.	JULY 27/99 BB BK LJF BMcK
48	27KV LINE TO TOWER 101 REMOVED. LIGHTNING ARRESTERS REMOVED AT LI-27-9.	JUNE 12/98 BB BK LJF BMcK
47	LC-MUS AND LC-DS REMOVED AT #5 D.S. 22-LC SHOWN. #4 D.S. REMOVED.	JAN. 7/97 BB BK LJF
46	LI-27-23 CHANGED TO MOTOR OPERATED. LBD-27-30 INSTALLED IN SERVICE TO WARREN BITULITHIC. 27KV LINE REMOVED FROM T114 AT PERTH ST. TO THE CNR & LI-27-24 REMOVED. M12-1LO, M7 TEMP. & 27KV LINE TO TOWER 101 REMOVED.	JULY 22/96 BB BK LJF
45	8 D.S. ADDED, AMULREE D.S. REMOVED, ROTHSAY MAPLE LEAF MILLS REMOVED, M12-1LO REMOVED. NEW RIVERSIDE BRASS & LBD-27-14 & FLI-27-28 ADDED IN NEW HAMBURG.	FEB 2/96 BB
44	WESTHEIGHTS MANUFACTURING REMOVED, RIVERSIDE BRASS ADDED, CHANGES MADE TO ACCOMMODATE NEW LINE CONSTRUCTION IN NEW HAMBURG.	OCT.12/94 SF BK LJF BMcK
43	AB-27-3 REPLACED WITH LI-27-25	06/29/93 SVF BK LJF
42	AB-27-20 REPLACED WITH LI-27-24	01/06/93 SVF BK LJF BMcK

KITCHENER WILMOT HYDRO INC.

27.6KV SCHEMATIC

DRAWN	JIM TODD	10/07/91	SCALE NONE
DESIGNED			
CHECKED	B.K. L.J.F.	11/15/91	B 4236
APPROVED			
FILE No.	45151-00-378		

PLOT 52

EXPLANATION OF HOST AND EMBEDDED UTILITIES:

KW Hydro is the host utility to another electricity distributor, Waterloo North Hydro Inc. that it wheels power to. In this application, KW Hydro respectfully requests approval to continue to charge LV rates to Waterloo North Hydro Inc.

Within KW Hydro's distribution system, there are two sections of line on which power is wheeled. One section of the LV line (7.21km) is specific to Waterloo North Hydro's Wellesley Distribution Station. The other section of the LV line (1.4km) is shared by KW Hydro and Waterloo North Hydro Inc. Prior to market commencement on May 1, 2002, Hydro One Networks had the obligation to supply Waterloo North Hydro Inc.'s Wellesley DS in the Town of Wellesley. This supply was fed across KW Hydro-owned feeders. Historically KW Hydro had billed Hydro One Networks for wheeling the supply through the distribution system using a formula that was agreed to by the former Ontario Hydro.

Waterloo North Hydro Inc. informed KW Hydro of its obligation to supply in a letter dated June 8, 2001 and, upon market opening, KW Hydro became the host distributor to Waterloo North Hydro Inc. and became responsible for the supply wheeled to its Wellesley Distribution Station only. The IESO bills Waterloo North Hydro Inc. directly for the power used.

KW Hydro then applied to the Board on August 23, 2002 for approval of a Distribution Wheeling Service Rate (RP-2002-0138). Due to the subsequent passage of Bill 210, the *Electricity Pricing, Conservation and Supply Act*, all distribution rates were capped at the pre-November 11, 2002 levels and the application was therefore suspended.

As part of the 2006 EDR, KW Hydro re-applied for approval (RP-2005-0020/EB-2005-0386) of its Embedded Distributor rate. This application was approved on October 20, 2006 and rates were established for both the Dedicated and the Shared line based on a formula that was developed by the former Ontario Hydro and similar to the one developed by Board staff for the 2006 EDR. The rates effective May 1, 2006 were:

Monthly Distribution Wheeling Service Rate – Dedicated LV Line	$/kW	1.1300
Monthly Distribution Wheeling Service Rate – Shared LV Line	$/kW	0.1000
Network Service Rate	$/kW	2.2091
Line and Transformation Connection Service Rate	$/kW	0.7638

The Embedded Distributor rates have been subject to small adjustment due to IRM.

APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Kitchener-Wilmot Hydro Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2010.

Title of Proceeding:	An application by Kitchener-Wilmot Hydro Inc. for an Order or Orders approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2010.
Applicant's Name:	Kitchener-Wilmot Hydro Inc.
Applicant's Address for Service:	301 Victoria Street South Kitchener, Ontario N2G 4L2
	Attention: Mr. Jerry Van Ooteghem, President and CEO
	Telephone: (519) 745-4771 ext. 280 Fax: (519) 571-9338 E-mail: jvanooteghem@kwhydro.on.ca

APPLICATION:

1. Introduction

(a) The Applicant is Kitchener-Wilmot Hydro Inc. (referred to in this Application as the "Applicant" or "KW Hydro"). The Applicant is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the City of Kitchener. The Applicant carries on the business of distributing electricity within the City of Kitchener and the Township of Wilmot.

The Applicant hereby applies to the Ontario Energy Board (the "OEB") pursuant to Section 78 of the Ontario Energy Board Act, 1998 (the "OEB Act") for approval of its proposed distribution rates and other charges, effective May 1, 2010.

(b) Except where specifically identified in the Application, the Applicant followed Chapter 2 of the OEB's Filing Requirements for Transmission and Distribution Applications dated May 27, 2009 (the "Filing Requirements") in order to prepare this application.

2. Proposed Distribution Rates and Other Charges

(a) The Schedule of Rates and Charges proposed in this Application is identified in attached to this application and Exhibit 9, and the material being filed in support of this Application sets out KW Hydro's approach to its distribution rates and charges.

3. Proposed Effective Date of Rate Order

(a) The Applicant requests that the OEB make its Rate Order effective May 1, 2010 in accordance with the Filing Requirements.

4. The Proposed Distribution Rates and Other Charges are Just and Reasonable

(a) The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

(i) the proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles;

(ii) the proposed adjusted rates are necessary to meet the Applicant's Market Based Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILs") requirements;

(iii) there are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant or the implementation of any other mitigation measures;

(iv) changes to other service charges proposed by the Applicant have been prepared in a manner that reflect traditional cost of service principles; and

(v) such other grounds as may be set out in the material accompanying this Application Summary.

5. Relief Sought

(a) The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in the following Schedules of Proposed Rates and Charges as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective May 1, 2010, or as soon as possible thereafter; and

6. Form of Hearing Requested

(a) The Applicant requests that this Application be disposed of by way of a written hearing.

DATED at Toronto, Ontario, this 28th day of August, 2009.

All of which is respectfully submitted,

Jerry Van Ooteghem
President and CEO
Kitchener-Wilmot Hydro Inc.

SCHEDULE OF PROPOSED RATES AND CHARGES

MONTHLY RATES AND CHARGES

Residential

Service Charge	$	12.05
Distribution Volumetric Rate	$/kWh	0.0162
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0009)
LRAM and SSM Rate Rider	$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0014
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service Less than 50 kW

Service Charge	$	25.17
Distribution Volumetric Rate	$/kWh	0.0125
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0010)
Retail Transmission Rate – Network Service Rate	$/kWh	0.0039
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0013
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service 50 to 4,999 kW

Service Charge	$	232.71
Distribution Volumetric Rate	$/kW	3.7221
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.2603)
LRAM and SSM Rate Rider	$/kW	0.0155
Retail Transmission Rate – Network Service Rate	$/kW	2.0315
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6918
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Large Use

Service Charge	$	14,195.83
Distribution Volumetric Rate	$/kW	1.8968
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.1650)
Retail Transmission Rate – Network Service Rate	$/kW	1.9094
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6502
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Unmetered Scattered Load

Service Charge (per connection)	$	8.34
Distribution Volumetric Rate	$/kWh	0.0125
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0010)
LRAM and SSM Rate Rider	$/kW	0.0043
Retail Transmission Rate – Network Service Rate	$/kWh	0.0039
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0013
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Standby Power – INTERIM APPROVAL

Monthly Rate – Applicable Customer Class Distribution Volumetric Rate - $/kW of contracted amount

Street Lighting

Service Charge (per connection)	$	0.78
Distribution Volumetric Rate	$/kW	4.4012
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.3350)
Retail Transmission Rate – Network Service Rate	$/kW	1.2354
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.4207
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Embedded Distributor

Monthly Distribution Wheeling Service Rate – Dedicated LV Line	$/kW	1.2900
Monthly Distribution Wheeling Service Rate – Shared LV Line	$/kW	0.1400
Retail Transmission Rate – Network Service Rate	$/kW	1.9154
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6522

Specific Service Charges

Customer Administration		
Returned Cheque (plus bank charges)	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	10.00
Collection of Account Charge – No Disconnection	$	30.00
Meter Dispute Charge Plus Measurement Canada Fees (if meter found correct)	$	30.00
Meter Removal Without Authorization	$	60.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter - during Regular Hours	$	45.00
Disconnect/Reconnect at meter - after regular hours	$	75.00
Disconnect/Reconnect at pole – during regular hours	$	95.00
Service call – after regular hours	$	105.00
Specific Charge for Access to the Power Poles – per pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.70)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Request (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, peer request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	no charge	
More than twice a year, per request (plus incremental delivery costs)	$	2.00

Loss Factor

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0154
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0217
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0053

SPECIFIC APPROVALS REQUESTED:

In this proceeding, KW Hydro is requesting the following approvals:

- Approval to charge rates effective May 1, 2010 to recover a revenue requirement of $40,631,182 as set out in Exhibit 1, and Exhibit 7. The schedule of proposed rates is set out in Exhibit 1 and Exhibit 9;

- Approval of the Applicant's proposed capital structure, with a deemed common equity component of 40.0% and a deemed debt component of 60.0%, as set out in Exhibit 6, consistent with Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006. KW Hydro completed the transition from 42.5% equity and 57.5% debt through its 2009 rate application (EB-2008-0192);

- Approval of the proposed loss factor as set out in Exhibit 4.

- Approval to adjust the Applicant's approved Retail Transmission Network and Transformation Connection rates due to the OEB's decision on Hydro One Networks' 2009 Uniform Transmission Rate Adjustment Application (OEB File EB-2008-072) subject to any modification as a result of the OEB's decision in Hydro One Network's 2010 Uniform Transmission Rate Adjustment Application resulting in rate increases January 1, 2010;

- Approval to continue to charge Wholesale Market and Rural Rate Protection Charges approved in the OEB Decision and Order in the matter of KW Hydro's 2009 Distribution Rates (EB-2008-0192);

- Approval to continue the Specific Service Charges that have not been changed in this rate application and approved in the OEB Decision and Order in the matter of KW Hydro's 2009 Distribution Rates (EB-2008-0192);

- Approval to implement three new Specific Service Charges for the following services:
  - Collection of Account Charge – No Disconnection
  - Meter Dispute Charge plus Measurement Canada Fees (if meter found correct)
  - Meter Removal without Authorization
- Approval to adjust its approved Transformer Ownership Allowance;

- Approval to implement rate riders for LRAM and SSM

- Approval to dispose of Deferral and Variance Account Balances as at December 31, 2008 with projected interest to April 30, 2010 over a four-year period using the method of recovery described in Exhibit 9.

- Approval to use the Board Approved 1595 account – Disposition and Recovery of Regulatory Balances and sub-accounts to record the disposition and recoveries of Deferral and Variance account balances.

DRAFT ISSUES LIST:

The Applicant would expect, based on previous regulatory experience and other hearings, that the following matters pertaining to the 2010 Test Year may constitute issues in this Application:

- The amount of KW Hydro's proposed revenue requirement; and
- The reasonableness of the proposed electricity distribution rates.

PROCEDURAL ORDERS/MOTIONS/NOTICES:

On March 12, 2007, the OEB issued a Report titled "LDC Screening Methodology to Establish a Rebasing Schedule for Electricity LDCs". The purpose of that Report was "to describe the criteria to be considered in determining which electricity distributors to engage in proceedings before the Board for rebasing to establish rates for each of the years 2009, 2010 and 2010" and to establish the next steps and timelines for filing. Section 3.3 of that Report provided an opportunity for LDCs to "self-nominate" to be rebased in a particular year.

On November 22, 2007, KW Hydro filed a self-nomination request for rebasing in 2010. Subsequently, in Board File No. EB-2006-0330, the OEB issued its list of distributors that will be rebased in 2010. KW Hydro was included on that list.

Further, on January 29, 2009, the OEB issued a letter to all electricity distributors extending the number of years for rebasing to include the 2011 rate year. On Schedule B of that letter, KW Hydro was selected for rate rebasing in 2011.

KW Hydro responded on February 9, 2009 requesting to be reinstated to rebase for the 2010 rate year.

On March 5, 2009, the OEB confirmed that KW Hydro was reinstated and would be rebased for the rate year 2010.

ACCOUNTING ORDERS REQUESTED:

KW Hydro is not requesting Accounting Orders in this proceeding.

MATERIALITY THRESHOLDS:

KW Hydro has determined its materiality thresholds in accordance with the Filing Requirements which states the threshold is to be based on 0.5% of the Distribution Revenue Requirement. The materiality threshold utilized for KW Hydro's OM&A variances is $75,000 and Capital Asset variances is $194,529 these variances are presented below in Table 4 and again in Exhibit 2 and Exhibit 4.

Table 5

Base Revenue Requirement

Service Revenue Requirement	40,631,182.31	
Less: Revenue Offsets	-1,725,294.67	
Base Revenue Requirement		**38,905,887.64**
Allocated to:		
Low Voltage Wheeling Costs		
Directly Assigned CDM	0.00	
Other	38,905,887.64	
Total		**38,905,887.64**

Variance calc 0.5% of distribution revenue requirement **$ 194,529**

FINANCIAL

COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS:

KW Hydro has followed the accounting principles and main categories of accounts as stated in the OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts ("USoA") in the preparation of this Application.

BUDGET DIRECTIVES:

KW Hydro compiles budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budget forecast. This budget information is compiled for both the 2009 Bridge Year and the 2010 Test Year.

Revenue Forecast

KW Hydro's energy sales and revenue forecast model was updated to reflect more recent information. This model was then used to prepare the revenues sales and throughput volume and revenue forecast at existing rates for fiscal years 2009 and 2010. Primary drivers were identified to be weather and economic conditions. To account for changes in weather, the forecast is weather normalized as outlined in Exhibit 3 and considers such factors as recent economic conditions, new customer additions, load profiles for all classes.

Operating Maintenance and Administration ("OM&A") Expense Forecast

The OM&A expenses for the 2009 Bridge Year and the 2010 Test Year have been based on an in-depth review of operating priorities and requirements and is strongly influenced by prior year experience. Each item is reviewed account by account for each of the forecast years with indirect costs allocated to direct costs for budget presentation.

Capital Budget

The capital budget forecast 2009 and 2010 is influenced, among other factors, by KW Hydro's capacity to finance capital projects. Indirect costs are allocated to direct costs in the capital budget. All proposed capital projects are assessed within the framework of its capital budget priority according to the Corporation's asset management strategy.

CHANGES IN METHODOLOGY:

KW Hydro is not requesting any changes in methodology in the current proceeding.

CHANGES TO ACCOUNTING POLICIES SINCE LAST REBASING YEAR:

2005

There were no changes to accounting policy in 2005.

2006

There were no changes to accounting policy in 2006.

2007

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 3855 – "Financial Instruments – Recognition and Measurement", 3861 – "Financial Instruments – Disclosure and Presentation", 3865 – "Hedges", 1530 – "Comprehensive Income" and the revised CICA Handbook Section 3251 – "Equity" [the "Handbook Sections"]. As provided under the standards, the financial statements have not been restated. These new Handbook Sections have lead to changes in the accounting for financial instruments and hedging transactions. All relevant changes are outlined below.

Financial Instruments - Recognition and Measurement – Section 3855

This Section establishes the standards for the recognition and measurement of financial assets and financial liabilities. At inception, all financial instruments which meet the definition of a financial asset or financial liability are recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company. As of January 1, 2007, the Company has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

- Cash is classified as "Assets Held-for-Trading" and is measured at fair value.

- Cash equivalents, comprising short-term investments, are classified as "Held-to-Maturity Investments" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

- Accounts receivable are classified as "Loans and Receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

Subsequent measurements are recorded at amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities and the long-term debt are classified as "Other Financial Liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Comprehensive Income – Section 1530

This Section describes the recognition and disclosure requirements with respect to comprehensive income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income represents the changes in the fair value of a financial instrument which have not been included in net income.

As the Company had no adjustments to other comprehensive income during the period ending December 31, 2007, the adoption of this standard does not have an impact on the financial statements.

Hedges – Section 3865

This Section establishes standards regarding the use of hedge accounting, in particular, the criteria to be met for the application of hedge accounting and the methods of executing various hedging strategies. ***As the Company has not entered into any hedging transactions as at December 31, 2007, the adoption of this standard does not have an impact on the financial statements.***

2008

a) During the year, the Company changed its accounting policy for the accounting for income taxes from the taxes payable method, as permitted by rate regulated enterprises, to the asset and liability method (referred to as the future tax method). Under the future tax method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Company concluded that the future tax method provides more relevant tax measurement and presentation to the taxes payable method. The change in accounting policy has been applied retroactively.

The 2007 financial statements have been restated to record additional net future tax assets of $13,884,083 and an increase to opening retained earnings of $13,884,083. As prescribed by regulatory rate orders, rates do not include the recovery of future income taxes related to the timing differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes.

b) During the year, the Company changed its accounting policy for the recognition of actuarial gains and losses from recognition in the period for which the actuarial gains and losses are recorded to the corridor method. Both methods are permitted under CICA Handbook Section 3461, Employee Future Benefits. Under the corridor method, the Company recognizes as income or expense, the amortization of the excess of the net accumulated actuarial gains (losses) over 10% of the accrued benefit obligation, amortized over the average remaining service period of active employees. The Company concluded that the corridor method provides more relevant measurement of actuarial gains (losses) compared to the previous policy. The change in accounting policy has been applied retroactively.

The 2007 financial statements have been restated to increase the amounts previously recorded for post-employment benefit liability by $341,575 and future income tax assets by $123,377 and to decrease the opening retained earnings by $218,198. As a result of this change in accounting policy, starting in 2008, the company has recognized amortization of approximately $98K per year of accumulated actuarial gains, effectively reducing post-retirement benefit expense.

c) During the year, the Company adopted the provisions of CICA Handbook Section 3031, Inventories, which replaced CICA Handbook Section 3030. Under the new standard, inventories are required to be valued at the lower of cost and net realizable value and items considered major spare parts are recorded as capital assets. The standard also contains provisions requiring the reversal of inventory write-downs if the circumstances resulting in the original write-down have reversed. Prior to 2008, inventories were valued at the lower of average weighted cost and net realizable value. ***There was no change to the inventory values based on the adoption of this new standard.***

AUDITED FINANCIAL STATEMENTS:

KW Hydro's 2006, 2007 and 2008 audited financial statements are presented as Appendix B, C and D. A copy of KW Hydro's 2008 Annual Report is included as Appendix E.

PRO FORMA STATEMENTS:

KW Hydro's 2009 pro forma Balance Sheet is presented in Table 6, pro-forma Income Statement presented in Table 7.

KW Hydro's 2010 pro-forma Balance Sheet is presented in Table 8, pro-forma Income Statement presented in Table 9.

Table 6

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA BALANCE SHEET

Account Description	Total
1050-Current Assets	
1005-Cash	81,445.02
1010-Cash Advances and Working Funds	3,500.00
1020-Interest Special Deposits	-
1040-Other Special Deposits	50,779.08
1060-Term Deposits	21,122,321.49
1100-Customer Accounts Receivable	12,097,238.21
1102-Accounts Receivable - Services	(309,279.64)
1104-Accounts Receivable - Recoverable Work	91,206.94
1105-Accounts Receivable - Merchandise, Jobbing, etc.	181.70
1110-Other Accounts Receivable	1,607,472.79
1120-Accrued Utility Revenues	18,768,790.00
1130-Provision for Uncollectible Accounts	(350,000.00)
1140-Interest and Dividends Receivable	257,400.00
1150-Rents Receivable	-
1180-Prepayments	500,000.00
1190-Miscellaneous Current and Accrued Assets	-
1200-Accounts Receivable from Associated Companies	-
1210-Notes Receivable from Associated Companies	-
1050-Current Assets Total	**53,921,055.59**

1100-Inventory	
1305-Fuel Stock	14,877.65
1330-Plant Materials and Operating Supplies	3,571,008.33
1340-Merchandise	-
1350-Other Material and Supplies	70,000.00
1100-Inventory Total	**3,655,885.98**

1150-Non-Current Assets	
1405-Long Term Investments in Non-Associated Companies	-
1408-Long Term Receivable - Street Lighting Transfer	-
1410-Other Special or Collateral Funds	-
1415-Sinking Funds	-
1425-Unamortized Debt Expense	-
1445-Unamortized Discount on Long-Term Debt--Debit	-
1455-Unamortized Deferred Foreign Currency Translation Gains and Losses	-
1460-Other Non-Current Assets	11,821,925.00
1465-O.M.E.R.S. Past Service Costs	-
1470-Past Service Costs - Employee Future Benefits	-
1475-Past Service Costs - Other Pension Plans	-
1480-Portfolio Investments - Associated Companies	-
1485-Investment In Subsidiary Companies - Significant Influence	-
1490-Investment in Subsidiary Companies	-
1150-Non-Current Assets Total	**11,821,925.00**

Table 6

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA BALANCE SHEET

1200-Other Assets and Deferred Charges	
1505-Unrecovered Plant and Regulatory Study Costs	-
1508-Other Regulatory Assets	1,282,406.92
1510-Preliminary Survey and Investigation Charges	-
1515-Emission Allowance Inventory	-
1516-Emission Allowance Withheld	-
1518-RCVA Retail	(109,094.38)
1525-Miscellaneous Deferred Debits	14,492.97
1530-Deferred Losses from Disposition of Utility Plant	-
1540-Deferred Losses from Disposition of Utility Plant	-
1545-Development Charge Deposits/ Receivables	-
1548-RCVA - Service Transaction Request (STR)	56,663.72
1550-LV Charges - Variance	-
1555-Smart Meters Recovery	8,589,218.25
1556-Smart Meters OM & A	786,205.27
1562-Deferred PILs	(2,084,596.88)
1563-Deferred PILs - Contra	2,317,943.13
1565-C & DM Costs	269.13
1566-C & DM Costs Contra	-
1570-Qualifying Transition Costs	-
1571-Pre Market Cof P Variance	-
1572-Extraordinary Event Losses	-
1574-Deferred Rate Impact Amounts	-
1580-RSVA - Wholesale Market Services	(5,177,802.34)
1582-RSVA - One-Time	126,176.39
1584-RSVA - Network Charges	(2,881,346.48)
1586-RSVA - Connection Charges	(1,962,942.42)
1588-RSVA - Commodity (Power)	3,123,096.07
1590-Recovery of Regulatory Assets (25% of 2002 bal.)	(260,564.25)
1592-PILs and Tax Variance for 2006 & Subsequent Years	(233,346.25)
1200-Other Assets and Deferred Charges Total	**3,586,778.85**

1450-Distribution Plant	
1805-Land	2,331,738.01
1806-Land Rights	265,448.50
1808-Buildings and Fixtures	6,240,575.93
1810-Leasehold Improvements	-
1815-Transformer Station Equipment - Normally Primary above 50 kV	40,094,598.52
1820-Distribution Station Equipment - Normally Primary below 50 kV	2,853,104.53
1825-Storage Battery Equipment	-
1830-Poles, Towers and Fixtures	27,389,219.09
1835-Overhead Conductors and Devices	30,606,128.83
1840-Underground Conduit	21,674,675.13
1845-Underground Conductors and Devices	37,462,718.24
1850-Line Transformers	50,603,907.03
1855-Services	38,424,439.86
1860-Meters	11,897,959.51

Table 6

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA BALANCE SHEET

1861-Smart Meters	-
1450-Distribution Plant Total	**269,844,513.18**

1500-General Plant	
1905-Land	1,395,299.94
1906-Land Rights	-
1908-Buildings and Fixtures	9,369,790.78
1910-Leasehold Improvements	-
1915-Office Furniture and Equipment	998,940.32
1920-Computer Equipment - Hardware	2,221,046.11
1925-Computer Software	2,670,458.51
1930-Transportation Equipment	7,219,966.23
1935-Stores Equipment	38,829.72
1940-Tools, Shop and Garage Equipment	846,807.87
1945-Measurement and Testing Equipment	586,261.07
1950-Power Operated Equipment	741,454.83
1955-Communication Equipment	173,728.98
1960-Miscellaneous Equipment	30,565.97
1970-Load Management Controls - Customer Premises	-
1975-Load Management Controls - Utility Premises	-
1980-System Supervisory Equipment	1,599,831.71
1985-Sentinel Lighting Rentals	-
1990-Other Tangible Property	-
1995-Contributions and Grants	(38,069,964.90)
1500-General Plant Total	**(10,176,982.86)**

1550-Other Capital Assets	
2005-Property Under Capital Leases	-
2010-Electric Plant Purchased or Sold	-
2020-Experimental Electric Plant Unclassified	-
2030-Electric Plant and Equipment Leased to Others	-
2040-Electric Plant Held for Future Use	-
2050-Completed Construction Not Classified--Electric	-
2055-Construction Work in Progress--Electric	11,985,387.38
2060-Electric Plant Acquisition Adjustment	-
2065-Other Electric Plant Adjustment	-
2070-Other Utility Plant	510,000.16
2075-Non-Utility Property Owned or Under Capital Lease	-
1550-Other Capital Assets Total	**12,495,387.54**

1600-Accumulated Amortization	
2105-Accumulated Amortization of Electric Utility Plant - Property, Plant and Equipment	(127,532,854.91)
2120-Accumulated Amortization of Electric Utility Plant - Intangibles	(247,309.74)
2140-Accumulated Amortization of Electric Plant Acquisition Adjustment	-
2160-Accumulated Amortization of Other Utility Plant	-

Table 6

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA BALANCE SHEET

2180-Accumulated Amortization of Non-Utility Property	-
1600-Accumulated Amortization Total	**(127,780,164.65)**
TOTAL ASSETS	**217,368,398.63**
1650-Current Liabilities	
2205-Accounts Payable	2,747,664.44
2208-Customer Credit Balances	231,231.97
2210-Current Portion of Customer Deposits	7,300,000.00
2211-Construction Deposits	-
2215-Dividends Declared	-
2220-Miscellaneous Current and Accrued Liabilities	958,552.53
2225-Notes and Loans Payable	-
2240-Accounts Payable to Associated Companies	-
2242-Notes Payable to Associated Companies	-
2250-Competition Transition Charges Payable	-
2252-Transmission Charges Payable	-
2254-Electric Safety Authority Fees Payable	-
2256-Independent Market Operator Fees and Penalties Payable	11,831,192.50
2260-Current Portion of Long Term Debt	-
2262-Ontario Hydro Debt - Current Portion	-
2264-Pensions and Employee Benefits - Current Portion	-
2268-Accrued Interest on Long Term Debt	-
2270-Matured Long Term Debt	-
2272-Matured Interest on Long Term Debt	-
2285-Obligations Under Capital Leases--Current	-
2290-Commodity Taxes	176,244.79
2292-Payroll Deductions / Expenses Payable	54,928.44
2294-Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	13,285.33
2296-Future Income Taxes - Current	-
1650-Current Liabilities Total	**23,313,100.00**
1700-Non-Current Liabilities	
2305-Accumulated Provision for Injuries and Damages	-
2306-Employee Future Benefits	5,459,500.00
2308-Other Pensions - Past Service Liability	-
2310-Vested Sick Leave Liability	-
2315-Accumulated Provision for Rate Refunds	-
2320-Other Miscellaneous Non-Current Liabilities	-
2325-Obligations Under Capital Lease--Non-Current	-
2330-Devolpment Charge Fund	-
2335-Long Term Customer Deposits	3,700,000.00
2340-Collateral Funds Liability	-
2345-Unamortized Premium on Long Term Debt	-
2348-O.M.E.R.S. - Past Service Liability - Long Term Portion	-
2350-Future Income Tax - Non-Current	-
2405-Other Regulatory Liabilities	-

Table 6

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA BALANCE SHEET

2410-Deferred Gains From Disposition of Utility Plant	-
2415-Unamortized Gain on Reacquired Debt	-
2425-Other Deferred Credits	50,779.08
2435-Accrued Rate-Payer Benefit	-
1700-Non-Current Liabilities Total	**9,210,279.08**

1800-Long-Term Debt	
2505-Debentures Outstanding - Long Term Portion	-
2510-Debenture Advances	-
2515-Required Bonds	-
2520-Other Long Term Debt	76,962,142.00
2525-Term Bank Loans - Long Term Portion	-
2530-Ontario Hydro Debt Outstanding - Long Term Portion	-
2550-Advances from Associated Companies	-
1800-Long-Term Debt Total	**76,962,142.00**

1850-Shareholders' Equity	
3005-Common Shares Issued	63,689,499.00
3008-Preference Shares Issued	-
3010-Contributed Surplus	-
3020-Donations Received	-
3022-Devolpment Charges Transferred to Equity	-
3026-Capital Stock Held in Treasury	-
3030-Miscellaneous Paid-In Capital	-
3035-Installments Received on Capital Stock	-
3040-Appropriated Retained Earnings	-
3045-Unappropriated Retained Earnings	29,672,083.44
3046-Balance Transferred From Income	3,213,950.11
3047-Appropriations of Retained Earnings - Current Period	-
3048-Dividends Payable-Preference Shares	-
3049-Dividends Payable-Common Shares	-
3055-Adjustment to Retained Earnings	11,307,345.00
3065-Unappropriated Undistributed Subsidiary Earnings	-
1850-Shareholders' Equity Total	**107,882,877.55**

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	**217,368,398.63**

Balance Sheet Total	**0.00**

Table 7

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

Account Description	Total
3000-Sales of Electricity	
4006-Residential Energy Sales	(32,295,255.20)
4010-Commercial Energy Sales	-
4015-Industrial Energy Sales	-
4020-Energy Sales to Large Users	(4,941,170.40)
4025-Street Lighting Energy Sales	(829,090.40)
4030-Sentinel Energy Sales	-
4035-General Energy Sales	(55,204,032.80)
4040-Other Energy Sales to Public Authorities	-
4045-Energy Sales to Railroads and Railways	-
4050-Revenue Adjustment	-
4055-Energy Sales for Resale	(23,317,387.20)
4060-Interdepartmental Energy Sales	-
4062-WMS	(12,404,494.00)
4064-Billed WMS-One Time	-
4066-NS	(9,247,058.00)
4068-CS	(3,735,822.00)
4075-LV Charges	-
3000-Sales of Electricity Total	**(141,974,310.00)**

3050-Revenues From Services - Distribution	
4080-Distribution Services Revenue	(32,515,538.72)
4082-RS Rev	(43,680.00)
4084-Serv Tx Requests	(37,220.00)
4090-Electric Services Incidental to Energy Sales	-
3050-Revenues From Services - Distribution Total	**(32,596,438.72)**

3100-Other Operating Revenues	
4205-Interdepartmental Rents	-
4210-Rent from Electric Property	(515,600.00)
4215-Other Utility Operating Income	-
4220-Other Electric Revenues	(24,000.00)
4225-Late Payment Charges	(200,400.00)
4230-Sales of Water and Water Power	-
4235-Miscellaneous Service Revenues	(233,000.00)
4240-Provision for Rate Refunds	-
4245-Government Assistance Directly Credited to Income	-
3100-Other Operating Revenues Total	**(973,000.00)**

3150-Other Income & Deductions	
4305-Regulatory Debits	-
4310-Regulatory Credits	-
4315-Revenues from Electric Plant Leased to Others	-

Table 7

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

4320-Expenses of Electric Plant Leased to Others	-
4325-Revenues from Merchandise, Jobbing, Etc.	-
4330-Costs and Expenses of Merchandising, Jobbing, Etc	-
4335-Profits and Losses from Financial Instrument Hedges	-
4340-Profits and Losses from Financial Instrument Investments	-
4345-Gains from Disposition of Future Use Utility Plant	-
4350-Losses from Disposition of Future Use Utility Plant	-
4355-Gain on Disposition of Utility and Other Property	(30,000.00)
4360-Loss on Disposition of Utility and Other Property	-
4365-Gains from Disposition of Allowances for Emission	-
4370-Losses from Disposition of Allowances for Emission	-
4375-Revenues from Non-Utility Operations	(2,216,501.00)
4380-Expenses of Non-Utility Operations	2,137,709.00
4385-Expenses of Non-Utility Operations	-
4390-Miscellaneous Non-Operating Income	(74,000.00)
4395-Rate-Payer Benefit Including Interest	-
4398-Foreign Exchange Gains and Losses, Including Amortization	-
3150-Other Income & Deductions Total	**(182,792.00)**

3200-Investment Income	
4405-Interest and Dividend Income	(514,000.00)
4415-Equity in Earnings of Subsidiary Companies	-
3200-Investment Income Total	**(514,000.00)**

3350-Power Supply Expenses	
4705-Power Purchased	116,586,936.00
4708-WMS	12,404,494.00
4710-Cost of Power Adjustments	-
4712-0	-
4714-NW	9,247,058.00
4715-System Control and Load Dispatching	-
4716-NCN	3,735,822.00
4720-Other Expenses	-
4725-Competition Transition Expense	-
4730-Rural Rate Assistance Expense	-
4750-LV Charges	-
3350-Power Supply Expenses Total	**141,974,310.00**

3500-Distribution Expenses - Operation	
5005-Operation Supervision and Engineering	586,300.00
5010-Load Dispatching	609,000.00
5012-Station Buildings and Fixtures Expense	-
5014-Transformer Station Equipment - Operation Labour	288,900.12
5015-Transformer Station Equipment - Operation Supplies and Expenses	486,099.88

Table 7

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5016-Distribution Station Equipment - Operation Labour	8,064.27
5017-Distribution Station Equipment - Operation Supplies and Expenses	17,935.73
5020-Overhead Distribution Lines and Feeders - Operation Labour	42,838.77
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	32,161.23
5030-Overhead Subtransmission Feeders - Operation	-
5035-Overhead Distribution Transformers - Operation	-
5040-Underground Distribution Lines and Feeders - Operation Labour	303,300.00
5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses	146,700.00
5050-Underground Subtransmission Feeders - Operation	-
5055-Underground Distribution Transformers - Operation	-
5060-Street Lighting and Signal System Expense	-
5065-Meter Expense	220,000.00
5070-Customer Premises - Operation Labour	15,403.97
5075-Customer Premises - Materials and Expenses	6,596.03
5085-Miscellaneous Distribution Expense	-
5090-Underground Distribution Lines and Feeders - Rental Paid	20,000.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	16,500.00
5096-Other Rent	-
3500-Distribution Expenses - Operation Total	**2,799,800.00**

3550-Distribution Expenses - Maintenance	
5105-Maintenance Supervision and Engineering	-
5110-Maintenance of Structures	103,700.00
5112-Maintenance of Transformer Station Equipment	465,000.00
5114-Maintenance of Distribution Station Equipment	85,000.00
5120-Maintenance of Poles, Towers and Fixtures	340,000.00
5125-Maintenance of Overhead Conductors and Devices	700,000.00
5130-Maintenance of Overhead Services	1,275,000.00
5135-Overhead Distribution Lines and Feeders - Right of Way	-
5145-Maintenance of Underground Conduit	365,000.00
5150-Maintenance of Underground Conductors and Devices	490,000.00
5155-Maintenance of Underground Services	208,000.00
5160-Maintenance of Line Transformers	310,000.00
5165-Maintenance of Street Lighting and Signal Systems	-
5170-Sentinel Lights - Labour	-
5172-Sentinel Lights - Materials and Expenses	-
5175-Maintenance of Meters	500.00
5178-Customer Installations Expenses - Leased Property	-
5195-Maintenance of Other Installations on Customer Premises	-
3550-Distribution Expenses - Maintenance Total	**4,342,200.00**

3650-Billing and Collecting	
5305-Supervision	223,800.00
5310-Meter Reading Expense	425,700.00

Table 7

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5315-Customer Billing	1,364,000.00
5320-Collecting	757,900.00
5325-Collecting - Cash Over and Short	100.00
5330-Collection Charges	25,000.00
5335-Bad Debt Expense	210,000.00
5340-Miscellaneous Customer Accounts Expenses	-
3650-Billing and Collecting Total	**3,006,500.00**

3700-Community Relations	
5405-Supervision	-
5410-Community Relations - Sundry	105,000.00
5415-Energy Conservation	31,600.00
5420-Community Safety Program	72,200.00
5425-Miscellaneous Customer Service and Informational Expenses	-
3700-Community Relations Total	**208,800.00**

3800-Administrative and General Expenses	
5605-Executive Salaries and Expenses	49,100.00
5610-Management Salaries and Expenses	928,474.00
5615-General Administrative Salaries and Expenses	207,426.00
5620-Office Supplies and Expenses	148,900.00
5625-Administrative Expense Transferred-Credit	(102,600.00)
5630-Outside Services Employed	236,500.00
5635-Property Insurance	92,000.00
5640-Injuries and Damages	206,500.00
5645-Employee Pensions and Benefits	255,600.00
5650-Franchise Requirements	-
5655-Regulatory Expenses	401,600.00
5660-General Advertising Expenses	-
5665-Miscellaneous Expenses	50,800.00
5670-Rent	-
5675-Maintenance of General Plant	375,600.00
5680-Electrical Safety Authority Fees	34,500.00
5685-Independent Market Operator Fees and Penalties	-
5695-OM&A Contra Account	-
3800-Administrative and General Expenses Total	**2,884,400.00**

3850-Amortization Expense	
5705-Amortization Expense - Property, Plant and Equipment	9,723,672.34
5710-Amortization of Limited Term Electric Plant	-
5715-Amortization of Intangibles and Other Electric Plant	-
5720-Amortization of Electric Plant Acquisition Adjustments	-
5725-Miscellaneous Amortization	-
5730-Amortization of Unrecovered Plant and Regulatory Study Costs	-

Table 7

Kitchener-Wilmot Hydro Inc.
2009 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5735-Amortization of Deferred Development Costs	-
5740-Amortization of Deferred Charges	-
3850-Amortization Expense Total	**9,723,672.34**

3900-Interest Expense	
6005-Interest on Long Term Debt	5,417,506.03
6010-Amortization of Debt Discount and Expense	-
6015-Amortization of Premium on Debt-Credit	-
6020-Amortization of Loss on Reacquired Debt	-
6025-Amortization of Gain on Reacquired Debt-Credit	-
6030-Interest on Debt to Associated Companies	-
6035-Other Interest Expense	156,000.00
6040-Allowance for Borrowed Funds Used During Construction-Credit	-
6042-Allowance for Other Funds Used During Construction	-
6045-Interest Expense on Capital Lease Obligations	-
3900-Interest Expense Total	**5,573,506.03**

3950-Taxes Other Than Income Taxes	
6105-Taxes Other Than Income Taxes	529,300.00
3950-Taxes Other Than Income Taxes Total	**529,300.00**

4000-Income Taxes	
6110-Income Taxes	2,151,402.24
6115-Provision for Future Income Taxes	-
4000-Income Taxes Total	**2,151,402.24**

4100-Extraordinary & Other Items	
6205-Donations	90,000.00
6210-Life Insurance	-
6215-Penalties	-
6225-Other Deductions	-
6315-Income Taxes, Extraordinary Items	(257,300.00)
4100-Extraordinary & Other Items Total	**(167,300.00)**

NET INCOME - (Gain)/Loss	**(3,213,950.11)**

Table 8

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA BALANCE SHEET

Account Description	Total
1050-Current Assets	
1005-Cash	62,820.60
1010-Cash Advances and Working Funds	3,500.00
1020-Interest Special Deposits	-
1040-Other Special Deposits	50,779.08
1060-Term Deposits	10,321,261.89
1100-Customer Accounts Receivable	12,688,488.21
1102-Accounts Receivable - Services	(309,279.64)
1104-Accounts Receivable - Recoverable Work	91,206.94
1105-Accounts Receivable - Merchandise, Jobbing, etc.	181.70
1110-Other Accounts Receivable	1,607,472.79
1120-Accrued Utility Revenues	19,613,520.00
1130-Provision for Uncollectible Accounts	(350,000.00)
1140-Interest and Dividends Receivable	125,000.00
1150-Rents Receivable	-
1180-Prepayments	500,000.00
1190-Miscellaneous Current and Accrued Assets	-
1200-Accounts Receivable from Associated Companies	-
1210-Notes Receivable from Associated Companies	-
1050-Current Assets Total	**44,404,951.57**

1100-Inventory	
1305-Fuel Stock	14,877.65
1330-Plant Materials and Operating Supplies	3,571,008.33
1340-Merchandise	-
1350-Other Material and Supplies	70,000.00
1100-Inventory Total	**3,655,885.98**

1150-Non-Current Assets	
1405-Long Term Investments in Non-Associated Companies	-
1408-Long Term Receivable - Street Lighting Transfer	-
1410-Other Special or Collateral Funds	-
1415-Sinking Funds	-
1425-Unamortized Debt Expense	-
1445-Unamortized Discount on Long-Term Debt--Debit	-
1455-Unamortized Deferred Foreign Currency Translation Gains and Losses	-
1460-Other Non-Current Assets	12,079,225.00
1465-O.M.E.R.S. Past Service Costs	-
1470-Past Service Costs - Employee Future Benefits	-
1475-Past Service Costs - Other Pension Plans	-
1480-Portfolio Investments - Associated Companies	-
1485-Investment In Subsidiary Companies - Significant Influence	-
1490-Investment in Subsidiary Companies	-
1150-Non-Current Assets Total	**12,079,225.00**

Table 8

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA BALANCE SHEET

1200-Other Assets and Deferred Charges	
1505-Unrecovered Plant and Regulatory Study Costs	-
1508-Other Regulatory Assets	-
1510-Preliminary Survey and Investigation Charges	-
1515-Emission Allowance Inventory	-
1516-Emission Allowance Withheld	-
1518-RCVA Retail	-
1525-Miscellaneous Deferred Debits	-
1530-Deferred Losses from Disposition of Utility Plant	-
1540-Deferred Losses from Disposition of Utility Plant	-
1545-Development Charge Deposits/ Receivables	-
1548-RCVA - Service Transaction Request (STR)	-
1550-LV Charges - Variance	-
1555-Smart Meters Recovery	11,404,573.37
1556-Smart Meters OM & A	2,514,653.43
1562-Deferred PILs	(2,105,456.08)
1563-Deferred PILs - Contra	2,340,995.64
1565-C & DM Costs	-
1566-C & DM Costs Contra	-
1570-Qualifying Transition Costs	-
1571-Pre Market Cof P Variance	-
1572-Extraordinary Event Losses	-
1574-Deferred Rate Impact Amounts	-
1580-RSVA - Wholesale Market Services	-
1582-RSVA - One-Time	-
1584-RSVA - Network Charges	-
1586-RSVA - Connection Charges	-
1588-RSVA - Commodity (Power)	-
1590-Recovery of Regulatory Assets (25% of 2002 bal.)	-
1592-PILs and Tax Variance for 2006 & Subsequent Years	(235,539.56)
1595-Disposition of Account Balances	(4,620,880.48)
1200-Other Assets and Deferred Charges Total	**9,298,346.33**

1450-Distribution Plant	
1805-Land	2,331,738.01
1806-Land Rights	265,448.50
1808-Buildings and Fixtures	8,066,099.31
1810-Leasehold Improvements	-
1815-Transformer Station Equipment - Normally Primary above 50 kV	55,295,760.41
1820-Distribution Station Equipment - Normally Primary below 50 kV	2,853,104.53
1825-Storage Battery Equipment	-
1830-Poles, Towers and Fixtures	28,688,344.30
1835-Overhead Conductors and Devices	31,351,420.23
1840-Underground Conduit	22,344,217.41
1845-Underground Conductors and Devices	37,863,510.35
1850-Line Transformers	51,080,359.55
1855-Services	39,387,653.04

Table 8
Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA BALANCE SHEET

1860-Meters	12,247,643.07
1861-Smart Meters	-
1450-Distribution Plant Total	**291,775,298.71**

1500-General Plant	
1905-Land	1,395,299.94
1906-Land Rights	-
1908-Buildings and Fixtures	9,369,790.78
1910-Leasehold Improvements	-
1915-Office Furniture and Equipment	1,031,640.32
1920-Computer Equipment - Hardware	2,180,246.11
1925-Computer Software	3,062,958.51
1930-Transportation Equipment	7,372,066.23
1935-Stores Equipment	38,829.72
1940-Tools, Shop and Garage Equipment	870,107.87
1945-Measurement and Testing Equipment	550,261.07
1950-Power Operated Equipment	665,754.83
1955-Communication Equipment	173,728.98
1960-Miscellaneous Equipment	30,565.97
1970-Load Management Controls - Customer Premises	-
1975-Load Management Controls - Utility Premises	-
1980-System Supervisory Equipment	1,566,479.55
1985-Sentinel Lighting Rentals	-
1990-Other Tangible Property	-
1995-Contributions and Grants	(40,869,964.90)
1500-General Plant Total	**(12,562,235.02)**

1550-Other Capital Assets	
2005-Property Under Capital Leases	-
2010-Electric Plant Purchased or Sold	-
2020-Experimental Electric Plant Unclassified	-
2030-Electric Plant and Equipment Leased to Others	-
2040-Electric Plant Held for Future Use	-
2050-Completed Construction Not Classified--Electric	-
2055-Construction Work in Progress--Electric	4,181,175.46
2060-Electric Plant Acquisition Adjustment	-
2065-Other Electric Plant Adjustment	-
2070-Other Utility Plant	715,000.16
2075-Non-Utility Property Owned or Under Capital Lease	-
1550-Other Capital Assets Total	**4,896,175.62**

1600-Accumulated Amortization	
2105-Accumulated Amortization of Electric Utility Plant - Property, Plant and Equipment	(131,218,219.50)
2120-Accumulated Amortization of Electric Utility Plant - Intangibles	(250,009.74)
2140-Accumulated Amortization of Electric Plant Acquisition Adjustment	-
2160-Accumulated Amortization of Other Utility Plant	-

Table 8

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA BALANCE SHEET

2180-Accumulated Amortization of Non-Utility Property	-
1600-Accumulated Amortization Total	**(131,468,229.24)**
TOTAL ASSETS	**222,079,418.94**
1650-Current Liabilities	
2205-Accounts Payable	2,796,005.86
2208-Customer Credit Balances	231,231.97
2210-Current Portion of Customer Deposits	7,300,000.00
2211-Construction Deposits	-
2215-Dividends Declared	-
2220-Miscellaneous Current and Accrued Liabilities	958,552.53
2225-Notes and Loans Payable	-
2240-Accounts Payable to Associated Companies	-
2242-Notes Payable to Associated Companies	-
2250-Competition Transition Charges Payable	-
2252-Transmission Charges Payable	-
2254-Electric Safety Authority Fees Payable	-
2256-Independent Market Operator Fees and Penalties Payable	11,722,051.08
2260-Current Portion of Long Term Debt	-
2262-Ontario Hydro Debt - Current Portion	-
2264-Pensions and Employee Benefits - Current Portion	-
2268-Accrued Interest on Long Term Debt	-
2270-Matured Long Term Debt	-
2272-Matured Interest on Long Term Debt	-
2285-Obligations Under Capital Leases--Current	-
2290-Commodity Taxes	176,244.79
2292-Payroll Deductions / Expenses Payable	54,928.44
2294-Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	13,285.33
2296-Future Income Taxes - Current	-
1650-Current Liabilities Total	**23,252,300.00**
1700-Non-Current Liabilities	
2305-Accumulated Provision for Injuries and Damages	-
2306-Employee Future Benefits	5,623,300.00
2308-Other Pensions - Past Service Liability	-
2310-Vested Sick Leave Liability	-
2315-Accumulated Provision for Rate Refunds	-
2320-Other Miscellaneous Non-Current Liabilities	-
2325-Obligations Under Capital Lease--Non-Current	-
2330-Devolpment Charge Fund	-
2335-Long Term Customer Deposits	3,200,000.00
2340-Collateral Funds Liability	-
2345-Unamortized Premium on Long Term Debt	-
2348-O.M.E.R.S. - Past Service Liability - Long Term Portion	-
2350-Future Income Tax - Non-Current	-
2405-Other Regulatory Liabilities	-

Table 8

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA BALANCE SHEET

2410-Deferred Gains From Disposition of Utility Plant	-
2415-Unamortized Gain on Reacquired Debt	-
2425-Other Deferred Credits	50,779.08
2435-Accrued Rate-Payer Benefit	-
1700-Non-Current Liabilities Total	**8,874,079.08**

1800-Long-Term Debt	
2505-Debentures Outstanding - Long Term Portion	-
2510-Debenture Advances	-
2515-Required Bonds	-
2520-Other Long Term Debt	76,962,142.00
2525-Term Bank Loans - Long Term Portion	-
2530-Ontario Hydro Debt Outstanding - Long Term Portion	-
2550-Advances from Associated Companies	-
1800-Long-Term Debt Total	**76,962,142.00**

1850-Shareholders' Equity	
3005-Common Shares Issued	63,689,499.00
3008-Preference Shares Issued	-
3010-Contributed Surplus	-
3020-Donations Received	-
3022-Devolpment Charges Transferred to Equity	-
3026-Capital Stock Held in Treasury	-
3030-Miscellaneous Paid-In Capital	-
3035-Installments Received on Capital Stock	-
3040-Appropriated Retained Earnings	-
3045-Unappropriated Retained Earnings	31,600,453.50
3046-Balance Transferred From Income	6,393,600.36
3047-Appropriations of Retained Earnings - Current Period	-
3048-Dividends Payable-Preference Shares	-
3049-Dividends Payable-Common Shares	-
3055-Adjustment to Retained Earnings	11,307,345.00
3065-Unappropriated Undistributed Subsidiary Earnings	-
1850-Shareholders' Equity Total	**112,990,897.86**

Total Liabilities & Shareholder's Equity	**222,079,418.94**

Balance Sheet Total	**0.00**

Table 9

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

Account Description	Total
3000-Sales of Electricity	
4006-Residential Energy Sales	(32,586,703.20)
4010-Commercial Energy Sales	-
4015-Industrial Energy Sales	-
4020-Energy Sales to Large Users	(3,500,508.80)
4025-Street Lighting Energy Sales	(836,663.20)
4030-Sentinel Energy Sales	-
4035-General Energy Sales	(56,286,473.60)
4040-Other Energy Sales to Public Authorities	-
4045-Energy Sales to Railroads and Railways	-
4050-Revenue Adjustment	-
4055-Energy Sales for Resale	(23,302,587.20)
4060-Interdepartmental Energy Sales	-
4062-WMS	(12,397,626.00)
4064-Billed WMS-One Time	-
4066-NS	(8,839,598.00)
4068-CS	(2,914,453.00)
4075-LV Charges	-
3000-Sales of Electricity Total	**(140,664,613.00)**
3050-Revenues From Services - Distribution	
4080-Distribution Services Revenue	(39,133,888.09)
4082-RS Rev	(42,420.00)
4084-Serv Tx Requests	(28,280.00)
4090-Electric Services Incidental to Energy Sales	-
3050-Revenues From Services - Distribution Total	**(39,204,588.09)**
3100-Other Operating Revenues	
4205-Interdepartmental Rents	-
4210-Rent from Electric Property	(518,600.00)
4215-Other Utility Operating Income	-
4220-Other Electric Revenues	(24,000.00)
4225-Late Payment Charges	(200,400.00)
4230-Sales of Water and Water Power	-
4235-Miscellaneous Service Revenues	(256,726.67)
4240-Provision for Rate Refunds	-
4245-Government Assistance Directly Credited to Income	-
3100-Other Operating Revenues Total	**(999,726.67)**
3150-Other Income & Deductions	
4305-Regulatory Debits	-
4310-Regulatory Credits	-
4315-Revenues from Electric Plant Leased to Others	-

Table 9

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

4320-Expenses of Electric Plant Leased to Others	-
4325-Revenues from Merchandise, Jobbing, Etc.	-
4330-Costs and Expenses of Merchandising, Jobbing, Etc	-
4335-Profits and Losses from Financial Instrument Hedges	-
4340-Profits and Losses from Financial Instrument Investments	-
4345-Gains from Disposition of Future Use Utility Plant	-
4350-Losses from Disposition of Future Use Utility Plant	-
4355-Gain on Disposition of Utility and Other Property	(30,000.00)
4360-Loss on Disposition of Utility and Other Property	-
4365-Gains from Disposition of Allowances for Emission	-
4370-Losses from Disposition of Allowances for Emission	-
4375-Revenues from Non-Utility Operations	(2,303,324.00)
4380-Expenses of Non-Utility Operations	2,222,956.00
4385-Expenses of Non-Utility Operations	-
4390-Miscellaneous Non-Operating Income	(75,000.00)
4395-Rate-Payer Benefit Including Interest	-
4398-Foreign Exchange Gains and Losses, Including Amortization	-
3150-Other Income & Deductions Total	**(185,368.00)**
3200-Investment Income	
4405-Interest and Dividend Income	(256,500.00)
4415-Equity in Earnings of Subsidiary Companies	-
3200-Investment Income Total	**(256,500.00)**
3350-Power Supply Expenses	
4705-Power Purchased	116,512,936.00
4708-WMS	12,397,626.00
4710-Cost of Power Adjustments	-
4712-0	-
4714-NW	8,839,598.00
4715-System Control and Load Dispatching	-
4716-NCN	2,914,453.00
4720-Other Expenses	-
4725-Competition Transition Expense	-
4730-Rural Rate Assistance Expense	-
4750-LV Charges	-
3350-Power Supply Expenses Total	**140,664,613.00**
3500-Distribution Expenses - Operation	
5005-Operation Supervision and Engineering	630,700.00
5010-Load Dispatching	641,000.00
5012-Station Buildings and Fixtures Expense	-
5014-Transformer Station Equipment - Operation Labour	297,567.12
5015-Transformer Station Equipment - Operation Supplies and Expenses	506,432.88

Table 9

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5016-Distribution Station Equipment - Operation Labour	8,306.20
5017-Distribution Station Equipment - Operation Supplies and Expenses	18,693.80
5020-Overhead Distribution Lines and Feeders - Operation Labour	44,123.93
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	55,876.07
5030-Overhead Subtransmission Feeders - Operation	-
5035-Overhead Distribution Transformers - Operation	-
5040-Underground Distribution Lines and Feeders - Operation Labour	315,250.00
5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses	149,750.00
5050-Underground Subtransmission Feeders - Operation	-
5055-Underground Distribution Transformers - Operation	-
5060-Street Lighting and Signal System Expense	-
5065-Meter Expense	320,000.00
5070-Customer Premises - Operation Labour	15,866.09
5075-Customer Premises - Materials and Expenses	9,133.91
5085-Miscellaneous Distribution Expense	-
5090-Underground Distribution Lines and Feeders - Rental Paid	20,000.00
5095-Overhead Distribution Lines and Feeders - Rental Paid	18,500.00
5096-Other Rent	-
3500-Distribution Expenses - Operation Total	**3,051,200.00**
3550-Distribution Expenses - Maintenance	
5105-Maintenance Supervision and Engineering	-
5110-Maintenance of Structures	116,000.00
5112-Maintenance of Transformer Station Equipment	515,000.00
5114-Maintenance of Distribution Station Equipment	70,000.00
5120-Maintenance of Poles, Towers and Fixtures	365,000.00
5125-Maintenance of Overhead Conductors and Devices	815,000.00
5130-Maintenance of Overhead Services	1,380,000.00
5135-Overhead Distribution Lines and Feeders - Right of Way	-
5145-Maintenance of Underground Conduit	390,000.00
5150-Maintenance of Underground Conductors and Devices	520,000.00
5155-Maintenance of Underground Services	225,000.00
5160-Maintenance of Line Transformers	365,000.00
5165-Maintenance of Street Lighting and Signal Systems	-
5170-Sentinel Lights - Labour	-
5172-Sentinel Lights - Materials and Expenses	-
5175-Maintenance of Meters	500.00
5178-Customer Installations Expenses - Leased Property	-
5195-Maintenance of Other Installations on Customer Premises	-
3550-Distribution Expenses - Maintenance Total	**4,761,500.00**
3650-Billing and Collecting	
5305-Supervision	237,600.00
5310-Meter Reading Expense	305,400.00

Table 9

Kitchener-Wilmot Hydro Inc.
2010 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5315-Customer Billing	1,420,900.00
5320-Collecting	794,200.00
5325-Collecting - Cash Over and Short	100.00
5330-Collection Charges	25,000.00
5335-Bad Debt Expense	220,000.00
5340-Miscellaneous Customer Accounts Expenses	-
3650-Billing and Collecting Total	**3,003,200.00**
3700-Community Relations	
5405-Supervision	-
5410-Community Relations - Sundry	105,000.00
5415-Energy Conservation	30,000.00
5420-Community Safety Program	74,400.00
5425-Miscellaneous Customer Service and Informational Expenses	46,975.59
3700-Community Relations Total	**256,375.59**
3800-Administrative and General Expenses	
5605-Executive Salaries and Expenses	50,600.00
5610-Management Salaries and Expenses	968,278.00
5615-General Administrative Salaries and Expenses	217,822.00
5620-Office Supplies and Expenses	153,000.00
5625-Administrative Expense Transferred-Credit	(103,100.00)
5630-Outside Services Employed	226,500.00
5635-Property Insurance	102,000.00
5640-Injuries and Damages	217,500.00
5645-Employee Pensions and Benefits	218,100.00
5650-Franchise Requirements	-
5655-Regulatory Expenses	489,300.00
5660-General Advertising Expenses	-
5665-Miscellaneous Expenses	51,300.00
5670-Rent	-
5675-Maintenance of General Plant	400,600.00
5680-Electrical Safety Authority Fees	36,300.00
5685-Independent Market Operator Fees and Penalties	-
5695-OM&A Contra Account	-
3800-Administrative and General Expenses Total	**3,028,200.00**
3850-Amortization Expense	
5705-Amortization Expense - Property, Plant and Equipment	10,735,843.61
5710-Amortization of Limited Term Electric Plant	-
5715-Amortization of Intangibles and Other Electric Plant	-
5720-Amortization of Electric Plant Acquisition Adjustments	-
5725-Miscellaneous Amortization	-
5730-Amortization of Unrecovered Plant and Regulatory Study Costs	-

Table 9

Kitchener-Wilmot Hydro Inc.

2010 PRO-FORMA STATEMENT OF INCOME AND RETAINED EARNINGS

5735-Amortization of Deferred Development Costs	-
5740-Amortization of Deferred Charges	-
3850-Amortization Expense Total	**10,735,843.61**
3900-Interest Expense	
6005-Interest on Long Term Debt	5,454,613.00
6010-Amortization of Debt Discount and Expense	-
6015-Amortization of Premium on Debt-Credit	-
6020-Amortization of Loss on Reacquired Debt	-
6025-Amortization of Gain on Reacquired Debt-Credit	-
6030-Interest on Debt to Associated Companies	-
6035-Other Interest Expense	165,000.00
6040-Allowance for Borrowed Funds Used During Construction-Credit	-
6042-Allowance for Other Funds Used During Construction	-
6045-Interest Expense on Capital Lease Obligations	-
3900-Interest Expense Total	**5,619,613.00**
3950-Taxes Other Than Income Taxes	
6105-Taxes Other Than Income Taxes	550,500.00
3950-Taxes Other Than Income Taxes Total	**550,500.00**
4000-Income Taxes	
6110-Income Taxes	3,413,450.19
6115-Provision for Future Income Taxes	-
4000-Income Taxes Total	**3,413,450.19**
4100-Extraordinary & Other Items	
6205-Donations	90,000.00
6210-Life Insurance	-
6215-Penalties	-
6225-Other Deductions	-
6315-Income Taxes, Extraordinary Items	(257,300.00)
4100-Extraordinary & Other Items Total	**(167,300.00)**
Net Income - (Gain)/Loss	**(6,393,600.36)**

RECONCILIATION OF AUDITED AND REGULATORY FINANCIAL STATEMENTS:

KW Hydro advises that there is very little difference between the audited financial statements and the regulatory financial statements filed with the Board for the period 2006 to 2008. In most cases, the differences result from the placement of the accounts within the statements since the placement within the statement for regulatory purposes is hard-coded.

2006 is the only year in which there was a difference between the reported regulatory income and the income reported through the audited financial statements. The difference was the reversal of a reserve for the impairment of regulatory assets, previously booked to income following Bill 210. The effect of the entry was removed for regulatory purposes as it was in 2002 when it was originally booked.

2006 Balance Sheet

Kitchener-Wilmot Hydro Inc
BALANCE SHEET

For the year ended December 31st	Audited 2006 $	Adjustments	Regulatory 2006 $
ASSETS			
Current assets			
Cash and cash equivalents	**34,032,999**		**34,032,999**
Accounts receivable	**32,672,401**		**32,672,401**
Inventories	**3,741,836**		**3,741,836**
Prepaid expenses	**338,758**		**338,758**
Payments-in-lieu of corporate income taxes receivable	**92,693**	**(92,693)**	**-**
Current portion of regulatory assets	**3,480,548**	**(3,480,548)**	**-**
Total current assets	**74,359,235**		**70,785,994**
Capital assets – net of accumulated amortization	**132,586,489**		**132,586,489**
Regulatory assets	**669,064**	**(5,971,823)**	**(5,302,759)**
Reserve for impairment of regulatory assets	**-**		
Total assets	**207,614,788**		**198,069,724**
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**15,403,890**	**(109,514)**	**15,294,376**
Payments-in-lieu of corporate income taxes payable	**-**	**(92,693)**	**(92,693)**
Current portion of customers and construction deposits	**8,409,702**		**8,409,702**
Retailer Deposits	**-**	**109,222**	**109,222**
Current portion of regulatory liabilities	**2,553,753**	**(2,553,753)**	**-**
Total current liabilities	**26,367,345**		**23,720,607**
Long-term liabilities			
Long-term debt	**76,962,142**		**76,962,142**
Customer deposits	**3,313,039**		**3,313,039**
Post-employment benefits	**4,727,308**		**4,727,308**
Regulatory liabilities	**7,007,840**	**(7,007,840)**	**-**
Other long-term liabilities	**-**	**109,514**	**109,514**
Total long-term liabilities	**92,010,329**		**85,112,003**
Total liabilities	**118,377,674**		**108,832,610**
Shareholders' equity			
Share capital – common shares	**63,689,499**		**63,689,499**
Retained earnings	**25,547,615**		**25,547,615**
Total shareholders' equity	**89,237,114**		**89,237,114**
Total liabilities and shareholders' equity	**207,614,788**		**198,069,724**

2006 Balance Sheet differences include:

- ✓ The movement of the debit balance of PILS payable to the current assets section of the statement.
- ✓ The movement of regulatory asset balances from one line item to current and long-term assets and liabilities.
- ✓ The movement of certain liabilities between the long-term and short-term classifications.

2006 Income Statement

Kitchener-Wilmot Hydro Inc
STATEMENT OF OPERATIONS

For the year ended December 31st

	Audited 2006 $	Adjustments	Regulatory 2006 $
REVENUE			
Sales Revenue			
Distribution services revenue	32,043,668	870,330	32,913,998
Electric energy services	136,551,539	(65,986)	136,485,553
	168,595,207		169,399,551
Other revenue			
Investment income	1,174,564		1,174,564
Late payment penalties	198,339	(198,339)	-
Miscellaneous revenue	795,553	(606,004)	189,549
Reserve for impairment of regulatory assets	3,444,911	(3,444,911)	-
	5,613,367		1,364,113
Total revenue	174,208,574		170,763,664
EXPENSES			
Electric energy services	136,551,539	(65,986)	136,485,553
Distribution operations and maintenance	6,188,126		6,188,127
General administration	2,518,258	(157,800)	2,360,458
Customer accounts	2,519,700	65,986	2,585,686
Community relations	860,023		860,023
Property and capital taxes	1,014,518	(1,014,518)	-
Amortization	8,510,357		8,510,357
Donations	-	157,800	157,800
Total expenses	158,162,521		157,148,004
Income before interest and provision for payments-in-lieu of corporate income taxes	16,046,053		13,615,660
Interest expense	5,151,002		5,151,002
Income before provision for payments-in-lieu of corporate income taxes	10,895,051		8,464,658
Provision for payments-in-lieu of corporate income taxes	2,753,671	1,014,518	3,768,189
NET INCOME	8,141,380		4,696,469

2006 Income Statement differences include:

- ✓ The movement of certain revenue accounts from Distribution Revenue to Other Revenue.
- ✓ The removal from the audited statements of a Reserve for Impairment of Regulatory Assets of $3,444,911, which was set up in 2002 following the issuance of Bill 210. At the time that the reserve was set up, it was also removed for regulatory purposes.
- ✓ The movement of account balances within the sections of audited statements.

2007 Balance Sheet

Kitchener-Wilmot Hydro Inc
BALANCE SHEET

As at December 31st

	Audited 2007 $	Adjustments	Regulatory 2007 $
ASSETS			
Current assets			
Cash and cash equivalents	**37,086,235**		**37,086,235**
Accounts receivable	**31,149,664**		**31,149,664**
Inventories	**3,406,810**		**3,406,810**
Prepaid expense	**588,471**		**588,471**
Payments-in-lieu of corporate income taxes receivable	**-**		**-**
Current portion of regulatory assets	**1,113,532**	**(1,113,532)**	**-**
Total current assets	**73,344,712**		**72,231,180**
Capital assets	**134,615,150**		**134,615,150**
Reserve for impairment of regulatory assets	**-**		**-**
Regulatory assets	**2,750,965**	**(7,582,041)**	**(4,831,076)**
Total assets	**210,710,827**		**202,015,254**
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**16,163,767**	**(13)**	**16,163,754**
Payments-in-lieu of corporate income taxes receivable	**57,974**		**57,974**
Current portion of customers and construction deposits	**7,156,441**		**7,156,441**
Current portion of regulatory liabilities	**816,902**	**(816,902)**	**-**
Total current liabilities	**24,195,084**		**23,378,169**
Long-term liabilities			
Long-term debt	**76,962,142**		**76,962,142**
Customer deposits	**3,733,177**		**3,733,177**
Post-employment benefits	**4,947,341**		**4,947,341**
Regulatory liabilities	**7,929,450**	**(7,929,450)**	**-**
Other long-term liabilities	**-**	**50,792**	**50,792**
Total long-term liabilities	**93,572,110**		**85,693,452**
Total liabilities	**117,767,194**		**109,071,621**
Shareholders' equity			
Share capital – common shares	**63,689,499**		**63,689,499**
Retained earnings	**29,254,134**		**29,254,134**
Total shareholders' equity	**92,943,633**		**92,943,633**
Total liabilities and shareholders' equity	**210,710,827**		**202,015,254**

2007 Balance Sheet differences include:

- ✓ The movement of regulatory asset balances from one line item to current and long-term assets and liabilities.
- ✓ The movement of certain liabilities between the long-term and short-term classifications.

2007 Income Statement

Kitchener-Wilmot Hydro Inc
STATEMENT OF OPERATIONS

For the year ended December 31st

	Audited 2007 $		Regulatory 2007 $
REVENUE			
Sales revenue			
Distribution services revenue	32,830,043	1,296,958	34,127,001
Electric energy services	142,354,239	(66,104)	142,288,135
	175,184,282		176,415,136
Other revenue			
Investment income	1,541,081		1,541,081
Late payment penalties	243,733	(243,733)	-
Miscellaneous revenue	1,159,107	(963,108)	195,999
	2,943,921		1,737,080
Non-utility operation revenue			
Energy Conservation - OPA Funding	196,681	(196,681)	-
Total revenue	178,324,884		178,152,216
EXPENSE			
Electric energy services	142,354,239	(66,104)	142,288,135
Distribution operations and maintenance	6,342,236	(3,438)	6,338,798
General administration	2,599,273	(107,322)	2,491,951
Customer accounts	2,627,785	66,104	2,693,889
Community relations	255,560		255,560
Energy conservation	646,503		646,503
Energy conservation - OPA programs	172,668	(172,668)	-
Property and capital taxes	1,008,985	(1,008,985)	-
Amortization	8,901,061		8,901,061
Donations	-	110,760	110,760
Total expense	164,908,310		163,726,657
Income before interest and provision for payments-in-lieu of corporate income taxes	13,416,574		14,425,559
Interest expense	4,957,610		4,957,610
Income before provision for payments-in-lieu of corporate income taxes	8,458,964		9,467,949
Provision for payments-in-lieu of corporate income taxes	2,852,445	1,008,985	3,861,430
NET INCOME AND COMPREHENSIVE INCOME	5,606,519		5,606,519

2007 Income Statement differences include:

- ✓ The movement of certain revenue accounts from Distribution Revenue to Other Revenue.
- ✓ The movement of account balances within the sections of audited statements.

2008 Balance Sheet

Kitchener-Wilmot Hydro Inc
BALANCE SHEET

As at December 31st

	Audited 2008 $	Adjustments	Regulatory 2008 $
ASSETS			
Current assets			
Cash and cash equivalents	39,260,386		39,260,386
Accounts receivable	31,371,812		31,371,812
Inventories	3,674,259		3,674,259
Prepaid expense	499,419		499,419
Total current assets	74,805,876		74,805,876
Non-current assets			
Capital assets	137,837,826		137,837,826
Regulatory assets	4,305,784	(10,449,404)	(6,143,620)
Future income tax assets	11,564,625		11,564,625
Total non-current assets	153,708,235		143,258,831
Total assets	228,514,111		218,064,707
LIABILITIES and SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	17,604,136	(24)	17,604,112
Payments-in-lieu of corporate income taxes payable	74,575		74,575
Current portion of customers and construction deposits	7,553,179		7,553,179
Current portion of regulatory liabilities	-		-
Total current liabilities	25,231,890		25,231,866
Long-term liabilities			
Long-term debt	76,962,142		76,962,142
Customer deposits	3,750,443		3,750,443
Post-employment benefits	5,300,524		5,300,524
Regulatory liabilities	10,500,184	(10,500,184)	-
Other Liabilities	-	50,804	50,804
Total long-term liabilities	96,513,293		86,063,913
Total liabilities	121,745,183		111,295,779
Shareholders' equity			
Share capital – common shares	63,689,499		63,689,499
Retained earnings	43,079,429		43,079,429
Total shareholders' equity	106,768,928		106,768,928
Total liabilities and shareholders' equity	228,514,111		218,064,707

Balance Sheet differences include:

- ✓ The movement of regulatory asset balances from one line item to current and long-term assets and liabilities.
- ✓ The movement of certain liabilities between the long-term and short-term classifications.

2008 Income Statement

Kitchener-Wilmot Hydro Inc
STATEMENT OF OPERATIONS

For the year ended December 31st

	Audited 2008 $		Regulatory 2008 $
REVENUE			
Sales revenue			
Distribution services revenue	32,678,525	1,035,083	33,713,608
Electric energy services	137,824,685	(62,030)	137,762,655
	170,503,210		171,476,263
Other revenue			
Investment income	1,097,922		1,097,922
Late payment penalties	207,836	(207,836)	-
Miscellaneous revenue	905,276	(658,952)	246,324
Reversal of allowance for impairment of regulatory assets	-		-
	2,211,034		1,344,246
Non-utility operation revenue			
Energy Conservation - OPA Funding	587,775	(587,775)	-
Total revenue	173,302,019		172,820,509
EXPENSE			
Electric energy services	137,824,685	(62,030)	137,762,655
Distribution operations and maintenance	6,985,671	(1,069)	6,984,602
Customer accounts	2,712,371	62,031	2,774,402
General administration	2,581,185	1,069	2,582,254
Community relations	241,769		241,769
Energy conservation programs - 3rd tranche	46,108		46,108
Energy conservation - OPA programs	481,511	(481,511)	-
Property and capital taxes	811,067	(811,067)	-
Amortization	9,253,850		9,253,850
Total expense	160,938,217		159,645,640
Income before interest and provision for payments-in-lieu of corporate income taxes	12,363,802		13,174,869
Interest expense	4,943,543		4,943,543
Income before provision for payments-in-lieu of corporate income taxes	7,420,259		8,231,326
Provision for payments-in-lieu of corporate income taxes	2,260,734	1,068,347	3,329,081
Net Income Before Unusual Items	5,159,525		4,902,245
Unusual Items	-	(257,280)	(257,280)
NET INCOME AND COMPREHENSIVE INCOME	5,159,525		5,159,525

2008 Income Statement differences include:

- ✓ The movement of certain revenue accounts from Distribution Revenue to Other Revenue.
- ✓ The movement of account balances within the sections of audited statements.



FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2006

March 1, 2007

REPORT TO SHAREHOLDERS:

CORPORATION OF THE CITY OF KITCHENER

CORPORATION OF THE TOWNSHIP OF WILMOT

We are pleased to provide you with the sixth Annual Report of Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2006.

This Annual Report represents the sixth full fiscal year of operations for the Corporation which was incorporated as required by Provincial Legislation and by Municipal Transfer By-Laws of the City of Kitchener and Township of Wilmot.

2006 continued to be a year of enormous change for Ontario's electricity industry and Kitchener-Wilmot Hydro Inc. continued to meet the challenge of responding effectively and in a timely manner to numerous changes mandated by the Ontario Energy Board and the Ministry of Energy. The regulation of the Province's local distribution companies continues to be onerous, costly and extremely time consuming for staff at a time when the Corporation is dealing with substantial growth.

During the year the company achieved further efficiencies in the way electrical power and other services are delivered to our customers. This improvement reflects the success of our distribution asset management strategy. The Board continues to support the need for investment in system upgrades and expansion which is vital to ensuring our continued ability to deliver safe and reliable electricity.

Kitchener-Wilmot Hydro Inc. achieved a new safety milestone in 2006, reaching one million worker hours without a lost-time accident. We will continue to promote a healthy and safe work environment for the corporation's valued employees.

2006 was a year of high growth in terms of new customers. A total of 1,468 new customers were connected to our system. Kilowatt hour sales decreased approximately 122 million kWhrs as a result of experiencing a cooler summer and customers increasingly implementing Energy Conservation Programs. Operating costs were effectively controlled during the year and the corporation remains in a strong financial position for the future.

Your Corporation continues to deliver electricity to the citizens of our communities with the lowest local residential retail rates. By controlling costs the Corporation continues to have the lowest local distribution costs amongst all the major utilities in the province. At the same time, the system infrastructure is continually being refurbished and enhanced in order to continue to provide a reliable and a safe supply of electricity. The Corporation continues to provide value to its shareholders, the City of Kitchener and the Township of Wilmot, as well as to its customers and provides a supporting base for economic development in the communities we serve.

In conclusion, we wish to thank the Board and all staff for their dedication, support and commitment to excellence which has provided us with a solid base to meet future unknown challenges as we move along the path of deregulation with its ever changing regulation environment.



K. DIEBEL, CHAIR



R. CHARIE, PRESIDENT & C.E.O.

MANAGEMENT REPORT

December 31, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Kitchener-Wilmot Hydro Inc. are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are described in note 2 of the notes section to the financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared in light of information available up to February 16, 2007.

Management maintains appropriate systems of internal control and designed to provide reasonable assurance that the Company's assets were safeguarded and that financial records are relevant and reliable. The system includes formal corporate-wide policies and procedures, and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of management,

R. Charie, B.Comm., C.G.A.
President & CEO

G.L. Guthrie, C.G.A.
Vice-President, Finance & CFO

KPMG LLP
Chartered Accountants
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone (519) 747-8800
Fax (519) 747-8830
Internet www.kpmg.ca

AUDITORS' REPORT

We have audited the balance sheet of Kitchener-Wilmot Hydro Inc. as at December 31, 2006 and the statements of operations, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Waterloo, Canada
February 16, 2007

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Kitchener-Wilmot Hydro Inc.

BALANCE SHEET

As at December 31st	2006 $	2005 $
ASSETS		
Current assets		
Cash and cash equivalents	**34,032,999**	34,667,286
Accounts receivable (note 4)	**32,672,401**	29,554,370
Inventories (note 5)	**3,741,836**	2,743,155
Prepaid expenses	**338,758**	440,789
Payments-in-lieu of corporate income taxes receivable	**92,693**	772,242
Current portion of regulatory assets (note 17)	**3,480,548**	1,438,808
Total current assets	**74,359,235**	69,616,650
Capital assets – net of accumulated amortization (note 6)	**132,586,489**	132,020,384
Regulatory assets (note 17)	**669,064**	9,328,358
Reserve for impairment of regulatory assets (note 2 [II] [a])	**-**	(3,444,911)
Total assets	**207,614,788**	207,520,481
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**15,403,890**	22,700,544
Current portion of customer and construction deposits (note 8)	**8,409,702**	5,935,296
Current portion of regulatory liabilities (note 17)	**2,553,753**	1,673,044
Total current liabilities	**26,367,345**	30,308,884
Long-term liabilities		
Long-term debt (note 9)	**76,962,142**	76,962,142
Customer deposits (note 8)	**3,313,039**	2,826,501
Post-employment benefits (note 11)	**4,727,308**	4,524,686
Regulatory liabilities (note 17)	**7,007,840**	10,102,534
Total long-term liabilities	**92,010,329**	94,415,863
Total liabilities	**118,377,674**	124,724,747
Shareholders' equity		
Share capital – common shares (note 12)	**63,689,499**	63,689,499
Retained earnings	**25,547,615**	19,106,235
Total shareholders' equity	**89,237,114**	82,795,734
Total liabilities and shareholders' equity	**207,614,788**	207,520,481

Approved by the Board of Directors

K. Diebel, Chair

R. Charie, President & C.E.O. / Director

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31st

	2006 **$**	2005 $
Retained earnings, beginning of year	**19,106,235**	14,797,363
Net Income	**8,141,380**	5,121,880
Dividend paid out (note 22)	(**1,700,000)**	(813,008)
Retained earnings, end of year	**25,547,615**	19,106,235

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF OPERATIONS

For the year ended December 31st

	2006 $	2005 $
REVENUE		
Sales revenue		
Distribution services revenue	**32,043,668**	31,503,586
Electric energy services (note 13)	**136,551,539**	151,137,931
	168,595,207	182,641,517
Other revenue		
Investment income	**1,174,564**	573,697
Late payment penalties	**198,339**	178,528
Miscellaneous revenue (note 14)	**795,553**	860,757
Reversal of allowance for impairment of regulatory assets (note 2 [II] [a])	**3,444,911**	-
	5,613,367	1,612,982
Total revenue	**174,208,574**	184,254,499
EXPENSES		
Electric energy services (note 13)	**136,551,539**	151,137,931
Distribution operations and maintenance	**6,188,126**	5,418,660
General administration	**2,518,258**	2,105,315
Customer accounts	**2,519,700**	2,288,198
Conservation and Community relations	**860,023**	424,949
Property and capital taxes	**1,014,518**	1,020,503
Amortization (note 15)	**8,510,357**	8,218,644
Total expenses	**158,162,521**	170,614,200
Income before interest and provision for payments-in-lieu of corporate income taxes	**16,046,053**	13,640,299
Interest expense	**5,151,002**	5,578,968
Income before provision for payments-in-lieu of corporate income taxes	**10,895,051**	8,061,331
Provision for payments-in-lieu of corporate income taxes (note 18)	**2,753,671**	2,939,451
NET INCOME	**8,141,380**	5,121,880

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31st

	2006 $	2005 $
OPERATING ACTIVITIES		
Net Income	**8,141,380**	5,121,880
Add (deduct) charges to operations not requiring a current cash payment:		
Loss (gain) on disposal of capital assets	**44**	(50,514)
Amortization (note 15)	**9,092,257**	8,744,270
Increase (decrease) in post-employment benefits obligation (note 11)	**202,622**	(88,293)
Increase in non-current customer deposits (note 8)	**486,538**	728,460
(Decrease) in reserve for regulatory assets (note 2 [II] [a])	**(3,444,911)**	-
Net change in non-cash operating working capital (note 16)	**(9,318,411)**	6,587,752
Cash provided by operating activities	**5,159,519**	21,043,555
INVESTING ACTIVITIES		
Additions to capital assets	**(14,663,463)**	(15,081,086)
Decrease in long-term regulatory assets / liabilities (note 17)	**5,564,600**	69,529
Proceeds on disposals of capital assets	**15,160**	67,690
Cash (applied to) investing activities	**(9,083,703)**	(14,943,867)
FINANCING ACTIVITIES		
Increase in contributed capital	**4,989,897**	3,992,068
Dividends paid out (note 22)	**(1,700,000)**	(813,008)
Cash provided by financing activities	**3,289,897**	3,179,060
Net cash (applied) provided during the year	**(634,287)**	9,278,748
Cash and cash equivalents, beginning of year	**34,667,286**	25,388,538
Cash and cash equivalents, end of year	**34,032,999**	34,667,286
Cash and cash equivalents are represented by:		
Cash	**570,729**	667,286
Cash equivalents	**33,462,270**	34,000,000
	34,032,999	34,667,286
Supplemental cash flow information		
Interest paid	**5,098,381**	5,575,286
Payments-in-lieu of corporate income taxes and capital taxes	**3,419,520**	4,302,981

See accompanying notes

1. INCORPORATION

Kitchener-Wilmot Hydro Inc. [the Company] is a regulated electricity distribution company incorporated under the Business Corporation Act (Ontario) on July 1, 2000. The incorporation was required in accordance with the provincial government's Energy Competition Act (Bill 35). The Company is wholly owned by Kitchener Power Corporation whose shareholders are the City of Kitchener and the Township of Wilmot.

These municipalities both passed by-laws which transferred the net assets of the former Hydro-Electric Commission of Kitchener-Wilmot to the new Company on August 1, 2000. Certain surplus property assets and cash funds were excluded from the transfer and were retained by the City and the Township.

2. SIGNIFICANT ACCOUNTING POLICIES

[I] Basis of accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"] including accounting principles prescribed by the Ontario Energy Board [the "OEB"] in the Accounting Procedures Handbook [the "AP Handbook"] for Electric Distribution Utilities, and reflect the significant accounting policies as summarized below.

[II] Regulation

Kitchener-Wilmot Hydro Inc. is regulated by the Ontario Energy Board under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity customers, and for ensuring the distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs and revenues in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. The economic impact of rate regulation is reported in these financial statements.

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

[a] Regulatory assets and liabilities

Regulatory assets represent costs that have been deferred because it is probable that they will be recovered from customers in future periods through the rate-making process. Regulatory liabilities represent future reduction in revenues associated with amounts that are expected to be refunded to customers through the rate-making process.

The Company began recovering some of its regulatory assets (net of liabilities) through rates on an interim basis starting April 1, 2004 which continued throughout 2005. In July 2005, the OEB released its filing guidelines for final approval of these regulatory assets. Accordingly on August 2, 2005, the Company filed an application for the final recovery of regulatory assets (net of liabilities), accumulated to December 31, 2004. On April 12, 2006, the OEB granted approval for the final recovery of these costs through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

Subsequently, the Company reversed its allowance for impairment of regulatory assets in the amount of $3,444,911 which represents the pre-market opening energy variance of $3,033,473 and the transition cost of $411,438, net of carrying of charges.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[a] Regulatory assets and liabilities (continued)

Regulatory balances are comprised primarily as follows:

[i] Transition costs

Capital and operating costs incurred in respect of the transition to competitive electricity markets in Ontario [transition costs or market ready costs] have been deferred in accordance with the criteria set in the OEB's Electricity Distribution Rate Handbook and the AP Handbook. Under such regulation, certain costs are allowed to be deferred that would be expensed when incurred under GAAP. The Company has not recorded additional transition costs since 2002. However, interest on the recorded transition costs has been accrued as a regulatory asset.

On April 12, 2006, the OEB granted final approval for the recovery of these costs through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

[ii] Pre-market opening energy variance

At December 31, 2002, the Company recognized the pre-market opening energy variance [the "variance"] for the period January 1, 2001 to April 30, 2002, the date of market opening in accordance with the AP Handbook. The variance represents the difference between the utility's cost of power purchased based on time-of-use ["TOU"] rates, and the amounts billed for the cost of power to non-TOU customers at an average rate for the same period.

On April 12, 2006, the OEB granted final approval for the recovery of these costs through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

[iii] Settlement variances

The Company has deferred certain post-market opening retail settlement variances in accordance with Article 490 set out in the AP Handbook. The settlement variances relate primarily to service charges, non-competitive electricity charges, and power charges (note 17). Other than the variance for the cost of imported power, the nature of the settlement variances is such that their balance shall change each reporting period-end date.

[iv] Conservation and demand management costs

Conservation and demand management [CDM] program costs incurred in 2004 were deferred pursuant to the OEB's Procedural Order and the AP Handbook. Effective for 2005 and subsequent years, a CDM contra asset account has been established in accordance with the OEB's AP Handbook, which effectively reverts the original entries and recognizes CDM related expenses and CDM related capital assets incurred by the Company, in accordance with GAAP. The current regulatory asset balance consists of carrying costs.

Included in the Company's 2005 distribution rates is the approved recovery of the Company's third instalment of the prescribed regulated rate of return in the amount of $2,340,264 which by regulation must be invested in conservation and demand management initiatives by no later than September 30, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[a] Regulatory assets and liabilities (continued)

[iv] Conservation and demand management costs (continued)

For the period ended December 31, 2006, the Company's expenditures in conservation and demand management programs totalled $966,714 [2005 - $301,507]. The balance is expected to be spent prior to September 2007.

[v] OEB incremental cost assessments

OEB costs which have been assessed to the Company in 2004, 2005 and to the period ending April 30, 2006, and which are incremental to amounts already included in the Company's rates, have been deferred in accordance with the AP Handbook. Costs incurred in 2004 are being recovered in rates commencing May 1, 2006. It is expected the 2005 and 2006 costs will be recovered in future rates when the OEB discloses its rebasing schedule for LDCs. To the extent that OEB cost assessments have been incurred which do not qualify for deferral, these costs have been expensed during the period they were incurred.

[vi] OMERS pension costs

Cash pension costs and associated carrying costs incurred by the Company beginning in 2005, have been deferred in accordance with the OEB's letter of direction of February 15, 2005 to all local electricity distribution companies. It is expected these costs will be recovered in future rates when the OEB discloses its rebasing schedule for LDCs. To the extent that OMERS pension costs have been incurred which do not qualify for deferral, these costs have been expensed during the period they were incurred.

[vii] Ontario price credit administration costs

In October 2005, provincial regulation 566/05 was passed, requiring a rebate to be paid to all residential and low volume commercial customers (regulated price plan customers), equal to the difference between the wholesale energy price and the fixed price of electricity during the period April 1, 2004 to March 31, 2005.

Any unforeseen costs incurred by the Company related to the payment of the Ontario Price Credit to participating retailers and to low volume and designated consumers, as required by Ontario Regulation 48/05, has been deferred in accordance with the OEB's letter of December 13, 2005 to all licensed electricity distributors. Disposition of these amounts will be considered by the OEB when setting future rates. To the extent that administration costs relating to the payment of the Ontario Price Credit have been incurred do not qualify for deferral, these costs have been expensed during the period they were incurred.

[viii] Smart metering capital costs

In its decision of March 21, 2006 on the generic 2006 electricity distributor rate [EDR] issues, the OEB adopted the policy that specific funding for the capital cost of smart meters should be included in 2006 distribution rates by all Ontario electric distribution companies. The Board decided that "seed" funding equivalent to $0.30 per residential customer per month be included in rates for the rate year beginning May 1, 2006. Revenue has been reduced by the amount for smart meters funded in rates and have been deferred in accordance with the AP Handbook. It is expected this deferred revenue will be offset by smart metering capital costs incurred commencing in 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Cash and cash equivalents

Cash equivalents are readily convertible investments with maturities of 365 days or less from their date of acquisition. Investments are carried at cost, which approximates market value.

[c] Inventories

Inventories consist of parts, supplies and materials held for the future capital expansion and are valued at the lower of average weighted cost and net realizable value.

[d] Spare transformers and meters

Spare transformers and meters are classified as capital assets in accordance with guidance in the CICA Handbook.

[e] Capital assets and amortization

Capital assets are recorded at cost. Costs for assets installed or erected by the Company include material, labour and overhead.

Amortization is provided on a straight-line basis for capital assets available for use over their estimated service lives, at the following annual rates:

Buildings	2%
Transformer station equipment	2.5%
Distribution station equipment	3.33%
Distribution system	4%
Meters	4%
SCADA equipment	6.67%
Other capital assets	10 – 25%

Amortization on general equipment directly used in the installation of other capital assets, is capitalized to the new assets based on a pro-ration of the time during the year they are used for such purposes.

Full amortization is recorded in the year of acquisition and none in the year of disposal, except for readily identified assets, which are amortized on a monthly basis.

For readily identifiable assets retired or disposed of, the asset and related accumulated amortization are removed from the records. Differences between the proceeds, if any, and the unamortized asset amount plus removal costs are recorded as a gain or loss in the year of disposal.

For grouped assets, the assets and accumulated amortization are removed from the records at the end of their estimated average service life, regardless of actual service life.

[f] Construction in progress

Capital assets under construction at year-end are referred to as construction in progress and disclosed as a component of capital assets. Construction in progress is recognized as a capital asset and amortized when the asset is either put into service or construction is substantially completed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[g] Contributed capital

Prior to January 1, 2000, contractor's capital contributions toward the construction or acquisition of capital assets by the Company were referred to as miscellaneous paid-in capital and disclosed as a permanent component of utility equity.

Effective May 1, 2000, the Company prospectively adopted the change in accounting policy for contributions received in aid of construction [contributed capital], as prescribed by the OEB "Accounting Procedures Handbook for Electric Distribution Utilities". Contributed capital contributions are required contributions received from outside sources, used to finance additions to capital assets. Contributed capital contributions received are treated as a "credit" contra account included in the determination of capital assets. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense, at an equivalent rate to that used for the amortization of the related capital assets.

[h] Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

[i] Payments-in-lieu of corporate income taxes and capital taxes

The current tax-exempt status of the Company under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) reflects the fact that the Company is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the municipality ceases to own 90% or more of the shares or capital of the Company, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Company.

Commencing October 1, 2001, the Company is required, under the Electricity Act 1998, to make payments-in-lieu of corporate income taxes ["PILs"] to Ontario Electricity Financial Corporation, which will be used to repay the stranded debt incurred by the former Ontario Hydro. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act 1998 and related regulations.

As a result of becoming subject to PILs, the Company's taxation year was deemed to have ended immediately beforehand and a new taxation year was deemed to have commenced immediately thereafter. The Company was therefore deemed to have disposed of each of its assets at their then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Company was deemed to have a new company and, as a result, tax credits or tax losses not previously utilized by the Company would not be available to it after the change in tax status. Essentially, the Company was taxed as though it had a "fresh start" at the time of its change in tax status.

The Company provides for PILs relating to its regulated business using the taxes payable method as allowed by the OEB. Under the taxes payable method, no provisions are booked for temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes, as a result of temporary differences between tax basis and accounting purposes become payable, they will be charged to the statement of operations at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[j] Post-employment benefits

Employee future benefits provided by Kitchener-Wilmot Hydro Inc. include medical and life insurance benefits. These plans provide benefits to certain employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render the services.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains (losses) are expensed during the period in which the gains (losses) become known.

[k] Pension plan

Kitchener-Wilmot Hydro Inc. provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer pension plan, which operates as the Ontario Municipal Employees Retirement Fund [the "Fund"] and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. Prior to 2005, the Company recognized the expense related to this plan as contributions were made.

Commencing in 2005, cash pension costs incurred by the Company were deferred and recognized as regulatory assets as per OEB direction, which are expected to be recovered in future distribution rates to be determined when the OEB discloses its rebasing schedule for the Company (see note 2 [II] [a] [vi].

[l] Revenue recognition and cost of electrical energy

The Company records revenue from the sale of energy on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the year. The cost of power is recognized when the energy is consumed.

[m] Use of estimates

The preparation of financial statements, in conformance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from those estimates including changes as a result of future decisions made by the OEB, Minister of Energy, or the Minister of Finance.

3. CREDIT RISK AND FINANCIAL INSTRUMENTS

[i] Credit risk

For distribution retail customers, credit losses are generally low across the sector. The Company provides for an allowance for doubtful accounts to absorb credit losses. At December 31, 2006, there are no significant concentrations of credit risk with respect to any class of financial assets.

[ii] Fair value of financial instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and promissory notes payable approximates their fair value due to the immediate or short-term maturity of these financial instruments.

4. ACCOUNTS RECEIVABLE

	2006	2005
	$	$
Electric energy	**12,922,254**	9,042,098
Miscellaneous	**2,766,269**	1,581,390
	15,688,523	10,623,488
Less: Allowance for doubtful accounts	**(325,000)**	(325,000)
	15,363,523	10,298,488
Unbilled revenue receivable	**16,863,500**	18,993,000
Interest receivable	**208,038**	85,264
Related parties receivable:		
Atria Networks Inc.	**954**	4,819
City of Kitchener	**223,631**	116,689
Township of Wilmot	**12,755**	56,110
	237,340	177,618
	32,672,401	29,554,370

Related Party Transactions

The Company conducted the following transactions with related parties during the year ended December 31, 2006. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2006	2005
	$	$
Atria Networks Inc. (formerly known as Fibretech Telecommunications Inc.) – construction, engineering and operation services	**303,754**	218,529
City of Kitchener – capital and maintenance street light services	**537,892**	528,007
Township of Wilmot – capital and maintenance street light services	**34,648**	68,920
	876,294	815,456

5. INVENTORIES

Inventories consist of:

	2006	2005
	$	$
Stores	2,759,989	2,219,283
Transformers	931,062	471,035
Meters	50,785	52,837
	3,741,836	2,743,155

6. CAPITAL ASSETS – NET OF ACCUMULATED AMORTIZATION

2006	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	3,539,925	-	3,539,925
Land rights	265,449	239,304	26,145
Buildings	15,207,651	3,888,007	11,319,644
Transformer station equipment	37,461,401	11,797,983	25,663,418
Distribution station equipment	2,759,055	1,578,645	1,180,410
Distribution system – conductors and devices	142,101,852	65,712,507	76,389,345
Distribution system – line and network transformers	43,486,083	20,100,647	23,385,436
Meters	10,844,867	5,061,488	5,783,379
SCADA – system supervisory equipment	1,778,633	1,317,394	461,239
Other capital assets	14,289,713	9,635,249	4,654,464
Construction in progress	2,070,266	-	2,070,266
	273,804,895	119,331,224	154,473,671
Less: Contributed capital	(25,609,027)	(3,721,845)	(21,887,182)
	248,195,868	115,609,379	132,586,489

2005	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	3,528,937	-	3,528,937
Land rights	261,699	236,652	25,047
Buildings	14,978,483	3,610,830	11,367,653
Transformer station equipment	36,707,954	10,874,183	25,833,771
Distribution station equipment	2,759,055	1,504,323	1,254,732
Distribution system – conductors and devices	133,215,241	60,939,893	72,275,348
Distribution system – line and network transformers	40,522,990	18,384,200	22,138,790
Meters	10,336,671	4,640,033	5,696,638
SCADA – system supervisory equipment	1,928,386	1,379,740	548,646
Other capital assets	13,225,583	8,884,588	4,340,995
Construction in progress	2,931,473	-	2,931,473
	260,396,472	110,454,442	149,942,030
Less: Contributed capital	(20,619,130)	(2,697,484)	(17,921,646)
	239,777,342	107,756,958	132,020,384

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006 $	2005 $
Independent Electricity System Operator	**11,240,549**	15,613,514
Ontario Electricity Financial Corporation	**960,402**	1,005,357
Energy rebates payable	**47,884**	2,918,901
Others	**3,155,055**	3,162,772
	15,403,890	22,700,544

8. CUSTOMER AND CONSTRUCTION DEPOSITS

	2006 $	2005 $
Construction deposits	**5,949,602**	3,729,596
Customer deposits – current portion	**2,460,100**	2,205,700
	8,409,702	5,935,296
Customer deposits – non current portion	**3,313,039**	2,826,501

9. LONG-TERM DEBT

[i] Effective August 1, 2000, Kitchener-Wilmot Hydro Inc. incurred unsecured promissory notes payable to the City of Kitchener and to the Township of Wilmot. The amounts due at the end of the year are:

	2006 $	2005 $
City of Kitchener	**70,997,576**	70,997,576
Township of Wilmot	**5,964,566**	5,964,566
	76,962,142	76,962,142

[ii] Interest is paid quarterly at an annual effective rate established by the OEB. The annual effective rate for January 1, 2006 to April 30, 2006 was 7% and for May 1, 2006 to December 31, 2006 was 6%. Repayment of all or part of the outstanding principal may be made upon eighteen months written notice. The Company paid the following interest:

	2006 $	2005 $
City of Kitchener	**4,493,271**	4,969,830
Township of Wilmot	**377,484**	417,520
	4,870,755	5,387,350

10. PENSION PLAN

Effective August 1, 1998, OMERS provided a temporary contribution holiday, with no company or employee pension contributions required until after December 31, 2002. In January 2003, OMERS contributions resumed at reduced rates and in January 2004, returned to full levels at higher rates than before the contribution holiday. Prior to 2005 OMERS pension costs have been expensed during the period in which they were incurred.

As directed by the OEB the cash pension costs paid by the Company for 2005 totalling $678,442 and for January 1, 2006 to April 30, 2006 totalling $247,542 were deferred and recognized as regulatory assets. The amounts are expected to be recovered through future distribution rates when the OEB releases its rebasing schedule for LDCs for rate setting purposes. The cash pension costs for the period of May 1, 2006 to December 31, 2006 totalling $506,079 have been expensed during the period in which they were incurred.

11. POST-EMPLOYMENT BENEFITS

Kitchener-Wilmot Hydro Inc. pays certain health, dental and life insurance benefits on behalf of its retired employees.

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2006	2005
	%	%
Discount rate	**5.0**	5.0
Future general salary and wage levels increase	**3.3**	3.3
Future general inflation increase	**2.0**	2.0
Dental costs increase	**CPI rate plus a further 3% increase in 2006, through to 2011 and thereafter**	CPI rate plus a further 3% increase in 2005, through to 2010 and and thereafter
Medical costs increase	**CPI rate plus a further 12% increase in 2006, graded down to 6% in 2011 and thereafter**	CPI rate plus a further 13% increase in 2005, graded down to 7% in 2010 and thereafter

Information about Kitchener-Wilmot Hydro Inc.'s defined benefits plans is as follows:

	2006	2005
	$	$
Accrued benefit obligation		
Balance, beginning of the year	**4,524,686**	4,612,979
Current service cost	**153,648**	146,331
Interest cost	**229,406**	219,471
Amortized gain	**-**	(285,689)
Benefits paid	**(180,432)**	(168,406)
Projected accrued benefit obligation at December 31 as determined by actuarial valuation	**4,727,308**	4,524,686

12. SHARE CAPITAL

	2006 $	2005 $
Authorized		
Unlimited common shares		
Issued		
10,000 common shares	**63,689,499**	63,689,499

13. ELECTRIC ENERGY SERVICES

	2006 $	2005 $
Revenue		
Electricity	**112,438,178**	121,936,358
Wholesale market services	**9,793,199**	14,209,543
Transmission services	**14,254,176**	14,926,176
Retailer services	**65,986**	65,854
	136,551,539	151,137,931
Costs		
Electricity	**112,438,178**	121,936,358
Wholesale market services	**9,793,199**	14,209,543
Transmission services	**14,254,176**	14,926,176
Retailer services	**65,986**	65,854
	136,551,539	151,137,931

14. MISCELLANEOUS REVENUE

	2006 $	2005 $
Pole attachment rentals, building and other rentals	**320,471**	405,152
Change of occupancy charges	**155,597**	146,659
Scrap sales	**136,291**	79,714
Net (loss) gain on disposal of capital assets	**(44)**	36,188
Unsealing / reconnection charges	**39,370**	19,562
Accounts payable discounts taken	**40,115**	38,505
Return cheque charges	**18,676**	11,311
Sundry	**85,077**	123,666
	795,553	860,757

15. AMORTIZATION

	2006 $	2005 $
Amortization	**8,510,357**	8,218,644
Various expense accounts	**581,900**	525,626
	9,092,257	8,744,270

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2006 $	2005 $
(Increase) decrease in accounts receivable	**(3,118,031)**	776,195
(Increase) in inventories	**(998,681)**	(13,116)
Decrease (increase) in prepaid expenses	**102,031**	(103,532)
Decrease (increase) in payment-in-lieu of corporate income taxes	**679,549**	(867,900)
(Increase) in current portion of regulatory assets	**(2,041,740)**	(471,673)
(Decrease) increase in accounts payable and accrued liabilities	**(7,296,654)**	6,560,723
Increase (decrease) in current portion of customer and construction deposits	**2,474,406**	(626,239)
Increase in current portion of regulatory liabilities	**880,709**	1,333,294
	(9,318,411)	6,587,752

17. REGULATORY ASSETS & LIABILITIES

The "Electricity Pricing, Conservation and Supply Act, 2002" [Bill 210] deems certain costs and variance account balances to be accounted for as regulatory assets [note 2(a)].

The Company began recovering some of its regulatory assets (net of liabilities) on an interim basis starting April 1, 2004 which continued throughout 2005. On April 12, 2006 the OEB granted approval for the final recovery of these costs, accumulated to December 31, 2004, through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

[i] Regulatory assets consist of the following:

	2006	2005
	$	$
Current portion of regulatory assets:		
Pre-market opening energy variance	**1,286,340**	-
Retailer service cost variances	**541**	549
Retail settlement variances	**2,029,061**	1,438,259
Transition costs	**164,606**	-
	3,480,548	1,438,808
Long-term portion of regulatory assets:		
Conservation and demand management	**269**	269
OEB cost assessments	**232,115**	268,884
OMERS pension costs	**975,146**	690,536
Pre-market opening energy variance	**-**	4,676,227
Rebate program costs	**81,384**	175,076
Retailer service cost variances	**57,114**	109,631
Retail settlement variances	**176,668**	5,042,716
Transition costs	**-**	538,494
Other deferred credits	**-**	62,191
	1,522,696	11,564,024
Less: Regulatory assets recovered	**(853,632)**	(2,235,666)
	669,064	9,328,358
Total regulatory assets	**4,149,612**	10,767,166

17. REGULATORY ASSETS & LIABILITIES (CONTINUED)

[ii] Regulatory liabilities consist of the following:

	2006 $	2005 $
Current portion of regulatory liabilities:		
OEB cost assessments	**33,615**	25,211
Pre-market opening energy variance	**1,286,339**	834,905
Rebate program costs	**40,435**	26,274
Retailer service cost variances	**24,751**	17,227
Retail settlement variances	**1,004,007**	663,705
Transition costs	**164,606**	96,192
Other deferred credits	**-**	9,530
	2,553,753	1,673,044
Long-term portion of regulatory liabilities:		
Retailer service cost variances	**34,216**	13,775
Retail settlement variances	**6,691,913**	10,088,759
Smart meter expenditures and recovery	**172,488**	-
Other deferred credits	**109,223**	-
	7,007,840	10,102,534
Total regulatory liabilities	**9,561,593**	11,775,578

[iii] The following table illustrates the pro-forma effect on income before provision for payments-in-lieu of corporate income taxes, of the recognition of regulatory assets and liabilities:

	2006 $	2005 $
Income before provision for payments-in-lieu of corporate income taxes	**10,895,432**	8,061,331
Decrease in reserve for regulatory assets	**(3,444,911)**	-
Energy related variances		
Retail settlement services	**4,328,707**	1,016,484
Interest on energy related variances	**145,744**	280,692
	4,474,451	1,297,176
Non-energy related variances		
OEB cost assessments	**(48,301)**	(139,565)
OMERS pension costs	**(247,542)**	(678,442)
Rebate program costs	**(12,795)**	(28,155)
Regulatory assets recovery	**(69,705)**	828,817
Retailer services	**8,516**	(6,968)
Smart meter expenditures and recovery	**171,914**	-
Other deferred credits	**16,206**	(160,657)
Interest on non-energy related variances	**(33,705)**	(141,100)
	(215,412)	(326,070)
Incremental effect on income	**814,128**	971,106
Income before provision for payments-in-lieu of corporate income taxes without recognition of regulatory assets and liabilities	**11,709,560**	9,032,437

18. CORPORATE INCOME AND CAPITAL TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is provided as follows:

[i] Statement of Operations

	2006	2005
	$	$
Rate reconciliation:		
Income from continuing operations before income taxes	**10,895,051**	8,061,331
Statutory Canadian Federal and Provincial income tax rate	**36.12%**	36.12%
Expected taxes on income	**3,935,292**	2,911,753
Other permanent differences	**(58,564)**	9,242
Increase (decrease) in income taxes resulting from:		
Large corporations tax net of surtax	**-**	119,242
Tax on non-deductible reserves	**(912,741)**	-
Other current year timing differences not benefited	**195,828**	91,812
Dividend refund	**(566,667)**	(271,003)
Increased tax on investment income	**160,523**	78,405
Income tax expense	**2,753,671**	2,939,451
Effective tax rate	**25.27%**	36.46%
Components of income tax expense:		
Current tax expense, including large corporations tax	**2,753,671**	2,939,451
Income tax expense	**2,753,671**	2,939,451

[ii] Balance Sheet

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2006, future income tax assets of $11,796,626 [2005 - $11,321,225], based on substantively enacted income tax rates have not been recorded.

As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to temporary differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.

19. PRUDENTIAL SUPPORT OBLIGATION

Kitchener-Wilmot Hydro Inc. purchases power from the Independent Electricity System Operator [IESO] on behalf of its customers and retailers. The IESO [formerly IMO] is responsible for ensuring that prudential support is posted by all market participants to mitigate the impact of an event of default by a market participant on the rest of the market. In this regard, at December 31, 2006, Kitchener-Wilmot Hydro Inc. has posted an irrevocable standby letter of credit as security in the amount of $25,558,870 [2005 - $25,558,870] underwritten by the Company's principal bank. The Company has entered into a credit facility agreement with its bank in which contains certain financial covenants.

20. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange [MEARIE], which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the Company was a member. To December 31, 2006, the Company has not been made aware of any additional assessments.

21. CONTINGENT LIABILITY

Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks $500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to Section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Consumer Gas.

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Consumers Gas, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. Presently, a mediation process is underway to attempt to resolve the issue of the damages payable by Consumer Gas.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDCs' situation may be distinguishable from that of Consumers Gas.

At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company.

22. DIVIDENDS

Dividends in the amount of $1,700,000 [2005 - $813,008] were declared and paid to Kitchener Power Corporation in 2006. The Company is in compliance with its covenants contained in the Company's credit facility agreement with its bank pertaining to the payment of dividends.

23. COMPARATIVE FIGURES

Certain of the prior year comparative figures have been restated to conform to the current year's presentation.

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AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

Kitchener-Wilmot Hydro Inc.

We have audited and reported separately herein on the financial statements of Kitchener-Wilmot Hydro Inc. as at and for the year ended December 31, 2006.

Our audit was conducted for purposes of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Supplementary Financial Statements is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Waterloo, Canada
February 16, 2007

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SUPPLEMENTARY FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2006

Kitchener-Wilmot Hydro Inc.

YEAR IN BRIEF

For the year ended December 31st

Financial Highlights

	2006	2005
Total revenue	**$174,208,574**	$184,254,499
Total expenses	**$166,067,194**	$179,132,619
Net income	**$8,141,380**	$5,121,880
Additions of capital assets	**$14,663,463**	$15,081,086
Net capital assets	**$132,586,489**	$132,020,384
Long-term debt	**$76,962,142**	$76,962,142
Shareholders' equity	**$89,237,114**	$82,795,734
Rate of return on net capital assets	**6.4%**	6.8%
Debt to equity ratio	**46.3%**	48.2%
Current ratio	**2.82**	2.30

Customer Data

Number of customers	**80,955**	79,487
Number of employees	**167**	168
Kilowatt hour sales	**1,974,070,201**	2,096,185,970
Kilowatts purchased	**3,791,993**	3,904,539
Kilowatt peak demand	**379,972**	386,568

Performance Indicators

Controllable expenses per customer	**$149.29**	$128.79
Average monthly system load factor	**71.2%**	72.5%

	OEB Standard %	**Annual % met within minimum standards %**	Annual % met within minimum standards %
Connection of new services – low voltage	90.0	**91**	90
Connection of new services – high voltage	90.0	**100**	100
Underground cable locates	90.0	**100**	96
Appointments met	90.0	**91**	94
Telephone accessibility	65.0	**86**	83
Written responses to inquiries	80.0	**100**	100
Emergency response – urban areas	80.0	**100**	93
Emergency response – rural areas	80.0	**100**	100

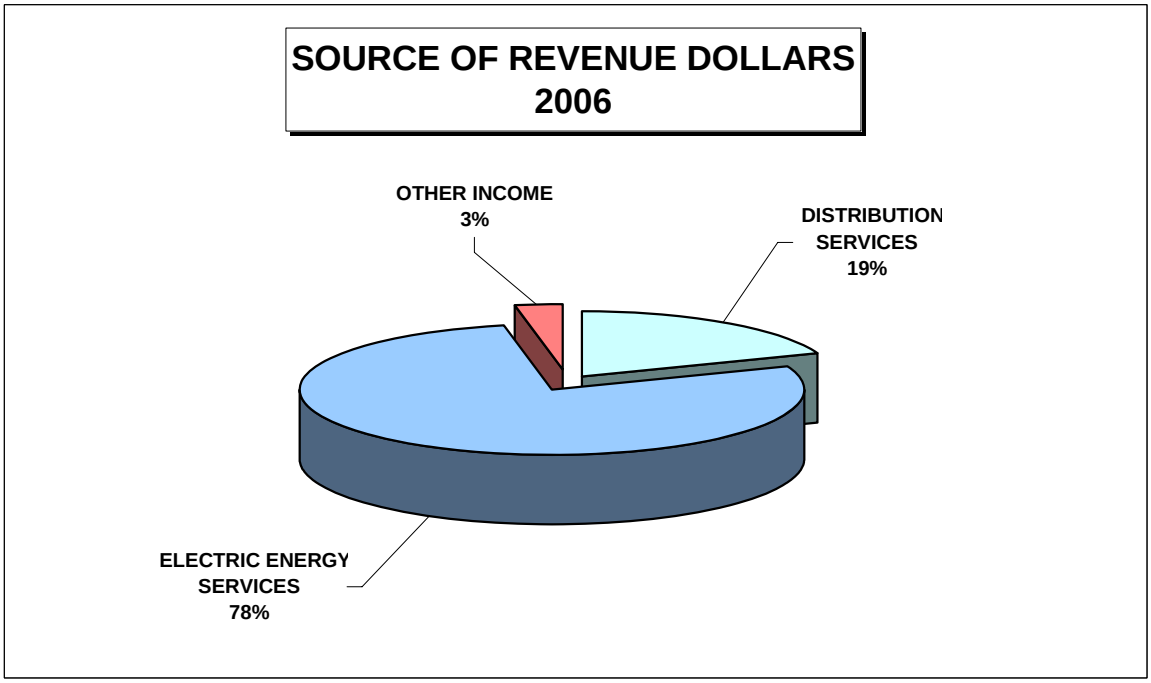
Service Reliability Indices

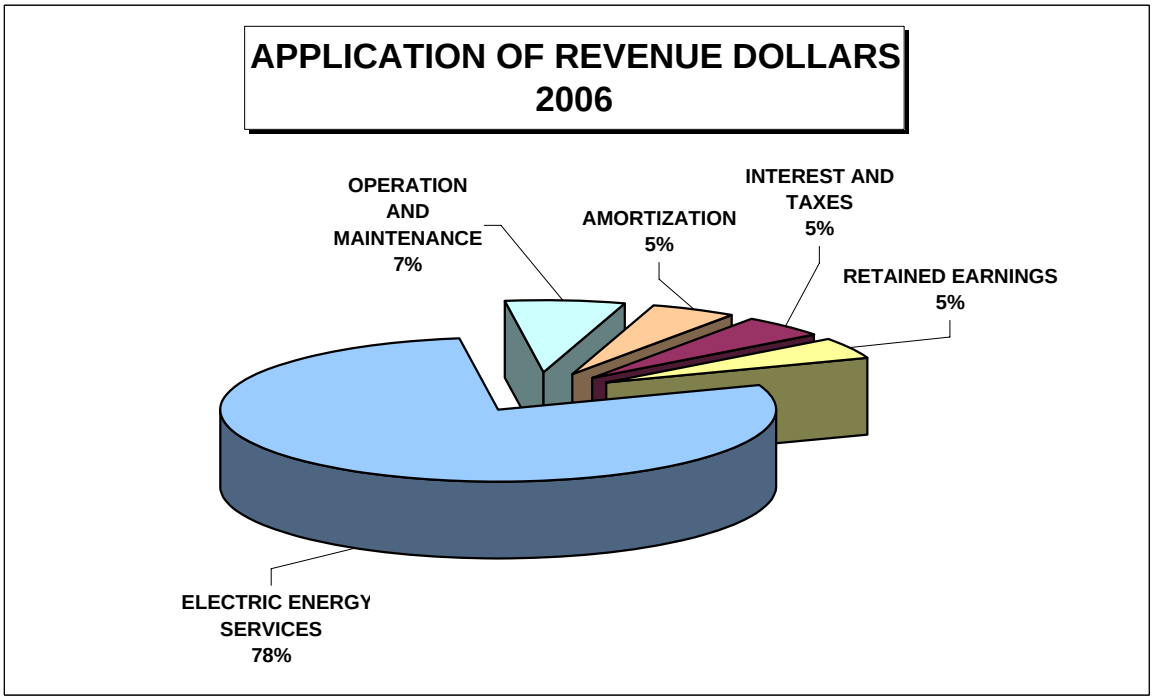
System average interruption duration (minutes)	**39.1**	59.9
System average interruption frequency index (average number of interruptions per customer)	**0.91**	0.80
Customer average interruption duration (minutes)	**42.7**	74.8

Kitchener-Wilmot Hydro Inc.

SOURCE & APPLICATION OF REVENUE DOLLARS

For the year ended December 31st





Kitchener-Wilmot Hydro Inc.

OPERATING STATISTICS

For the year ended December 31st

	2006	2005
Kilowatt Hours Sold		
Residential	**644,108,007**	659,625,447
General Service	**1,131,243,428**	1,187,722,170
Large User	**182,940,270**	233,288,313
Street Lighting	**15,778,496**	15,550,040
	1,974,070,201	2,096,185,970
Number of Customers		
Residential	**72,866**	71,490
General Service	**8,085**	7,993
Large User	**4**	4
	80,955	79,487
Average monthly kilowatts	**315,999**	325,378

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CAPITAL ASSETS

For the year ended December 31st

		2006 $
Land		**3,539,925**
Land Rights		**265,449**
Buildings		
Distribution and transformer stations (as per list)	**6,166,087**	
Operations centre – Victoria Street South	**8,642,109**	
Vehicle maintenance garage building	**399,455**	**15,207,651**
Equipment		
Distribution and transformer station equipment (as per list)	**38,892,085**	
Spare power transformer	**1,115,380**	
Portable mobile transformer substation	**79,664**	
Portable mobile generator	**133,327**	**40,220,456**
Distribution system – overhead conductors and devices	**52,540,232**	
Distribution system – underground conductors and devices	**89,561,620**	**142,101,852**
Distribution system – line transformers	**43,180,735**	
Distribution system – network transformers	**305,348**	**43,486,083**
Meters		**10,844,867**
SCADA – system supervisory equipment		**1,778,633**
General office equipment	**942,453**	
Computer hardware	**2,466,828**	
Computer software	**1,823,627**	
Vehicles & equipment	**6,823,051**	
Stores warehouse equipment	**36,630**	
Major tools, instruments & radios	**2,172,741**	
Safety equipment	**24,383**	**14,289,713**
Construction in progress		**2,070,266**
Contributed capital		**(25,609,027)**
		248,195,868

Kitchener-Wilmot Hydro Inc.

STATEMENT OF TRANSFORMER STATION BUILDINGS AND EQUIPMENT

For the year ended December 31st

		2006 $	2006 $
		BUILDINGS	EQUIPMENT
Distribution station # 1	New Hamburg	110,211	403,613
Distribution station # 2	New Hamburg	31,314	262,291
Distribution station # 3	New Dundee	122,611	330,143
Distribution station # 5	Josephsburg	50,227	239,304
Distribution station # 6	Baden	109,666	493,728
Distribution station # 7	New Hamburg	144,047	330,440
Distribution station # 8	Philipsburg	156,153	486,545
Transformer station # 1	West Avenue	709,637	4,900,868
Transformer station # 2	Bleams Road	460,149	1,312,316
Transformer station # 3	Bleams Road	817,730	6,552,464
Transformer station # 4	West Avenue	556,872	4,087,409
Transformer station # 5	Graber Place	402,274	3,275,468
Transformer station # 6	Ottawa Street South	583,170	6,350,727
Transformer station # 7	Fairway Road	666,626	4,162,492
Transformer station # 8	Huron Road	1,245,400	5,704,277
		6,166,087	38,892,085

Kitchener-Wilmot Hydro Inc.

ADDITIONS TO CAPITAL ASSETS

For the year ended December 31st

		2006 $
Land and land easement		
Township of Wilmot – Future transformer station # 9	10,988	
Land easement	3,750	14,738
Buildings		
Operations centre – Victoria Street South	115,217	
Transformer station # 4	79,435	
Transformer station # 6	34,516	229,168
Transformer station equipment		
Transformer station # 1	354,015	
Transformer station # 3	140,985	
Transformer station # 4	73,505	
Transformer station # 6	184,942	753,447
Distribution system – conductors and devices		
Overhead	2,615,153	
Underground	6,035,110	8,650,263
Distribution system – line and network transformers		3,086,535
Meters		508,196
General office equipment		64,565
Computer hardware		420,290
Computer software		235,380
Vehicles and equipment		605,712
Major tools, instruments and radios		95,169
		14,663,463

Kitchener-Wilmot Hydro Inc.

CHANGES IN WORKING CAPITAL COMPONENTS

For the year ended December 31st

	2006 $
Current Assets	**74,359,235**
Current Liabilities	**(26,367,345)**
Working Capital	**47,991,890**

	2006 $	2005 $	Change $
Cash and cash equivalents	**34,032,999**	34,667,286	(634,287)
Accounts receivable	**32,672,401**	29,554,370	3,118,031
Inventories	**3,741,836**	2,743,155	998,681
Prepaid expenses	**338,758**	440,789	(102,031)
Payments-in-lieu of corporate income tax	**92,693**	772,242	(679,549)
Current portion of regulatory assets	**3,480,548**	1,438,808	2,041,740
Accounts payable and accrued liabilities	**(15,403,890)**	(22,700,544)	7,296,654
Current portion of customers and construction deposits	**(8,409,702)**	(5,935,296)	(2,474,406)
Current portion of regulatory liabilities	**(2,553,753)**	(1,673,044)	(880,709)
Working Capital	**47,991,890**	39,307,766	8,684,124



FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2007

March 11, 2008

REPORT TO SHAREHOLDERS:

CORPORATION OF THE CITY OF KITCHENER

CORPORATION OF THE TOWNSHIP OF WILMOT

We are pleased to provide you with the Annual Report of Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2007.

This Annual Report represents the seventh full fiscal year of operations for the Corporation which was incorporated in July 2000 as required by Provincial Legislation and by Municipal Transfer By-Laws of the City of Kitchener and Township of Wilmot.

The year 2007 continued to be a year of transformation for Ontario's electricity industry and Kitchener-Wilmot Hydro Inc. continued to meet the challenge of responding effectively and in a timely manner to the numerous demands mandated by the Ontario Energy Board and the Ministry of Energy. The regulation of the province's local distribution companies continues to be onerous, costly and extremely time consuming for staff at a time when the Corporation is dealing with substantial growth.

During the past year, the Corporation and our customers achieved further efficiencies in the way electrical power is delivered and utilized. The installation of 77 capacitor banks on our distribution system over the past two years has reduced losses and improved the efficiency of our distribution system. In addition, our customers have achieved over 22.9 million KWhrs in savings over the last three years by participating in electricity conservation programs delivered by Kitchener-Wilmot Hydro Inc. and the Ontario Power Authority. Participation in these conservation programs not only saves money for our customers but also provides environmental benefits by reducing the demand for additional generation, and the associated carbon footprint, during peak times.

Kitchener-Wilmot Hydro Inc. achieved a new safety milestone in 2007, reaching one million, two hundred and fifty thousand worker hours without a lost-time accident. We will continue to promote a healthy and safe work environment for the corporation's valued employees.

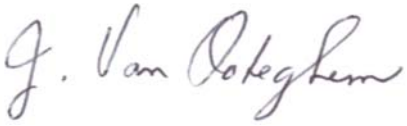
The year 2007 was a year of substantial growth in terms of new customers. A total of 1,665 new customers were connected to our system exceeding the number of customers connected in 2006. Kilowatt hour sales increased only slightly, however, to 1.976 billion kilowatt hours as temperatures were moderate and customers increasingly embraced the new "conservation culture". Capital infrastructure investments in system upgrades and expansions continued, as planned, in accordance with our long term asset management strategy. These investments today are vital to ensuring our continued ability to deliver safe and reliable electricity in the future.

Operating costs were effectively controlled during the year. The Corporation continues to have amongst the lowest residential rates and the lowest distribution costs of all electricity distribution companies in the province. At the same time, the system infrastructure is continually being refurbished and enhanced in order to meet the needs of our customers. The Corporation remains in a strong financial position for the future and continues to provide value to its Shareholders, the City of Kitchener and the Township of Wilmot, as well as to its customers. By doing so, Kitchener-Wilmot Hydro provides a supporting base for economic development in the communities we serve.

In summary, we wish to thank the Board and all staff for their dedication, support and commitment to excellence. Although we are focused on meeting the needs of our customers and our regulators today, we must continue to prepare for the unknown challenges of the future within an ever-changing regulatory environment and industry.



L. GALAJDA, CHAIR



J. VAN OOTEGHEM, PRESIDENT & C.E.O.

MANAGEMENT REPORT

December 31, 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Kitchener-Wilmot Hydro Inc. are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are described in note 2 of the notes section to the financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared in light of information available up to February 15, 2008.

Management maintains appropriate systems of internal control and designed to provide reasonable assurance that the Company's assets were safeguarded and that financial records are relevant and reliable. The system includes formal corporate-wide policies and procedures, and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of management,

J. Van Ooteghem

Jerry Van Ooteghem, P.Eng.
President & C.E.O.

G L Guthrie

G.L. Guthrie, C.G.A.
Vice-President, Finance & C.F.O.

KPMG LLP
Chartered Accountants
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

AUDITORS' REPORT

We have audited the balance sheet of Kitchener-Wilmot Hydro Inc. as at December 31, 2007 and the statements of operations, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada
February 15, 2008

Kitchener-Wilmot Hydro Inc.

BALANCE SHEET

As at December 31st	2007 $	2006 $
ASSETS		
Current assets		
Cash and cash equivalents	**37,086,235**	34,032,999
Accounts receivable (note 4)	**31,149,664**	32,672,401
Inventories (note 5)	**3,406,810**	3,741,836
Prepaid expense	**588,471**	338,758
Payments-in-lieu of corporate income taxes receivable	**-**	92,693
Current portion of regulatory assets (note 18)	**1,113,532**	3,480,548
Total current assets	**73,344,712**	74,359,235
Capital assets – net of accumulated amortization (note 6)	**134,615,150**	132,586,489
Regulatory assets (note 18)	**2,750,965**	669,064
Total assets	**210,710,827**	207,614,788
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**16,163,767**	15,403,890
Payments-in-lieu of corporate income taxes payable	**57,974**	-
Current portion of customer and construction deposits (note 8)	**7,156,441**	8,409,702
Current portion of regulatory liabilities (note 18)	**816,902**	2,553,753
Total current liabilities	**24,195,084**	26,367,345
Long-term liabilities		
Long-term debt (note 9)	**76,962,142**	76,962,142
Customer deposits (note 8)	**3,733,177**	3,313,039
Post-employment benefits (note 11)	**4,947,341**	4,727,308
Regulatory liabilities (note 18)	**7,929,450**	7,007,840
Total long-term liabilities	**93,572,110**	92,010,329
Total liabilities	**117,767,194**	118,377,674
Shareholders' equity		
Share capital – common shares (note 12)	**63,689,499**	63,689,499
Retained earnings	**29,254,134**	25,547,615
Total shareholders' equity	**92,943,633**	89,237,114
Total liabilities and shareholders' equity	**210,710,827**	207,614,788

See accompanying notes

Approved by the Board of Directors

L. Galajda, Chair

J. Van Ooteghem, President & C.E.O. / Director

Kitchener-Wilmot Hydro Inc.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31st

	2007 **$**	2006 $
Retained earnings, beginning of year	**25,547,615**	19,106,235
Net income	**5,606,519**	8,141,380
Dividend paid out (note 23)	(**1,900,000**)	(1,700,000)
Retained earnings, end of year	**29,254,134**	25,547,615

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the year ended December 31st

	2007 $	2006 $
REVENUE		
Sales revenue		
Distribution services revenue	**32,830,043**	32,043,668
Electric energy services (note 13)	**142,354,239**	136,551,539
	175,184,282	168,595,207
Other revenue		
Investment income	**1,541,081**	1,174,564
Late payment penalties	**243,733**	198,339
Miscellaneous revenue (note 14)	**1,159,107**	795,553
Reversal of allowance for impairment of regulatory assets (note 2 [II] [a])	**-**	3,444,911
	2,943,921	5,613,367
Non-utility operation revenue		
Energy conservation – OPA funding (note 15)	**196,681**	-
Total revenue	**178,324,884**	174,208,574
EXPENSE		
Electric energy services (note 13)	**142,354,239**	136,551,539
Distribution operations and maintenance	**6,342,236**	6,188,126
General administration	**2,599,273**	2,518,258
Customer accounts	**2,627,785**	2,519,700
Conservation and community relations (note 15)	**1,074,731**	860,023
Property and capital taxes	**1,008,985**	1,014,518
Amortization (note 16)	**8,901,061**	8,510,357
Total expense	**164,908,310**	158,162,521
Income before interest and provision for payments-in-lieu of corporate income taxes	**13,416,574**	16,046,053
Interest expense	**4,957,610**	5,151,002
Income before provision for payments-in-lieu of corporate income taxes	**8,458,964**	10,895,051
Provision for payments-in-lieu of corporate income taxes (note 19)	**2,852,445**	2,753,671
NET INCOME AND COMPREHENSIVE INCOME	**5,606,519**	8,141,380

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31st

	2007 $	2006 $
OPERATING ACTIVITIES		
Net Income	**5,606,519**	8,141,380
Add (deduct) charges to operations not requiring a current cash payment:		
(Gain) loss on disposal of capital assets	**(68,541)**	44
Amortization (note 16)	**9,449,140**	9,092,257
Increase in post-employment benefits obligation (note 11)	**220,033**	202,622
Increase in non-current customer deposits (note 8)	**420,138**	486,538
(Decrease) in reserve for regulatory assets (note 2 [II] [a])	**-**	(3,444,911)
Net change in non-cash operating working capital (note 17)	**1,895,498**	(9,318,411)
Cash provided by operating activities	**17,522,787**	5,159,519
INVESTING ACTIVITIES		
Additions to capital assets	**(16,669,945)**	(14,663,463)
(Increase) decrease in long-term regulatory assets / liabilities (note 18)	**(1,160,291)**	5,564,600
Proceeds on disposals of capital assets	**98,330**	15,160
Cash (applied to) investing activities	**(17,731,906)**	(9,083,703)
FINANCING ACTIVITIES		
Increase in contributed capital	**5,162,355**	4,989,897
Dividends paid out (note 23)	**(1,900,000)**	(1,700,000)
Cash provided by financing activities	**3,262,355**	3,289,897
Net cash provided (applied) during the year	**3,053,236**	(634,287)
Cash and cash equivalents, beginning of year	**34,032,999**	34,667,286
Cash and cash equivalents, end of year	**37,086,235**	34,032,999
Cash and cash equivalents are represented by:		
Cash	**586,670**	570,729
Cash equivalents	**36,499,565**	33,462,270
	37,086,235	34,032,999
Supplemental cash flow information		
Interest paid	**4,934,184**	5,098,381
Payments-in-lieu of corporate income taxes and capital taxes	**3,342,280**	3,419,520

See accompanying notes

1. INCORPORATION

Kitchener-Wilmot Hydro Inc. [the Company] is a regulated electricity distribution company incorporated under the Business Corporation Act (Ontario) on July 1, 2000. The incorporation was required in accordance with the provincial government's Energy Competition Act (Bill 35). The Company is wholly owned by Kitchener Power Corp. whose shareholders are the City of Kitchener and the Township of Wilmot.

These municipalities both passed by-laws which transferred the net assets of the former Hydro-Electric Commission of Kitchener-Wilmot to the new Company on August 1, 2000. Certain surplus property assets and cash funds were excluded from the transfer and were retained by the City and the Township.

2. SIGNIFICANT ACCOUNTING POLICIES

[I] Basis of accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"] including accounting principles prescribed by the Ontario Energy Board [the "OEB"] in the Accounting Procedures Handbook [the "AP Handbook"] for Electric Distribution Utilities, and reflect the significant accounting policies as summarized below.

[II] Regulation

Kitchener-Wilmot Hydro Inc. is regulated by the Ontario Energy Board under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity customers, and for ensuring the distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs and revenues in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. The economic impact of rate regulation is reported in these financial statements.

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

[a] Regulatory assets and liabilities

Regulatory assets represent costs that have been deferred because it is probable that they will be recovered from customers in future periods through the rate-making process. Regulatory liabilities represent future reduction in revenues associated with amounts that are expected to be refunded to customers through the rate-making process.

In April 2006, the OEB granted approval for the recovery of regulatory assets (net of liabilities) accumulated to December 31, 2004, through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

Subsequently, in 2006 the Company reversed its allowance for impairment of regulatory assets in the amount of $3,444,911 which represents the pre-market opening energy variance of $3,033,473 and the transition cost of $411,438, net of carrying charges.

During 2007, the Company recovered approved regulatory asset amounts of $430,267 [2006 – $853,632] through permitted distribution rate adjustments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Financial instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 3855 – "Financial Instruments – Recognition and Measurement", 3861 – "Financial Instruments – Disclosure and Presentation", 3865 – "Hedges", 1530 – "Comprehensive Income" and the revised CICA Handbook Section 3251 – "Equity" [the "Handbook Sections"]. As provided under the standards, the financial statements have not been restated. These new Handbook Sections have lead to changes in the accounting for financial instruments and hedging transactions. All relevant changes are outlined below.

Financial instruments - recognition and measurement – Section 3855

This Section establishes the standards for the recognition and measurement of financial assets and financial liabilities. At inception, all financial instruments which meet the definition of a financial asset or financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company. As of January 1, 2007, the Company has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

- Cash is classified as "Assets Held-for-Trading" and is measured at fair value.
- Cash equivalents, comprising short-term investments, are classified as "Held-to-Maturity Investments" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.
- Accounts receivable are classified as "Loans and Receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and the long-term debt are classified as "Other Financial Liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Comprehensive income – Section 1530

This Section describes the recognition and disclosure requirements with respect to comprehensive income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income represents the changes in the fair value of a financial instrument which have not been included in net income.

As the Company had no adjustments to other comprehensive income during the period ending December 31, 2007, the adoption of this standard does not have an impact on the financial statements.

Hedges – Section 3865

This Section establishes standards regarding the use of hedge accounting, in particular, the criteria to be met for the application of hedge accounting and the methods of executing various hedging strategies. As the Company has not entered into any hedging transactions as at December 31, 2007, the adoption of this standard does not have an impact on the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[c] Inventories

Inventories consist of parts, supplies and materials held for the future capital expansion and are valued at the lower of average weighted cost and net realizable value.

[d] Spare transformers and meters

Spare transformers and meters are classified as capital assets in accordance with guidance in the CICA Handbook.

[e] Capital assets and amortization

Capital assets are recorded at cost. Costs for assets installed or erected by the Company include material, labour and overhead.

Amortization is provided on a straight-line basis for capital assets available for use over their estimated service lives, at the following annual rates:

Buildings	2%
Transformer station equipment	2.5%
Distribution station equipment	3.33%
Distribution system	4%
Meters	4%
SCADA equipment	6.67%
Other capital assets	10 – 25%

Amortization on general equipment directly used in the installation of other capital assets, is capitalized to the new assets based on a pro-ration of the time during the year they are used for such purposes.

Full amortization is recorded in the year of acquisition and none in the year of disposal, except for readily identified assets, which are amortized on a monthly basis.

For readily identifiable assets retired or disposed of, the asset and related accumulated amortization are removed from the records. Differences between the proceeds, if any and the unamortized asset amount plus removal costs are recorded as a gain or loss in the year of disposal.

For grouped assets, the assets and accumulated amortization are removed from the records at the end of their estimated average service life, regardless of actual service life.

[f] Construction in progress

Capital assets under construction at year-end are referred to as construction in progress and disclosed as a component of capital assets. Construction in progress is recognized as a capital asset and amortized when the asset is either put into service or construction is substantially completed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[g] Contributed capital

Effective May 1, 2000, the Company prospectively adopted the change in accounting policy for contributions received in aid of construction [contributed capital], as prescribed by the OEB "Accounting Procedures Handbook for Electric Distribution Utilities". Contributed capital contributions are required contributions received from outside sources, used to finance additions to capital assets. Contributed capital contributions received are treated as a "credit" contra account included in the determination of capital assets. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense, at an equivalent rate to that used for the amortization of the related capital assets.

[h] Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

[i] Payments-in-lieu of corporate income taxes and capital taxes

The current tax-exempt status of the Company under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) reflects the fact that the Company is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the municipality ceases to own 90% or more of the shares or capital of the Company, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Company.

Commencing October 1, 2001, the Company is required, under the Electricity Act 1998, to make payments-in-lieu of corporate income taxes ["PILs"] to Ontario Electricity Financial Corporation, which will be used to repay the stranded debt incurred by the former Ontario Hydro. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act 1998 and related regulations.

As a result of becoming subject to PILs, the Company's taxation year was deemed to have ended immediately beforehand and a new taxation year was deemed to have commenced immediately thereafter. The Company was therefore deemed to have disposed of each of its assets at their then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Company was deemed to have a new company and, as a result, tax credits or tax losses not previously utilized by the Company would not be available to it after the change in tax status. Essentially, the Company was taxed as though it had a "fresh start" at the time of its change in tax status.

The Company provides for PILs relating to its regulated business using the taxes payable method as allowed by the OEB. Under the taxes payable method, no provisions are booked for temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. When unrecorded future income taxes, as a result of temporary differences between tax basis and accounting purposes become payable, they will be charged to the statement of operations at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[j] Post-employment benefits

Employee future benefits provided by Kitchener-Wilmot Hydro Inc. include medical and life insurance benefits. These plans provide benefits to certain employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render the services.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains (losses) are expensed during the period in which the gains (losses) become known.

[k] Pension plan

Kitchener-Wilmot Hydro Inc. provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer pension plan, which operates as the Ontario Municipal Employees Retirement Fund [the "Fund"] and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. Prior to 2005, the Company recognized the expense related to this plan as contributions were made.

From January 2005 to April 2006, cash pension costs incurred by the Company were deferred and recognized as regulatory assets as per OEB direction, which are expected to be recovered in future distribution rates to be determined when the Company rebases for rate setting purposes in 2010 (see note 2 [II] [a]).

Commencing May 2006, the Company recognized the expense related to this plan as contributions were made.

[l] Revenue recognition and cost of electrical energy

The Company records revenue from the sale of energy on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the year. The cost of power is recognized when the energy is consumed.

[m] Use of estimates

The preparation of financial statements, in conformance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for the year. Actual results could differ from those estimates including changes as a result of future decisions made by the OEB, Minister of Energy, or the Minister of Finance.

3. CREDIT RISK AND FINANCIAL INSTRUMENTS

[i] Credit risk

For distribution retail customers, credit losses are generally low across the sector. The Company provides for an allowance for doubtful accounts to absorb credit losses. At December 31, 2007, there are no significant concentrations of credit risk with respect to any class of financial assets.

[ii] Interest rate risk

Cash balances not required to meet day-to-day obligations of the Company are invested in Canadian money market instruments, with terms of one day to 364 days, exposing the Company to fluctuations in short-term interest rates. These fluctuations could impact the level of interest income earned by the Company.

4. ACCOUNTS RECEIVABLE

	2007	2006
	$	$
Electric energy	**12,703,042**	12,922,254
Miscellaneous	**960,116**	2,767,223
	13,663,158	15,689,477
Less: Allowance for doubtful accounts	**(300,000)**	(325,000)
	13,363,158	15,364,477
Unbilled revenue receivable	**17,231,200**	16,863,500
Interest receivable	**191,002**	208,038
Related parties receivable:		
City of Kitchener	**358,270**	223,631
Township of Wilmot	**6,034**	12,755
	364,304	236,386
	31,149,664	32,672,401

Related Party Transactions

The Company conducted the following transactions with related parties during the year ended December 31, 2007. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2007	2006
	$	$
City of Kitchener – capital and maintenance street light services	**954,286**	537,892
Township of Wilmot – capital and maintenance street light services	**88,422**	34,648
	1,042,708	572,540

5. INVENTORIES

Inventories consist of:

	2007	2006
	$	$
Stores	**2,677,941**	2,759,989
Transformers	**679,163**	931,062
Meters	**49,706**	50,785
	3,406,810	3,741,836

6. CAPITAL ASSETS – NET OF ACCUMULATED AMORTIZATION

2007	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	**3,727,038**	**-**	**3,727,038**
Land rights	**265,449**	**241,957**	**23,492**
Buildings	**15,689,852**	**4,174,828**	**11,515,024**
Transformer station equipment	**37,975,643**	**12,734,640**	**25,241,003**
Distribution station equipment	**2,853,105**	**1,656,102**	**1,197,003**
Distribution system – conductors and devices	**151,976,851**	**70,948,134**	**81,028,717**
Distribution system – line and network transformers	**46,357,757**	**21,931,960**	**24,425,797**
Meters	**11,313,175**	**5,501,676**	**5,811,499**
SCADA – system supervisory equipment	**1,685,495**	**1,301,679**	**383,816**
Other capital assets	**14,584,978**	**9,380,427**	**5,204,551**
Construction in progress	**1,875,892**	**-**	**1,875,892**
	288,305,235	**127,871,403**	**160,433,832**
Less: Contributed capital	**(30,771,382)**	**(4,952,700)**	**(25,818,682)**
	257,533,853	**122,918,703**	**134,615,150**

2006	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	3,539,925	-	3,539,925
Land rights	265,449	239,304	26,145
Buildings	15,207,651	3,888,007	11,319,644
Transformer station equipment	37,461,401	11,797,983	25,663,418
Distribution station equipment	2,759,055	1,578,645	1,180,410
Distribution system – conductors and devices	142,101,852	65,712,507	76,389,345
Distribution system – line and network transformers	43,486,083	20,100,647	23,385,436
Meters	10,844,867	5,061,488	5,783,379
SCADA – system supervisory equipment	1,778,633	1,317,394	461,239
Other capital assets	14,289,713	9,635,249	4,654,464
Construction in progress	2,070,266	-	2,070,266
	273,804,895	119,331,224	154,473,671
Less: Contributed capital	(25,609,027)	(3,721,845)	(21,887,182)
	248,195,868	115,609,379	132,586,489

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007 $	2006 $
Independent Electricity System Operator	**11,453,288**	11,240,549
Ontario Electricity Financial Corporation	**968,420**	960,402
Energy rebates payable	**118,629**	47,884
Others	**3,623,430**	3,155,055
	16,163,767	15,403,890

8. CUSTOMER AND CONSTRUCTION DEPOSITS

	2007 $	2006 $
Construction deposits	**4,583,341**	5,949,602
Customer deposits – current portion	**2,573,100**	2,460,100
	7,156,441	8,409,702
Customer deposits – non current portion	**3,733,177**	3,313,039

9. LONG-TERM DEBT

[i] Effective August 1, 2000, Kitchener-Wilmot Hydro Inc. incurred unsecured promissory notes payable to the City of Kitchener and to the Township of Wilmot. The amounts due at the end of the year are:

	2007 $	2006 $
City of Kitchener	**70,997,576**	70,997,576
Township of Wilmot	**5,964,566**	5,964,566
	76,962,142	76,962,142

[ii] Interest is paid quarterly at an annual effective rate established by the OEB. The annual effective rate for January 1, 2007 to December 31, 2007 was 6%. Repayment of all or part of the outstanding principal may be made upon eighteen months written notice. The Company paid the following interest:

	2007 $	2006 $
City of Kitchener	**4,259,855**	4,493,271
Township of Wilmot	**357,874**	377,484
	4,617,729	4,870,755

10. PENSION PLAN

As directed by the OEB the cash pension costs paid by the Company for 2005 totalling $678,442 and for January 1, 2006 to April 30, 2006 totalling $247,542 were deferred and recognized as regulatory assets. The amounts are expected to be recovered through future distribution rates when the Company rebases for rate setting purposes in 2010. Prior to 2005 OMERS pension costs have been expensed during the period in which they were incurred.

The cash pension costs for the year ended December 31, 2007 in the amount $782,735 (2006: May 1, 2006 to December 31, 2006 – $506,079) have been expensed during the period in which they were incurred.

11. POST-EMPLOYMENT BENEFITS

Kitchener-Wilmot Hydro Inc. pays certain health, dental and life insurance benefits on behalf of its retired employees.

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2007	2006
	%	%
Discount rate	**5.0**	5.0
Future general salary and wage levels increase	**3.3**	3.3
Future general inflation increase	**2.0**	2.0
Dental costs increase	**CPI rate plus a further 3% increase in 2007, through to 2012 and thereafter**	CPI rate plus a further 3% increase in 2006, through to 2011 and and thereafter
Medical costs increase	**CPI rate plus a further 11% increase in 2007, graded down to 5.5% in 2012 and thereafter**	CPI rate plus a further 12% increase in 2006, graded down to 6% in 2011 and thereafter

Information about Kitchener-Wilmot Hydro Inc.'s defined benefits plans is as follows:

	2007	2006
	$	$
Accrued benefit obligation		
Balance, beginning of the year	**4,727,308**	4,524,686
Current service cost	**161,330**	153,648
Interest cost	**239,902**	229,406
Amortized gain	**-**	-
Benefits paid	**(181,199)**	(180,432)
Projected accrued benefit obligation at December 31 as determined by actuarial valuation	**4,947,341**	4,727,308

12. SHARE CAPITAL

	2007 $	2006 $
Authorized		
Unlimited common shares		
Issued		
10,000 common shares	**63,689,499**	63,689,499

13. ELECTRIC ENERGY SERVICES

	2007 $	2006 $
Revenue		
Electricity	**118,254,500**	112,438,178
Wholesale market services	**9,728,783**	9,793,199
Transmission services	**14,304,852**	14,254,176
Retailer services	**66,104**	65,986
	142,354,239	136,551,539
Costs		
Electricity	**118,254,500**	112,438,178
Wholesale market services	**9,728,783**	9,793,199
Transmission services	**14,304,852**	14,254,176
Retailer services	**66,104**	65,986
	142,354,239	136,551,539

14. MISCELLANEOUS REVENUE

	2007 $	2006 $
Pole attachment rentals, building and other rentals	**715,730**	320,471
Change of occupancy charges	**170,311**	155,597
Scrap sales	**48,442**	136,291
Net (loss) gain on disposal of capital assets	**68,541**	(44)
Unsealing / reconnection charges	**45,890**	39,370
Accounts payable discounts taken	**29,460**	40,115
Return cheque charges	**27,060**	18,676
Sundry	**53,673**	85,077
	1,159,107	795,553

15. CONSERVATION AND COMMUNITY RELATIONS

Included in the Company's 2005 distribution rates is the approved recovery of the Company's third instalment of the prescribed regulated rate of return in the amount of $2,340,264 which by regulation was entirely invested in conservation and demand management initiatives over the period from April 1, 2005 to September 30, 2007.

In 2007, the Company entered into an agreement with the Ontario Power Authority ["OPA"] to deliver OPA funded energy conservation and demand management ["CDM"] programs.

Energy conservation and community relations expense consist of the following:

	2007	2006
	$	$
Energy conservation programs – third tranche	**646,503**	552,480
OPA conservation programs	**172,668**	-
	819,171	552,480
Community relations	**255,560**	307,543
	1,074,731	860,023

16. AMORTIZATION

	2007	2006
	$	$
Amortization	**8,901,061**	8,510,357
Various expense accounts	**548,079**	581,900
	9,449,140	9,092,257

17. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2007	2006
	$	$
Decrease (Increase) in accounts receivable	**1,522,737**	(3,118,031)
Decrease (Increase) in inventories	**335,026**	(998,681)
(Increase) decrease in prepaid expense	**(249,713)**	102,031
Decrease in payment-in-lieu of corporate income taxes	**150,667**	679,549
Decrease (Increase) in current portion of regulatory assets	**2,367,016**	(2,041,740)
Increase (Decrease) in accounts payable and accrued liabilities	**759,877**	(7,296,654)
(Decrease) Increase in current portion of customer and construction deposits	**(1,253,261)**	2,474,406
(Decrease) Increase in current portion of regulatory liabilities	**(1,736,851)**	880,709
	1,895,498	(9,318,411)

18. REGULATORY ASSETS & LIABILITIES

The "Electricity Pricing, Conservation and Supply Act, 2002" [Bill 210] deems certain costs and variance account balances to be accounted for as regulatory assets [note 2(a)].

The Company began recovering some of its regulatory assets (net of liabilities) on an interim basis starting April 1, 2004 which continued throughout 2005. On April 12, 2006 the OEB granted approval for the final recovery of these costs, accumulated to December 31, 2004, through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

The OEB adopted the policy that specific funding for the capital cost of smart meters should be included in distribution rates by all Ontario electric distribution companies. The Board decided that "seed" funding equivalent to $0.27 per customer per month be included in the Company's distribution rates commencing May 1, 2006. Revenue has been reduced by the amount for smart meters funded in rates and have been deferred in accordance with the AP Handbook. It is expected this deferred revenue will be offset by smart metering capital costs incurred commencing in 2008.

[i] Regulatory assets consist of the following:

	2007	2006
	$	$
Current portion of regulatory assets:		
Pre-market opening energy variance	**411,662**	1,286,340
Retailer service cost variances	**173**	541
Retail settlement variances	**649,019**	2,029,061
Transition costs	**52,678**	164,606
	1,113,532	3,480,548
Long-term portion of regulatory assets:		
Conservation and demand management	**269**	269
OEB cost assessments	**218,139**	232,115
OMERS pension costs	**1,018,919**	975,146
Rebate program costs	**27,433**	81,384
Retailer service cost variances	**51,828**	57,114
Retail settlement variances	**1,864,644**	176,668
	3,181,232	1,522,696
Less: Regulatory assets recovered	**(430,267)**	(853,632)
	2,750,965	669,064
Total regulatory assets	**3,864,497**	4,149,612

18. REGULATORY ASSETS & LIABILITIES (CONTINUED)

[ii] Regulatory liabilities consist of the following:

	2007 $	2006 $
Current portion of regulatory liabilities:		
OEB cost assessments	**10,758**	33,615
Pre-market opening energy variance	**411,662**	1,286,339
Rebate program costs	**12,940**	40,435
Retailer service cost variances	**7,921**	24,751
Retail settlement variances	**320,943**	1,004,007
Transition costs	**52,678**	164,606
	816,902	2,553,753
Long-term portion of regulatory liabilities:		
Retailer service cost variances	**69,965**	34,216
Retail settlement variances	**7,358,738**	6,691,913
Smart meter expenditures and recovery	**449,967**	172,488
Other deferred credits	**50,780**	109,223
	7,929,450	7,007,840
Total regulatory liabilities	**8,746,352**	9,561,593

[iii] The following table illustrates the pro-forma effect on income before provision for payments-in-lieu of corporate income taxes, of the recognition of regulatory assets and liabilities:

	2007 $	2006 $
Income before provision for payments-in-lieu of corporate income taxes	**8,458,964**	10,895,051
Decrease in reserve for regulatory assets	**-**	(3,444,911)
Energy related variances		
Retail settlement services	**(553,429)**	4,328,707
Interest on energy related variances	**229,256**	145,744
	(324,173)	4,474,451
Non-energy related variances		
OEB cost assessments	**-**	(48,301)
OMERS pension costs	**-**	(247,542)
Rebate program costs	**26,457**	(12,795)
Regulatory assets recovery	**(474,528)**	(69,705)
Retailer services	**23,770**	8,516
Smart meter expenditures and recovery	**263,418**	171,914
Other deferred credits	**-**	16,206
Interest on non-energy related variances	**13,373**	(33,705)
	(147,510)	(215,412)
Incremental effect on income	**(471,683)**	814,128
Income before provision for payments-in-lieu of corporate income taxes without recognition of regulatory assets and liabilities	**7,987,281**	11,709,179

19. CORPORATE INCOME AND CAPITAL TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is provided as follows:

[i] Statement of Operations

	2007 $	2006 $
Rate reconciliation:		
Income from continuing operations before income taxes	**8,458,964**	10,895,051
Statutory Canadian Federal and Provincial income tax rate	**36.12%**	36.12%
Expected taxes on income	**3,055,378**	3,935,292
Other permanent differences	**(124,910)**	(58,564)
Increase (decrease) in income taxes resulting from:		
Tax on non-deductible reserves	**-**	(912,741)
Other current year timing differences not benefited	**197,385**	195,828
Dividend refund	**(475,749)**	(566,667)
Increased tax on investment income	**200,341**	160,523
Income tax expense	**2,852,445**	2,753,671
Effective tax rate	**33.72%**	25.27%
Components of income tax expense:		
Current tax expense	**2,852,445**	2,753,671
Income tax expense	**2,852,445**	2,753,671

[ii] Balance Sheet

Future income taxes relating to the regulated businesses have not been recorded in the accounts as they are expected to be recovered through future revenues. As at December 31, 2007, future income tax assets of $11,102,216 [2006 - $11,796,626], based on substantively enacted income tax rates have not been recorded.

As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to temporary differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.

20. PRUDENTIAL SUPPORT OBLIGATION

Kitchener-Wilmot Hydro Inc. purchases power from the Independent Electricity System Operator [IESO] on behalf of its customers and retailers. The IESO [formerly IMO] is responsible for ensuring that prudential support is posted by all market participants to mitigate the impact of an event of default by a market participant on the rest of the market. In this regard, at December 31, 2007, Kitchener-Wilmot Hydro Inc. has posted an irrevocable standby letter of credit as security in the amount of $29,782,438 [2006 - $25,558,870] underwritten by the Company's principal bank. The Company has entered into a credit facility agreement with its bank in which contains certain financial covenants.

21. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange [MEARIE], which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the Company was a member. To December 31, 2007, the Company has not been made aware of any additional assessments.

22. CONTINGENT LIABILITY

Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks $500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to Section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Consumers Gas, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge and that settlement was approved by the Ontario Superior Court.

In 2007, Enbridge filed application to the Ontario Energy Board [the "OEB"] to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the same amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDCs' situation may be distinguishable from that of Consumers Gas.

At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company.

23. DIVIDENDS

Dividends in the amount of $1,900,000 [2006 - $1,700,000] were declared and paid to Kitchener Power Corp. in 2007. The Company is in compliance with its covenants contained in the Company's credit facility agreement with its bank pertaining to the payment of dividends.

24. COMPARATIVE FIGURES

Certain prior year comparative figures may have been restated to conform to the current year's presentation.



SUPPLEMENTARY FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2007

KPMG LLP
Chartered Accountants
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada

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Internet www.kpmg.ca

AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

Kitchener-Wilmot Hydro Inc.

We have audited and reported separately herein on the financial statements of Kitchener-Wilmot Hydro Inc. as at and for the year ended December 31, 2007.

Our audit was conducted for purposes of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Supplementary Financial Statements is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada
February 15, 2008

Kitchener-Wilmot Hydro Inc.

YEAR IN BRIEF

For the year ended December 31st

Financial Highlights

	2007	2006
Total revenue	**$178,324,884**	$174,208,574
Total expense	**$172,718,365**	$166,067,194
Net income	**$5,606,519**	$8,141,380
Additions of capital assets	**$16,669,945**	$14,663,463
Net capital assets	**$134,615,150**	$132,586,489
Long-term debt	**$76,962,142**	$76,962,142
Shareholders' equity	**$92,943,633**	$89,237,114
Rate of return on net capital assets	**6.7%**	6.4%
Debt to equity ratio	**45.3%**	46.3%
Current ratio	**3.03**	2.82

Customer Data

Number of customers	**82,620**	80,955
Number of employees	**171**	167
Kilowatt hour sales	**1,976,946,830**	1,974,070,201
Kilowatts purchased	**3,841,329**	3,791,993
Kilowatt peak demand	**370,934**	379,972

Performance Indicators

Controllable expense per customer	**$153.04**	$149.29
Average monthly system load factor	**70.0%**	71.2%

	OEB Standard	**Annual % met within minimum standards**	Annual % met within minimum standards
	%	%	%
Connection of new services – low voltage	90.0	**91**	91
Connection of new services – high voltage	90.0	**100**	100
Underground cable locates	90.0	**100**	100
Appointments met	90.0	**92**	91
Telephone accessibility	65.0	**85**	86
Written responses to inquiries	80.0	**98**	100
Emergency response – urban areas	80.0	**100**	100
Emergency response – rural areas	80.0	**100**	100

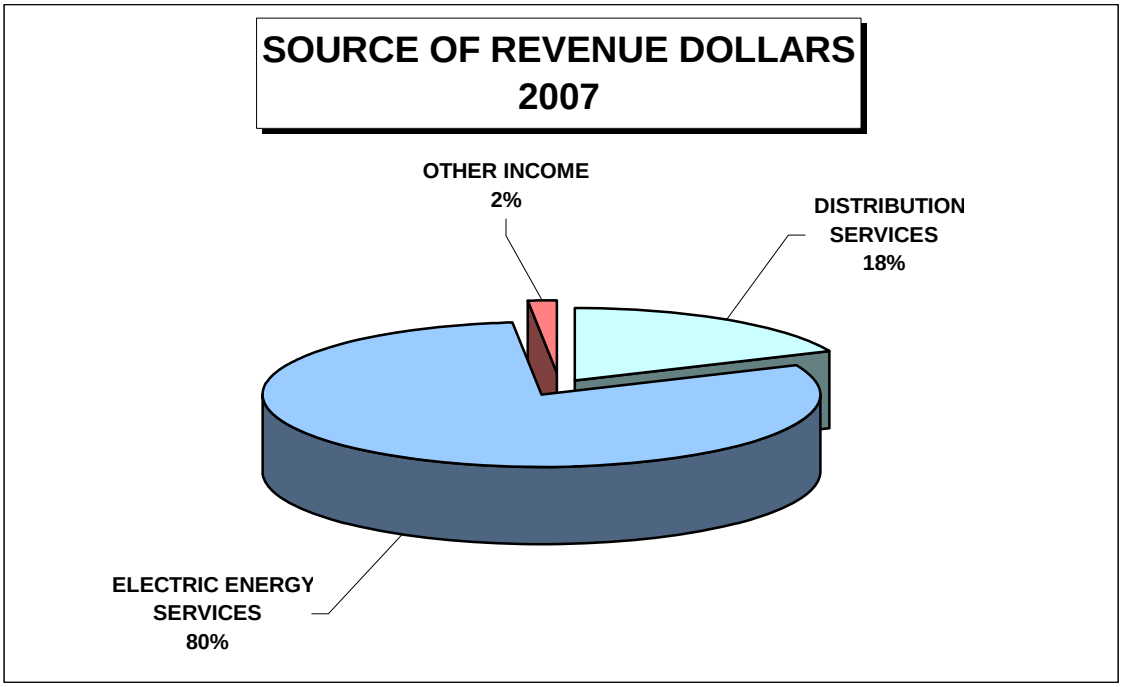
Service Reliability Indices

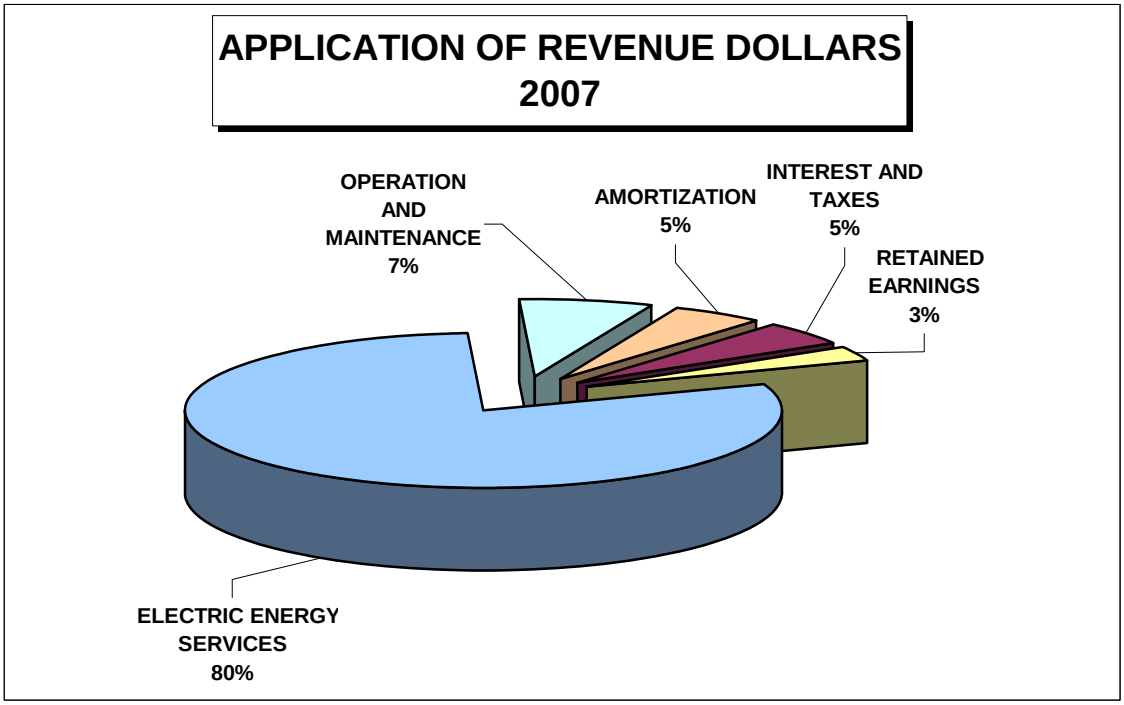
System average interruption duration (minutes)	**66.1**	39.1
System average interruption frequency index (average number of interruptions per customer)	**0.94**	0.91
Customer average interruption duration (minutes)	**70.7**	42.7

Kitchener-Wilmot Hydro Inc.

SOURCE & APPLICATION OF REVENUE DOLLARS

For the year ended December 31st





Kitchener-Wilmot Hydro Inc.

OPERATING STATISTICS

For the year ended December 31st

	2007	2006
Kilowatt Hours Sold		
Residential	**660,550,766**	644,108,007
General Service	**1,141,826,772**	1,131,243,428
Large User	**158,516,486**	182,940,270
Street Lighting	**16,052,806**	15,778,496
	1,976,946,830	1,974,070,201
Number of Customers		
Residential	**74,392**	72,866
General Service	**8,224**	8,085
Large User	**4**	4
	82,620	80,955
Average monthly kilowatts	**320,111**	315,999

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CAPITAL ASSETS

For the year ended December 31st

		2007 $
Land		**3,727,038**
Land Rights		**265,449**
Buildings		
Distribution and transformer stations (as per list)	**6,320,061**	
Operations centre – Victoria Street South	**8,970,336**	
Vehicle maintenance garage building	**399,455**	**15,689,852**
Equipment		
Distribution and transformer station equipment (as per list)	**39,500,377**	
Spare power transformer	**1,115,380**	
Portable mobile transformer substation	**79,664**	
Portable mobile generator	**133,327**	**40,828,748**
Distribution system – overhead conductors and devices	**56,013,403**	
Distribution system – underground conductors and devices	**95,963,448**	**151,976,851**
Distribution system – line transformers	**46,052,290**	
Distribution system – network transformers	**305,467**	**46,357,757**
Meters		**11,313,175**
SCADA – system supervisory equipment		**1,685,495**
General office equipment	**1,003,545**	
Computer hardware	**2,121,385**	
Computer software	**2,100,910**	
Vehicles & equipment	**7,058,404**	
Stores warehouse equipment	**36,630**	
Major tools, instruments & radios	**2,239,721**	
Safety equipment	**24,383**	**14,584,978**
Construction in progress		**1,875,892**
Contributed capital		**(30,771,382)**
		257,533,853

Kitchener-Wilmot Hydro Inc.

STATEMENT OF TRANSFORMER STATION BUILDINGS AND EQUIPMENT

For the year ended December 31st

		2007 $	2007 $
		BUILDINGS	EQUIPMENT
Distribution station # 1	New Hamburg	110,211	403,613
Distribution station # 2	New Hamburg	31,314	262,291
Distribution station # 3	New Dundee	122,611	330,143
Distribution station # 5	Josephsburg	50,227	239,304
Distribution station # 6	Baden	109,666	560,648
Distribution station # 7	New Hamburg	144,047	330,439
Distribution station # 8	Philipsburg	156,153	513,675
Transformer station # 1	West Avenue	709,637	4,947,282
Transformer station # 2	Bleams Road	460,149	1,312,316
Transformer station # 3	Bleams Road	817,730	6,629,059
Transformer station # 4	West Avenue	526,833	4,257,250
Transformer station # 5	Graber Place	402,274	3,495,656
Transformer station # 6	Ottawa Street South	591,548	6,356,641
Transformer station # 7	Fairway Road	666,626	4,162,492
Transformer station # 8	Huron Road	1,328,177	5,699,568
Transformer station # 9	Township of Wilmot	92,858	-
		6,320,061	39,500,377

Kitchener-Wilmot Hydro Inc.

ADDITIONS TO CAPITAL ASSETS

For the year ended December 31st

		2007 $
Land and land easement		
Township of Wilmot – transformer station # 9		**187,113**
Buildings		
Operations centre – Victoria Street South	**328,227**	
Transformer station # 4	**12,280**	
Transformer station # 6	**8,442**	
Transformer station # 8	**34,812**	
Transformer station # 9	**147,396**	**531,157**
Transformer station equipment		
Transformer station # 1	**45,615**	
Transformer station # 3	**78,212**	
Transformer station # 4	**362,310**	
Transformer station # 5	**261,352**	
Transformer station # 6	**18,813**	
Transformer station # 7	**60,035**	
Transformer station # 9	**216,866**	**1,043,203**
Distribution station equipment		
Distribution station # 6	**65,766**	
Distribution station # 8	**26,662**	**92,428**
Distribution system – conductors and devices		
Overhead	**4,098,962**	
Underground	**5,804,634**	**9,903,596**
Distribution system – line and network transformers		**2,749,860**
Meters		**468,307**
General office equipment		**61,092**
Computer hardware		**174,716**
Computer software		**277,283**
Vehicles and equipment		**1,009,326**
Major tools, instruments and radios		**171,864**
		16,669,945

Kitchener-Wilmot Hydro Inc.

CHANGES IN WORKING CAPITAL COMPONENTS

For the year ended December 31st

	2007 $
Current Assets	**73,344,712**
Current Liabilities	**(24,195,084)**
Working Capital	**49,149,628**

	2007 $	2006 $	Change $
Cash and cash equivalents	**37,086,235**	34,032,999	3,053,236
Accounts receivable	**31,149,664**	32,672,401	(1,522,737)
Inventories	**3,406,810**	3,741,836	(335,026)
Prepaid expense	**588,471**	338,758	249,713
Payments-in-lieu of corporate income tax	**(57,974)**	92,693	(150,667)
Current portion of regulatory assets	**1,113,532**	3,480,548	(2,367,016)
Accounts payable and accrued liabilities	**(16,163,767)**	(15,403,890)	(759,877)
Current portion of customers and construction deposits	**(7,156,441)**	(8,409,702)	1,253,261
Current portion of regulatory liabilities	**(816,902)**	(2,553,753)	1,736,851
Working Capital	**49,149,628**	47,991,890	1,157,738

FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2008

March 17, 2009

REPORT TO SHAREHOLDERS:

CORPORATION OF THE CITY OF KITCHENER

CORPORATION OF THE TOWNSHIP OF WILMOT

We are pleased to provide you with the Annual Report of Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2008.

This Annual Report represents the eighth full fiscal year of operations for the Corporation which was incorporated in July 2000 as required by Provincial Legislation and by Municipal Transfer By-Laws of the City of Kitchener and Township of Wilmot.

The year 2008 was a year of moderate growth in terms of new customers. A total of 1,596 new customers were connected to our system compared to 1,665 customers connected in 2007. The number of new lots serviced, however, decreased significantly to 718 lots/units compared to 1,665 lots/units in 2007 reflecting a significant downturn in the economy in the latter half of the year. Kilowatt hour sales fell 2.1% to 1.94 billion kilowatt hours due to a slowdown in the manufacturing sector, moderate summer temperatures and an increasing awareness by our customers of the new “conservation culture”. Peak demand was also down significantly to 351 MW from 371 MW in 2007. Capital infrastructure investments in system upgrades and expansions continued, as planned, in accordance with our long term asset management strategy. These investments today are vital to ensuring our continued ability to deliver safe and reliable electricity in the future.

Total revenue for the year was down 2.8% as a result of lower kilowatt hour consumption and decreased investment income resulting from declining interest rates. Total expenses, however, are also down for 2008 resulting in a net income slightly less than the previous year.

Operating costs were effectively controlled during the year. The Corporation continues to have amongst the lowest residential rates and the lowest distribution costs of all electricity distribution companies in the province. At the same time, the system infrastructure is

continually being refurbished and enhanced in order to meet the needs of our customers. The Corporation remains in a strong financial position for the future and continues to provide value to its Shareholders, the City of Kitchener and the Township of Wilmot, as well as to its customers. By doing so, Kitchener-Wilmot Hydro provides a supporting base for economic development in the communities we serve.

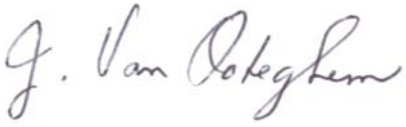
During the past year, the Corporation continued to exceed all of the customer service quality performance standards as specified by the Ontario Energy Board. Service reliability indices that measure the duration and frequency of system outages, also performed well in 2008. Our customers achieved further efficiencies in the way electrical power is delivered and utilized by participating in several electricity conservation programs delivered by Kitchener-Wilmot Hydro Inc. and the Ontario Power Authority. Participation in these conservation programs not only saves money for our customers but also provides environmental benefits by reducing the demand for additional generation, and the associated carbon footprint, during peak times.

Kitchener-Wilmot Hydro Inc. continues to meet the challenges of responding effectively and in a timely manner to the many requirements of our regulator, the agencies and the Ministry of Energy and Infrastructure. As we move forward into 2009, the proposed Green Energy Act will once again transform Ontario's electricity industry and local electrical distribution companies will play a key role in "building the sustainable communities of tomorrow".

In summary, we wish to thank the Board and all staff for their dedication, support and commitment to excellence. While we are focused on meeting the needs of our customers and our regulators today, we must continue to prepare for the unknown challenges of the future within an ever-changing regulatory environment and industry.



L. GALAJDA, CHAIR



J. VAN OOTEGHEM, PRESIDENT & C.E.O.

MANAGEMENT REPORT

December 31, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Kitchener-Wilmot Hydro Inc. are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Company are described in note 2 of the notes section to the financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared in light of information available up to February 13, 2009.

Management maintains appropriate systems of internal control and designed to provide reasonable assurance that the Company's assets were safeguarded and that financial records are relevant and reliable. The system includes formal corporate-wide policies and procedures, and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of management,

Jerry Van Ooteghem, P.Eng.
President & C.E.O.

G.L. Guthrie, C.G.A.
Vice-President, Finance & C.F.O.

KPMG LLP
Chartered Accountants
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

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Fax (519) 747-8830
Internet www.kpmg.ca

AUDITORS' REPORT

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

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

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

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada

February 13, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Kitchener-Wilmot Hydro Inc.

BALANCE SHEET

As at December 31st

	2008 $	2007 $ (Restated) (note 2 [l])
ASSETS		
Current assets		
Cash and cash equivalents	**39,260,386**	37,086,235
Accounts receivable (note 4)	**31,371,812**	31,149,664
Inventories (note 5)	**3,674,259**	3,406,810
Prepaid expense	**499,419**	588,471
Current portion of regulatory assets (note 18)	**-**	1,113,532
Total current assets	**74,805,876**	73,344,712
Non-current assets		
Capital assets – net of accumulated amortization (note 6)	**137,837,826**	134,615,150
Regulatory assets (note 18)	**4,305,784**	2,750,965
Future income tax assets (note 19)	**11,564,625**	11,307,345
Total non-current assets	**153,708,235**	148,673,460
Total assets	**228,514,111**	222,018,172

See accompanying notes

Kitchener-Wilmot Hydro Inc.

BALANCE SHEET (CONTINUED)

For the year ended December 31st

	2008 $	2007 $ *(Restated) (note 2 [l])*
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**17,604,136**	16,163,767
Payments-in-lieu of corporate income taxes payable	**74,575**	57,974
Current portion of customer and construction deposits (note 8)	**7,553,179**	7,156,441
Current portion of regulatory liabilities (note 18)	**-**	816,902
Total current liabilities	**25,231,890**	24,195,084
Long-term liabilities		
Long-term debt (note 9)	**76,962,142**	76,962,142
Customer deposits (note 8)	**3,750,443**	3,733,177
Post-employment benefits (note 11)	**5,300,524**	5,288,916
Regulatory liabilities (note 18)	**10,500,184**	7,929,450
Total long-term liabilities	**96,513,293**	93,913,685
Total liabilities	**121,745,183**	118,108,769
Shareholders' equity		
Share capital – common shares (note 12)	**63,689,499**	63,689,499
Retained earnings	**43,079,429**	40,219,904
Total shareholders' equity	**106,768,928**	103,909,403
Total liabilities and shareholders' equity	**228,514,111**	222,018,172

See accompanying notes

Approved by the Board of Directors

L. Galajda, Chair

J. Van Ooteghem, President & C.E.O. / Director

Kitchener-Wilmot Hydro Inc.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31st

	2008 **$**	2007 $
Retained earnings, beginning of year	**40,219,904**	25,547,615
Prior year adjustment – future income taxes (note 2 [l] [a])	**-**	13,884,083
Prior year adjustment – unamortized gains of post employment benefit (note 2 [l] [b])	**-**	(218,198)
Net income	**5,159,525**	2,906,404
Dividend paid out (note 23)	**(2,300,000)**	(1,900,000)
Retained earnings, end of year	**43,079,429**	40,219,904

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the year ended December 31st

	2008 $	2007 $ *(Restated)* *(note 2 [l])*
REVENUE		
Sales revenue		
Distribution services revenue	**32,678,525**	32,830,043
Electric energy services (note 13)	**137,824,685**	142,354,239
	170,503,210	175,184,282
Other revenue		
Investment income	**1,097,922**	1,541,081
Late payment penalties	**207,836**	243,733
Miscellaneous revenue (note 14)	**905,276**	1,159,107
	2,211,034	2,943,921
Non-utility operation revenue		
Energy conservation – OPA funding (note 15)	**587,775**	196,681
Total revenue	**173,302,019**	178,324,884
EXPENSE		
Electric energy services (note 13)	**137,824,685**	142,354,239
Distribution operations and maintenance	**6,985,671**	6,342,236
Customer accounts	**2,712,371**	2,627,785
General administration	**2,581,185**	2,599,273
Conservation and community relations (note 15)	**769,388**	1,074,731
Property and capital taxes	**811,067**	1,008,985
Amortization (note 16)	**9,253,850**	8,901,061
Total expense	**160,938,217**	164,908,310
Income before interest and provision for payments-in-lieu of corporate income taxes	**12,363,802**	13,416,574
Interest expense	**4,943,543**	4,957,610
Income before provision for payments-in-lieu of corporate income taxes	**7,420,259**	8,458,964
Provision for payments-in-lieu of corporate income taxes (note 19)	**2,260,734**	5,552,560
NET INCOME AND COMPREHENSIVE INCOME	**5,159,525**	2,906,404

See accompanying notes

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31st

	2008 $	2007 $ (Restated) (note 2 [l])
OPERATING ACTIVITIES		
Net Income	**5,159,525**	2,906,404
Add (deduct) charges to operations not requiring a current cash payment:		
Gain on disposal of capital assets	**(38,545)**	(68,541)
Amortization (note 16)	**9,864,364**	9,449,140
(Increase) decrease in future income tax assets (note 19)	**(257,280)**	2,700,115
Increase in non-current customer deposits (note 8)	**17,266**	420,138
Increase in post-employment benefits obligation (note 11)	**11,608**	220,033
Net change in non-cash operating working capital (note 17)	**1,749,793**	1,895,498
Cash provided by operating activities	**16,506,731**	17,522,787
INVESTING ACTIVITIES		
Additions to capital assets	**(17,599,990)**	(16,669,945)
Decrease (increase) in long-term regulatory assets / liabilities (note 18)	**1,015,916**	(1,160,291)
Proceeds on disposals of capital assets	**52,911**	98,330
Cash (applied to) investing activities	**(16,531,163)**	(17,731,906)
FINANCING ACTIVITIES		
Increase in contributed capital	**4,498,583**	5,162,355
Dividends paid out (note 23)	**(2,300,000)**	(1,900,000)
Cash provided by financing activities	**2,198,583**	3,262,355
Net cash provided during the year	**2,174,151**	3,053,236
Cash and cash equivalents, beginning of year	**37,086,235**	34,032,999
Cash and cash equivalents, end of year	**39,260,386**	37,086,235
Cash and cash equivalents are represented by:		
Cash	**250,662**	586,670
Cash equivalents	**39,009,724**	36,499,565
	39,260,386	37,086,235
Supplemental cash flow information		
Interest paid	**4,967,707**	4,934,184
Payments-in-lieu of corporate income taxes and capital taxes	**3,050,511**	3,342,280

See accompanying notes

Kitchener-Wilmot Hydro Inc.

NOTES TO FINANCIAL STATEMENTS

1. INCORPORATION

Kitchener-Wilmot Hydro Inc. [the Company] is a regulated electricity distribution company incorporated under the Business Corporation Act (Ontario) on July 1, 2000. The incorporation was required in accordance with the provincial government's Energy Competition Act (Bill 35). The Company is wholly owned by Kitchener Power Corp. whose shareholders are the City of Kitchener and the Township of Wilmot.

These municipalities both passed by-laws which transferred the net assets of the former Hydro-Electric Commission of Kitchener-Wilmot to the new Company on August 1, 2000. Certain surplus property assets and cash funds were excluded from the transfer and were retained by the City and the Township.

2. SIGNIFICANT ACCOUNTING POLICIES

[I] Changes in accounting policies

[a] During the year, the Company changed its accounting policy for the accounting for income taxes from the taxes payable method, as permitted by rate regulated enterprises, to the asset and liability method (referred to as the future tax method). Under the future tax method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Company concluded that the future tax method provides more relevant tax measurement and presentation to the taxes payable method. The change in accounting policy has been applied retroactively.

The 2007 financial statements have been restated to record additional net future tax assets of $13,884,083 and an increase to opening retained earnings of $13,884,083.

[b] During the year, the Company changed its accounting policy for the recognition of actuarial gains and losses from recognition in the period for which the actuarial gains and losses are recorded to the corridor method. Both methods are permitted under CICA Handbook Section 3461, Employee Future Benefits. Under the corridor method, the Company recognizes as income or expense, the amortization of the excess of the net accumulated actuarial gains (losses) over 10% of the accrued benefit obligation, amortized over the average remaining service period of active employees. The Company concluded that the corridor method provides more relevant measurement of actuarial gains (losses) compared to the previous policy. The change in accounting policy has been applied retroactively.

The 2007 financial statements have been restated to increase the amounts previously recorded for post-employment benefit liability by $341,575 and future income tax assets by $123,377 and to decrease the opening retained earnings by $218,198.

[c] During the year, the Company adopted the provisions of CICA Handbook Section 3031, Inventories, which replaced CICA Handbook Section 3030. Under the new standard, inventories are required to be valued at the lower of cost and net realizable value and items considered major spare parts are recorded as capital assets. The standard also contains provisions requiring the reversal of inventory write-downs if the circumstances resulting in the original write-down have reversed. Prior to 2008, inventories were valued at the lower of average weighted cost and net realizable value. There was no change to the inventory values based on the adoption of this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[II] Basis of accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"] including accounting principles prescribed by the Ontario Energy Board [the "OEB"] in the Accounting Procedures Handbook [the "AP Handbook"] for Electric Distribution Utilities, and reflect the significant accounting policies as summarized below.

[III] Regulation

Kitchener-Wilmot Hydro Inc. is regulated by the Ontario Energy Board under the authority of the *Ontario Energy Board Act, 1998*. The OEB is charged with the responsibility of approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity customers, and for ensuring the distribution companies fulfill obligations to connect and service customers.

The OEB has the general power to include or exclude costs and revenues in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. The economic impact of rate regulation is reported in these financial statements.

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

[a] Regulatory assets and liabilities

Regulatory assets represent costs that have been deferred because it is probable that they will be recovered from customers in future periods through the rate-making process. Regulatory liabilities represent future reduction in revenues associated with amounts that are expected to be refunded to customers through the rate-making process.

During 2008, the Company recovered approved regulatory asset amounts of $254,278 [2007 – $430,267] through permitted distribution rate adjustments.

[b] Financial instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 3855 – "Financial Instruments – Recognition and Measurement", 3861 – "Financial Instruments – Disclosure and Presentation", 3865 – "Hedges", 1530 – "Comprehensive Income" and the revised CICA Handbook Section 3251 – "Equity" [the "Handbook Sections"]. As provided under the standards, the financial statements have not been restated. These new Handbook Sections have led to changes in the accounting for financial instruments and hedging transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Financial instruments (continued)

Financial instruments - recognition and measurement – Section 3855

This Section establishes the standards for the recognition and measurement of financial assets and financial liabilities. At inception, all financial instruments which meet the definition of a financial asset or financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company. Effective January 1, 2007, the Company has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

- Cash is classified as “Assets Held-for-Trading” and is measured at fair value.
- Cash equivalents, comprising short-term investments, are classified as “Held-to-Maturity Investments” and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.
- Accounts receivable are classified as “Loans and Receivables” and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and the long-term debt are classified as “Other Financial Liabilities” and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Comprehensive income – Section 1530

This Section describes the recognition and disclosure requirements with respect to comprehensive income. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income represents the changes in the fair value of a financial instrument which have not been included in net income.

The Company had no adjustments to other comprehensive income during the period ending December 31, 2008.

Hedges – Section 3865

This Section establishes standards regarding the use of hedge accounting, in particular, the criteria to be met for the application of hedge accounting and the methods of executing various hedging strategies. The Company has not entered into any hedging transactions as at December 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[c] Inventories

Inventories consist of parts, supplies and materials held for the future capital expansion. During the year, the Company adopted the provisions of CICA Handbook Section 3031, Inventories, which replaced CICA Handbook Section 3030. Under the new standard, inventories are required to be valued at the lower of cost and net realizable value and items considered major spare parts are recorded as capital assets. The standard also contains provisions requiring the reversal of inventory write-downs if the circumstances resulting in the original write-down have reversed. Prior to 2008, inventories were valued at the lower of average weighted cost and net realizable value. There was no change to the inventory values based on the adoption of this new standard.

[d] Spare transformers and meters

Spare transformers and meters are classified as capital assets in accordance with guidance in the CICA Handbook.

[e] Capital assets and amortization

Capital assets are recorded at cost. Costs for assets installed or erected by the Company include material, labour and overhead.

Amortization is provided on a straight-line basis for capital assets available for use over their estimated service lives, at the following annual rates:

Buildings	2%
Transformer station equipment	2.5%
Distribution station equipment	3.33%
Distribution system	4%
Meters	4%
SCADA equipment	6.67%
Other capital assets	10 – 25%

Amortization on general equipment directly used in the installation of other capital assets, is capitalized to the new assets based on a pro-ration of the time during the year they are used for such purposes.

Full amortization is recorded in the year of acquisition and none in the year of disposal, except for readily identified assets, which are amortized on a monthly basis.

For readily identifiable assets retired or disposed of, the asset and related accumulated amortization are removed from the records. Differences between the proceeds, if any, and the unamortized asset amount plus removal costs are recorded as a gain or loss in the year of disposal.

For grouped assets, the assets and accumulated amortization are removed from the records at the end of their estimated average service life, regardless of actual service life.

[f] Construction in progress

Capital assets under construction at year-end are referred to as construction in progress and disclosed as a component of capital assets. Construction in progress is recognized as a capital asset and amortized when the asset is either put into service or construction is substantially completed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[g] Contributed capital

Effective May 1, 2000, the Company prospectively adopted the change in accounting policy for contributions received in aid of construction [contributed capital], as prescribed by the OEB "Accounting Procedures Handbook for Electric Distribution Utilities". Contributed capital contributions are required contributions received from outside sources, used to finance additions to capital assets. Contributed capital contributions received are treated as a "credit" contra account included in the determination of capital assets. The amount is subsequently amortized by a charge to accumulated amortization and a credit to amortization expense, at an equivalent rate to that used for the amortization of the related capital assets.

[h] Customer deposits

Customer deposits are cash collections from customers to guarantee the payment of energy bills. Deposits expected to be refunded to customers within the next fiscal year are classified as a current liability.

[i] Payments-in-lieu of corporate income taxes and capital taxes

The current tax-exempt status of the Company under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) reflects the fact that the Company is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the municipality ceases to own 90% or more of the shares or capital of the Company, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Company.

Commencing October 1, 2001, the Company is required, under the Electricity Act 1998, to make payments-in-lieu of corporate income taxes ["PILs"] to Ontario Electricity Financial Corporation, which will be used to repay the stranded debt incurred by the former Ontario Hydro. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act 1998 and related regulations.

As a result of becoming subject to PILs, the Company's taxation year was deemed to have ended immediately beforehand and a new taxation year was deemed to have commenced immediately thereafter. The Company was therefore deemed to have disposed of each of its assets at their then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Company was deemed to have a new company and, as a result, tax credits or tax losses not previously utilized by the Company would not be available to it after the change in tax status. Essentially, the Company was taxed as though it had a "fresh start" at the time of its change in tax status.

During the year, the Company changed its accounting policy for the accounting for income taxes from the taxes payable method, as permitted by rate regulated enterprises, to the asset and liability method (referred to as the future tax method). Under the future tax method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Company concluded that the future tax method provides more relevant tax measurement and presentation to the taxes payable method. The change in accounting policy has been applied retroactively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[j] Post-employment benefits

Employee future benefits provided by Kitchener-Wilmot Hydro Inc. include medical and life insurance benefits. These plans provide benefits to certain employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render the services.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

During the year, the Company changed its accounting policy for the recognition of actuarial gains and losses from recognition in the period for which the actuarial gains and losses are recorded to the corridor method. Both methods are permitted under CICA Handbook Section 3461, Employee Future Benefits. Under the corridor method, the Company recognizes as income or expense, the amortization of the excess of the net accumulated actuarial gains (losses) over 10% of the accrued benefit obligation, amortized over the average remaining service period of active employees. The Company concluded that the corridor method provides more relevant measurement of actuarial gains (losses) compared to the previous policy. The change in accounting policy has been applied retroactively.

[k] Pension plan

Kitchener-Wilmot Hydro Inc. provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer pension plan, which operates as the Ontario Municipal Employees Retirement Fund [the "Fund"] and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. The Company recognizes the expense related to this plan as contributions are made.

[l] Revenue recognition and cost of electrical energy

The Company records revenue from the sale of energy on the basis of regular meter readings and estimates of customer usage since the last meter reading to the end of the year. The cost of power is recognized when the energy is consumed.

[m] Use of estimates

The preparation of financial statements, in conformance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for the year. Actual results could differ from those estimates including changes as a result of future decisions made by the OEB, Minister of Energy, or the Minister of Finance.

3. CREDIT RISK AND FINANCIAL INSTRUMENTS

[i] Credit risk

For distribution retail customers, credit losses are generally low across the sector. The Company provides for an allowance for doubtful accounts to absorb credit losses. Effective November 2007, the Company has purchased accounts receivable credit insurance to protect against payment default risk by its large user accounts.

At December 31, 2008, there are no significant concentrations of credit risk with respect to any class of financial assets.

[ii] Interest rate risk

Cash balances not required to meet day-to-day obligations of the Company are invested in Canadian money market instruments, with terms of one day to 364 days, exposing the Company to fluctuations in short-term interest rates. These fluctuations could impact the level of interest income earned by the Company.

4. ACCOUNTS RECEIVABLE

	2008	2007
	$	$
Electric energy	**12,195,071**	12,703,042
Miscellaneous	**791,818**	960,116
	12,986,889	13,663,158
Less: Allowance for doubtful accounts	**(350,000)**	(300,000)
	12,636,889	13,363,158
Unbilled revenue receivable	**18,341,400**	17,231,200
Interest receivable	**192,733**	191,002
Related parties receivable:		
City of Kitchener	**194,514**	358,270
Township of Wilmot	**6,276**	6,034
	200,790	364,304
	31,371,812	31,149,664

Related Party Transactions

The Company conducted the following transactions with related parties during the year ended December 31, 2008. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2008	2007
	$	$
City of Kitchener – capital and maintenance street light services	**905,429**	954,286
Township of Wilmot – capital and maintenance street light services	**19,205**	88,422
	924,634	1,042,708

5. INVENTORIES

Inventories consist of:

	2008	2007
	$	$
Stores	**2,590,151**	2,677,941
Transformers	**981,510**	679,163
Meters	**37,350**	49,706
Thermostats for conservation programs	**65,248**	-
	3,674,259	3,406,810

6. CAPITAL ASSETS – NET OF ACCUMULATED AMORTIZATION

2008	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	**3,727,038**	**-**	**3,727,038**
Land rights	**265,449**	**244,610**	**20,839**
Buildings	**15,597,327**	**4,457,942**	**11,139,385**
Transformer station equipment	**38,712,090**	**13,689,712**	**25,022,378**
Distribution station equipment	**2,853,105**	**1,733,558**	**1,119,547**
Distribution system – conductors and devices	**148,358,761**	**65,143,184**	**83,215,577**
Distribution system – line and network transformers	**48,710,018**	**23,857,364**	**24,852,654**
Meters	**11,606,959**	**5,953,616**	**5,653,343**
SCADA – system supervisory equipment	**1,608,893**	**1,296,759**	**312,134**
Other capital assets	**15,307,160**	**9,884,054**	**5,423,106**
Construction in progress	**6,258,291**	**-**	**6,258,291**
	293,005,091	**126,260,799**	**166,744,292**
Less: Contributed capital	**(35,269,965)**	**(6,363,499)**	**(28,906,466)**
	257,735,126	**119,897,300**	**137,837,826**

2007	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Land	3,727,038	-	3,727,038
Land rights	265,449	241,957	23,492
Buildings	15,689,852	4,174,828	11,515,024
Transformer station equipment	37,975,643	12,734,640	25,241,003
Distribution station equipment	2,853,105	1,656,102	1,197,003
Distribution system – conductors and devices	151,976,851	70,948,134	81,028,717
Distribution system – line and network transformers	46,357,757	21,931,960	24,425,797
Meters	11,313,175	5,501,676	5,811,499
SCADA – system supervisory equipment	1,685,495	1,301,679	383,816
Other capital assets	14,584,978	9,380,427	5,204,551
Construction in progress	1,875,892	-	1,875,892
	288,305,235	127,871,403	160,433,832
Less: Contributed capital	(30,771,382)	(4,952,700)	(25,818,682)
	257,533,853	122,918,703	134,615,150

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008 $	2007 $
Independent Electricity System Operator	**12,891,713**	11,453,288
Ontario Electricity Financial Corporation	**970,006**	968,420
Energy rebates payable	**23,624**	118,629
Others	**3,718,793**	3,623,430
	17,604,136	16,163,767

8. CUSTOMER AND CONSTRUCTION DEPOSITS

	2008 $	2007 $
Construction deposits	**4,912,679**	4,583,341
Customer deposits – current portion	**2,640,500**	2,573,100
	7,553,179	7,156,441
Customer deposits – non current portion	**3,750,443**	3,733,177

9. LONG-TERM DEBT

[i] Effective August 1, 2000, Kitchener-Wilmot Hydro Inc. incurred unsecured promissory notes payable to the City of Kitchener and to the Township of Wilmot. The amounts due at the end of the year are:

	2008 $	2007 $
City of Kitchener	**70,997,576**	70,997,576
Township of Wilmot	**5,964,566**	5,964,566
	76,962,142	76,962,142

[ii] Interest is paid quarterly at an annual effective rate established by the OEB. The annual effective rate for January 1, 2008 to December 31, 2008 was 6%. Repayment of all or part of the outstanding principal may be made upon eighteen months written notice. The Company paid the following interest:

	2008 $	2007 $
City of Kitchener	**4,271,526**	4,259,855
Township of Wilmot	**358,854**	357,874
	4,630,380	4,617,729

10. PENSION PLAN

As directed by the OEB the cash pension costs paid by the Company for 2005 totalling $678,442 and for January 1, 2006 to April 30, 2006 totalling $247,542 were deferred and recognized as regulatory assets. The amounts are expected to be recovered through future distribution rates when the Company rebases for rate setting purposes in 2010. Prior to 2005 OMERS pension costs have been expensed during the period in which they were incurred.

The cash pension costs for the year ended December 31, 2008 in the amount $835,751 (2007 – $782,735) have been expensed during the period in which they were incurred.

11. POST-EMPLOYMENT BENEFITS

Kitchener-Wilmot Hydro Inc. pays certain health, dental and life insurance benefits on behalf of its retired employees.

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2008	2007
	%	**%**
Discount rate	**5.25**	5.00
Future general salary and wage levels increase	**3.80**	3.30
Future general inflation increase	**2.30**	2.00
Dental costs increase	**Actual cost increase of 2.92% in 2008; CPI rate plus a further 2.7% increase in 2009, through to 2013 and thereafter**	CPI rate plus a further 3% increase in 2007, through to 2012 and and thereafter
Medical costs increase	**Actual cost increase of 5.83% in 2008; CPI rate plus a further 6.7% increase in 2009, graded down to 2.7% in 2013 and thereafter**	CPI rate plus a further 11% increase in 2007, graded down to 5.5% in 2012 and thereafter

11. POST-EMPLOYMENT BENEFITS (CONTINUED)

Information about Kitchener-Wilmot Hydro Inc.'s defined benefits plans is as follows:

	2008 **$**	2007 $
		(Restated) (note 2 [l])
Accrued benefit obligation		
Balance, beginning of the year	**4,947,341**	4,727,308
Current service cost	**104,907**	161,330
Interest cost	**205,781**	239,902
Actuarial gain	**(1,032,190)**	-
Benefits paid	**(200,855)**	(181,199)
	4,024,984	4,947,341
Unamortized gains (losses)		
Balance, beginning of the year	**341,575**	341,575
Actuarial gain for current year	**1,032,190**	-
Current year amortization	**(98,225)**	-
	1,275,540	341,575
Projected accrued benefit obligation at December 31 as determined by actuarial valuation	**5,300,524**	5,288,916

12. SHARE CAPITAL

	2008 **$**	2007 $
Authorized		
Unlimited common shares		
Issued		
10,000 common shares	**63,689,499**	63,689,499

13. ELECTRIC ENERGY SERVICES

	2008 **$**	2007 $
Revenue		
Electricity	**115,558,046**	118,254,500
Wholesale market services	**10,859,959**	9,728,783
Transmission services	**11,344,651**	14,304,852
Retailer services	**62,029**	66,104
	137,824,685	142,354,239
Costs		
Electricity	**115,558,046**	118,254,500
Wholesale market services	**10,859,959**	9,728,783
Transmission services	**11,344,651**	14,304,852
Retailer services	**62,029**	66,104
	137,824,685	142,354,239

14. MISCELLANEOUS REVENUE

	2008 $	2007 $
Pole attachment rentals, building and other rentals	**505,483**	715,730
Change of occupancy charges	**165,862**	170,311
Scrap sales	**65,000**	48,442
Net gain on disposal of capital assets	**38,545**	68,541
Unsealing / reconnection charges	**43,541**	45,890
Accounts payable discounts taken	**16,966**	29,460
Return cheque charges	**23,820**	27,060
Sundry	**46,059**	53,673
	905,276	1,159,107

15. CONSERVATION AND COMMUNITY RELATIONS

In 2007, the Company entered into an agreement with the Ontario Power Authority ["OPA"] to deliver OPA funded energy conservation and demand management ["CDM"] programs.

Energy conservation revenue consists of the following:

	2008 $	2007 $
OPA conservation programs	**587,775**	196,681

Energy conservation and community relations expense consist of the following:

	2008 $	2007 $
Energy conservation programs – third tranche	**46,108**	646,503
OPA conservation programs	**481,511**	172,668
	527,619	819,171
Community relations	**241,769**	255,560
	769,388	1,074,731

16. AMORTIZATION

	2008 $	2007 $
Amortization	**9,253,850**	8,901,061
Various expense accounts	**610,514**	548,079
	9,864,364	9,449,140

17. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	2008 $	2007 $
(Increase) decrease in accounts receivable	**(222,148)**	1,522,737
(Increase) decrease in inventories	**(267,449)**	335,026
Decrease (increase) in prepaid expense	**89,052**	(249,713)
Decrease in payment-in-lieu of corporate income taxes	**16,601**	150,667
Decrease in current portion of regulatory assets	**1,113,532**	2,367,016
Increase in accounts payable and accrued liabilities	**1,440,369**	759,877
Increase (decrease) in current portion of customer and construction deposits	**396,738**	(1,253,261)
(Decrease) in current portion of regulatory liabilities	**(816,902)**	(1,736,851)
	1,749,793	1,895,498

18. REGULATORY ASSETS & LIABILITIES

The "Electricity Pricing, Conservation and Supply Act, 2002" [Bill 210] deems certain costs and variance account balances to be accounted for as regulatory assets [note 2(a)].

The Company began recovering some of its regulatory assets (net of liabilities) on an interim basis starting April 1, 2004 which continued throughout 2005. On April 12, 2006, the OEB granted approval for the final recovery of these costs, accumulated to December 31, 2004, through distribution rates during the rate years commencing May 1, 2006 through to April 30, 2008.

The OEB adopted the policy that specific funding for the capital cost of smart meters should be included in distribution rates by all Ontario electric distribution companies. The Board decided that "seed" funding equivalent to $0.27 per customer per month be included in the Company's distribution rates commencing May 1, 2006. Revenue has been reduced by the amount for smart meters funded in rates, and have been deferred and netted against smart metering capital costs incurred commencing in 2008 in accordance with the AP Handbook.

18. REGULATORY ASSETS & LIABILITIES (CONTINUED)

[i] Regulatory assets consist of the following:

	2008 $	2007 $
Current portion of regulatory assets:		
Pre-market opening energy variance	-	411,662
Retailer service cost variances	-	173
Retail settlement variances	-	649,019
Transition costs	-	52,678
	-	1,113,532
Long-term portion of regulatory assets:		
Conservation and demand management	**269**	269
OEB cost assessments	**214,891**	218,139
OMERS pension costs	**1,056,378**	1,018,919
Rebate program costs	**14,493**	27,433
Retailer service cost variances	**56,153**	51,828
Retail settlement variances	**3,217,878**	1,864,644
	4,560,062	3,181,232
Less: Regulatory assets recovered	**(254,278)**	(430,267)
	4,305,784	2,750,965
Total regulatory assets	**4,305,784**	3,864,497

[ii] Regulatory liabilities consist of the following:

	2008 $	2007 $
Current portion of regulatory liabilities:		
OEB cost assessments	-	10,758
Pre-market opening energy variance	-	411,662
Rebate program costs	-	12,940
Retailer service cost variances	-	7,921
Retail settlement variances	-	320,943
Transition costs	-	52,678
	-	816,902
Long-term portion of regulatory liabilities:		
Retailer service cost variances	**108,085**	69,965
Retail settlement variances	**9,929,936**	7,358,738
Smart meter expenditures and recovery	**411,383**	449,967
Other deferred credits	**50,780**	50,780
	10,500,184	7,929,450
Total regulatory liabilities	**10,500,184**	8,746,352

18. REGULATORY ASSETS & LIABILITIES (CONTINUED)

[iii] The following table illustrates the pro-forma effect on income before provision for payments-in-lieu of corporate income taxes, of the recognition of regulatory assets and liabilities:

	2008 **$**	2007 $
		(Restated) (note 2 [l])
Income before provision for payments-in-lieu of corporate income taxes	**7,420,259**	8,458,964
Energy related variances		
Retail settlement services	**1,284,313**	(553,429)
Interest on energy related variances	**261,727**	229,256
	1,546,040	(324,173)
Non-energy related variances		
Rebate program costs	**-**	26,457
Regulatory assets recovery	**(203,593)**	(474,528)
Retailer services	**24,564**	23,770
Smart meter expenditures and recovery	**254,173**	263,418
Interest on non-energy related variances	**5,929**	13,373
	81,073	(147,510)
Incremental effect on income	**1,627,113**	(471,683)
Income before provision for payments-in-lieu of corporate income taxes without recognition of regulatory assets and liabilities	**9,047,372**	7,987,281

19. CORPORATE INCOME AND CAPITAL TAXES

The provision for PILs differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is provided as follows:

[i] Statement of Operations

	2008 **$**	2007 $ *(Restated) (note 2 [l])*
Rate reconciliation:		
Income from continuing operations before income taxes	**7,420,259**	8,458,964
Statutory Canadian Federal and Provincial income tax rate	**33.50%**	36.12%
Expected taxes on income	**2,485,787**	3,055,378
Other permanent differences	**(58,534)**	(124,910)
Increase (decrease) in income taxes resulting from:		
Adjustment to future income taxes due to rate changes	**-**	2,897,500
Dividend refund	**(292,779)**	(475,749)
Increased tax on investment income	**126,260**	200,341
Income tax expense	**2,260,734**	5,552,560
Effective tax rate	**30.47%**	65.64%
Components of income tax expense:		
Current tax expense	**2,518,014**	2,852,445
Future tax (recovery) provision arising from temporary differences	**(257,280)**	2,700,115
	2,260,734	5,552,560

[ii] Balance Sheet

As at December 31, 2008, future income tax assets of $11,564,625 [2007 – $11,307,345] have been recorded in the accounts using blended income tax rates expected at the time of reversal.

As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to timing differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.

20. PRUDENTIAL SUPPORT OBLIGATION

Kitchener-Wilmot Hydro Inc. purchases power from the Independent Electricity System Operator [IESO] on behalf of its customers and retailers. The IESO [formerly IMO] is responsible for ensuring that prudential support is posted by all market participants to mitigate the impact of an event of default by a market participant on the rest of the market. In this regard, at December 31, 2008, Kitchener-Wilmot Hydro Inc. has posted an irrevocable standby letter of credit as security in the amount of $29,782,438 [2007 - $29,782,438] underwritten by the Company's principal bank. The Company has entered into a credit facility agreement with its bank in which contains certain financial covenants.

21. GENERAL LIABILITY INSURANCE

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange [MEARIE], which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the Company was a member. To December 31, 2008, the Company has not been made aware of any additional assessments.

22. CONTINGENT LIABILITY

Griffith et al. v. Toronto Hydro-Electric Commission et al.

This action has been brought under the Class Proceedings Act, 1992. The plaintiff class seeks $500 million in restitution for amounts paid to Toronto Hydro and to other Ontario municipal electric utilities ("LDCs") who received late payment penalties which constitute interest at an effective rate in excess of 60% per year, contrary to Section 347 of the Criminal Code. Pleadings have closed in this action. The action has not yet been certified as a class action and no discoveries have been held, as the parties were awaiting the outcome of a similar proceedings brought against Enbridge Gas Distribution Inc. (formerly Consumers Gas).

On April 22, 2004, the Supreme Court of Canada released a decision in the Consumers Gas case rejecting all of the defences which had been raised by Consumers Gas, although the Court did not permit the Plaintiff class to recover damages for any period prior to the issuance of the Statement of Claim in 1994 challenging the validity of late payment penalties. The Supreme Court remitted the matter back to the Ontario Superior Court of Justice for determination of the damages. At the end of 2006, a mediation process resulted in the settlement of the damages payable by Enbridge and that settlement was approved by the Ontario Superior Court.

In 2007, Enbridge filed application to the Ontario Energy Board [the "OEB"] to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the same amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. To date, no formal steps have been taken to move the action forward. The electric utilities intend to respond to the action if and when it proceeds on the basis that the LDCs' situation may be distinguishable from that of Consumers Gas.

At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company.

23. DIVIDENDS

Dividends in the amount of $2,300,000 [2007 - $1,900,000] were declared and paid to Kitchener Power Corp. in 2008. The Company is in compliance with its covenants contained in the Company's credit facility agreement with its bank pertaining to the payment of dividends.

24. COMMITMENTS

In support of the Province of Ontario's decision to install smart meters throughout Ontario by 2010 and pursuant to Ontario Regulation 427/06, the Company launched its smart meter project in 2008. The Company has committed to install 83,000 smart meters and supporting infrastructure by the end of 2010 at an estimated capital cost of $13,375,500. As per the Ontario Energy Board's decision, effective May 1, 2006, "seed" funding of $0.27 per metered customer per month is included in the Company's distribution rates. Unfunded costs are expected to be recovered through future distribution rates once the project is completed, pursuant to the Ontario Energy Board's guidelines.

25. COMPARATIVE FIGURES

Certain prior year comparative figures may have been restated to conform to the current year's presentation.

SUPPLEMENTARY FINANCIAL STATEMENTS

KITCHENER-WILMOT HYDRO INC.

January 1 – December 31, 2008

KPMG LLP
Chartered Accountants
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

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AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

Kitchener-Wilmot Hydro Inc.

We have audited and reported separately herein on the financial statements of Kitchener-Wilmot Hydro Inc. as at and for the year ended December 31, 2008.

Our audit was conducted for purposes of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Supplementary Financial Statements is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada
February 13, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

Kitchener-Wilmot Hydro Inc.

YEAR IN BRIEF

For the year ended December 31st

	2008	2007 *(Restated) (note 2 [l])*
Financial Highlights		
Total revenue	**$173,302,019**	$178,324,884
Total expense	**$168,142,494**	$175,418,480
Net income	**$5,159,525**	$2,906,404
Additions of capital assets	**$17,599,990**	$16,669,945
Net capital assets	**$137,837,826**	$134,615,150
Long-term debt	**$76,962,142**	$76,962,142
Shareholders' equity	**$106,768,928**	$103,909,403
Rate of return on net capital assets	**6.1%**	4.8%
Debt to equity ratio	**41.9%**	42.6%
Current ratio	**2.96**	3.03
Customer Data		
Number of customers	**84,216**	82,620
Number of employees	**169**	171
Kilowatt hour sales	**1,935,115,529**	1,976,946,830
Kilowatts purchased	**3,654,127**	3,841,329
Kilowatt peak demand	**350,930**	370,934
Performance Indicators		
Controllable expense per customer	**$149.22**	$150.95
Average monthly system load factor	**71.7%**	70.0%

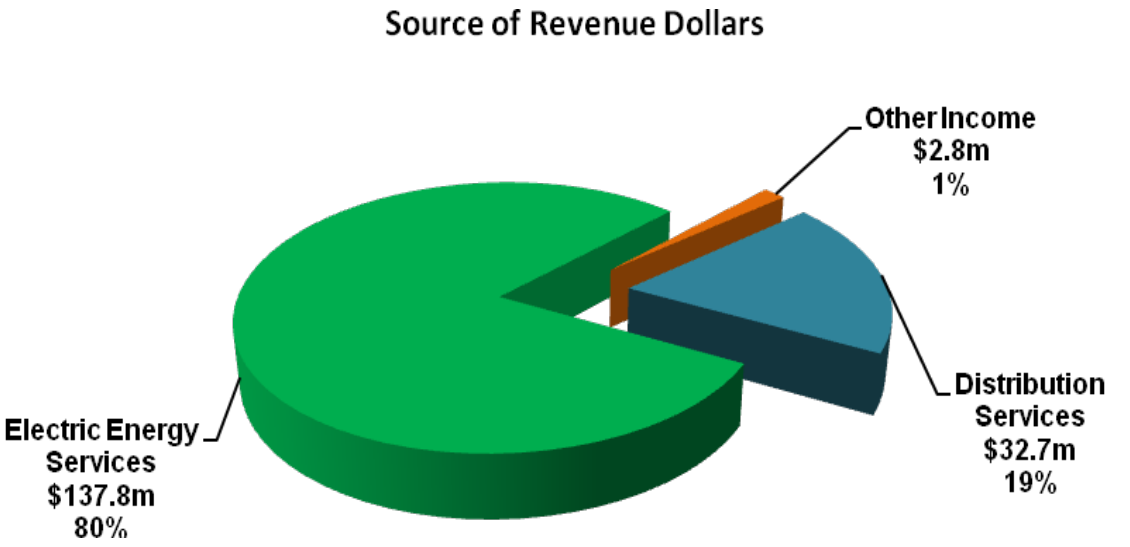
	OEB Standard %	**Annual % met within minimum standards %**	Annual % met within minimum standards %
Connection of new services – low voltage	90.0	**90**	91
Connection of new services – high voltage	90.0	**100**	100
Underground cable locates	90.0	**100**	100
Appointments met	90.0	**93**	92
Telephone accessibility	65.0	**85**	85
Written responses to inquiries	80.0	**98**	98
Emergency response – urban areas	80.0	**98**	100
Emergency response – rural areas	80.0	**100**	100

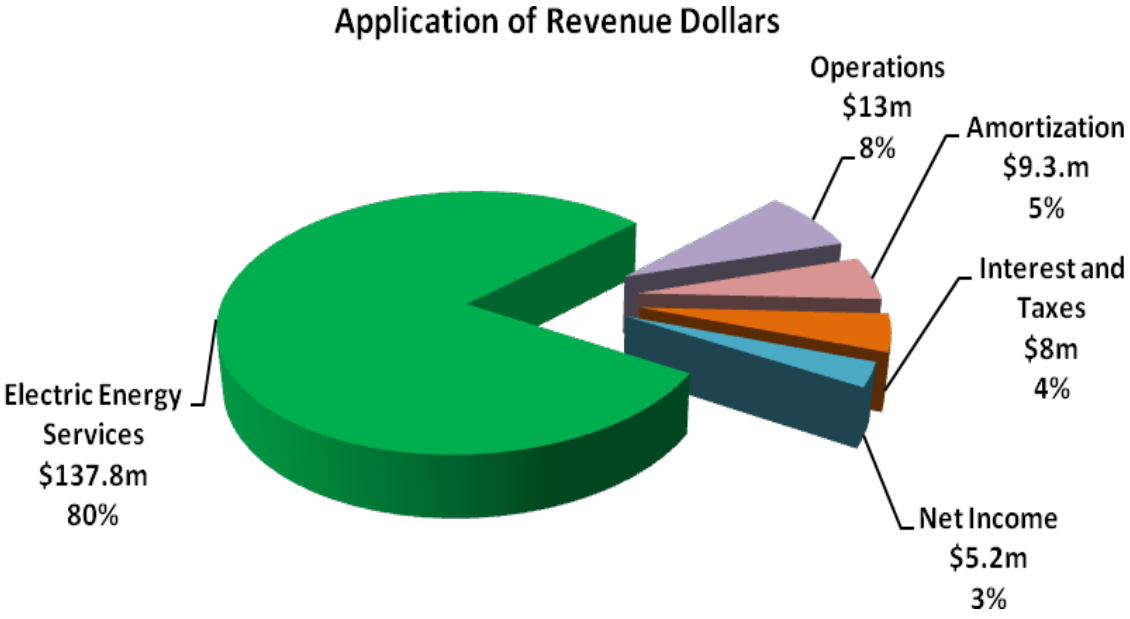
Service Reliability Indices		
System average interruption duration (minutes)	**66.1**	66.1
System average interruption frequency index (average number of interruptions per customer)	**1.23**	0.94
Customer average interruption duration (minutes)	**53.8**	70.7

Kitchener-Wilmot Hydro Inc.

SOURCE & APPLICATION OF REVENUE DOLLARS

For the year ended December 31st





Kitchener-Wilmot Hydro Inc.

OPERATING STATISTICS

For the year ended December 31st

	2008	2007
Kilowatt Hours Sold		
Residential	**659,163,062**	660,550,766
General Service	**1,110,125,420**	1,141,826,772
Large User	**147,707,500**	158,516,486
Street Lighting	**18,119,547**	16,052,806
	1,935,115,529	1,976,946,830
Number of Customers		
Residential	**75,847**	74,392
General Service	**8,365**	8,224
Large User	**4**	4
	84,216	82,620
Average monthly kilowatts	**304,511**	320,111

Kitchener-Wilmot Hydro Inc.

STATEMENT OF CAPITAL ASSETS

For the year ended December 31st

		2008 $
Land		**3,727,038**
Land Rights		**265,449**
Buildings		
Distribution and transformer stations (as per list)	**6,227,536**	
Operations centre – Victoria Street South	**8,970,336**	
Vehicle maintenance garage building	**399,455**	**15,597,327**
Equipment		
Distribution and transformer station equipment (as per list)	**40,032,120**	
Spare power transformer	**1,115,380**	
Station metering equipment	**204,703**	
Portable mobile transformer substation	**79,664**	
Portable mobile generator	**133,327**	**41,565,194**
Distribution system – overhead conductors and devices	**58,408,990**	
Distribution system – underground conductors and devices	**89,949,771**	**148,358,761**
Distribution system – line transformers	**48,138,616**	
Distribution system – network transformers	**571,402**	**48,710,018**
Meters		**11,606,960**
SCADA – system supervisory equipment		**1,608,893**
General office equipment	**969,240**	
Computer hardware	**2,179,346**	
Computer software	**2,360,459**	
Vehicles & equipment	**6,874,197**	
Major tools, instruments & radios	**2,305,453**	
Stores warehouse equipment	**36,630**	
Safety equipment	**30,566**	
Other utility plant	**551,269**	**15,307,160**
Construction in progress		**6,258,291**
Contributed capital		**(35,269,965)**
		257,735,126

Kitchener-Wilmot Hydro Inc.

STATEMENT OF TRANSFORMER STATION BUILDINGS AND EQUIPMENT

For the year ended December 31st

		2008 $	2008 $
		BUILDINGS	EQUIPMENT
Distribution station # 1	New Hamburg	110,211	403,613
Distribution station # 2	New Hamburg	31,314	262,291
Distribution station # 3	New Dundee	122,611	330,143
Distribution station # 5	Josephsburg	50,227	239,304
Distribution station # 6	Baden	109,666	560,648
Distribution station # 7	New Hamburg	144,047	330,439
Distribution station # 8	Philipsburg	156,153	513,675
Transformer station # 1	West Avenue	709,637	4,947,282
Transformer station # 2	Bleams Road	460,149	1,312,316
Transformer station # 3	Bleams Road	817,730	6,704,202
Transformer station # 4	West Avenue	527,166	4,257,250
Transformer station # 5	Graber Place	402,273	3,816,459
Transformer station # 6	Ottawa Street South	591,548	6,424,539
Transformer station # 7	Fairway Road	666,626	4,230,391
Transformer station # 8	Huron Road	1,328,178	5,699,568
		6,227,536	40,032,120

Kitchener-Wilmot Hydro Inc.

INVESTMENTS IN CAPITAL INFRASTRUCTURE

For the year ended December 31st

		2008 $
Buildings		
Transformer station # 4	24,604	
Transformer station # 9	1,270,397	1,295,001
Transformer station equipment		
Transformer station # 3	77,894	
Transformer station # 4	870,829	
Transformer station # 5	66,324	
Transformer station # 6	6,607	
Transformer station # 7	6,607	
Transformer station # 9	2,410,127	
Station metering equipment	204,274	3,642,662
Distribution system – conductors and devices		
Overhead	3,516,540	
Underground	5,028,141	8,544,681
Distribution system – line and network transformers		2,305,447
Meters		293,785
General office equipment		59,347
Computer hardware		170,702
Computer software		294,551
Vehicles and equipment		816,269
Major tools, instruments and radios		177,455
		17,599,990

Kitchener-Wilmot Hydro Inc.

CHANGES IN WORKING CAPITAL COMPONENTS

For the year ended December 31st

	2008 $
Current Assets	**74,805,876**
Current Liabilities	**(25,231,890)**
Working Capital	**49,573,986**

	2008 $	2007 $	Change $
Cash and cash equivalents	**39,260,386**	37,086,235	2,174,151
Accounts receivable	**31,371,812**	31,149,664	222,148
Inventories	**3,674,259**	3,406,810	267,449
Prepaid expense	**499,419**	588,471	(89,052)
Payments-in-lieu of corporate income tax	**(74,575)**	(57,974)	(16,601)
Current portion of regulatory assets	**-**	1,113,532	(1,113,532)
Accounts payable and accrued liabilities	**(17,604,136)**	(16,163,767)	(1,440,369)
Current portion of customers and construction deposits	**(7,553,179)**	(7,156,441)	(396,738)
Current portion of regulatory liabilities	**-**	(816,902)	816,902
Working Capital	**49,573,986**	49,149,628	424,358

Kitchener-Wilmot Hydro Inc.

Your Local Supplier of Safe, Reliable and Efficient Electricity Distribution Services



ANNUAL REPORT

2008

March 17, 2009

REPORT TO SHAREHOLDERS:

CORPORATION OF THE CITY OF KITCHENER

CORPORATION OF THE TOWNSHIP OF WILMOT

We are pleased to provide you with the Annual Report of Kitchener-Wilmot Hydro Inc. for the period ending December 31, 2008.

This Annual Report represents the eighth full fiscal year of operations for the Corporation, which was incorporated in July 2000 as required by Provincial Legislation and by Municipal Transfer By-Laws of the City of Kitchener and Township of Wilmot.

The year 2008 was a year of moderate growth in terms of new customers. A total of 1,596 new customers were connected to our system compared to 1,665 customers connected in 2007.

The number of new lots serviced, however, decreased significantly to 718 lots/units compared to 1,665 lots/units in 2007 reflecting a significant downturn in the economy in the latter half of the year.

Kilowatt hour sales fell 2.1% to 1.94 billion kilowatt hours due to a slowdown in the manufacturing sector, moderate summer temperatures and an increasing awareness by our customers of the new "conservation culture".

Peak demand was also down significantly to 351 MW from 371 MW in 2007.

Capital infrastructure investments in system upgrades and expansions continued, as planned, in accordance with our long term asset management strategy. These investments today are vital to ensuring our continued ability to deliver safe and reliable electricity in the future.

Total revenue for the year was down 2.8% as a result of lower kilowatt hour consumption and decreased investment income resulting from declining interest rates.

Total expenses, however, was also down for 2008 resulting in a net income slightly less than the previous year.

Operating costs were effectively controlled during the year. The Corporation continues to have amongst the lowest residential rates and the lowest distribution costs of all electricity distribution companies in the province.

At the same time, the system infrastructure is continually being refurbished and enhanced in order to meet the needs of our customers.

The Corporation remains in a strong financial position for the future and continues to provide value to its Shareholders: the City of Kitchener and the Township of Wilmot, as well as to its customers. By doing so,

ANNUAL REPORT

2008

Kitchener-Wilmot Hydro provides a supporting base for economic development in the communities we serve.

During the past year, the Corporation continued to exceed all of the customer service quality performance standards as specified by the Ontario Energy Board. Service reliability indices that measure the duration and frequency of system outages, also performed well in 2008.

Our customers achieved further efficiencies in the way electrical power is delivered and utilized by participating in several electricity conservation programs delivered by Kitchener-Wilmot Hydro Inc. and the Ontario Power Authority. Participation in these conservation programs not only saves money for our customers but also provides environmental benefits by reducing the demand for additional generation, and the associated carbon footprint, during peak times.

Kitchener-Wilmot Hydro Inc. continues to meet the challenges of responding effectively and in a timely manner to the many requirements of our regulator, the agencies and the Ministry of Energy and Infrastructure. As we move forward into 2009, the proposed Green Energy Act will once again transform Ontario's electricity industry and local electrical distribution companies will play a key role in "building the sustainable communities of tomorrow".

In summary, we wish to thank the Board and all staff for their dedication, support and commitment to excellence. While we are focused on meeting the needs of our customers and our regulators today, we must continue to prepare for the unknown challenges of the future within an ever-changing regulatory environment and industry.

L. GALAJDA, CHAIR

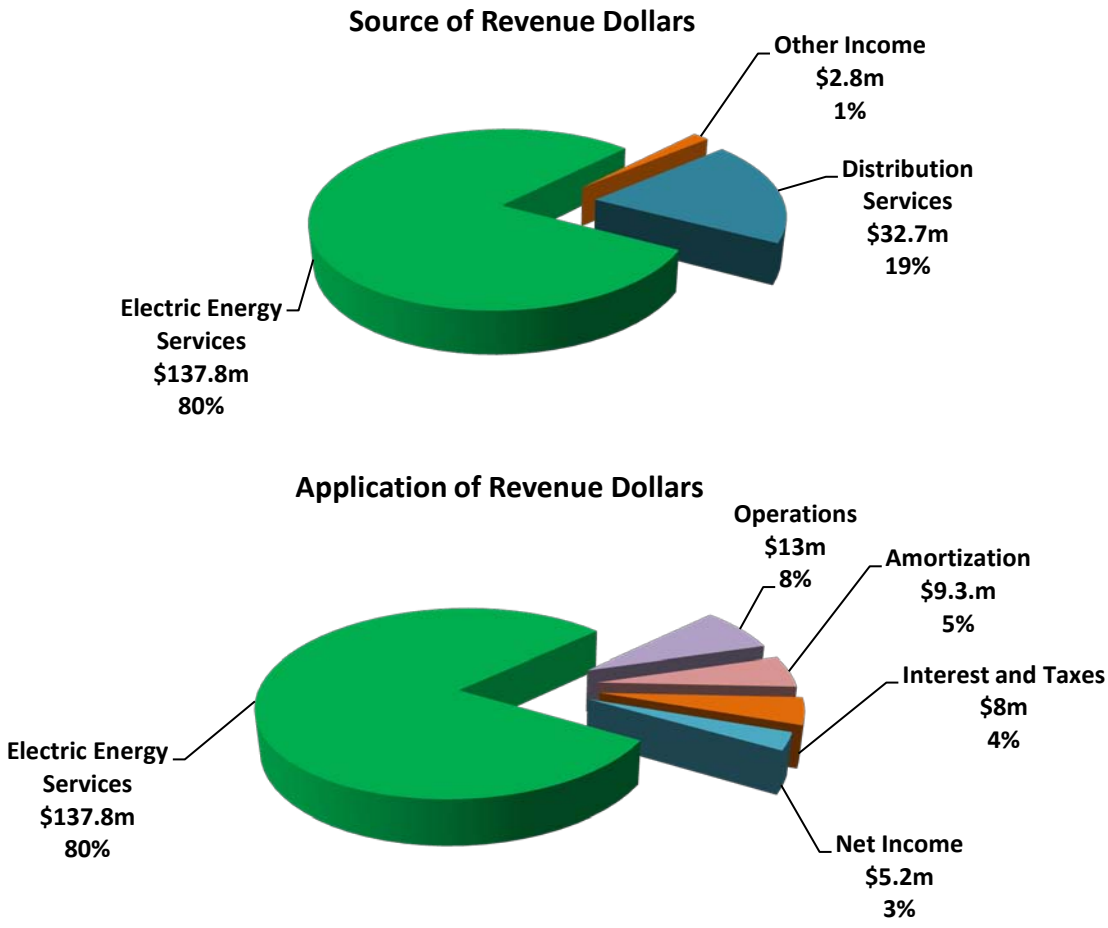
J. VAN OOTEGHEM, PRESIDENT & C.E.O.

ANNUAL REPORT

2008

Sustained Financial and Service Quality Performance

Source and Application of Revenue Dollars



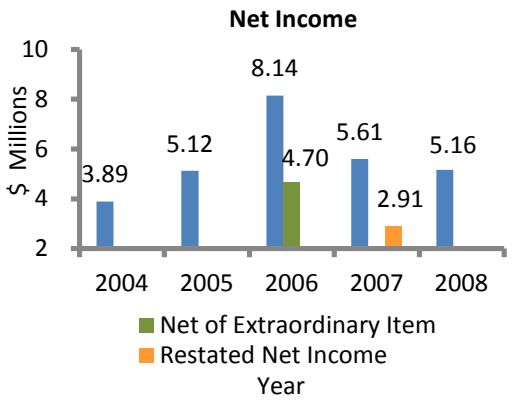
Net Income

The net income from operations amounted to $5.16m, which represents 3% of total revenue and an increase of $2.25m from prior year.

However, net income for 2007 was decreased by a one-time tax adjustment of $2.70m reflecting the retroactive impact of the change in accounting policy for the accounting for income taxes to the future tax method. Removing the effect of this one-time item, 2008's net income from operations of $5.16m represents an effective decrease of $447k from 2007.

This decrease in income is attributed primarily to decreased revenues resulting from lower kilowatt hour sales and lower yield on investments.

All earned income were reinvested in plant and equipment to meet demands and to provide a safe, reliable and efficient distribution system, which services both new and existing customers.

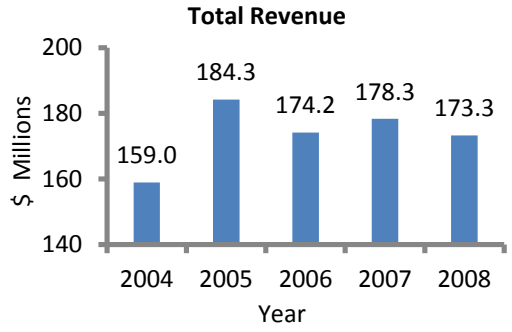


Revenue

Total revenue from all sources for the year fell 2.8% to $173.3m ($178.3 in 2007). This is a decrease in total revenue of $5m from prior year.

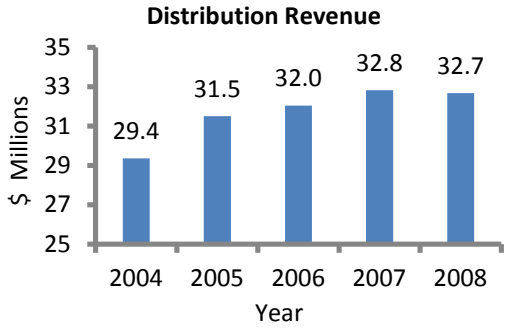
The revenue decrease is a result of lower distribution and energy sales, primarily driven by a slowdown in the manufacturing sector, moderate summer temperatures and an increasing awareness by our customers of the new "conservation culture"; and declining yields from investments.

Approximately 80% of total revenue or $137.8m represents third party charges associated with electrical energy services.

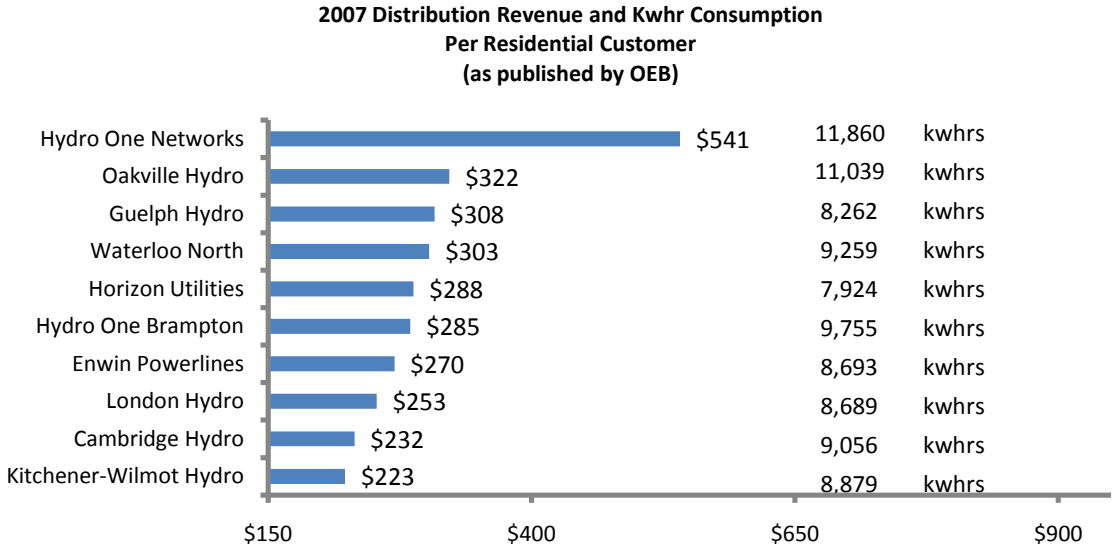


Distribution Revenue

Distribution revenue amounted to $32.7m ($32.8m in 2007) and represents 19% (18% in 2007) of total revenue. The marginal decrease of $152k is largely due to a 1.6% drop in general service revenue resulting from the global economic slow-down, offset by a modest 0.13% approved average increase in distribution rates on May 1, 2008 to adjust for inflation net of a 1% regulated productivity factor.

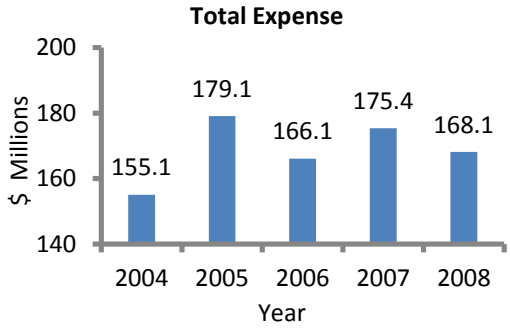


Customers of Kitchener-Wilmot Hydro Inc. continue to benefit from lower residential rates than most residential customers in the province.



Expense

Total expenses including the provision for corporate income taxes amounted to $168.1m ($175.4m in 2007), which is a decrease of $7.3m or 4% from prior year. Costs associated with electricity energy services of $137.8m represents 82% of these expenses and are "pass-through" costs to the customers.



Operating Expense

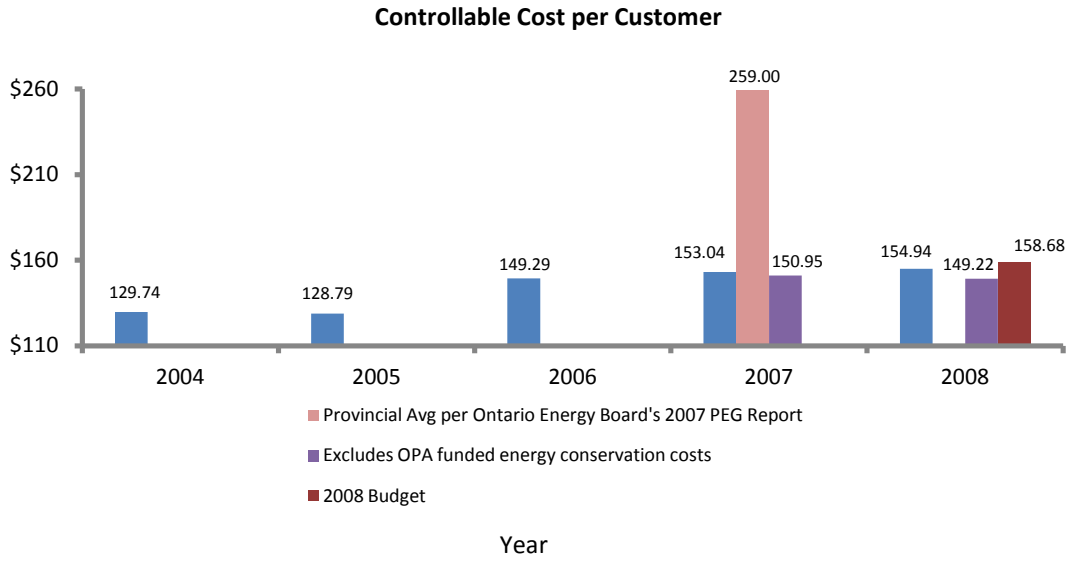
Controllable expenses for the year amounted to $13m ($12.6m in 2007) and represents 8% of total expenses. This is an increase of $405k or 3.2% over prior year.

Operating costs were effectively controlled during the year with controllable cost per customer at $154.94 ($153.04 in 2007). This is 2.4% lower than the 2008 approved budget of $158.68 per customer.

Included in these costs is $5.72 per customer representing energy conservation program costs fully funded by the Ontario Power Authority ("OPA"). Removing the effects of these non-utility expenses would result in controllable costs per customer of $149.22 ($150.95 in 2007).

Controllable costs per customer continue to be lower than most major LDCs in the Province.

Regulatory costs (uncontrollable) continue to have a major impact on our corporation, amounting to 1.9% (2% in 2007) of total pre-tax operating expense. As a direct result of regulatory requirements, direct costs totalling $514,368 were incurred in 2008 ($515,328 in 2007). This equates to $6.11 per customer compared to $6.24 per customer in the prior year.



Cash Position

Kitchener-Wilmot Hydro Inc.'s cash position improved by $2.2m to a total of $39.3m at the end of December 2008. This cash improvement is due primarily to the net increase in funds generated by contributed capital net of dividends paid out to our shareholders.

All capital investments were fully funded by cash generated from operations. No financing was required in 2008.

Capital Infrastructure

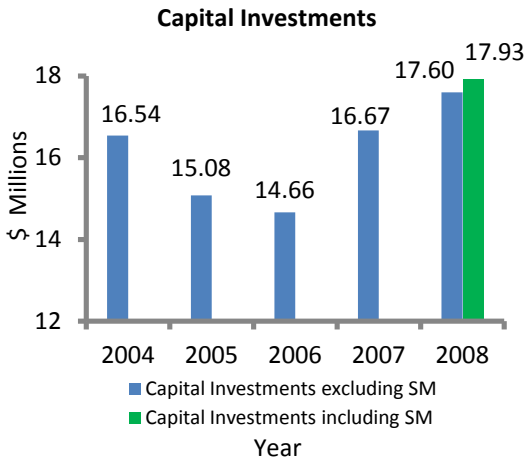
Capital infrastructure investments in system upgrades and expansions continued, as planned, in accordance with our long term asset management strategy. These investments are vital to ensuring our continued ability to deliver safe and reliable electricity in the future.

Investments in new plant and equipment amounted to $17.93m, which includes $330k in smart metering initiatives. This is an increase of $1.3m or 7.3% from the prior year capital expenditures primarily due to the commencement of construction of the new transformer station in the Township of Wilmot.

Capital investments include:

- Overhead distribution system expansion and rebuilds totalling $3.5m.
- Underground distribution system expansion in the amount of $5.0m.
- Planned transformer building and station equipment in the amount of $3.6m for the new Transformer Station # 9 in the Township of Wilmot.
- Planned transformer station equipment replacement and upgrades totalling $1.2m.

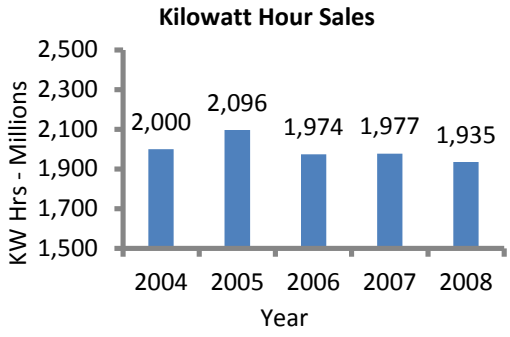
All expenditures were fully financed through internal generated funds.



Kilowatt Hour Sales

Kilowatt hour sales fell by 2.1% to 1.935 billion kWhrs compared to sales of 1.977 billion kWhrs in 2007.

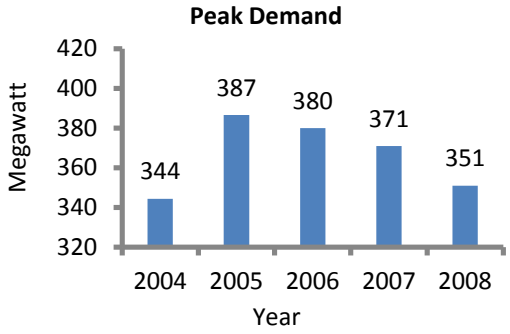
Although we experienced moderate growth with the addition of 1,455 residential customers (1.9% increase) during the year, the decrease in total consumption volume is reflective of customer conservation initiatives as well as the general economic downturn in the manufacturing sector affecting a large portion of local industries during the year.



Peak Demand

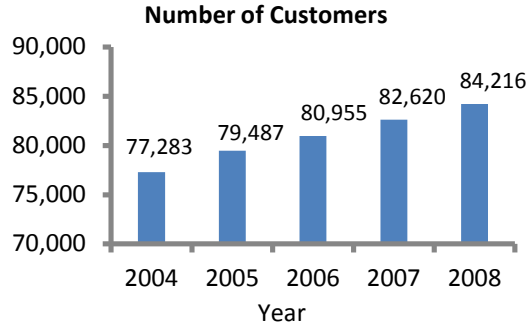
The Ontario system peak demand for electricity consumption for the year was 24,235 MW occurring on June 9th, which was down from 25,737 MW in 2007, and down considerably from the record peak of 27,005 MW in 2006.

Kitchener-Wilmot Hydro Inc.'s system peak also occurred on June 9th and was 351 MW, which is the lowest system peak in the last four years and significantly less than the June 2005 record peak of 387 MW.



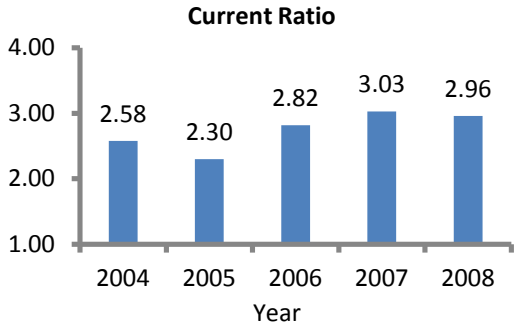
Number of Customers Served

Customer growth continues to be healthy and manageable. During the year, total customers increased by 1,596 or 1.9% to 84,216 (82,620 in 2007). This represents a 9% growth rate in our customer base over the past five years.



Current Ratio

Ratio of current assets to current liabilities continues to remain strong at 2.96 reflecting our ability to not only meet financial obligations as they become due, but also providing the hedge against any future unexpected costs.



More Efficiencies

Efficiency improvements were implemented in the Purchasing Department with the implementation of a bar coding system for managing the issuing and receipt of inventory material.

In June 2008, a successful on-line electronic bill presentment and payment system (eBill) was launched resulting in a 2% customer participation rate by year end.

Regulatory Compliance

The year 2008 was again an extremely busy year with the submission of fifteen (15) regulatory filings and responses to OEB reviews and studies, including a complex rate application for the 2009 rate year, as well as participating in six (6) major OEB initiatives and stakeholder consultations, such as the review and disposition of variance account balances, issues related to Low Income consumers, and the comparison of Distributors' costs.

Business process and system changes continue to be implemented to ensure compliance with the continuing regulatory demands on local distribution companies in the province of Ontario. Kitchener-Wilmot Hydro Inc. continued to meet every challenge of responding effectively and in a timely manner.

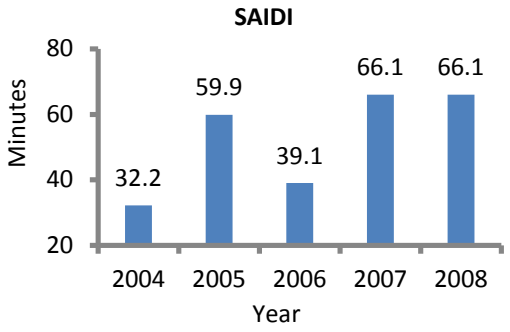
The scheduled survey and inspection of the overhead and underground distribution system was also completed during the year in accordance with OEB guidelines.

In addition, the Meter department successfully completed a QMS Metering Audit as a verifier and re-verifier of electric revenue meters in accordance with ISO 9001:2000 and Measurement Canada Standards.

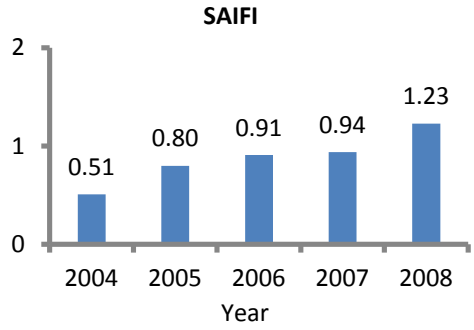
Kitchener-Wilmot Hydro Inc. continues to be ranked among the top quartile of all Ontario LDC's for efficiency as published by the OEB's PEG report of July 2008.

Service Reliability Indices

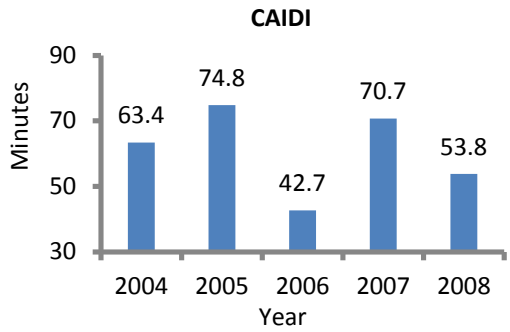
SAIDI is one indicator of the reliability of the distribution system and the speed of response to interruptions. This shows the length of time on average, that Kitchener-Wilmot Hydro Inc.'s customers were without power in the year.



SAIFI is another indicator of the reliability of the distribution system. This shows the average number of interruptions per customer during the year.



CAIDI measures the average duration or length of each interruption for those customers who experienced an outage in the year.



Over 23% of power outages were caused by lightning and adverse weather, 9% from animals, 7% were scheduled outages due to planned system work, and 2% by loss of supply from the provincial transmitter,

In aggregate, these uncontrollable events contributed to 27 minutes that a customer was without power in the year.

Service Quality Performance

We are pleased to report that all customer service quality performance indicators continue to exceed the Ontario Energy Board's minimum standard guidelines for electricity distributors in the province in spite of significant volume increases in some services.

Customer Service Performance Indicator	OEB Min Std	2004	2005	2006	2007	2008
Connection of new services - low voltage	90%	90%	90%	91%	91%	90%
Connection of new services - high voltage	90%	100%	100%	100%	100%	100%
Underground cable locates	90%	100%	96%	100%	100%	100%
Appointments	90%	95%	94%	91%	92%	93%
Telephone accessibility	65%	74%	83%	86%	85%	85%
Written response to inquiries	80%	97%	100%	100%	98%	98%
Emergency response - urban	80%	96%	93%	100%	100%	98%
Emergency response - rural	80%	100%	100%	100%	100%	100%

Community Initiatives

In addition to providing safe, reliable and efficient electricity distribution services, Kitchener-Wilmot Hydro Inc. is also a dedicated and proud supporter of our communities.

In 2008, twenty-two employees delivered 28 electrical safety presentations to 1,265 Grade 4 and 5 students at 18 elementary schools.

The Corporation's sponsorship program also provided recreational grants in support of the new Activa Sportsplex in Kitchener and the Wilmot Recreation Centre in the Township of Wilmot; and provided support to the arts and culture community by becoming the title sponsor for Centre In The Square's "Electric Thursdays" musical series.

Kitchener-Wilmot Hydro Inc. also provides an annual grant to the City of Kitchener and the Township of Wilmot for tree reforestation, to compensate for the tree trimming which is required to maintain a safe, reliable electrical system.

Since 1990, we have contributed over 1 million dollars to this environmental initiative. Kitchener-Wilmot Hydro Inc. is committed to keeping our community green.

Helping to Create a Culture of Energy Conservation in Ontario

In support of the Minister of Energy and Infrastructure's commitment to create a "culture of conservation" that is designed to address the ongoing strain on the electricity supply in the province, Kitchener-Wilmot Hydro Inc. renewed its master contract with the Ontario Power Authority (OPA) and participated in the delivery of all five (5) of the OPA's CDM programs:

- Great Refrigerator Roundup

  Through the local community and promotional activities, customers were able to arrange for free in-home pick-up of working refrigerators greater than ten years old. We were successful in picking up and decommissioning 790 units in our service area.



- Summer Sweepstakes Program

  This program was designed to engage residential customers to reduce energy consumption during the peak summer period July 1 to August 31, 2008 by 10% compared with their consumption during the same period in 2007. Qualifying customers were eligible to receive energy saving prizes.

- Peaksaver Program

  The Peaksaver program is designed to relieve summer peak electricity demand by remotely controlling operation of central air conditioning units. A total of 248 programmable thermostats were installed during the year.



- Electricity Retrofit Incentive Program (ERIP)

  This program provides incentives for commercial, industrial and institutional electricity consumers who undertake energy efficiency retrofit projects in their facilities. Kitchener-Wilmot Hydro Inc. funded 27 ERIP projects for a total savings of 645.8 kW demand in 2008.

- Power Savings Blitz

  This program was added late in the year and offers free energy audits, and up to $1,000 in free retrofits to small commercial customers.

Over the past four years, our customers have achieved 34.4 million kWhrs in savings by participating in electricity conservation programs or enough to supply over 3,800 homes with electricity for one year.

Conservation not only saves money for our customers, but also provides environmental benefits by reducing demand for additional generation, and the associated carbon footprint, during peak time.

Smart Meters Are The Future

The goal of the government of Ontario is to have conversion to smart metering technology (time of use meters) completed province-wide by December 2010.

In support of this initiative, Kitchener-Wilmot Hydro Inc. participated in a smart meter procurement and technical evaluation process in 2007 and received approval from the Ministry of Energy and Infrastructure to proceed with this project in 2008.

Contract negotiations with a smart meter vendor are nearing completion and installation is expected to commence in the summer of 2009 with completion by mid-year 2010.

June 2008



Kitchener-Wilmot Hydro Inc.

10th Annual Electric Utility Customer Satisfaction Survey



The purpose of this report is to profile the connection between Kitchener-Wilmot Hydro Inc. and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer service at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants. *The* UtilityPULSE *Electric Utility Customer Satisfaction Survey is a measurable and clear assessment of what is important in the customer's overall experience with Kitchener-Wilmot Hydro Inc..*

By allowing your customers to have "a voice", and in turn "hearing and listening" to what they have to say will allow you to build and create a superior value proposition.

It's about comparing service quality performance from the "voice of the customer" point of view.



Kitchener-Wilmot Hydro Inc.
Customer Service Quality Poll

This is privileged and confidential material and no part may be used outside Kitchener-Wilmot Hydro Inc.(Kitchener-Wilmot Hydro) without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

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UtilityPULSE



Executive summary



Electric Utilities are operating in an increasingly complex world with heightening demands from customers, shareholder, regulators and others. The ability to deliver a satisfying service experience is the most powerful source of sustainable competitive edge—nothing else compares.

Ensuring that Kitchener-Wilmot Hydro remains relevant to all of its stakeholders creates a need for timely and actionable information. Why? To deliver the kind of differentiated experience that drives high performance, successful organizations must become truly customer-centric, incorporating the customer's perspective, value and actions into their business and operations strategy, capability development and execution.

The reality is that the customer, no matter who they may be i.e., residential or small commercial customers, have immense amounts of information to share. Measuring customer satisfaction provides opportunities to implement effective change and to measure the impact of any changes or improvements that have been made. To capitalize



on such opportunities, Kitchener-Wilmot Hydro will need insights from what's relevant to local consumers – and the ability to operationalize them in a cost effective manner.

In short, by gathering feedback from customers, Kitchener-Wilmot Hydro is better positioned to make the changes that matter most to the customer. However, investing in doing things better without investing in the development of a dynamic organization culture is a missed opportunity.

Corporate culture is the shared values, beliefs, and assumptions that the utility's members hold in common as they relate to each other, their jobs, and the organization. It defines what employees believe is important and unimportant, and explains to a large degree why the organization behaves the way it does. There will always be a corporate culture, why not develop and maintain the culture that you want?

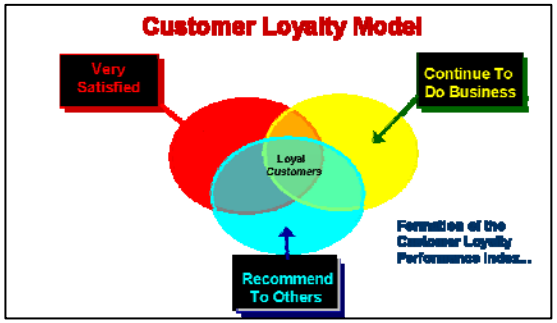
Superior customer service requires modern, professional skills. Working with the public requires friendly, courteous, knowledgeable and caring employees. These attributes foster customer satisfaction, which is important for developing higher levels of emotional connection with Kitchener-Wilmot Hydro.

Every interaction an employee has with a stakeholder communicates something of the utility's identity. This means, for one thing, that employees should be informed, involved, trained and motivated to project a positive image of the utility.



A strong positive image with the general public, that a solid corporate image produces, is a factor in attracting a high quality workforce. After all, every employee plays a role in representing the utility to its external stakeholders --- and, customers.

❒ ***Customer Loyalty and Satisfaction with Kitchener-Wilmot Hydro***



Satisfaction, though necessary, is an insufficient solo condition for loyalty. You can achieve high levels of satisfaction yet not inspire any real loyalty.

Recognizing that satisfaction is NOT a predictor of efficient operating behavior (although dissatisfaction has been found to be highly predictive of negative operating effectiveness), Simul uses three factors to compute a loyalty score: satisfaction with bill payers' "local electricity utility," how likely they are to continue with the utility, and how likely they are to recommend it. Based on their opinions, Simul sorts the bill payers into four loyalty groups: the Secure group (the most loyal), Still Favorable, Indifferent, and At Risk.

Companies that enjoy a near monopolistic advantage, or what might seem to be insurmountable market dominance, tend to act complacent and cavalierly about customer satisfaction. However in a time, when true transparency and disclosure are demanded



by society, all businesses/services, be they open market & competitive or monopolistic in nature, are accountable to the people, their customers – and constituent satisfaction should be a vital concern to management operating under any type of scenario.

As well, research in the local government sector in Canada in the late 1980s suggested that consumers dissatisfied with the service they received from monopoly suppliers expressed it through disruptive behaviour – not paying on time, complaining or taking excessive time to complete simple tasks; basically making life difficult for the supplier of the service.

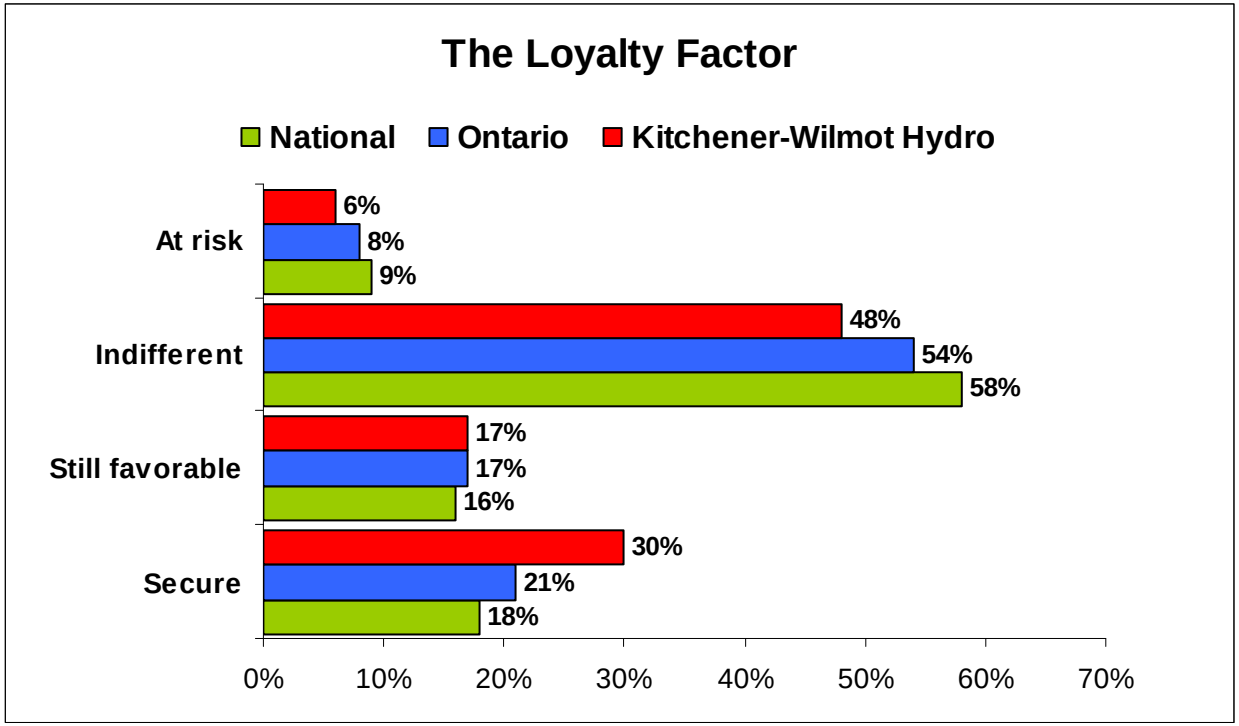
Why measure loyalty when customers can't defect to competitors? Because a customer with a high emotional attachment to Kitchener-Wilmot Hydro is both supportive of the utility and more forgiving when mistakes are made.

Electricity customers' loyalty…			
	Kitchener-Wilmot Hydro	**National**	**Ontario**
Top 2 boxes "very + somewhat" satisfied	92%	79%	77%
Top 2 boxes "definitely + probably" continue	88%	86%	88%
Top 2 boxes "definitely + probably" recommend	79%	66%	70%

Base: total respondents



Simul/UtilityPULSE Customer Loyalty Score Segments	Kitchener-Wilmot Hydro	National	Ontario
Secure	30%	18%	21%
Still Favorable	17%	16%	17%
Indifferent	48%	58%	54%
At Risk	6%	9%	8%



UtilityPULSE



Our National benchmark shows a stark difference in viewpoints between Secure customers (highest level of connection with your organization) and At Risk customers (those that really don't like you).

	Secure	At Risk
% of respondents who said:		
- they had a billing/statement problem	3%	21%
- the bill was difficult to understand	25%	32%
- the bill problem was solved	75%	40%
- the utility is a good corporate citizen	87%	57%
- deals quickly with customer problems	86%	68%
- the utility is a leader in energy conservation	82%	48%
- the utility keeps customers well informed	92%	66%

The Simul/UtilityPULSE checks overall customer satisfaction twice in its bill payer interviews to examine how the dimensions of service reviewed in the survey affect opinions. By doing so, we learn that the process of conducting the survey educates customers about what the utility does and what is important when measuring the performance of the utility. The findings for 2008 are consistent with those in previous years on the change in perception from the beginning to the end of the interview.



'Very and fairly' satisfied with …			
	Kitchener-Wilmot Hydro	National	Ontario
Initially: "Local electricity utility…"	92%	87%	86%
End of interview: "Kitchener-Wilmot Hydro**"**	97%	91%	91%

Base: all bill payers

❒ **Utility*PULSE Report Card®: Simul examines six drivers of customer perception as it relates to utility performance.***

Customer care begins with the reliable delivery of electricity to customers. Utilities are expected to maintain high levels of operational service. Of the six drivers of satisfaction Operational Effectiveness and Power Quality & Reliability are the dominant factors – by far. The other 4 drivers are: Price & Value; Customer Service; Company Leadership and Corporate Stewardship.

The **Utility*PULSE Report Card®*** provides feedback in two ways. The ***first*** helps you understand how important each of the six drivers is in determining how they perceive you. The ***second*** represents your customers' views about how your utility performs when compared to the National and Ontario benchmarks.



UtilityPULSE

Kitchener-Wilmot Hydro's UtilityPULSE Report Card®

Part 1: Importance to Customers

	CATEGORY	Kitchener-Wilmot Hydro	National	Ontario
1	**Customer Care**	**34%**	**26%**	**29%**
	Price and Value	14%	7%	8%
	Customer Service	20%	20%	22%
2	**Company Image**	**20%**	**21%**	**20%**
	Company Leadership	11%	12%	11%
	Corporate Stewardship	8%	9%	9%
3	**Management Operations**	**46%**	**53%**	**51%**
	Operational Effectiveness	22%	28%	27%
	Power Quality and Reliability	24%	25%	24%
	Total	**100%**	**100%**	**100%**

Shares may not add exactly to 100% due to rounding.



UtilityPULSE

Kitchener-Wilmot Hydro's UtilityPULSE Report Card®

Part 2: Performance

	CATEGORY	NATIONAL	ONTARIO
1	**Customer Care**	**Benchmark**	**Potential Strength**
	Price and Value	Benchmark	Confirmed Strength
	Customer Service	Benchmark	Potential Strength
2	**Company Image**	**Benchmark**	**Potential** Strength
	Company Leadership	Benchmark	Potential Strength
	Corporate Stewardship	Benchmark	Potential Strength
3	**Management Operations**	**Benchmark**	**Benchmark**
	Operational Effectiveness	Benchmark	Benchmark
	Power Quality and Reliability	Benchmark	Benchmark
	OVERALL	**Benchmark**	**Potential Strength**

Strength: Indicates the utility is performing better than the benchmark

Potential Strength: Indicates the utility is doing well or slightly above benchmark

Benchmark: Indicates the utility is performing the same as the benchmark

Potential Liability: Indicates the utility is performing slightly below the benchmark

Liability: Indicates the utility is performing below the benchmark



❒ ***Corporate Image***

Today, the pursuit of excellence and loyal customers are dominant themes in business management. Many factors can influence these items, but most are related to customers' interactions, attitudes and behaviours towards an organization. Interactions are the actual experiences customers have with an organization, such as customer service, and billing to name a few. Attitudinal items include images of an organization, such as being customer focused, courtesy, respect, ease of doing business with, or proactive customer service.

The overriding reason for the heightened concern for corporate identity is abundantly clear. We live in a time of immense environmental complexity and change, and consequently organizations have been forced to significantly alter their strategies to better compete, survive and provide a return to their shareholders. Image, hence brand, is a feeling.

For Kitchener-Wilmot Hydro the following chart shows customer scores on the top 10 attributes out of the 22 attributes included in the Simul/UtilityPULSE's customer satisfaction survey. The top 10 list is in order of importance, listed in rank order based on the national benchmark survey. Also shown are the results from the Ontario benchmark survey.



Attributes of a hydro utility's image			
Agree 'strongly' + 'somewhat'	**Kitchener-Wilmot Hydro**	**National**	**Ontario**
Provides consistent, reliable energy	96%	92%	91%
Quickly handles outages and restores power	86%	89%	86%
Accurate billing and meter reading	88%	85%	82%
Makes using electricity safely a top priority	82%	84%	82%
Keeps customers well informed	87%	81%	82%
Maintains its equipment in good repair	59%	75%	73%
Has competent, well trained and knowledgeable employees	65%	75%	67%
Deals quickly with customers' problems	67%	75%	69%
Customer-focused and treats customers as if they're valued	80%	74%	70%
Completes service work when promised	57%	73%	68%



❒ ***Bill payers' recent problems & problem resolution.***

Problems and how they are handled affect customers' perceptions of their utility. For single entity enterprises, such as electric utilities, who offer one product line or set of services; the image of the company and that of the product tend to be one and the same. Therefore, in our view, there is a high need for customer problems to be handled efficiently and effectively.

Blackouts and Bills are what we call the "killer B's" because when they happen and how the utility handles them affects the perception that the customer has of Kitchener-Wilmot Hydro.

Outages	Kitchener-Wilmot Hydro	National	Ontario
Had outage problems	20%	49%	41%
% with outages who complained	22%	34%	32%
% of complainers who were very satisfied	23%	40%	39%
Had outage but did not complain	78%	66%	68%



Billing problems	Kitchener-Wilmot Hydro	National	Ontario
Had bill problems	2%	8%	8%
% with problems who complained	90%	69%	70%
% of complainers saying problem was solved	45%	50%	39%
Had bill problem but did not complain	10%	30%	27%

Bill payers with billing problems who say…			
	Kitchener-Wilmot Hydro	**National**	**Ontario**
The amount owed was too high	100%	81%	92%
The bill was estimated	40%	50%	60%
The bill was difficult to understand	40%	34%	35%
Payment made was recorded incorrectly or not recorded	20%	17%	27%
The meter reading was incorrect	30%	27%	27%
The bill arrived late	10%	15%	14%
The amount owed was too low	0%	6%	3%



❒ ***Eco Consciousness & Motivation, the 5 Eco-conservation types***

Eco-Leader (8% of the population based on Simul/UtilityPULSE's 2008 poll)

Is an enthusiast and active proponent for energy conservation. In a word: Green Advocator.

Eco-Faithful (27% of the population)

Is logical and rational as it relates to green topics. In a word: Rational Conserver.

Eco-Observer (17% of the population)

Embraces energy conservation when it makes sense to do so. In a word: Easy-going Participator.

Eco-Friend (17% of the population)

Believes strongly in doing the right things, being responsible, embracing tradition and demonstrating responsibility for their own actions. In a word: Dutiful Conserver.

Eco-Believer (32% of the population)

Clearly the most dominant eco-type in our survey and after all why not, this style is based on being practical, pragmatic and values a common sense approach to things. In a word: Green Ambassador.



Bill payers for Kitchener-Wilmot Hydro had this to say about conservation:

The best way to get consumers to conserve electricity…	Kitchener-Wilmot Hydro
Is to use persuasion and highlight the social benefits of using less energy	52%
Is to set objectives and firm targets on the amount of electricity that Consumers can use	29%
Neither	7%
Both	4%
Depends	4%
Don't know/refused	4%

How much responsibility do you feel for helping others understand the need for energy conservation…	Kitchener-Wilmot Hydro
Have a personal responsibility to be actively involved in advocating and educating others in how to reduce consumption	13%
Have to be a role-model by reducing own energy consumption	66%
Neither	5%
Both	11%
Depends	1%
Don't know/refused	4%



An effective approach for encouraging people to use less electricity….	Kitchener-Wilmot Hydro
An educational approach with facts and details	68%
A moral or inspirational approach, asking Canadians to make sacrifices	17%
Neither	3%
Both	9%
Depends	1%
Don't know/refused	2%

Is there enough scientific evidence that electricity use is a serious problem?	Kitchener-Wilmot Hydro
There is a need for more scientific evidence, facts and data	30%
There is enough scientific evidence, facts and data	54%
Neither	5%
Both	1%
Depends	4%
Don't know/refused	6%



In general, when you see a label saying a product is energy-efficient, how believable do you think the information on the label is? Do you think it is…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat believable	91%
Bottom 2 boxes: Not too + Not at all believable	5%

When you shop, how likely are you to look for a label on a product that says the product is energy-efficient? Are you…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat likely	92%
Bottom 2 boxes: Not too + Not at all likely	6%

Feelings about paying for energy-efficient products, which is closest to your view…	Kitchener-Wilmot Hydro
People shouldn't have to pay more for energy-efficient products	70%
People should expect to pay more	25%
Depends	4%
Don't know/refused	1%





How concerned or worried are you, personally, about the impact on the environment from the amount of electricity we are using? Are you…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat worried	78%
Bottom 2 boxes: Not too + Not at all worried	20%

The actions of a single person won't make any difference in reducing the use of energy in our province. How strongly do you agree or disagree with the statement?	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat agree	30%
Bottom 2 boxes: Somewhat + Strongly disagree	68%

How good a job would you say most businesses and industries in our province are doing when it comes to reducing and not wasting the electricity they use? Would you say…	Kitchener-Wilmot Hydro
Top 2 boxes: Excellent + good job	14%
Bottom 2 boxes: Just a fair job + poor job	78%





❒ *Ability to Pay*



Rating the price of a service is always a crucial point of a survey. It is a generally accepted view that customers assess the value of a service by comparing its price and its benefits.

Kitchener-Wilmot Hydro				
	Not a worry	**Sometimes**	**Often**	**Depends**
2008	68%	23%	5%	3%
Females	63%	27%	4%	3%
Males	72%	19%	5%	2%
Income <$30K	49%	26%	15%	5%
$30-70K	66%	28%	4%	2%
$70K+	82%	13%	2%	2%
Secure	77%	17%	3%	2%
Favourable	77%	22%	0%	1%
Indifferent	62%	25%	6%	5%
At Risk	42%	37%	17%	0%



The balance of the report contains valuable information for Kitchener-Wilmot Hydro. We recommend communicating the contents of the report to everyone in the organization because everyone, at some point, creates an imprint on the customers. These are often called moments of truth – with every customer interaction we have the opportunity to delight, disappoint or simple have a neutral experience.

The key for future success for Kitchener-Wilmot Hydro is to take action on the items/areas that make sense to the customer. In addition, we would recommend ensuring that your employee culture is one that encourages the pursuit of high levels of customer care.

By effectively leveraging results from your 2008 customer survey derived from speaking with 407 Kitchener-Wilmot Hydro customers between March 26 - April 2, 2008, you can identify ways to improve both customer and employee satisfaction.



Sid Ridgley

Simul / UtilityPULSE



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Satisfaction with services in the community (pre & post)

Businesses are increasingly coming to their senses about the importance of measuring the customer experience. Why? Because to remain agile and respond to the preferences of customers in a timely manner, enterprises like electric utilities need to know what those customers want now, not tomorrow.

The reality is that the customer, no matter who they may be i.e., residential or small commercial customers, they have immense amounts of information to share. Measuring customer satisfaction is a great way to tap into that valuable resource to implement effective change, and to measure the impact of any changes or improvements that have been made. In short, by gathering feedback from customers, your organization is better positioned to make the changes that matter most to the customer.

To be successful, your customer satisfaction measurement program needs to be ongoing, a best practice that is often misperceived. Sometimes we'll hear that "we only need to check in with our

customers every 2 or 3 years because we're also monitoring our volume of complaints and as long as the complaints are not going up then we're ok." Historical data tracking is crucial in the customer satisfaction survey system. By analyzing responses over a given time (minimum of once per year) an organization has the chance to determine if they are improving, becoming worse or remaining the same.

Customer satisfaction research is valuable because it helps focus on and measure how customers feel. But, many executives continue to make the incorrect assumption that customer satisfaction means customer loyalty. While it is true that un-satisfied customers are not likely to be loyal customers, it cannot be inferred that satisfied customers are destined to be loyal. While it is true that satisfaction and loyalty are related, they are not the same thing.

Good research leads to good ideas – good ideas lead to smart strategies. Reasons to Conduct Customer Satisfaction Surveys:

- Demonstrate commitment to listen to the "voice" of the customer
- Improve operations
- Reduce costs of operations
- Improve quality of service

- Improve customer satisfaction and loyalty
- Learn about areas that need to be improved
- Assist in determining priority areas for making improvements
- Increase understanding of various demographics types of customers

In monopoly type services such as an Electric Utility, it can be argued that measuring customer satisfaction makes sense though there isn't a need to measure loyalty because customers have no choice but to be loyal. Conversely private industry recognizes that measuring customer loyalty is far more important than satisfaction.

To help respondents recognize that they are evaluating monopoly like services, the Simul/UtilityPULSE Poll compares satisfaction findings for the electric utility with six other widely-used community services. The purpose is to establish a benchmark for how good public services are perceived in the eyes of their customers.

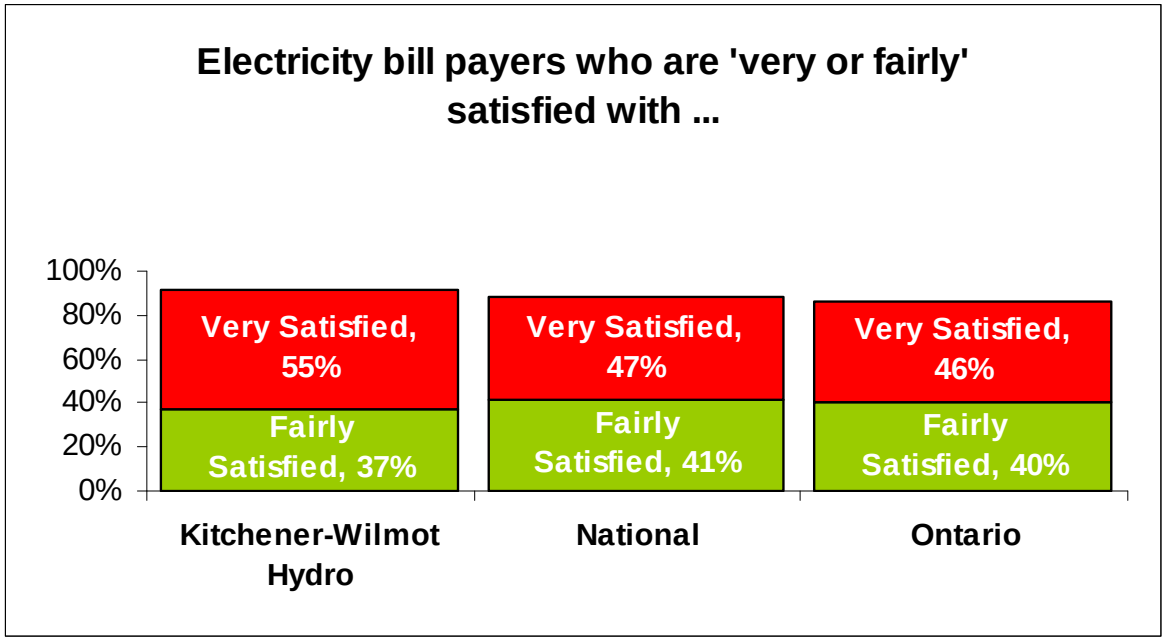
In this survey we would like to know how satisfied or dissatisfied you are with various services in this area. Overall are you very satisfied, fairly satisfied, fairly dissatisfied or very dissatisfied with …?

Electricity bill payers who are 'very or fairly' satisfied with…			
	Kitchener-Wilmot Hydro	National	Ontario
Your local libraries	66%	67%	67%
Your local natural gas utility	82%	48%	66%
Local telephone service	86%	88%	86%
The local electricity utility that supplies the electricity you use	92%	87%	86%
Garbage collection	87%	82%	81%
The local cable television service	56%	60%	54%
Public transit service in your area	31%	33%	33%

Base: total respondents

Customer satisfaction and *customer service* are not interchangeable words. We define Customer service as "a series of tasks and processes that when done consistently deliver a product or service to

the customer". The outcome may or may not meet customer expectations. For example, if a customer called in to inquire about their bill, but the customer care attendant provided information in a perfunctory way that, in the opinion of the customer took too long to deliver – customer service was delivered but not satisfaction. Customer satisfaction is a feeling, an intangible – when personnel who serve the customer deliver respect, courtesy, knowledge, empathy, and more, then and only then is it possible to satisfy the customer.



The Simul/UtilityPULSE tracking studies show that customer satisfaction with Ontario electric utilities has been gradually improving in this decade.

Electricity bill payers who are 'very or fairly' satisfied with their local electricity provider (National sample)					
	2004	2005	2006	2007	2008
National Residential	78%	85%	84%	89%	87%
National All Bill Payers	79%	86%	84%	88%	87%
Ontario All Bill Payers	71%	79%	82%	83%	86%

Base: all electricity bill payers

Electricity bill payers who are 'very or fairly' satisfied with…			
	Kitchener-Wilmot Hydro	National	Ontario
Very Satisfied	55%	47%	46%
Fairly Satisfied	37%	41%	40%

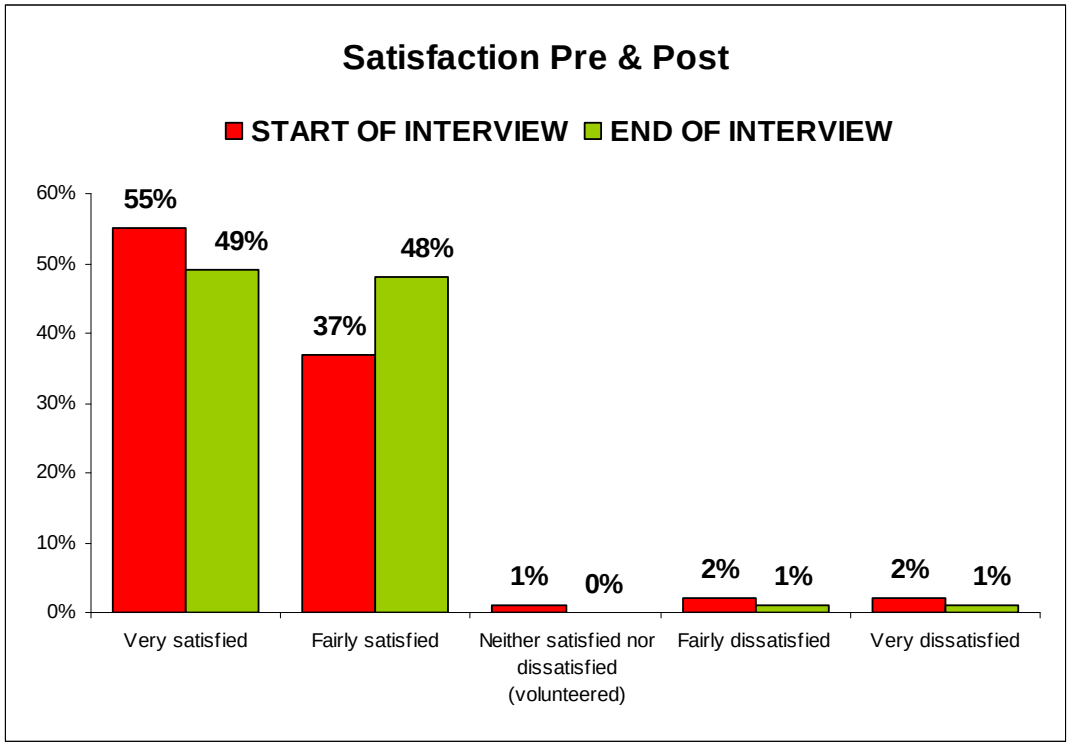
Base: total respondents

The Simul/UtilityPULSE returns to the satisfaction question. Near the end of the survey, interviewers say, *"Now that we have been discussing electricity for a while, I would like you to say how satisfied or dissatisfied you are with Kitchener-Wilmot Hydro, the local utility that supplies the electricity you use."*

Two conclusions can be drawn from this:

(1) Customers are not aware of how to evaluate their utility;

(2) Once additional education is given to customers, there is a larger following of satisfied customers.



Now that we have been discussing electricity for a while, I would like you to say how satisfied or dissatisfied you are with Kitchener-Wilmot Hydro, the local utility that supplies the electricity you use. Overall are you...

	Initially	End of interview	Initially	End of interview	Initially	End of interview
	"Local electricity utility"	"Kitchener-Wilmot Hydro"	Ontario Benchmark	Ontario Benchmark	National Benchmark	National Benchmark
Very satisfied	55%	49%	46%	38%	47%	40%
Fairly satisfied	37%	48%	40%	52%	41%	51%
Neither satisfied nor dissatisfied (volunteered)	1%	0%	2%	-	2%	1%
Fairly dissatisfied	2%	1%	5%	5%	5%	5%
Very dissatisfied	2%	1%	5%	2%	4%	2%

Base: total respondents

Companies of all types and sizes are analyzing their data from customers in a holistic manner which recognizes that in addition to having high levels of Customer Satisfaction, there is a need to understand and create higher levels of emotional connection.

Bill payers' recent problems & problem resolution

Problems and how they are handled affect customers' perception of their utility. As Simul/UtilityPULSE research shows, the attributes associated with Management Operations are the greatest influencers of corporate image and reputation. For Kitchener-Wilmot Hydro the Management Operations component of the UtilityPULSE Report Card® represents 46% of the overall Customer perception.

	Kitchener-Wilmot Hydro	National	Ontario
Accurate billing and meter reading	88%	85%	82%
Power quality and reliability	24%	25%	24%
Provides consistent, reliable energy	96%	92%	91%
Quickly handles outages and restores power	86%	89%	86%

For single entity enterprises, such as electric utilities, who offer one product line or set of services; the image of the company and that of the product tend to be one and the same. Therefore, in our view, there is a high need for customer problems to be handled efficiently and effectively.

In particular today we are interested in your opinions about Kitchener-Wilmot Hydro, the utility that provides electricity to homes and businesses in your community. In the past 12 months have you experienced any problems with Kitchener-Wilmot Hydro with power shortages or outages? [Interviewers asked respondents reporting outages…]

Outages	Kitchener-Wilmot Hydro	National	Ontario
Had outage problems	20%	49%	41%
% with outages who complained	22%	34%	32%
% of complainers who were very satisfied	23%	40%	39%
Had outage but did not complain	78%	66%	68%

Bill Payers with Outages who answered "Yes"	Kitchener-Wilmot Hydro
2008	20%
2007	*
2006	*
2005	*

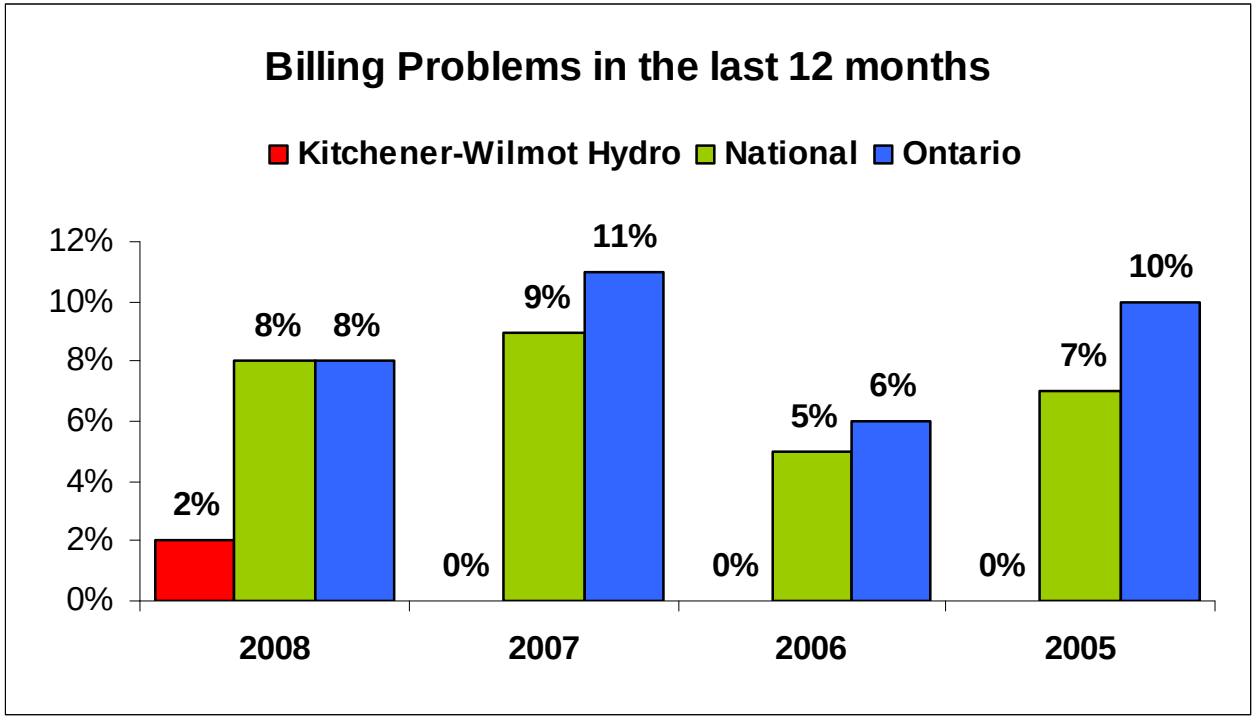
(*) data unavailable/K-W Hydro not a participant in prior year's polls

Blackouts and Bills are what we call the "killer B's" because when they happen and how the utility handles them affects the perception that the customer has of Kitchener-Wilmot Hydro.

Billing problems	Kitchener-Wilmot Hydro	National	Ontario
Had bill problems	2%	8%	8%
% with problems who complained	90%	69%	70%
% of complainers saying problem was solved	45%	50%	39%
Had bill problem but did not complain	10%	30%	27%

Percentage of Respondents indicating that they had a Billing problem in the last 12 months	Kitchener-Wilmot Hydro	National	Ontario
2008	2%	8%	8%
2007	*	9%	11%
2006	*	5%	6%
2005	*	7%	10%

(*) data unavailable/K-W Hydro not a participant in prior year's polls



Have you experienced any problems with your electricity bill or statement in the past 12 months? Did your problems with your electricity bill or statement involve any of these areas?

Bill payers with billing problems who say…			
	Kitchener-Wilmot Hydro	**National**	**Ontario**
The amount owed was too high	100%	81%	92%
The bill was estimated	40%	50%	60%
The bill was difficult to understand	40%	34%	35%
Payment made was recorded incorrectly or not recorded	20%	17%	27%
The meter reading was incorrect	30%	27%	27%
The bill arrived late	10%	15%	14%
The amount owed was too low	0%	6%	3%

Our National benchmark data for 2008 shows that 99% of customers who contacted their utility and who consider the problem solved were very or fairly satisfied with the way their utility handled the problem. Whereas 81% of customers, who said their problem was not solved, said that they were fairly or very unsatisfied with the way their utility handled their problem.

The following table illustrates that solving "killer B" problems raises customer satisfaction across the board – not just in the attributes of corporate behavior related to the problem.

The impact of solving Kitchener-Wilmot Hydro customer problems		
Agree strongly or somewhat …	**Problem solved**	**Not solved**
Quickly handles outages and restores power	94%	93%
Answers the phone promptly	88%	57%
Customer-focused and treats customers as if they're valued	77%	79%
Tries to keep electricity rates reasonable	76%	71%
Makes using electricity safely a top priority	94%	81%
Completes service work when promised	59%	57%

How Secure and At Risk Kitchener-Wilmot Hydro customers perceive problem resolution…		
Agree strongly or somewhat that the attribute applies …	**Secure Customers**	**At Risk Customers**
Keeps customers well informed	97%	83%
Provides good value for your money	90%	63%

Corporate image

There is a growing significance for managing corporate identity by senior organizational leaders because they possess a strong belief that developing and promoting their corporate identity is becoming increasingly important to their stakeholders.

The overriding reason for the heightened concern for corporate identity is abundantly clear. We live in a time of immense environmental complexity and change, and consequently organizations have been forced to significantly alter their strategies to better compete, survive and provide a return to their shareholders. Mergers and acquisitions represent a major dimension of corporate change over the past few years. Electric utilities in Ontario have not been exempt from the complexity of the environment in which they must operate, nor have they been exempt from mergers and acquisitions.

Interesting to note that in industries that have been deregulated, e.g., telecommunications one of the first things companies generally do --- adopt a new logo and initiate a communications program to help convey its new identity. Many electric utilities have adopted a new logo, or at least refreshed their existing one. Certainly with the electric utilities that Simul/UtilityPULSE has worked with over the past

few years, we would say that all of them have increased their efforts to communicate with the stakeholders at a higher level of intensity.

Still another factor stirring the current interest in corporate identity is the customers' growing expectation that the companies they are dealing with will be socially responsive. One salient manifestation of this trend is that many of today's consumers consider the environmental and social image of firms in making their purchasing decisions.

Corporate image is comprised of the following interrelated variables:

- corporate identity
- corporate communication
- corporate image, and
- corporate reputation.

Corporate identity is the reality of the corporation with its own personality – the brand. Corporate communication is the sum total of all the ways and media that is used to convey the organization's brand to its various stakeholders. Corporate image is the mental picture that people have of your organization. Corporate reputation constitutes a value judgment that people make about your organization's attributes.

Next I am going to read a list of items and would like you to tell me if you agree or disagree that each describes the local electric utility that supplies the electricity you use/Kitchener-Wilmot Hydro, the utility that supplies the electricity you use. How about …? Is that agree/disagree strongly or somewhat?

Attributes of a hydro utility's image			
Agree 'strongly' + 'somewhat'	**Kitchener-Wilmot Hydro**	**National**	**Ontario**
Provides consistent, reliable energy	96%	92%	91%
Quickly handles outages and restores power	86%	89%	86%
Accurate billing and meter reading	88%	85%	82%
Makes using electricity safely a top priority	82%	84%	82%
Keeps customers well informed	87%	81%	82%
Maintains its equipment in good repair	68%	75%	73%
Has competent, well trained and knowledgeable employees	65%	75%	67%
Deals quickly with customers' problems	67%	75%	69%
Customer-focused and treats customers as if they're valued	80%	74%	70%
Accountable	75%	73%	68%

Completes service work when promised	57%	73%	68%
Provides good value for your money	80%	71%	68%
A good corporate citizen	75%	71%	68%
A leader in the industry	62%	66%	62%
Takes steps to not harm the environment	55%	66%	59%
A leader in energy conservation	61%	65%	56%
Answers the phone promptly	54%	64%	57%
Tries to keep electricity rates reasonable	75%	60%	61%
Works with customers to keep their energy costs affordable	66%	60%	55%
A financially well managed organization	53%	56%	47%
Involved in the community and contributes to worthy local causes	41%	52%	43%
Efficient in the number of employees it has	34%	48%	38%

The chart above shows there is ample opportunity to create a stronger corporate image with stakeholders.

Of these twenty-two attributes in the UtilityPULSE survey, 8 are strongly linked to Corporate Image.

Attributes linked to a hydro utility's image			
Agree 'strongly' + 'somewhat'	**Kitchener-Wilmot Hydro**	**National**	**Ontario**
Company Leadership			
A good corporate citizen	75%	71%	68%
A leader in the industry	62%	66%	62%
A leader in energy conservation	61%	65%	56%
Involved in the community and contributes to worthy local causes	41%	52%	43%
Efficient in the number of employees it has	34%	48%	38%
Corporate Stewardship			
Accountable	75%	73%	68%
A financially well managed organization	53%	56%	47%
Takes steps not to harm the environment	55%	66%	59%

Programs, products, services, communications, and other things that a utility does will affect its corporate identity with its stakeholders. However, the utility actually doesn't produce anything, people do. So investing in doing things better without investing in the development of a dynamic organization culture is a missed opportunity.

Corporate culture is the shared values, beliefs, and assumptions that the utility's members hold in common as they relate to each other, their jobs, and the organization. It defines what the firm's employees believe is important and unimportant, and explains to a large degree why the organization behaves the way it does. There will always be a corporate culture, why not develop and maintain the culture that you want?

Every interaction an employee has with a stakeholder communicates something of the utility's identity. This means, for one thing, that employees should be informed, involved, trained and motivated to project a positive image of the utility.

A strong positive image with the general public that a solid corporate image produces is a factor in attracting a high quality workforce. Current employees represent the internal stakeholder that a utility must consider when communicating the corporate image. A positive image and reputation in the eyes of employees is a prime causal factor of high morale and productivity. In addition, employees play a huge role in representing the utility to its external stakeholders --- and, customers.

UtilityPULSE Report Card®

Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over ten years. It also builds upon the work published in Simul's highly acclaimed book, "Call Before You Dig! – How electric utilities can strengthen connections with customers and lower costs".

The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot on performance – on the things that customers deem to be important. Research has identified 22 attributes that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which "grades" are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

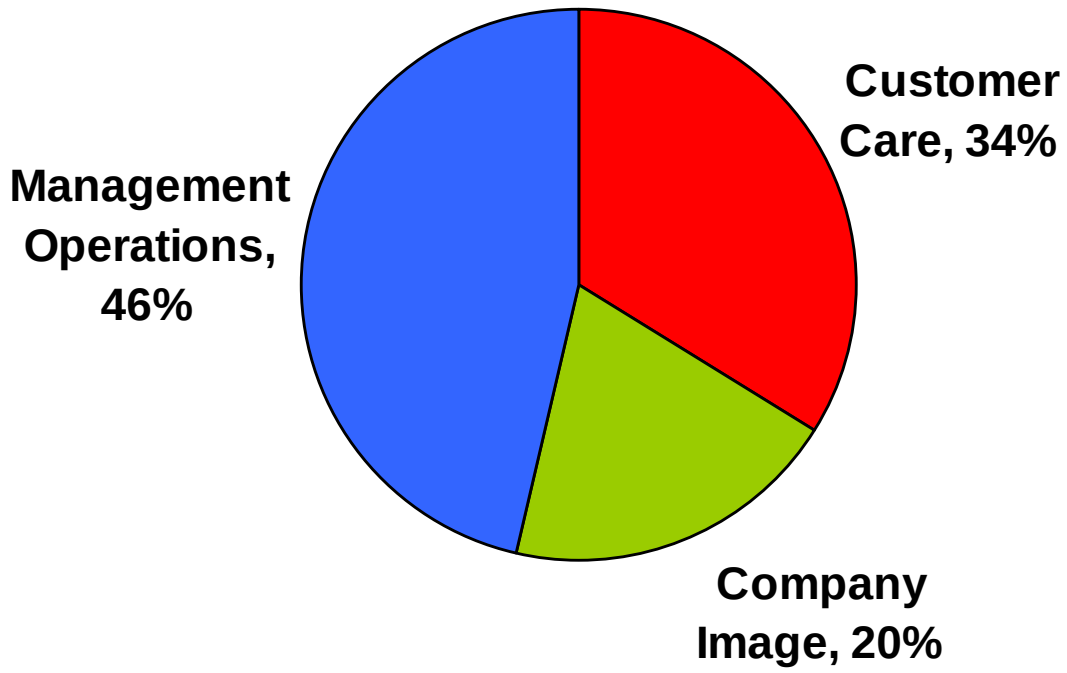
There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the

customer when forming their overall impression of the utility. Three major categories, each with two major drivers make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE® for Kitchener-Wilmot Hydro



Kitchener-Wilmot Hydro's UtilityPULSE Report Card®

Part 1: Importance to Customers

	CATEGORY	Kitchener-Wilmot Hydro	National	Ontario
1	**Customer Care**	**34%**	**26%**	**29%**
	Price and Value	14%	7%	8%
	Customer Service	20%	20%	22%
2	**Company Image**	**20%**	**21%**	**20%**
	Company Leadership	11%	12%	11%
	Corporate Stewardship	8%	9%	9%
3	**Management Operations**	**46%**	**53%**	**51%**
	Operational Effectiveness	22%	28%	27%
	Power Quality and Reliability	24%	25%	24%
	Total	**100%**	**100%**	**100%**

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customer's requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it.

A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it

takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, being a good corporate citizen and being involved in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is a credible organization that is well managed, is accountable, and has its financial house in order. In short, they want a stable organization.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right…no excuses. It is the utility's core business. This category and its drivers are clearly the most important to a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority.

Kitchener-Wilmot Hydro's UtilityPULSE Report Card®

Part 2: Performance

	CATEGORY	NATIONAL	ONTARIO
1	**Customer Care**	**Benchmark**	**Potential Strength**
	Price and Value	Benchmark	Confirmed Strength
	Customer Service	Benchmark	Potential Strength
2	**Company Image**	**Benchmark**	**Potential** Strength
	Company Leadership	Benchmark	Potential Strength
	Corporate Stewardship	Benchmark	Potential Strength
3	**Management Operations**	**Benchmark**	**Benchmark**
	Operational Effectiveness	Benchmark	Benchmark
	Power Quality and Reliability	Benchmark	Benchmark
	OVERALL	**Benchmark**	**Potential Strength**

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than "keeping the lights on". In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

For electric utilities, employees are the providers of many moments of truth. With each and every interaction with a customer – including those that are not going through the call centre – an employee is given the opportunity to delight or disappoint.

As every electric utility senior executive and manager knows, there are three types of employees: those that are engaged; those that are not-engaged; and those that are actively disengaged. Engaged employees work with passion and feel a profound connection with their company and its mission.

Providing excellence in the customer experience won't come from corporate assumptions. As Simul consultants have learned by working with executives and managers, it will come from better listening to customers, better measurement of the things that matter to the customer and, better interactions with customers delivered by engaged employees.

How can Kitchener-Wilmot Hydro improve its service to customers?

As in previous years, this survey also asks respondents about what their utility could do to improve service. It is fascinating to actually listen in on suggested improvements that bill payers actually make. Here is a sampling from all of our 2008 surveys:

- Could you please lower the rates?
- Educate people on the better times of the day to use electricity.
- Reward the customer who actively participates in energy efficiency.
- I think that the utility ought to pursue more alternative sources of energy.
- If there is a problem the call centre people should to be able to handle it very quickly.
- Far too many options on the telephone system, maybe the utility could provide us with a map.

- It is very confusing about who the players are, hydro or gas, I can't tell who is responsible for what.
- Fire all the management and pass the savings on to the customer.
- The new light bulbs that came out are not as bright and they don't last as long as the information on the box says they should last. I've already replaced 3 of those bulbs this year.
- Lower bill for seniors and others who are on a fixed income.
- I spent over $100 purchasing energy saving bulbs and my energy usage hasn't really dropped.
- It's irresponsible and almost criminal, that consumers have to take responsibility for the debt, and nobody covers my debt if I am financially irresponsible.
- Give free energy saving light bulbs in areas that have low income.
- I signed an energy contract and my rates went up. Teach us the questions we should ask before we sign, not afterwards.

The above comments are simply a sampling of actuals received and those received from your survey will share some similarity but will, undoubtedly be different. What we can say is this, that over the 10 years that we've been doing community surveys the range of topics i.e., comments that respondents provide is getting much wider. Pricing of hydro is still the largest area of comment, but we're seeing a shift into many other subject areas.

And we are interested in knowing what you think are the one or two most important things Kitchener-Wilmot Hydro could do or fix to improve service to their customers?

	All customers	% of all suggestions
Better, lower prices	19%	34%
Energy conservation improvements	17%	30%
Improved customer communication	6%	11%
Smart meter, pricing based on time of use	2%	3%
Reliable supply, fewer outages	5%	9%
Environment concerns, alternative energy	6%	11%
Be more efficient, cost-conscious	4%	8%
Billing problems and issues	3%	6%
Satisfied – no problems	27%	—
No opinion	17%	—



Customer commitment

Earlier in this report when we talked about Satisfaction with Services (pre and post), we stated that there were two other critical questions to be asked that would help determine the strength of the emotional connection that customers have with their utility. Having customer feedback is the first step in seeing how the organization meets customer demands. But just as important as customer feedback is having the commitment to use the results of the feedback.

Electricity customers' loyalty – Would you continue to do business with …				
Kitchener-Wilmot Hydro	**2008**	**2007**	**2006**	**2005**
Definitely would continue	66%	*	*	*
Probably would continue	23%	*	*	*
Might or might not continue	4%	*	*	*
Probably would not continue	3%	*	*	*
Definitely would not continue	3%	*	*	*

Base: total respondents, (*) data unavailable/K-W Hydro not a participant in prior year's polls

Customers who buy from independent retailers are much less loyal to their supplier; the vast majority would continue to do business with Kitchener-Wilmot Hydro.

How likely are you to continue to do business with Kitchener-Wilmot Hydro/your independent electricity retailer? Would you say you...?

Electricity customers' loyalty – If they could switch…			
	Overall Kitchener-Wilmot Hydro	**Buy direct from Kitchener-Wilmot Hydro**	**Purchase from Independent Retailer**
Top 2 boxes "definitely + probably"	88%	93%	21%
Definitely would continue	66%	70%	14%
Probably would continue	23%	24%	7%
Might or might not continue	4%	3%	10%
Probably would not continue	3%	1%	28%
Definitely would not continue	3%	0%	34%

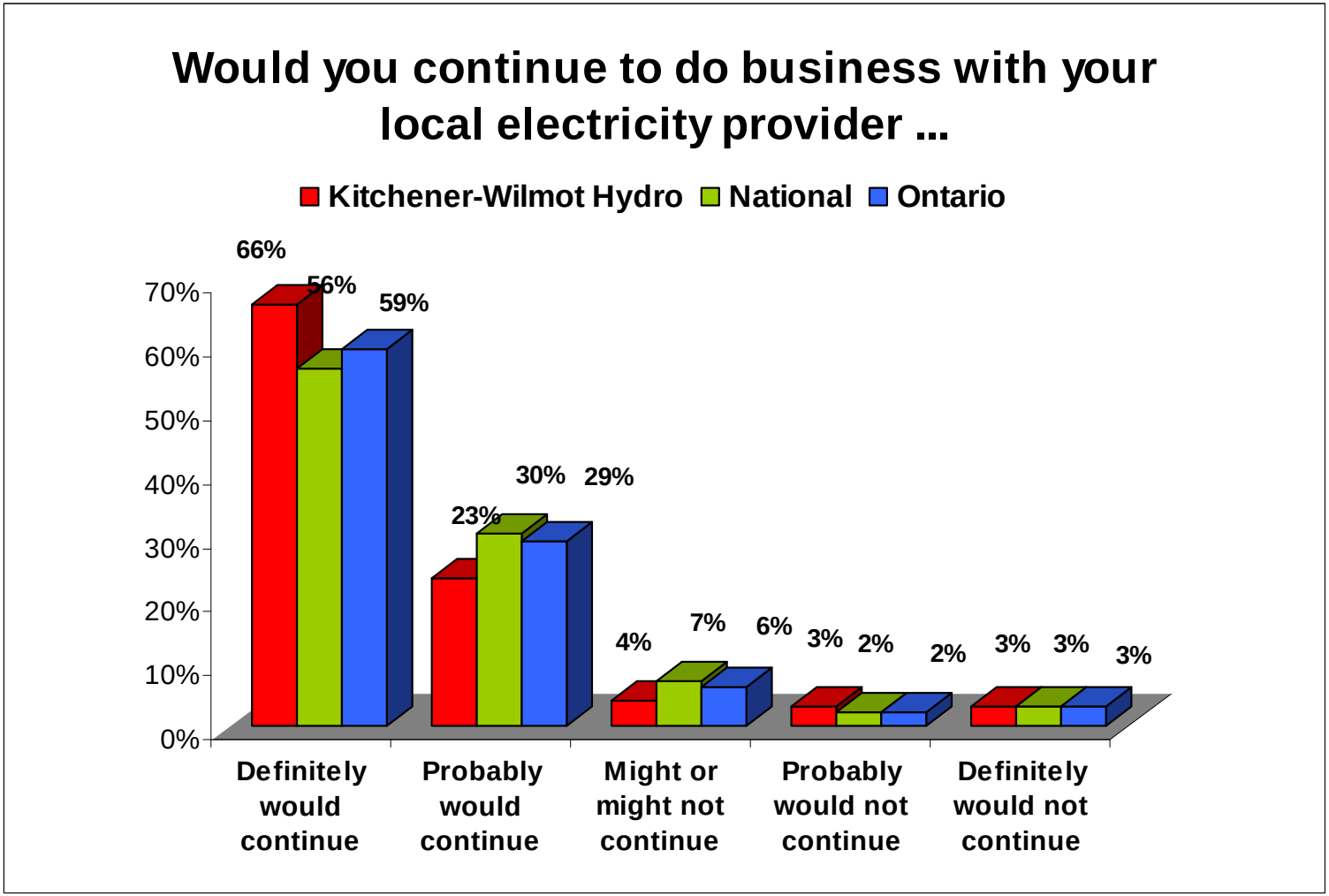
The Ontario Energy Board (OEB) has established a public relations program to educate customers about their rights when it comes to signing contracts with independent gas and electricity marketers. The board has set up a website and has developed six plain-language consumer tip sheets.

We believe that such an educational effort is needed because electric utilities are still getting complaints about energy marketers. The customer looks to their utility for information to be able to make an informed choice. The only reason to lock into a fixed-price deal is peace of mind. It is a form of insurance because the customer can only save money if the local utility rate goes higher than the rate stipulated in their contract. Even then they may not save money over the term of the contract.

http://www.oeb.gov.on.ca/energychoiceisyours/en/index.htm

Electricity customers' loyalty – Would they continue to do business …			
	Overall Kitchener-Wilmot Hydro	**National**	**Ontario**
Top 2 boxes "definitely + probably"	88%	86%	88%
Definitely would continue	66%	56%	59%
Probably would continue	23%	30%	29%
Might or might not continue	4%	7%	6%
Probably would not continue	3%	2%	2%
Definitely would not continue	3%	3%	3%

Base: total respondents


Would you continue to do business with your local electricity provider ...
Kitchener-Wilmot Hydro
National
Ontario
70%
60%
50%
40%
30%
20%
10%
0%
66%
56%
59%
23%
30%
29%
4%
7%
6%
3%
2%
2%
3%
3%
3%
Definitely would continue
Probably would continue
Might or might not continue
Probably would not continue
Definitely would not continue

Word of mouth

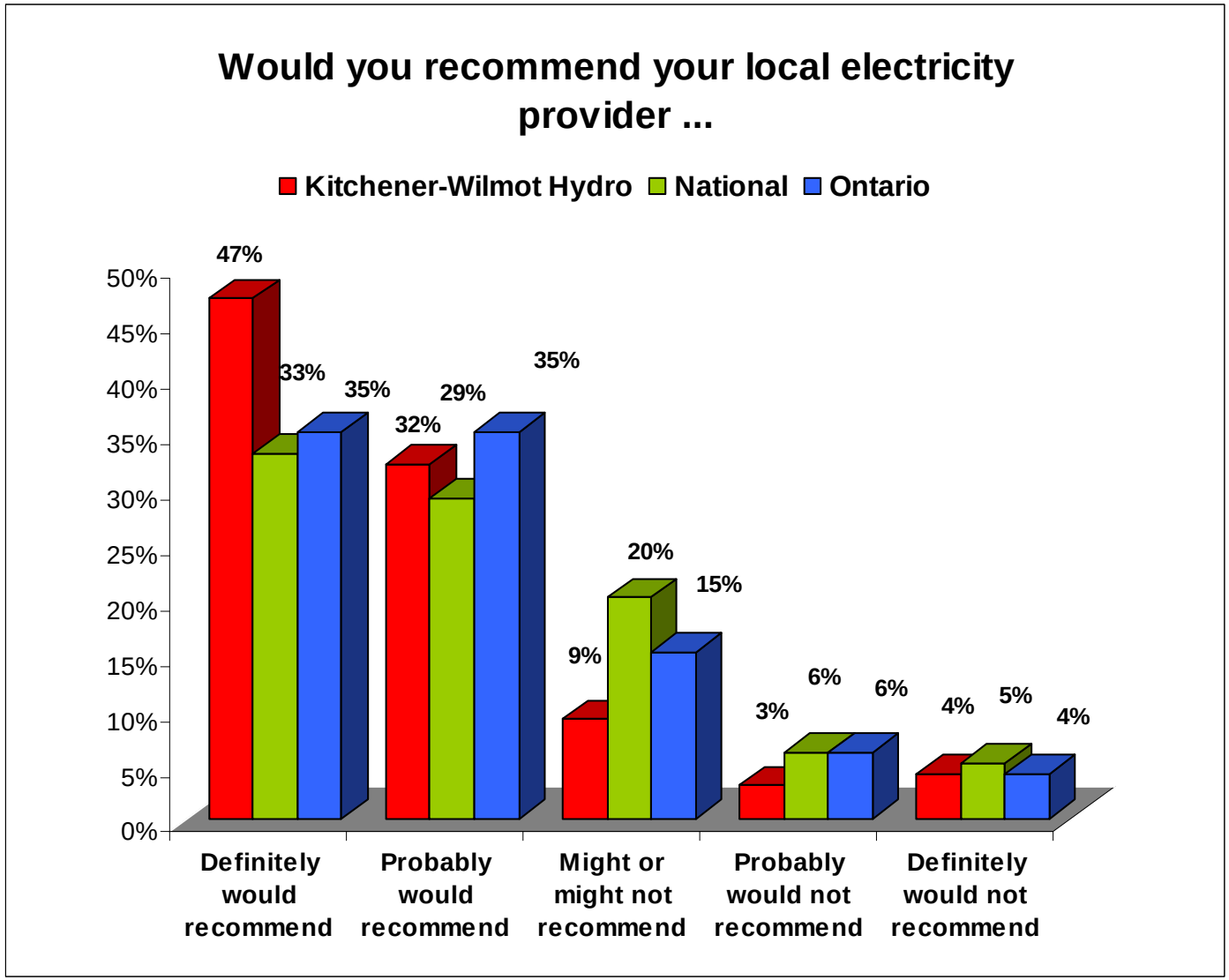
Word-of-mouth matters, especially in an environment that is becoming increasingly complex for customers. Customers are time-pressed and they are being bombarded by a constant barrage of information. Customers who definitely would recommend you typically use a more positive filter on the communications sent their way by you. In short, those that definitely would recommend look for what is good, while those that definitely would not recommend look for what is wrong.

Electricity customers' loyalty – Would you recommend …			
	Overall Kitchener-Wilmot Hydro	**Buy direct from Kitchener-Wilmot Hydro**	**Purchase from Independent Retailer**
Top 2 boxes "definitely + probably"	79%	84%	21%
Definitely would recommend	47%	49%	21%
Probably would recommend	32%	34%	0%
Might or might not recommend	9%	9%	7%
Probably would not recommend	3%	1%	24%
Definitely would not recommend	4%	1%	45%

Electricity customers' loyalty – Would you recommend …			
2008	**Kitchener-Wilmot Hydro**	**National**	**Ontario**
Definitely would recommend	47%	33%	35%
Probably would recommend	32%	29%	35%
Might or might not recommend	9%	20%	15%
Probably would not recommend	3%	6%	6%
Definitely would not recommend	4%	5%	4%

Electricity customers' loyalty – Would you recommend …				
Kitchener-Wilmot Hydro	**2008**	**2007**	**2006**	**2005**
Definitely would recommend	47%	*	*	*
Probably would recommend	32%	*	*	*
Might or might not recommend	9%	*	*	*
Probably would not recommend	3%	*	*	*
Definitely would not recommend	4%	*	*	*

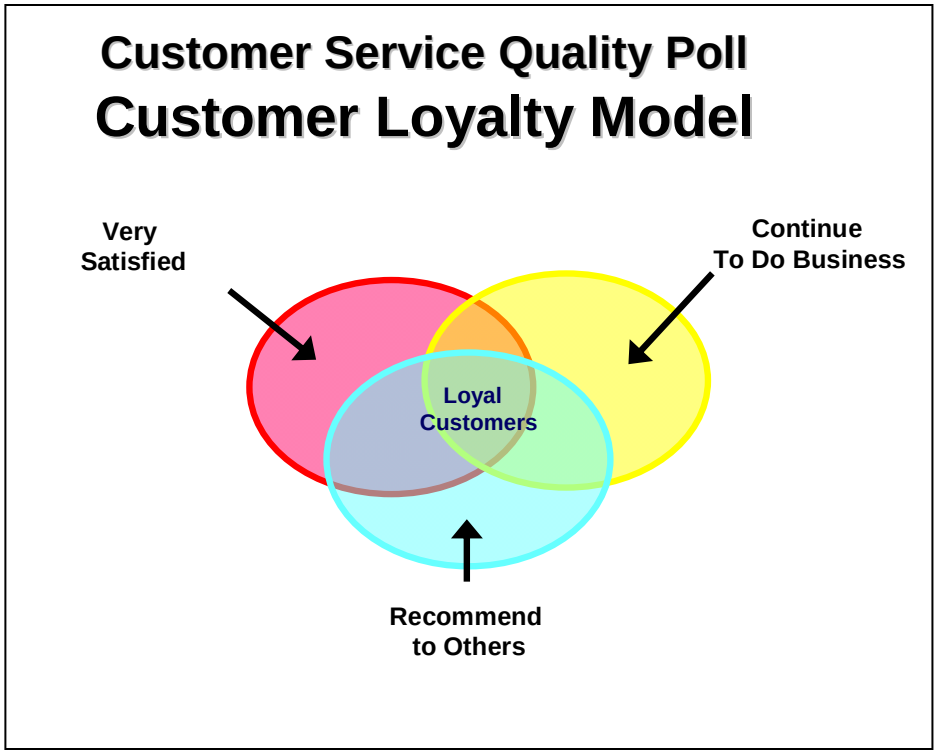
Base: total respondents, (*) data unavailable/K-W Hydro not a participant in prior year's polls


Would you recommend your local electricity provider ...
Kitchener-Wilmot Hydro
National
Ontario
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
47%
33%
35%
32%
29%
35%
9%
20%
15%
3%
6%
6%
4%
5%
4%
Definitely would recommend
Probably would recommend
Might or might not recommend
Probably would not recommend
Definitely would not recommend

The Loyalty Factor

Even when customers can't defect, or can't easily change sides, there is enormous value in making more of them feel loyal. Loyal customers are the equivalent of unpaid spokespersons for the company, walking advertisements who will defend the utility's reputation. So even in a monopoly service like electricity, there can never be enough secure customers.

Simul/UtilityPULSE segments residential and small and medium-sized electricity customers into four groups: Secure – the most loyal - Still Favorable, Indifferent, and At Risk. The computer analysis also shows the way bill payers in the four segments answered all the



questions on the Kitchener-Wilmot Hydro poll.

Secure customers are “very satisfied” overall with their local electricity utility. They definitely would not switch to a competitor if they could and definitely would recommend Kitchener-Wilmot Hydro.

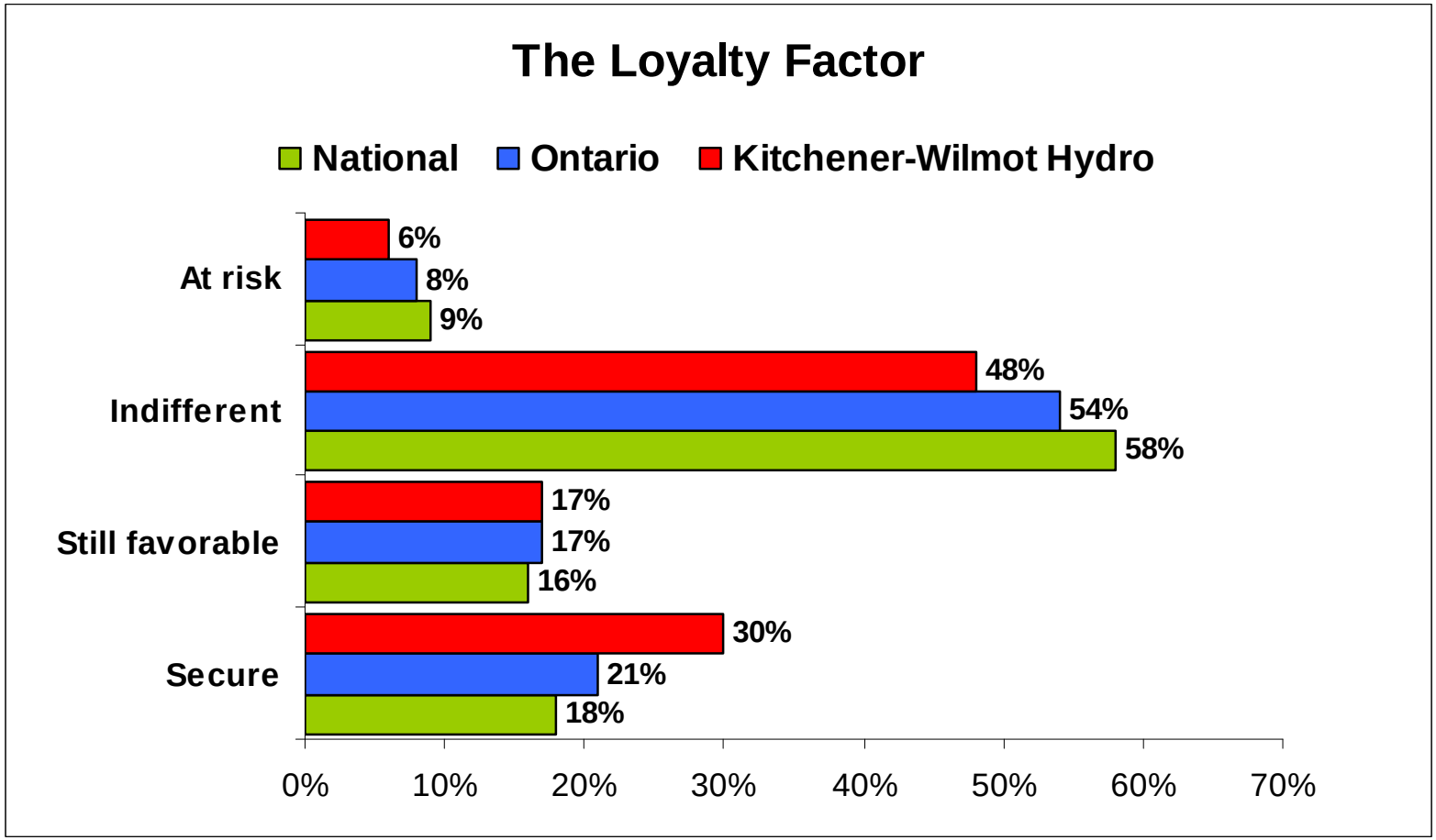
Still favorable customers are “very satisfied” overall, “definitely” or “probably” would recommend Kitchener-Wilmot Hydro and would not switch if they could.

Indifferent customers are less satisfied overall than Secure and Still Favorable customers and less inclined to recommend Kitchener-Wilmot Hydro or say they would not switch.

At Risk customers are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Kitchener-Wilmot Hydro				
2008	30%	17%	48%	6%

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Ontario				
2004	8%	11%	67%	14%
2005	8%	12%	68%	12%
2006	12%	12%	61%	14%
2007	14%	12%	62%	11%
2008	21%	17%	54%	8%
National				
2004	12%	13%	64%	11%
2005	12%	11%	66%	10%
2006	13%	11%	64%	12%
2007	16%	12%	64%	7%
2008	18%	16%	58%	9%


The Loyalty Factor
National
Ontario
Kitchener-Wilmot Hydro
At risk
6%
8%
9%
Indifferent
48%
54%
58%
Still favorable
17%
17%
16%
Secure
30%
21%
18%
0%
10%
20%
30%
40%
50%
60%
70%

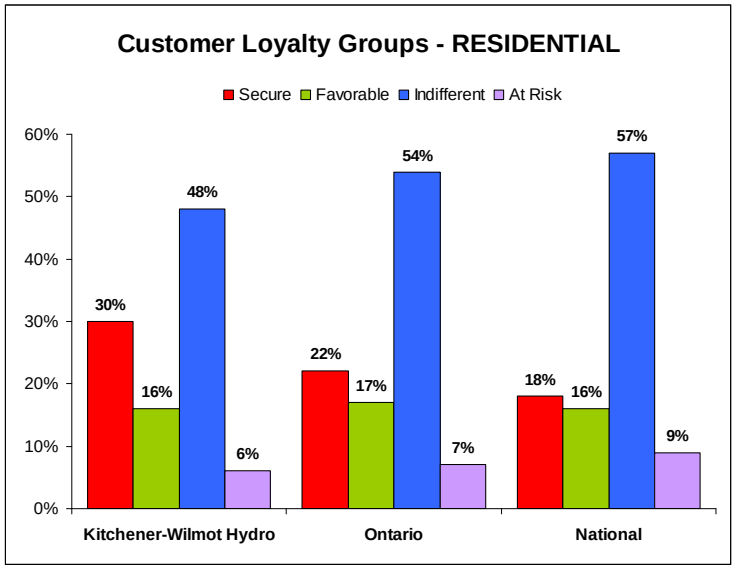
Does Loyalty really matter when Customers can not defect; they have no choice but to be loyal. The reality is, there is a difference between Secure and At Risk customers, let's take a look at what our National survey shows:

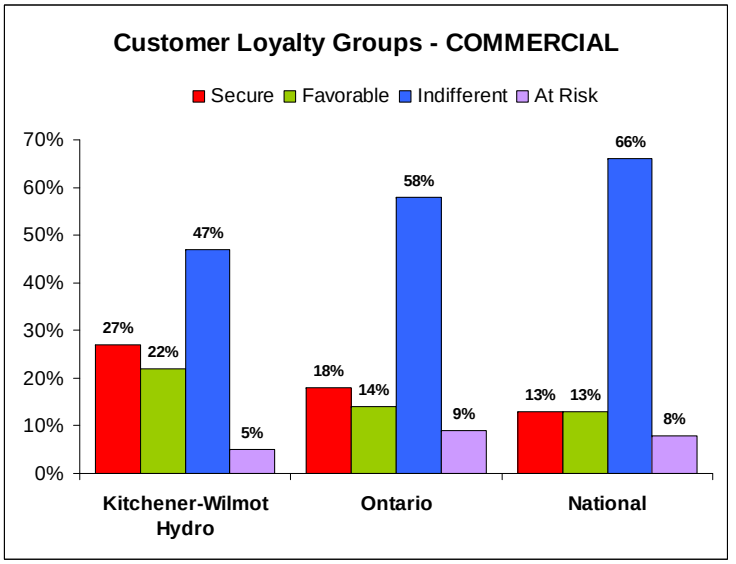
	Secure	**At Risk**
% of respondents who said:		
- they had a billing/statement problem	3%	21%
- the bill was difficult to understand	25%	32%
- the bill problem was solved	75%	40%
- the utility is a good corporate citizen	87%	57%
- deals quickly with customer problems	86%	68%
- the utility is a leader in energy conservation	82%	48%
- the utility keeps customers well informed	92%	66%

Human nature being what it is - those who are At Risk have a much higher likelihood of calling in to complain, and most likely complain more often. In fact, we would suggest that if they are complaining that is actually the good news – more than likely, in the extreme, they've abandoned any notion that they can get satisfaction from you, therefore they "bash" the utility.

Customer Loyalty Groups				
	Secure	**Favorable**	**Indifferent**	**At Risk**
Kitchener-Wilmot Hydro Residential	30%	16%	48%	6%
Ontario	22%	17%	54%	7%
National	18%	16%	57%	9%
Kitchener-Wilmot Hydro Commercial	27%	22%	47%	5%
Ontario	18%	14%	58%	9%
National	13%	13%	66%	8%




Customer Loyalty Groups - RESIDENTIAL
Secure
Favorable
Indifferent
At Risk
60%
50%
40%
30%
20%
10%
0%
30%
16%
48%
6%
22%
17%
54%
7%
18%
16%
57%
9%
Kitchener-Wilmot Hydro
Ontario
National


Customer Loyalty Groups - COMMERCIAL
Secure
Favorable
Indifferent
At Risk
70%
60%
50%
40%
30%
20%
10%
0%
27%
22%
47%
5%
18%
14%
58%
9%
13%
13%
66%
8%
Kitchener-Wilmot Hydro
Ontario
National

Eco Consciousness & Motivation

Simul/UtilityPULSE has developed 5 Eco-conservation types:

Eco-Leader (8% of the population based on Simul/UtilityPULSE's 2008 poll)

This eco-type is an enthusiast and proponent for energy conservation. They have a high desire to inspire and persuade and typically willing to be a spokesperson for energy conversation. This type believes that the best way to get consumers to conserve energy is to set mandatory legal limits on the amount of electricity that consumers use. Of the 5 eco-types that we've identified this type feels the highest level of personal responsibility for helping others understand the need for energy conservation. In addition, they are very likely to believe that using a moral or inspirational approach while asking Canadians to make sacrifices and use less electricity is an excellent way to encourage people to use less. Somewhat impatient as they believe that action to reduce the use of electricity must be taken now, because there is clear scientific evidence, facts and data showing that the amount of electricity we use is a serious problem. This type will pay more for energy efficient products. In a word: Green Advocator.

Eco-Faithful (27% of the population)

This eco-personality type is the logical and thinking style. Trying to understand the issues and opportunities is what keeps this personality type interested in the subject of energy conservation. Like the Eco-leader they believe that the best way to get consumers to conserve electricity is to set mandatory legal limits on the amount of electricity that consumers can use. Situational factors and degree of urgency are factors used by an Eco-Faithful to determine the level of personal responsibility that they might feel for helping others understand the need for energy conservation. However they believe that encouraging people to use less is best done using an educational approach, pointing out the consequences of electricity use, with fact and details (after all this type is the logical type) on the amount of money people spend and could save by using less electricity. Again, much like the Eco-Leader they believe that action to reduce the use of electricity must be taken now because there is enough evidence to show that the amount of electricity use is a serious problem. This eco-type will pay more for energy efficient products only when it makes sense to do so. In a word: Rational Conserver.

Eco-Observer (17% of the population)

This conservation type will embrace energy conservation when it seems to make sense to them. Typically they believe that there is a need to use facts and examples to help individual consumers

understand the practicality of conserving electric energy. They also believe that the best way to get consumers to conserve electric energy is to use persuasion to highlight the societal benefits of doing so. Eco-observers typically believe that action to reduce the use of electricity should be delayed because there isn't enough scientific evidence, facts and data showing that the amount of electricity we use is a serious problem. They are less likely to accept high levels of personal responsibility for helping others understand the need for energy conservation. However, they do believe in an educational approach for encouraging people to use less electricity. This type has difficulty understanding why there is a need to pay more for energy efficient products. In a word: Easy-going Participator.

Eco-Friend (17% of the population)

This eco-type believes strongly in doing the right things, being responsible, embracing tradition and demonstrating responsibility for their own actions. For Eco-friends they believe that the best way to get consumers to conserve electricity is to use persuasion and highlight the social benefits of using less energy. However their sense of duty is very high which is why they typically believe using a moral approach, asking Canadians to make sacrifices and use less electricity is an excellent way to encourage people to use less electricity. This type is less gung ho about taking action now to reduce the use of electricity than the other types; however they believe that there is enough scientific evidence and facts that show that the amount of electricity used is a serious problem. Their type might pay more

for energy efficient products if the product has been proven to save electricity. In a word: Dutiful Conserver.

Eco-Believer (32% of the population)

Clearly the most dominant eco-type in our survey and after all why not, this style is based on being practical, pragmatic and values a common sense approach to things. The Eco-believer is a very strong proponent of using persuasion and highlighting the social benefits of using less energy when trying to get consumers to conserve electricity. Much like the Eco-Faithful this type will feel a personal responsibility for helping others understand the need for energy conservation based on situational factors and the degree of urgency that each person, with this style, believes exist. Encouraging Canadians to use less electricity is best done through using an educational approach, pointing out the consequences of electricity use, with facts and details on the amount of money people spend and could save by using less electricity. Eco-believers are convinced that the need to take action to reduce the use of electricity is now; there is compelling evidence that the need is real. However, they will need a steady diet of additional facts to reinforce the belief that the need is real. They will pay more for energy efficient products if it makes sense for them to do so. In a word: Green Ambassador.

The topic of energy conservation has been in the news a lot lately. Some people say…

The best way to get consumers to conserve electricity…	Kitchener-Wilmot Hydro
Is to use persuasion and highlight the social benefits of using less energy	52%
Is to set objectives and firm targets on the amount of electricity that Consumers can use	29%
Neither	7%
Both	4%
Depends	4%
Don't know/refused	4%

How much responsibility do you feel for helping others understand the need for energy conservation…	Kitchener-Wilmot Hydro
Have a personal responsibility to be actively involved in advocating and educating others in how to reduce consumption	13%
Have to be a role-model by reducing own energy consumption	66%
Neither	5%
Both	11%
Depends	1%
Don't know/refused	4%

An effective approach for encouraging people to use less electricity….	Kitchener-Wilmot Hydro
An educational approach with facts and details	68%
A moral or inspirational approach, asking Canadians to make sacrifices	17%
Neither	3%
Both	9%
Depends	1%
Don't know/refused	2%

Is there enough scientific evidence that electricity use is a serious problem?	Kitchener-Wilmot Hydro
There is a need for more scientific evidence, facts and data	30%
There is enough scientific evidence, facts and data	54%
Neither	5%
Both	1%
Depends	4%
Don't know/refused	6%

In general, when you see a label saying a product is energy-efficient, how believable do you think the information on the label is? Do you think it is…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat believable	91%
Bottom 2 boxes: Not too + Not at all believable	5%

When you shop, how likely are you to look for a label on a product that says the product is energy-efficient? Are you…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat likely	92%
Bottom 2 boxes: Not too + Not at all likely	6%

Feelings about paying for energy-efficient products, which is closest to your view…	Kitchener-Wilmot Hydro
People shouldn't have to pay more for energy-efficient products	70%
People should expect to pay more	25%
Depends	4%
Don't know/refused	1%

How concerned or worried are you, personally, about the impact on the environment from the amount of electricity we are using? Are you…	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat worried	78%
Bottom 2 boxes: Not too + Not at all worried	20%

The actions of a single person won't make any difference in reducing the use of energy in our province. How strongly do you agree or disagree with the statement?	Kitchener-Wilmot Hydro
Top 2 boxes: Very + Somewhat agree	30%
Bottom 2 boxes: Somewhat + Strongly disagree	68%

How good a job would you say most businesses and industries in our province are doing when it comes to reducing and not wasting the electricity they use? Would you say…	Kitchener-Wilmot Hydro
Top 2 boxes: Excellent + good job	14%
Bottom 2 boxes: Just a fair job + poor job	78%

Demographic insights

What do customers think about costs?

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

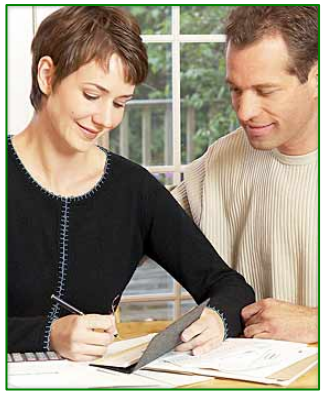
Kitchener-Wilmot Hydro				
	Not a worry	**Sometimes**	**Often**	**Depends**
2008	68%	23%	5%	3%

About 1 in 3 respondents in Simul's 10th Annual Customer Satisfaction Survey are worried about the cost of their hydro. All the more reason to be seen as a utility that helps customers keep costs affordable and keeps rates reasonable.



Kitchener-Wilmot Hydro				
	Not a worry	Sometimes	Often	Depends
2008	68%	23%	5%	3%
Females	63%	27%	4%	3%
Males	72%	19%	5%	2%
Income <$30K	49%	26%	15%	5%
$30-70K	66%	28%	4%	2%
$70K+	82%	13%	2%	2%
Secure	77%	17%	3%	2%
Favourable	77%	22%	0%	1%
Indifferent	62%	25%	6%	5%
At Risk	42%	37%	17%	0%

	Not a worry	Sometimes	Often	Depends
Ontario				
2004	56%	32%	10%	—
2005	57%	27%	8%	3%
2006	63%	28%	6%	2%
2007	58%	28%	8%	3%
2008	64%	23%	9%	2%
National				
2004	63%	26%	7%	1%
2005	64%	24%	7%	2%
2006	64%	27%	6%	2%
2007	66%	25%	6%	2%
2008	66%	23%	8%	2%



What do Small Commercial customers think?

Based on our National Benchmark and Ontario Benchmark polls, Small commercial customers think relatively the same as Residential bill payers. However as it relates to recommending their current electricity provider, our Ontario benchmarking poll shows that Small Commercial customers are virtually the same as Residential bill payers (Definitely + probably recommend: 71% SC, 69% Res).

	Residential	Commercial
Definitely/somewhat satisfied with Kitchener-Wilmot Hydro	91%	97%
Definitely/probably would continue with Kitchener-Wilmot Hydro	87%	93%
Definitely/probably would recommend Kitchener-Wilmot Hydro	79%	80%

On the ten most highly rated attributes Simul/UtilityPULSE National poll, used to measure the reputation of utilities, here are the similarities and differences between Kitchener-Wilmot Hydro residential bill payers and the Small Commercial bill payer.

Agree strongly and somewhat…	Residential	Commercial
Provides consistent, reliable energy	96%	97%
Quickly handles outages and restores power	86%	88%
Accurate billing and meter reading	87%	90%
Makes using electricity safely a top priority	82%	82%
Maintains its equipment in good repair	69%	63%
Completes service work when promised	57%	55%
Has competent, well trained and knowledgeable employees	66%	62%
Deals quickly with customers' problems	68%	60%
Keeps customers well informed	87%	87%
Customer-focused and treats customers as if they're valued	80%	77%

Comparisons between Residential and Commercial…Top 2 boxes		
Kitchener-Wilmot Hydro	**Residential**	**Commercial**
Loyalty Groups	***Percent***	***Percent***
Secure	30%	27%
Still Favourable	16%	22%
Indifferent	48%	47%
At risk	6%	5%

53% of Small commercial customers with Kitchener-Wilmot Hydro said that the best way to get consumers to conserve electricity is to use persuasion. 72% agreed with the statement that they have a personal responsibility to be a role-model by reducing their own energy consumption. A high majority of 72% also agreed an effective approach for encouraging people to use less electricity was to use an educational approach, pointing out the consequences of electricity use, with facts and details on the amount of money people spend and could save by using less electricity. In addition, 63% of Kitchener-Wilmot Hydro small commercial customers agreed with the statement that there is enough scientific evidence that the amount of electricity we use is a serious problem.

Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Consumer Contact Ltd. between March 26 - April 2, 2008, with 407 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Kitchener-Wilmot Hydro.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 407 residential and commercial customers will differ by no more than ±4.9 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.9 percentage points in either direction from results that would have been obtained by interviewing all Kitchener-Wilmot Hydro residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at http://www.surveysystem.com/sscalc.htm.

Interviewers reached 989 households and businesses from the customer list supplied by Kitchener-Wilmot Hydro. The 407 who completed the interview represent a 41% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 13 through April 2, 2008, with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios in the Kitchener-Wilmot Hydro sample. The margin of error in the National poll is ±3.2 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve.

The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Kitchener-Wilmot Hydro data on corporate image, Simul Corp. converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.73 for providing consistent, reliable energy. The average is 3.11 for working with customers to keep their energy costs affordable.

For reliable energy the standard deviation is 0.58. For affordable energy the S.D. is 0.93. These findings mean there is a wider range of opinion – meaning less consensus – about whether Kitchener-Wilmot Hydro works with customers to keep their energy costs affordable than about whether Kitchener-Wilmot Hydro energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the

sample's results are from the standard deviation. The smaller the S.E. the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Data in isolation are not as useful as findings compared with other data. To facilitate comparisons, Simul applied significance testing in the computer analysis to highlight where Kitchener-Wilmot Hydro bill payers differ significantly from respondents in the Simul Ontario benchmark survey.

Reading the tables from left to right, starting with the first column ("TOTAL" or column A), columns headed A and C were compared. These two columns show the data for Kitchener-Wilmot Hydro customers and for bill payers in the province as a whole. Where data are significantly different in these columns, the letters A or C appear.

Reading down column A, for example, the statistic above a letter C is significantly different from the value in the column headed C. An upper-case letter indicates a significant difference (larger than the margin of sampling error) at the 95% confidence level. A lower-case letter signifies a difference at the 90% confidence level.



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KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

INDEX

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MANAGER'S SUMMARY – ASSET MANAGEMENT PLAN AND CAPITAL EXPENDITURES PROGRAM:

KW Hydro is an infrastructure-based business with its distribution system assets the key element in the delivery of electricity to its existing and new customers. KW Hydro distribution assets range in age from new to over 60 years old.

Asset management is the management of physical infrastructure throughout its life cycle with the goal of optimizing life cycle costs and performance. K-W Hydro's approach is to perform routine inspections and preventative maintenance on a regular basis. Inspection intervals specified in the Distribution System Code are met or exceeded. Deficiencies identified during inspection and maintenance activities are prioritized based on severity and corrected accordingly. The most severe deficiencies (most likely to impact reliability) are corrected immediately. Less severe deficiencies are corrected as time permits. The correction of deficiencies can range from repair to replacement.

System reliability and performance is monitored via a variety of weekly, monthly, annual and on-demand reports generated by the Supervisory Control and Data Acquisition (SCADA) system. Equipment failures are identified by root cause and reported to the Board of Directors in a monthly report prepared by senior managers in the Operations Department. Service Quality Indicators such as SAIDI, SAIFI and CAIDI are tracked and reported annually. When a pattern of recurring failures emerges, the Engineering Department is asked to investigate and try to develop a strategy for improving reliability.

Major assets such as pole lines are replaced as they approach the end of their life. End of life determinations are made on the basis of age, deteriorating condition, deteriorating performance, accelerating maintenance costs or some combination of the above.

Although K-W Hydro did not have a formal written Asset Management Plan prior to preparing this rate application, it has extensive inspection, maintenance and replacement programs for each of its assets that date back many years. Asset management is regarded as an evolving set of practices. K-W Hydro is constantly looking for ways to improve its inspection and maintenance activities. Maintenance practices now include infrared thermography, insulator washing and dry ice cleaning. In 1999, K-W Hydro replaced its old CableCAD Automated Mapping and Facilities Management (AM/FM) information system with an Intergraph Geographic Information System (GIS) that was compatible with and capable of interfacing with other corporate databases. Since that time, much effort has been devoted to integrating the GIS data with other corporate databases, converting existing asset records,

capturing additional asset data and developing new capabilities. The GIS system is now able to produce a wide variety of reports and analyses in support of management decision making. Upcoming initiatives include:

- migrating maintenance record capture from a forms based system to electronic capture using a variety of mobile computing platforms;
- development of an Outage Management System (OMS) that can access smart meter data and linking outage data to the GIS platform;
- upgrading our SCADA system and improving the integration of SCADA and GIS databases.

K-W Hydro recently employed a consultant to review and document K-W Hydro's current asset management practices. The consultant's observations are summarized in a report entitled "Kitchener-Wilmot Hydro Inc. Asset Management Review". A copy of this report may be found in Appendix A.

K-W Hydro has since authored an "Asset Management Strategy" that combines its current asset inspection, maintenance and replacement practices into a single document. As noted above, asset management is not viewed as a static end product, but an evolving discipline. As such, it is expected that the Asset Management Strategy will evolve over time. KW Hydro's "Asset Management Strategy" is still in its draft stage and not yet complete. A copy of the completed Asset Management Strategy will be forwarded to the Board on September 18, 2009.

Asset replacement is an integral part of Asset Management and is usually capitalized. Kitchener-Wilmot Hydro first developed a ten year capital expenditures plan in 1995 as part of a corporate strategic plan. The current version of the ten year Capital Expenditures Plan examines trends in asset condition and age and identifies expected capital expenditures over the next ten years. These expected capital expenditures are documented in a ten year Capital Expenditures Forecast, which is attached as Appendix B.

LONG TERM PLAN FOR THE DISTRIBUTION SYSTEM IN WILMOT TOWNSHIP:

The Township of Wilmot is currently supplied the Detweiler Transformer Station located in the City of Kitchener, east of Wilmot Township. Three 27.6 kV delta sub-transmission circuits deliver the power to seven Distribution Substations (DS's) where it is stepped down to 8.3 kV and distributed to the end users. Approximately two thirds of the power is consumed in the New Hamburg/Baden area on the west side of Wilmot Township. The Wilmot distribution system is isolated from the 13.8 kV distribution system serving the City of Kitchener.

Kitchener-Wilmot Hydro commissioned a planning study in 1994 to develop a plan for the long term development of the power distribution system in Wilmot Township. The final report was completed in 1995 and entitled "A Strategic Plan For The Development Of The Power Distribution System In Wilmot Township". The study observed that Detweiler Transformer Station was poorly located to serve the Wilmot load centre. Long sub-transmission lines were required to transport the power to the load centre. Long lines result in high losses, poor reliability, poor voltage regulation and high construction costs to serve load growth. The principle recommendations were that the 8.3 kV distribution system be gradually converted to 27.6 kV operation and that a 27.6 kV transformer station be constructed near the load centre in New Hamburg & Baden. Benefits of these system improvements include:

(i) Improved system efficiency (by reducing line losses).
(ii) Improve voltage regulation.
(iii) Future costs to expand distribution stations to accommodate load growth are avoided.
(iv) Future costs to maintain/rebuild distribution substations are avoided.
(v) Future costs to construct additional feeders to accommodate load growth are avoided.
(vi) Future costs to expand Detweiler TS to accommodate load growth are avoided.
(vii) Future costs to modify Detweiler TS to accommodate conversion of the distribution system to 27.6 kV operation are avoided.
(viii) Reduced ground currents and stray voltages.
(ix) Improved ability to connect distributed generation.

Kitchener-Wilmot Hydro began the conversion to 27.6 kV in 1995. The conversion strategy leverages the need to rebuild pole lines due to age/condition. If voltage conversion for any given section of line is deferred until the pole line is rebuilt, the cost of conversion is essentially the marginal cost of the insulation. The majority of voltage conversion will happen through the rebuild process. All lines constructed in Wilmot Township since 1995 have been constructed with 27.6 kV insulation. However, as Detweiler TS does not have a 27.6 kV ground source, any 8.3 kV lines that have been reinsulated cannot be operated at 27.6 kV until a new K-W Hydro Transformer Station comes on line.

The capacity of Detweiler Transformer Station is 35.7 MVA. On July 27, 2005, the peak load on Wilmot Township (including the embedded Wellesley Distribution Station operated by Waterloo North Hydro) was 38.8 MVA. Of this load, 34.5 MVA was supplied by Detweiler Transformer Station and 4.3 MVA was supplied by Toromont, a small embedded generator. At this point, Detweiler Transformer Station was unable to carry its peak load without support from the embedded generator. Additional Transformer Station capacity was needed.

In February 2006, the Region of Waterloo released an Interim Population Forecast in which the population of Wilmot Township was expected to double by 2031, driven by the province's Places to Grow legislation. The load on the distribution system was conservatively expected to double in response to the population increase. The official plan for the township restricts residential development to established urban areas. Consequently, almost all of the additional population and the related load growth are expected to settle in the New Hamburg/Baden area, far from Detweiler Transformer Station.

Early in 2006, Kitchener-Wilmot Hydro's Board of Directors gave approval to begin work on a new Transformer Station No. 9 to be constructed in the New Hamburg/Baden area. Preparation of the environmental assessment, site selection and design began shortly thereafter. Our new No. 9 Transformer Station is currently under construction and will be placed into service during the summer of 2010.

OVERALL BUDGET PROCESS:

The budget is prepared annually by Management and is reviewed and approved by KW Hydro's Board of Directors. The budget is prepared before the start of each fiscal year. Once approved, it is reevaluated once in the fall of the Capital Expenditures Year; although the original is maintained. A capital expenditures report is prepared monthly and actual costs compared to budget and continually monitored and reviewed by Management.

Responsibilities

- It is the responsibility of the Finance department to coordinate the development of the capital budget and forecast processes.
- Each department is responsible for preparing their own capital budgets.
- KW Hydro's CEO approves the capital budget before it is presented to the Board of Directors.
- The CEO, with assistance from the CFO, is responsible for presenting and recommending the budget to the Board of Directors for approval.
- It is the responsibility of the Board of Directors, on behalf of the shareholders, to approve the budget.

The budget is an important planning tool for KW Hydro. Capital requirements are identified through various sources. For example, capital expenditures can be identified through regulatory and legislative requirements or due to reliability issues. The final document provides a comprehensive package that ensures that the appropriate resources are designated for the various capital needs of the utility for the coming year.

KW Hydro's capital expenditures budget is prepared using major categories that are used consistently each year. These categories are directly related to the OEB account structure and have three components. The first component is the main category, the second component is the year to which the budget item pertains to and the third component is the item number of the project within the category (i.e. 2-09-1). The main categories used by KW Hydro are:

Budget Category 1 - Buildings and Land

This budget category includes Land (1805), Land Rights (1806) and Buildings and Fixtures (1908).

Budget Category 2 - Stations

This budget category includes Transformer and Distribution Station Buildings (1808), Transformer Station Equipment (1815) and Distribution Station Equipment (1820).

KW Hydro is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. Expenditures on Transformer Stations are generally the result of one of two drivers:

a) System Expansion to Supply New Development:

KW Hydro is located in region which has had a long steady history of growth that exceeds the provincial average. The peak summer load on the 13.8 kV distribution system serving the City of Kitchener increased from 241.8 MVA in 1985 to 393.1 MVA in 2005, a long term average of 7.57 MVA/year. Historically, this has meant that KW Hydro had to add 50 MVA of transformer station capacity every 6.6 years just to keep up. As a typical 13.8 kV transformer station ranges in size from 50 MVA to 83 MVA and it takes approximately four years to plan, design and construct a transformer station, KW Hydro has had to maintain a robust program of transformer station construction. This category allows funding to be budgeted for the expansion of transformer station capacity.

b) Replacement/Upgrades Due to Age/Condition:

KW Hydro has owned and operated transformer stations since 1954. Despite an extensive program of station inspection and maintenance, station equipment eventually becomes obsolete or unreliable and must be replaced. Consequently, KW Hydro has had to maintain a robust program of replacing and upgrading equipment due to age or deteriorating condition. this category allows funding to be budgeted for transformer station equipment replacement and upgrades.

Budget Category 3 – Overhead Distribution

This budget category includes the items charged to Poles, Towers and Fixtures (1830), Overhead Conductors and Devices (1835) and Overhead Services (1855).

Expenditures on pole lines are generally the result of one of the following drivers:

a) Miscellaneous Overhead Distribution:

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year.

b) System Expansion to Supply New Development:

The normal peak load on a 13.8 kV trunk feeder (pre-contingency) is approximately 8 MVA. Historically, KW Hydro has needed to construct a new trunk feeder every year to keep up with growth in demand.

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner.

c) Relocations Due to Roadway Modification Projects:

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials.

d) Replacement/Upgrades Due to Age/Condition:

The power distribution system in the City of Kitchener is more than 100 years old. The network of pole lines that include more than 24,000 poles. KW Hydro needs to replace 400 poles each year just to keep the average age of the assets from increasing. Please see the Asset Management Strategy for more details on KW Hydro's pole line replacement program and the long term capital expenditures required to sustain it.

e) Innovation and Reliability:

This category also allows funding to be budgeted for projects that cost effectively improve system reliability and efficiency.

Budget Category 4 –Underground Distribution

This budget category includes the items charged to Underground Conduit (1840), Underground Conductors and Devices (1845) and Underground Services (1855).

Expenditures on underground distribution are generally the result of one of the following drivers:

a) Miscellaneous Underground Distribution:

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year.

b) System Expansion to Supply New Development:

The normal peak load on a 13.8 kV trunk feeder (pre-contingency) is approximately 8 MVA. Historically, KW Hydro has needed to construct a new trunk feeder every year to keep up with growth in demand.

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers

are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner.

c) Installation of New Residential Underground Services:

This item is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary.

d) Installation of Large Commercial and Industrial Services:

This is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary.

e) Installation of New Underground Residential Distribution (URD):

This is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary.

f) Relocations Due to Roadway Modification Projects:

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse.

g) Replacement of Primary Cable Due to Age/Condition:

Prior to 1950, the power distribution system in KW Hydro's service area consisted mostly of pole lines. The network of primary cables in the current power distribution system is still relatively reliable. Historically, cables have been replaced when they have demonstrated a history of failure. As the cables continue to age, reliability will decline and KW Hydro will need to ramp up expenditures for cable replacement. Please see the Asset Management Strategy for more details on KW Hydro's cable replacement program and the long term capital expenditures required to sustain it.

h) Rebuild Transformer Vaults Due to Age/Condition:

The structural elements of our network transformer vaults deteriorate over time. We survey the condition of these vaults on a regular basis as per OEB guidelines. Structural elements that are found to be in poor condition are replaced/rebuilt. Major repairs are capitalized and charged to this account.

Budget Category 5 – Distribution Transformers

This budget category includes the items charged to Transformers (1850).

Expenditures on distribution transformers are generally the result of one of the following drivers:

a) Installation and Replacement of Distribution Transformers

The labour and materials to install or replace distribution transformers are allocated here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small.

b) New URD Transformer Installations

This is a special instance of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary.

c) Overhead Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used on pole lines.

d) Commercial, Industrial and Apartment Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used in commercial, industrial and apartment services.

e) URD Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used in Underground Residential Distribution.

f) Network Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used in the Network Distribution System.

Budget Category 7 – Meters

This budget category includes the items charged to Meters (1860).

Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service).

Budget Category 8 – Office Equipment

KW Hydro replaces and purchases additional office equipment and furniture on an incremental basis. This budget category includes the items charged to Office Equipment (1915) and Miscellaneous Equipment (1960).

Budget Category 10 – Information Technology

This budget category includes the items charged to Computer Hardware (1920), Computer Software (1925) and Communications Equipment (1955) and System Supervisory Equipment (1980). Expenditures on information technology are generally the result of one of the following drivers:

a) Computer Hardware - New

This category provides funding for the expansion of our computer hardware resources.

b) Computer Hardware - Replacements

This category provides funding for renewal of existing computer hardware that has reached the end of its useful life.

c) Computer Software

This category provides funding for the purchase and customization or computer software, both new and upgrades. KW Hydro also has a team of programmers that write custom software applications where off-the-shelf applications are not readily available or do not have required functionality.

d) Communications Equipment

KW Hydro owns and operates a variety of communications equipment including a mobile radio system, an internal telephone system and PBX and a growing number of cell phones. This category provides the funding for necessary upgrades to expand capabilities and to replace obsolete hardware and software.

e) System Supervisory Equipment

KW Hydro monitors and controls its transformer stations via a Supervisory Control And Data Acquisition (SCADA) system. This category provides the funding for necessary upgrades to expand capabilities and to replace obsolete hardware and software.

Budget Category 11 – Vehicles

This budget category includes the items charged to Transportation Equipment (1930) and Power Operated Equipment (1950). These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base.

For budgeting purposes, expenditures are further broken down into the following categories.

a) Automobiles

b) Trucks Less Than 3 Tons

c) Trucks Greater Than 3 Tons

d) Power Operated Equipment

Budget Category 12 – Tools and Instruments

This budget category includes the items charged to Stores Equipment (1935), Tools, Shop and Garage Equipment (1940) and Measurement and Testing Equipment (1945).

Budget Category 13 – Other Capital Expenditures

This budget category includes items that do not fit well into any of the categories described above.

CAPITAL EXPENDITURES OVERVIEW:

This Schedule shows KW Hydro's actual capital expenditures by year from 2004 through 2008 by OEB account as well as forecast capital expenditures for the years 2009 through to 2012 (shown below in Table 1). Tables 2 through 9 show the actual capital expenditures for each of the years 2004 through 2008. For each year, exclusions have been made for work-in-progress (WIP) each year, showing the change that resulted to the actual rate base. Table 19 shows forecast expenditures for 2011 & 2012. Note: variance analysis has not been provided for forecast expenditures for 2011 & 2012.

Capital expenditures, in general, have increased year over year; however, capital expenditures for the years 2004, 2009 and 2010 were higher than other years due to the construction of transformer stations. The capital expenditures are detailed by year, by project in Appendix C.

It should be noted that the Smart Meter Initiative has been excluded from this analysis. Although KW Hydro will be spending significant dollars on this initiative in 2009 and 2010, the amounts spent will be transferred to variance account 1555 – Smart Meter Capital until completion of Smart Meter installs and KW Hydro submits an application to the Board for transfer of the balances to rate base. KW Hydro predicts this application will be before the Board in late 2010/early 2011. For detail on the Smart Meter expenditures, see Exhibit 9.

KW Hydro collects Contributions in Aid of Construction (Contributed Capital) in compliance with the provisions in the Distribution System Code and the utility's Conditions of Service filed with the Board in June, 2007 (third issue).

Contributed Capital is considered a source of working capital thus reducing the overall cash required to fund KW Hydro's capital expenditure programs.

Contributions are tracked by the OEB account to which it relates and its balances are a direct reduction of rate base.

Historical Contributed Capital balances are detailed by USoA for the years 2004-2008 in Table 23 of Appendix D to this Exhibit.

Table 1

2004 - 2012 Capital Expenditures Summary

OEB	Description	2004	2005	2006	2007	2008	2009	2010	2011	2012
1805	Land	829,040	1,590	10,988	187,113	-	-	-	-	-
1806	Land Rights	-	-	3,750	-	-	-	-	-	-
1808	Buildings and Fixtures	7,207	321,129	163,753	202,930	1,295,001	266,800	141,400	-	-
1815	Transformer Station Equipment	3,455,835	1,322,864	483,853	1,035,485	3,642,662	6,652,100	8,736,200	2,800,000	1,700,000
1820	Distribution Station Equipment	-	-	-	94,049	-	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,258,004	1,434,052	1,390,966	2,178,610	1,834,566	1,955,800	1,929,300	2,859,200	3,289,200
1835	OH - Conductors and Devices	1,579,147	1,357,555	1,118,232	1,784,515	1,589,150	1,496,100	1,520,000	2,604,200	3,060,900
1840	UG - Conduit and Ductwork	1,012,674	1,673,095	1,293,290	1,010,458	1,822,499	1,656,300	1,284,600	2,061,100	2,178,500
1845	UG - Conductors and Cables	1,355,278	1,530,613	1,770,876	1,738,628	1,098,326	1,551,000	2,046,000	1,090,400	1,198,400
1850	Line Transformers	1,935,318	2,500,991	3,014,360	2,749,860	2,305,447	2,354,900	2,488,700	3,529,600	3,730,900
1855	Services	2,503,715	2,697,447	3,368,862	3,197,482	2,200,140	1,937,900	1,977,900	2,250,700	2,443,600
1860	Meters	396,251	457,810	508,196	468,307	293,785	291,000	724,000	625,000	625,000
1908	Buildings and Fixtures	1,315,350	66,476	115,216	328,227	-	-	-	-	200,000
1915	Office Equipment	53,841	63,344	64,565	61,092	53,254	60,000	63,000	65,000	65,000
1920	Computer Hardware	130,715	253,520	420,290	174,716	170,702	285,000	202,500	200,000	292,500
1925	Computer Software	296,691	186,516	235,380	277,283	294,549	275,000	392,500	500,000	357,500
1930	Transportation Equipment	293,342	1,116,613	605,712	852,979	714,591	750,000	865,000	900,000	900,000
1935	Stores Equipment	-	-	-	-	-	2,200	1,000	-	-
1940	Tools, Shop and Garage Equipment	58,596	70,605	70,458	42,854	158,954	68,000	73,000	100,000	100,000
1945	Measurement and Testing Equipment	24,871	8,424	5,184	29,495	18,501	12,000	12,000	-	-
1950	Power Operated Equipment	-	-	19,527	156,347	101,679	100,000	-	-	-
1955	Communication Equipment	-	-	-	99,514	-	-	-	-	-
1960	Miscellaneous Equipment		18,443	-	-	6,183	-	-	-	-
1980	System Supervisory EquIpment	37,778	-	-	-	-	-	-	-	-
CAPITAL EXPENDITURES		**16,543,654**	**15,081,086**	**14,663,461**	**16,669,946**	**17,599,990**	**19,714,100**	**22,457,100**	**19,585,200**	**20,141,500**
	$$ Increase / (Decrease)		(1,462,568)	(417,625)	2,006,485	930,044	2,114,110	2,743,000	(2,871,900)	556,300
	% Increase / (Decrease)		(8.8%)	(2.8%)	13.7%	5.6%	12.0%	13.9%	(12.8%)	2.8%

Table 2
2004 Capital Expenditures

OEB	Description	Actual	WIP	WIP	Change to Rate Base
		2004	Year End 2003	Year End 2004	2004
1805	Land	829,040	-	-	829,040
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	7,207	91,978	-	99,185
1815	Transformer Station Equipment	3,455,835	467,305	(34,078)	3,889,062
1820	Distribution Station Equipment	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,258,004	444,775	(124,735)	1,578,044
1835	OH - Conductors and Devices	1,579,147	241,406	(66,608)	1,753,945
1840	UG - Conduit and Ductwork	1,012,674	291,653	(297,065)	1,007,262
1845	UG - Conductors and Cables	1,355,278	111,918	(210,918)	1,256,277
1850	Line Transformers	1,935,318	55,829	(185,812)	1,805,334
1855	Services	2,503,715	216,291	(384,553)	2,335,454
1860	Meters	396,251	-	-	396,251
1908	Buildings and Fixtures	1,315,350	108,287		1,423,637
1915	Office Equipment	53,841	-	-	53,841
1920	Computer Hardware	130,715	-	-	130,715
1925	Computer Software	296,691	-	-	296,691
1930	Transportation Equipment	293,342	-	-	293,342
1935	Stores Equipment	-	-	-	-
1940	Tools, Shop and Garage Equipment	58,596	-	-	58,596
1945	Measurement and Testing Equipment	24,871	-	-	24,871
1950	Power Operated Equipment	-	-	-	-
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	37,778	-	-	37,778
CAPITAL EXPENDITURES		**16,543,654**	**2,029,442**	**(1,303,769)**	**17,269,327**

Additions 2004	13,647,198
Contributed Capital	3,622,128
Total	**17,269,326**

Table 3

2005 Capital Expenditures

OEB	Description	Actual	WIP	WIP	Change to Rate Base
		2005	Year End 2004	Year End 2005	2005
1805	Land	1,590	-	-	1,590
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	321,129	-	-	321,129
1815	Transformer Station Equipment	1,322,864	34,078	(417,187)	939,755
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,434,052	124,735	(259,945)	1,298,842
1835	OH - Conductors and Devices	1,357,555	66,608	(419,891)	1,004,272
1840	UG - Conduit and Ductwork	1,673,095	297,065	(892,188)	1,077,973
1845	UG - Conductors and Cables	1,530,613	210,918	(312,949)	1,428,582
1850	Line Transformers	2,500,991	185,812	(239,832)	2,446,971
1855	Services	2,697,447	384,553	(389,481)	2,692,519
1860	Meters	457,810	-	-	457,810
1908	Buildings and Fixtures	66,476	-		66,476
1915	Office Equipment	63,344	-	-	63,344
1920	Computer Hardware	253,520	-	-	253,520
1925	Computer Software	186,516	-	-	186,516
1930	Transportation Equipment	1,116,613	-	-	1,116,613
1935	Stores Equipment	-	-	-	-
1940	Tools, Shop and Garage Equipment	70,605	-	-	70,605
1945	Measurement and Testing Equipment	8,424	-	-	8,424
1950	Power Operated Equipment	-	-	-	-
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	18,443	-	-	18,443
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		**15,081,086**	**1,303,769**	**(2,931,473)**	**13,453,382**

Additions 2005	9,461,314
Contributed Capital	3,992,068
Total	**13,453,382**

Table 4
2006 Capital Expenditures

OEB	Description	Actual	WIP	WIP	Change to Rate Base
		2006	Year End 2005	Year End 2006	2006
1805	Land	10,988	-	-	10,988
1806	Land Rights	3,750	-	-	3,750
1808	Buildings and Fixtures	163,753	-	(49,802)	113,951
1815	Transformer Station Equipment	483,853	417,187	(147,594)	753,447
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,390,966	259,945	(240,494)	1,410,417
1835	OH - Conductors and Devices	1,118,232	419,891	(121,322)	1,416,801
1840	UG - Conduit and Ductwork	1,293,290	892,188	(456,273)	1,729,205
1845	UG - Conductors and Cables	1,770,876	312,949	(200,148)	1,883,678
1850	Line Transformers	3,014,360	239,832	(291,100)	2,963,092
1855	Services	3,368,862	389,481	(563,532)	3,194,811
1860	Meters	508,196	-	-	508,196
1908	Buildings and Fixtures	115,216	-		115,216
1915	Office Equipment	64,565	-	-	64,565
1920	Computer Hardware	420,290.33	-	-	420,290
1925	Computer Software	235,380.47	-	-	235,380
1930	Transportation Equipment	605,712	-	-	605,712
1935	Stores Equipment	-	-	-	-
1940	Tools, Shop and Garage Equipment	70,458	-	-	70,458
1945	Measurement and Testing Equipment	5,184	-	-	5,184
1950	Power Operated Equipment	19,527	-	-	19,527
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		**14,663,461**	**2,931,473**	**(2,070,266)**	**15,524,669**

Additions 2006	10,534,772
Contributed Capital	4,989,896
Total	**15,524,668**

Table 5
2007 Capital Expenditures

OEB	Description	Actual	WIP	WIP	Change to Rate Base
		2007	Year End 2006	Year End 2007	2007
1805	Land	187,113	-	-	187,113
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	202,930	49,802	(98,758)	153,974
1815	Transformer Station Equipment	1,035,485	147,594	(668,836)	514,243
1820	Distribution Station Equipment	94,049	-	-	94,049
1830	OH - Poles, Towers and Fixtures	2,178,610	240,494	(186,714)	2,232,390
1835	OH - Conductors and Devices	1,784,515	121,322	(120,689)	1,785,149
1840	UG - Conduit and Ductwork	1,010,458	456,273	(105,803)	1,360,928
1845	UG - Conductors and Cables	1,738,628	200,148	(43,476)	1,895,300
1850	Line Transformers	2,749,860	291,100	(169,286)	2,871,674
1855	Services	3,197,482	563,532	(482,330)	3,278,684
1860	Meters	468,307	-	-	468,307
1908	Buildings and Fixtures	328,227	-		328,227
1915	Office Equipment	61,092	-	-	61,092
1920	Computer Hardware	174,716	-	-	174,716
1925	Computer Software	277,283	-	-	277,283
1930	Transportation Equipment	852,979	-	-	852,979
1935	Stores Equipment	-	-	-	-
1940	Tools, Shop and Garage Equipment	42,854	-	-	42,854
1945	Measurement and Testing Equipment	29,495	-	-	29,495
1950	Power Operated Equipment	156,347	-	-	156,347
1955	Communication Equipment	99,514	-	-	99,514
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		**16,669,946**	**2,070,266**	**(1,875,892)**	**16,864,320**

Additions 2007	11,701,964
Contributed Capital	5,162,355
Total	**16,864,319**

Table 6
2008 Capital Expenditures

OEB	Description	Actual	WIP	WIP	Change to Rate Base
		2008	Year End 2007	Year End 2008	2008
1805	Land	-	-	-	-
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	1,295,001	**191,617**	(1,486,285)	333
1815	Transformer Station Equipment *	3,642,662	668,836	(3,575,052)	736,446
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,834,566	186,714	(352,391)	1,668,890
1835	OH - Conductors and Devices	1,589,150	120,689	(174,251)	1,535,588
1840	UG - Conduit and Ductwork	1,822,499	105,803	(293,531)	1,634,771
1845	UG - Conductors and Cables	1,098,326	43,476	(88,922)	1,052,880
1850	Line Transformers	2,305,447	169,286	(122,471)	2,352,262
1855	Services	2,200,140	482,330	(165,389)	2,517,081
1860	Meters	293,785	-	-	293,785
1908	Buildings and Fixtures	-	-	-	-
1915	Office Equipment	53,254	-	-	53,254
1920	Computer Hardware	170,702	-	-	170,702
1925	Computer Software	294,549	-	(35,000)	259,549
1930	Transportation Equipment	714,591	-	(516,269)	198,321
1935	Stores Equipment	-	-	-	-
1940	Tools, Shop and Garage Equipment	158,954	-	-	158,954
1945	Measurement and Testing Equipment	18,501	-	-	18,501
1950	Power Operated Equipment	101,679	-	-	101,679
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	6,183	-	-	6,183
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		**17,599,990**	**1,968,751**	**(6,809,560)**	**12,759,180**

Additions 2008	8,260,597
Contributed Capital	4,498,583
Total	**12,759,180**

Table 7
2009 Capital Expenditures

OEB	Description	Bridge	WIP	WIP	Change to Rate Base
		2009	Year End 2008	Year End 2009	2009
1805	Land	-	-	-	-
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	266,800	1,486,285	(1,740,045)	13,040
1815	Transformer Station Equipment	6,652,100	3,575,052	(8,844,643)	1,382,509
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,955,800	352,391	(265,100)	2,043,091
1835	OH - Conductors and Devices	1,496,100	174,251	(141,500)	1,528,851
1840	UG - Conduit and Ductwork	1,656,300	293,531	(285,200)	1,664,631
1845	UG - Conductors and Cables	1,551,000	88,922	(110,800)	1,529,122
1850	Line Transformers	2,354,900	122,471	(194,300)	2,283,071
1855	Services	1,937,900	165,389	(403,800)	1,699,489
1860	Meters	291,000	-	-	291,000
1908	Buildings and Fixtures	-	-		-
1915	Office Equipment	60,000	-	-	60,000
1920	Computer Hardware	285,000	-	-	285,000
1925	Computer Software	275,000	35,000	-	310,000
1930	Transportation Equipment	750,000	516,269	(510,000)	756,269
1935	Stores Equipment	2,200		-	2,200
1940	Tools, Shop and Garage Equipment	68,000		-	68,000
1945	Measurement and Testing Equipment	12,000	-	-	12,000
1950	Power Operated Equipment	100,000	-	-	100,000
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equipment	-	-	-	-
CAPITAL EXPENDITURES		**19,714,100**	**6,809,560**	**(12,495,388)**	**14,028,273**

Additions 2009	11,228,273
Contributed Capital	2,800,000
Total	**14,028,273**

Table 8

2010 Capital Expenditures

OEB	Description	Test	WIP	WIP	Change to Rate Base
		2010	Year End 2009	Year End 2010	2010
1805	Land	-	-	-	-
1806	Land Rights	-	-	-	-
1808	Buildings and Fixtures	141,400	1,740,045	(55,922)	1,825,523
1815	Transformer Station Equipment	8,736,200	8,844,643	(2,379,681)	15,201,162
1820	Other Buildings	-	-	-	-
1830	OH - Poles, Towers and Fixtures	1,929,300	265,100	(365,365)	1,829,035
1835	OH - Conductors and Devices	1,520,000	141,500	(184,960)	1,476,540
1840	UG - Conduit and Ductwork	1,284,600	285,200	(298,824)	1,270,976
1845	UG - Conductors and Cables	2,046,000	110,800	(263,127)	1,893,673
1850	Line Transformers	2,488,700	194,300	(213,235)	2,469,765
1855	Services	1,977,900	403,800	(420,062)	1,961,638
1860	Meters	724,000	-	-	724,000
1908	Buildings and Fixtures	-	-		-
1915	Office Equipment	63,000	-	-	63,000
1920	Computer Hardware	202,500	-	-	202,500
1925	Computer Software	392,500	-	-	392,500
1930	Transportation Equipment	865,000	510,000	(715,000)	660,000
1935	Stores Equipment	1,000	-	-	1,000
1940	Tools, Shop and Garage Equipment	73,000	-	-	73,000
1945	Measurement and Testing Equipment	12,000	-	-	12,000
1950	Power Operated Equipment	-	-	-	-
1955	Communication Equipment	-	-	-	-
1960	Miscellaneous Equipment	-	-	-	-
1980	System Supervisory Equlpment	-	-	-	-
CAPITAL EXPENDITURES		**22,457,100**	**12,495,388**	**(4,896,175)**	**30,056,312**

Additions 2010	27,256,312
Contributed Capital	2,800,000
Total	**30,056,312**

Table 9

2011 & 2012 Capital Expenditures

OEB	Description	Forecast	Forecast
		2011	2012
1805	Land	-	-
1806	Land Rights	-	-
1808	Buildings and Fixtures	-	-
1815	Transformer Station Equipment	2,800,000	1,700,000
1820	Other Buildings	-	-
1830	OH - Poles, Towers and Fixtures	2,859,200	3,289,200
1835	OH - Conductors and Devices	2,604,200	3,060,900
1840	UG - Conduit and Ductwork	2,061,100	2,178,500
1845	UG - Conductors and Cables	1,090,400	1,198,400
1850	Line Transformers	3,529,600	3,730,900
1855	Services	2,250,700	2,443,600
1860	Meters	625,000	625,000
1908	Buildings and Fixtures	-	200,000
1915	Office Equipment	65,000	65,000
1920	Computer Hardware	200,000	292,500
1925	Computer Software	500,000	357,500
1930	Transportation Equipment	900,000	900,000
1935	Stores Equipment	-	-
1940	Tools, Shop and Garage Equipment	100,000	100,000
1945	Measurement and Testing Equipment	-	-
1950	Power Operated Equipment	-	-
1955	Communication Equipment	-	-
1960	Miscellaneous Equipment	-	-
1980	System Supervisory Equlpment	-	-
CAPITAL EXPENDITURES		**19,585,200**	**20,141,500**

* Contributed capital not estimated for 2011 & 2012

MANAGER'S SUMMARY – FIXED ASSETS AND RATE BASE:

KW Hydro uses the following accounts (with written descriptions) in the calculation of its net fixed assets:

Distribution Plant

1805 - Land

This account is used to record the numerous land deeds held by KW Hydro, including land for network vaults, distribution and high tension transformer stations. In KW Hydro's financial system, costs are separated by land-use type using sub-accounts.

1806 - Land Rights

This account is used to record easement land rights. In KW Hydro's financial system, costs are separated for each land right purchased by sub-account.

1808 - Buildings & Fixtures

This account is used to record buildings owned by KW Hydro including a garage building service center in New Hamburg within the Township of Wilmot, seven distribution station buildings and seven transformer stations. In 2010, a new transformer station that is currently under construction in Wilmot Township will be included in this account. In KW Hydro's financial system, costs are separated for each building by sub-account.

1815 - Transformer Station Equipment – Normally Primary Above 50 kV

This account is used to record the installed cost of transformer station equipment in each of KW Hydro's seven transformer stations. In 2010, new transformer station equipment for the transformer station currently being constructed in Wilmot Township will be included in this account. In KW Hydro's financial system, costs are separated for each transformer station by sub-account.

1820 - Distribution Station Equipment – Normally Primary below 50 kV

This account is used to record the installed cost of equipment in each of KW Hydro's seven distribution stations, plus a portable mobile substation. In KW Hydro's financial system, costs are separated for each distribution station by sub-account.

1830 - Poles, Towers and Fixtures

This account is used to record the installed cost of poles, towers, and fixtures used for supporting overhead distribution conductors and service wires in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has approximately 27,215 poles within its service territory.

1835 - Overhead Conductors and Devices

This account is used to record the installed cost of overhead conductors and devices used for distribution purposes in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has 1044 kilometers of overhead line within its service territory.

1840 - Underground Conduit

This account is used to record the installed cost of underground conduit and ductbanks used for housing distribution cables or wires in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has approximately 340 kilometers of occupied underground conduit within its service territory.

1845 - Underground Conductors and Devices

This account is used to record the installed cost of underground conductors and devices used for distribution purposes in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has 846 kilometers of underground lines within its service territory.

1850 - Distribution Transformers

This account is used to record the installed cost of overhead and underground distribution line transformers and distribution line voltage regulators for use in transforming electricity to the voltage at which it is to be used by the customer in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has approximately 10,170 distribution transformers within its service territory. In KW Hydro's financial system, costs are separated by transformer type (network, overhead or underground) by sub-account.

1855 - Services

This account is used to record the installed cost of overhead and underground services in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. KW Hydro has approximately 69,017 overhead and underground services within its service territory. In KW Hydro's financial system, costs are separated by service type (overhead or underground) by sub-account.

1860 - Meters

This account is used to record the installed cost of traditional meters (excluding smart meters). In KW Hydro's metering sub-system, meters are identified by type, capacity and function. KW Hydro has approximately 84,673 meters in its service territory.

General Plant

1905 - Land

This account contains the cost of the land for KW Hydro's main office building and service centre located at 301 Victoria Street South in Kitchener.

1908 - Buildings and Fixtures

This account contains the constructed cost of KW Hydro's Operations Centre, vehicle maintenance garage and a small equipment storage building located at 301 Victoria Street South in Kitchener. In KW Hydro's financial system, costs are separated by building type by sub-accounts.

1915 - Office Furniture and Equipment

This account contains the cost of general office furniture and equipment. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1920 - Computer Equipment Hardware

This account contains the cost of all computer hardware purchased. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1925 - Computer Software

This account contains the installed cost of all computer software purchased or developed in-house. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1930 - Transportation Equipment

This account contains the cost of all vehicles owned by KW Hydro. There are currently 75 vehicles in the fleet with two additional vehicles to be added by 2010. KW Hydro owns no automobiles and separates its transportation equipment by size (>3 tons, <3 tons). The items in this account are considered identifiable assets and are listed separately.

1935 - Stores Equipment

This account contains the cost of equipment used in KW Hydro's warehouse for shipping, receiving, handling and storage of materials. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1940 - Tools, Shop and Garage Equipment

This account contains the cost of all tools and non-power equipment purchased by KW Hydro in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1945 - Measurement and Testing Equipment

This account contains the cost of all measurement and testing equipment purchased by KW Hydro in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1950 - Power Operated Equipment

This account contains the cost of all power equipment purchased by KW Hydro in accordance with the example items from the Accounting Procedures Handbook issued by the OEB. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1955 - Communication Equipment

This account contains the cost of all communication equipment purchased by KW Hydro. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1960 - Miscellaneous Equipment

This account contains the cost of all equipment of a capital nature purchased by KW Hydro that is not included in the other accounts. In KW Hydro's financial system, the items in this account are considered identifiable assets and are listed separately.

1980 - System Supervisory Equipment

This account contains the cost of all Supervisory Control and Data Acquisition (SCADA) equipment used by KW Hydro.

1995 – Contributions and Grants

This account includes amounts relating to contribution or grants in cash, services or property from government or government agencies, corporations, individuals and others received in aid of construction or for acquisition of fixed assets (contributed capital). In KW Hydro's financial system, contributed capital is broken down by the USoA account to which it pertains and separate records are kept as to the identity of the project and the contributor.

KW Hydro utilizes the OEB USoA for recording and grouping its assets. The net fixed assets include only those distribution assets that are associated with activities that enable the conveyance of electricity for distribution purposes. The KW Hydro rate base calculation excludes any non-distribution assets.

Work in Progress

For CWIP (WIP), KW Hydro transfers assets from WIP to capital when the project is substantially complete and in-service (80%) or, in the case of a transformer station, at the point at which the station is energized. KW Hydro does not apply carrying charges to its WIP. For the estimation of WIP balances (account 2055) at the end of the 2009 Bridge and 2010 Test years, KW Hydro:

- Calculated the historical average balances of WIP on its books, excluding WIP balances for transformer stations and unusual items.
- Special projects were then analyzed to estimate their completion dates. Projects that were not expected to be completed within the budget year were identified and year-end WIP balances for those projects calculated.
- The historical average balance and the calculated special project balances were then added together to estimate a reasonable year-end WIP total.

This methodology applies to the items that would be transferred to account 1815 – 1908 upon capitalization.

For the identifiable assets in accounts 1915 through 1960, the WIP balances are placed in account 2070 – Other Utility Plant. For the 2008 Actual year end, this account included assets not yet in service including Archiving Software purchased for the JD Edwards financial system and two large trucks. Large trucks can often take up to one year or more to be put in service due to the assembly of the aerial devices. For 2009 and 2010, there is a one-year lag from the time that large trucks are purchased and the date that they are estimated to go into service.

KW Hydro does not capitalize interest costs where capital assets are financed internally from working capital and, to date, KW Hydro has not borrowed funds for the purpose of financing a large project and therefore does not have a policy on capitalization of interest costs. When that occurs, KW Hydro expects that it would then capitalize the interest costs associated with the borrowed funds.

KW Hydro's Work Order System

KW Hydro's general ledger is work order driven. For capital work that is to be completed, work orders are issued with a unique numeric identifier description through KW Hydro's JD Edwards (JDE) work order system. Some work orders are "standard", which means that they continue from year to year. Other work orders are "special", which means that they are taken out for a specific purpose when needed.

All capital work orders are attached to a project and are categorized according to the work that is being performed. Within WIP, each project has a specific work order for each OEB capital account. Upon project completion, the work order cost is transferred from the individual WIP account to its corresponding asset account on the balance sheet.

KW Hydro capitalizes all of its Engineering costs. The Engineering cost center is allocated to capital work orders based on an Engineering Overhead charge of 19% of total project cost. Overhead allocation rates are reviewed annually to ensure cost accuracy.

Assumptions

For each year, KW Hydro assumed increases to the following factors when estimating its capital costs:

2009

3% general economic wage increase in direct labour costs effective April 1, 2009.

5% increase in vehicle overhead based on outside labour. This is due to rising vehicle costs relating to insurance, fuel, maintenance, amortization and service building expense.

2010

3% general economic wage increase in direct labour costs effective April 1, 2010.

5% increase in labour overhead costs. This is due to rising overhead costs and employee health benefits, WSIB, OMERS, CPP, Employer Health Tax, safety training and sick leave costs.

All costs increases were assumed to be related to labour, labour overhead and vehicle costs. For material inventory costs, KW Hydro used the current material unit costs reported by the Purchasing Department at the time the budget was prepared; therefore, inflation on material has not been assumed nor factored into 2009 and 2010 capital costs.

Capitalization Policy

KW Hydro's Capitalization Policy is as follows:

The purpose of capitalizing expenditures is to provide an equitable allocation of costs among existing and future customers. As capital assets are expected to provide future economic benefits for more than one year, any expenditure incurred for the acquisition, construction, development or betterment of the capital assets should be capitalized. These capitalized costs are allocated over the estimated useful life of the assets by amortization.

The Company adopts the full cost accounting in accordance with guidance in the Canadian Institute of Chartered Accountants (CICA) Handbook.

- Asset Cost

  Costs for capital assets installed or erected by the Company include:

  - Direct material
  - Direct labour
  - Indirect costs including overheads for material, labour and vehicle
  - Sub-contracting cost, if any

Definition of cost (extract from CICA Handbook paragraph 3061.05):

> Cost is the amount of consideration given up to acquire, construct, develop, or better a capital asset and includes all costs directly attributable to the acquisition, construction, development or betterment of the capital asset including installing it at the location and in the condition necessary for its intended use.

A betterment is a cost which is incurred to enhance the service potential of a capital asset. Expenditures for betterments are capitalized. This enhancement in service potential can include an increase in the physical output or service capacity, decrease in associated operations costs, extension in the useful life of the asset, or improvement in the quality of the asset's output.

Definition of betterment (extract from CICA Handbook paragraph 3061.26):

> Cost incurred to enhance the service potential of a capital asset. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, associated operating costs are lowered, the life or useful life is extended, or the quality of output is improved. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not betterment. If a cost has the attributes of both a repair and a betterment, the portion considered to be a betterment is included in the cost of the asset.

- Asset Recognition

Property, plant and equipment that meet the definition of a capital asset as provided in the CICA Handbook are capitalized. Expenditures that do not meet the definition are expensed in the current year.

Definition of assets (extract CICA Handbook paragraph 1000.29):

> Assets are economic resources controlled by an entity as a result of past transactions or events from which future economic benefits may be obtained. Assets have three essential characteristics:
>
> a) they embody a future benefit that involves a capacity, singularly or in combination with other assets, in the case of profit-oriented enterprises, to contribute directly or indirectly to future net cash flows, and in the case of not-for-profit organizations, to provide services;
> b) the entity can control access to the benefit; and
> c) the transaction or event giving rise to the entity's right to, or control of, the benefit has already incurred.

In addition, in identifying a benefit there must be:

a) an ability to earn income or supply a service over its useful life;
b) a reasonable expectation that the benefit will be provided in future periods; and
c) the future period must be identifiable and greater than one year.

- Capitalization Threshold

Theoretically, any expenditure that meets the asset cost and asset recognition criteria would be recorded as a capital asset. However, for practical reasons, qualifying costs would only be capitalized if it has a useful life of more than one year; and the item cost is greater than $1,000 for readily identifiable assets. This threshold may be changed at the discretion of the Chief Financial Officer. Land will always be capitalized, regardless of cost.

- Construction In Progress

Capital assets under construction at year-end are referred to as construction work in progress and disclosed as a component of capital assets. Construction in progress is recognized as a capital asset and amortized when either the asset is put into service or construction is substantially completed.

- Spare transformers and meters

Spare transformers and meters are accounted for as capital assets since they form an integral part of the reliability program for a distribution system. They are not intended for resale and cannot be classified as inventory in accordance with CICA Handbook Section 3030.

- Allowance For Funds Used During Construction (AFUDC)

In regard to the measurement of the carrying costs of a capital asset under construction and the capitalization of interest costs, the CICA Handbook notes that the cost of a capital asset that is acquired, constructed, or developed over time includes carrying costs directly attributable to the acquisition, construction, or development activity. For a rate-regulated capital asset, the cost includes the directly attributable allowance for funds used during construction allowed by the regulator per CICA s.3060.26. The financing charge will be at the rate deemed by the Ontario Energy Board ("OEB") for rate setting purposes.

The Company does not capitalize interest costs where capital assets are financed internally from the Company's working capital.

- Amortization

Amortization is provided on a straight-line basis for capital assets available for use over their estimated service lives, at the following annual rates:

Buildings	2%	(50 years)
Transformer station equipment	2.5%	(40 years)
Distribution station equipment	3.33%	(30 years)
Distribution system	4%	(25 years)
Meters	4%	(25 years)
Smart meters	6.67%	(15 years)
SCADA equipment	6.67%	(15 years)
Communication equipment	10%	(10 years)
Other capital assets	10 – 25%	(4 – 10 years)

Amortization on general equipment directly used in the installation of other capital assets are capitalized to the new assets based on a pro-ration of the time during the year they are used for such purposes.

Full amortization is recorded in the year of acquisition and none in the year of disposal, except for readily identified assets, which are amortized on a monthly basis.

- Disposals and Write Downs

For readily identifiable assets retired or disposed of, the asset cost and related accumulated amortization are removed from the records. Differences between the proceeds, if any and the unamortized asset amount plus removal costs are recorded as a gain or loss in the year of disposal.

For grouped assets, the assets and accumulated amortization are removed from the records at the end of their estimated average service life, regardless of actual service life.

- Betterments versus Maintenance and Repairs

  Questions to determine if costs incurred are for betterment of the capital asset or expensed as maintenance and repairs:

	Yes	No
o Increase in the previously assessed physical output or service capacity?		
o Lower the associated operating costs?		
o Substantial improvement in the quality or efficiency of output? (>10%)		
o Is the life of the asset extended?		

Criteria

- At least one question must be a "Yes" to qualify for betterment.

RATE BASE OVERVIEW:

The rate base used for the purpose of calculating the revenue requirement used in this Application follows the definition used in the 2006 EDR Handbook as an average of the balances at the beginning and the end of the 2010 Test Year, plus a working capital allowance, which is 15% of the sum of the cost of power and distribution expenses.

KW Hydro has provided its rate base calculations for the years 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Bridge Year and 2010 Test Year in Table 1. KW Hydro has calculated its 2010 rate base as $163,113,438.

KW Hydro has also provided a summary of its calculations of the cost of power and distribution expenses used in the calculations for determining working capital for the years 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Bridge Year and 2010 Test Year in Table 2. Note the Cost of Power is not included in Distribution Expenses in Exhibit 4 but rather is used only for the Working Capital calculation. In addition, Distribution Expenses included in Exhibit 4 – Operating Costs Table 1 include account 6205 Donations and 5705 Amortization expense, not included for Working Capital Purposes. Distribution expenses are more fully explained in Exhibit 4.

Fixed Asset Continuity Statements

Continuity schedules are provided on the following pages as Tables 3 ~ 7.

Table 10
Summary of Rate Base

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Year	2010 Test Year
Gross Fixed Assets	223,222,913	246,125,601	255,657,959	250,925,565	259,667,530	279,213,064
Accumulated Depreciation	96,693,321	115,609,379	122,918,702	119,897,299	127,780,165	131,468,229
Net Book Value	126,529,593	130,516,222	132,739,258	131,028,265	131,887,366	147,744,834
Average Net Book Value	127,809,252	129,802,566	131,627,740	131,883,761	131,457,815	139,816,100
Working Capital	141,308,859	148,990,263	155,241,845	150,818,112	155,745,310	155,315,589
Working Capital Allowance	21,196,329	22,348,539	23,286,277	22,622,717	23,361,797	23,297,338
Rate Base	**147,725,922**	**152,151,106**	**154,914,017**	**154,506,478**	**154,819,612**	**163,113,438**

Table 11
Summary of Working Capital

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge Year	2010 Test Year
Cost of Power	130,665,729	136,485,553	142,288,135	137,762,655	141,974,310	140,664,613
Operations	2,315,938	2,585,870	2,733,252	3,016,284	2,799,800	3,051,200
Maintenance	2,736,940	3,602,257	3,605,546	3,968,318	4,342,200	4,761,500
Billing & Collecting	2,434,491	2,676,674	2,772,666	2,864,738	3,006,500	3,003,200
Community Relations	150,090	702,223	791,303	207,677	208,800	256,376
Administration & General Expense*	2,487,622	2,427,271	2,523,935	2,491,919	2,884,400	3,028,200
Property Taxes	518,048	510,416	527,008	506,522	529,300	550,500
Working Capital	**141,308,859**	**148,990,263**	**155,241,845**	**150,818,112**	**155,745,310**	**155,315,589**

*excl. Charitable Donations

Table 12
Fixed Asset Continuity Schedule (Distribution & Operations)
as at December 31, 2006

		Cost					Accumulated Depreciation					
OEB	Description	Opening Balance	Additions	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Transfers	Closing Balance	Net Book Value
1805	Land	2,133,637	10,988			2,144,625						2,144,625
1806	Land Rights	261,699	3,750			265,449	236,652	2,653			239,304	26,144
1808	Buildings and Fixtures	6,052,136	113,951			6,166,087	1,206,204	117,571			1,323,775	4,842,312
1810	Leasehold Improvements											
1815	Transformer Station Equipment - Normally Primary above 50 kV	36,707,954	753,447			37,461,401	10,874,183	923,800			11,797,983	25,663,417
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,759,055				2,759,055	1,504,323	74,322			1,578,645	1,180,410
1825	Storage Battery Equipment											
1830	Poles, Towers and Fixtures	21,466,221	1,410,417	298,572		22,578,067	8,853,674	903,285	298,572		9,458,388	13,119,679
1835	Overhead Conductors and Devices	26,315,539	1,416,801	412,014		27,320,325	11,830,565	1,074,587	412,014		12,493,138	14,827,187
1840	Underground Conduit	17,505,849	1,729,205			19,235,053	7,950,313	730,798			8,681,111	10,553,942
1845	Underground Conductors and Devices	36,613,993	1,883,678			38,497,671	18,884,943	1,444,083			20,329,026	18,168,644
1850	Line Transformers	40,522,990	2,963,092			43,486,083	18,384,200	1,716,447			20,100,647	23,385,436
1855	Services	31,313,640	3,194,811	37,714		34,470,736	13,420,398	1,368,160	37,714		14,750,844	19,719,892
1860	Meters	10,336,671	508,196			10,844,867	4,640,033	421,456			5,061,488	5,783,379
1861	Smart Meters											
1905	Land	1,395,300				1,395,300						1,395,300
1906	Land Rights											
1908	Buildings and Fixtures	8,926,348	115,216			9,041,564	2,404,626	159,606			2,564,232	6,477,332
1910	Leasehold Improvements											
1915	Office Furniture and Equipment	881,158	64,565	3,270		942,453	655,080	32,833	3,270		684,643	257,810
1920	Computer Equipment - Hardware	2,143,632	420,290	97,094		2,466,828	1,584,158	228,992	94,177		1,718,973	747,855
1925	Computer Software	1,588,246	235,380			1,823,626	1,106,153	137,489			1,243,642	579,984
1930	Transportation Equipment	6,972,494	605,712	208,094	(547,060)	6,823,052	4,403,892	573,136	196,056	(434,802)	4,346,170	2,476,881
1935	Stores Equipment	95,274			(58,644)	36,630	70,375	4,946		(38,691)	36,630	
1940	Tools, Shop and Garage Equipment	705,324	70,458	48,529		727,253	431,248	48,965	48,280		431,933	295,320
1945	Measurement and Testing Equipment	713,171	5,184			718,355	526,683	51,697			578,380	139,975
1950	Power Operated Equipment	27,687	19,527		605,704	652,918	26,942	9,509		473,493	509,943	142,975
1955	Communication Equipment	74,215				74,215	74,215				74,215	
1960	Miscellaneous Equipment	24,383				24,383	5,842	4,877			10,718	13,665
1970	Load Management Controls - Customer Premises											
1975	Load Management Controls - Utility Premises											
1980	System Supervisory Equipment	1,928,386		149,752		1,778,633	1,379,740	87,406	149,752		1,317,394	461,239
1985	Sentinel Lighting Rentals											
1990	Other Tangible Property											
1995	Contributions and Grants	(20,619,130)	(4,989,896)			(25,609,027)	(2,697,484)	(1,024,361)			(3,721,845)	(21,887,182)
	Total before Work in Process	**236,845,869**	**10,534,772**	**1,255,040**		**246,125,601**	**107,756,958**	**9,092,257**	**1,239,836**		**115,609,379**	**130,516,222**
	Work in Process	2,931,473	(861,207)			2,070,265						2,070,265
	Total after Work in Process	**239,777,341**	**9,673,565**	**1,255,040**		**248,195,866**	**107,756,958**	**9,092,257**	**1,239,836**		**115,609,379**	**132,586,487**

Table 13

Fixed Asset Continuity Schedule (Distribution & Operations)

as at December 31, 2007

		Cost				Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	2,144,625	187,113		2,331,738					2,331,738
1806	Land Rights	265,449			265,449	239,304	2,653		241,957	23,491
1808	Buildings and Fixtures	6,166,087	153,974		6,320,061	1,323,775	120,651		1,444,426	4,875,635
1810	Leasehold Improvements									
1815	Transformer Station Equipment - Normally Primary above 50 kV	37,461,401	514,243		37,975,643	11,797,983	936,656		12,734,640	25,241,004
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,759,055	94,049		2,853,105	1,578,645	77,457		1,656,102	1,197,003
1825	Storage Battery Equipment									
1830	Poles, Towers and Fixtures	22,578,067	2,232,390	270,304	24,540,153	9,458,388	992,421	270,304	10,180,505	14,359,649
1835	Overhead Conductors and Devices	27,320,325	1,785,149	373,005	28,732,469	12,493,138	1,164,215	373,005	13,284,348	15,448,121
1840	Underground Conduit	19,235,053	1,360,928		20,595,981	8,681,111	785,235		9,466,346	11,129,635
1845	Underground Conductors and Devices	38,497,671	1,895,300		40,392,971	20,329,026	1,519,895		21,848,921	18,544,050
1850	Line Transformers	43,486,083	2,871,674		46,357,757	20,100,647	1,831,313		21,931,960	24,425,796
1855	Services	34,470,736	3,278,684	34,144	37,715,277	14,750,844	1,451,314	34,144	16,168,014	21,547,262
1860	Meters	10,844,867	468,307		11,313,174	5,061,488	440,188		5,501,676	5,811,498
1861	Smart Meters									
1905	Land	1,395,300			1,395,300					1,395,300
1906	Land Rights									
1908	Buildings and Fixtures	9,041,564	328,227		9,369,791	2,564,232	166,170		2,730,402	6,639,389
1910	Leasehold Improvements									
1915	Office Furniture and Equipment	942,453	61,092		1,003,545	684,643	37,461		722,105	281,440
1920	Computer Equipment - Hardware	2,466,828	174,716	520,159	2,121,385	1,718,973	249,321	515,718	1,452,576	668,809
1925	Computer Software	1,823,626	277,283		2,100,909	1,243,642	179,852		1,423,494	677,415
1930	Transportation Equipment	6,823,052	852,979	617,625	7,058,405	4,346,170	548,079	597,315	4,296,934	2,761,470
1935	Stores Equipment	36,630			36,630	36,630			36,630	
1940	Tools, Shop and Garage Equipment	727,253	42,854		770,107	431,933	50,876		482,808	287,299
1945	Measurement and Testing Equipment	718,355	29,495	144,090	603,760	578,380	34,765	144,090	469,055	134,705
1950	Power Operated Equipment	652,918	156,347	117,141	692,125	509,943	8,345	112,104	406,185	285,940
1955	Communication Equipment	74,215	99,514		173,729	74,215	829		75,044	98,685
1960	Miscellaneous Equipment	24,383			24,383	10,718	4,877		15,595	8,788
1970	Load Management Controls - Customer Premises									
1975	Load Management Controls - Utility Premises									
1980	System Supervisory Equipment	1,778,633		93,138	1,685,495	1,317,394	77,423	93,138	1,301,679	383,816
1985	Sentinel Lighting Rentals									
1990	Other Tangible Property									
1995	Contributions and Grants	(25,609,027)	(5,162,355)		(30,771,382)	(3,721,845)	(1,230,855)		(4,952,700)	(25,818,681)
	Total before Work in Process	**246,125,601**	**11,701,964**	**2,169,606**	**255,657,959**	**115,609,379**	**9,449,140**	**2,139,817**	**122,918,702**	**132,739,258**
	Work in Process	2,070,265	(194,373)		1,875,892					1,875,892
	Total after Work in Process	**248,195,866**	**11,507,591**	**2,169,606**	**257,533,851**	**115,609,379**	**9,449,140**	**2,139,817**	**122,918,702**	**134,615,149**

Table 14

Fixed Asset Continuity Schedule (Distribution & Operations)

as at December 31, 2008

		Cost				Accumulated Depreciation				
OEB	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
1805	Land	2,331,738			2,331,738					2,331,738
1806	Land Rights	265,449			265,449	241,957	2,653		244,610	20,839
1808	Buildings and Fixtures	6,320,061	333	92,858	6,227,536	1,444,426	**116,943**		1,561,369	4,666,167
1810	Leasehold Improvements									
1815	Transformer Station Equipment - Normally Primary above 50 kV	37,975,643	736,446		38,712,090	12,734,640	**955,072**		13,689,712	25,022,378
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,853,105			2,853,105	1,656,102	**77,457**		1,733,558	1,119,546
1825	Storage Battery Equipment									
1830	Poles, Towers and Fixtures	24,540,153	1,668,890	357,476	25,851,567	10,180,505	**1,048,364**	357,476	10,871,393	14,980,174
1835	Overhead Conductors and Devices	28,732,469	1,535,588	493,299	29,774,758	13,284,348	**1,210,718**	493,299	14,001,767	15,772,991
1840	Underground Conduit	20,595,981	1,634,771	2,220,708	20,010,044	9,466,346	**850,626**	2,220,708	8,096,264	11,913,780
1845	Underground Conductors and Devices	40,392,971	1,052,880	5,512,254	35,933,596	21,848,921	**1,562,010**	5,512,254	17,898,677	18,034,919
1850	Line Transformers	46,357,757	2,352,262		48,710,018	21,931,960	**1,925,404**		23,857,364	24,852,654
1855	Services	37,715,277	2,517,081	3,443,562	36,788,796	16,168,014	**1,550,631**	3,443,562	14,275,083	22,513,713
1860	Meters	11,313,174	293,785		11,606,960	5,501,676	**451,939**		5,953,616	5,653,344
1861	Smart Meters									
1905	Land	1,395,300			1,395,300					1,395,300
1906	Land Rights									
1908	Buildings and Fixtures	9,369,791			9,369,791	2,730,402	**166,170**		2,896,573	6,473,218
1910	Leasehold Improvements									
1915	Office Furniture and Equipment	1,003,545	53,254	87,559	969,240	722,105	48,545	87,559	683,091	286,149
1920	Computer Equipment - Hardware	2,121,385	170,702	112,741	2,179,346	1,452,576	242,354	112,391	1,582,539	596,808
1925	Computer Software	2,100,909	259,549		2,360,459	1,423,494	226,684		1,650,178	710,280
1930	Transportation Equipment	7,058,405	198,321	382,529	6,874,197	4,296,934	610,514	382,529	4,524,920	2,349,278
1935	Stores Equipment	36,630			36,630	36,630			36,630	
1940	Tools, Shop and Garage Equipment	770,107	158,954	100,554	828,508	482,808	58,256	86,537	454,527	373,981
1945	Measurement and Testing Equipment	603,760	18,501		622,261	469,055	35,288		504,343	117,919
1950	Power Operated Equipment	692,125	101,679	112,849	680,955	406,185	49,807	112,849	343,143	337,812
1955	Communication Equipment	173,729			173,729	75,044	9,951		84,996	88,733
1960	Miscellaneous Equipment	24,383	6,183		30,566	15,595	4,093		19,688	10,878
1970	Load Management Controls - Customer Premises									
1975	Load Management Controls - Utility Premises									
1980	System Supervisory Equipment	1,685,495		76,602	1,608,893	1,301,679	**71,683**	76,602	1,296,759	312,133
1985	Sentinel Lighting Rentals									
1990	Other Tangible Property									
1995	Contributions and Grants	(30,771,382)	(4,498,583)		(35,269,965)	(4,952,700)	(1,410,798)		(6,363,499)	(28,906,466)
	Total before Work in Process	**255,657,959**	**8,260,597**	**12,992,992**	**250,925,565**	**122,918,702**	**9,864,364**	**12,885,767**	**119,897,299**	**131,028,265**
2070	Other Utility Plant		551,269		551,269					551,269
	Work in Process	1,875,892	4,382,399		6,258,291					6,258,291
	Total after Work in Process	**257,533,851**	**13,194,265**	**12,992,992**	**257,735,125**	**122,918,702**	**9,864,364**	**12,885,767**	**119,897,299**	**137,837,825**

Table 15

Fixed Asset Continuity Schedule (Distribution & Operations)

as at December 31, 2009

		Cost				Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	2,331,738			2,331,738	0			0	2,331,738
1806	Land Rights	265,449			265,449	244,610	2,700.00		247,310	18,139
1808	Buildings and Fixtures	6,227,536	13,040		6,240,576	1,561,369	117,204.27		1,678,574	4,562,002
1810	Leasehold Improvements	0			0	0	-		0	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	38,712,090	1,382,509		40,094,599	13,689,712	989,634.83		14,679,347	25,415,252
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,853,105			2,853,105	1,733,558	77,456.79		1,811,015	1,042,089
1825	Storage Battery Equipment	0			0	0	-		0	0
1830	Poles, Towers and Fixtures	25,851,567	2,043,091	505,439	27,389,219	10,871,393	1,130,087.69	505,439	11,496,042	15,893,177
1835	Overhead Conductors and Devices	29,774,758	1,528,851	697,480	30,606,129	14,001,767	1,271,872.44	697,480	14,576,159	16,029,969
1840	Underground Conduit	20,010,044	1,664,631		21,674,675	8,096,264	917,211.24		9,013,475	12,661,200
1845	Underground Conductors and Devices	35,933,596	1,529,122		37,462,718	17,898,677	1,623,175.06		19,521,852	17,940,866
1850	Line Transformers	48,710,018	2,283,071	389,183	50,603,907	23,857,364	2,016,726.76	389,183	25,484,908	25,118,999
1855	Services	36,788,796	1,699,489	63,845	38,424,440	14,275,083	1,618,610.65	63,845	15,829,849	22,594,591
1860	Meters	11,606,960	291,000		11,897,960	5,953,616	471,339.38		6,424,955	5,473,004
1861	Smart Meters	0			0	0	-		0	0
1905	Land	1,395,300			1,395,300	0	-		0	1,395,300
1906	Land Rights	0			0	0	-		0	0
1908	Buildings and Fixtures	9,369,791			9,369,791	2,896,573	166,170.41		3,062,743	6,307,048
1910	Leasehold Improvements	0			0	0	-		0	0
1915	Office Furniture and Equipment	969,240	60,000	30,300	998,940	683,091	49,200.00	30,300	701,991	296,949
1920	Computer Equipment - Hardware	2,179,346	285,000	243,300	2,221,046	1,582,539	236,500.00	243,300	1,575,739	645,308
1925	Computer Software	2,360,459	310,000		2,670,459	1,650,178	269,600.00		1,919,778	750,680
1930	Transportation Equipment	6,874,197	756,269	410,500	7,219,966	4,524,920	645,500.00	410,500	4,759,920	2,460,047
1935	Stores Equipment	36,630	2,200		38,830	36,630			36,630	2,200
1940	Tools, Shop and Garage Equipment	828,508	68,000	49,700	846,808	454,527	72,657.50	49,700	477,484	369,324
1945	Measurement and Testing Equipment	622,261	12,000	48,000	586,261	504,343	44,011.21	48,000	500,354	85,907
1950	Power Operated Equipment	680,955	100,000	39,500	741,455	343,143	62,119.79	39,500	365,763	375,692
1955	Communication Equipment	173,729			173,729	84,996	12,411.50		97,407	76,322
1960	Miscellaneous Equipment	30,566			30,566	19,688	6,200.00		25,888	4,678
1970	Load Management Controls - Customer Premises	0			0	0			0	0
1975	Load Management Controls - Utility Premises	0			0	0			0	0
1980	System Supervisory Equipment	1,608,893		9,061	1,599,832	1,296,759	71,682.82	9,061	1,359,381	240,451
1985	Sentinel Lighting Rentals	0			0	0			0	0
1990	Other Tangible Property	0			0	0			0	0
1995	Contributions and Grants	(35,269,965)	(2,800,000)		(38,069,965)	(6,363,499)	(1,502,900)		(7,866,399)	(30,203,566)
	Total before Work in Process	**250,925,565**	**11,228,273**	**2,486,307**	**259,667,530**	**119,897,299**	**10,369,172**	**2,486,307**	**127,780,165**	**131,887,366**
2070	Other Utility Plant	**551,269**		**41,269**	**510,000**					510,000
WIP	Work in Process	6,258,291	5,727,097		11,985,387	0	0		0	11,985,387
	Total after Work in Process	**257,735,125**	**16,955,369**	**2,527,576**	**272,162,918**	**119,897,299**	**10,369,172**	**2,486,307**	**127,780,165**	**144,382,753**

Table 16

Fixed Asset Continuity Schedule (Distribution & Operations)

as at December 31, 2010

		Cost				Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	2,331,738			2,331,738	0			0	2,331,738
1806	Land Rights	265,449			265,449	247,310	2,700		250,010	15,439
1808	Buildings and Fixtures	6,240,576	1,825,523		8,066,099	1,678,574	153,715		1,832,288	6,233,811
1810	Leasehold Improvements	0			0	0	-		0	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	40,094,599	15,201,162		55,295,760	14,679,347	1,369,664		16,049,010	39,246,750
1820	Distribution Station Equipment - Normally Primary below 50 kV	2,853,105			2,853,105	1,811,015	77,457		1,888,472	964,633
1825	Storage Battery Equipment	0			0	0	-		0	0
1830	Poles, Towers and Fixtures	27,389,219	1,829,035	529,910	28,688,344	11,496,042	1,203,249	529,910	12,169,381	16,518,963
1835	Overhead Conductors and Devices	30,606,129	1,476,540	731,249	31,351,420	14,576,159	1,330,934	731,249	15,175,844	16,175,576
1840	Underground Conduit	21,674,675	1,270,976	601,433	22,344,217	9,013,475	968,050	601,433	9,380,092	12,964,125
1845	Underground Conductors and Devices	37,462,718	1,893,673	1,492,881	37,863,510	19,521,852	1,698,922	1,492,881	19,727,893	18,135,617
1850	Line Transformers	50,603,907	2,480,865	2,004,412	51,080,360	25,484,908	2,115,961	2,004,412	25,596,457	25,483,902
1855	Services	38,424,440	1,950,538	987,325	39,387,653	15,829,849	1,696,632	987,325	16,539,156	22,848,497
1860	Meters	11,897,960	724,000	374,316	12,247,643	6,424,955	519,606	374,316	6,570,245	5,677,398
1861	Smart Meters	0			0	0			0	0
1905	Land	1,395,300			1,395,300	0			0	1,395,300
1906	Land Rights	0			0	0			0	0
1908	Buildings and Fixtures	9,369,791			9,369,791	3,062,743	166,170		3,228,913	6,140,877
1910	Leasehold Improvements	0			0	0			0	0
1915	Office Furniture and Equipment	998,940	63,000	30,300	1,031,640	701,991	54,800	30,300	726,491	305,149
1920	Computer Equipment - Hardware	2,221,046	202,500	243,300	2,180,246	1,575,739	265,900	243,300	1,598,339	581,908
1925	Computer Software	2,670,459	392,500		3,062,959	1,919,778	396,500		2,316,278	746,680
1930	Transportation Equipment	7,219,966	660,000	507,900	7,372,066	4,759,920	663,000	507,900	4,915,020	2,457,047
1935	Stores Equipment	38,830			38,830	36,630			36,630	2,200
1940	Tools, Shop and Garage Equipment	846,808	73,000	49,700	870,108	477,484	96,940	49,700	524,724	345,384
1945	Measurement and Testing Equipment	586,261	12,000	48,000	550,261	500,354	58,720	48,000	511,074	39,187
1950	Power Operated Equipment	741,455	1,000	76,700	665,755	365,763	82,881	76,700	371,943	293,811
1955	Communication Equipment	173,729			173,729	97,407	16,559		113,967	59,762
1960	Miscellaneous Equipment	30,566			30,566	25,888	3,700		29,588	978
1970	Load Management Controls - Customer Premises	0			0	0			0	0
1975	Load Management Controls - Utility Premises	0			0	0			0	0
1980	System Supervisory Equipment	1,599,832		33,352	1,566,480	1,359,381	71,683	33,352	1,397,712	168,768
1985	Sentinel Lighting Rentals	0			0	0			0	0
1990	Other Tangible Property	0			0	0			0	0
1995	Contributions and Grants	(38,069,965)	(2,800,000)		(40,869,965)	(7,866,399)	(1,614,900)		(9,481,299)	(31,388,666)
					0	0			0	0
	Total before Work in Process	**259,667,530**	**27,256,312**	**7,710,779**	**279,213,064**	**127,780,165**	**11,398,844**	**7,710,779**	**131,468,229**	**147,744,834**
2070	Other Utility Plant	510,000	205,000		715,000	0			0	715,000
	Work in Process	11,985,387	(7,804,212)		4,181,175	0			0	4,181,175
	Total after Work in Process	**272,162,918**	**19,657,100**	**7,710,779**	**284,109,239**	**127,780,165**	**11,398,844**	**7,710,779**	**131,468,229**	**152,641,010**

RATE BASE VARIANCE ANALYSIS:

KW Hydro has calculated the materiality threshold on its rate base to be $194,529 for 2010 variance analysis purposes in accordance with the Filing Requirements. This calculation is summarized in Table 17 below:

Table 17

Base Revenue Requirement

Service Revenue Requirement	40,631,182.31	
Less: Revenue Offsets	-1,725,294.67	
Base Revenue Requirement	**0.00**	**38,905,887.64**
Allocated to:		
Low Voltage Wheeling Costs		
Directly Assigned CDM	0.00	
Other	38,905,887.64	
Total		**38,905,887.64**

Variance calc 0.5% of distribution revenue requirement	**$ 194,529**

The following Tables 18 and 19 sets out KW Hydro's rate base and working capital calculations for 2006 Board Approved and Actual, 2007 Actual, 2008 Actual, the 2009 Bridge Year and the 2010 Test Year. Table 20 shows the Gross Asset and Accumulated Depreciation variance amounts for these same years, Appendix D contains the detailed variance analyses.

KW Hydro notes that the 2006 OEB Approved rate base was determined through the 2006 EDR process and is based on the 2004 year end rate base adjusted for Tier 1 Adjustments. Accordingly, the variance between 2006 Actual and 2006 OEB Approved spans a two-year period.

KW Hydro offers the following comments in respect of the relevant variances identified in Tables 18 and 19.

For the purposes of this section, the term "distribution expenses" means eligible distribution expenses for the calculation of working capital net of the cost of power.

For the detailed working capital allowance calculation, see Table 21.

2010 Test Year:

As shown in Table 18, the total rate base in the 2010 test year is forecast to be $163,113,438. Average net fixed assets accounts for $139,816,100 of this total. The allowance for working capital totals $23,297,338.

- **2010 Test Year vs. 2009 Bridge Year**

The total rate base is expected to be $8,293,826 higher in the 2010 Test Year than in the 2009 Bridge Year. This increase is shown in Table 18 and is attributable primarily to an increase in average net fixed assets of $8,358,285. The addition to gross fixed assets in 2010 is $19,545,533, primarily attributable to the addition of Transformer Station #9 in Wilmot Township. The increase in fixed assets along with the required detailed information for projects is discussed in detail by capital project in Appendix D.

The working capital allowance decreased by ($64,458) from the 2009 Bridge Year. For 2010, KW Hydro estimates a decrease in the cost of power of ($1,309,697) (see Exhibit 3). This decrease is somewhat offset by an expected increase in distribution expenses of $879,976 or 6.3%. A detailed calculation of the working capital allowance for the 2010 Test Year can be found in Table 21.

- **2009 Bridge Year vs. 2008 Actual**

The total rate base for the 2009 Bridge Year is expected to be $154,819,612, which represents an increase of $313,134 over the 2008 Actual year and the working capital allowance increased by $739,080 from the previous year. K-W Hydro has forecast an increase in the cost of power for 2009 of $4,211,655, mostly due to increases in the UTRs charged by Hydro One Networks. Distribution expenses show an expected increase of $715,544 or 5.5%. The increases noted above are somewhat offset from a decrease in average net assets of $425,946. This decrease is primarily due to normal capital expenditures remaining in WIP, rather than being transferred to capital during the year. A detailed calculation of the working capital allowance for the 2009 Bridge Year can be found in Table 21.

- **2008 Actual vs. 2007 Actual**

The rate base of $154,506,478 for 2008 Actual was lower than 2007 Actual by $407,538. In addition, the working capital allowance decrease by $663,560. In 2008, distribution expenses increased slightly in 2008 at $101,747 or 0.79%. The decrease was somewhat offset by an increase in average net assets of $256,022 as a result of normal capital expenditures transferred to capital. The cost of power in 2008 was ($4,525,480) less than the cost of power 2007. A detailed calculation of the working capital allowance for the 2009 Bridge Year can be found in Table 21.

- **2007 Actual vs. 2006 Actual**

The rate base of $154,914,017 for 2007 Actual increased over 2006 Actual by $2,762,911. This increase is made up of a change in average net assets of $1,825,173 as a result of normal capital expenditures transferred to capital. The working capital allowance increased by $937,737, primarily due to an increase of $5,802,582 in the cost of power for 2007. Distribution expenses also increased for 2007 by $448,999 or 3.59%.

- **2006 Actual vs. 2006 Board Approved**

The rate base of $152,151,106 for 2006 Actual was higher than the 2006 Board Approved by $4,425,184. The difference reflects the fact that the 2006 Board Approved amounts were calculated as the average of the 2003 and 2004 actual amounts.

The variance between the 2006 Actual and the 2006 Board Approved included the difference between the 2004 actual and the 2006 Board Approved amounts as well as the 2005 normal investments.

Table 18
Rate Base Variances

Description	2006 OEB Approved*	2006 Actual	Variance from 2006 OEB Approved	2007 Actual Year	Variance from 2006 Actual	2008 Actual Year	Variance from 2007 Actual	2009 Bridge Year	Variance from 2008 Actual	2010 Test Year	Variance from 2009 Bridge
Gross Fixed Assets	223,222,913	246,125,601	22,902,688	255,657,959	9,532,358	250,925,565	(4,732,395)	259,667,530	8,741,966	279,213,064	19,545,533
Accumulated Depreciation	96,693,321	115,609,379	18,916,059	122,918,702	7,309,323	119,897,299	(3,021,402)	127,780,165	7,882,865	131,468,229	3,688,065
Net Book Value	126,529,593	130,516,222	3,986,629	132,739,258	2,223,035	131,028,265	(1,710,992)	131,887,366	859,100	147,744,834	15,857,469
Average Net Book Value	127,809,252	129,802,566	1,993,315	131,627,740	1,825,173	131,883,761	256,022	131,457,815	(425,946)	139,816,100	8,358,285
Working Capital	141,308,859	148,990,263	7,681,404	155,241,845	6,251,582	150,818,112	(4,423,733)	155,745,310	4,927,198	155,315,589	(429,721)
Working Capital Allowance	21,196,329	22,348,539	1,152,211	23,286,277	937,737	22,622,717	(663,560)	23,361,797	739,080	23,297,338	(64,458)
Rate Base	**147,725,922**	**152,151,106**	**4,425,184**	**154,914,017**	**2,762,911**	**154,506,478**	**(407,538)**	**154,819,612**	**313,134**	**163,113,438**	**8,293,826**

Table 19
Working Capital

Description	2006 OEB Approved*	2006 Actual	Variance from 2006 OEB Approved	2007 Actual Year	Variance from 2006 Actual	2008 Actual Year	Variance from 2007 Actual	2009 Bridge Year	Variance from 2008 Actual	2010 Test Year	Variance from 2009 Bridge
Cost of Power	130,665,729	136,485,553	5,819,824	142,288,135	5,802,582	137,762,655	(4,525,480)	141,974,310	4,211,655	140,664,613	(1,309,697)
Operations	2,315,938	2,585,870	269,932	2,733,252	147,382	3,016,284	283,032	2,799,800	(216,484)	3,051,200	251,400
Maintenance	2,736,940	3,602,257	865,317	3,605,546	3,288	3,968,318	362,772	4,342,200	373,882	4,761,500	419,300
Billing & Collecting	2,434,491	2,676,674	242,182	2,772,666	95,993	2,864,738	92,072	3,006,500	141,762	3,003,200	(3,300)
Community Relations	150,090	702,223	552,133	791,303	89,081	207,677	(583,626)	208,800	1,123	256,376	47,576
Administration & General Expense*	2,487,622	2,427,271	(60,351)	2,523,935	96,664	2,491,919	(32,016)	2,884,400	392,481	3,028,200	143,800
Property Taxes	518,048	510,416	(7,632)	527,008	16,591	506,522	(20,486)	529,300	22,778	550,500	21,200
Working Capital	**141,308,859**	**148,990,263**	**7,681,404**	**155,241,845**	**6,251,582**	**150,818,112**	**(4,423,733)**	**155,745,310**	**4,927,198**	**155,315,589**	**(429,721)**

*excl Charitable Donations

VARIANCE ANALYSIS ON ACCUMULATED DEPRECIATION:

Changes in accumulated depreciation are directly affected by changes in fixed assets due to additions, the removal of fully depreciated assets from the grouped asset classes, and the disposition of identifiable assets. The 2006 Board Approved closing balance for accumulated depreciation is based on KW Hydro's 2004 year end account balances, plus Tier 1 capital adjustments approved in KW Hydro's 2006 EDR Application. As such, the variance between 2006 Board Approved and 2006 Actual represents two years of depreciation changes, and in order to arrive at the annual impact, the variance must be divided by two.

From 2006 Actual to the 2010 Test Year Table 20 illustrates that the change in accumulated depreciation, which is a representation of the depreciation expense in the year for each of the above accounts, has not changed materially from year to year. The change in accumulated depreciation is a result of capital expenditures over a five year period. Since a detailed analysis of capital expenditures and rate base has been provided in this Exhibit, no further explanation of the changes in accumulated depreciation accounts is required.

Table 20
Gross Assets

Description	2006 Board Approved ($)	2006 Actual ($)	Variance from 2006 Board Approved	2007 Actual ($)	Variance from 2006 Actual	2008 Actual ($)	Variance from 2007 Actual	2009 Bridge ($)	Variance from 2008 Actual	2010 Test ($)	Variance from 2009 Bridge
Land and Buildings											
1805-Land	1,717,527	2,144,625	427,098	2,331,738	187,113	2,331,738		2,331,738		2,331,738	
1806-Land Rights	261,699	265,449	3,750	265,449		265,449		265,449		265,449	
1808-Buildings and Fixtures	5,681,415	6,166,087	484,672	6,320,061	153,974	6,227,536	(92,525)	6,240,576	13,040	8,066,099	1,825,523
1905-Land	1,395,300	1,395,300	(0)	1,395,300		1,395,300		1,395,300		1,395,300	
1906-Land Rights											
1810-Leasehold Improvements											
Subtotal-Land and Buildings	9,055,941	9,971,460	915,519	10,312,548	341,087	10,220,022	(92,525)	10,233,062	13,040	12,058,586	1,825,523
TS Primary Above 50											
1815-Transformer Station Equipment - Normally Primary above 50 kV	33,823,668	37,461,401	3,637,733	37,975,643	514,243	38,712,090	736,446	40,094,599	1,382,509	55,295,760	15,201,162
Subtotal-TS Primary Above 50	33,823,668	37,461,401	3,637,733	37,975,643	514,243	38,712,090	736,446	40,094,599	1,382,509	55,295,760	15,201,162
DS Primary Below 50											
1820-Distribution Station Equipment - Normally Primary below 50 kV	2,759,055	2,759,055	0	2,853,105	94,049	2,853,105		2,853,105		2,853,105	
Subtotal-DS Primary Below 50	2,759,055	2,759,055	0	2,853,105	94,049	2,853,105		2,853,105		2,853,105	
Poles and Wires											
1830-Poles, Towers and Fixtures	19,744,311	22,578,067	2,833,756	24,540,153	1,962,087	25,851,567	1,311,413	27,389,219	1,537,652	28,688,344	1,299,125
1835-Overhead Conductors and Devices	24,939,292	27,320,325	2,381,033	28,732,469	1,412,143	29,774,758	1,042,289	30,606,129	831,371	31,351,420	745,291
1840-Underground Conduit	15,924,245	19,235,053	3,310,808	20,595,981	1,360,928	20,010,044	(585,937)	21,674,675	1,664,631	22,344,217	669,542
1845-Underground Conductors and Devices	34,557,272	38,497,671	3,940,399	40,392,971	1,895,300	35,933,596	(4,459,375)	37,462,718	1,529,122	37,863,510	400,792
Subtotal-Poles and Wires	95,165,120	107,631,116	12,465,996	114,261,574	6,630,458	111,569,965	(2,691,609)	117,132,741	5,562,776	120,247,492	3,114,751
Line Transformers											
1850-Line Transformers	37,173,353	43,486,083	6,312,730	46,357,757	2,871,674	48,710,018	2,352,262	50,603,907	1,893,889	51,080,360	476,453
Subtotal-Line Transformers	37,173,353	43,486,083	6,312,730	46,357,757	2,871,674	48,710,018	2,352,262	50,603,907	1,893,889	51,080,360	476,453
Services and Meters											
1855-Services	27,499,620	34,470,736	6,971,116	37,715,277	3,244,541	36,788,796	(926,481)	38,424,440	1,635,644	39,387,653	963,213
1860-Meters	9,684,628	10,844,867	1,160,239	11,313,174	468,307	11,606,960	293,785	11,897,960	291,000	12,247,643	349,684
1861-Smart Meters											
Subtotal-Services and Meters	37,184,248	45,315,603	8,131,355	49,028,451	3,712,848	48,395,755	(632,696)	50,322,399	1,926,644	51,635,296	1,312,897
General Plant											
1908-Buildings and Fixtures	8,148,053	9,041,564	893,511	9,369,791	328,227	9,369,791		9,369,791		9,369,791	
1910-Leasehold Improvements											
Subtotal-General Plant	8,148,053	9,041,564	893,511	9,369,791	328,227	9,369,791		9,369,791		9,369,791	
IT Assets											
1920-Computer Equipment - Hardware	1,909,151	2,466,828	557,677	2,121,385	(345,443)	2,179,346	57,961	2,221,046	41,700	2,180,246	(40,800)
1921-Computer Equipment											
1921-Computer Equipment - Hardware post March 22, 2005											
1925-Computer Software	1,312,309	1,823,626	511,317	2,100,909	277,283	2,360,459	259,549	2,670,459	310,000	3,062,959	392,500
Subtotal-IT Assets	3,221,460	4,290,454	1,068,994	4,222,294	(68,160)	4,539,805	317,510	4,891,505	351,700	5,243,205	351,700
Equipment											
1915-Office Furniture and Equipment	790,894	942,453	151,559	1,003,545	61,092	969,240	(34,304)	998,940	29,700	1,031,640	32,700
1930-Transportation Equipment	6,531,374	6,823,052	291,678	7,058,405	235,353	6,874,197	(184,208)	7,219,966	345,769	7,372,066	152,100
1935-Stores Equipment	109,433	36,630	(72,803)	36,630		36,630		38,830	2,200	38,830	
1940-Tools, Shop and Garage Equipment	704,685	727,253	22,568	770,107	42,854	828,508	58,401	846,808	18,300	870,108	23,300
1945-Measurement and Testing Equipment	692,311	718,355	26,044	603,760	(114,594)	622,261	18,501	586,261	(36,000)	550,261	(36,000)
1950-Power Operated Equipment	27,687	652,918	625,231	692,125	39,206	680,955	(11,170)	741,455	60,500	665,755	(75,700)
1955-Communication Equipment	76,695	74,215	(2,480)	173,729	99,514	173,729		173,729		173,729	
1960-Miscellaneous Equipment	5,940	24,383	18,443	24,383		30,566	6,183	30,566		30,566	
Subtotal-Equipment	8,939,019	9,999,258	1,060,239	10,362,683	363,425	10,216,086	(146,597)	10,636,555	420,469	10,732,955	96,400

Other Distribution Assets											
1825-Storage Battery Equipment											
1970-Load Management Controls - Customer Premises											
1975-Load Management Controls - Utility Premises											
1980-System Supervisory Equipment	1,909,496	1,778,633	(130,863)	1,685,495	(93,138)	1,608,893	(76,602)	1,599,832	(9,061)	1,566,480	(33,352)
1985-Sentinel Lighting Rental Units											
1990-Other Tangible Property											
1995-Contributions and Grants - Credit	(14,815,998)	(25,609,027)	(10,793,029)	(30,771,382)	(5,162,355)	(35,269,965)	(4,498,583)	(38,069,965)	(2,800,000)	(40,869,965)	(2,800,000)
1996-Hydro One S/S Contribution											
Subtotal-Other Distribution Assets	(12,906,502)	(23,830,393)	(10,923,891)	(29,085,887)	(5,255,493)	(33,661,072)	(4,575,185)	(36,470,133)	(2,809,061)	(39,303,485)	(2,833,352)
GROSS ASSET TOTAL	**222,563,415**	**246,125,601**	**23,562,186**	**255,657,959**	**9,532,358**	**250,925,565**	**(4,732,395)**	**259,667,530**	**8,741,966**	**279,213,064**	**19,545,533**

Accumulated Depreciation

Description	2006 Board Approved ($)	2006 Actual ($)	Variance from 2006 Board Approved	2007 Actual ($)	Variance from 2006 Actual	2008 Actual ($)	Variance from 2007 Actual	2009 Bridge ($)	Variance from 2008 Actual	2010 Test ($)	Variance from 2009 Bridge
Land and Buildings											
1805-Land											
1806-Land Rights	232,898	239,304	6,406	241,957	2,653	244,610	2,653	247,310	2,700	250,010	2,700
1808-Buildings and Fixtures	1,036,476	1,323,775	287,299	1,444,426	120,651	1,561,369	116,943	1,678,574	117,204	1,832,288	153,715
1905-Land											
1906-Land Rights											
1810-Leasehold Improvements											
Subtotal-Land and Buildings	1,269,374	1,563,080	293,705	1,686,383	123,303	1,805,979	119,596	1,925,883	119,904	2,082,298	156,415
TS Primary Above 50											
1815-Transformer Station Equipment - Normally Primary above 50 kV	9,519,819	11,797,983	2,278,165	12,734,640	936,656	13,689,712	955,072	14,679,347	989,635	16,049,010	1,369,664
Subtotal-TS Primary Above 50	9,519,819	11,797,983	2,278,165	12,734,640	936,656	13,689,712	955,072	14,679,347	989,635	16,049,010	1,369,664
DS Primary Below 50											
1820-Distribution Station Equipment - Normally Primary below 50 kV	1,364,420	1,578,645	214,225	1,656,102	77,457	1,733,558	77,457	1,811,015	77,457	1,888,472	77,457
Subtotal-DS Primary Below 50	1,364,420	1,578,645	214,225	1,656,102	77,457	1,733,558	77,457	1,811,015	77,457	1,888,472	77,457
Poles and Wires											
1830-Poles, Towers and Fixtures	7,937,824	9,458,388	1,520,563	10,180,505	722,117	10,871,393	690,888	11,496,042	624,649	12,169,381	673,339
1835-Overhead Conductors and Devices	10,749,393	12,493,138	1,743,745	13,284,348	791,210	14,001,767	717,419	14,576,159	574,393	15,175,844	599,685
1840-Underground Conduit	6,979,427	8,681,111	1,701,684	9,466,346	785,235	8,096,264	(1,370,082)	9,013,475	917,211	9,380,092	366,617
1845-Underground Conductors and Devices	16,860,411	20,329,026	3,468,615	21,848,921	1,519,895	17,898,677	(3,950,244)	19,521,852	1,623,175	19,727,893	206,041
Subtotal-Poles and Wires	42,527,056	50,961,663	8,434,607	54,780,120	3,818,457	50,868,101	(3,912,019)	54,607,529	3,739,428	56,453,211	1,845,682
Line Transformers											
1850-Line Transformers	16,036,255	20,100,647	4,064,391	21,931,960	1,831,313	23,857,364	1,925,404	25,484,908	1,627,544	25,596,457	111,549
Subtotal-Line Transformers	16,036,255	20,100,647	4,064,391	21,931,960	1,831,313	23,857,364	1,925,404	25,484,908	1,627,544	25,596,457	111,549
Services and Meters											
1855-Services	11,727,149	14,750,844	3,023,695	16,168,014	1,417,170	14,275,083	(1,892,931)	15,829,849	1,554,766	16,539,156	709,307
1860-Meters	4,047,497	5,061,488	1,013,991	5,501,676	440,188	5,953,616	451,939	6,424,955	471,339	6,570,245	145,290
1861-Smart Meters											
Subtotal-Services and Meters	15,774,646	19,812,332	4,037,686	21,669,690	1,857,358	20,228,699	(1,440,991)	22,254,804	2,026,105	23,109,401	854,597
General Plant											
1908-Buildings and Fixtures	2,169,339	2,564,232	394,893	2,730,402	166,170	2,896,573	166,170	3,062,743	166,170	3,228,913	166,170
1910-Leasehold Improvements											
Subtotal-General Plant	2,169,339	2,564,232	394,893	2,730,402	166,170	2,896,573	166,170	3,062,743	166,170	3,228,913	166,170

IT Assets											
1920-Computer Equipment - Hardware	1,373,310	1,718,973	345,663	1,452,576	(266,397)	1,582,539	129,963	1,575,739	(6,800)	1,598,339	22,600
1921-Computer Equipment											
1921-Computer Equipment - Hardware post March 22, 2005											
1925-Computer Software	847,776	1,243,642	395,866	1,423,494	179,852	1,650,178	226,684	1,919,778	269,600	2,316,278	396,500
Subtotal-IT Assets	2,221,086	2,962,615	741,529	2,876,070	(86,545)	3,232,717	356,647	3,495,517	262,800	3,914,617	419,100
Equipment											
1915-Office Furniture and Equipment	576,220	684,643	108,423	722,105	37,461	683,091	(39,013)	701,991	18,900	726,491	24,500
1930-Transportation Equipment	4,442,330	4,346,170	(96,160)	4,296,934	(49,236)	4,524,920	227,985	4,759,920	235,000	4,915,020	155,100
1935-Stores Equipment	75,582	36,630	(38,952)	36,630		36,630		36,630		36,630	
1940-Tools, Shop and Garage Equipment	456,543	431,933	(24,610)	482,808	50,876	454,527	(28,282)	477,484	22,957	524,724	47,240
1945-Measurement and Testing Equipment	450,007	578,380	128,374	469,055	(109,325)	504,343	35,288	500,354	(3,989)	511,074	10,720
1950-Power Operated Equipment	25,013	509,943	484,931	406,185	(103,758)	343,143	(63,042)	365,763	22,620	371,943	6,181
1955-Communication Equipment	75,593	74,215	(1,378)	75,044	829	84,996	9,951	97,407	12,412	113,967	16,559
1960-Miscellaneous Equipment	1,584	10,718	9,134	15,595	4,877	19,688	4,093	25,888	6,200	29,588	3,700
Subtotal-Equipment	6,102,872	6,672,633	569,761	6,504,356	(168,277)	6,651,336	146,980	6,965,436	314,100	7,229,436	264,000
Other Distribution Assets											
1825-Storage Battery Equipment											
1970-Load Management Controls - Customer Premises											
1975-Load Management Controls - Utility Premises											
1980-System Supervisory Equipment	1,248,631	1,317,394	68,763	1,301,679	(15,716)	1,296,759	(4,919)	1,359,381	62,622	1,397,712	38,331
1985-Sentinel Lighting Rental Units											
1990-Other Tangible Property											
1995-Contributions and Grants - Credit	(1,540,177)	(3,721,845)	(2,181,668)	(4,952,700)	(1,230,855)	(6,363,499)	(1,410,798)	(7,866,399)	(1,502,900)	(9,481,299)	(1,614,900)
1996-Hydro One S/S Contribution											
Subtotal-Other Distribution Assets	(291,546)	(2,404,451)	(2,112,904)	(3,651,021)	(1,246,571)	(5,066,739)	(1,415,718)	(6,507,018)	(1,440,278)	(8,083,587)	(1,576,569)
ACCUMULATED DEPRECIATION TOTAL	**96,693,321**	**115,609,379**	**18,916,058**	**122,918,702**	**7,309,323**	**119,897,299**	**(3,021,402)**	**127,780,165**	**7,882,865**	**131,468,229**	**3,688,065**

WORKING CAPITAL CALCULATION:

KW Hydro presents its detailed working capital calculation by accounts in Table 21.

KW Hydro has not conducted a lead lag study and has therefore opted with using the 15% approach (15% of the cost of power and controllable expenses) for the calculation of its working capital allowance.

Table 21
Calculation of Working Capital Allowance

Expense Description	2006 Actual	Allowance for Working Capital	2007 Actual	Allowance for Working Capital	2008 Actual	Allowance for Working Capital	2009 Bridge	Allowance for Working Capital	2010 Test	Allowance for Working Capital
Cost of Power										
4705 - Power Purchased	112,438,178	16,865,727	118,254,500	17,738,175	115,558,046	17,333,707	116,586,936	17,488,040	116,512,936	17,476,940
4708 - WMS	9,793,199	1,468,980	9,728,783	1,459,318	10,859,959	1,628,994	12,404,494	1,860,674	12,397,626	1,859,644
4714 - NW	10,823,154	1,623,473	10,628,758	1,594,314	8,532,461	1,279,869	9,247,058	1,387,059	8,839,598	1,325,940
4716 - CN	3,431,022	514,653	3,676,094	551,414	2,812,190	421,828	3,735,822	560,373	2,914,453	437,168
Subtotal - Cost of Power Expenses	**136,485,553**	**20,472,833**	**142,288,135**	**21,343,220**	**137,762,655**	**20,664,398**	**141,974,310**	**21,296,147**	**140,664,613**	**21,099,692**
Operation										
5005-Operation Supervision and Engineering	405,729	60,859	441,668	66,250	445,714	66,857	586,300	87,945	630,700	94,605
5010-Load Dispatching	506,822	76,023	566,957	85,044	578,538	86,781	609,000	91,350	641,000	96,150
5012-Station Buildings and Fixtures Expense	0	0	0	0	0	0	0	0	0	0
5014-Transformer Station Equipment - Operation Labour	255,544	38,332	281,927	42,289	280,486	42,073	288,900	43,335	297,567	44,635
5015-Transformer Station Equipment - Operation Supplies and Expenses	319,406	47,911	295,842	44,376	471,004	70,651	486,100	72,915	506,433	75,965
5016-Distribution Station Equipment - Operation Labour	7,455	1,118	8,140	1,221	7,829	1,174	8,064	1,210	8,306	1,246
5017-Distribution Station Equipment - Operation Supplies and Expenses	8,499	1,275	9,262	1,389	16,545	2,482	17,936	2,690	18,694	2,804
5020-Overhead Distribution Lines & Feeders - Operation Labour	31,126	4,669	20,898	3,135	41,591	6,239	42,839	6,426	44,124	6,619
5025-Overhead Distribution Lines & Feeders - Operation Supplies & Expenses	38,786	5,818	27,560	4,134	56,600	8,490	32,161	4,824	55,876	8,381
5030-Overhead Subtransmission Feeders - Operation	0	0	0	0	0	0	0	0	0	0
5035-Overhead Distribution Transformers- Operation	0	0	0	0	0	0	0	0	0	0
5040-Underground Distribution Lines & Feeders - Operation Labour	367,348	55,102	283,128	42,469	295,343	44,301	303,300	45,495	315,250	47,288
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	76,552	11,483	114,150	17,123	140,308	21,046	146,700	22,005	149,750	22,463
5050-Underground Subtransmission Feeders - Operation	0	0	0	0	0	0	0	0	0	0
5055-Underground Distribution Transformers - Operation	0	0	0	0	0	0	0	0	0	0
5065-Meter Expense	520,537	78,081	638,218	95,733	611,648	91,747	220,000	33,000	320,000	48,000
5070-Customer Premises - Operation Labour	7,914	1,187	11,294	1,694	14,955	2,243	15,404	2,311	15,866	2,380
5075-Customer Premises - Materials and Expenses	9,070	1,360	12,911	1,937	17,821	2,673	6,596	989	9,134	1,370
5090-Underground Distribution Lines & Feeders - Rental Paid	12,461	1,869	4,756	713	21,503	3,226	20,000	3,000	20,000	3,000
5095-Overhead Distribution Lines & Feeders - Rental Paid	18,471	2,771	16,391	2,459	16,398	2,460	16,500	2,475	18,500	2,775
5096-Other Rent	150	23	150	23	0	0	0	0	0	0
Subtotal - Operation	**2,585,870**	**387,880**	**2,733,252**	**409,988**	**3,016,284**	**452,443**	**2,799,800**	**419,970**	**3,051,200**	**457,680**
Maintenance										
5105-Maintenance Supervision and Engineering	0	0	0	0	0	0	0	0	0	0
5110-Maintenance of Buildings and Fixtures - Distribution Stations	124,164	18,625	86,334	12,950	92,560	13,884	103,700	15,555	116,000	17,400
5112-Maintenance of Transformer Station Equipment	552,489	82,873	465,660	69,849	400,378	60,057	465,000	69,750	515,000	77,250
5114-Maintenance of Distribution Station Equipment	52,148	7,822	66,880	10,032	34,838	5,226	85,000	12,750	70,000	10,500
5120-Maintenance of Poles, Towers and Fixtures	288,873	43,331	303,297	45,495	306,344	45,952	340,000	51,000	365,000	54,750
5125-Maintenance of Overhead Conductors and Devices	451,455	67,718	519,840	77,976	732,540	109,881	700,000	105,000	815,000	122,250
5130-Maintenance of Overhead Services	1,061,866	159,280	1,120,163	168,025	1,291,210	193,682	1,275,000	191,250	1,380,000	207,000
5135-Overhead Distribution Lines and Feeders - Right of Way	0	0	331	50	6,491	974	0	0	0	0
5145-Maintenance of Underground Conduit	466,775	70,016	374,783	56,218	241,911	36,287	365,000	54,750	390,000	58,500
5150-Maintenance of Underground Conductors and Devices	275,960	41,394	354,099	53,115	417,729	62,659	490,000	73,500	520,000	78,000
5155-Maintenance of Underground Services	130,663	19,599	102,441	15,366	200,095	30,014	208,000	31,200	225,000	33,750
5160-Maintenance of Line Transformers	197,436	29,615	210,596	31,589	244,027	36,604	310,000	46,500	365,000	54,750
5175-Maintenance of Meters	428	64	1,119	168	195	29	500	75	500	75
Subtotal - Maintenance	**3,602,257**	**540,339**	**3,605,546**	**540,832**	**3,968,318**	**595,248**	**4,342,200**	**651,330**	**4,761,500**	**714,225**

Table 21
Calculation of Working Capital Allowance

Expense Description	2006 Actual	Allowance for Working Capital	2007 Actual	Allowance for Working Capital	2008 Actual	Allowance for Working Capital	2009 Bridge	Allowance for Working Capital	2010 Test	Allowance for Working Capital
Billing and Collections										
5305-Supervision	186,285	27,943	213,070	31,961	191,383	28,707	223,800	33,570	237,600	35,640
5310-Meter Reading Expense	467,518	70,128	483,689	72,553	472,901	70,935	425,700	63,855	305,400	45,810
5315-Customer Billing	1,203,237	180,486	1,247,190	187,078	1,323,120	198,468	1,364,000	204,600	1,420,900	213,135
5320-Collecting	598,166	89,725	638,668	95,800	684,670	102,701	757,900	113,685	794,200	119,130
5325-Collecting- Cash Over and Short	2	0	-31	(5)	6	1	100	15	100	15
5330-Collection Charges	17,747	2,662	18,858	2,829	26,314	3,947	25,000	3,750	25,000	3,750
5335-Bad Debt Expense	203,719	30,558	171,223	25,683	166,754	25,013	210,000	31,500	220,000	33,000
5340-Miscellaneous Customer Accounts Expenses	0	0	0	0	-410	(62)	0	0	0	0
Subtotal - Billing and Collections	**2,676,674**	**401,501**	**2,772,666**	**415,900**	**2,864,738**	**429,711**	**3,006,500**	**450,975**	**3,003,200**	**450,480**
Community Relations										
5405-Supervision	0	0	0	0	0	0	0	0	0	0
5410-Community Relations - Sundry	90,361	13,554	86,541	12,981	98,788	14,818	105,000	15,750	105,000	15,750
5415-Energy Conservation	552,480	82,872	646,503	96,975	46,108	6,916	31,600	4,740	30,000	4,500
5420-Community Safety Program	59,382	8,907	58,259	8,739	62,780	9,417	72,200	10,830	74,400	11,160
5510-Demonstrating and Selling Expense	0	0	0	0	0	0	0	0	46,976	7,046
5515-Advertising Expense	0	0	0	0	0	0	0	0	0	0
5520-Miscellaneous Sales Expense	0	0	0	0	0	0	0	0	0	0
Subtotal - Community Relations	**702,223**	**105,333**	**791,303**	**118,696**	**207,677**	**31,152**	**208,800**	**31,320**	**256,376**	**38,456**
Administrative and General Expenses										
5605-Executive Salaries and Expenses	47,500	7,125	45,700	6,855	47,445	7,117	49,100	7,365	50,600	7,590
5610-Management Salaries and Expenses	864,017	129,603	887,707	133,156	885,082	132,762	928,474	139,271	968,278	145,242
5615-General Administrative Salaries and Expenses	215,910	32,387	290,117	43,518	190,044	28,507	207,426	31,114	217,822	32,673
5620-Office Supplies and Expenses	138,409	20,761	134,998	20,250	135,235	20,285	148,900	22,335	153,000	22,950
5625-Administrative Expense Transferred Credit	(279,282)	(41,892)	(254,199)	(38,130)	(185,703)	(27,855)	(102,600)	(15,390)	(103,100)	(15,465)
5630-Outside Services Employed	108,701	16,305	122,797	18,420	135,012	20,252	236,500	35,475	226,500	33,975
5635-Property Insurance	77,808	11,671	79,529	11,929	86,961	13,044	92,000	13,800	102,000	15,300
5640-Injuries and Damages	167,683	25,152	194,619	29,193	202,871	30,431	206,500	30,975	217,500	32,625
5645-Employee Pensions and Benefits	399,235	59,885	421,771	63,266	216,209	32,431	255,600	38,340	218,100	32,715
5655-Regulatory Expenses	257,433	38,615	241,101	36,165	386,514	57,977	401,600	60,240	489,300	73,395
5660-General Advertising Expenses	0	0	0	0	0	0	0	0	0	0
5665-Miscellaneous General Expenses	20,919	3,138	27,525	4,129	42,263	6,340	50,800	7,620	51,300	7,695
5670-Rent	0	0	0	0	0	0	0	0	0	0
5675-Maintenance of General Plant	375,209	56,281	297,941	44,691	315,001	47,250	375,600	56,340	400,600	60,090
5680-Electrical Safety Authority Fees	33,728	5,059	34,327	5,149	34,986	5,248	34,500	5,175	36,300	5,445
6205-Charitable Donations	0	0	0	0	0	0	0	0	0	0
Subtotal - Administrative and General Expenses	**2,427,271**	**364,091**	**2,523,935**	**378,590**	**2,491,919**	**373,788**	**2,884,400**	**432,660**	**3,028,200**	**454,230**
Taxes Other Than Income Taxes										
6105-Property Taxes	510,416	76,562	527,008	79,051	506,522	75,978	529,300	79,395	550,500	82,575
Subtotal - Taxes Other Than Income Taxes	**510,416**	**76,562**	**527,008**	**79,051**	**506,522**	**75,978**	**529,300**	**79,395**	**550,500**	**82,575**
Total	**148,990,263**	**22,348,539**	**155,241,845**	**23,286,277**	**150,818,112**	**22,622,717**	**155,745,310**	**23,361,797**	**155,315,589**	**23,297,338**

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Kitchener Wilmot Hydro Inc.

Asset Management Review

May 2009

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Executive Summary

AESI was retained by Kitchener Wilmot Hydro Inc. (KWH) to review its current Asset Management practices to support its Ontario Energy Board (OEB) rate application. AESI conducted interviews with key personnel ranging from Managers to Technical staff and reviewed supporting documentation of current asset management activities. This document presents an overview of these practices, with particular focus on whether condition and age assessments of overhead systems, underground systems and substations and the systematic approach to inspection and maintenance activities are integrated with respect to planning and prioritization of asset maintenance, capital or maintenance spending and improving reliability of the distribution system.

The KWH distribution system spans the City of Kitchener and the Township of Wilmot and is divided into 220 geographical zones whereby approximately one-third of the system is inspected annually, corresponding to the OEB's Distribution System Code (DSC) inspection requirements for Local Distribution Companies (LDCs). KWH's current asset management practices include programs for inspection and reactive maintenance of the distribution system, such as routine system patrol of the overhead and underground systems and substations; additionally, preventative maintenance programs such as infrared thermography and insulator washing are also included in its asset management practices.

These activities are considered good utility practices that contribute to effective management of the company's overhead, underground and substation assets and comply with OEB's DSC. Equipment installed on the distribution system is inspected and maintained on a 3 year cyclical basis to meet the requirements of the DSC. Critical issues are identified and addressed immediately; remaining deficiencies are further prioritized based and are subsequently channeled into a maintenance schedule for completion within 1 month to 3 years, prior to the next inspection period. Alternatively, through data analysis, these deficiencies may be channeled into a capital program for asset replacement.

Documentation of asset-management related activities is largely paper-based; however, KWH does well in organizing and maintaining these records for at least seven years. There are records that are created and/or maintained electronically in several programs including the SCADA system, Access and Excel, used for recording outage events and later accessed for calculation of Service Quality Indicators (SQIs). The current paper-based process works well, but is cumbersome. It is suggested that electronic versions of the inspection and maintenance forms be maintained with inspection and maintenance history records in the GIS. This would encourage and facilitate data sharing and further enhance the use of the GIS to provide asset condition.

It has been noted by the OEB that while condition and age are important considerations in an asset management program, consideration must be given to the performance of the distribution system, specifically, as noted in the introduction to this document, to feeder performance. While system performance is considered in Weekly and Annual Outage Reports and through calculation of SQI's on an annual basis, consideration could be given to a more robust practice of reviewing feeder performance with respect to asset management. These data, combined with outage data effectively aggregated in the GIS, could be better interpreted for significance as it relates to condition of the distribution system and its overall performance and used to justify long-term expenditures within a rate application. The degree to which these are considered should be decided by KWH.

1 Introduction

To provide support for its future Ontario Energy Board (OEB) rate filings Kitchener Wilmot Hydro Inc. (KWH) has recognized the importance of comprehensive Asset Management planning. This has been emphasized by the OEB and confirmed in recent presentations to Ontario's Local Distribution Companies (LDC's). Prescriptive direction has not been given and there are no specific filing requirements for asset condition and AM reports, but the OEB had made it clear there is an expectation that a distributor should have a systematic process in place to:

- *Review the condition of assets (poles, wires, transformers)*
- *Prioritize the action to be taken to maintain/replace assets and improve reliability*
- *Minimize costs for investment and maintenance plans*

The completeness of a plan would also require measured contributions to improved performance of the distribution system as indicated in the OEBs Service Quality Indicators (SQIs) i.e. SAIDI, CAIDI, SAIFI. These are well understood by the OEB and are regarded as the ultimate measure of system performance. At the same time, the OEB has expressed concerns that *some LDC's purported to rely on SQI's but had difficulty demonstrating how they related SQI's to asset management*.

To be consistent with these expectations KWH is committed to the establishment of a longer term methodology for asset management while maintaining the best attributes of its existing inspection and maintenance procedures and documentation. As a first step towards this goal AESI was retained to provide assistance with the following activities:

1. Meet with KWH staff assigned to the project and review existing asset management and performance-related data.
2. Perform interviews with key KWH staff to confirm and understand the existing inspection and maintenance procedures and documentation. Take particular note of the level of detail being captured, the documentation methodologies and the current activities to comply with minimum inspection requirements of the OEB Distribution System Code.
3. Prepare a commentary on item 2 with respect to a reasonable level of asset condition assessment required for an Asset Management Plan to support KWH's future rate filings.

2 AESI Approach

In 2008, the OEB issued a questionnaire to assist in its Review of Asset Management Practices of Ontario Electricity Distributors. A review of the results of this questionnaire was also issued by the OEB in March 2009. This OEB review provides a good insight into the expectations of the board and the questionnaire specifically referenced a system wide assessment related to

- Overhead Distribution
- Underground Distribution
- Substations

This is a logical approach and AESI has followed these general categorizations.

A series of interviews were scheduled with KWH staff to review the current inspection and maintenance procedures and documentation. Attention was given to the schedules of the established practices, the various forms/documentation and the retention/retrieval processes for the data.

The following staff was interviewed: Manager – Construction & System Planning, Manager – Operations, Maintenance Supervisor, Engineering Services Supervisor and Chief Operator.

3 KWH Asset Management Responsibilities

KWH does not have a position of Asset Manager within its organization but Lloyd Frank, the Manager of Construction & System Planning, was identified as the primary contact for this review and the interview process confirmed that he has assumed the primary responsibilities of an asset manager.

KWH performs all of the following activities that are considered as normal, good utility practice in a local distribution company. Post-scripts denote the cyclic basis, in number of years, in which the activity is performed; for example, (1) and (3) represent activities performed on an annual and 3 year cycle, respectively.

Inspection & Reactive Maintenance

- Wood/Concrete Pole, Supports and Hardware Inspection (3)
- Switch Inspection (3)
- Distribution Transformer Inspection (3)
- KWH-Owned Substation Inspection (Daily/Weekly/Monthly)
- Customer-Owned Substation Inspection (1)
- Civil Infrastructure (3)

Preventative Maintenance

- Insulator Washing (1)
- Infrared Thermography (1)
- Switch Maintenance (7)
- Vegetation Maintenance (5)
- Power Transformer Oil Testing and Tapchanger Maintenance (1)
- Dry-Ice Cleaning (3)
- Recloser Maintenance (3)
- Circuit Switcher Maintenance (1)
- Circuit Breaker Maintenance (5)

KWH's distribution system, serving the City of Kitchener and the Township of Wilmot, is divided into 220 geographical zones (Appendix A), whereby the overhead and underground distribution system and substations in each zone is inspected independently by an overhead and underground/station crew respectively, a method suggested by and meeting the OEB's minimum inspection requirements. Independent preventative maintenance activities are also scheduled and are independent of the inspection process. The following sections provide further insight into the inspection and reactive/preventative maintenance activities.

4 Overhead Distribution

Current Practice of System Patrol

KWH currently inspects the overhead distribution system in each zone, completing approximately 73 zones each year, or one-third of the distribution system as per Appendix C 'Minimum Inspection Requirements' of the Distribution System Code (DSC). The visual patrol serves as an inspection to assess the condition of overhead assets, including wood/concrete poles and their support and attachments, distribution transformers, switches, conductors and surrounding vegetation. The Overhead Line Superintendant provides a map of the zone subject to inspection (produced by the GIS group in Engineering), a System Inspection Work Log Sheet and an Overhead System Defect Report to line crew prior to the visual patrol. The System Inspection Work Log Sheet (Appendix B) is on a 'report by exception' basis; that is, unless an overhead defect is identified during the inspection, the Work Log only documents the completion/date of inspection, overhead transformer, switch or other equipment numbers included within the zone and the inspector's name/initials. Any defects identified during the inspection are also noted on the System Inspection Work Log Sheet, with the location and description of the defect, and are more thoroughly documented on KWH's Overhead System Defect Report (Appendix C); this Report

notes the location of the defect and allows for the inspector to comment on the condition of the overhead asset(s). The System Inspection Work Log Sheet and the Overhead System Defect Reports are submitted to the Maintenance Supervisor for review.

Generally, maintenance activities are initiated after the inspection process, when the Maintenance Supervisor creates a Maintenance Work Order (MWO); the MWO (Appendix D) is issued to the Line Superintendant and identifies the equipment and location, follow-up action to address defects or concerns, the time frame for completion, an estimate of worker hours required to complete the maintenance activity and a work order number to which time and materials are charged. The Line Superintendent, in turn, schedules these activities based on priorities identified during weekly meetings with outside crews (o/h, u/g & stations, construction & civil works). Generally, the priorities are as follows:

1. Activities driven by health and/or safety concerns
2. Activities driven by external demands (e.g. customers and the City of Kitchener)
3. Activities driven by high level planning through the annual budget
4. Reactive maintenance (identified during visual patrols)
5. Preventative maintenance

Item 4, reactive maintenance, is further prioritized by the Maintenance Supervisor into 3 categories, A, B and C, based on the severity of the defects. 'A' priorities are defects or concerns requiring immediate attention. Any such emergency items identified during the visual inspection are reported immediately to the control room and are repaired within 24 to 48 hours. Due to the urgency, a separate MWO is not issued by the Maintenance Supervisor as described above; rather associated costs are charged to a standing work order that is then reviewed by the Maintenance Supervisor at a later date. 'B' and 'C' priorities, as determined by experience or a site review, are less urgent and are therefore completed within 1 to 3 months and 1 to 3 years respectively, with costs charged to the work order numbers as identified on the MWO and generally captured under KWH's annual maintenance budget. Once reactive maintenance is completed, the MWO is returned with further comment on action taken and the date of completion. The MWO is subsequently utilized for further system defect reporting and monthly reporting.

4.1 Poles

KWH has approximately 25,000 poles, of which 7,000 are concrete, within its distribution system. Annual visual inspections of these poles are conducted internally by line crews as described above and are based on approximately 73 geographical zones, thereby allowing each pole to be visited on a 3 year cycle and satisfying the inspection requirements of the DSC. The condition-based assessment allows KWH to monitor and identify defects concerning the integrity of the pole or other issues concerning the condition of the pole and supports such as switches, cross arms, guys and guy guards, cable dips, etc. Such defects and concerns are identified on the System Inspection Work Log Sheet and detailed further through 'condition codes' and commentary on the Overhead System Defect Report. Pole defects are further identified during switch inspection and maintenance activities, as noted on KWH's Overhead Line Maintenance Sheet (Appendix E), Infrared Thermography and Insulator Washing activities. Critical pole and support defects are reported immediately and repaired within 24 to 48 hours; remaining defects as identified on the Overhead System Defect Report are prioritized by the Maintenance Supervisor; an MWO is issued and maintenance to repair the defects are scheduled accordingly by the Line Superintendant in the process described above and charged against the maintenance budget. All work orders issued for maintenance are recorded in an Excel spreadsheet, identifying inspections completed and outstanding, and later referenced by the Maintenance Supervisor in the Monthly Report and System Survey Report of maintenance activities. In addition to scheduling pole maintenance, the Line Superintendant reviews defects noted and may collaborate with Engineering to initiate capital rebuild projects for pole replacement as required.

A database query from the GIS has revealed of the 25,000 poles, approximately 1500 to 2000 have fields, such as age, not yet identified. Of the poles that have been identified it has been noted that the three-phase poles for trunk feeders are approximately 10 years younger than the single-phase poles as

KWH has focused construction efforts in rebuilding three-phase pole lines. Of the three-phase poles, less than 1% are greater than 60 years old, 9% are between 50 and 60 years old, 9% are between 40 and 50 years old and 81% are less than 40 years old. Of the single-phase poles, 2% are greater than 60 years old, 23% are between 50 and 60 years old, 17% are between 40 and 50 years old and 58% are less than 40 years old. Of the poles supporting no high voltage conductors, less than 1% are greater than 60 years old, 5% are between 50 and 60 years old, 4% are between 40 and 50 years old and 90% are less than 40 years old. It should also be noted that KWH has plans, although not yet formalized, to re-initiate a non-destructive pole testing program in addition to the current visual inspection program. The pole testing program will serve to further confirm the condition of these poles and will form the basis of future capital pole replacement programs. KWH is currently increasing their capital expenditures for pole replacement, as reflected in their 10 year plan, in anticipation of these future activities.

4.2 Switches

Switch inspection is a component of the visual patrol of the overhead distribution system; that is, switches are inspected on a 3 year cyclical basis during the overhead inspection and the condition of the switch is noted on the Overhead System Defect Report. Reactive maintenance to repair defects as noted on the Overhead System Defect Report follows the inspection and is prioritized and initiated by the Maintenance Supervisor and the issuance of an MWO as described in 'Current Practice'.

Preventative switch maintenance is scheduled to be performed by line crews on a 7 year cycle. Currently, all Load Interrupter (LI) and Fused Load Interrupter (FLI) switches and related data are recorded in the GIS and in an MS Access database and are used to initiate maintenance activities; that is, the Access database records the switch number and dates of service last performed and service next due. The Maintenance Supervisor forwards the list of switches due for maintenance to the Line Superintendant for scheduling. Line crews document inspection and maintenance activities using the Overhead Line Maintenance Sheet (Appendix E) which identifies switch properties, such as manufacturer, and switch condition. A check list for the switch condition allows crew personnel to note the condition and further comment on maintenance performed. All costs associated with maintenance of switches are captured under a general work order and charged to the maintenance budget for the current year. The completed Overhead Line Maintenance Sheet is returned to the Line Superintendant and the Maintenance Supervisor who updates the Access database with date of inspection/maintenance and the next service date. As with other inspection activities, data is compiled and used for monthly and System Survey reporting. Any outstanding switch activities as noted on the year-end System Survey Report are carried over as inspection/maintenance activities for the subsequent year. However, the additional costs for completing these extra items are not added to the budget for the subsequent year.

4.3 Distribution Transformers

Inspections of pole-mounted transformers are also a component of the visual patrol of the overhead distribution system and are therefore inspected on a 3 year cycle. Deficiencies such as broken bushings, oil leaks or paint chips, among others, are noted on the Overhead System Defect Report. Reactive maintenance to address these deficiencies is initiated when the Maintenance Supervisor reviews the Report and issues an MWO, where costs are captured in the maintenance budget.

4.4 Infrared Thermography

Infrared (IR) thermography of overhead plant is completed by an external contractor once per year on all overhead 3-phase feeders. During this process all equipment installed on the same structure is checked for hot spots and general deficiencies of the facilities, including primary conductors for all voltages, overhead transformers, primary, secondary dip cable, etc. Hot spots are recorded, and a summary report is submitted to the Maintenance Supervisor documenting all fault locations and severity of the faults. The Maintenance Supervisor issues an MWO and maintenance is subsequently scheduled by the Line Superintendant based on fault severity. Generally, hot spots categorized as severe are addressed and repaired within 2 weeks, intermediate hot spots within 1 month and minor hot spots within 2 to 3 months. Repairs are documented and captured in the monthly summary report created by the Maintenance Supervisor for tracking scheduled and outstanding work orders for repairs to the KWH distribution system.

Although not a formalized process, the Maintenance Supervisor also reviews the IR thermography summary report to identify hot spot patterns. Root cause analysis is subsequently performed and corrective measures are taken, where possible. For example, numerous hot spots were recorded on in-line cut-outs and a root cause analysis revealed faulty AMPACT connectors; KWH was then able to forecast the possibility of future hot spots. To minimize recurrence and to provide for continuous improvement to their system, KWH initiated a program to correct this problem, thereby eliminating a source of future outages.

All costs associated with IR thermography are captured under the maintenance budget.

4.5 Insulator Washing

Insulator washing is also contracted to an external party and performed on a 2 year cycle for all 27.6kV polymer and porcelain insulators; that is, half of the total number of insulators are washed in year one while the other half are washed in year two. Additionally, insulator washing on the 13.8kV system is performed annually for insulators in areas known to have high salt contamination. An Insulator Cleaning Report (Appendix F) is submitted by the contractor to the Maintenance Supervisor summarizing washing activities and also identifying insulator concerns such as broken insulators and/or other visible issues observed with existing overhead equipment. In response to the Insulator Washing report, the Maintenance Supervisor prepares MWO's to resolve the concerns and issues as identified in the report; an MWO to repair a broken insulator identified during insulator washing is also found in Appendix F. Costs are charged to the Operations maintenance budget.

KWH has also implemented a program to eliminate all porcelain insulators from its system and currently replaces these insulators with a polymer insulated product as needed or when a line retensioning occurs.

4.6 Vegetation Management

Vegetation management, or tree trimming maintenance, is scheduled by the Overhead Line Superintendant on a 5 year cycle, where one of each of the five aforementioned geographical zones of the distribution system is completed each year. This activity is executed by in-house utility arborists as they have specialized knowledge of live lines and growth rates of various vegetation; as such, arborists may either trim more frequently in a zone or trim back more growth to account for the different rates and in consideration of the 5 year trim cycle. A general work order is issued once per year for the applicable zone, initiating this practice and allowing for costs to be charged to maintenance budget.

In addition to this preventative maintenance program, the Maintenance Supervisor may also issue MWO's to trim excessive growth as a reactive maintenance measure and in response to the condition of vegetation as noted on the Overhead System Defect Report during the general overhead inspection activities performed on a 3-year cycle. KWH takes additional preventative maintenance initiatives in their vegetation management program including tree-trimming during the implementation of capital build/rebuild projects as well as weed-spraying around transformer stations, rural distribution stations and transformer enclosures. Additionally, a substantial amount of reactive maintenance is performed in response to requests from the public to trim or remove trees in proximity to power lines.

A monthly report is produced identifying tree-trimming activities for the current year; the report is reviewed by the Manager of Construction & System Planning and presented to the Chief Executive Officer (CEO) and Board of Directors of KWH.

5 Underground Distribution

Current Practice of System Patrol

Similar to the overhead process of inspection, the underground distribution system is also inspected on a 3 year cyclical basis to assess the condition of underground assets including pad mount transformers, submersible transformers, transformer vaults and adjacent civil structures. Line crews note the date of inspection on the System Inspection Work Log Sheet as well as a basic description of the underground distribution system defect. An additional supplementary form, the Underground System Defect Report

(Appendix G), is similar to the Overhead System Defect Report and serves to identify in greater detail the defect in need of attention and inspection activities. Following inspection of the applicable grid-zone, the System Inspection Work Log Sheet and the Underground System Defect Reports are submitted to the Maintenance Supervisor for review. MWO's are prepared, reactive maintenance is subsequently prioritized and scheduled by the Construction Superintendant for correction of defects and then maintenance and system survey reports produced in a manner similar to the overhead process described in Section 4.

Preventative maintenance on various components of the underground distribution system is also performed and allows for timely routine repairs that may mitigate future large-scale repairs on costly equipment.

5.1 Primary Cable Fault Identification

KWH has indicated that primary cable faults have not been a significant issue, to date. However, it is expected that KWH would develop a tracking feature within its GIS when faults become an item of more importance.

5.2 Infrared Thermography

Infrared thermography for the underground distribution system is completed as needed in known problem areas, specifically where outages most commonly occur, and at underground trunk feeders from substations. This practice is performed once every two years; in the other year, IR thermography is completed at expressway crossings and on portions of KWH's network system, again in known problem areas where hot spots most commonly occur. As with overhead, associated costs for underground IR thermography are charged to the maintenance budget.

5.3 Distribution Transformers

Inspections of pad-mount and submersible transformers occur within the visual patrol of the underground distribution system and are therefore inspected on a 3 year cycle, whereby approximately one-third of the transformers within KWH's distribution system are inspected on an annual basis. Deficiencies such as broken bushings, oil leaks or paint chips, among others, are noted on the Underground System Defect Report and on the Underground System Pad-mounted Transformer Survey Sheet (Appendix H) and Underground System Submersible Survey Sheet (Appendix H) for pad-mount and submersible transformers respectively. Reactive maintenance to address these deficiencies is initiated when the Maintenance Supervisor reviews the Report and issues an MWO, where costs are captured in the maintenance budget.

5.4 Civil Infrastructure

Inspections of civil infrastructures for pull boxes and network transformer vaults are included in the underground distribution system inspection completed on a 3 year cyclical basis. As noted in 'Current Practice' deficiencies are noted on the Underground System Defect Report and submitted to the Construction Superintendant for review and prioritization based on a site check. There are three options to correct deficiencies. The vault lid or pad may be replaced – an activity completed internally by KWH crew. Alternatively, the vault or pull box roof may be repaired (minor defects only), rebuilt or replaced with a new design. Drawings for rebuild/redesign activities are generally completed by a third party engineering firm. Depending on the severity of the deficiency, the replace/rebuild/redesign activities are generally completed within a 3 months to 3 years from the initial inspection and are budgeted within the maintenance budget for that year or the year in which the defect is remedied.

6 Substations/Breakers/Reclosers

Current Practice

6.1 KWH-Owned Substations

There are 14 KWH-owned substations of which 7 are Distribution Stations (DSs), operating at 27.6kV to 8.32kV, and 7 are Transformer Stations (TSs), operating at 115kV/230kV to 13.8kV. Inspection of the DSs and TSs is performed on a daily, weekly and/or monthly basis and follows the general KWH practice of reporting deficiencies on the appropriate forms (Appendix I for DSs and Appendix J for TSs) and subsequent scheduling of reactive maintenance through issuance of an MWO to correct the deficiencies.

Distribution Station inspections incorporate several activities on a weekly and monthly basis and generally include the following:

1. Weekly Transformer and Building Inspections, including:
    - Oil temperature and level readings
    - Tank pressure readings
    - Assessment of perimeter security
2. Weekly Recloser/Circuit Breaker/Voltage Operations Assessment and Readings
3. Monthly Voltage Regulator Inspection and Readings (where applicable)
4. Monthly Emergency Equipment Inspections, including:
    - Fire extinguisher
    - Emergency eyewash station
    - Emergency lighting

Transformer Station inspections incorporate several activities on a daily, weekly and monthly basis and generally include the following:

1. Daily Transformer Inspections
2. Daily Switchgear Building Inspection
3. Weekly Inspections, including:
    - Heater, transformer fan and pump assessments
    - Building and grounds assessments
    - Oil level and hot spot readings
4. Monthly Tapgear Counter Readings and Assessment of Station Service Transformers
5. Monthly Emergency Equipment Inspections, including:
    - Fire extinguisher
    - Emergency eyewash station
    - Emergency lighting

In addition to the above inspection and reactive maintenance activities, preventative maintenance is performed at the KWH-owned substations and is described in Sections 6.1.1, 6.1.2, 6.1.3 and 6.1.4. For the majority of these activities, inspection and preventative maintenance are performed together.

6.1.1 Power Transformers

All power transformers are owned by KWH, with 23 in service and 1 spare at the various Transformer Stations (TS) and Distribution Stations (DS) within the City of Kitchener and the Township of Wilmot. Preventative maintenance of these power transformers performed on an annual basis is initiated when the Maintenance Supervisor issues a work order whereby costs are captured under the annual maintenance budget. Appendix K is maintenance instructions for tap changer maintenance, oil testing and general maintenance of the main power transformers, respectively, all of which activities are included in the preventative maintenance program.

6.1.2 Circuit Switchers

Inspection and preventative maintenance of the 115/230kV circuit switchers is performed once every year or after 750 open/close operations. Appendix L outlines the inspection and maintenance instructions for the circuit switchers.

6.1.3 Circuit Breakers

SF6, vacuum and air circuit breakers are located at each of the TSs and at one DS and are maintained once every 5 years, or if 50 operations have occurred before maintenance is due, using the maintenance instructions and reporting forms attached in Appendix M which is applicable to all makes of pressurized or vacuum breakers. Generally, any outstanding work that cannot be completed at the time of maintenance is noted on the appropriate documentation form used for reporting and addressed by the Maintenance Supervisor; outstanding items are then completed at a later date.

6.1.4 Reclosers

Six of the seven DSs incorporate three-phase reclosers for protection and control that are maintained once every 3 years. As with other preventative maintenance activities, a general work order is issued by the Maintenance Supervisor for subsequent scheduling by the Superintendant. Appendix N is the instructions issued for preventative maintenance of the three-phase reclosers. Again, any outstanding work that cannot be completed at the time of maintenance, for example where new parts are required, is noted on the appropriate documentation form used for reporting and addressed by the Maintenance Supervisor; outstanding items are then completed at a later date.

For both reclosers and circuit breakers, the Maintenance Supervisor maintains an Excel spreadsheet for monitoring the number of parallels and faults, as well as the date of preventative maintenance performed and due.

6.2 Customer-Owned Substations

There are 735 customer-owned substations, of which 556 contain transformers owned by KWH, while the remaining are customer-owned transformers. The Maintenance Supervisor maintains an MS Excel spreadsheet (Appendix O), which tracks the total number of transformers at customer-owned substations as they are installed or removed as well as the number of inspections scheduled per month. Both substation enclosures and KWH-owned transformers are inspected by KWH crew on an annual basis.

The Customer Owned Substation Inspection form (Appendix O) is the form utilized for customer-owned transformers at customer-owned substations and identifies, at a minimum, items at the substation enclosure requiring inspection; the form also allows for reporting deficiencies related to inspection items or other that require the owner's attention. For customer-owned transformers, a Customer Service Defect Letter (Appendix O) is issued to the owner and may indicate the time-frame in which repairs are to be made, based on the severity of the deficiency. Provided deficiencies are not repaired, a second letter is issued to the owner and the Electrical Safety Authority (ESA) is also notified, as indicated in the letter.

The Customer Service Transformer Vault and/or Room Inspection form (Appendix O) is utilized by KWH crew for inspection of KWH-owned transformers at customer-owned substations. In addition to inspection and reporting of the substation enclosure, the transformers are inspected for leaks, oil level and oil temperature; if necessary, oil temperature is reset and recorded again after resetting. Deficiencies are noted on the form which is submitted for review by the Maintenance Supervisor. Subsequent follow-up reactive maintenance is prioritized and performed for KWH-owned transformers.

Preventative maintenance, specifically dry-ice cleaning, is currently performed on the KWH-owned load interrupter switches and power fuses installed in customer-owned substations on a 3 year cycle. Both the inspection and maintenance activities are captured under KWH's maintenance budget.

7 Additional Points

7.1 Supervisory Control and Data Acquisition (SCADA)

In 1988, KWH purchased and implemented a VMS-based Quindar (Survalent) Supervisory Control and Data Acquisition (SCADA) system for control and telemetering of components of its distribution system. The master station was subsequently upgraded in 1999 to provide increased speed, reliability and greater memory capability. Additionally, software was upgraded for better event handling. Currently, the system is dual redundant with both stations located at KWH's Victoria St. location.

The SCADA system models the TSs and DSs with points telemetered to provide real-time analogue and status data. Alarm reporting and events, such as feeder peaks and peak station values, are logged into a historical data file every hour; the data is subsequently downloaded to an Excel file each month and archived for a minimum of five years. In addition to data acquisition, the system allows for control of feeder breakers, main and tie breakers, line disconnect switches, reclosures and tap changers.

KWH also utilizes the SCADA system for tracking outages; this, as well as customer calls, provides outage data, including duration, feeder, number of affected transformers and customers, that is maintained in an Excel spreadsheet by control room operators. The data may then be subsequently queried by the regulatory group or Finance for Service Quality Indicator (SQI) reporting.

7.2 Geographic Information System (GIS)

In 2001 KWH began surveying poles and primary equipment for integration into their current Geographic Information System (GIS) – Intergraph's G Technology, an Oracle-based platform. Following the survey process, the data gathered was populated within the GIS as well as the transfer of paper maps, underground plant, secondary equipment, joint-use plant and streetlight data.

The GIS is updated as new assets are installed, as with new construction, or as assets are replaced. Generally, the process to update the GIS to reflect asset changes is as follows:

1. A base plan is obtained from the GIS or from another electronic drawing or map
2. The design is laid out on a paper copy of the base plan by an Engineering Technician
3. The design is entered onto the base plan electronically using Microstation CAD software by a GIS/CAD Technician
4. The drawing is approved and issued for construction
5. Notification is given that construction is substantially complete
6. GIS is updated as a 'first pass' using the drawings approved in Step 3
7. The 'As-Built' drawings reflecting actual construction are returned to the GIS/CAD Technician and the Microstation and GIS versions are updated as per the drawings
8. A System Changes Report (Appendix P) is issued to the GIS group by the operators in the control room and provides new asset numbers as assigned by the operators
9. A GIS/CAD Technician confirms updates in CAD and subsequently updates CAD mapping (used by control room) and GIS to reflect construction and equipment numbers.

The GIS database is also a relational database which allows for one-way access to other databases; that is, the GIS routinely polls these databases to obtain information which it then uses to update its own database. This information and databases polled include:

1. Customer Information System (CIS): customer account number and meter number
2. Metering Database: type of meter and nameplate data
3. Transformer Database: PCB data (if applicable), nameplate data and transformer characteristics

As such, one may query a customer premise or transformer from the GIS and obtain information about the account/meter or transformer respectively.

The Manager of Construction and System Planning has indicated KWH intends to further utilize the GIS to perform spatial queries on transformer failures, pole fires, animal contacts and cable faults. The spatial queries would allow analysis of these items to determine whether they are of geographical significance; that is, whether transformers, for example, are failing in a particular geographic area. Subsequent root-cause analysis would allow KWH to minimize failures and better maintain their assets. Additionally, KWH intends to further leverage the existing GIS by referencing the GIS database to the outage event log database to perform spatial queries on outages. Analysis of the impact of squirrel contacts in a given area, for example, could determine the subsequent impact to the number of customers affected, customer outage minutes and other reliability indices related to an event and therefore, through corrective measures, improve overall reliability.

7.3 Reporting

KWH generates many reports reflecting the status of the distribution system and the activities of each of the departments. The following provides an overview of the reports relevant to asset management and highlights a few of the reports relevant to the organization.

7.3.1 KWH Weekly Reports

Appendix Q of this review is an example of a KWH Control Room Weekly Update Report produced by the Operations Manager. The report summarizes trends and problems regarding the Ontario System Performance and KWH System Performance; it also identifies transmission/supply issues, feeder outages and the outage source on KWH's distribution system during the reporting period. That is, the report focuses on transmission issues and more significantly feeder outages, allowing for a high level review of the issues and initiation of solutions to mitigate re-occurrence of these issues. These weekly outage reports are reviewed on an annual basis to determine general feeder reliability.

7.3.2 KWH Monthly Reports

At the end of each month the Maintenance Supervisor produces a Monthly Report (Appendix R) that summarizes maintenance activities for each of the Stations & Underground Department, the Line Department and the Construction Department; the summary outlines the number of completed and outstanding MWO's and the number of estimated work hours scheduled and completed for planned and unplanned, critical maintenance work. Included in the Monthly Report is an individual report for each department. The Stations & Underground report recapitulates scheduled and completed station recloser maintenance, infrared hot spot repairs and other maintenance related to this group; likewise, the Line Department report recapitulates switch maintenance and infrared hot spot repairs. The individual reports also detail inspections completed within the month and are used for system survey reporting to the OEB. Lastly, the Monthly Report includes a Vehicle Maintenance Monthly Report, summarizing vehicle maintenance, specifications and tenders, and a Customer Service Deficiency Report, summarizing Customer Service Defect Letters issued for customer-owned transformers.

A monthly Damaged Equipment Report (Appendix R) is generated automatically from event logs captured in the SCADA system and reviewed for preparation and inclusion in the Monthly System Report produced jointly by the Manager of Construction & System Planning and the Operations Manager. The Monthly System Report (Appendix R) is a high-level summary of construction, health & safety activities and general activities from the maintenance, metering, protection and control, locate and control room departments. Similarly, each of the managers for the Finance, Engineering and Information Technology departments request summary reports from the supervisors within the respective departments for compilation and reporting of the departmental activities on a monthly basis.

7.3.3 KWH Annual Reports

Appendix S of this review contains the Minimum Inspection Requirements of the OEBs Distribution System Code. This document describes, in detail, the inspection standards and inspection cycles

required within the code. Table C-1 identifies the maximum intervals for the inspection cycle patrols, which for most urban facilities is 3 years. A definition of Patrol Inspection and a sample annual inspection summary report are included on page 1 and 10 of this document. KWH has developed a similar annual System Survey Report for reporting of visual patrols to the OEB. Major equipment categories for overhead and underground are not reported separately; rather the System Survey Report summarizes the number of geographical grids scheduled for inspection and completed and defects identified and repaired each month, providing a total for the year. As identified in Section 4 and 5, each grid is inspected to identify defects related to the overhead and underground distribution system, stations and civil infrastructure. As required by the OEB, the System Survey Report is submitted to the OEB on an annual basis.

The Manager of Construction and System Planning and the Operations Manager jointly prepare an Annual Engineering & Operations Report (Appendix T). The report provides a summary of the Monthly System Reports but also summarizes the work completed by the Operations and Engineering departments throughout the year including construction and maintenance activities and details statistics, cost indices and system outages, for example, for presentation to the KWH Board of Directors. Likewise, the Finance and IT Departments and the President and CEO each prepare their own annual report for presentation to the Board of Directors.

8 Commentary

The interview process has confirmed that KWH follows good utility practices that contribute to responsible management of the overhead and underground distribution system and substations. This section presents a brief summary and commentary on the benefits of the current asset management practices.

8.1 Inspections

The Minimum Inspection Requirements (Appendix S) of the OEBs Distribution System Code, documents, in detail, the inspection standards and cycles required within the Code. Table C-1 identifies the maximum intervals for the inspection cycle patrols, which for most urban facilities is 3 years. A definition of Patrol Inspection is included on the first page of the document.

KWH's service area is served by an urban distribution system serving the City of Kitchener and a rural distribution system serving the Township of Wilmot. Its service area is structured into geographical zones for implementation of routine visual patrols to comply with the OEB inspection requirements; that is, approximately one third of the overhead and underground distribution system, including civil infrastructure, is inspected each year. Equipment in Transformer Stations and Distribution Stations are inspected on a weekly or yearly basis, depending upon the nature of the equipment. Regardless of whether the substations are indoor or outdoor, the weekly inspection cycles allow for close monitoring of the stations and therefore does not warrant different inspection cycles based on the nature of the station as suggested in the Minimum Inspection Requirements.

The visual inspections of the major distribution facilities, noted below, are comprehensive and the level of detail is beyond the Patrol Inspection Definition. In addition to fulfilling the requirements of the DSC, the inspections allow for deficiencies and the general condition of system components and related peripheral equipment and hardware, including vegetation growth, to be realized and documented with sufficient lead time and for subsequent analysis in support of maintenance and capital planning activities concerning the following assets:

- Poles/Supports/Hardware
- Conductors
- Switches and Protective Devices
- Transformers
- Stations
- Civil Infrastructure
- Vegetation

In addition to the routine inspection of the above facilities KWH's preventative maintenance activities further contribute to visual inspections through the use of specialized inspection techniques such as IR Thermography and oil testing; additionally, the preventative maintenance activities, such as insulator washing, serve as a secondary visual inspection as the condition of facilities is further noted. These combined inspection and maintenance activities should provide adequate warning of asset deterioration and major problems.

8.2 Maintenance

General maintenance is essential to maintaining the functional integrity of the distribution system. Furthermore, such maintenance reduces overall costs, service disruptions and the need for immediate or emergency expenditures. KWH has recognized these benefits and, as such, has implemented two maintenance programs: reactive maintenance and preventative maintenance.

The reactive maintenance program serves to address and remedy any deficiencies noted during inspections where any critical issues are identified and addressed immediately. The remaining deficiencies are further prioritized based on external demands and customer impact, for example deficiencies affecting service reliability, and are subsequently channeled into a maintenance schedule for completion within 1 month to 3 years, prior to the next inspection period. Alternatively, through data analysis further elaborated below, these deficiencies may be channeled into a capital program for asset replacement.

The preventative maintenance program is a more structured and comprehensive program for scheduling and completion of routine maintenance, combined with inspections, of the distribution facilities. The frequency of maintenance varies but generally considers the available technology to perform maintenance, manufacturer specifications and relative importance to the overall system reliability of the equipment. The program encompasses all the activities that are considered to be industry standard, including switch maintenance, IR thermography of overhead and some underground plant, insulator washing, vegetation management, power transformer maintenance, circuit breaker and recloser maintenance and dry-ice cleaning.

8.3 Documentation

Documentation of asset-management related activities is largely paper-based, whereby inspection forms, maintenance reports, work orders and maintenance activity instructions are issued and submitted on paper; however, the originals of all these forms are maintained electronically. Additionally, IR thermography reports and insulator cleaning reports, completed by external contractors, are also submitted on paper. Although paper-based, KWH does well in organizing and maintaining these records for at least seven years.

Records that are created and/or maintained electronically include historical data and event logs generated by the SCADA system and downloaded to an Excel spreadsheet and outage records and damaged equipment reports, both of which are maintained in an Access database. Additionally, Excel spreadsheets are used to track and schedule breaker and recloser preventative maintenance and for tracking work orders issued and completed.

8.4 Data Analysis

Data analysis is performed as inspection and maintenance reports are submitted. That is, the deficiency reports and general preventative maintenance reports are reviewed and analyzed for trends, quality and impact on reliability; an informal root cause analysis may be performed for habitual equipment defects or failures with solutions addressed in revised maintenance activities or capital projects. For example, trending and analysis revealed areas of the distribution system with high salt contamination; the subsequent solution implemented was to change the maintenance frequency for insulators, specifically increasing insulator washing activities, to minimize flashovers and outages, thereby improving reliability. Another example is preventative maintenance of KWH-owned transformers at customer-owned substations. Inspections and subsequent data analysis of the inspection results revealed that excess dirt is accumulating on the transformers at some locations. KWH is considering expanding its dry ice cleaning

program to include transformers in some of the dirtier locations. This preventative maintenance activity can be implemented without having to de-energize the transformers, ultimately improving reliability.

Furthermore, items of concern are discussed informally between KWH staff or more formally through regular and frequent departmental meetings in which maintenance activities are typically addressed. These and other meetings also serve as the general forum for addressing distribution network items that may impact system performance or expenditures and in support of additional maintenance or capital expenditures. Reports produced by the Control Room on a weekly, monthly or yearly basis analyze and summarize distribution system events and outages in a variety of different ways. Weekly Outage Reports list every outage together with cause, duration and number of customers affected. Monthly System Reports list every equipment failure together with cause as well as any operating, maintenance or construction activity worthy of note. Annual reports produced by the department managers summarize the significant construction and maintenance activities. Operation, performance and fiscal statistics are presented and compared with previous years. Customer reports from the GIS system, the SCADA system, the Customer Information System, the Financial System, the Purchasing System, the transformer database, the meter database and other corporate databases are easy to configure and run on demand to support decision making processes. Queries across databases are almost as easy to configure, but usually require assistance from the Information Technology staff. Senior staff involved in the operation and maintenance of the distribution system receives copies of all these reports. Discussions of emerging trends and potential initiative to improve performance are ongoing. As an example, staff observed that various reports identified animal contacts (particularly squirrels) as the cause of a significant number of outages. Feeder outage reports from the SCADA system were examined to determine the worst performing feeder. These reports further confirmed that animal contacts were the cause of many of the outages on the worst performing feeder. KWH began experimenting with different approaches to animal guarding on this feeder to develop a cost effective strategy for improving reliability. KWH intends to apply lessons learned to other feeders experiencing high rates of animal contacts. Animal guarding has been incorporated into the standards for pole lines in treed areas. Expenditures on retrofitting lines with animal guarding have risen from $50,000 in 2008 to $100,000 in 2009 and proposed $175,000 in 2010.

Another example can be found in KWH's experience with submersible transformers. For some time, KWH's reports have shown transformer failures in unexpected areas. The records revealed that submersible transformers were failing prematurely in certain areas on the distribution system. Examination of failed units revealed a corrosion problem in areas where the soil is poorly drained. Specifications and standards were revised (for stainless steel tanks and hardware) to make the transformers more resistant to corrosion. A limited replacement program was implemented. Ongoing monitoring has revealed additional weaknesses which are being corrected through further design changes. Once the mitigating measures have proven to be effective, KWH intends to begin changing out transformers on a proactive basis in problem areas to improve reliability.

8.5 Reporting

As outlined in the Minimum Inspection Requirements of the DSC, utilities are to submit a summary report of patrols on an annual basis; Appendix U is an example of an annual System Survey Report that is submitted to the OEB to satisfy the requirements.

KWH has demonstrated good reporting practices among various departments throughout the calendar year as noted in Section 7.3; additionally, reports are presented before the Board of Directors. The practice of reporting to departments and the Board of Directors has many benefits to the utility including greater transparency, improved planning, ensuring measurable results and providing accountability.

8.6 Systems

Overall good data has been captured in the GIS that allow KWH to map and view its distribution system. This information, combined with the routine transfer of data from the CIS, transformer database and metering database, further provide valuable asset details to GIS users that can assist in project planning; for example, capital rebuild projects may be planned in areas that the GIS shows to have aging overhead plant and as confirmed by inspections. Furthermore, KWH is diligent in and has a robust procedure for updating asset information and field changes based on maintenance or capital activities. The combined

availability of information and the routine updates to the data eliminates inconsistencies between data sets and enhances ease-of-use and confidence of data in the GIS, generally improving overall operations within KWH.

It should be noted that KWH has begun to investigate means to leverage the existing GIS to improve asset management practices. Specifically, KWH would like to utilize the GIS to perform spatial queries of equipment to determine, for example, equipment damage or failure patterns based on geographical patterns in location. Although such a practice may require a modification to what data is recorded, or how it is recorded, KWH recognizes that spatial queries are beneficial as they allow the GIS data to relate to other data and improve overall reliability.

The SCADA system at KWH has the functionality typically utilized by a local distribution company, providing real-time knowledge of system performance and control, thereby facilitating network operations.

KWH has recognized the benefits of an Outage Management System (OMS), including reduced outage durations and frequency, thereby improving reliability and SQI's, and improved customer satisfaction; as such, consideration is currently being given to an OMS with integration with the GIS, SCADA system and smart meters for advanced outage detection capability and in support of distribution planning activities.

9 Considerations

While many of the practices at KWH contribute to a well-developed asset management program, additional consideration could be given to the following items which would enhance the existing program and demonstrate leading asset management practices.

As noted in Section 8.4, KWH has currently analyzes data from their inspection and maintenance reports as a condition assessment of their assets. It has been noted by the OEB that while condition and age are important considerations in an asset management program, consideration must be given to the performance of the distribution system, specifically, as noted in the introduction to this document, to feeder performance. While system performance is considered in Weekly and Annual Outage Reports and through calculation of SQI's on an annual basis, consideration could be given to a more robust practice of reviewing feeder performance with respect to asset management. Such practice could provide a mechanism of relating condition/age with system performance to determine risk of failure or outage for example. Additionally, consideration could be given to an annual review of SQI's with respect to maintenance and capital activities completed, again to provide better insight into asset condition/age and reliability. These data could be used to justify long-term capital expenditures in an asset management strategy. The degree to which these are considered should be decided by KWH.

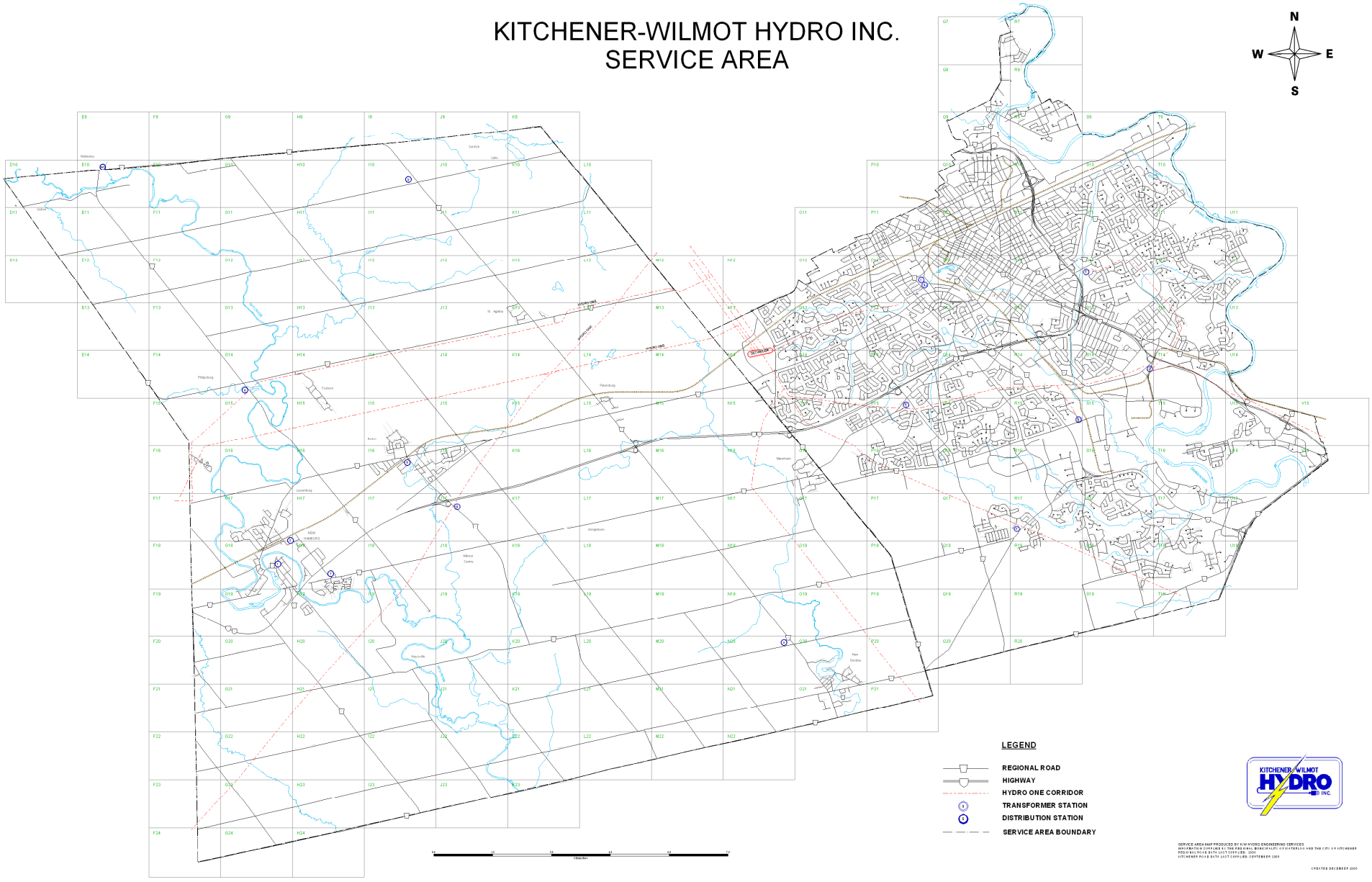
Additional consideration could be given to upgrading the SCADA system to a Windows-based platform, as the manufacturer is developing new products for Windows-based systems (such as fault detection isolation and restoration programs) and slowly phasing out support of VMS-based systems. The existing SCADA capabilities are acceptable for now, but may not be suitable for integrating smart grid applications such as OMS or integration with GIS for data exchange. An upgrade of the SCADA system is planned for 2009/2010.

As noted in Sections 7.2 and 8.6, the GIS is well populated and utilized, with current plans to further enhance the use of this system to perform spatial queries of damages/failures to improve reliability. This is encouraged as it will allow for a more formalized method of analysis and will enhance the current method of informal reporting through weekly meetings to identify reliability issues. Consideration could also be given to integrating inspection and maintenance records with the GIS. The current paper-based process works well, but is cumbersome. It is suggested that electronic versions of the inspection and maintenance forms be maintained with inspection and maintenance history records in the GIS. This would encourage and facilitate data sharing and further enhance the use of the GIS to provide asset condition.

Lastly, it should be noted that documentation of maintenance instructions is inconsistent between assets. Consideration could be given to updating existing instructions and writing new instructions that detail specific maintenance procedures for remaining assets to ensure consistency in maintenance.

APPENDIX A

KITCHENER-WILMOT HYDRO INC.
SERVICE AREA



APPENDIX B

Kitchener-Wilmot Hydro Inc.
System Inspection Work Log Sheet

1. Fill in date which inspection is done.

2. Fill in transformer number, switch number, or other equipment numbers.

3. Check appropriate column if all is clear.

4. Fill in system grid area.

5. Indicate via check mark if a defect sheet was issued to the superintendent.

6. Provide location and description of defect found.

7. Initial / Name of inspector.

8. Sheets to be returned to Operations when all 12 entry lines are filled or on a monthly basis.

Kitchener-Wilmot Hydro Inc.
System Defect Form Instructions

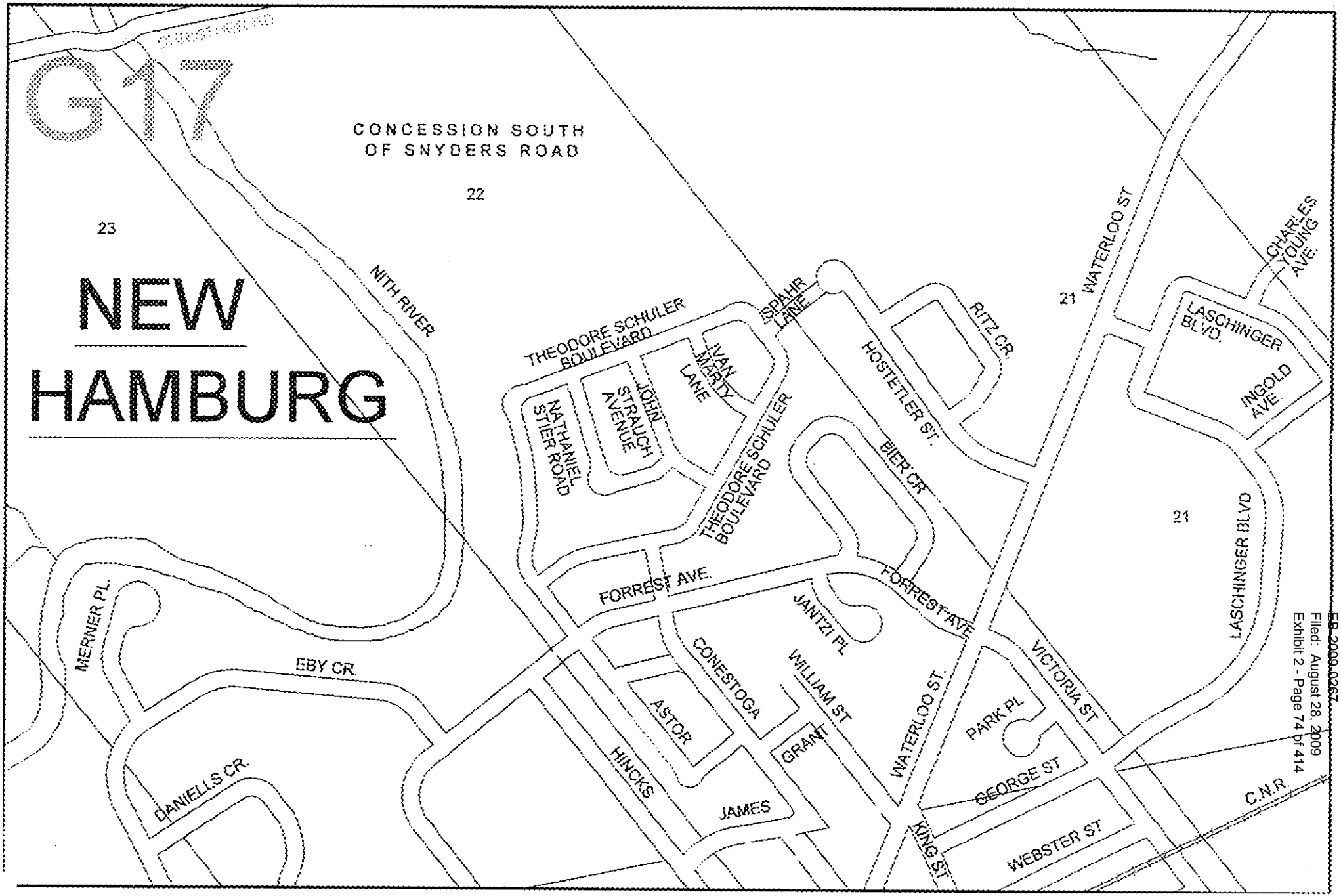
1. Fill out survey form when a system defect is found.

2. Fill out the location section information including exact, specific location particulars.

3. Record pertinent information using the short form letter codes.
   ie.. S= Satisfactory, U= Unsatisfactory, R= Replace, N/A= Not applicable, Y= Yes, N= No,
   OK= All clear, Fill other comments into blanks lines provided.

4. Date and sign. (print name if signature is hard to read)

5. Hand in sheet to Superintendent so that appropriate action can be taken.



Kitchener-Wilmot Hydro Inc.
EB-2009-0267
Filed: August 28, 2009
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Kitchener-Wilmot Hydro Inc.

Inspection as per "System Defect Report" sheet.

If the inspection uncovers a problem, fill out a defect sheet and turn it in to the Maintenance Supervisor.

Return this log sheet when all 12 entry lines are full or on a monthly basis.

	Date	Overhead Tx. and/or Switch no.	Padmount Tx. number	Submersible Tx. number	All Clear (✓)	Defect Sheet Issued ? (✓)	Basic Description of Defect (s) Found	Inspector's Name & Initial
1	Nov 13/08	TX 13377			✓		1115 WATERLOO ST NH.	BH.
2	" "	LB 7509			✓		WATERLOO AT. LASCHINGER.	BH
3	" "	LBD 7619			✓		" "	BH
4	" "	LB 7621			✓		" "	BH
5	" "	LB 7506			✓		" "	BH
6	" "	LB 7547			✓		" "	BH
7	" "	LB 7573			✓		" "	BH
8	" "	TX 219			✓		460 WATERLOO ST	BH.
9	" "	LB 6035			✓		" "	BH.
10	" "	TX 12862			✓		448 " "	BH.
11	" "	TX 12863			✓		446 " "	BH
12	" "	TX 12864			✓		" "	BH.

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Kitchener-Wilmot Hydro Inc.

Inspection as per "System Defect Report" sheet.

If the inspection uncovers a problem, fill out a defect sheet and turn it in to the Maintenance Supervisor.

Return this log sheet when all 12 entry lines are full or on a monthly basis.

	Date	Overhead Tx. and/or Switch No.	Padmount Tx. number	Submersible Tx. number	All Clear (✓)	Defect Sheet Issued ? (✓)	Basic Description of Defect (s) Found	Inspector's Name & Initial
1	Nov 13/08	Tx 7134			✓		329 WATERLOO ST NH	BH.
2	" "	Tx 7135			✓		" "	BH
3	" "	Tx 7136			✓		" "	BH.
4	" "	L1 27-30			✓		283 WATERLOO ST NH.	BH
5	" "	Tx 6056.			✓		280 " "	BH.
6	" "	LB 7297			✓		10 WATERLOO ST	BH.
7	" "	Tx 2291			✓		19 WATERLOO ST	BH
8	" "	Tx 1078			✓		" "	BH
9	" "	Tx 1077			✓		" "	BH.
10	" "	Tx 2425			✓		49 WATERLOO ST	BH.
11	" "	R 1253			✓		" "	BH.
12	" "	Tx 2420			✓		86 WATERLOO ST	BH

Kitchener-Wilmot Hydro Inc.
EB-2009-0267
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System Inspection Work Log Sheet

Kitchener-Wilmot Hydro Inc.

Inspection as per "System Defect Report" sheet.

If the inspection uncovers a problem, fill out a defect sheet and turn it in to the Maintenance Supervisor.

Return this log sheet when all 12 entry lines are full or on a monthly basis.

	Date	Overhead Tx and/or Switch No.	Padmount Tx. number	Submersible Tx. number	All Clear (✓)	Defect Sheet Issued ? (✓)	Basic Description of Defect (s) Found	Inspector's Name & initial
1	Nov 13/08	LB 7019			✓		111 WATERLOO ST N/H	BH.
2	" "	R 1697			✓		114 " "	BH.
3	" "	TX 847			✓		" "	BH.
4	" "	LB 5643			✓		156 WATERLOO ST.	BH.
5	" "	TX 1322			✓		175 " "	BH.
6	" "	TX 1323			✓		" "	
7	" "	TX 1324			✓		" "	
8	" "	LB 7311			✓		" "	
9	" "	LOD 2711			✓		WATERLOO & ARNOLD	
10	" "	FL1 27-14			✓		" "	
11								
12								

Kitchener-Wilmot Hydro Inc.
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System Inspection Work Log Sheet 617 ...no. 7557-

Kitchener-Wilmot Hydro Inc.

Inspection as per "System Defect Report" sheet.

If the inspection uncovers a problem, fill out a defect sheet and turn it in to the Maintenance Supervisor.

Return this log sheet when all 12 entry lines are full or on a monthly basis.

	Date	Overhead Tx. and/or Switch No	Padmount Tx. number	Submersible Tx. number	All Clear (✓)	Defect Sheet Issued ? (✓)	Basic Description of Defect (s) Found	Inspector's Name & Initial
1	Dec 9/05	LB7077			✓		Hostetler St. #27	RJ
2	"	LB7031			✓		55 Hostetler St.	RJ
3	"	LB6946			✓		93 Hostetler St.	RJ
4	"	LB5653			✓		97 Hostetler St	"
5	"	R1307 PR519			✓		97 Hostetler St.	"
6	"	LB7599			✓		105 Hostetler St.	"
7	"	LB7601 7604 7603			✓		109 Hostetler St. @ end	"
8	"	Tx 7415			✓		148 Hincks St.	"
9	"	Tx 432			✓		140 Hincks St.	"
10	"	Tx 431			✓		116 Hincks St.	"
11	"	Tx 2811			✓		108 Hincks St	"
12	"	LB7022			✓		66 Hincks St	"

Kitchener-Wilmot Hydro Inc.
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System Inspection Work Log Sheet 617

Kitchener-Wilmot Hydro Inc.

Inspection as per "System Defect Report" sheet.

If the inspection uncovers a problem, fill out a defect sheet and turn it in to the Maintenance Supervisor.

Return this log sheet when all 12 entry lines are full or on a monthly basis.

	Date	Overhead Tx. and/or Switch no.	Padmount Tx. number	Submersible Tx. number	All Clear (✓)	Defect Sheet Issued ? (✓)	Basic Description of Defect (s) Found	Inspector's Name & Initial
1	Dec-9/08	LB 5595 5597 5596			✓		94 James St.	PJ
2	"	Tx- 15333			✓		90 James St	"
3	"	Tx. 2417			✓		66 James St.	"
4	"	LB 7314			✓		James @ Lancaster	"
5	"	Tx 4818			✓		28 Webster St.	"
6	"	Tx. 152294			✓		35 Webster St	"
7	"	Tx. 353923			✓		49 Webster St.	"
8	"	Tx. 1393			✓		Webster St.	"
9	"	LB 7293			✓		Webster St.	"
10	"	Tx. 1110			✓		57 Webster St	"
11	"	LB 5532			✓		121 Webster St	"
12	"	Tx. 1872			✓		23 George St	"
13	"	Tx 2411			✓		7 King St. e Weber St	" system inspection

Form 470

Kitchener-Wilmot Hydro Inc.
EB-2009-0267
Filed: August 28, 2009
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APPENDIX C

Kitchener-Wilmot Hydro Inc.
Overhead System Defect Report

Grid # _____

Wood pole _____, Concrete pole _____, Streetlight standard _____.

Location _____ .
(Street, address, cross street(s), tx. number, pole number, switch number, landmarks, etc.)

Check and fill in applicable section(s)

Condition codes; S = Satisfactory, U = Unsatisfactory, R = Replace, N/A = Not Applicable
Y = Yes, N = No, OK = All Clear or fill comments into blanks provided.

Specify work completed or work still required.

	YES	NO
Is pole in good condition, should it be replaced ?		
Is wood shell rot or spalling concrete present ?		
Is pole straight and is guying sound ?		
Is / are crossarm(s) in good condition ?		
Is transformer in good condition ?		
Are switches in good condition ?		
Is nomenclature in place ?		
Is conductor insulation in good condition ?		
Are cable dip(s) is good condition ?		
Replaced guy guard(s) while on site ?		
Streetlight cover plate replaced ?		
Is tree trimming required ?		

* More specific detail or other overhead system defects in need of attention.

Date _____ Signed _____

See other side of this sheet for Underground System inspection

APPENDIX D

Date issued 1/26/2009

Kitchener-Wilmot Hydro Inc.
Maintenance Work Order

for the Line Department

To: **Line Superintendent** File No. 7430

From: S. Chomitz

Equipment (Type & Location) Wilmot centre road,
Switch 5297

Work to be Done -

Inspect / repair hot line clamp.
Intermediate hot spot
See attached report

WHEN -- **asap**

Estimated Time Required = **2 hours**
or as required

Charge to WORK ORDER 11140

Maintenance Report

Completion Date _____ 20_____ **Signed** _____

APPENDIX E

Work Order _____

Kitchener-Wilmot Hydro Inc.
Overhead Line Maintenance Sheet

Check where applicable.
* Specify defects on back of sheet.

Switch Number _____

Switch Location _____

Voltage Rating _____ Ampere Rating _____

Manufacturer _____ Catalogue # _____

Type of Switch ☐ LI ☐ FLI ☐ AB

Pole Information ☐ Height ☐ Wood ☐ Concrete

Pole Condition ☐ OK ☐ Fair ☐ Poor

Crossarm Cond. ☐ OK ☐ Fair ☐ Poor

Switch Condition	**Yes / OK**	**No / Poor**	**Comments**
Clean all electrical contacts and blades	☐	☐	_____
Open / close switch to ensure proper operation	☐	☐	_____
Arc snuffer operation and condition	☐	☐	_____
Check all insulators for contamination or cracks	☐	☐	_____
Reinsulate deadend material (25kv resline)	☐	☐	_____
Install 500 MCM copper loops (if needed)	☐	☐	_____
Replace old ampacts	☐	☐	_____
Install lightening arresters (if needed)	☐	☐	_____
Inspect grounding and revise if needed.	☐	☐	_____
Install or repair operating handle ground strap.	☐	☐	_____
Inspect switch rod. If it is not present or if it is not in good condition, install a new 9 foot insulated rod.	☐	☐	_____
Check that the lock is in place and in good condition	☐		Replace faulty locks while on site.

Ensure that the switch is open/close operated before leaving.

Inspected by _____
(print name)

Signed _____ Date _____

APPENDIX F

K-LINE MAINTENANCE & CONSTRUCTION LIMITED

INSULATOR CLEANING REPORT

JOB NO.: 11082-05-12 DATE: JUNE 14/06

CUSTOMER NO.: _____

CIRCUIT(S): 26M12 26M13

NO. OF POLES: 123

LOCATION: - NOTRE DAME - BETWEEN SNYDER'S Rd + DS. 5

REPORT DAMAGES, ETC.: Notre Dame - Pole #D 28 opposite 911 # 1554 CENTER Ø TOP CIRC. BROKEN INSULATOR

COMPANY REPRESENTATIVE: J.R. Steele

CUSTOMER SIGNATURE: _____
(If required)

Kitchener-Wilmot Hydro Inc.
Maintenance Work Order

for the Line Department

To: **Line Superintendent** File No. 7430

From: S. Chomitz

Equipment (Type & Location) Overhead 27.6 kv

Work to be Done -

Replace broken insulator pole 28 opposite 911 # 1554, Notre Dame.
Found during insulator washing.
See attached sheet

WHEN -- 1 month

Estimated Time Required = 6 hours
or as required

Charge to WORK ORDER 8530

Maintenance Report

Completion Date Dec. 13 20 08 **Signed** D. Smith

APPENDIX G

Kitchener-Wilmot Hydro Inc.
Underground System Defect Report Grid # _____

Network _____, Pullbox _____, Submersible _____, Padmount _____

Location _____,_____.
(Street, address, cross street, tx. number, vault or PB number, switch number, landmarks, etc.)

Check and fill in applicable section(s)

Condition codes; S = Satisfactory, U = Unsatisfactory, R = Replace, N/A = Not Applicable
Y = Yes, N = No, OK = All Clear or fill comments into blanks provided.

Specify work completed or work still required.

	YES	NO
Is lid in good condition ?		
Is sinkage occurring around vault ?		
Is mud or water running into vault ?		
* Is the vault or pullbox concrete in good shape ?		
* Is adjacent sidewalk in good condition ?		
* Is vault grille and guard in good condition ?		
* Are there any signs of oil leakage ?		
* Are there any signs of equipment corrosion ?		
Are nomenclature and equipment numbers on ?		
Is access to the enclosure blocked ? (padmount)		
Installed hold down nuts on submersible grille.		
Installed "Danger High Voltage" stickers.		
Painted over any grafitti on enclosure.		
Lock oiled or replaced.		

* More specific detail or other underground system defects in need of attention.

_____

_____

Date _____ Signed _____

See other side of this sheet for Overhead System inspection

APPENDIX H

Kitchener-Wilmot Hydro Inc.
Underground System Padmounted Transformer Survey Sheet

Grid # _____ (This form is to be filled in when a defect is found)
Check the box(es) that correspond to the type of defect(s) found.

Location _____
(Street, address, cross street, tx. number, landmarks, etc.)

	Needs Attention
Is unit placed square on the concrete pad ?	☐
* Are grading changes present ?	☐
Does it have a "Danger High Voltage" sticker on it ? Install a sticker if it is missing one	☐
Is there any graffiti on the transformer ?	☐
Is the lock secure ?	☐
Is nomenclature present ?	☐
* Is access to the front of the transformer blocked ?	☐
* Are there any signs of oil leakage ?	☐
* Does it require repainting ?	☐
* Are there any signs of equipment corrosion ?	☐

* More specific detail or other underground system defects in need of attention.

*

*

Inspector's Name _____
(please print name)

Date _____ Signed _____

Kitchener-Wilmot Hydro Inc.
Underground System Submersible Survey Sheet

Grid # _____ (This form is to be filled in when a defect is found)
Check the box(es) that correspond to the type of defect(s) found.

Location _____
(Street, address, cross street, tx. number, vault or PB number, switch number, landmarks, el

Needs Attention

Is lid in good condition ? ☐

Is sinkage occurring around vault ? ☐

Is mud or water running into vault ? ☐

* Is concrete in good shape ? ☐

* Is adjacent sidewalk in good condition ? ☐

* Is vault grille in good condition ? ☐

Are the grille hold down nuts installed ? ☐

* Are there any signs of oil leakage ? ☐

* Are there any signs of equipment corrosion ? ☐

* More specific detail or other underground system defects in need of attention.

*

*

Inspector's Name _____
(please print name)

Date _____ Signed _____

APPENDIX I

	Routing	Initial
1.	Chief Op.	
2.	S&U Super.	
3.	Mtce. Sup.	
4.	Operations	

KITCHENER-WILMOT HYDRO INC.
WEEKLY INSPECTION OF # 1 DISTRIBUTION STATION
25 Peel Street in New Hamburg

1 DS
Tx. No. 1414
5000 kvA
Operations file 7251

1. WEEKLY TRANSFORMER AND BUILDING CHECKS

OIL TEMP.GAUGE READING _____ WINDING TEMP. _____

MAIN TANK OIL LEVEL READING

Low	25C	High

MAIN TANK PRESSURE; check( ) +VE pressure _____ or - VE pressure _____

BATTERY READING _____ VOLTS.

	YES	NO
OIL TIGHT, RECLOSERS, TRANSFORMER TANK AND RADIATORS * If leaking specify.		
TRANSFORMER EXPLOSION VENT INTACT ?		
ABSENCE OF FOREIGN MATERIAL ON OR IN BUS *		
BUSHINGS, INSULATORS, OR ARRESTERS OK ? *		
STATION HEATERS WORKING ?		
FENCES, GATE(S), DOOR LOCKS, DOOR CONDITION, WINDOWS OK ? *		

2. WEEKLY RECORD OF RECLOSER OPERATIONS / AUTO TARGETS / VOLTAGE

	RED	WHITE	BLUE	GROUND	COUNTER
1DSF1					
1DSF2					
1DSF3					
VOLTAGE					

3. MONTHLY CHECKS.

	YES	NO
FLI AND FLI POLE IN OK CONDITION ? *		
FIRE EXTINGUISHER IN PLACE AND SEAL INTACT ?		
STATION BUILDING LIGHTS AND NIGHT LIGHTS, OK *		
CHECK AND CLEAN THE EMERGENCY EYEWASH STATION.		

* SPECIFY OTHER DEFICIENCIES ON THE BACK OF THIS FORM

DATE _____ SIGNED _____

Routing	Initial
1. Chief Op.	
2. S&U Super.	
3. Mtce. Sup.	
4. Operations	

KITCHENER-WILMOT HYDRO INC.

WEEKLY INSPECTION OF # 2 DISTRIBUTION STATION

5 Victoria Street in New Hamburg

2 DS

Tx. No. 1401
5000 kvA
Operations file 72

1. WEEKLY TRANSFORMER AND BUILDING CHECKS

OIL TEMP.GAUGE READING .....

CONSERVATOR TANK OIL LEVEL READING

Low	25C	High

BATTERY READING ..... VOLTS.

	YES	NO
OIL TIGHT, RECLOSERS, TRANSFORMER TANK AND RADIATORS * If leaking specify.		
TRANSFORMER EXPLOSION VENT INTACT ?		
ABSENCE OF FOREIGN MATERIAL ON OR IN BUS *		
BUSHINGS, INSULATORS, OR ARRESTERS OK ? *		
STATION FLI IN OK CONDITION ? *		
STATION HEATERS WORKING ?		
FENCES, GATE(S), DOOR LOCKS, DOOR CONDITION, WINDOWS OK ? *		

2. WEEKLY RECORD OF RECLOSER OPERATIONS / AUTO TARGETS / VOLTAGE

	RED	WHITE	BLUE	GROUND	COUNTER
2DSF1					
2DSF2					
2DSF3					
VOLTAGE					

3. MONTHLY CHECKS.

	YES	NO
FIRE EXTINGUISHER IN PLACE AND SEAL INTACT ?		
STATION VENTILATION FANS, BUILDING LIGHTS AND NIGHT LIGHTS, OK *		
CHECK AND CLEAN THE EMERGENCY EYEWASH STATION.		

* SPECIFY OTHER DEFICIENCIES ON THE BACK OF THIS FORM

	Routing	Initial
1.	Chief Op.	
2.	S&U Super.	
3.	Mtce. Sup.	
4.	Operations	

KITCHENER-WILMOT HYDRO INC.

WEEKLY INSPECTION OF # 3 DISTRIBUTION STATION

1452 Queen Street New Dundee

3 DS

Tx. No. 1403
5000 kvA
Operations file 7

1. WEEKLY TRANSFORMER AND BUILDING CHECKS

OIL TEMP.GAUGE READING _____

CONSERVATOR TANK OIL LEVEL	Low	25C	High

BATTERY READING _____ VOLTS.

	YES	NO
OIL TIGHT, RECLOSERS, TRANSFORMER TANK AND RADIATORS * If leaking specify.	☐	☐
TRANSFORMER EXPLOSION VENT INTACT ?	☐	☐
ABSENCE OF FOREIGN MATERIAL ON OR IN BUS *	☐	☐
BUSHINGS, INSULATORS, OR ARRESTERS OK ? *	☐	☐
FLI AND FLI POLE IN OK CONDITION ? *	☐	☐
STATION HEATERS WORKING ?	☐	☐
FENCES, GATE(S), DOOR LOCKS, DOOR CONDITION, WINDOWS OK ? *	☐	☐

2. WEEKLY RECORD OF RECLOSER OPERATIONS / AUTO TARGETS / VOLTAGE

	RED	WHITE	BLUE	GROUND	COUNTER
3DSF1					
3DSF2					
3DSF3					
VOLTAGE					

3. MONTHLY CHECKS.

TAPCHANGER COUNTER READING _____

	YES	NO
FIRE EXTINGUISHER IN PLACE AND SEAL INTACT ?	☐	☐
STATION VENTILATION FANS, BUILDING LIGHTS AND NIGHT LIGHTS. OK *	☐	☐
CHECK AND CLEAN THE EMERGENCY EYEWASH STATION.	☐	☐

* SPECIFY OTHER DEFICIENCIES ON THE BACK OF THIS FORM

DATE _____ SIGNED _____

	Routing	Initial
1.	Chief Op.	
2.	S&U Super.	
3.	Mtce. Sup.	
4.	Operations	

KITCHENER-WILMOT HYDRO INC.
WEEKLY INSPECTION OF # 5 DISTRIBUTION STATION
1766 Berlett's Road, Josephsburg

5DS

Tx. No. 1409
5000 kvA
Operations file 7255

1. WEEKLY TRANSFORMER AND BUILDING CHECKS

OIL TEMP.GAUGE READING _____

CONSERVATOR TANK OIL LEVEL READING

Low	25C	High

BATTERY READING _____ VOLTS.

	YES	NO
OIL TIGHT, RECLOSERS, TRANSFORMER TANK AND RADIATORS * If leaking specify.		
TRANSFORMER EXPLOSION VENT INTACT ?		
ABSENCE OF FOREIGN MATERIAL ON OR IN BUS *		
BUSHINGS, INSULATORS, OR ARRESTERS OK ? *		
STATION AIRBREAK AND FUSES IN OK CONDITION ? *		
STATION HEATERS WORKING ?		
FENCES, GATE(S), DOOR LOCKS, DOOR CONDITION, WINDOWS OK ? *		

2. WEEKLY RECORD OF RECLOSER OPERATIONS / AUTO TARGETS / VOLTAGE

	RED	WHITE	BLUE	GROUND	COUNTER
5DSF1					
5DSF2					
VOLTAGE					

3. MONTHLY CHECKS.

	YES	NO
FIRE EXTINGUISHER IN PLACE AND SEAL INTACT ?		
STATION VENTILATION FANS, BUILDING LIGHTS AND NIGHT LIGHTS, OK *		
CHECK AND CLEAN THE EMERGENCY EYEWASH STATION.		

* SPECIFY OTHER DEFICIENCIES ON THE BACK OF THIS FORM

Routing	Initial
1.Ch.Op.	
2. S&U.Sup.	
3.Mtce.Sup.	
4.Operations	

KITCHENER-WILMOT HYDRO INC. — **6DS**
WEEKLY INSPECTION OF # 6 DISTRIBUTION STATION — Tx.No. 1413
Located on 61 Mill Street in Baden — 5000 kva
Operations file 7256

1. Weekly Transformer and Building Checks

a) Gauge Readings; Oil Temperature _____ Winding Hot Spot _____

b) Main Oil Tank; check( ) Low - _____ 25 C - _____ High - _____

C) Main Tank Pressure; check( ) +VE pressure _____ or - VE pressure _____

	check( )	Yes	No
c) Oil tight; Transformer tank or radiators* Specify if leaking			
d) Absence of foreign material on or in buswork *			
e) Explosion vent, bushings, insulators and/or arresters, OK ? *			
f) FLI and FLI pole in good condition ? *			
g) Station heaters working ?			
h) Fences, gate(s), door locks, door condition, windows, OK ? *			
i) Battery bank inspection, is bank ok ? * DC Charger voltage _____			

2. Weekly Record of Circuit Breaker Operations / Auto Targets / and Primary Voltage

	6DSF1	6DSF2	6DSF3
Counter Reading			
	Red	White	Blue
Voltage			

3. Monthly Voltage Regulator Inspection and Readings

	Red Phase		White Phase		Blue Phase	
Operations Counter						
Tap Position						
Lower Drag Reading						
Upper Drag Reading						
Drag Hands Reset						
Condition check( )	Yes	No	Yes	No	Yes	No
Oil Tight ?						
Oil Sight Gauge OK ?						
Bushing/Arrester OK ?						

4. Monthly Building Inspection	Yes	No
a) Fire Extinguisher Inspection; Unit is in place & the seal intact ?		
b) Check and clean emergency eyewash station.		
c) Station building lights and night lights functioning ? *		

*** Specify other deficiencies on the back of this form**

Date _____ Signed _____

	Routing	Initial
1.	Chief Op.	
2.	S&U Super.	
3.	Mtce. Sup.	
4.	Operations	

KITCHENER-WILMOT HYDRO INC.
WEEKLY INSPECTION OF # 7 DISTRIBUTION STATION
62 Heritage Drive, New Hamburg

7 DS

Tx. No. 1415
5000 kvA
Operations file 72

1. WEEKLY TRANSFORMER AND BUILDING CHECKS

OIL TEMP.GAUGE READING _____ WINDING TEMP. _____

MAIN TANK OIL LEVEL READING

Low	25C	High

MAIN TANK PRESSURE; check( ) +VE pressure _____ or - VE pressure _____

BATTERY READING _____ VOLTS.

	YES	NO
OIL TIGHT RECLOSERS, TRANSFORMER TANK AND RADIATORS * If leaking specify.		
TRANSFORMER EXPLOSION VENT INTACT ?		
ABSENCE OF FOREIGN MATERIAL ON OR IN BUS *		
BUSHINGS, INSULATORS, OR ARRESTERS OK ? *		
FLI AND FLI POLE IN OK CONDITION ? *		
STATION HEATERS WORKING ?		
FENCES, GATE(S), DOOR LOCKS, DOOR CONDITION, WINDOWS OK ? *		

2. WEEKLY RECORD OF RECLOSER OPERATIONS / AUTO TARGETS / VOLTAGE

	RED	WHITE	BLUE	GROUND	COUNTER
7DSF1					
7DSF2					
7DSF3					
VOLTAGE					

3. MONTHLY CHECKS.

	YES	NO
FIRE EXTINGUISHER IN PLACE AND SEAL INTACT ?		
STATION VENTILATION FANS, BUILDING LIGHTS AND NIGHT LIGHTS, OK *		
CHECK AND CLEAN THE EMERGENCY EYEWASH STATION.		

* SPECIFY OTHER DEFICIENCIES ON THE BACK OF THIS FORM

Routing	Initial
1.Ch.Op.	
2.S&U.Sup.	
3.Mtce.Sup.	
4.Operations	

KITCHENER-WILMOT HYDRO INC.
WEEKLY INSPECTION OF # 8 DISTRIBUTION STATION
Located on 2174 Nafziger Road, Phillipsburg

8 DS
Tx.No. 1408
5000 kva
Operations file 7258

1. Weekly Transformer and Building Checks

a) Gauge Readings; Oil Temperature _____ Winding Hot Spot _____

b) Main Oil Tank; check( ) Low - _____ 25 C - _____ High - _____

C) Main Tank Pressure; check( ) +VE pressure _____ or - VE pressure _____

check( )	Yes	No
c) Oil tight; Reclosers, Transformer tank or radiators* Specify if leaking		
d) Absence of foreign material on or in buswork *		
e) Explosion vent, bushings, insulators and/or arresters, OK ? *		
f) FLI and FLI pole in good condition ? *		
g) Station heaters working ?		
h) Fences, gate(s), door locks, door condition, windows, OK ? *		
i) Battery bank inspection, is bank ok ? * DC Charger voltage		

2. Weekly Record of Circuit Breaker Operations / Auto Targets / and Primary Voltage

	Red Phase	White Phase	Blue Phase	Ground	Counter
8DSF1					
8DSF2					
8DSF3					
Voltage					

3. Monthly Voltage Regulator Inspection and Readings

	Tx. No. 560 Red Phase		Tx. No. 561 White Phase		Tx. No. 562 Blue Phase	
Operations Counter						
Tap Position						
Lower Drag Reading						
Upper Drag Reading						
Drag Hands Reset						
Condition check( )	Yes	No	Yes	No	Yes	No
Oil Tight ?						
Oil Sight Gauge OK ?						
Neutral Light OK ?						
Bushing/Arrester OK ?						

4. Monthly Building Inspection	Yes	No
a) Fire Extinguisher Inspection; Unit is in place & the seal intact ?		
b) Check and clean emergency eyewash station.		
c) Station ventilation fans, building lights and night lights, OK ? *		

*** Specify other deficiencies on the back of this form**

Date _____ Signed _____

APPENDIX J

Signed_____ **1 TS** Date (week of) _____

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.
4. Operations
(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 1 TS

Located at 301 Victoria Street South

Pauwels Canada circa 1998
50 MVA with Reinhausen tapgear
T1-97970602 / T2-97970601

Daily Inspection of T1 Transformer	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
T1 hydran gauge reading (enter ppm reading in blank provided)	ppm		ppm		ppm		ppm		ppm	
Daily Inspection of T2 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
T2 hydran gauge reading (enter ppm reading in blank provided)	ppm		ppm		ppm		ppm		ppm	
115kV Circuit switcher targets, check pressure & reliefs OK *										
Neutral reactors are visually OK? *										
Absence of foreign material on or in any outdoor buswork *										

Daily Switchgear Building Inspection	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
K1T1-D12K & K1T2-D11K, 115 kV, cct. switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Building lights & heaters OK *										
Check control panel relays, record operated targets and reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks, fencing & grounds *		

Transformer oil level & thermometer read/reset	T1 Oil Level	T1 Oil Temp.	T1 Hot Spot	T2 Oil Level	T2 Oil Temp.	T2 Hot Spot

Gas accumulation gauge readings in cc.	T1	T2
	cc.	cc.

Monthly Inspection Date of Monthly Inspection _____

	T1	T2
Hydran readings, 30 day period change, in ppm.	ppm	ppm
Tapgear operation counter readings		

	Yes	No
Check that the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		
Check that all fire extinguishers are in place and intact; mark tags. (2, 20 lb. units)		

* Defect specifics are shown on back of sheet

3 TS

Signed _____ Date (week of) _____

Routing	KITCHENER - WILMOT HYDRO INC.	Page 1
1. Chief Op.	**Inspection of 3 TS**	T3-Westinghouse 33.3 MVA, T3-226214 (1954)
2. S & U Sup.	**Located at 194 Bleams Road**	T4-Westinghouse 33.3 MVA, T4-290379 (1954)
3. Mtce. Sup.		T5-Westinghouse 75MVA, A3S5709 (1984)
4. Operations		T6-ABB 100MVA, 28944 (1994)
(2 year retention)		

	Mon.		Tues.		Wed.		Thurs.		Fri.	
Daily Inspection of T3 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
115 kV airbreak arc restrictors intact *										
Daily Inspection of T4 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
115 kV airbreak arc restrictors intact *										
Daily Inspection of T5 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
115 kv circuit switcher targets, check pressure and reliefs OK *										
Neutral reactor OK *										
Daily Inspection of T6 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
115 kv circuit switcher targets, check pressure and reliefs OK *										
Neutral reactor OK *										
Absence of foreign material on or in any outdoor buswork *										

Continued on back of sheet

3 TS

Signed _____ Date (week of) _____

Routing	KITCHENER - WILMOT HYDRO INC.	Page 2
1. Chief Op. 2. S & U Sup. 3. Mtce. Sup. 4. Operations (2 year retention)	**Inspection of 3 TS** **Located at 194 Bleams Road**	T3-Westinghouse 33.3 MVA, T3-226214 (1954) T4-Westinghouse 33.3 MVA, T4-290379 (1954) T5-Westinghouse 75MVA, A3S5709 (1984) T6-ABB 100MVA, 28944 (1994)

Daily Switchgear Building Inspection	Mon.		Tues.		Wed.		Thurs.		Fri.	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
K2T3-D7G & K2T4-D9G, 115 kV, circuit switcher lamps OK *										
K3T5-D9G & K3T6-D7G, 115 kV, circuit switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Station service AC/DC breakers, building lights & heaters OK *										
Check control panel relays, record operated targets and reset.										
Record battery voltage (read at charger)	vdc		vdc		vdc		vdc		vdc	
Report if any DC grounds are present	vdc		vdc		vdc		vdc		vdc	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks, fencing & grounds *		
Check basement for water and check lighting, OK *		

	T3 Oil level	T3 Oil Temp.	T3 Hot Spot	T4 Oil level	T4 Oil Temp.	T4 Hot Spot
Power Transformer oil level & thermometer readings						
	T5 Oil Temp.	**T5X**	**T5Y**	**T6 Oil Temp.**	**T6X**	**T6Y**
Power Transformer oil level & thermometer readings						

	T5 Oil Level	T6 Oil Level

Gas accumulation gauge readings (in cc.) T3 _____ T4 _____ T5 _____ T6 _____

	T3 Oil level	T3 Oil Temp.	T3 Winding	T4 Oil Level	T4 Oil Temp.	T4 Winding
Gnd.Bank tx.oil level & thermometer readings						
	T3GB	**T4GB**				
Gnd. Bank tx.pressure gauge readings,(+ve, -ve or 0)						

Monthly Inspection Date of Monthly Inspection _____

	T3	T4	T51	T52	T61	T62
Tapgear operation counter readings						
Check that teeth are in aperature * (T3 & T4)						

	Yes	No
Check the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		
Check that all fire extinguishers are in place and intact; mark tags. (5, 20 lb. units)		

Signed_____ 4 TS Date (week of)_____

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.
4. Operations
(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 4 TS

Located at 301 Victoria Street South

T7-Ferranti-Packard 50 MVA,circa 1997,
CL18725-101-01, Reinhausen tapgear.
T8-Ferranti-Packard 83.3 MVA,circa 1986,
43711, Ferranti-Packard RT32 tapgear.

Daily Inspection of T7 Transformer	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank, tapgear & conservator tanks OK *										
Neutral reactor OK *										
T7 hydran gauge reading (enter ppm reading)	ppm		ppm		ppm		ppm		ppm	
Daily Inspection of T8 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank, tapgear & conservator tanks OK *										
Neutral reactor OK *										
115kV Cct. switch targets,check pressure & reliefsOK*										
Absence of foreign material on any outdoor buswork *										

Daily Switchgear Building Inspection	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
K4T7-D12K&K4T8-D11K,115 kV, cct. switch lampsOK*										
Switchgear indicating lamps OK (replace where needed)										
Station service breakers, building lights & heaters OK *										
Check feeder & instrument panel relays; Record and Reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present.	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks,fencing&grounds *		
Check basement for water and check lighting, OK *		

Transformer oil level & thermometer gauge readings.

T7 Temp.	T7X	T7Y	T8 Temp.	T8X	T8Y

T7 Oil Level	T8 Oil Level

Gas accumulation gauge readings on T7 & T8 (in cc.) _____ cc. _____ cc.

Monthly Inspection Date of Monthly Inspection _____

T71	T72	T81	T82

Tapgear operation counter readings

T7
ppm

Hydran readings on T7, 30 day period change, in ppm.

	Yes	No
Check station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		

* Defect specifics are shown on back of sheet

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.
4. Operations
(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 5 TS

Ferranti-Packard 83.3 MVA,circa 1977,
T9, 1-4067 / T10, 1-4066
Ferranti-Packard RT32 tapgear.

Located at 59 Graber Place

	Mon.		Tues.		Wed.		Thurs.		Fri.	
Daily Inspection of T9 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Neutral reactor OK *										
Daily Inspection of T10 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Neutral reactor OK *										
115kV Circuit switcher targets, check pressure & reliefs OK *										
Absence of foreign material on or in any outdoor buswork *										

	Mon.		Tues.		Wed.		Thurs.		Fri.	
Daily Switchgear Building Inspection	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
K5T9-D7G & K5T10-D9G, 115 kV, circuit switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Check feeder & instrument panel relays, record and reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present.	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks, fencing & grounds *		
Check basement for water and check lighting, OK *		

	T9 temp.	T9X	T9Y	T10 temp.	T10X	T10Y
Transformer oil level & thermometer gauge readings						

	T9 Level	T10 Level
Gas accumulation gauge readings on T9 & T10 (in cc.)	cc.	cc.

Monthly Inspection Date of Monthly Inspection _____

	T91	T92	T101	T102
Tapgear operation counter readings				

	Yes	No
General inspection of T99, Check heaters, no damage or leaks*		
Check the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		

Check that all fire extinguishers are in place and intact; mark tags. (2, 20 lb. units) ☐

* Specifics on back of sheet

Signed_____ 6 TS Date (week of)_____

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.
4. Operations
(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 6 TS

ABB, 83.3 MVA, circa 1990
T11 - 289866 / T12 - 289867
ASEA UZERT tapchangers

Located at 1425 Ottawa Street South

	Mon.		Tues.		Wed.		Thurs.		Fri.	
Daily Inspection of T11 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Neutral reactor OK *										
Daily Inspection of T12 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Neutral reactor OK *										
230kV Circuit switcher targets, check pressure & reliefs OK *										
Absence of foreign material on or in any outdoor buswork *										
	Mon.		**Tues.**		**Wed.**		**Thurs.**		**Fri.**	
Daily Switchgear Building Inspection	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
K6T11-M21D & K6T12-M20D, 230 kV,circuit switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Station service AC/DC breakers, building lights & heaters OK *										
Check feeder & instrument relays, record and reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present.	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks, fencing & grounds *		
Check basement for water and check lighting, OK *		

T11 temp.	T11X	T11Y	T12 temp.	T12X	T12Y
Transformer oil level & thermometer gauge readings					

T11 Oil Level	T12 Oil Level
Gas accumulation gauge readings T11 & T12 (in cc.) CC	CC

Monthly Inspection Date of Monthly Inspection _____

T111	T112	T121	T122
Tapgear operation counter readings			

	Yes	No
Check the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		

Check that all fire extinguishers are in place and intact; mark tags. (3, 20 lb. units) ☐

* Defect specifics are shown on back of sheet

Signed_____ 7 TS Date (week of)_____

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.
4. Operations
(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 7 TS

Ferranti Packard 50.0 MVA circa 1994
T13 - 1610401001 / T14 - 1610401002
Ferranti Packard RT32 tapchangers

Located at 75 Fairway Road South

	Mon.		Tues.		Wed.		Thurs.		Fri.	
Daily Inspection of T13 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear conservator tanks OK *										
Neutral reactor OK *										
Daily Inspection of T14 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank(s) is/are oil tight *										
Oil level in main tank and/or tapgear conservator tanks OK *										
Neutral reactor OK *										
115kV Circuit switcher targets, check pressure & reliefs OK *										
Absence of foreign material on or in any outdoor buswork *										
	Mon.		**Tues.**		**Wed.**		**Thurs.**		**Fri.**	
Daily Switchgear Building Inspection	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
K7T13-D7G & K7T14-D9G, 115 kV,circuit switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Station service AC/DC breakers, building lights & heaters OK *										
Check feeder & instrument relays, record and reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present.	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters, transformer fans & pumps OK *		
Check building doors, windows, gates/locks, fencing & grounds *		
Check basement for water and check lighting, OK *		

Transformer oil level & thermometer gauge readings

T13 Oil temp.	T13 X	T13 Oil Level
T14 Oil temp.	**T14 X**	**T14 Oil Level**

T13 gas accumulation gauge readings (in cc.)	cc.
T14 gas accumulation gauge readings (in cc.)	cc.

Monthly Inspection Date of Monthly Inspection _____

T13	T14
Tapgear operation counter readings	

	Yes	No
Check the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		
Check that all fire extinguishers are in place and intact; mark tags. (3, 20 lb. units)		

Signed_____ **8 TS** Date (week of) _____

Routing
1. Chief Op.
2. S & U Sup.
3. Mtce. Sup.

(2 year retention)

KITCHENER - WILMOT HYDRO INC.

Inspection of 8 TS

Located at 665 Huron Road

ABB Canada circa 2004
50 MVA with Reinhausen tapgear
T15 - 850401 / T16 - 850402

Daily Inspection of T15 Transformer	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
T15 hydran gauge reading (enter ppm reading in blank provided)	ppm		ppm		ppm		ppm		ppm	
Daily Inspection of T16 Transformer	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Main tank and/or tapgear tank is/are oil tight *										
Oil level in main tank and/or tapgear & conservator tanks OK *										
Explosion vent diaphragms OK *										
T16 hydran gauge reading (enter ppm reading in blank provided)	ppm		ppm		ppm		ppm		ppm	
230kV Circuit switcher gas monitors, pressure & reliefs OK *										
Neutral reactors are visually OK? *										
Absence of foreign material on or in any outdoor buswork *										
Daily Switchgear Building Inspection	Mon. Yes	Mon. No	Tues. Yes	Tues. No	Wed. Yes	Wed. No	Thurs. Yes	Thurs. No	Fri. Yes	Fri. No
K8T15-M21D & K8T16-M20D, 230 kV, cct. switcher lamps OK *										
Switchgear indicating lamps OK (replace where needed)										
Building lights & heaters OK *										
Check control panel relays, record operated targets and reset.										
Record battery voltage (read at charger)	VDC		VDC		VDC		VDC		VDC	
Report if any DC grounds are present	VDC		VDC		VDC		VDC		VDC	

Weekly Inspection Date of Weekly Inspection_____

	Yes	No
Check tapgear cabinet heaters & transformer fans, OK *		
Check building doors, windows, gates/locks, fencing & grounds *		

Transformer oil level & thermometer read/reset	T15 Level	T15 Temp.	T15 Wind.	T16 Level	T16 Temp.	T16 Wind.

	T15	T16
Gas accumulation gauge readings in cc.	cc.	cc.
Tapchanger oil temperature readings		

Monthly Inspection Date of Monthly Inspection _____

	T15	T16
Hydran readings, 30 day period change, in ppm.	ppm	ppm
Tapgear operation counter readings		

	Yes	No
Check that the station service transformers have no damage or leaks *		
Check and clean the emergency eyewash station.		
Check that emergency lighting is functioning OK *.		
Check that all fire extinguishers are in place and intact; mark tags. (3, 20 lb. units)		

(salmon sheet) * Defect specifics are shown on back of sheet

APPENDIX K

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: TAPCHANGER MTCE. ON T8 AT #4 T.S., T9 & T10 AT #5 T.S. AND T11 & T12 AT #6 T.S.		
Department:	Revision # 1	No: 51
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: June 19, 1987	Page 1 of 3

Tapchanger and associated maintenance on the Ferranti-Packard Transformers at #4 T.S., #5 T.S. and #6 T.S.

- Type RT, ON-LOAD Tapchangers

1) Each tapchanger unit is to be maintained once each year. The oil must be filtered from the tapgear compartment to an oil storage bag. The oil is then filtered through a filtration unit until a dielectric breakdown test of 32 KV is obtained. The oil should never be less than 25 KV dielectric.

2) The entire interior of the diverter case shall be washed with pressurized varsol until entirely clean. All varsol should be blown from pockets in the mechanical parts with a portable industrial blower.

3) Wipe down the entire interior of the cabinet with clean, dry cloths. Examine the drive mechanism for undue wear on any moving parts. Excessive drive mechanism play or backlash should be closely examined, measured and recorded for comparison at the time of the next inspection.

   Grease the reduction gears on the tapchanger motor drive lightly using a good grade of SKF grease or the equivalent. The bottom shaft bearing for the tapgear drive should also be greased. The motor bearings require no attention.

4) Examine the contacts on the tap selector and diverter switches. Excessively worn arcing contacts should be adjusted or replaced.

5) <u>Replacement or Adjustment of Arcing Contacts</u>
   The load diverter switches are equipped with tungsten-copper arcing contacts brazed to a copper backing. These arcing contacts should be examined periodically and adjusted or replaced, if necessary. When new, the tungsten-copper facing is approximately 7/32" thick at the crown. The contacts and backing should be replaced when the contacts have worn to within 1/16" of the backing The contact wear should be monitored at the time of each inspection.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: TAPCHANGER MTCE. ON T8 AT #4 T.S., T9 & T10 AT #5 T.S., AND T11 & T12 AT #6 T.S.		
Department:	Revision # 1	No: 51
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: June 19, 1987	Page 2 of 3

5) continued.....

NOTE: DO NOT DRESS THE CONTACTS WITH A FILE OR BY OTHER MEANS AS THIS WILL ONLY REMOVE USEFUL MATERIAL.

If the arcing contacts are worn but there is still sufficient useful arcing metal on them to warrant further service, check the operating sequence and adjust, if necessary, to ensure that the current carrying brushes open first and close last with the correct timing. To do this, centre the slide approximately by operating the hand crank on the motor drive, then slowly operate the diverter switch by pulling the open upper movable bridging contact arm over by hand. When the main arcing contacts are just breaking, the current carrying brush contacts must be open a minimum of 1/16". If this distance is less than 1/16", increase the spacing by slackening the nuts on the four slotted adjusting screws. (See the attached figure 1.)

When replacing the arcing contacts, check the operating sequence as described above and adjust the contact spacing, if necessary, so that the current carrying brush contacts are open 1/8" when the main arcing contacts are just breaking. Re-lock all of the fastening screws by bending the corners of the locking plates to prevent loosening during service.

Finally, turn the hand crank back to its original position and make sure that all diverter switches are fully locked in position. Push them into locking position, by hand, if necessary.

6) Report the general condition of all tapgear contacts and oil as found and when maintenance is completed. Record how many of each style of replacement parts were used. Indicate on the tapchanger maintenance report form.

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SUBJECT: TAPCHANGER MTCE. ON T8 AT #4 T.S., T9 & T10 AT #5 T.S. AND T11 & T12 AT #6 T.S.		
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7) When the work is completed on the tapchanger, make sure that no tools, rags etc. are left in the unit. Rebolt the door and replace the oil. The oil must be filtered to a dielectric breakdown test of 32 KV. A minimum period of two hours is required for oil to de-aerate before the transformer is energized.

8) References

a) Ferranti-Packard Limited, manufacturer's bulletins #A-1028 to A-1036 inclusive. (See Operations File No. 7105-79-CM1).

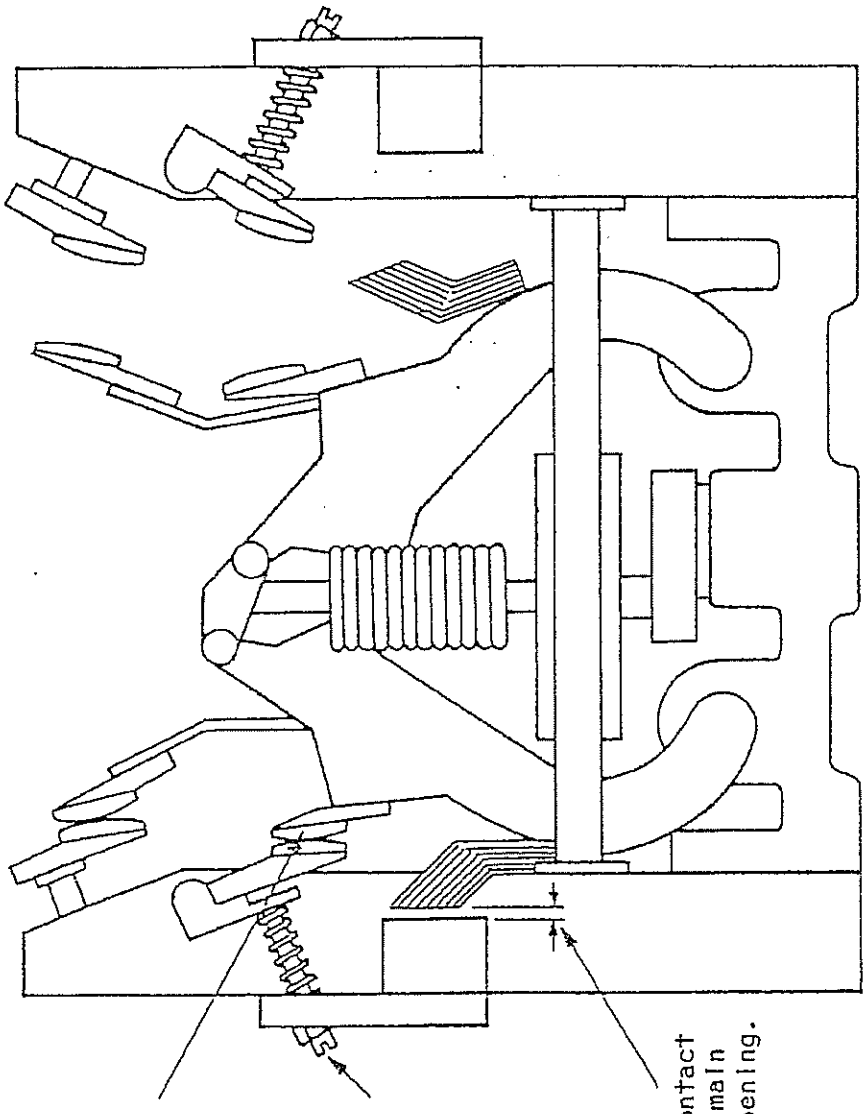

Main Arcing Contacts
Slotted Adjusting Screws
For new Arcing Contacts, Current-Carrying Brush Contact should be open 1/8" when main Arcing Contact is just opening.

Figure 1

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: TRANSFORMER OIL TESTING		
Department:	Revision #	No: 6
Operations Manager: J. VANOOTEGHEM	Date: OCT. 26, 1973	Page 1 of 1

1. Oil samples shall be sent to an outside laboratory for the following tests - Acidity, Dielectric, Interfacial Tension, Colour and Density.

2. Sampling containers will be provided by laboratory doing the testing. A sample of about one pint is suitable.

3. Sampling containers are to be warmer than the surrounding air temperature where sample is being taken.

4. The first sample drawn off is to be agitated in the sampling vessel, approximately one quart. A transformer having a sump where sampling valve is located, usually a ½" or 3/4" globe valve with a pipe plug in the outlet end; shall have sufficient oil removed to empty sump. Sample for testing shall then be taken.

5. The sample for test shall be sealed immediately after removal from the transformer.

6. Do not wipe out sample vessel. Do not make hand contact with interior of the vessel.

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OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: SAMPLING OIL FROM DRUMS OR SHIPPING CONTAINERS		
Department:	Revision #	No: 7
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: NOV. 26, 1973	Page 1 of 1

1. The oil drum should remain undisturbed for several hours before drawing the sample.

2. A glass thief is to be used to remove sample from drum.

3. The thief should be cleaned before taking sample. Fill thief approximately 2/3 full of non-leaded gasoline, agitate vigorously for 30 seconds, dispose of contents, allow thief to dry.

4. Draw the sample in the following manner:

   a) The first sample is to be discarded.

   b) Place thumb over end of thief, insert thief in barrel to bottom, remove thumb to allow thief to fill. Place thumb over end of thief and withdraw thief from drum. Place contents in sampling jar and seal jar immediately.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: MAINTENANCE 33 MVA 110/14.2 KV TRANSFORMERS		
Department:	Revision #	No: 5
Operations Manager: J. VANOOTEGHEM	Date: JULY 23, 1973	Page 1 of 4

Tap changer and associated maintenance required on 33 MVA 110 KV Westinghouse transformers.

1. Oil is to be filtered from the transfer switch case to the oil storage bag and arrangements made to filter oil through the filter press and bag until dielectric breakdown test of 32 KV is obtained, if climatic conditions will permit. Oil should never be less than 27 KV dielectric.

2. The micarta barriers are to be removed from the door and interphase barriers removed, washed clean with iosol or varsol and thoroughly dried. Make certain that the interphase barrier is securely locked in place by lock nuts provided, and door micarta is replaced.

3. The entire interior of the transfer switch case is to be washed with pressurized varsol until entirely clean. The industrial blower is to be used to blow varsol from pockets in switch arms, gear housings, and the flexible braided straps on the moving contacts. Wipe down walls, roof and floor of transfer switch cases with dry cloth. Check all cotter keys, spring lock washers, nuts and bolts for tightness. Check condition of main and arcing contacts, check flat springs on arcing contacts for cracked spring leaves. Clean carbon or signs of coking from main and arcing contacts. Do not use carborundum paper for polishing. Sand paper or brass wool will do an excellent job. Clean up any sand or brass wool from the floor of transfer switch case. To remove burrs from arcing contacts, either stationary or moving, file the elknoite of the moving contact with a coarse mill bastard file and fine file for smoothing. Remove all filings.

4. Replace the gasket on transfer switch case or part there of if required. Gasket cutters are available for splicing gaskets. The gasket material is ¼ " thick coroprene purchased from Canadian Westinghouse Co. Hamilton Ontario.

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OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

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5. Complete gasket sets for transfer switch case door may be ordered to fit exactly. They will be sectional and joints will be serrated to fit on an interlocking basis to form a complete gasket. The gasket may be purchased from Canadian Westinghouse in Hamilton by placing an order for a complete gasket set for the transfer switch case door of a 33 MVA 110 KV - 14.2 60 hertz transformer serial # 226216 manufactured in 1954. The gasket is to be glued to the door in the proper area with edges of gasket even with the edge of the door metal. The contact edges of the gasket between the door case flange is to be generously coated with petrolatum. When the door is made secure with fastening bolts, pressure is not to exceed 20 foot pounds torque.

6. The mechanism may be hand cranked by the use of the handle in the control cabinet in front of the synchrotic motor for tap changer remote position indicator. The handle has to be moved to the right which turns off all control voltage and allows the handle to be removed. The handle then is placed in the fibre pinion on the end of the motor shaft. The electric brake must be mechanically released before any movement of the mechanism is possible. The tap changer is not to be operated by motor unless the mechanism is immersed in oil.

7. Check all contact and limit switch cams for loose nuts and bolts, check limit switches for burned contacts, worn roller pins and cotter keys.

8. Check the operation of the S.G. relays in the control panel. Remove the armature and clean dust from the back side of the armature, this will have to be removed from the relays to clean, also clean armature stationary pole to remove dust. Clean contacts of S.G. relays. Check contacts of fan and pump control contactors. Clean the contacts of the S.V. voltage regulating relay. DO NOT CHANGE any adjustment screws or rheostats.

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Department:	Revision #	No: 5
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9. Check heaters in tap changer and relay control panels.

10. In the M0 10 air break operating device check the extra flexible wire from the mercury tube on the handle to the contactor. (The insulation is inherently very poor).

11. Check Air Break control box heater and fuses specifically where wires attach to the heater connections. Note that this heater is extremely important. If moisture accumulates in this enclosure the brake will change characteristics. The small wire previously mentioned will probably burn off. In cold weather, the grease in the bearings will become stiff and sufficient power will not be available to open the air break switch and D.C. fuse will blow in the MO 10 control box.

12. The transformer primary and secondary bushings are to be cleaned thoroughly of any grease, oil or contamination. Special care is to be exercised when cleaning under the bushing skirts to assure all contamination is removed. Do not use any abrasive which will scratch the glazing of the bushing or insulator. If burn marks are present on the bushings, use sand paper to roughen the burned portion, wash with lacquer thinners and paint area generously with General Electric Co. red glyptol primer Cat. #G-1201A.

13. The oil is to be replaced in transfer switch case to a level which will make the top of the indicating hand on the oil level gauge touch the degree mark of the 25 degree C level indication. This apparent overfilling is necessary to prevent oil shrinkage due to a transformer being lightly loaded in extremely cold weather. This would allow the tip of the arcing contact to come very close to the surface of the oil. During a tap change the arc could blow through the surface of the oil causing the accumulated hydrogen gas to explode. There is an explosion pressure relief device mounted on the top of the transfer switch case to give quick relief of pressure. This device is to be removed when filtering oil in the transfer switch case due to static charge accumulated in the oil from passage through the filter paper, causing an arc which would explode any accumulation of hydrogen gas in the transfer switch case, which had been liberated by filtration. The

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OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: MAINTENANCE 33 MVA 110/14.2 KV TRANSFORMERS		
Department:	Revision #	No: 5
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force of the explosion could damage interphase barriers and door micarta. If the explosion was violent enough, the micarta mounting board for the transfer switches (this board forms part of the tank wall) might be damaged. After the oil has been replaced in the transfer switch case a dielectric test is to be made of the oil, usually a considerable decrease in dielectric strength of the oil occurs. The oil must be filtered to recommended dielectric strength. After filling and filtering is completed and all closure of the case has been completed, the transformer should be allowed to stand for 1½ hours for the oil to aerate to achieve its maximum dielectric strength.

14. While oil is de-aerating grounds are to be removed, the 110 KV air break switch locking device removed and the handle of MOTOR OPERATOR switch turned to auto. The station guarantee is to be surrendered and all equipment is to be left ready for service. The crew shall depart the area.

15. When the prescribed time has elapsed, the operator shall close the 110 KV Air Break Switch and return the transformer to normal load.

APPENDIX L

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: MAINTENANCE OF S&C MODEL 2010,230 KV CIRCUIT SWITCHERS AT #6 TS		
Department:	Revision #	No: 57
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: Aug. 13, 1990	Page 1 of 8

GENERAL

The following maintenance instruction is for S&C Model 2010, 230 KV circuit switchers with horizontal SF6 arc quenching interrupters and vertical break power operated disconnects.

These circuit switchers employ single gap SF6 puffer-type interrupters designed to close the circuit in 6 cycles and to maintain rated dielectric strength when open. The SF6 gas is factory filled and then permanently sealed. Field filling is neither necessary nor possible, thus eliminating the risk of contaminating the interrupting medium.

Switcher Opening - SF6 interrupter opens the circuit, followed by the opening of the powered (visual) disconnect blades which are powered up, into the open position.

Switcher Closing - The powered (visual) disconnect blades are powered down first, into the closed position, followed by the SF6 interrupter which closes the circuit.

NOTE: The powered disconnect blades take approximately 10 seconds to completely open or close.

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OPERATIONS DEPARTMENT

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SUBJECT: MAINTENANCE OF S&C MODEL 2010,230 KV CIRCUIT SWITCHERS AT #6 TS		
Department:	Revision #	No: 57
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: Aug. 13, 1990	Page 2 of 8

The switcher includes a decoupling mechanism which allows decoupling and locating of the disconnect-blade power train in the open position. This permits the operational checkout of the interrupters, stored energy mechanism and relaying without closing the high voltage circuit. The SF6 interrupters can be tripped and closed for inspection purposes with the mechanism decoupled.

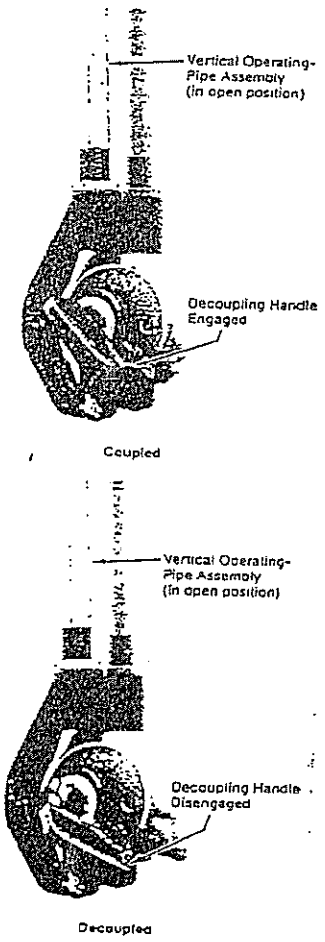
The decoupler is located at the back of the control cabinet.

To decouple, open the circuit switcher and then remove the padlock and pivot the handle outward. Re-install the padlock in the decoupled position.

To recouple, open the circuit switcher and then engage the coupling handle by removing the padlock and pivoting the handle inward.

Re-install the padlock in the coupled position.

See picture of decoupler at right.



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ELECTRICAL OPERATION

To open the circuit switcher - Press the "Trip" pushbutton. The opening latch in the stored-energy mechanism will release, discharging the opening spring. This action trips the interrupters and forces the opening and closing pistons in the mechanism downward, as denoted by movement of the indicator to the "Discharged" window. The switch position indicator on the cross base will move to the "Open" position.

The motor-driven cam in the stored-energy mechanism will immediately start rising, thereby charging both the opening and closing springs; when the opening spring latches, the indicator will again be visible at the "Charged" window. Simultaneously, the take-off shaft at the rear of the operator housing will turn to drive the interphase pipe assembly, opening the disconnect.

To close the Circuit-Switcher - Press the "Close" pushbutton. The motor-driven cam in the stored-energy mechanism will immediately start retracting. Simultaneously, the take-off shaft at the rear of the operator housing will turn to drive the interphase pipe assembly, closing the disconnect. When the disconnect has completely closed, the closing latch will release, discharging the closing spring.

This action closes the interrupters. The switch-position indicator on the cross base will move to the "Closed" position.

NOTE The circuit switcher may also be electrically operated via remote control from our Control Room.

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MANUAL OPERATION

To Open the Circuit Switcher - Push the manual trip lever counter clockwise. The opening latch in the stored-energy mechanism will release, discharging the opening spring. This action trips the interrupters and forces the opening and closing pistons in the mechanism downward, as denoted by movement of the indicator to the "Discharged" window. The switch-position indicator on the cross base will move to the "Open" position.

The motor-driven cam in the stored-energy mechanism will immediately start rising - if operator control voltage is available - thereby charging both the opening and closing springs: when the opening spring latches, the indicator will again be visible at the "Charged" window. Simultaneously, the take-off shaft at the rear of the operator housing will turn to drive the interphase pipe assembly, opening the disconnect.

If operator control voltage is not available, the motor-driven cam in the stored-energy mechanism will charge the opening and closing springs - and the take-off shaft will turn to drive the interphase pipe assembly, opening the disconnect - when control voltage returns. If desired, the opening and closing springs can be charged and the disconnect opened after the interrupters have been tripped, using the manual charging handle.

SF6 GAS PRESSURE INDICATOR

Any loss of SF6 gas pressure may result in improper interrupting action. Low gas pressure in an interrupter is signalled by a red target which pops out on the left side of the terminal end of the interrupter. A second target indicates high pressure inside the interrupter. This target is located on the right side of the terminal end of the interrupter. These targets are to be inspected daily via our "Daily Inspection Form" for #6 T.S.

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MAINTENANCE PROCEDURE

The S&C Electric inspection recommendation calls for a maintenance cycle frequency of either 5 years or 750 open/close operations.

Our crews will be maintaining the T11 and T12 tapchangers yearly.

Therefore, the maintenance on these circuit interrupters can be done at that time on a bi-annual frequency. (Once every 2 years).

1. A circuit outage is required with station guarantee from Detweiler T.S. Application for an outage must be co-ordinated with Ontario Hydro. (Approximately 6 working days in advance).

2. Circuit designation for the two (2) circuit switchers is K6T11-M21D and K6T12-M20D.

   (M20D = Middleport T.S., circuit 20, Detweiler T.S.)

3. Switching is to be done in accordance with instructions issued by Detweiller T.S. and Kitchener-Wilmot Hydro for circuit isolation.

Refer to the picture of a 2000 series 230 KV circuit switcher on page 9.

Component	Inspection Procedures
Operator	1. Check for evidence of water ingress, damage, excessive corrosion, or wear. 2. Check electrical operation using trip and close pushbuttons. 3. Simulate a fault by activating the protective-relay circuit. Check electrical operation. 4. Check for loose wiring inside enclosure and proper functioning of position-indicating lamps, operation counter, convenience lamp, etc. 5. Check key interlocks, if furnished, mechanically and electrically.

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MAINTENANCE PROCEDURE - continued:

Component	Inspection Procedures
Interrupter Power Train	1. Remove bottom covers from base and check power train for evidence of damage, excessive corrosion, or wear. 2. Check that bolted connections are tight and pinned connections are secure.
Insulating Support Column	1. Check for evidence of leaking lubricated dielectric filler beneath the insulating support column. 2. Remove transition box cover at the top of the column and check that pinned connections are secure. Also check for evidence of water ingress, damage, excessive corrosion, or wear. 3. Close the disconnect and check that the rotating-spindle closed-stop bolt on the insulating support column is within $^{1}/_{16}$ inch of the bumper at the bottom of the transition box.
Disconnect Power Train	1. Check for evidence of damage, excessive corrosion, or wear. 2. Check that bolted connections are tight and pinned connections are secure. 3. Check condition of seals.
Interrupter	1. Check for low gas pressure (red indicator). 2. Check that bolted connections are tight on current-carrying parts.
Disconnect Live Parts	1. Check for evidence of damage, excessive corrosion or wear. Replace current-carrying jaw contacts if the silver-alloy inserts on two or more contact fingers are worn to the extent that the blade tongue contact engages the full width of the contact finger. 2. Check that bolted connections are tight on current-carrying parts and pinned connections are secure on blade linkage.

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Component	Inspection Procedures
Disconnect Live Parts (continued)	3. Check that the blade tongue contact enters the jaw contact on center, rotates fully (to provide contact-wiping action), and comes to rest within $^{1}/_{8}$ inch of the stop. 4. Lubricate the contact surfaces with an appropriate lubricant, such as Shell Darina EP2.
Bypass Accessory	1. Check for evidence of damage, excessive corrosion, or wear. 2. Check that bolted connections are tight on current-carrying parts. 3. Observe operation using the stick-operated ratchet mechanism. Check for proper contact alignment. 4. Lubricate the contact surfaces with an appropriate lubricant, such as Shell Darina EP2.
Grounding Switch	1. Check for evidence of damage, excessive corrosion, or wear - especially at the jaw-contact members. 2. Check that bolted connections are tight on current-carrying parts. 3. Observe operation using manual operating handle. Check for proper contact alignment. 4. Lubricate the contact surfaces with an appropriate lubricant, such as Shell Darina EP2.

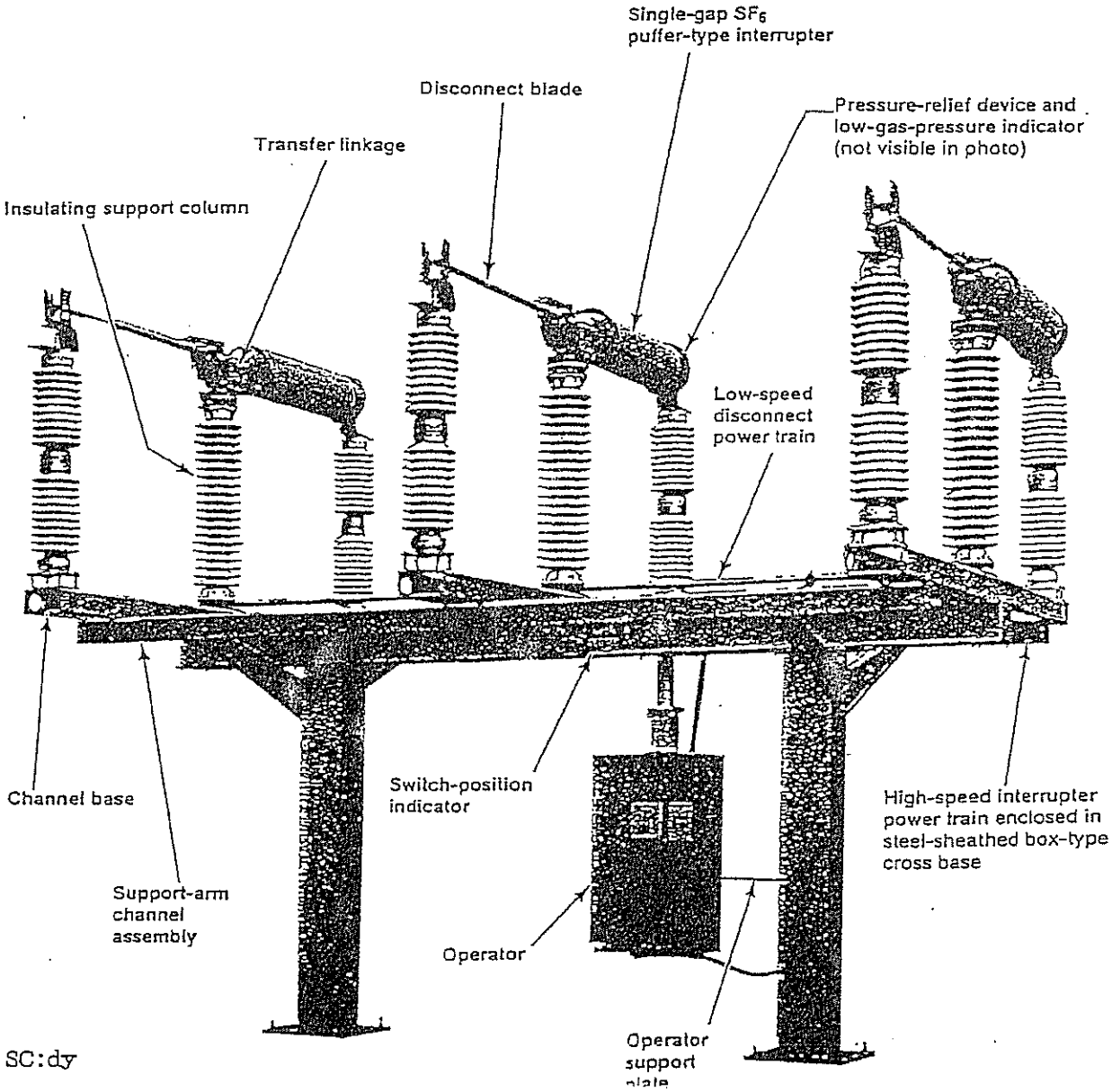
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2000 Series 230 kV Circuit Switcher



SC:dy

APPENDIX M

KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
Department: OPERATIONS	Revision: 1	No. 55
Vice-President Operations: J. Van Ooteghem	Issue Date: May 30, 1989 Revision Date: July 3, 2002	Page 1 of 8

PURPOSE:

Provide background information on Sulphur Hexafluoride (SF6) Gas Circuit Breaker (page 1).
Establish what maintenance is required for SF6 Circuit Breakers, and how the maintenance is to be initiated, completed and documented (pages 2-5, 7&8).
Provide clean up procedures for an SF6 Breaker Failure or Gas Leak (page 6).

BACKGROUND:

Thousands of SF6 breakers are in service around the world. SF6 is a better arc quencher than air or oil. A survey taken in France on over 5,000 SF6 breakers over a 12 year period showed that only 11 failures during this period, or an average of one failure per 27,000 Breaker years of service.

During a normal operation, some SF6 breaks down into by-products. These by-products recombine quickly back into SF6 after the arc is extinguished. There is, therefore, only a very small amount of by-product produced, and under normal operation, the by-product will be contained within the breaker pole.

Only during very rare occasions when a breaker fails or leaks, and the interruption chamber bursts, are SF6 and arcing by-products released. There is an odour to the decomposing gas that is a strong bitter unpleasant smell that is detectable by the nose well below the hazard limits for humans. There are electrical energy hazards in SF6 Breakers, so maintenance is completed with the breaker switched out and racked out. The SF6 gas is a pressurized, non toxic, inert gas, a natural constituent in the air we breathe of small quantity that is 5 times heavier than most of our air. The main and solid by-product hazard, aluminum trifluoride is a solid, acidic, minimal irritation hazard, to the respirator system, eyes or skin. Other by-product gases are absorbed on the surface of solid by-products.

KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
Department: OPERATIONS	Revision: 1	No. 55 .
Vice-President Operations: J. Van Ooteghem	Issue Date: May 30, 1989 Revision Date: July 3, 2002	Page 2 of 8

MAINTENANCE:

Maintenance is initiated by the Maintenance Supervisor, as per Kitchener-Wilmot Hydro's Schedule (200 parallels, 50 faults or 5 years), by issuing a Maintenance Work Order to the Stations & Underground Superintendent. Maintenance is completed by Stations & Underground Electricians, documented on the "15kV SF6 Breaker Maintenance and Pressure Testing Record" (page 8 of this document), and returned to the Maintenance Supervisor.

Maintenance is to consist of Mechanical Tests & Lubrication, Dielectric Tests and Pressure Tests.

a) **Mechanical Tests & Lubrication**

- ☐ Remove all dust with a dry, non-fraying disposable rag or HEPA filter (0.3 micrometer) vacuum cleaner.
- ☐ Inspect all insulation for tracking marks.
- ☐ Inspect all connecting points for signs of overheating.
- ☐ Inspect fixed primary and secondary contacts for signs of physical damage due to misalignment.
- ☐ Check for proper functioning of the shutters.
- ☐ Check wiring for damage from chafing or bending.
- ☐ Check primary and secondary contacts of P.T. drawer for corrosion and alignment.
- ☐ Check if all insulation boots are in proper position and undamaged.
- ☐ Check tightness of all wiring connections.
- ☐ Check for cracks in the moulded epoxy parts.
- ☐ Check if explosion flaps are operating freely.
- ☐ Any problems noted during the inspection should be corrected as soon as possible.
- ☐ Lubricate as below.

KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
Department: OPERATIONS	Revision: 1	No. 55
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Lubrication Details

All mating surfaces of moving current carrying parts have been lubricated with NO-OX-ID Special grade "A" grease. In order to maintain reliable operation, it is important that all circuit breakers have lubrication at all times. All bearings and rolling surfaces that require lubrication have been lubricated at the factory. The lubricant oxidizes over time and therefore it must be re-applied to maintain reliable operation of the breaker.

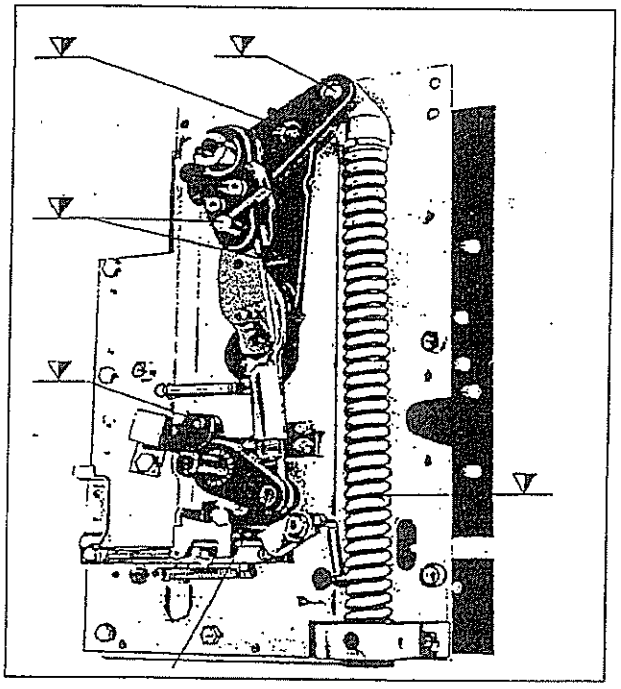
Elimination of the hardened lubricant is essential before regreasing is performed.

The primary disconnects must be greased with NO-OX-ID grease during maintenance. Do not use light oil such as WD-40 to lubricate any mechanism parts.

Charging Motor

The charging motor is sealed and no lubrication is required.

Lubrication Points are shown in diagram to the left.



KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
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b) **Dielectric tests**

- Using the 5,000 volt meggar equipment, measure the insulation resistance between the breaker incoming terminals.

  Acceptable Value = 2000 Megohms

c) **Pressure Testing** (See Graph "Refilling of Breaker Poles").

- The SF6 gas in the poles of each breaker is to be tested.

  Using the SF6 gas test kit, take pressure readings from each of the poles on the breaker to be tested.

  Special care must be taken not to allow excessive amounts of SF6 gas to escape during the procedure.

  If the gas pressure is down to 14 psi or lower do not attempt to refill. A pole with low pressure (14 psi) must be removed from the breaker frame and returned to the manufacturer for repairs and/or recharge.

  Refill the pole to between 28.5 and 35 psi.

  Do not exceed 35 psi.

  See attached "Pole Arrangement" diagram which details the pole of a SACE SF6 breaker. (SACE is pronounced SASHEE).

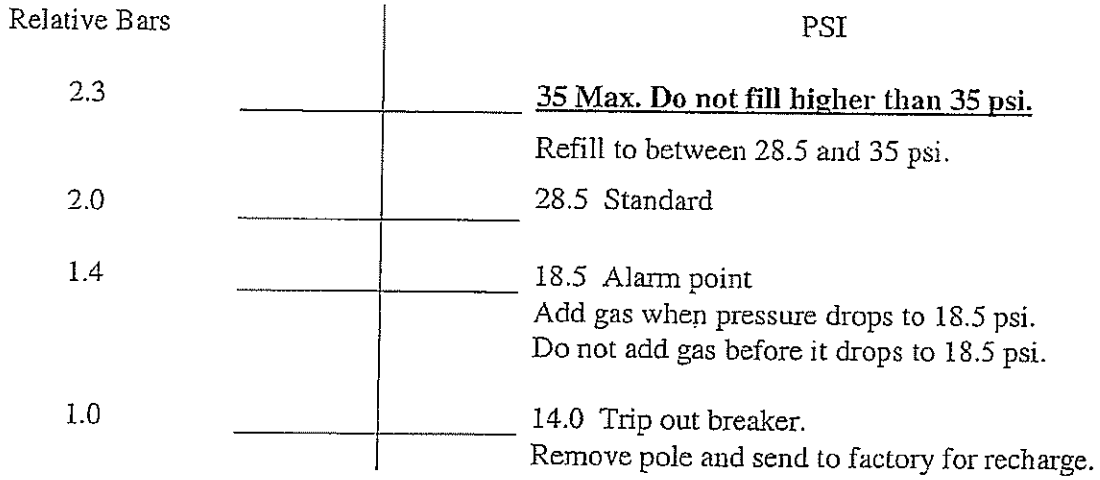
- Record all pressure readings on the "SF6 Breaker Inspection and Maintenance Sheet" (page 8 of this document).

KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
Department: OPERATIONS	Revision: 1	No. 55
Vice-President Operations: J. Van Ooteghem	Issue Date: May 30, 1989 Revision Date: July 3, 2002	Page 5 of 8

REFILLING OF SF6 BREAKERS



Note: Graph is in relative pressures as measured by gauge. For absolute bar pressure, add 1bar.

KITCHENER - WILMOT HYDRO INC.

MAINTENANCE INSTRUCTION

SUBJECT: Maintenance of SACE Model SF6-15 HKS Circuit Breakers		
Department: OPERATIONS	Revision: 1	No. 55
Vice-President Operations: J. Van Ooteghem	Issue Date: May 30, 1989 Revision Date: July 3, 2002	Page 6 of 8

SF6 GAS LEAKS:

Read Background information on page 1.

Any SF6 and/or by-product which may escape to the room is heavier than air and stays down at the floor level leaving little chance that when checking gas pressure a worker would be overcome by the gas. The station should be ventilated so that fresh air will displace the SF6. In the case of an "SF6 Low Pressure Alarm" at the station, do not enter the basement without taking an oxygen deficiency reading to ensure that there is 20% or more.

See Breaker Failure for clean up.

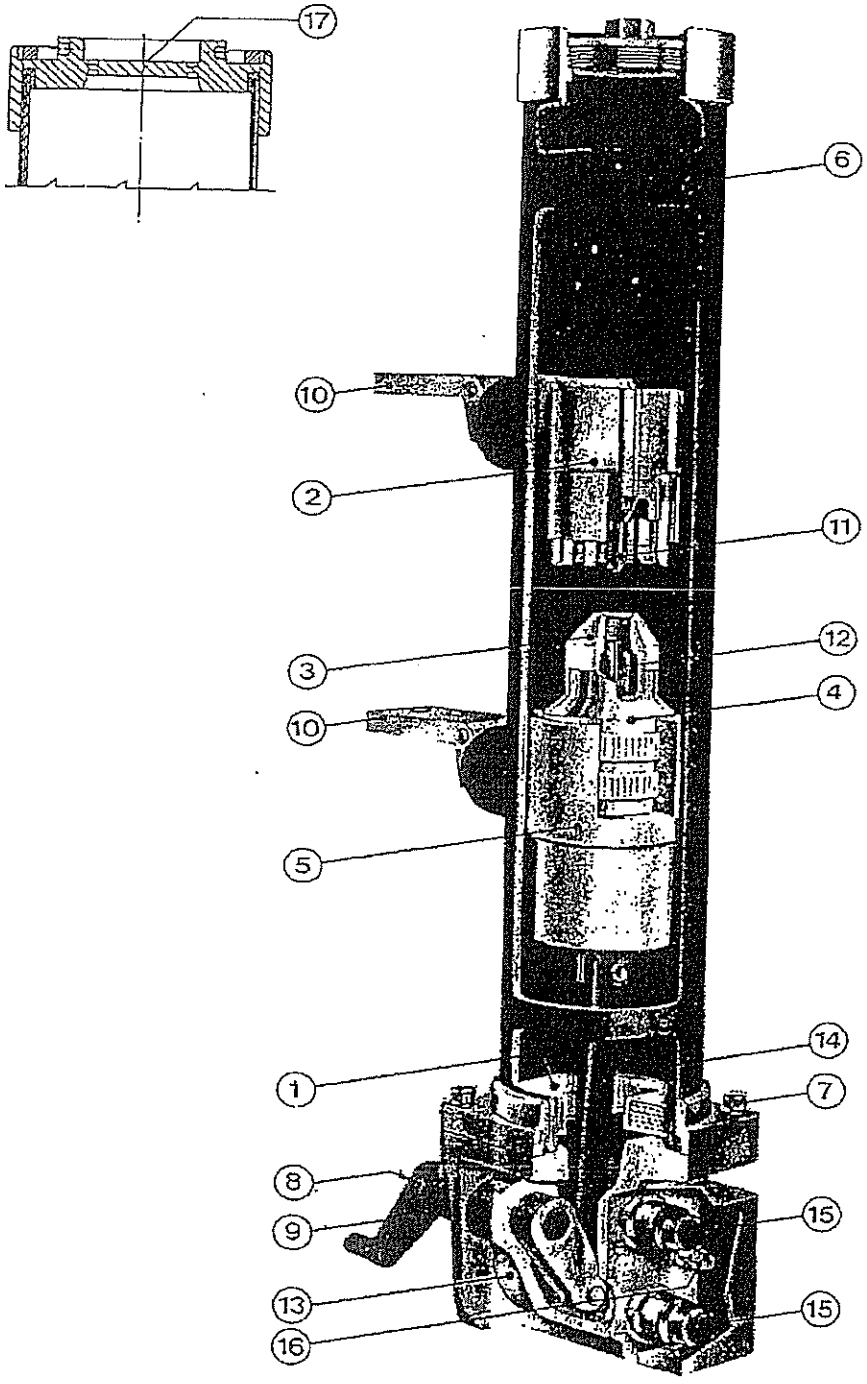
BREAKER FAILURE:

Read Background information on page 1.

After a breaker failure, workers should wear disposable overalls, nitrile gloves, a properly fitted cartridge respirator for organic vapours/acid gas, and goggles to prevent eye irritation. Dust deposits (metallic Fluorides and Sulphates) should be removed by wipe up with a dry, non-fraying disposable rag or HEPA filter (0.3 micrometer) vacuum cleaner.

Final cleaning by solvent (e.g. isopropynol alcohol) should be done with adequate ventilation.

Pole Arrangement



Caption

1) Filter with activated alumina
2) Upper fixed main contact
3) Blowing nozzle
4) Moving tubular contact
5) Guiding contact
6) Insulating cylinder
7) Fixing screws to the sump
8) Pole operating shaft
9) Transmission tie-rod for connection to the operating mechanism output shaft
10) Upper and lower terminals
11) Fixed arcing contact
12) Moving arcing contact
13) Aluminium alloy sump
14) Insulating tie-rod
15) Pressure switches
16) Gas filling valve with plug
17) Explosion-proof safety valve (on request)

Fig. 5 Pole arrangement

Kitchener-Wilmot Hydro Inc.
15 kV SF6 Circuit Breaker Maintenance and Pressure Testing

Station:	Feeder No.:	Breaker Mfg.:
Type:	Breaker Serial No.:	

Remove breaker from cubicle and complete the work as per Maint. Instr. #55 above.

1. Mechanical Tests - as per page 2 ☐

2. Lubrication – as per pages 3, lubricate all mating surfaces with NO-OX-ID grease ☐

3. Dielectric Tests - Using the 5,000 volt meggar equipment, measure the insulation resistance between the breaker terminals.
Acceptable Values = 2,000 Meg. Fill in readings below.

Red Phase:	White Phase:	Blue Phase:

4. SF6 Gas Pressure Testing - Using the gas test kit, take pressure readings from each pole on the breaker. Record original pressures as found below.

Back of Breaker (Pressure as found)			Add SF6 gas if the pressure is down to 18.5 psi. Standard pressure = 28.5 psi. If pressure is 14 psi or lower, do not refill on site. Pole must be sent back to the manufacturer.
Red Phase	White Phase	Blue Phase	
_____ psi	_____ psi	_____ Psi	

5. Remarks or Comments

_____

_____

_____

_____

Name:	Date:
Signature:	

Return this form to the Maintenance Supervisor

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: AIR CIRCUIT BREAKER 15 KV F.P.E. PIONEER NO.3 AND NO. 4 T.S.		
Department:	Revision #	No: 19
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: JAN. 10, 1974	Page 1 of 2

This instruction applies to Pioneer Breakers at No. 3 and No. 4 Transformer Stations.

1. Load transfer is required.

2. Remove breaker from cell and roll to test rack.

3. Visually inspect arc chutes for broken or burned ceramic plates, blow area between the plates with high velocity dry air. (Air compressor when relative humidity is not more than 50 percent).

4. Check continuity of shunt coils on arc chutes with Ohm meter, for grounds and continuity.

5. Check moving contact push rods for damage or lamination separation or elongation of rod holes.

   NOTE: To slow trip breaker, depress closing lever to maximum and rotate latching bar with thumb; maintain downward pressure on tubular handle while slowly allowing handle to rise.

   Do not trip with trip lever while holding closing handle. When closing handle is not in use remove from socket to prevent anyone being struck by handle if an unintended trip should occur.

6. Generally inspect the entire mechanism for loose or missing cotter keys, retaining rings, washers and loose or missing nuts.

7. Check contact area on main contacts both top and bottom, by inserting two pieces of white paper with carbon tracing paper inserted between; place between contacts, close breaker by manual operating handle. Contact area should be a minimum of 50 percent of contact line.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: AIR CIRCUIT BREAKER 15 KV F.P.E. PIONEER NO.3 AND NO. 4 T.S.		
Department:	Revision #	No: 19
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: JAN. 10, 1974	Page 2 of 2

8. Inspect cluster contacts of breaker both upper and lower for distorted pressure springs and contact fingers.

9. If bad cluster contacts are found candle main contacts must be checked.

   CAUTION: BUS DE-ENERGIZATION IS REQUIRED FOR SAFETY !!!

   If candle contacts require cleaning bus must be de-energized and effectively grounded.

10. Check pallet switch contacts for poor connection.

11. Check to see that all shunt connections are tight and not frayed.

12. Check AA micro switch closes when hold latch clicks in.

13. Be sure manual closing stop is replaced before rolling into cell.

14. Check breaker for wrenches or materials in mechanism.

15. Operate breaker electrically three times in test rack, after all assembly has been completed. Roll into test position in cell, operate twice, once by control switch on cell door, once by remote control.

16. Move to connected position, close cell door, proceed to load breaker and return system to normal.

Kitchener-Wilmot Hydro Inc.
15 kV Vacuum Circuit Breaker Maintenance and Pressure Testing

Station:	Feeder No.:	Breaker Mfg.:
Type:	Breaker Serial No.:	

Remove breaker from cubicle and complete the work as per Maint. Instr. #55 above.

1. Mechanical Tests & Lubrication

- ☐ Remove all dust with a dry, non-fraying disposable rag or HEPA filter (0.3 micrometer) vacuum cleaner.
- ☐ Inspect all insulation for tracking marks.
- ☐ Inspect all connecting points for signs of overheating.
- ☐ Inspect fixed primary and secondary contacts for signs of physical damage due to misalignment.
- ☐ Check for proper functioning of the shutters.
- ☐ Check wiring for damage from chafing or bending.
- ☐ Check primary and secondary contacts of P.T. drawer for corrosion and alignment.
- ☐ Check if all insulation boots are in proper position and undamaged.
- ☐ Check tightness of all wiring connections.
- ☐ Check for cracks in the moulded epoxy parts.
- ☐ Check if explosion flaps are operating freely.
- ☐ Any problems noted during the inspection should be corrected as soon as possible.
- ☐ Lubricate all mating surfaces with NO-OX-ID grease.

2. Dielectric Tests - Using the 5,000 volt meggar equipment, measure the insulation resistance between the breaker terminals. Acceptable Values = 2,000 Meg. Fill in readings below.

Red Phase:	White Phase:	Blue Phase:

3. Ductor Test (micro-ohms)

Red Phase:	White Phase:	Blue Phase:

4. Remarks or Comments

_____

_____

_____

_____

Name:	Date:
Signature:	

Return this form to the Maintenance Supervisor

Kitchener-Wilmot Hydro Inc.
15 kV SF6 Circuit Breaker Maintenance and Pressure Testing

Station:	Feeder No.:	Breaker Mfg.:
Type:	Breaker Serial No.:	

Remove breaker from cubicle and complete the work as per Maint. Instr. #55 above.

1. Mechanical Tests & Lubrication

- ☐ Remove all dust with a dry, non-fraying disposable rag or HEPA filter (0.3 micrometer) vacuum cleaner.
- ☐ Inspect all insulation for tracking marks.
- ☐ Inspect all connecting points for signs of overheating.
- ☐ Inspect fixed primary and secondary contacts for signs of physical damage due to misalignment.
- ☐ Check for proper functioning of the shutters.
- ☐ Check wiring for damage from chafing or bending.
- ☐ Check primary and secondary contacts of P.T. drawer for corrosion and alignment.
- ☐ Check if all insulation boots are in proper position and undamaged.
- ☐ Check tightness of all wiring connections.
- ☐ Check for cracks in the moulded epoxy parts.
- ☐ Check if explosion flaps are operating freely.
- ☐ Any problems noted during the inspection should be corrected as soon as possible.
- ☐ Lubricate all mating surfaces with NO-OX-ID grease.

2. Dielectric Tests - Using the 5,000 volt meggar equipment, measure the insulation resistance between the breaker terminals. Acceptable Values = 2,000 Meg. Fill in readings below.

Red Phase:	White Phase:	Blue Phase:

3. SF6 Gas Pressure Testing - Using the gas test kit, take pressure readings from each pole on the breaker. Record original pressures as found below.

Back of Breaker (Pressure as found)			
Red Phase	**White Phase**	**Blue Phase**	**Add SF6 gas if the pressure is down to 18.5 psi. Standard pressure = 28.5 psi. If pressure is 14 psi or lower, do not refill on site. Pole must be sent back to the manufacturer.**
_____ psi	_____ psi	_____ Psi	

4. Ductor Test (micro-ohms)

Red Phase:	White Phase:	Blue Phase:

5. Remarks or Comments

_____

_____

_____

Name:	Date:
Signature:	

Return this form to the Maintenance Supervisor

APPENDIX N

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM *J. Van Ooteghem*	Date: June 28, 1990	Page 1 of 6

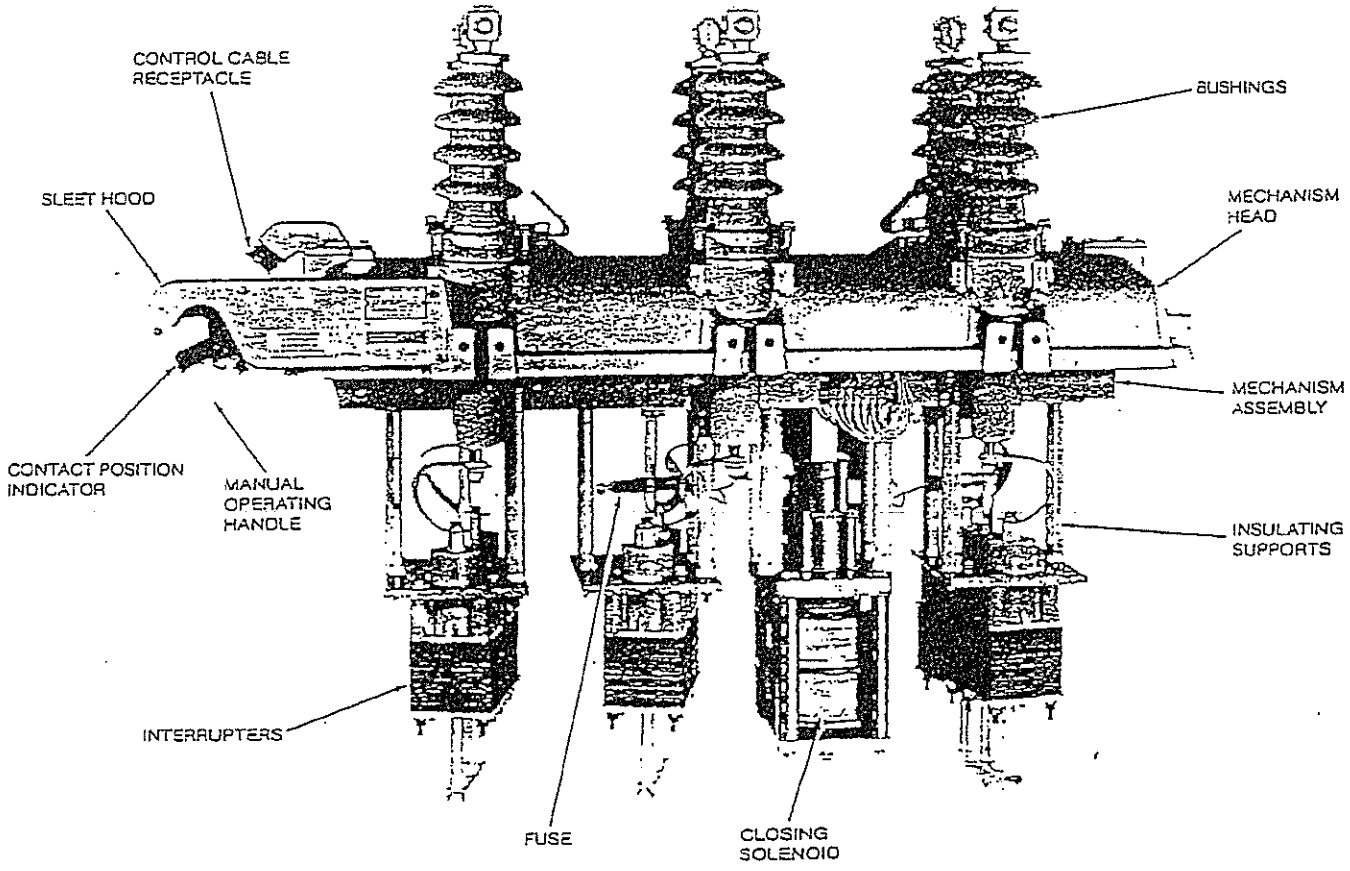
Three Phase Reclosers, General Description:

The Type RXE, (1 D.S.) and type WE, (2 D.S., 3 D.S., 7 D.S.), three (3) phase reclosers are self-controlled devices that protect distribution lines and equipment. A type ME controller and connecting cable senses fault current and the circuit is interrupted by the recloser.

These reclosers will trip open from either phase or ground faults and then will automatically reclose. If the overcurrent is temporary the unit restores to normal service. If the fault is permanent a preset number of trip and reclose operations are performed to lockout.

NOTE: All three phases of RXE and WE units open, reclose and lockout simultaneously.

See the following picture of an untanked three phase recloser.



KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: June 28, 1990	Page 2 of 6

Maintenance Cycle:

Each three (3) phase recloser is to be maintained once every three (3) years.

Periodic Maintenance Inspection:

1. Bypass and remove the recloser from service.

2. Inspect external components.

   A. Check for broken or cracked bushings. Replace as necessary.
   B. Check for scratched paint, repaint as needed.
   C. Note counter reading and enter on the maintenance sheet.

3. Drain the oil from the tank and then lower the tank from the head mechanism to expose the internal components.

CAUTION
Be sure the recloser is open (yellow handle down) before raising the head mechanism assembly so the mechanism can not be accidentially tripped while out of oil. Tripping the mechanism out of oil can damage it.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM	Date: June 28, 1990	Page 3 of 6

CAUTION
Arc interruption in oil under normal operating conditions may cause an accumulation of volatile gases under the head of the recloser. Untank the recloser in a well-ventilated area away from open flames, sparks, or lighted smoking materials. Be sure to ventilate the recloser thoroughly.

5. Clean all internal components.

   A. Remove all traces of carbon by wiping with a clean, lint-free cloth.

   B. Flush the mechanism with clean transformer oil.

CAUTION
Never use volatile solutions, detergents, or water-soluble cleaners.

6. Remove the moving contact assembly from the bottom of the contact lift rod to check the erosion of the contacts.

   A. Arcing tips of the moving contacts can experience considerable erosion before replacement is necessary. Slight pitting and discolouration can be dressed with a piece of crocus cloth.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM *J. Van Ooteghem*	Date: June 28, 1990	Page 4 of 6

B. However, erosion of the load current carrying contact surfaces requires replacement of the entire internal structure before its effectiveness is impaired.

C. Figure 4 shows a set of moving contacts after they have experienced severe interrupting duty and a new set for comparison. The used contacts have reached the condition where they should be replaced.

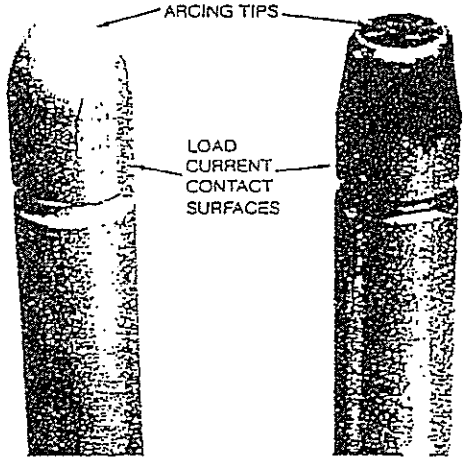


Figure 4.
Left: moving contact assembly after one full duty cycle; right: contact assembly new.

7. Check circuit components attached to the recloser head, frame and operating mechanism.

A. Check condition of the wiring to the terminal, strip and make sure all connections are tight.

B. Make sure that the rotary solenoid and the trip solenoid are firmly attached to the recloser frame.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: June 28, 1990	Page 5 of 6

C. Check that the two mercury switches are securely held in place by the nylon mounting straps.

D. Check the condition of the microswitch mounted above the main shaft.

E. Check the condition of the bushing current transformers and the associated wiring.

F. Check the control cable receptacle.

8. Check the dielectric strength of the insulating oil.

A. An oil sample taken near the bottom of the tank should have a dielectric strength of not less than 22 KV rms.

B. Low dielectric strength indicates the presence of water or carbon deposits. Replace the oil as necessary.

9. If oil must be replaced:

A. Drain the tank, and clean out all sludge and carbon deposits.

B. Fill with new clean insulating oil up to 2 ¼ inches below the top of the tank flange. Tank capacity is approximately 41 U.S. gallons (34 imperial gallons).

10. Clean and examine the head gasket. Replace it if it is cracked, cut or otherwise damaged, or if it has been permanently deformed.

11. Clean the head gasket seat and retank the recloser.

A. Move the yellow operating handle to the up position to avoid any possible binding while retanking.

KITCHENER - WILMOT HYDRO

OPERATIONS DEPARTMENT

MAINTENANCE INSTRUCTION

SUBJECT: THREE PHASE RECLOSER MAINTENANCE AT DIST. STATIONS 1, 2, 3 & 7		
Department:	Revision # 1	No: 41
Operations Manager: J. VANOOTEGHEM J. Van Ooteghem	Date: June 28, 1990	Page 6 of 6

B. Replace the head bolts and tighten to 35-55 ft.- lbs. torque. Apply clamping force gradually and equally, in rotation, to each bolt to achieve an evenly distributed gasket sealing pressure.

12. Check the oil level with the dipstick in the head and adjust the level to the upper line on the dipstick.

CONTROL LEVER OVERTRAVEL ADJUSTMENT:

Check for proper adjustment of the control lever by first removing the sleet hood cover to expose the control lever. From the OPEN position, slowly push the control lever toward the CLOSED position. As the lever is pushed up, latching of the recloser will be felt. At this point, the dimension between the top of the control lever and the underside of the sleet hood should be ¼ inch (Figure 8).

If the control lever is not adjusted properly, remove the C-ring and slide the control lever from the shaft. Rotate the control lever clockwise to reduce the dimension or counter clockwise to increase the dimension. Slide the control lever back onto the shaft and recheck the dimension. When the proper dimension has been obtained replace the C-ring.

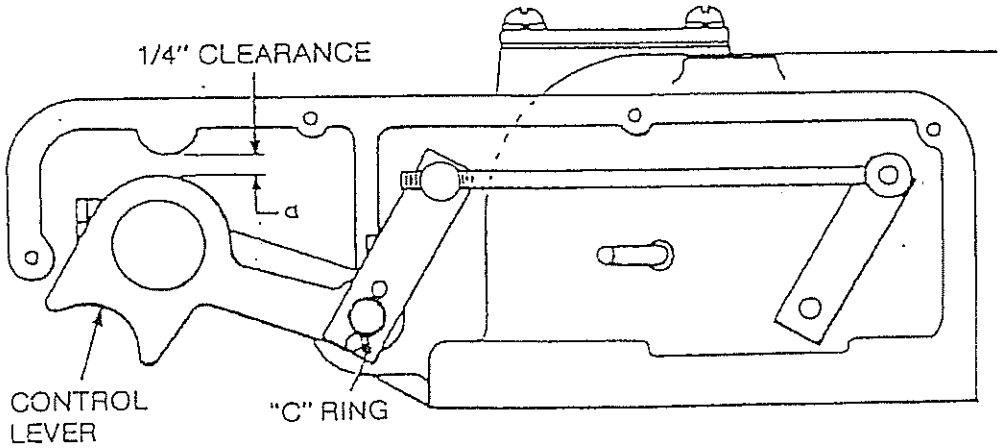


Figure 8.
Overtravel adjustment of control lever.

APPENDIX O

Month	Area	Number to be Inspected	Added in 2005	Added Feb-06	Added Mar-06	Added Feb-07	Added Apr-07	Added May-07	Added Oct-07	Added Mar-08	Revised Jun-08	Revised Feb-09	Totals
Jan	Budd Park B	45	1	4	2	7	3	2	0	0		1	65
Feb	River Road	57	1	3	3	4	0	-2	0	0			66
Mar	Fairway A	40	0	0	0	7	2	0	0	0	-1		48
Apr	Fairway B	37	0	0	1	1	3	1	0	0			43
May	Budd Park A	47	2	0	2	5	0	1	0	0	2	1	60
June	New Hamburg, Baden, Wilmot	77	2	0	0	5	0	0	2	0			86
July	Victoria North	49	1	0	-2	4	0	0	0	1	1		54
Aug	Victoria South	41	0	0	0	1	0	0	0	0			42
Sep	Ottawa South	61	2	0	0	3	1	2	0	0	1		70
Oct	Westside	58	0	0	0	3	1	0	0	1	1	1	65
Nov	Downtown	67	2	0	1	4	0	0	1	2			77
Dec	King East	54	3	0	1	0	0	0	0	1			59
	Total annual inspections =	633	14	7	8	44	10	4	3	5	4	3	735

Operations file 7509 ANNUAL

CUSTOMER OWNED SUBSTATION INSPECTION

Month of - **Dec**

This inspection is a visual only of customers transformer.
Check or fill in the applicable spaces.

Building description **Twin ice Pads**

Street Address **35 Sportsworld Crossing Road**
Padmouted transformer fed from LBD 2981.

Outdoor Transformer(s) - 3 singles ? _____ One Three Phase ?_____

Enclosed Switchgear ? - _____ Padmount _____

Vandalism or illegal entry is apparent. If yes report details on back of sheet.	NO	☐	YES	☐
Gate locks	OK	☐	FAULTY	☐
Entrance gate intact & in good condition	OK	☐	FAULTY	☐
Fencing intact and in safe condition	OK	☐	FAULTY	☐
Weeds and/or debris and garbage in yard?	NO	☐	YES	☐
Is there a Danger High Voltage sign ?	NO	☐	YES	☐
Oil leak on Transformer ?	NO	☐	YES	☐
Pothead leak on Transfromer ?	NO	☐	YES	☐
Bus Connections Show Signs of Heating	NO	☐	YES	☐
Broken bushings or insulators are apparent	NO	☐	YES	☐
Disconnects Show Signs of Heating	NO	☐	YES	☐
Transformer Lugs Show Signs of Heating	NO	☐	YES	☐

OTHER ITEMS REQUIRING ATTENTION PLEASE SPECIFY IF FAULTY.
REPORT ON REVERSE SIDE ANY REPAIRS WHICH SHOULD BE REPORTED TO THE OWNER.

DATE_____20_____ SIGNED_____

KITCHENER WILMOT HYDRO INC.
P.O. BOX 9010
301 VICTORIA STREET SOUTH
KITCHENER, ONTARIO
N2G 4L2

Operations Department
TEL: (519) 745-4771
FAX: (519) 745-0643

December 15, 2008
File No. 7509-07-7

Only Plastic Trading Inc.
325 Stirling Avenue South
Kitchener, On.
N2M 3H6

Attention: Manager

Subject: Electrical Substation for 325 Stirling Avenue South in Kitchener.

During a recent inspection of the high voltage electrical substation at 325 Stirling Avenue South in Kitchener, our workers reported the following deficiencies. Please consider these deficiencies as serious and govern yourself accordingly.

One of the corner posts, its chain link material and the barbed wiring for the protective barrier fencing has sustained damage rendering the location unsafe. The corner post, fencing and barbed wiring require repair and / or replacement.

Public safety and your buildings electrical security are compromised.

This enclosure has high voltage electrical connections, which are energized at 13,800 volts.

It is DANGEROUS to work inside this enclosure. All work must be completed by competent workers which have electrical specific training.

Kitchener-Wilmot Hydro Inc. provides an annual inspection of the location in order to check on the security of the site as a courtesy to the property owner.

Security, maintenance and/or repair of this customer owned substation is either the building owner or the business owner's responsibility.

Please endeavor to have this repair completed as soon as possible. I have sent a copy of this correspondence to the Electrical Safety Authority.

Thank you for your cooperation in this important matter.

Yours Truly

S. Chomitz
Maintenance Supervisor
519-745-4771 X 279

Cc: Electrical Safety Authority
PO Box 24143, Pinebush Postal Outlet,
Cambridge, Ontario
N1R 8E6
Attention; Mr. Larry Degan (cell 519-465-4766)

Faxed a copy to "Only Plastic" at 519-886-1312.

Operations file 7509 ANNUAL TRI, Transformer Room Inspection.xls

CUSTOMER SERVICE TRANSFORMER VAULT AND/OR ROOM INSPECTION

Month of - **Dec**

Check or fill in the applicable spaces

Building description - **Christian Horizons**

Street Address - **25 Sportsworld Crossing Road**

		2959	2960	4056
Verify the KWH Tx. number(s) -				
Record Maximum Oil Temperature				
Reset and Record Oil Temperature				
Oil Level, If Unit(s) Has Gauge	LOW 25 C HIGH			
Oil Leak on Transformer			NO	YES
Pothead Leak on Transformer			NO	YES
Bus Connections Show Signs of Heating			NO	YES
Disconnects Show Signs of Heating			NO	YES
Transformer Lugs Show Signs of Heating			NO	YES
"DANGER" High Voltage Sign			ON	OFF
Door Hinges			OK	FAULTY
Door Locks			OK	FAULTY
Door Vent(s)			OK	FAULTY
Entrance Grill			OK	FAULTY
Entrance Ladder			OK	FAULTY
Outlet Grill			CLEAR	DIRTY
Sump Pump			GOOD	FAULTY
Vault Ceiling Leaking			NO	YES
Transformer and/or Floor Dusty and/or Dirty			NO	YES

OTHER ITEMS REQUIRING ATTENTION PLEASE SPECIFY IF FAULTY.
REPORT ON REVERSE SIDE ANY REPAIRS WHICH MAY BE NECESSARY.

DATE_____20_____ SIGNED_____

APPENDIX P

SYSTEM CHANGES

Street: 137 Bleams Rd.

Cross Street: Cedarbrook.

Grid No.: N16

Equipment: T-427245 - 75 KVA ✓

Changes: Transformer to be installed on blue phase (Not energized) to replace T-9685.

Work Crew: Busch Truck No.: 39

Initiated by: Maslanko Date Feb 4/09

Graphic Change: BJ Date Feb 6/09

FRAMME Change: MB Date Feb 10/09

Checked by: _____ Date _____

183 584 355

SYSTEM CHANGES

Street: FRAN ELLEN CRES.

Cross Street: YELLOW BIRCH DR.

Grid No.: N15

Equipment: T-570420-50

Changes: T-570420-50 HAS BEEN REPLACED WITH T-570952-50.

Work Crew: B. LIGHTY Truck No.: 65

Initiated by: K. COETZ Date FEB 8/09.

Graphic Change: RS Date Feb 10, 09

FRAMME Change: MB Date Feb 18/09

Checked by: _____ Date _____

183 584 355

APPENDIX Q

Kitchener-Wilmot Hydro Control Room

Weekly Update July 28 – August 3, 2008

Ontario System Performance
During the report period the maximum Ontario load reached 21, 886 MW on Tuesday, July 26th. The peak for the month-to-date is 23,787 MW on Thursday, July 17th.
The Ontario Peak Demand for the year-to-date is 24, 235 MW on Monday, June 9th.

July Month End Prices ($/MWh)

Average Hourly Price For July	Average Hourly Price in 2008 (2007)	Maximum Hourly Price in July	Minimum Hourly Price in July
$62.26	$52.70 ($50.70)	$233.08	- $14.59

Kitchener-Wilmot Hydro System Performance
During the report period the maximum Kitchener-Wilmot Hydro load reached 305 MW on Tuesday, July 29th. The peak for the month of July was 350 MW on Thursday, July 17th.
The Kitchener-Wilmot Hydro peak for the year-to-date is 352 MW on Monday, June 9th.

Transmission & Supply
There were no transmission or supply issues affecting any Kitchener-Wilmot Hydro facilities during the report period.

Distribution
Monday, July 28th
No feeder outages to report.

Tuesday, July 29th
At 5:34 am, the 4M16 feeder was momentarily interrupted. No cause was determined for the outage and approximately 267 customers were affected.

Wednesday, July 30th
Thunderstorm activity in the early evening caused momentary outages on the following feeders:

- At 6:09 pm the 7M9 feeder, approximately 1200 customers affected.
- At 6:09 pm the 7M5 feeder, approximately 1592 customers affected.
- At 6:10 pm the 5M22 feeder, approximately 1493 customers affected.
- At 6:12 pm the 5M25 feeder, approximately 1032 customers affected.

Also at 6:12 pm, the 7M5 feeder was interrupted for 1 hour and 50 minutes due to trees falling on the line on Eighth Avenue and Third Avenue during the thunderstorm. Approximately 1592 Customers were affected by the outage.

At 10:59 pm, the 5M27 feeder was interrupted for 1 hour and 56 minutes due to a vehicle accident on Weber Street at Ottawa Street. Approximately 1346 Customers were affected by the outage.

Kitchener-Wilmot Hydro Control Room

Thursday, July 31st
No feeder outages to report.

Friday, August 1st
No feeder outages to report.

Saturday, August 2nd
At 6:15 am, the 5M15 and 7M8 feeders were momentarily interrupted as a result of a squirrel contact at LI-381 at 216 Fairway Road North. Approximately 3417 customers were affected by the outages.

Sunday, August 3rd
At 6:13 am, the 6M17 feeder was momentarily interrupted as a result of a squirrel contact at the transformer at 16 Hoffman Avenue. Approximately 930 customers were affected by the outages.

APPENDIX R

Monthly Report.xls

MONTHLY REPORT
Maintenance Supervisor

1/26/2009

Month of **December 2008**

Monthly Vehicle Maintenance Report is attached.

Monthly O.E.B. Survey report is attached

2. Date of Monthly Safety Meeting Dec. 12/08

3. Meals Paid 0

1. Number of Employees Salaried and Hourly Paid	
Employees at the Start of the Month	3
Hired	0
Transferred from Other Departments	0
Retired	0
Quit of Laid Off	0
Transferred to Other Departments	0
Net Increase (Net Decrease)	0
Employees at the End of the month	3
Year Ago	3

4. Accidents	Number	Description
Compensable	0	
Memo only	0	
Vehicle	0	

5. Number of Outstanding Maintenance Work Orders	Stations & U/G Department	Line Department	Construction Department
MWO's Scheduled at Start of the Month	34	17	18
Add MWO's Issued this Month	10	12	1
Total to be Worked On	44	29	19
Less MWO's Completed During the Month	1	4	0
MWOs' Scheduled at the End of the Month	43	25	19

6. Estimated Hours of Work Done and Hours of Work Outstanding	Stations & U/G Department	Line Department	Construction Department
Planned hours of Work at the Start of the Month	156	81	64
Add Hours of Work Issued During the Month	68	32	2
Total Hours of Work	224	113	66
Less Hours of Work Completed During the Month	4	12	0
Hours of Work Scheduled at the End of the Month	220	101	66

7. Most Important Outstanding Maintenance Works Orders

a) Complete repairs on Customer Service enclosures.

b) Complete door and vault condition inspections at Customer Service rooms.

c) Outstanding recloser maintenance.

Stations & Underground:

1. Station recloser maintenance report, (3DS and 5DS were done in 2007)

	DS
Scheduled	12
Outstanding	12

1DS, 2DS, 7DS, 8DS are due in 2008.

2. OEB, U/G System Survey Report

No grids were competed in December 2008.
See attached survey summary for detail.

3. Infrared Hot spot Repairs

	Intermediate	Severe
Scheduled	6	0
Dec. 08 completions	0	0
Outstanding	6	0

4. Fabricated and installed a buss bar barier at the Dopp Apartment transformer room. 3063 Kingsway Drive.

Line Department:

1. OEB Overhead System Survey Report

One(1) grid was completed in December 2008.
Two (2) defects repaired
- Replaced lightening arresters at 1269 Sandhills Road.
- Replaced broken 27.6kv. insulators on pole 28 at 1554 Notre Dame Crescent in St. Agatha.
See attached survey summary for detail.

2. LI Switch Maintenance in 2008 (work order 10767)

Scheduled	28
Completed in May/08	2
Completed in June/08	2
Completed in July/08	2
Completed in Aug./08	3
Completed in Sep./08	2
Completed in Oct./08	1
Completed in Nov/08	2
Completed in Dec/08	0
Outstanding	14

3. Infrared Hot spot Repairs

	Intermediate	Severe
Scheduled	5	7
***Dec.08 completions**	0	2
Outstanding	5	5

Completion Details;
* a) Repaired LBD 575 at Krug St @ Dumfries Ave.
* b) Replaced all inlines and crossarm insulators at LBD 2146 on Riverbend Drive.

Construction:

1. Customer Service Installation Maintenance

On-going inspection of faulty door and door frames.
See part 4 of Maintenance Supervisor section.

Maintenance Supervisor:

1. See attached "Vehicle Maintenance Monthly Report" for December 2008.

2. The fleet was washed on December 4, 2008.

3. 2008 Vehicle Specifications and Tenders

a) Truck 70, New RAD for Line Dept.
Chassis ordered on Feb. 1, 2008 from Highway Sterling. Delivery promised 8 to 10 weeks.
Chassis received Mar. 31./08.
RAD and body ordered on Feb. 1, 2008 from Wajax Industries. Delivery promised 36 to 40 weeks.
Pre production meeting was attended on Thursday July 31, 2008.
Crane is installed and painted and will be delivered to Protek Bodies the 1st week of December.
The unit was delivered to Atlas Polar on December 19th for crane preparation.

b) Truck 72, New S&U / Yard crane with platform body.
Chassis ordered on Jan. 14, 2008 from Highway Sterling. Delivery promised 8 to 10 weeks.
Chassis received Mar. 31./08.
Crane and platform body were ordered on August 20, 2008.
Chassis was delivered to Protek Body on Nov. 17, 2008
Body is in the process of being installed at Protek Bodies.

c) New trailer 133 was ordered and will be delivered in early January 2009.

d) Specification for three(3) new pickup trucks were completed.
Tenders close on January 9, 2009. (trucks 82, 43 and 49)

Maintenance Supervisor: cont...

4. Customer Service Deficiency Report

Letters as of Jan.2008	73
Add letters sent in Feb/08	1
Add letters sent in Mar/08	1
Add letters sent in April/08	2
Add letters sent in June/08	1
Add verbal contacts made in Aug/08	3
Add letters sent in Oct./08	2
Add letters sent in Dec./08	2
Subtotal	85
Less completions prior to Jan/08	35
Less completions in Feb/08	4
Less completions in Mar/08	1
Less completions in April/08	5
Less completions in June/08	3
Less completions in July/08	1
Less completions in Oct/08	3
Less completions in Dec/08	0
Outstanding	33

5. Long load permits have been received and installed in the pole trailer document holders.

Month of: **Dec-08** Signed: _____

Damaged Equipment Report

Reported	Completed	Device	Location	City	Remarks
2008/08/02 6:16	2008/08/02 13:24	LI-381 SEE REMARKS	216 FAIRWAY RD N	KITCHENER	SQUIRREL AT LI-381 FIELD PHASE DAMAGED BY SQUIRREL PROBABLE CAUSE OF THE 5M15 AND 7M8 AUTO's TR39 REPLACED 2 INSULATORS, 2 BLADES, 1 SNUFFER, ROD, RES LINE AND 1 CONTACT
2008/08/03 16:22	2008/08/03 19:45	LBD-1747	16 HOFFMAN AVE	KITCHENER	CUSTOMER REPORTS A DEAD SQUIRREL AT BASE OF POLE, BUSINESS SHUT DOWN FOR THE WEEKEND POSSIBLE CAUSE OF 6M17 AUTO THIS MORNING TR60 MADE REPAIRS TO LBD-1747.
2008/08/05 6:03	2008/08/05 8:05	SWITCH	95 WATERLOO ST	KITCHENER	CUSTOMER REPORTS DEAD SQUIRREL @ TX-7235 , CAUSE OF 4M12 AUTO , T-7235-R-50 , BLOWN SWITCH , REPLACED BY TR 38 HOLLATZ & BEYER , REFUSED 8K , FORCE OUTAGE ON 4M12 TO ISOLATE BROKEN SWITCH , REPLACED SW. ARRESTOR , BOLT , LINE LEAD & GRDED REPAIRED .
2008/08/05 11:00	2008/08/05 11:04	INSULATOR , CHICKEN WING	6 TS	KITCHENER	TR 18 COULTER REPORTS BROKEN INSULATOR ON HOMER WATSON BETWEEN LBD-955 AND HOFFMAN. OTO 3059 , TR 32 PAUL DIETRICH , SQUIRREL ,REPLACED INSULATOR & CHICKEN WING , SEE LI-414 . OTTAWA AT MILL . PART OF 6M17 ON 3M20
2008/08/05 12:00	2008/08/05 13:16	POLE	CEDAR	KITCHENER	TRUCK 38 DISCONNECTED DAMAGED S/L POLE AND REMOVED. OCCURANCE # WRP 08098316
2008/08/05 12:12	2008/08/05 13:28	SPAN GUY	SUMMIT	KITCHENER	FOREMAN ON SITE: PHIL PECORARO, CELL # 519-223-8598. TR 32 PAUL DIETRICH REPAIRED A SPAN GUY
2008/08/09 11:42	2008/08/09 15:19	INSULINK,	15 ROTHSAY AVE	KITCHENER	CUSTOMER REPORTS NO POWER. TR 60 REPORTS BLOWN INSULINK ON THE RED PHASE @ 21 ROTHSAY. SEE PREVIOUS EVENT (15221) 1138 VICTORIA ST N.

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Reported	Completed	Device	Location	City	Remarks
2008/08/09 16:11	2008/08/12 14:16	2 POLES WESTERN CEDAR,	NAFZIGER RD	WILMOT TWP	WNH CALLED TO REPORT DOWNED WIRES FROM LIGHTNIING STRIKE. TR 60 REPORT DOWN 27 KV LINES ONTO 8KV LINES PLUS TWO SNAPPED POLES. CAUSE OF 26M12 AUTO & 8DS3 , OTO 3065
2008/08/10 7:00	2008/08/10 9:17	3 SWITCHES.	2125 NAFZIGER RD	WILMOT TWP	CUSTOMER REPORTS PART POWER. TR 60 REPORTS 1 SWITCH BLOWN, CHANGED ALL SWITCHES.
2008/08/10 18:45	2008/08/11 3:25	T-570620	115 COUNTRY CLAIR	KITCHENER	TR 60 TAM & BLAKEMAN , OTO 3066 , T3-6 , T-570620-50 BLOWN & PRI LEAD BLOWN , REPLACED BY T-237293-50
2008/08/11 7:03	2008/08/11 9:12	CABLE	262 BREITHAUPT ST	KITCHENER	JEFF REPORTS THEIR COMPANY HAS NICKED A CABLE. TR 60 REPORTS CABLE WAS CUT HAD TO SPLICE THROUGH CABLE.
2008/08/11 11:47	2008/08/11 12:45		EDEN OAK TRAIL	KITCHENER	D.COULTER - RECEIVED CALL ABOUT S/L POLE HAS BEEN HIT. TR 60 LIVINGSTON & HOLLATZ REPORT S/L POLE IS LEANING & NEEDS A NEW HEAD.
2008/08/11 15:10	2008/08/11 18:50	T-1448	310 QUEEN ST. S	KITCHENER	CUSTOMER HAS REPORTED BROWN OUTS (6X) OVER THE PAST MONTH, ON 1 PHASE OF BUILDING. 1M9 , TR 60 BEYER & ZINGER , CHECKED OUT & POWER IS ON NOW , ONLY THING FOUND WAS 1 TRANSF IN BANK LEAKING A LITTLE OIL - WILL GIVE A NOTE TO TIEGS .
2008/08/11 16:00	2008/08/11 18:00	SERVICE CABLE	15 DALEWOOD	KITCHENER	CUSTOMER WAS DIGGING IN BACK YARD WITHOUT LOCATE. MAY HAVE HIT CABLE, STILL HAS POWER BUT WANTS CABLE CHECKED. TR 60 BEYER & ZINGER MADE REPAIRS TO CABLE.
2008/08/12 11:05	2008/08/12 12:12	LBD-1443, ARRESTORS	80 ALPINE RD	KITCHENER	PASSER BY (MARTIN) NOTICED SWITCH MAKING NOISE AND WAS ARCING TR60 FOUND THE PORCELIAN SWITCH AT LBD-1443 AND LBD-2277 BROKEN TR30 CHANGED THE SWITCHS AND ARRESTORS

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Reported	Completed	Device	Location	City	Remarks
2008/08/12 11:05	2008/08/12 12:15	LBD-2277, ARRESTORS	80 ALPINE RD	KITCHENER	PASSER BY (MARTIN) NOTICED SWITCH MAKING NOISE AND WAS ARCING TR60 FOUND THE PORCELIAN SWITCH AT LBD-1443 AND LBD-2277 BROKEN TR30 CHANGED THE SWITCHS AND ARRESTORS
2008/08/12 14:15	2008/08/19 17:44	HEAD	50 GORDON ST	KITCHENER	S/L HEAD MISSING FROM STORM ON JULY 22/08. TR 60 HORAN & HOLLATZ REPLACED HEAD 2008/09/19.
2008/08/13 10:52	2008/08/13 12:46	BOLTS	607 MANCHESTER RD	KITCHENER	POSSIBLE CAUSE OF 5M21 AUTO CUSTOMER FOUND SQUIRREL A BASE OF POLE AFTER AUTO TR 60 FOUND BURNT BOLTS AT INSULATOR BOLTS DAVE KURT TO ARRANGE FOR THEIR REPLACEMENT
2008/08/14 7:29	2008/08/14 9:33	SWITCH,ARRESTOR	41 MICHEALS ST	KITCHENER	CAUSE OF 4M15 AUTO , CUSTOMERS ON MICHEAL ST, REPORT BANG AND SMOKE FROM T-8608 ACCROS FROM 37 MICHEAL ST. TRUCK 38, REPORTS SQUIRREL CAUSED DAMAGE TO SWITCH, LINE LEAD, ARRESTOR. T-8608-R-75 REFUSED AT 8K , Line insulators will have to be replaced copy given to D Kurt - PAUL DIETRICH SUN AUG 17/08
2008/08/15 14:21	2008/08/19 14:30	GRAFFITI	NOTCHWOOD CRT	KITCHENER	POLICE OCCURANCE # 102917. GREY HYDRO BOX AT TOP OF HILL BY STOP SIGN (SUBMERSIBLE LID?) HAS BEEN VANDALIZED BY GRAFFITI. GIVEN TO BRETT BROWN TRUCK 58 BRETT REPORTS BOX BELONGS TO ROGERS, IS NOT OURS FOR SURE.
2008/08/17 6:34	2008/08/17 9:10	SW. & ARRESTOR	51 MERNER	KITCHENER	SQUIRREL AT T-9227 MERNER & BINGEMAN , TR 60 BEYER & ZINGER , TAGGED LBD-1528 WITH PC10A 026165 , REPLACED SW & ARRESTORS . REFUSED LBD-1528 AT 100 K .
2008/08/17 7:03	2008/08/17 7:59	3 INSULATORS	MICHAEL	KITCHENER	REPAIRS

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Reported	Completed	Device	Location	City	Remarks
2008/08/17 7:20	2008/08/17 11:30	3 SWITCHES	270 MORRISON RD	KITCHENER	CAUSE OF 7M9 AUTO , TR 60 BEYER & ZINGER, SQUIRREL AT CLUSTER , LBD-814 W , LBD-818 R , & LBD-811 R . FOUND FUSE BLOWN AT LBD-814 W T5 LOOP AT 225 MORRISON RD , PLANNED ON LBD-2861 MORRION AT KING . OTO 3073 .
2008/08/17 10:00	2008/08/15 12:37	INSULALTOR	BRIDGE ST	KITCHENER	TR 32 MCCLEMENT INSTALLED TEMP LBD-3372 (AUG 15) FOR PLANNED WORK , TO REPLACE INSULATORS ON SUN. AUG 17/08 . WHILE INSTALLING LBD-3372 HAD TO REPLACE 2 BROKEN INSULATORS . SUN TR 32 PAUL DIETRICH OPENED LBD-3372 TO REPLACE INSULTORS , PC10A-34003.
2008/08/17 12:39	2008/08/17 13:20	2 INSULATORS	225 MORRISON RD	KITCHENER	BLOWN INSULATORS AT LBD-814. PC10A-37119
2008/08/17 14:55	2008/08/17 15:20	2 INSULATORS & 1 SW	607 MANCHESTER	KITCHENER	REPAIRS FROM SQUIRREL.
2008/08/18 7:42	2008/08/18 9:14	3 CONNECTIONS	66 MILL ST	BADEN	PER MIKE WEILER. TRUCK 38 REPORTS BAD CONNECTION AT STACK, REPLACES ALL 3 CONNECTIONS. AOK
2008/08/18 8:09	2008/08/18 10:00	STRUT GUY	520 PARK ST	KITCHENER	CITY WORKER REPORTS VERY LOW GUY WIRE ACROSS SIDEWALK. BROKEN STRUT GUY REPAIRED
2008/08/18 13:35	2008/08/25 14:56	4 SW & ARESTORS	50 WARREN RD	KITCHENER	TR 38 HOLDSWORTH SAID CUSTOMER FOUND SQUIRREL YESTERDAY AND TODAY. CAUSE OF 6M27 AUTO REQUIRE 4 LBD'S ISOLATED FOR REPAIR. GIVEN TO D. KURT SEE OTO 3074 DOUG KROPF COMPLETED O/H WORK AUG 21/08 H. KLIEWER COMPLETE 2008/08/25
2008/08/18 20:25	2008/08/18 23:55	SWITCHES	600 FAIRWAY S	KITCHENER	UNIT "C" AT REAR OF ROYAL BANK BUILDONG . TR 60 HOLLATZ & HORAN , T-6931-150 , 1 BLOWN FUSE & SWITCH , REPLACED ALL 3 SWITCHES & REFUSED AT 8K

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Reported	Completed	Device	Location	City	Remarks
2008/08/19 7:45	2008/08/19 9:20	SEC CABLE	357 OLD HURON	KITCHENER	'LINK LINE' CONTACTED NICKED SERVICE. TR 38 TAM & KLIEWER REPORT TRUCK 38 REPORTS REPAIRED SECONDARY CONDUCTORS AND RESET T-570879 SECONDARY BREAKER. DAVE DORSCH ON SITE AOK
2008/08/20 14:49	2008/09/03 14:10	3 SW'S released only	26 BRIDGE ST	KITCHENER	TIM REPORTS FUSE IS HANGING OPEN ON CAP BANK. TR 60 HOLLATZ & HORAN REFUSED BUT LEFT DOOR OPEN, DID NOT HAVE CAPACITANCE METER TO TEST CAP BANK. Repaired tr65 lichty 2008/09/03
2008/08/21 14:50	2008/08/21 16:45	ST LT HEAD	54 QUEENS ST N	KITCHENER	JERRY TOMKIN 519-584-4291 CELL. EMPLOYEE OF CHURCH REPORTS THAT THEY HAVE DESTROYED S/L AND POLE WHILE WORKING WITH A BOOM LIFT. TRUCK 60 SENT TO DISCONNECT. POLE & HEAD BROUGHT TO SHOP FOR REPAIRS.
2008/08/22 13:31	2008/08/22 16:05	INSULATION	512 PINE HALLOW CRT	KITCHENER	CONTRACTOR HAD LOCATES BUT KNICKED SECONDARY WIRES. WIRE NOT DAMAGED, JUST INSULATION. KEN WALLACE C: 519-577-0571 FOREMAN ON SITE. REPAIRED INSULATION
2008/08/22 14:25	2008/08/22 14:40	SWITCH	MANCHESTER	KITCHENER	XFER TO R PH, OTO 3079. REPLACED OLD SWITCH
2008/08/23 1:20	2008/08/23 16:05	POLE	HOMER WATSON BLV	KITCHENER	WRP OCCUR # 106490. POLE # 45E9519C4034. TR 60 HOLLATZ & HORAN FOUND A FAIR SIZE CRACK IN BASE , TR 32 DIETRICH , POLE NEEDS TO BE REPLACED , OTO 3081 REPLACED SUN AUG 24/08
2008/08/23 8:35	2008/08/23 18:00	SWITCHES & INSULATORS	DRIFTWOOD DR	KITCHENER	CAUSE OF 6M11 AUTO AT 07:59 , SQUIRREL AT LBD-1358 , RISER FOR FEED TO DRIFTWOOD PUBLIC SCHOOL AT 50 PARKLAND CR. TR 60 HOLLATZ & HORAN , NOTIFIED BURNEY WAT. SCHOOL BOARD 569-0170 , LBD-1358 REBUILT WITH NEW STYLE SWITCHES & INSULATORS
2008/08/24 6:16	2008/08/24 15:35	ARRESTOR	CAYUGA ST	KITCHENER	CAUSE OF 3M21 AUTO , TR 60 HORAN & PORTER PATROLLED & FOUND CF-15-2005 WITH BLOWN ARRESTOR , BIRD , REPLACED ARRESTOR & 3 PORCELIN SWITCHES .

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Reported	Completed	Device	Location	City	Remarks
2008/08/25 9:30	2008/08/25 23:20		HILDA PL	KITCHENER	CUSTOMER REPORTS POLE HAS 2 LARGE CRACKS AT BOTTOM AND SLIGHT LEAN ON POLE. TRUCK 38, REPORTS SAFE FOR NOW NEEDS TO BE REPLACED ASAP. SAME POLE AS LBD 1180. ALSO HAS SIDEWALK AROUND IT, MAY NEED CUTTING. GIVEN TO LICHTY COVERING FOR KURT TR 32 P.DIETRICH REPLACING POLE.
2008/08/25 13:45	2008/08/25 20:04	U/G PRIMARY CABLE	15 MCGEE	KITCHENER	PRIMARY CABLES PULLED OUT OF T-963-50 T1-2 . TR 48 KUNTZ , T-963 & T-951 OFF TO REPLACE CABLES . OTO 3085 MOL: SCOTT NEY INVESTIGATING C: 519-239-7894
2008/08/25 13:45	2008/08/25 17:46	CABLES & T-963	15 MCGEE AVE	KITCHENER	RICK , CREATIVE ASPALT & LANDSCRAP , 1 ST DRIVEWAY IN OFF OTTAWA OTO 3085 , PRIMARY CABLES PULLED OUT OF T-963-50 T1-2 . NOTIFIED MIN OF LABOUR - LISA . TR 48 KUNTZ , T-963 & T-951 OFF , T-963 - REPAIRED THE FLOWER POT & T-963 BACK ON , CABLES REPAIRED LATER by a backhoe
2008/08/25 22:05	2008/08/25 0:00	GARAGE DOOR	301 VICTORIA ST S	KITCHENER	1A DOOR WILL NOT STAY SHUT. GOES DOWN 7/8 'S OF THE WAY THEN GOES BACK UP AGAIN. GIVEN TO STEVE CHOMITZ TO FIX.
2008/08/26 10:40	2008/08/26 11:20	CONNECTION	808 VICTORIA ST N	KITCHENER	TR38 FOUND BAD SEC CONNECTION ON T-12013 WHEN REMOVING RECORDER. REPAIRED
2008/08/26 12:15	2008/08/26 13:15	SW & ARRESTOR	3054 BETHEL RD	WILMOT TWP	TULLOCH, BEYER. BOESE FOUND BLOWN SW & ARRESTOR DURING SURVEY. PC10A-37111 REPAIRED.
2008/08/27 6:10	2008/08/27 0:00	LI-345	STIRLING AVE	KITCHENER	WRP 108400, CAUSE OF 1M9 & 6M28 AUTO , TR 38 MCDONALD & MCCLEMENT. SQUIRREL. ROGERS WIRE DAMAGED. ROGERS INFORMED. GIVEN TO D. KURT
2008/08/27 18:20	2008/08/27 20:42	SWITCHES	20 DAVID ST	KITCHENER	CAUSE OF 1M9 AUTO , TR 60 HUMPHREYS & HARRISON , SQUIRREL AT T-2879-150 120/208 , REPLACED ALL 3 SWITCHES .
2008/08/28 8:00	2008/08/28 10:15	SEC WIRE	110 HIGHLAND RD E	KITCHENER	OLD CANADA BLOWER LOT. CONTRACTOR HIT SEC CABLE TRIPPED T-570634 SEC BKR. REPAIRED AND RESET

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Reported	Completed	Device	Location	City	Remarks
2008/08/29 12:55	2008/08/29 0:00	GLASS PORCELIN INSULATOR	WALTER	KITCHENER	KFD REPORTS RESPONDING TO BLOWN TX CALL @ WALTER & GLASCOW. TR 38 RESPONDING - REPORT @ DEADEND OF 3 PHASE LINE @ WALTER & GLASCOW, THE FIELD PHASE PORCELIN INSULATOR FLASHED OVER.
2008/08/31 7:06	2008/08/31 12:01	T-8828 Also repair to LI-53	90 EARL ST	KITCHENER	SQUIRREL CONTACT T-8828 ON CONCRETE POLE DAMAGED DUE TO SQUIRREL DOUG KROPFS CREW IN AT TIME REPAIRING LI-53 REPLACED TRANSFORMER
2008/08/31 7:58	2008/08/31 9:07	SWITCH	21 BRAUN ST 24	KITCHENER	MULTIPLE CALLS FROM BRAUN ST TR60 CONFIRM A SQUIRREL CONTACT AT T-9538 ON A CONCRETE POLE AT 24 BRAUN, LBD-1508 HAS ALSO BLOWN TR 60 REPLACED A SWITCH AT T-9538 AND REFUSED LBD-1508 AT 50K

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Monthly System Report
for the Month of July, 2008

A MAINTENANCE

1. Pole Replacements:

	Distribution Poles	Streetlight Poles
Motor Vehicle Accidents	5	2
Poor Condition	6 (includes 5 poles on Stirling Ave. broken during the July 22 storm)	0

2. Transformer Replacements:

Single Phase Overhead	Single Phase Underground	Three Phase
• 1328 Bleams Rd. (faulted) • 132 Hartwood Ave. (faulted) • Ottawa St. N. at Dreger (faulted)	• 61 Broken Oak Cr. (faulted) • 566 Strasburg Rd. (faulted) • 348 The Country Way (faulted) • 1398 Queens Blvd. (faulted) • 378 Highbrook Cr. (faulted) • 942 Strasburg Rd. (faulted) • 781 Erinbrook Dr. (faulted) • 320 Roling Meadows (faulted)	• Fairview Park Mall Vault 670 (rusted) • Toys R Us Fairway Rd. (faulted)

A **MAINTENANCE** (continued)

3. Distribution System Repairs:

	Overhead	Underground
Load Interrupter Switches	• LI-377 (rear of 244 Madison Ave.)	•
Disconnect/ Line Switches/ Arrestors/ Insulators	27 locations (12 due to squirrels)	6 locations (3 due to squirrels)
Primary Lines / Cables	• Fairway Rd. at Manitou (connector failed) • Chapel St. & Samuel St. (July 22 storm) • 50 Gordon Ave. (July 22 storm) • Stirling Ave., Highland Rd. to Mill St. (July 22 storm) • 12 Wellington St. N. (July 26 storm) • 77 Third Ave. (July 30 storm)	• 7 Upper Mercer St. (vehicle accident - riser) • 170 Hollinger Cr. (faulted riser cables)
Secondary Lines / Services	• 971 Victoria St. N. (fault) • 102 Louisa St. (faulty connector) • 80-104 Chestnut St. (July 22 Storm) • Chapel St. at Samuel St. (July 22 Storm)	• 1997 Bethel Rd. (faulted)

A **MAINTENANCE** (continued)

3. **Distribution System Repairs:** (continued)

	Overhead	Underground
Secondary Lines / Services (continued)	• 146 Wilson Ave. (faulty connectors)	
Streetlight Cables	•	•

- A severe thunderstorm hit our service area on the evening of July 22. Fallen trees and branches damaged our lines on Stirling Ave., Samuel St., Gordon St., Fairview St. and Chestnut St. Our crews worked around the clock for two days to restore power.

4. **Distribution System Maintenance:**

- Continued with scheduled tree trimming work in the North Ward and Bridgeport areas on Bridge St. and on Wellington St. and along the Iron Horse Trail from West Ave. to Stirling Ave.
- Forty-one (41) overhead grid areas were surveyed in July as part of the OEB maintenance survey (139 YTD).
- Zero (0) underground grid areas were surveyed in July as part of the OEB maintenance survey (23 YTD).
- Scheduled maintenance completed on zero (0) submersible transformer installations this month (2 YTD).
- Our crews removed 10 pole butts.
- Our crews cleaned out two submersible transformer vaults on The Country Way and Erinbrook Drive.
- Continued the rebuild of Vault 289 on Frederick St.

A **MAINTENANCE** (continued)

4. Distribution System Maintenance: (continued)

- Completed the installation of the steel manway entrance grill to Vault 397 on Charles St. at Ontario St.
- Commenced the rebuild of Vault 602 on Charles St. at Benton St.
- Completed maintenance on network transformers C6 and D6.

5. Stations:

- Repaired defective T91B, T92B, T101B and T102B reclose schemes at 5 T.S.
- Removed, repaired and re-installed fan motors on transformers T9 and T10 at #5 TS.
- Removed circuit breaker 15B16 from #8 TS and sent it out for repairs. Temporarily replaced it with the circuit breaker from cell 3M25 at #3 TS.

6. Metering:

- We continue to make good progress on our residential one-to-one meter changes due in 2008.

7. Miscellaneous:

- Contractor completed washing of all vehicles as part of our monthly vehicle washing program.
- Contractor completed repairs of deficiencies found durng the annual roof inspection of 301 Victoria St. S.
- Completed repairs to deficiencies found during the condition evaluation of the aerial units on trucks 4, 15, 38, 64 and 80.
- Installed rumber on two pole bunks.

B STREETLIGHTING

Location	Installed	Removed
Walkway beside 228 Ingleside Place	1 – 50W HPS	
Northbrook Place Old Huron Rd. Subdivision	4 – 70W HPS	
Old Huron Road Old Huron Rd. Subdivision	8 – 100W HPS	
Templewood Drive Old Huron Rd. Subdivision	3 – 100W HPS	

- Our own forces installed 13 - 32.5' concrete street light poles, 833m of 2" HDPE pipe and 350m of street light cable on Fischer-Hallman Rd. between Highway 7/8 and Queens Blvd.
- Contractor completed the street light cleaning and re-lamping of Area 5 of Kitchener (3808 of 3808 lights completed) and the downtown area of Kitchener (434 of 434 lights completed).

C NEW CONSTRUCTION

1. Overhead:

i) Completed Projects:

- Extension of a single phase pole line on Puddicombe Rd. between #1538 and Bethel Rd. (4 wood line poles).
- Extension of a single phase 4.8 kV pole line on Gerber Rd. east of Nafziger Rd. (8 wood line poles).
- Relocate 13.8 kV poles on Fischer-Hallman Rd. at various locations between McGarry Dr. and Queens Blvd. for road improvements (2 concrete line poles and 2 concrete stub poles).

C NEW CONSTRUCTION

1. Overhead: (continued)

i) Completed Projects: (continued)

- Minor line extensions/pole replacements to accommodate new services or road works at various locations:
  - 108 Birch Ave. (1 pole)
  - 131 Goodrich Dr. (2 poles)
  - 178 Louisa St. (1 pole)
  - 3087 Sandhills Rd. (1 pole)

ii) Work in Progress:

- Rebuild a three phase 8.3 kV pole line on Erb's Rd. between Sandhills Rd. and Lot 9/10 (39 wood line poles, 5 wood clearance poles).

- Rebuild a three phase 8.3 kV pole line on Erb's Rd. between Lot 9/10 and St. Agatha (41 wood line poles, 6 wood clearance poles).

- Extension of a three phase 13.8 kV pole line on Ira Needles Blvd. from Victoria St. to University Avenue (23 concrete line poles, 2 concrete stub poles).

- Demolition of a three phase 13.8 kV pole line on Joseph St as part of the coal tar remediation project (15 concrete line poles).

- Rebuild a three phase 13.8 kV pole line on Doon Valley Dr. and Pinnacle Dr. (32 wood line poles, 6 concrete line poles, 1 wood stub pole).

- Relocate a three phase 13.8 kV pole line and river crossing at the intersection of Lancaster St. and Bridge St. for intersection improvements and bridge repairs (2 concrete line poles, 1 wood line pole and 1 concrete stub pole).

C NEW CONSTRUCTION

2. Underground Distribution:

- The following ductbanks were installed:
  - Fischer-Hallman Road at Forest Hill Dr. (11 metres x 3 ducts)
  - 250 Bingeman Centre Rd. (29 metres x 3 ducts)
- Ducts and service cables were relocated to new poles at five locations.

3. New Subdivisions:

i) Transformers

Location	Installed
Townhousing Westmeadow Dr.	5 x 50 kVA submersible
Subdivision Chicopee Stage 2	2 x 50 kVA submersible

- Eighteen (18) concrete collars were installed on submersible transformer vaults in new subdivisions. (24 YTD).

ii) Cables

- Contractor completed installation of residential underground distribution cables in the 240 Westmount Drive Townhouse Development with the installation of 610 metres of cable and services for 66 units.
- Contractor progressed with installation of residential underground distribution cables in the Stonecroft Subdivision, Stage 4 with the installation of 620 metres of secondary cable and 20 services; and in the Edgewater Estates Subdivision, Stage 2 with the installation of 9 road crossings.

C NEW CONSTRUCTION

4. Services Installed:

i) Residential

	This Month	YTD
Underground	133	831
Overhead	0	0

ii) Commercial (New)

Location	Installed
800 Wilson Ave. Trammel Crow	3 x 500 kVA 347/600 V enclosure type 92m 3-1/c #1 15 kV primary cable
2101 Shirley Ave. Strasburg Windows	56m 3-1/c #1 15 kV primary cable
1500 Highland Rd. Goco Gas Bar	1 x 300 kVA 347/600 V padmount
108 Birch Ave. New Warehouse	1 x 225 kVA 347/600 V polemount

iii) Commercial (Upgrades)

Location	Installed	Removed
1855 Notre DameDr. Kidslink	22 metres 3-250 MCM & 1-4/0 secondary cable	3 x 37.5 kVA 120/208 V polemount

5. Stations:

- Continued with upgrades to the protection at #4 TS.

D HEALTH, SAFETY AND TRAINING

1. Accidents:

	This Month	YTD
Compensable	0	1
Memo Only	0	4
Vehicle	2	5

2. Training:

Course	Date	Employees

3. Professional Development:

Meeting/Seminar	Date	Employees
ESA Working Group meeting Guideline for Excavation in Vicinity of UG Cables Mississauga	July 28, 2008	L. Frank

E MISCELLANEOUS

- Kevin Goetz transferred from the Stations and Underground Department to the Control Room on July 7.
- IESO Underfrequency Load Shedding (UFLS) survey was completed on July 15.

Respectfully submitted,

LJF:wm

Lloyd J. Frank
Manager Construction & System Planning

WM:wm

Wilf Meston
Operations Manager

APPENDIX S

APPENDIX C

Minimum Inspection Requirements

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

C.1 DISTRIBUTION INSPECTION STANDARDS

Inspection Cycles

A distributor should ensure that only persons qualified under the Occupation of Health and Safety Act are involved in inspection activities. Since some inspections can expose inspectors to energized lines or high voltage circuits and equipment, and may include inspection and repair, a qualified person should be assigned to this work. This assumes that they are both properly trained to protect both themselves and the public, and to respond to those emergencies, which may arise during inspections.

In developing the standards for facilities inspections, the patrol inspection is defined as follows:

> Patrol or simple visual inspections consists of walking, driving or flying by equipment to identify obvious structural problems and hazards such as leaning power poles, damaged equipment enclosures, and vandalism. In cases where a patrol notices that a problem exists or identifies a condition that warrants a more thorough or rigorous inspection, patrol may then include situations where structures are opened as necessary, and individual pieces of equipment carefully observed and their condition noted and recorded. The specifics of these inspections would be recorded, and a summary document prepared in the distributor's annual reports as part of their rates or licensing submissions.

In all cases, a distributor is responsible to ensure that appropriate follow up and corrective action is taken regarding problems identified during a patrol.

The Board or a Board-designated party reserves the right to conduct random audits of inspection reports to ensure that appropriate follow up and corrective action is taken regarding problems identified during a patrol.

It is expected that distributors will file both annual summary reports of detailed patrol inspection activities that have taken place during the previous year as well as an outline of inspection plans ("compliance plans") for the forthcoming year.

Inspection cycles are categorized by the following major distribution facilities:

Distribution Transformers
Stations
Switching and Protective Devices
Regulators
Capacitors
Conductors and Cables

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

Vegetation
Poles/Supports
Civil Infrastructure

For each of these facilities, the distributor shall further distinguish between overhead facilities, underground facilities. The distributor shall also separate according to the facilities' location and the relative population density in the locale.

- **Rural** means those areas that are less populous suburban areas and are outside of a standard metropolitan area. Generally, rural will be defined on a circuit or sub-circuit basis by each utility, as areas with a line density of less than 60 customers per kilometer of line. It is recognized that there may be circumstances where the utility might want to treat something as urban though it would otherwise be defined as 'rural' according to this definition.

- **Urban**, means areas with higher density and, by definition pose safety and reliability consequences to greater numbers of people.

The following description provides a list of the requirements to be expected from a typical distribution line patrol inspection in terms of the types of defects that may be detected visually. Clearly, the list will vary depending on the equipment specifics and locations, thus this should be viewed as a 'generic' patrol expectation.

Transformers and switching kiosks:
Paint condition and corrosion
Placement on pad or vault
Check for lock and penta bolt in place
Grading changes
Access changes (Shrubs, trees, etc.)
Phase indicators and unit numbers match operating map (where used)
Leaking oil
Flashed or cracked insulators
Pad mounted – lid damage, missing bolts, cabinet damage, public security lock damage

Substation- May consist of one or all types of equipment listed

Switching/Protective Devices
Overhead
Bent, broken bushings and cutouts,
Damaged lightning arresters, control boxes, current and potential transformers
Underground
Security and structural condition of enclosure
Pad mounted
Security and structural condition of enclosure

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

Regulators
- Condition of bushings
- Tank corrosion/leaks
- Damaged disconnect switches or lightning arresters

Capacitors
- Condition of bushings
- Tank corrosion/leaks
- Damaged cutouts, disconnects or control cabinet

Conductors and Cables
- Low conductor clearance
- Broken/frayed conductors or tie wires
- Tree conditions, exposed broken ground conductors
- Broken strands, bird caging, and excessive or inadequate sag.
- Insulation fraying on secondary especially open wire

Poles/Supports:
- Bent, cracked or broken poles
- Excessive surface wear or scaling
- Loose, cracked or broken cross arms and brackets
- Woodpecker or insect damage, bird nests
- Loose or unattached guy wires or stubs
- Guy strain insulators pulled apart or broken
- Guy guards out of position or missing
- Grading changes, or washouts
- Indications of burning

Hardware and attachments:
- Loose or missing hardware
- Insulators unattached from pins
- Conductor unattached from insulators
- Insulators flashed over or obviously contaminated (difficult to see)
- Tie wires unraveled
- Ground wire broken or removed
- Ground wire guards removed or broken

Equipment Installations (includes transformers)
- Contamination/discoloration of bushings
- Oil leaks
- Rust
- Ground lead attachments
- Ground wires on arrestors unattached
- Bird or animal nests
- Vines or brush growth interference

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

Evidence of bushing flashover
Accessibility compromised

Vegetation and Right of Way:
Leaning or broken "danger" trees
Growth into line of "climbing" trees
Unapproved/unsafe occupation or secondary use

Civil Infrastructure - For example, buildings that house the equipment may need attention (cracking, fire hazards, etc). In addition, cable chambers, underground vaults and tunnels crossing the rail track or water are also included in this category. These inspections would likely be conducted in the patrol of the equipment with which they are "associated."

Underground Systems:

With respect to underground systems, riser poles should be checked as with an overhead patrol, with a visual check of cable, cable guards, terminators and arrestors. While it is not possible to inspect underground cable directly, the system may be checked for exposed cable and or grade changes that may indicate that the cable has been brought too close to the surface. Patrol inspection of cable chambers is not required since a visual inspection will not reveal faults because the failure mechanism for underground cable (e.g. voids, water trees) is not visually detectable.

Cable is hard to check, but the system can be checked for exposed cable and/or grading changes that may have brought cable or wire too close to the surface.

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

TABLE C-1
Electric Utility System Inspection Cycles
(Maximum Intervals in Years)

Major or Substantial Distribution Facility*	Patrol	Patrol
Distribution Transformers	**Urban**	**Rural**
Overhead	3	6
Submersible	3	6
Vault	3	6
Pad Mounted	3	6

Stations (see note below)	Outdoor Open	Outdoor Enclosed	Indoor Enclosed	Outdoor Open	Outdoor Enclosed	Indoor Enclosed
Transformer Station	1 month	1	1	6 month	1	1
Distribution Station	1 month	1	1	6 month	1	1
Customer Specific Substation	1	3	3	1	3	3
Lines and Associated Equipment						
Regulators		3			6	
Switching and Protective Devices		3			6	
Capacitors		3			6	
Conductors and Cables						
Overhead		3			6	
Underground		3			6	
Submarine		3			6	
Vegetation (see note below)		3			6	
Poles		3			6	
Civil Infrastructure		3			6	

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

Notes to Table C-1:

1. The above distribution system patrol cycles form part of the regulatory framework and are minimum inspection requirements for each major or substantial distribution component and related hardware.

2. A distributor may determine that more frequent inspections may be required due to local conditions such as geographic location, climate, environmental conditions such as air pollution or highway salt spray, technologies available to perform the inspection, type and vintage of distribution technology in place, manufacturer specifications, system design, or relative importance to overall system reliability of a particular piece of equipment or portion of the distributor's distribution system.

   The burden of proof is on the distributor to demonstrate that it should not have to comply with these the inspection schedules or requirement in Table C-I. To demonstrate that it should not have to comply with these inspection schedules, the distributor would have to present a comprehensive and detailed case establishing:

   Revised inspection cycles may be allowed when justified by:
   - Documented historical good utility maintenance and inspection practices, including a program to manage reliability.
   - Alternative or additional maintenance activities that are practiced by the utility and can be demonstrated as being practiced.
   - Achieved reliability performance. The utility will be required to submit both the current and historic reliability statistics over five years. These statistics must be verifiable. This will be measured by the following:
     - Once the data is available over the course of Generation 1 and 2 of the PBR regime, the reliability indices that are better than the average of distributors which are comparable in size and type. The reliability indices to be used are those that are defined over time in the PBR regime, including initially SAIDI, CAIDI and SAIFI averaged over the previous three year period, and;
     - The reliability indices over time for the individual utility that are at least as good, if not better, than the average of the indices over the previous five year period. Again, the reliability indices to be used are those that are defined over time in the PBR regime, including initially SAIDI, CAIDI and SAIFI averaged over the previous five-year period.

3. The method by which inspection cycles are structured and the work carried out is at the discretion of the distributor. The above table is organized according to major classification of equipment, however distributors may choose to conduct and record the inspections on some other basis such as:
   - Circuit or feeder basis
   - Overhead & underground
   - System voltage
   - Dividing its service area into geographical areas
   - Other

   It is intended that if the inspections are organized by one of the above approaches, all major equipment categories identified in the table and related hardware along the line or within the area will be inspected. It is intended that the utility would perform the inspection on a minimum of approximately 1/3 (urban) or 1/6 (rural) of their system in each year, such that at the end of the first term of the PBR framework, a utility would have performed an inspection of their entire system in urban areas and approximately half of rural systems. If, in any one year of the PBR framework, a utility has performed the inspection on less or more than the 1/3 (urban) or 1/6 (rural) of their system, the utility would provide an explanation of this deviation in their annual submission. For clarity, the plant will be inspected on a cyclical basis, and the cyclical interval is specific to a particular region or portion of plant, and not on the system as a whole.

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

4. "Civil Infrastructure": Refers to facilities and structures such as tunnels, ducts suspended from or attached to bridges, underground chambers and hand holes, towers supporting distribution plant, communication towers, buildings that house substation equipment. It is intended that civil infrastructure will be inspected as part of the patrol of the distribution system or in the course of doing normal, routine utility work. It is recognized that there may be instances where it will be extremely difficult to perform a visual inspection (e.g. where access is restricted due to energized equipment in cable chambers), and therefore the civil infrastructure associated with this would be inspected in the course of doing normal utility work which would require entrance to the chamber, which would require the utility to de-energize the equipment. In other words, the equipment should not be de-energized simply to comply with this scheduled inspection routine.

5. "Patrol": Visual inspection of major distribution system components to identify problems and hazards such as leaning poles, damaged equipment enclosures, and vandalism. This will include an inspection of all related peripheral equipment, hardware, connections, all supports and attachments (e.g. cross arms, braces, guys and anchors). This would also include an assessment of vegetation encroachment on right-of-ways.

   The patrol may highlight that a problem exists or may identify conditions that warrant a more thorough or rigorous inspection or the need for specific maintenance. The specific follow up or corrective action shall be according to the best judgment of the distributor considering best industry practices. To further clarify the nature of problems detected during the inspection, the distributor may choose to utilize diagnostic tools such as infrared thermography, ultrasonic testing or other technologies that may emerge. Several technologies are also available for wood pole testing. Distributors may choose, (as post inspection follow up or ongoing maintenance), to conduct tests of major distribution system components on a sample basis. Issues such as the age, equipment design, exposure to adverse conditions, manufacturer specifications, and relative impact on overall system reliability may influence a distributor's decisions regarding corrective action and application of these diagnostic technologies following a patrol. In all cases, a distributor is responsible to ensure that appropriate follow up and corrective action is taken regarding problems identified during a patrol. This may entail upgrade or replacement of specific components or equipment.

   Maintenance activities and schedules are not specified in the above table and are left to the discretion of the distributor. It is not practical to attempt to establish a regulatory regime for literally hundreds of maintenance activities that range from insulator washing, cable replacement, CO_2 cleaning of switchgear, to gas-in-oil testing of station transformers, etc. The absence of more detailed inspection or maintenance criteria in the above table in no way reduces the distributor's obligation to maintain the distribution system in a safe and serviceable condition.

   The Board or a Board- designated party reserves the right to conduct random audits of inspection reports to ensure that appropriate follow up and corrective action is taken regarding problems identified during a patrol.

7. "Rural": Generally will be defined on a circuit or sub-circuit basis by each distributor, as areas with a customer density of less than 60 customers per kilometer of line. It is recognized that there may be circumstances where the distributor may choose to treat some parts of its distribution system as urban though it is "rural" according to this definition.

   "Urban": Each distributor will define "Urban", or more populated areas, on a circuit or sub-circuit basis, as areas with higher density and, by definition pose safety and reliability consequences to greater numbers of people.

8. "Stations": The terms "substations", "distribution /municipal stations", etc. Are frequently interpreted and applied differently by various distributors. In some jurisdictions the term "substation" refers to a large 125 MVA station directly connected to the 115 or 230 kV

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

transmission system while in other jurisdictions "substation" refers to a customer specific station that provides transformation from a distribution voltage to a utilization voltage of 600V for example.

The impact on overall distribution system reliability of any particular station varies considerably according to the nature of the station and local system design. Specific station design features such as indoor versus outdoor may warrant different inspection cycles according to the relative exposure to unauthorized access and associated public safety concerns.

The following definitions are provided to assist with interpretation of the above table such that the resulting inspection cycles are appropriate for the nature of the station.

8.1 "Transformer Station" (TS): A transformation facility with the primary connected to the 115/ 230 kV or higher transmission system and the secondary operating at 50 kV or less.

8.2 "Distribution Station" (DS): Also known as "municipal Station (MS), a transformation facility with the primary operating at a sub transmission or distribution voltage and the secondary operating at lower distribution voltage. The upstream transformation facility will typically be a Transformer Station. A Distribution Station supplies main feeders for wide area distribution.

8.3 "Customer-Specific Substation": A transformation facility supplying a specific industrial/commercial customer. The primary operates at a distribution or sub transmission voltage and the secondary typically operates at 600V. The upstream station could be either of the stations identified in 8.1 or 8.2. Typically these facilities are on the customer's private property and include customer-owned equipment in addition to a Distributor-owned transformer.

8.4 "Outdoor Open": Typically refers to a station surrounded by a locked security fence. Within the station fence bare energized components operating at distribution voltage levels or higher are readily accessible. More frequent inspections are required for public safety considerations and to ensure integrity of the station fence.

8.5 "Outdoor Enclosed": Similar to 8.4 above however all bare live components are enclosed in locked metal enclosures. Due to reduced accessibility to energized components less frequent inspections are appropriate.

8.6 "Indoor": Typically refers to a station located within a secure building. Access by the public to bare energized components within the station is prevented by the building enclosure. Due to reduced exposure to unauthorized public access less frequent inspections are appropriate.

9. "Conductors and Cables: Underground": It is not possible to inspect underground cable directly, however, the system can be checked for exposed cable and or grade changes that may indicate that the cable has been brought too close to the surface. Patrol inspection of cable chambers is not required since a visual inspection will not reveal faults because the failure mechanism for underground cable (e.g. voids, water trees) is not visually detectable.

10. "Vegetation": Refers to encroachment of vegetation upon distribution lines on any right-of-way; either public road allowance or private property. It is intended that vegetation will be inspected as part of the regular patrol of distribution equipment.

C.2 DISTRIBUTION INSPECTION REPORTING

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

TABLE C-2
Sample Annual Inspection Summary Report

Distributor					
Reviewed by	Name:		Position/Title:		
Date:	Signature:				
DESCRIPTION Part 1 - Lines		Percentage of Distribution System Scheduled for Patrol (%)	Percentage of Distribution System Actually Patrolled (%)	Reason Patrol was not Completed	Date Patrol will be Completed
Overhead Plant Transformers Switching & Protective Devices Regulators Capacitors Conductor Vegetation Poles Civil Infrastructure	Urban				
	Rural				
Underground Plant Transformers Switching & Protective Devices Regulators Capacitors Cable Civil Infrastructure	Urban				
	Rural				

Part 2 – Substations	Number of Substations in Distribution System	No. of Substation Patrols Scheduled	No. of Scheduled Patrols not completed	Reason Patrols were not Completed	No. of Substations not Patrolled During Reporting Period	Date Substation Patrol Schedule will be Resumed
Transformer Station						
Distribution Station						
Customer Specific Substation						

Notes to Table C-2:

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

1. This report provides a summary of the patrols scheduled and carried out during the year as well as the target dates for completion of patrols which were not completed as planned.

2. This format is a sample of a summary report for patrols carried out on a geographical, system characteristic (overheard or underground) basis.

3. Major equipment categories need not be reported separately however, all categories of equipment within the particular area or circuits shall be inspected.

4. Civil infrastructure is intended to be inspected as part of patrol of the distribution system or in the course of doing normal routine utility work.

5. This report is to be submitted to the OEB on an annual basis.

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

TABLE C-3
Sample Patrol Deficiency Record

Area/District _____ **Date** _____

Circuit _____ **Patrolled by** _____

Grid _____ **Page** _____ of _____

Location	Equipment Id. No.	Equipment Classification	Repair Required/ Problem	Corrective Action Priority		Assigned to or Work Order No.	Date Repair Completed or Scheduled
				Grade 1	Grade 2		
Number of Deficiencies for the Circuit/Area							

APPENDIX C - MINIMUM INSPECTION REQUIREMENTS

Notes to Table C-3:

1. The format of this record is to be determined by the distributor based on their own system data input forms. This format is a sample for inspections done on a geographical or circuit basis and indicates the information that is expected to be collected.

2. Deficiencies and corrective action for all major equipment classifications for the area or circuit would be recorded.

3. Distributors are required to retain this information and make it available to the Board upon request.

4. Corrective Action Grade 1 is defined as a condition requiring urgent and immediate response and continued action until the condition is repaired or no longer presents a potential hazard.

5. Corrective Action Grade 2 is defined as a condition requiring timely corrective action to mitigate an existing condition which, at the time of identification, does not present an immediate hazard to the public, Distributor employees, or property.

APPENDIX T

March 5, 2009

To: J. Van Ooteghem

From: L. Frank
W. Meston

Subject: **2008 Annual Report**
Operations and Engineering Departments

Although the creation of new lots slowed, the number of new residential and commercial services installed in 2008 was virtually unchanged from 2007, resulting in another busy year for our Engineering and Operations departments. Capital expenditures for the year 2008 were $17,599,990 compared to $16,669,945 in 2007.

Residential development in the area continued softening in response to a worsening economy. A total of 718 single family, semi-detached and townhouse lots were serviced in 2008 compared to 1,665 lots in 2007 and 2,024 lots in 2006. Most of the new development occurred in southwest and southeast Kitchener as well as in Baden. The number of services installed exceeded the number of lots serviced, reversing a recent trend as developers began drawing down existing inventories of serviced building lots. Development activity is expected to be slow for the foreseeable future.

The IESO reported that Ontario demand was reduced by approximately five percent (5%) or 900 MW as a result of the Earth Hour initiatives on Saturday, March 29 from 8-9 p.m. Kitchener-Wilmot Hydro demand was reduced by approximately three percent (3%) or 6.5 MW during the same period.

Kitchener-Wilmot placed fourth among municipalities taking part in the annual Blackout Day Challenge. The Challenge marks the anniversary of the August 14, 2003 blackout that darkened much of southern Ontario and the north-eastern United States. The combined reduction of the 2008 Blackout Day Challenge was equivalent to removing 27,000 homes from the grid for one day.

On July 26, the 115 kV circuit F12C tripped during inclement weather, interrupting supply to half of #5 TS. Approximately 5290 customers experienced a 14 minute outage. On September 1, circuit F12C tripped again, interrupting supply to half of #5 TS. Approximately 4736 customers experienced a 12 minute outage.

The Ontario peak demand for electricity consumption for the year was 24, 235 MW on June 9th, which was down from 25, 737 MW in 2007 and down considerably from the record peak of 27, 005 MW in 2006. Kitchener-Wilmot Hydro's yearly peak also occurred on June 9th and was 352 MW, which is less than 371 MW in 2007 and less than the all time peak of 387 MW in June 2005.

Several severe storms in 2008 caused outages throughout our service area. On July 22th, high winds broke poles and brought down wires mostly due to damage from trees, causing a number of extended

outages. On December 29th, another severe storm with high winds caused numerous outages and broke six poles on Notre Dame Drive south of St. Agatha. Cleanup efforts occupied our crews for several days after each storm. We requested and received assistance from Guelph Hydro and a contractor for restoration after the storm on December 29th.

Hydro One completed installation of an autotransformer at Preston TS, a 115 kV transmission line to connect Preston to D7G and D9G lines, and 115 kV breakers at Freeport SS to provide interim relief of D7G/D9G lines.

Overhead line construction for 2008 was primarily focused on rebuilds of existing pole lines and construction of new pole lines to service new residential subdivisions and new commercial services. It was a relatively quiet year for pole line relocations required by road widenings.

Our crews continued our program of underground vault rebuilds to repair aging infrastructure. New high voltage cables and duct banks were installed at a number of locations to facilitate pole line construction and new or upgraded services.

Construction of the new Wilmot Transformer Station commenced in 2008. Site preparation and grading and the construction of the switchgear building were completed. The switchgear was delivered and will be installed in early 2009. Work is expected to continue through 2009 and the early part of 2010.

The attached report provides a summary of the work completed by the Engineering and Operations Departments for the year 2008.

Distribution Operating and Maintenance costs increased by 10.5% in 2008 to $6.32 million, as expected, primarily due to increased labour and material costs over the previous year as well as a reduction in the amount of resources directed to servicing new developments. There were no major equipment failures in 2008.

Average staffing levels declined slightly to 119 employees for the Engineering and Operations departments in 2008 while overtime labour hours increased slightly to 11.5% of the total man-hours worked.

Respectfully submitted,

Lloyd J. Frank, P. Eng.
Manager Construction & System Planning

Wilfred W. Meston, P. Eng.
Operations Manager

LF/WM:wm

Attachments:

2008 ANNUAL REPORT

A. DISTRIBUTION DESIGN AND CONSTRUCTION:

This report provides a summary of the work completed by the Operations and Engineering Departments for the year 2008 (where two figures are shown, figures in brackets are for 2007).

A.1 Overhead Distribution:

Overhead line construction for 2008 was primarily focused on rebuilds of existing pole lines and construction of new pole lines to service new residential subdivisions and new commercial services.

Major projects for 2008 included the **rebuild** of pole lines on Erbs Road (St. Agatha to Foxwood Golf Course), Bridge Street New Dundee (1293 to 1329), Doon Valley Drive, Pinnacle Drive, Glasgow Street (1516 to 1701), and Bleams Road (Alder Creek to Knechtel Court, Mannheim); the **relocation** of the pole line on Westmount Road (at Ottawa Street S.); and the **extension** of pole lines on Gerber Road (East of Nafziger Road), Gerber Road (West of Moser Young Road), Ira Needles Boulevard (Victoria Street to University Avenue), and across the Grand River (at Bridgeport); the **rebuild and installation of additional circuits** on pole lines on Wilmot Centre Road (at #9 TS), Pioneer Drive (Homer Watson Boulevard to Green Valley Drive), Green Valley Drive (Pioneer Drive to the Water Treatment Plant).

In addition, work commenced on the **rebuild** of pole lines on Main Street, Mill Street, Front Street, South Street and Benjamin Street in New Dundee; the **relocation** of pole lines on Westmount Road (at Ottawa Street S.), and King Street E. (at Highway 8); and the **rebuild and installation of additional circuits** on pole lines on Bleams Road (Strasburg Road to Trillium Drive), Trillium Drive (Bleams Road to Washburn Drive), and Washburn Drive (Trillium Drive to 95 Washburn Drive).

A listing of the major projects completed in 2008 can be found in Table 3.

A.2 Underground Distribution:

Our Underground and Construction Departments completed the **installation** of new 13.8 kV feeder cables and duct banks on Riverbend Place (at the new Grand River crossing), King Street E. (crossing Highway 8), and through the redevelopment of the Sportsworld site; and the **replacement** of 13.8 kV feeder cable risers on Strange Street (at Victoria Street), and at #5 TS (5M11 and 5M23). Primary cables were also installed to supply power to new services or service upgrades at twelve locations.

A listing of the major projects completed in 2008 can be found in Table 4.

A.3 Underground Residential Distribution:

A total of 718 single family, semi-detached and townhousing lots were serviced in 2008. This compares to 1,665 in 2007 and a record high of 2,365 lots in 2005.

The number of services installed exceeded the number of lots serviced, reversing a recent trend as developers began drawing down existing inventories of serviced building lots. Development activity is expected to be slow for the foreseeable future.

A complete listing of residential developments for 2008 can be found in Table 5.

A.4 Construction:

Our Construction Department completed the installation of duct banks on Strange Street at Victoria Street (55 m) for replacement of a trunk feeder riser, on Riverbend Place (1020 m) for the riser to the new Grand River crossing, on Fischer-Hallman Road at McGarry Drive (130 m) for road reconstruction, on Fischer-Hallman Road at Forest Hill Drive (33 m) for road reconstruction, on King Street across Highway 8 (2470 m) for road widening, at 250 Bingeman Centre Road (57 m) for a new primary service, on Fairway Road at Highway 8 (405 m) to complete the Highway 8 widening project, and on King Street E. at 100 Sportsworld Drive (197 m) for the servicing of the redevelopment of the Sportsworld site.

Other construction work included the relocation of numerous road crossings and underground primary and secondary cable risers to new poles, for road widening and pole line rebuild projects; the installation of concrete cable riser guards on several new poles; and the installation of concrete collars on 100 (142) submersible transformer vaults.

A listing of the major projects completed in 2008 can be found in Table 4.

A.5 Services

Our Crews installed 1,456 (1,457) new services in 2008. Included in this total are 2 (4) new customer-owned substations, 7 (2) new enclosure or room type transformer installations, 7 (3) new three phase pad mount transformer installations and 9 (17) new three-phase pole-mounted transformer installations for commercial and industrial services. In addition, 0 (1) customer-owned substations were upgraded, 2 (0) other customer-owned substations were added because of service upgrades and 14 (18) commercial services were upgraded in capacity.

Overall, 2008 continued to be a busy year for services. The numbers of new residential services and new commercial services were virtually unchanged from 2007. It is expected that the installation of new residential services will decline in 2009 based on a reduced level of subdivision servicing activity in 2008. New commercial development may also decline as a result of a worsening economy.

A.6 Stations

Upgrades to the transfer trip protection system at #5 TS, as a result of Hydro One's work at Preston TS and Freeport SS, were commenced in 2007 and completed in 2008.

Work continued on upgrades to the switchgear and relay protection at #4TS and are expected to be completed in 2009.

Construction of #9 TS in Baden commenced in 2008. Site preparation and grading and the construction of the switchgear building were completed. The switchgear was delivered and will be installed in early 2009. Work is expected to continue through 2009 and the early part of 2010.

Other stations work completed in 2008 included the installation of three (3) primary metering units to replace the wholesale revenue metering at Detweiler TS as required by the Market Rules and the installation of a grounding switch on the M21 circuit switchers at #6 TS.

A.7 Streetlighting

There were 180 (229) streetlights installed in new subdivisions and another 182 (283) streetlights added elsewhere in 2008. There were also 59 (72) streetlights transferred to new poles at various locations due to pole line rebuilds and 89 (35) removed from service.

Other streetlight work in 2008 included the cleaning and relamping of 4,242 streetlights in the City of Kitchener; the installation of new underground and overhead streetlight cable and poles for new streetlights on Westmount Road (at Laurentian Drive), Weber Street (between Euler Avenue and Kinzie Avenue), Fischer-Hallman Road (between Highway 7/8 and Queens Boulevard),

A.8 System Planning, Standards and Special Projects

Ongoing discussions were held with the Ontario Power Authority (OPA), Hydro One Networks and other area Local Distribution Companies concerning electricity supply to the Kitchener-Waterloo-Cambridge-Guelph area. Hydro One completed installation of an autotransformer at Preston TS, a 115 kV transmission line along an abandoned corridor to connect Preston TS to the D7G and D9G lines, and 115 kV breakers at Freeport Junction to provide interim relief of D7G/D9G lines. The OPA had previously identified through its Integrated Power System Plan (IPSP) that this area will need supply reinforcement in 3 – 5 years to address transmission line overloading and voltage inadequacy issues and had recommended that a 450 MW generating station be constructed locally and electrically connected to the Preston TS. The Minister of Energy directed the OPA to re-examine recommendations for construction of generating stations. A final resolution is still pending.

Staff continued feeder planning for the 27.6 kV feeders to be fed from the new Wilmot Transformer Station. Approvals of the feeder routes across Highway 7/8 and along Wilmot Centre Road were sought and received.

Staff continues to work with neighbouring utilities to eliminate load transfers. Kitchener-Wilmot Hydro has completed the extension of its lines to Kitchener-Wilmot Hydro customers formerly fed by neighbouring utilities. Waterloo North Hydro has requested an extension of the deadline for eliminating load transfer arrangements with Kitchener-Wilmot Hydro until 2016. Negotiations are nearly complete for a boundary adjustment along the western and southern limits of our service area that will transfer approximately seventy-seven customers and the associated service area from Hydro One Networks Inc. to K-W Hydro. Hydro One intends to seek an extension of the deadline for completing the transfer to the end of 2009.

We are continuing to see increased activity by proponents of renewable energy embedded generation projects. In 2008 staff finalized the Connection Impact Assessment studies for two major projects, namely the expansion of the Toromont gas generation facilities at the Waterloo Landfill site, and the proposal for a 10 MW Solar Farm near New Dundee. These studies enabled these projects to progress to the next stages of design and construction. Staff also handled numerous inquiries regarding proposed micro, small, and medium sized renewable energy embedded generation projects.

Staff continued with the development of the Geographical Information System (GIS) by populating the facilities database with the wire size details and installation dates of all underground primary cables for station feeders, residential distribution, and primary-supplied customers, as well as the installation dates for related switching equipment.

Kitchener-Wilmot Hydro continued to move forward with its Smart Metering initiative. The London R.F.P. evaluation was completed and we engaged our "Recommended Preferred Proponent", KTI/Sensus Limited, in contract negotiations for the procurement of an AMI system. Concurrently, we participated with our neighbouring electric utilities, Waterloo North Hydro,and Cambridge North Dumfries Hydro, in a Meter Installation R.F.P. to select a contractor to assist us in completing our smart meter deployment by the 2010 government deadline. It is anticipated that that a contract with KTI/Sensus Limited will be executed in early 2009 with full deployment of smart meters commencing by mid-year.

B. MAINTENANCE AND OPERATION:

There were no major equipment failures in 2008 and two loss of supply outages. On July 26, the 115 kV circuit F12C tripped during inclement weather, interrupting supply to half of #5 TS. Approximately 5290 customers experienced a 14 minute outage. On September 1, circuit F12C tripped again, interrupting supply to half of #5 TS. Approximately 4736 customers experienced a 12 minute outage. Staff subsequently attended a meeting with Hydro One at which Hydro One disclosed a problem with a large number of large power transformers that has overloaded Burlington TS. At times of peak load, #5 TS will be at risk of additional loss of supply outages until Hydro One relieves Burlington TS. A number of corrective measures will be implemented over 2009 and 2010.

Several severe storms in 2008 caused outages throughout our service area. On July 22th, high winds broke poles and brought down wires mostly due to damage from trees, causing a number of extended outages. On December 29th, another severe storm with high winds caused numerous outages and broke six poles on Notre Dame Drive south of St. Agatha. Cleanup efforts occupied our crews for several days after each storm.

In addition to our Capital Works program, our Line Department completed maintenance on fourteen (14) Load Interrupter switches; completed the annual insulator washing and infrared survey of selected three-phase overhead pole lines (by contractor); repaired six (6) hot spots found during insulator washing and the infrared survey; and the scheduled survey and inspection of the overhead distribution system in accordance with OEB guidelines. A Contractor installed animal guards on forty-eight (48) fuse cutouts on Feeder 4M12 as the first step in a pilot project to find ways to reduce the number of outages caused by squirrels.

Our Forestry Department completed scheduled tree trimming in the North Ward and Bridgeport areas of Kitchener.

The Underground Department completed the annual infrared survey of underground feeder cables and splices (by contractor) and repair of six (6) hot spot defects; the testing and maintenance of twelve (12) network protectors; the inspection and maintenance of network transformers and vaults in downtown Kitchener; the rewiring of lights and receptacles in ten (10) network transformer vaults; the removal of weeds and debris at thirteen (13) high voltage customer transformer enclosures; the cleaning of three (3) customer owned transformer vaults; the replacement of high voltage terminations at seven (7) primary services; the washing and removal of mud and debris (by contractor) from forty-two (42) submersible transformer vaults and forty (40) network pullboxes; the cleaning of Load Interrupter Switches and fuse cabinets using CO2 blasting (by contractor) in twenty-two (22) switch rooms; and the scheduled survey and inspection of the underground distribution system in accordance with OEB guidelines. The application of vegetation control by a contractor at utility-owned transformer and distribution stations was suspended pending the resolution of safety concerns.

The Meter Department successfully completed the annual QMS Metering Audit as a verifier and re-verifier of electric revenue meters in accordance with ISO 9001:2000 and Measurement Canada standards. All required regulatory meter testing and change-outs were completed and the 2009 sample groups were tested in preparation for smart meter deployment.

Our Stations Department completed the scheduled maintenance of all transformer tapchangers; all 115/230 kV circuit switchers; scheduled maintenance on 15 kV circuit breakers; testing of transformer oil at all transformer stations; testing and maintenance of station batteries at all transformer and distribution stations; the installation of recloser parking hangers at #1 DS, #2 DS and #7 DS; repairs to 15 kV circuit breakers 6M16 and 15B16; replacement of the neutralizing transformer at #3 TS; repair of the fan motors on transformers T9 and T10 at #5 TS; and replacement of the 27.6 kV cable terminators at #6 DS.

Our Protection and Control Department completed the testing and re-verification of relays and protection systems at #1 TS, #4 TS and # 7TS; the replacement of faulted overvoltage protection relays at #4 TS; the repair of defective transformer reclose schemes at #5 TS; the replacement of the RTU at #6 TS; the replacement of failing line protection relays at #5 TS (with a Contractor); the replacement of a defective remote trip relay at #3 TS; the replacement of a failing neutralizing transformer at #3 TS; and the installation of new transformer 'A' and 'B' protection relay settings for T15 at #8 TS (T16 settings are outstanding).

The Construction Department replaced concrete tops on three (3) network transformer vaults and six (6) pullboxes; completed minor repairs to several other pullboxes and vaults; and relocated numerous underground primary and secondary cables to new poles to suit new pole line rebuilds.

Other maintenance work included the replacement of both vehicle hoists in the vehicle maintenance garage; the completion of repairs to the Mobile Substation; the replacement of two dry type transformers in the electrical room at 301 Victoria St. S.; repairs to the roof at 301 Victoria St. S. and #6 DS; and the replacement of the desk in the Customer Service Department.

Overall, our Operating and Maintenance costs increased in 2008 by $600,963 or 10.5% when compared to 2007. The overall totals for the past five years are listed below:

2008	-	$6,317,095
2007	-	$5,716,132
2006	-	$5,583,433
2005	-	$4,938,599
2004	-	$4,479,742

The most significant increases are due to increased costs of labour and materials; and additional underground maintenance which was made possible by a reduction in resources directed to servicing new developments.

The number of customer-minutes of outages in 2008 (5,636,396 excluding loss of supply outages) compared very closely to 2007 (5,405,488). Weather is a significant determinant for this statistic and as noted previously, we had a number of severe storms in the year, some of which caused substantial damage to our plant and extended outages to some customers.

Further details for 2008 Operations and Maintenance expenses are provided in Table No. 1.

C. PERSONNEL AND ORGANIZATION:

Total Engineering and Operations Departments personnel averaged 119 (120) in 2008. The above figures include three summer students that were hired to assist our crews with lawn repairs, traffic control, and general labourer duties; one student to assist with Underground Cable Locates; one student in our Engineering department to assist with mapping and field survey work for our GIS system; and one co-op student hired to assist with Line Construction and Maintenance. The slight decline in average staffing level was due to the temporary vacancies that existed during staffing changes. The nominal staff complement actually increased by one.

Changes in personnel included the hiring of one Equipment Operator, one Electrician, one Lineman, one Service Design Technician, one Projects Engineer; the resignation/retirement of one Protection and Control Foreman, one Superintendent of the Stations and Underground Superintendent Department, one Control Room Operator, two Linemen, one Equipment Operator, one Service Design Technician; and the transfer/promotion of seven other employees to new positions.

Overtime labour hours in the Operations Department increased slightly in 2008 to 11.8% (10.3%) of the total man-hours worked in 2008.

Several employees attended various meetings, workshops and seminars in 2008 to assist with the new requirements resulting from the many legislative and regulatory changes experienced during the year.

Several safety and employee training courses were also delivered in 2008 to provide on-going education and support to assist them with their job duties and responsibilities. Six employees completed various levels of the Powerline Technician apprenticeship, and one employee commenced the Station Operator training program. In addition, a number of Supervisors completed an eight-session Communications course to assist them with their responsibilities as team leaders provided as a follow-up to last year's eight session course. A comprehensive list of safety training courses delivered in 2008 is included in the Safety Supervisor's Annual Report.

The third annual audit for Regulation 22/4 – Electrical Distribution Safety was completed by an external auditor on April 1, 2008. No non-conformances or Opportunities for Improvement were identified.

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Construction Statistics for 2008

The following figures are for 2008 with 2007 figures in brackets.

1. 1,456 (1,457) new services installed (includes 25 (26) new commercial services). In addition 9 (18) commercial services were upgraded.

2. Contractors serviced 574 (1,329) single family and semi-detached lots and 144 (336) townhouse units. Our crews serviced 7 (11) single family and semi-detached lots. Total 725 (1,676).

   Contractors installed a total of 9,473 (21,010) metres of primary cable; 34,552 (62,350) metres of secondary cable; 43 (177) concrete and 103 (49) ornamental streetlight poles in new subdivisions.

3. Our crews installed 725 (893) metres of duct envelope and 7 (4) pullboxes. Contractors also installed 0 (0) metres of duct envelope and 0 (0) pullboxes.

4. 71 (169) new transformers were installed in underground subdivisions. 37 (27) other new transformers were energized.

5. Our own crews replaced 6 (21) faulted/damaged single phase *overhead* distribution transformers, 46 (32) single phase *underground* distribution transformers, and 6 (4) three phase distribution transformers - 2 (3) overhead, 1 (0) underground, 3 (1) enclosure.

6. Damaged LI switches were repaired at 7 (12) locations. Routine maintenance was performed on an additional 10 (6) LI switches.

7. 16 (23) wood and 11 (8) concrete distribution poles broken by vehicles were replaced. 10 (38) street light standards broken by vehicles were also replaced. 42 (38) rotted distribution poles and 14 rotted street light poles were replaced of which 0 (0) were by Contractors).

8. We installed a total of 335 (618) new distribution poles in 2008. Of these 228 (462) were wood and 107 (156) were concrete. On the basis of 37 metres spans, this is equivalent to approximately 12,395 (22,866) metres of pole line which was constructed or rebuilt.

9. 18 (17) services in poor condition were replaced.

10. In Kitchener, a total of 149 (229) new street lights were installed in subdivisions and 182 (250) street lights elsewhere; 58 (67) were transferred from old poles to new poles; and 89 (35) were removed from service.

11. In Wilmot Township, a total of 31 (0) new street lights were installed in subdivisions and 0 (23) street lights elsewhere. 1 (5) street light was transferred from old pole to new pole; and 0 (0) were removed from service.

12. Locate crews completed 13,863 (16,831) locates in 2008. There were a total of 29 (15) dig-in accidents; 18 (6) with locates, 11 (9) without locates. Of the total, there were 27 (15) secondary and street light cable dig-ins and 2 (0) primary cable dig-ins.

13. 100 (142) submersible vault collars were completed in 2008.

14. Engineering issued Special Work Orders and Instructions to Foreman along with related engineering design drawings, sketches, bills of materials and financial arrangements pertaining to projects in the following areas:

Distribution	-	292 (355) Work Orders; 20 (14) Instructions to Foreman
Services	-	94 (103) Work Orders; 6 (6) Instructions to Foreman
Stations	-	13 (16) Work Orders; 29 (25) Instructions to Foreman
Street Lighting	-	51 (47) Work Orders; 1 (0) Instructions to Foreman

15. 1,425 (1,044) Service Layouts were prepared for residential overhead and underground service upgrades. In addition, another 35 (54) service layouts were prepared for commercial and industrial services.

16. Our crews repaired 14 (30) faulted underground secondary cables, 8 (4) faulted underground primary cables and 13 (9) faulted underground street light cables. These figures include 7 faulted secondary moles and 7 (4) faulted underground primary cable elbows/terminations.

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(expense&costindices.08)

TABLE NO. 1

2008 Operations Expense

Accounts	Costs 2008		2007	
1. H.T. Station Operation	$ 1,330,027.		$ 1,144,726.	
2. H.T. Stepdown Equipment Maintenance	400,378.		465,660.	
3. H.T. Building Maintenance	62,676.		61,095.	
Sub-total	**1,793,082.**	**(28.4)**	**1,671,481.**	**(29.2)**
4. L.T. Station Operation	24,374.		17,403.	
5. L.T. Substation Equipment Maintenance	34,839.		66,880.	
6. L.T. Substation Building Maintenance	29,884.		25,239.	
Sub-total	**89,098.**	**(1.4)**	**109,522.**	**(1.9)**
7. O/H Line Maintenance	2,426,905.		2,016,826.	
8. U/G Line Maintenance	760,397.		628,597.	
9. Network Maintenance	253,045.		340,129.	
Sub-total	**3,440,346.**	**(54.5)**	**2,985,552.**	**(52.2)**
10. Meter Maintenance	611,842.	**(9.7)**	639,337.	**(11.2)**
11. Street Light Maintenance	382,727.	**(6.0)**	310,240.	**(5.4)**
Total	**$ 6,317,095.**	**(100.)**	**$ 5,716,132.**	**(100.)**

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TABLE NO. 2

2008 Cost Indices

	2008	2007
a) High Tension Transformation Index Annual Cost / System Peak kW	$ 1,793,082. / 351,100 kW = $5.11 / kW	$1,671,481. / 373,100 kW = $4.48 / kW
b) Low Tension Transformation Index Annual Cost / Installed kVA	$ 89,098. / 39,117 kVA = $2.28 / kVA	$ 109,522. / 39,117 kVA = $2.80 / kVA
c) O/H Line Maintenance Index Annual Cost / Total O/H Line Miles	$ 2,426,905. / 648.8 miles = $3,741 / mile	$ 2,016,826. / 648.3 miles = $3,111 / mile
d) U/G Maintenance Index Annual Cost / Total U/G Line Miles	$ 760,397. / 514.4 miles = $1,478 / mile	$ 628,597. / 491.1 miles = $1,280 / mile
e) Network Maintenance Index Annual Cost / Total Network Miles †	$ 253,045. / 10.9 miles = $23,215 / mile	$ 340,129. / 15.6 miles = $21,803 / mile
f) Meter Maintenance Index Annual Cost / Number of Meters	$ 611,842. / 84,195 meters = $7.27 / meter	$ 639,337. / 82,642 meters = $7.74 / meter
g) Street Light Maintenance Index Annual Cost / Number of Street Lights	$ 382,727. / 22,774 lights = $16.81 / light	$ 310,239. / 22,533 lights = $13.08 / light

† The reported decrease in miles of network cable is the result of more accurate measurements made with the GIS system. The amount of cable did not change in 2008.

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TABLE NO. 3

Overhead Line Construction

Street	Location	1Ø or 3Ø	# of Poles	Nature of Work
Wilmot Centre Road	At 9 T.S.	3Ø	21 poles	Relocation
Crossing the Grand River	Bridgeport	3Ø	13 poles	Extension
Bridge St., New Dundee	1293 Bridge Street to 1329 Bridge Street	3Ø	5 poles	Rebuild
King Street East	Sportsworld Development	3Ø	3 poles	Rebuild
Westmount Road	At Ottawa Street South	3Ø	6 poles	Relocation
Puddicombe Road	Bethel Road to 1538 Puddicombe Road	1Ø	4 poles	Extension
Gerber Road	East of Nafziger Road	1Ø	8 poles	Extension
Doon Valley Drive and Pinnacle Drive		3Ø 1Ø	39 poles	Rebuild
Erbs Road	Sandhills Road to Lot 9/10	3Ø	44 poles	Rebuild
Erbs Road	Lot 9/10 to St. Agatha	3Ø	47 poles	Rebuild
Lancaster Street	At Bridge Street	3Ø	4 poles	Relocation
Glasgow Street	1516 Glasgow Street to 1701 Glasgow Street	3Ø	7 poles	Rebuild
Gerber Road	West of Moser Young Road	1Ø	19 poles	Extension
Erbs Road	Sandhills Road to Foxwood Golf Course	3Ø	38 poles	Rebuild
Pioneer Drive and Green Valley Drive	Homer Watson Blvd. to the Water Treatment Plant by Contractor	3Ø	26 poles	Rebuild and Extension
Pinnacle Drive	Connestoga College Blvd. to Pine Hill Place	1Ø	4 poles	Rebuild

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TABLE NO. 3

Overhead Line Construction (continued)

Street	Location	1Ø or 3Ø	# of Poles	Nature of Work
Ira Needles Blvd.	Victoria St. to University Avenue (in progress at year end)	3Ø	25 poles	Extension
Bleams Road	Alder Creek to Knechtel Court, Mannheim (in progress at year end)	3Ø	8 poles	Rebuild
King Street East	At Highway 8 (in progress at year end)	3Ø	13 poles	Relocation
Queen Street	North of Mill Street (in progress at year end)	3Ø	4 poles	Relocation
Bleams Road, Trillium Drive and Washburn Drive	For Arise Technologies at 95 Washburn Drive (in progress at year end)	3Ø	36 poles	Rebuild and Extension
Main Street, Mill Street, Front Street, South Street, and Benjamin Street, New Dundee	(in progress at year end)	3Ø 1Ø	21 poles	Rebuild
Minor line extensions and pole relocations at various locations		3Ø 1Ø	89 poles	Rebuild or Relocate

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TABLE NO. 4

Underground Distribution Construction

Street	Location	Vaults	Metres Duct	Metres Cable	Nature of Work
Joseph St.	Water St. to Linden Ave. - 9 splices				Installed
Joseph St.	West of David St. - 600 MCM primary cable			3 x 100 m	Removed
Strange St.	At Victoria St. - 600 MCM primary cable		55 m	3 x 80 m	Replaced
#5 TS	Station Yard - 5M11 and 5M23 Risers - 600 MCM primary cable - 6 riser terminations			3 x 78 m	Replaced Replaced
1799 Wilmot Centre Rd.	At Wilmot TS - #1 AWG primary cable - 1 50kV padmount transformer			1 x 184m	New New
188 Margaret Ave.	#1 AWG primary cable			3 x 20m	Replaced
Riverbend Place	Crossing the Grand River - ductbank - 600 MCM primary cable - 3 splices - 3 riser terminations	1	1020 m	1 x 163 m	Installed Installed Installed Installed
Fischer-Hallman Rd.	At McGarry Dr.		130 m		Installed
King St. East	Crossing Highway 8 - ductbank - 600 MCM primary cable - 3 splices - 6 riser terminations	1	2470 m	3 x 196 m	Installed Installed Installed Installed

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TABLE NO. 4

Underground Distribution Construction (continued)

Street	Location	Vaults	Metres Duct	Metres Cable	Nature of Work
Fischer-Hallman Rd.	At Forest Hill Dr.		33 m		Installed
250 Bingeman Centre Rd.			57 m		Installed
Fairway Rd.	At Highway 8		405 m		Installed
45 Washburn Dr.	Commercial Service - Primary			3 x 30 m	New
135 Lennox Lewis Way	Commercial Service - Primary			3 x 288 m	New
1381 Victoria St. N.	Commercial Service - Primary			3 x 30 m	New
173 Washburn Dr.	Commercial Service - Primary			3 x 26 m	New
2101 Shirley Ave.	Commercial Service - Primary			3 x 56 m	New
800 Wilson Ave.	Commercial Service - Primary			3 x 92 m	New
560 Queen St. South	Commercial Service - Primary			3 x 73 m	New
131 Goodrich Dr.	Commercial Service - Primary			3 x 318 m	New
100 Sportsworld Dr.	Redevelopment of the Sportsworld site - duct bank - #1 AWG Primary Cable - #1 AWG Primary Cable - 600 MCM Primary Cable - 9 splices -24 terminations - 2 S&C Vista 5-Bay Switchgear Assemblies		197 m	 3 x 521 m 3 x 586 m 3 x 648 m	 Installed Installed Removed Installed Installed Installed Installed
140 Sportsworld Dr.	Commercial Service - Primary			3 x 74 m	New

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TABLE NO. 4

Underground Distribution Construction (continued)

Street	Location	Vaults	Metres Duct	Metres Cable	Nature of Work
520 Bingeman Centre Cr.	Commercial Service - Primary			3 x 67 m	New
100 Bergey Ct., NH	Commercial Service - Primary			3 x 131 m	New

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Table 5

Underground Residential Distribution Work 2006

	Project Name	# of Service	# of TX	# TX Complete	# of Splices	# Splices Complete	# S/L Poles	# S/L Complete	Pole Risers	Risers Complete	Job Number	Work Orders	NOTES
27	Huron Village Stage 2 & 14	188	22	22	11	11	40	40	3	3	11174	6875-6882	U/G Complete
22	Edgewater Estates (Fung Property)	158	17	17	20	20	52	52	7	7	11169	6835-6842	U/G Complete
31	Activa Baden Stages 11,12,13 & 14	57	5	5	10	10	12	12	7	7	11178	6907-6914	U/G Complete
21	Templwood Dr, Stage 6B	18	2	2	1	1	4	4	1	1	11312	7871-7878	U/G Complete
8	Country Hills East Stage 1 & 2	162	20	20	32	32	62	62	6	6	10731	4056-4063	U/G Complete
40	Topper Woods, Stage 1	129	12	12	10	10	48	48	3	3	11187	6979-6986	U/G Complete
30	Stonecroft Phase 3	72	7	7	17	17	0		7	7	11177	6899-6906	U/G Complete
28	Westmeadow Stage 2	58	5	5	4	4	11	11			11175	6883-6890	U/G Complete
35	Armenian Court Stage 5C (Pine Valley DR)	17	2	2	2	2	3 of 4	3 of 4			11326	7983-7990	U/G Complete
16	Northfair Briarmeadow Drive (Townhouses)	33	3	3			2	2			11181	6931-6938	U/G Complete
37	50 Bryan Court	26	2	2	2	2					11328	7999-8006	U/G Complete
24	Doon Mills Stg 8B Doon South/Robert Ferrie	17	1	1			1	1			11315	7895-7902	U/G Complete
33	Chicopee Subdivision	98	9	9	7	7	27	27	2	2	11180	6923-6930	U/G Complete
3	Vista Ridge (@ Pioneer Tower)	42	5	5	5	5	27	27	2	2	11013	5536-5543	U/G Complete
27	Quailridge Subdivision (Westforest Trail)	9	1	1	2	2	3	3			11318	7919-7926	U/G Complete
36	Forest Glen, Stage 2 (Waterloo St, H-H)	50	5	5	4	4	15	15	2	2	11183	6947-6954	U/G Complete
18	Williamsburg South Stage 1 Part of Stage 3	174	17	17	9	9	44	44	6	6	11185	6963-6970	U/G Complete
23	Forest Glen Condos NH (Dogwood Court)	20	2	2	4	4					11313	7879-7866	U/G Complete
9	Lyndale North (stages 3 & 4)	118	10	10	9	9	25	25			11173	6867-6874	U/G Complete
31	Doon Settlement TH's (105 Pinnacle Dr)	100	6	6	2	2	0		2	2	11322	7951-7958	U/G Complete
29	233 Lawrence Ave (Blaze Townhouses)	42	3	3	2	2	0	0	0		11320	7935-7942	U/G Complete
32	Deer Ridge Stage 9	21	2	2	2	2	7	7	1	1	11323	7959-7966	U/G Complete
42	Huron Woods Stage 2	80	7	7	7	7	13	13	9	9	11333	8039-8046	U/G Complete
40	Baden Village Stage 13 & 14	66	7	7	4	4	19	19	2	2	11331	8023-8030	U/G Complete
20	Highland West (Westmeadow drive)	57	5	5	5	5	8	8	2	2	11310	7855-7862	U/G Complete
38	Glasgow North	21	2	2	2	2	5	5	3	3	11329	8007-8014	U/G Complete
5	University Meadows (Glasgow & University)	189	16	16	10	10	41	41	4	4	11160	6763-6770	U/G Complete
47	Deer Ridge , Stage 10 + Pincott 1 & 2	77	8	8	3	3	26	26	2	2	11338	8079-8086	U/G Complete
41	Williamsburg, Stg 2 & 3(Commonwealth)	101	10	5	2	2	18				11332	8031-8038	U/G start 2006, complete job 2007

Total Complete with job complete			208		188		492		71
	2200								

Kitchener-Wilmot Hydro Inc.
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APPENDIX U

KITCHENER-WILMOT HYDRO INC.
System Survey Report for 2008

Part 1 System Grid	Number of Grids Due in 2008	Number of Grids Completed YTD	Number of Grids Outstanding	Completion %
O/H Survey	53	171	-118	322.6
	3 year cycle of 158 grids			

Year 2008	Number of Grids Completed this Month	Defects Found this Month	Defects Repaired this Month	Defects Outstanding
Jan	2	7	3	4
Feb	1	0	4	-4
Mar	16	1	1	0
Apr	22	0	1	-1
May	5	0	10	-10
Jun	52	12	0	12
Jul	41	6	6	0
Aug	26	5	6	-1
Sep	0	0	2	-2
Oct	0	0	1	-1
Nov	5	0	0	0
Dec	1	0	2	-2
Totals =	171	31	36	-5

Year 2008 O/H	Actual Grids inspected
Jan	Q13, S13.
Feb	T15
Mar	Q15,Q16,R13,R15,R17,S15,T14,T16,T17,U13,U14,U15, U16,U17,V15,V16
Apr	Q14,S18,R16,Q16,P16,U17,U18,T19,T18,P19,P20,Q19, Q20,R19,R20,S19,E11,E10,D10,D11,P18,Q18,R18
May	017, P15,P17,Q15,Q17.
Jun	O18,N16,S17,K9,K10,J9,J10,F11,G10,F9, F10,G9, H10, I14,I13,J13,K13,L13,I15,I16,K14,G14,G15,F14,E14,E13, F15,H14,H15,M12,L12,J12,K12,M13,J14,F13,I12,H13,G13, F12,H12,G12,H11,G11,I11,J11,H9,L10,I9,I10,K11,L11.
Jul	F16,F17,F20,F21,F22,G16,G19,G20,G21,G22,H16,H20, H21,H22,I17,I18,I19,I20,I21,J15,J16,J17,J18,J19,K15,K16,K17 K18,K19,L14,L15,L16,L17,L18,L19,M14,M15,M16,M17,M18,M19.
Aug	F23,F24,G23,G24,H23,H24,I22,I23,J20,J21,J22,J23,K20,K21,K22,K23,L20, L21,L22,M20,M21,M22,P17,P18,P19,P20.
Sep	
Oct	
Nov	E12,D12,H17,F18,F19.
Dec	G17

KITCHENER-WILMOT HYDRO INC.
System Survey Report for 2008

Part 2 System Grid	Number of Grids Due in 2008	Number of Grids Completed YTD	Number of Grids Outstanding	Completion %
U/GSurvey	20	23	-3	115.0
	3 year cycle of 61 grids			
Year 2008	Number of Grids Completed this Month	Defects Found this Month	Defects Repaired this Month	Defects Outstanding
Jan	0	0	0	0
Feb	0	0	0	0
Mar	4	0	0	0
Apr	2	0	0	0
May	6	10	0	10
Jun	11	63	14	49
Jul	0	0	4	-4
Aug	0	0	0	0
Sep	0	0	0	0
Oct	0	0	0	0
Nov	0	0	0	0
Dec	0	0	0	0
Totals =	23	73	18	55

Year 2008 U/G	Actual Grids inspected
Jan	
Feb	
Mar	Q14,T14,T16,U17
Apr	S18,T18
May	R13,R14,S10,S11,S12,S13.
Jun	S14,T10,T11,U16,U15,U14,U13,U12,U11,T12,T13.
Jul	
Aug	
Sep	
Oct	
Nov	
Dec	

KITCHENER-WILMOT HYDRO INC.
System Survey Report for 2008

Part 3 Regular Inspections	Stations & U/G Dept. Transformer Station Inspections	Stations & U/G Dept. Distribution Station Inspections	Stations & U/G Dept. *Customer Service Tx. Inspections	* Due	Stations & U/G Dept. Network System Inspections	Construction Dept. Underground PB or Pad Inspections
Jan	7	7	64	64	0	0
Feb	7	7	66	66	0	0
Mar	7	7	49	49	0	0
Apr	7	7	43	43	0	0
May	7	7	57	57	40	42
Jun	7	7	86	86	0	0
Jul	7	7	53	53	0	0
Aug	7	7	42	42	0	30
Sep	7	7	69	69	12	0
Oct	7	7	63	63	0	21
Nov	7	7	77	77	0	0
Dec	7	7	59	59	0	25
Totals =	84	84	728	728	52	118
Scheduled	96	96	728			
Outstanding	12	12	0			
% Completed	87.5	87.5	100.0			

KITCHENER-WILMOT HYDRO INC.
System Survey Report for 2008

Defect Report for Year 2008

	Jan	Feb	Mar	Apr
Vault or PB Pumping	0	0	0	0
Vault/pullbox cond.	0	0	0	0
Pmnt, No access	0	0	0	0
Pmnt, Re-paint	0	0	0	0
Tree Trimming	1	0	1	0
Overhead Primary	0	0	0	0
Nomenclature	3	0	0	0
O/H Sec. / Services	1	0	0	0
Insulators/Pins/Arms	1	0	0	0
O/H Tx. Defective	0	0	0	0
Pmnt Tx. Defective	0	0	0	0
Sub. Tx. Defective	0	0	0	0
Wood Pole Poor	1	0	0	0
Concrete Pole Poor	0	0	0	0
Streetlight Pole Poor	0	0	0	0
Totals =	7	0	1	0

	May	Jun	Jul	Aug
Vault or PB Pumping	2	30	0	0
Vault/pullbox cond.	8	4	0	0
Pmnt, No access	0	0	0	0
Pmnt, Re-paint	0	0	0	0
Tree Trimming	0	4	0	1
Overhead Primary	0	1	0	1
Nomenclature	0	0	1	0
O/H Sec. / Services	0	6	2	3
Insulators/Pins/Arms	0	1	3	0
O/H Tx. Defective	0	0	0	0
Pmnt Tx. Defective	0	1	0	0
Sub. Tx. Defective	0	0	0	0
Sub. lid or grade	0	16	0	0
Wood Pole Poor	0	0	0	0
Concrete Pole Poor	0	0	0	0
Streetlight Pole Poor	0	0	0	0
Totals =	10	63	6	5

	Sep	Oct	Nov	Dec
Vault or PB Pumping	0	0	0	0
Vault/pullbox cond.	0	0	0	0
Pmnt, No access	0	0	0	0
Pmnt, Re-paint	0	0	0	0
Tree Trimming	0	0	0	0
Overhead Primary	0	0	0	0
Nomenclature	0	0	0	0
O/H Sec. / Services	0	0	0	0
Insulators/Pins/Arms	0	0	0	0
O/H Tx. Defective	0	0	0	0
Pmnt Tx. Defective	0	0	0	0
Sub. Tx. Defective	0	0	0	0
Sub. lid or grade	0	0	0	0
Wood Pole Poor	0	0	0	0
Concrete Pole Poor	0	0	0	0
Streetlight Pole Poor	0	0	0	0
Totals =	0	0	0	0

The following list includes carry overs from previous years work.

	Defects reported	Defects Repaired	Defects Outstanding
Vault or PB Pumping	32	2	30
Vault/pullbox cond.	12	8	4
Pmnt, No access	5	0	5
Pmnt, Re-paint	12	12	0
Tree Trimming	6	2	4
Nomenclature	10	10	0
Overhead Primary	1	1	0
O/H Sec. / Services	14	14	0
Insulators/Pins/Arms	5	4	1
O/H Tx. Defective	0	0	0
Pmnt Tx. Defective	2	2	0
Sub. Tx. Defective	0	0	0
Sub. lid or grade	17	17	0
Wood Pole Poor	2	2	0
Concrete Pole Poor	0	0	0
Streetlight Pole Poor	0	0	0
Totals =	118	74	44

KITCHENER-WILMOT HYDRO INC.

CAPITAL EXPENDITURES PROGRAM

2010-2019

STRATEGIC GOALS:

The strategic goals of the Corporation have been identified as follows:

1. CUSTOMER SATISFACTION

- Enhance customer satisfaction through high quality service.
- Promote the efficient use of electricity.
- Continue to deliver reliable electricity at the lowest reasonable rates.
- Minimize system outages.

2. ASSET MANAGEMENT

- Plan expansion of the transformation and distribution systems to meet the electrical needs of customers.
- Continue to refurbish aging plant facilities.
- Continue to reduce system outages.

3. ENVIRONMENT

- Support environmental programs (Reduce, Reuse, Recycle)
- Promote the purchase of environmentally friendly products.
- Provide an information system that addresses environmental issues. In particular one that will eliminate or drastically reduce the need to produce volumes of paper to attain desirable results.

4. HEALTH & SAFETY

- Promote safety performance for staff and the public.
- Create a "Safety Culture" within the Corporation.
- Create a healthy environment for staff.

5. CORPORATE MANAGEMENT

- Continue to employ required staff with the necessary skills to meet customer needs and expectations.
- Maintain sound financial performance.
- Provide adequate tools, equipment and training to improved productivity and allow staff to serve the Corporation and its customers effectively and efficiently.
- Provide the systems necessary to capture, store and make readily available required information of all types to assist staff in effectively performing their function within the Corporation.
- Establish a totally compatible Internal Information Systems Network that will allow optimum utilization of a mix of hardware and software solutions regardless of their manufacturer.
- Build value for our Shareholders, the City of Kitchener and Township of Wilmot.

CAPITAL EXPENDITURES

The following summarizes the capital expenditures that are foreseen for the period 2010-2019 and identifies the strategic objectives that the expenditures are expected to satisfy. Capital Expenditure Budgets prepared annually are expected to follow this plan. Appendix A contains the 10 year Capital Expenditures Forecast.

1. BUILDINGS AND LAND

These expenditures are captured under ledger accounts 1805, 1808 and 1908.

a) Expansion of the Facilities at 301 Victoria St. S.

The Main Office (Administration) and Service Centre (Operations) facilities were constructed by the Corporation at 301 Victoria Street South, Kitchener in 1985 and 1988 respectively at an approximate cost of $6.1M. In 1985, the Corporation served 51,605 customers in the City of Kitchener and Township of Wilmot. Currently, the Corporation serves 84,237 customers as of December 31, 2008.

Since the facilities were constructed, there have been two (2) major renovations/ additions to the Main Office area. In 1995, the engineering department was extended out over the warehouse roof area at a cost of $362K which added 2,988 square feet of needed space for the Engineering department. In 2005, a major addition to the administration building was completed which added 5,750 square feet of new space for the finance, customer service and information technology departments as well as the renovation to 4,800 square feet of existing space, all at a cost of $1.4M. Additional capacity is available to expand the administration facilities over the remainder of the warehouse roof, if necessary. Such an addition is not anticipated within the current 10 year forecast without an expansion of the service area.

There have been no additions to the Service Centre since the original facilities were constructed in 1988 although an equipment garage was constructed in 1998 at a cost of $342K to accommodate small trailers and construction equipment. It is anticipated that an expansion to the Service Centre will be required within the next five (5) years to provide additional space for the Corporation's expanding vehicle fleet in order to serve an expected 90,000 customers or an increase of 75% since the facilities were first constructed in 1988.

2. TRANSFORMATION FACILITIES

These expenditures are captured under ledger accounts 1808, 1809, 1815, 1820 and 1825.

a) Transformation Stations (>50 kV) – City of Kitchener

Kitchener-Wilmot Hydro Inc. is one of only a few local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage.

We have seven high voltage transformer stations strategically located throughout the City of Kitchener.

Station	Location	Transformers	Capacity	
			Winter	Summer
#1	301 Victoria Street South	2 x 50 MVA	60 MVA	50 MVA
#3	194 Bleams Road	2 x 33 MVA 1 x 75 MVA 1 x 100 MVA	122 MVA	90 MVA
#4	301 Victoria Street South	2 x 83 MVA	100 MVA	83 MVA
#5	59 Graber Place	2 x 83 MVA	100 MVA	83 MVA
#6	1425 Ottawa Street South	2 x 83 MVA	100 MVA	83 MVA
#7	75 Fairway Road South	2 x 50 MVA	60 MVA	50 MVA
#8	665 Huron Road	2 x 50 MVA	60 MVA	50 MVA
		Total	**602 MVA**	**489 MVA**

The current cost to build and construct a 13.8 kV transformer station is $11,000,000 - $13,000,000. Stations should be located near the load centres thereby reducing overall line losses and improving efficiency. As a Corporation we should be ensuring that we maximize utilization of these assets. We are a capital intensive business. The plan to maximize the use of our assets is as follows.

(i) No. 3 Transformer Station on Bleams Road is configured with four power transformers.

2 x 33 MVA – 1954 vintage
1 x 75 MVA – 1984 (rewound after fault)
1 x 100 MVA – 1996 (purchased from Ontario Hydro)

The 75 MVA transformer is backed up with the 2 x 33 MVA units which, with the 100 MVA unit gives the station winter capacity of 122 MVA and summer capacity of 90 MVA. The two 33 MVA units are fifty-five years old and at the end of their useful life.

A new 100 MVA transformer has been purchased to twin with the existing unit. Delivery is scheduled for 2011. The 2 x 33 MVA units will be scrapped and the 75 MVA unit relocated. The cost of this upgrade is estimated at $3,300,000 in current dollars.

(ii) The 75 MVA transformer known as T5, will be moved to No. 7 Transformer Station on Fairway Road. A new 75 MVA or 100 MVA transformer would be purchased as a twin. A small addition to the building would be required to accommodate additional switchgear and related equipment. The estimated cost for this upgrade is estimated at $7,000,000 in current dollars.

(iii) This move would then free up the existing 2 x 50 MVA units at No. 7 Transformer Station. These units were purchased in 1994 as dual primary voltage units, that is, they can be connected to either the 115 kV or 230 kV transmission circuits.

The two units would be available to install at No. 8 Transformer Station on Huron Road. This would have the effect of doubling the capacity at this station to meet the future needs as the south end of Kitchener continues to grow. Again

an addition to the switchgear building, additional switchgear and relocated equipment would be required, all at an estimated cost of $5,500,000 in current dollars.

(iv) Another option that should be investigated before committing to the expansion of No. 7 Transformer Station and No. 8 Transformer Station is the construction of a 115:13.8 kV distribution station near Sportsworld Drive and a 230:13.8 kV distribution station near the intersection of New Dundee Road and Dodge Drive. Each distribution station, should it prove feasible, would have a nominal capacity somewhere in the vicinity of 15-20 MVA provided by a single transformer. Each distribution station would source two or three feeders near the fringes of our service area without the attendant pole line construction costs, and alleviate the need for expansion of existing transformer station capacity. During maintenance or a first contingency outage, these feeders would be transferred to adjacent feeders fed by other stations.

(v) The No. 5 Transformer Station on Graber Place is configured with two power transformers.

2 x 83 MVA – 1976 vintage

By 2021, these transformers will be 45 years old and approaching end of life. Two new 100 MVA transformers will be purchased to replace the existing units. The existing 83 MVA units will be scrapped. The cost of this upgrade is estimated at $6,000,000 in current dollars.

The benefits of these moves and expenditures would see an increase in transformation capacity without the need to build another stand-alone transformer station.

No. 5 Transformer Station on Graber Place was constructed in 1976. The protection and control equipment is obsolete and near the end of life. Spare parts are no longer available for some of the equipment. The protection and control equipment will be replaced in 2012 and 2013. At the same time, worker safety will be enhanced by upgrading the switchgear cells to an arc-proof standard. The cost of this upgrade is estimated to be $3,500,000 in current dollars.

b) <u>Transformation Stations (>50 kV) – Township of Wilmot</u>

The Township of Wilmot is currently supplied via three 27.6 kV feeders from a Hydro One owned transformer station located at the Detweiler Transformer Station on Glasgow Street in Kitchener. A planning study performed in 1995 identified the need for a new 27.6 kV transformer station be constructed near the load centre in New Hamburg & Baden. Benefits of a new transformer station include:

(i) Improved system efficiency (by reducing line losses).

(ii) Improve voltage regulation.

(iii) Future costs to construct additional feeders to accommodate load growth are avoided.

(iv) Future costs to expand Detweiler TS to accommodate load growth are avoided.

(v) Future costs to modify Detweiler TS to accommodate conversion of the distribution system to 27.6 kV operation are avoided.

Preparation of the environmental assessment, site selection and design began in 2006. Our new No. 9 Transformer Station is currently under construction and will be placed into service during the summer of 2010.

c) Distribution Stations (<50 kV) – Township of Wilmot

The Township of Wilmot is currently supplied via twenty 8.3 kV feeders supplied from seven distribution stations. Each distribution station receives power from one of the 27.6 kV feeders and transforms it to 8.3 kV. The most recent of these stations was constructed in the early 1990's at a cost of approximately $500,000.

No additional capital expenditures for distribution stations are planned. Capital expenditures to expand these facilities as the load grows or to refurbish/replace existing facilities as they age will be avoided by converting the distribution feeders from 8.3 kV to 27.6 kV operation.

Voltage conversion will eventually see the elimination of these stations. This plan would follow the same methodology as used in Kitchener between 1982 – 1998 that eliminated twenty-six 4 kV substations.

d) Stations 10 Year Plan

A work plan summarizing the anticipated expansion and refurbishment of our transformation stations over the next 10 years may be found in Appendix B.

3. POLE LINES

For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may satisfy the objectives of more than one category. Capital expenditures on pole lines are captured under general ledger accounts 1830, 1835 and 1855.

a) Miscellaneous Overhead Distribution

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year.

b) System Expansion to Supply New Development

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner.

Under recently announced rules for connecting Feed In Tariff generating sites, Kitchener-Wilmot Hydro will be responsible for funding new feeder assets required to connect FIT generators to a maximum of $90,000 per MW. The expenditure forecasts for 2011 and 2012 include $400,000 per year for constructing these feeder assets.

c) Relocations Due to Roadway Modification Projects

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials.

Local governments have proposed increasing expenditures on roadway infrastructure as a means of stimulating the economy in the current recession. The expenditure forecasts for 2011 and 2012 include $500,000 spread over two years for constructing these feeder relocations.

d) Replacement of Pole Line Assets Due to Age/Condition

In May 2009, there were 24,364 distribution poles catalogued in our Geographic Information System. The distribution of ages is summarized in the following table.

Age by Decade	Three Phase Trunk Feeders	Single Phase Distribution	Secondary Only, Guy & Clearance	Total
> 60 yrs	96	150	105	351
50-59 yrs	1,111	1,809	791	3,711
40-49 yrs	1,153	1,331	663	3,147
30-39 yrs	1,586	788	404	2,778
20-29 yrs	2,193	817	531	3,541
<20 yrs	5,905	2,033	1,337	9,275
Unknown	151	904	506	1,561
Total	12,195	7,832	4,337	24,364

While this table demonstrates that a large percentage of our pole assets are relatively new (38% of the fleet have been installed in the last twenty years), it also demonstrates the need to continue investing in pole replacements. All poles that are currently greater than fifty years old and approximately half of the ones that are currently between 40 and 49 years old should be replaced within the next ten years. In all, the capital program should allow for the replacement of approximately 5,500 poles due to age/condition over the next 10 years at an estimated cost of $47,750,000 in current dollars.

Poles typically have an average life span of 45-50 years. Kitchener-Wilmot Hydro intends to perform pole testing on all poles currently more than 40 years old to help prioritize the replacement program.

e) 27.6 kV Voltage Conversion

A planning study performed in 1995 examined the future of the distribution system in Wilmot Township. The principle recommendations were that the 8.3 kV distribution system be gradually converted to 27.6 kV operation and that a 27.6 kV transformer station be constructed near the load centre. Benefits of voltage conversion include:

(i) Improved system efficiency (by reducing line losses).

(ii) Improve voltage regulation.

(iii) Future costs to expand distribution stations to accommodate load growth are avoided.

(iv) Future costs to maintain/rebuild distribution substations are avoided.

(v) Reduced ground currents and stray voltages.

(vi) Improved ability to connect distributed generation. Increasing the capacity of a distribution feeder increases the size of distributed generation site that can be connected to that feeder.

Kitchener-Wilmot Hydro began the conversion to 27.6 kV in 1995. The conversion strategy leverages the need to rebuild pole lines due to age/condition. If voltage conversion for any given section of line is deferred until the pole line is rebuilt, the cost of conversion is essentially the marginal cost of the insulation. The majority of voltage conversion will happen through the rebuild process. All lines constructed in

Wilmot Township since 1995 have been constructed with 27.6 kV insulation. It is expected that voltage conversion of Wilmot Township will occur over the next twenty years as poles and cables are replaced by end-of-life rebuilds.

However, some expenditures will be required that are not covered by end-of-life rebuilds. One example is the replacement of insulators on poles that are still in good condition. Another example is the replacement of switches, lighting arresters and transformers on lines that are already insulated for 27.6 kV.

f) Innovation and Reliability

Kitchener-Wilmot Hydro is constantly looking for ways to cost effectively improve system reliability and efficiency. Although the nature of future initiatives are not known at this time, it is reasonable to anticipate some expenditures in this area over the short, medium and long term.

One initiative currently under way is the selective retrofitting of some existing aerial switches and transformers with animal guarding to reduce the frequency of outages caused by squirrels and birds.

Distribution automation (reclosers, sectionalizers, self-healing switches) shows promise of reducing the scope and duration of outages. It is anticipated that distribution automation will be installed on selected feeders that either have a large exposure (long lines) or feed customers critically sensitive to outage duration.

Some of these expenditures could be categorized under the evolving definition of a Smart Grid.

4. UNDERGROUND DUCTS AND CABLES

For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may satisfy the objectives of more than one category. Capital expenditures on underground systems are captured under general ledger accounts 1840, 1845 and 1855.

a) Miscellaneous Underground Distribution

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year.

b) System Expansion to Supply New Development

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner.

c) Installation of New Residential Underground Services

This item is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary.

d) Installation of Large Commercial and Industrial Services

This is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary.

e) Installation of New Underground Residential Distribution (URD)

This is a special instance of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary.

f) Relocations Due to Roadway Modification Projects

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways

Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary greatly from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse.

If local governments increase expenditures on roadway infrastructure as a means of stimulating the economy in the current recession, the Corporation's expenditures for distribution plant relocations can be expected to increase above estimated levels.

g) Replacement of Primary Cable Due to Age/Condition

In May 2009, there were 51.7 circuit-kilometres of trunk feeder primary cable catalogued in our Geographic Information System. The distribution of ages is summarized in the following table.

Trunk Feeder Primary Cable	
Age by Decade	**13.8 kV**
40-49 yrs	0.4 cct-km
30-39 yrs	9.0 cct-km
20-29 yrs	3.0 cct-km
10-19 yrs	18.1 cct-km
<10 yrs	13.1 cct-km
Unknown	8.1 cct-km
Total	51.7 cct-km

There were also 678.1 kilometres of URD primary cable catalogued in our Geographic Information System. The distribution of ages is summarized in the following table.

URD Primary Cable			
Age by Decade	**8.3 kV**	**13.8 kV**	**Total**
40-49 yrs	0.1 km	0.0 km	0.1 km
30-39 yrs	2.9 km	22.1 km	25.0 km
20-29 yrs	11.0 km	157.8 km	168.8 km
10-19 yrs	28.8 km	252.7 km	281.5 km
<10 yrs	34.5 km	166.4 km	200.9 km
Unknown	0.4 km	1.4 km	1.8 km
Total	77.7 km	600.4 km	678.1 km

Currently, our primary cables have a very low failure rate. Conventional wisdom has it that primary cable of this type has a life expectancy of 25-30 years. We believe our practice of using exclusively copper cables and a PVC jacket will result in cable life that exceeds the industry norms. This seems to be borne out by the excellent service record of our cables.

Our trunk feeder primary cables and all URD primary cables installed after 1994 are installed in duct. These cables can be replaced by pulling out the old cable and pulling in the new. URD primary cables installed before 1994 are direct buried. Cable

replacement will involve burying a new duct in a trench or bore hole opened up by tunnelling, and then pulling a cable into it. This will be a very expensive exercise.

Our strategy has been to wait for the cables to begin failing before embarking on a replacement program. We are currently replacing a 1.1 circuit-kilometre section of trunk feeder primary cable that has a history of failure at an estimated cost of $490,000 per circuit-kilometre.

Although we do not know how long our primary cables will survive, we note that 9.4 circuit-kilometres of trunk feeder primary cable and 25.1 kilometres of URD primary cables are more than 30 years old. It is reasonable to expect that we will begin to see more failures as our cable continues to age. We propose to begin allocating funds toward cable replacement on an annual basis. In years where no cable has failed, we propose to expend those funds installing ducts in URD areas older than 1994. These ducts will be used to install replacement cable at some time in the future when the cable fails. This strategy will level out future expenditures for cable replacement.

h) Rebuild Transformer Vaults

The structural elements of our downtown network transformer vaults deteriorate over time. We survey the condition of these vaults on a regular basis as per OEB guidelines. Structural elements that are found to be in poor condition are replaced/rebuilt. Major repairs are capitalized and charged to this account. The expenditures required vary with the results of the surveys. Approximately $250,000 per year in current dollars should be allocated for vault rebuilds.

i) Voltage Conversion

In May 2009, there were 77.7 kilometres of single phase URD primary cable installed in the 8.3 kV distribution system. All of it must be converted to 27.6 kV operation when the upstream pole lines are converted.

All cable installed since 1995 (approximately 44.8 kilometres) is insulated for 27.6 operation. This cable can be converted relatively inexpensively by replacing the switches, lightning arresters, transformers and elbow connectors.

The remainder of the cable (approximately 32.9 kilometres) must be replaced. Fortunately, this is also the oldest cable and would eventually have to be replaced due to age/condition.

The timing of the underground conversion will mostly be driven by the schedule for rebuilding and converting the nearby pole lines. However, it is anticipated that the urban areas will be the last to be converted. As this is where most of the URD primary cable is installed, the primary cable is expected to be near the end of its useful life when it is replaced for voltage conversion.

5. DISTRIBUTION TRANSFORMERS

These expenditures are captured under ledger account 1850.

a) Installation and Replacement of Distribution Transformers

The labour and materials to install or replace transformers are allocated here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Total project costs are typically small.

b) New URD Transformer Installations

This is a special instance of System Expansion to Supply New Developments. The labour and materials to install transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary.

c) Overhead Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used on pole lines.

d) Commercial, Industrial and Apartment Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used in commercial, industrial and apartment services.

e) URD Transformer Purchases

Transformers are capitalized when they are placed into service. This category captures the costs of purchasing transformers that are used in Underground Residential Distribution.

f) Network Transformer Purchases

In May 2009, there were 41 network transformers catalogued in our Geographic Information System. There are three additional spare units available to replace units that are found to be in poor condition. The distribution of ages is summarized in the following table.

Age by Decade	Network Transformers
50-59 yrs	12
40-49 yrs	14
30-39 yrs	14
20-29 yrs	4
<20 yrs	0
Total	**44**

Network transformers are maintained on a regular basis. Routine maintenance includes:

(i) Testing the oil.

(ii) Testing and calibrating the network protector.

(iii) Servicing the primary switch.

(iv) Repainting when rusted.

Transformers found to be in poor condition are replaced with one of the spare units. With this level of service, the life expectancy should be 50-60 years.

Commencing in 2010, we are allocating funds to replace two units per year at an estimated cost of $142,800 each in current dollars.

6. REVENUE METERS

These expenditures are captured under ledger account 1860.

Smart meters are to be installed to all residential and general service <50 kW customers by the end of 2010 and our smart meter deployment strategy accomplishes this. Expenditures for the initial deployment are captured under a deferral account.

Following 2010, smart meter purchases will still be required for new customer installations. It is anticipated that these purchases for growth will be allocated to ledger account 1860.

In addition, we have a multi-year plan to install mass memory interval meters with communication modules at the remaining 1372 general service >50 kW customers whose meters do not have this capability. This work is expected to be completed by 2015.

Estimated annual expenditures of $625,000 will be required in the years 2011 through 2015, after which annual expenditures will decline to $375,000. Expenditure estimates are in current dollars.

7. OFFICE EQUIPMENT

These expenditures are captured under ledger account 1915.

Kitchener-Wilmot Hydro purchases additional office furniture and replaces existing office furniture on an incremental basis. Existing funding levels should be maintained over the next ten years.

8. INFORMATION TECHNOLOGY

These expenditures are captured under ledger accounts 1920 and 1925.

During the past decade, massive changes have occurred in the computer industry and the technology continues to expand at an ever accelerating rate. Some form of automation touches all of us daily, whether it be in our business, social or home environments.

We believe that technology will provide the greatest catalyst to productivity and efficiency improvements. The Corporation has invested in a number of data systems that enhance our ability to cost effectively manage the business. The effective use of corporate data to

support decision making is enhanced through the integration of these systems and the adoption of a common data platform.

The Corporation has invested in a GIS system to track and manage distribution assets. The GIS system is able to launch queries and assemble data across diverse databases. Managers are able to gather statistics and hard data that enhance their understanding of the systems they manage. This system improves our ability to monitor the distribution system for planning purposes and provides support for planned refurbishment programs. Development of the capabilities of this system is ongoing as we continue to add data and enhance features.

The following Information Technology objectives are designed to support the company in achieving the corporate strategic goals.

a) Asset Replacement

Implement a technology lifecycle that guarantees hardware and software assets are maintained within an acceptable lifespan. Acceptable lifespan will vary based on asset class, but will ensure that the asset still has value to the organization, is operating within an acceptable service level, and can be serviced or maintained at an affordable cost.

b) Smart Grid and Green Energy

Provide Information Technology Systems and Support to enable the Corporation to implement provincial government initiatives such as Smart Metering, Conservation and Demand Management, Smart Grid and Green Energy initiatives to promote the efficient use of electricity.

c) Systems Integration

Provide support for enhanced integration of internal systems development projects with 3rd party applications including GIS, Smart Metering, Outage Management Systems, SCADA and Financial Management Systems to analyze and distill operational data into management information.

d) Customer Information System

Initiate an architectural review and redesign of the Customer Information System (CIS) to provide separation between the customer (the individual or commercial entity named on the bill) and the service which defines the geographic location to which electrical service is delivered. Using this architecture and linkages to maintain the chronological history of relationships between customers and services, and services to metering devices would simplify processing and provide enhanced historical reporting capabilities.

e) Financial System

JD Edwards has served notice that they will no longer provide support for our current version of financial software after 2013. It will be necessary to upgrade this system to a newer version in 2011 and 2012. The newer version will offer us additional

functionality and support for the transition to the International Financial Reporting Standards (IFRS).

f) Mobile Computing

Provide enhanced access to on-line information through the expanded deployment of wireless technologies including deployment of mobile computing devices to the operations fleet and field services personnel, as well as enhanced customer access to account, consumption, billing and conservation information through a secured Internet based Web portal.

g) Disaster Recovery

Continue the development of facilities and services supporting Business Resumption Planning activities to ensure survivability in the event of a major disruption to our primary facility.

h) Supervisory Control and Data Acquisition

Our Supervisory Control And Data Acquisition (SCADA) system provides our Control Room Operators with real time control and monitoring of our transformation facilities and distribution system. Operators use the SCADA system to diagnose faults and restore power, improving service reliability for our customers.

The useful lifetime of the computer hardware and software at the heart of our SCADA system is approximately six to eight years. The 2009 capital budget allocates $200,000 for a major upgrade to the SCADA system. The next major upgrade will be required in the final years of the current ten year capital program.

Approximately $250,000 in current dollars should be allocated in 2017 or 2018 to upgrade the SCADA System.

i) Outage Management System

An Outage Management System (OMS) leverages some of the real time operational data available from Smart Meters such as service voltage, and supplements the information available through the SCADA system. Control Room Operators are better able to determine which customers are affected by an outage and diagnose the source of the problem. Corrective action is initiated more quickly and accurately than by using the SCADA system alone.

An Outage Management System (OMS) also provides our managers, engineers and planners with enhanced operational and reliability data about our distribution system to support decision making.

Approximately $450,000 should be allocated in 2010 or 2011 to purchase and implement a 3rd party Outage Management System.

To ensure that Kitchener-Wilmot Hydro takes full advantage of opportunities to gain improvements and to also enhance customer service, adequate funds should be made available in the information technology budget to achieve the results. The estimated funding requirements for 2010, 2011 and 2012 are $595,000, $700,000 and $650,000

respectively as we implement the new OMS and upgrade the financial system. Thereafter, an annual expenditure of $650,000 is the minimum amount the Corporation should be spending in order to keep existing systems current and to take advantage of new technology. Additional funding may be required to accomplish specific initiatives.

9. VEHICLES

These expenditures are captured under ledger accounts 1930 and 1950.

Over the past number of years, the expenditures for maintaining and upgrading our vehicles and equipment have been increasing. Purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment are capitalized.

The funding for vehicles should be increased gradually to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded by one large vehicle every five years and one small vehicle every three years in keeping with anticipated growth in staffing.

10. TOOLS AND INSTRUMENTS

These expenditures are captured under ledger accounts 1935, 1940 and 1945.

The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a high purchase cost are capitalized.

The funding for tools and instruments should be increased gradually to ensure that our tools and instruments remain in excellent condition and to allow the purchase of additional tools and instruments in keeping with anticipated growth in staffing.

11. OTHER

The Government of Ontario has directed that Local Distribution Companies are to play a significant role in promoting energy conservation, in the implementation of new technological initiatives and in the evolution of the Smart Grid. The Corporation will continue to implement new legislative and regulatory initiatives. Some of these initiatives may require significant investments that are not known and accounted for in this ten year capital program.

Some of these expenditures will be captured in deferral accounts and will not become part of the capital assets upon which a rate of return may be earned.

a) Smart Meters

The provincial government has mandated that smart meters are to be installed to all residential and general service <50 kW customers by the end of 2010. Our smart meter deployment strategy accomplishes this. Projected expenditures of $14,500,000 for the initial deployment of smart meters are captured under a deferral account.

Appendix A

10 Year Capital Expenditures Forecast
2010 - 2019

2010-2019 CAPITAL EXPENDITURES FORECAST

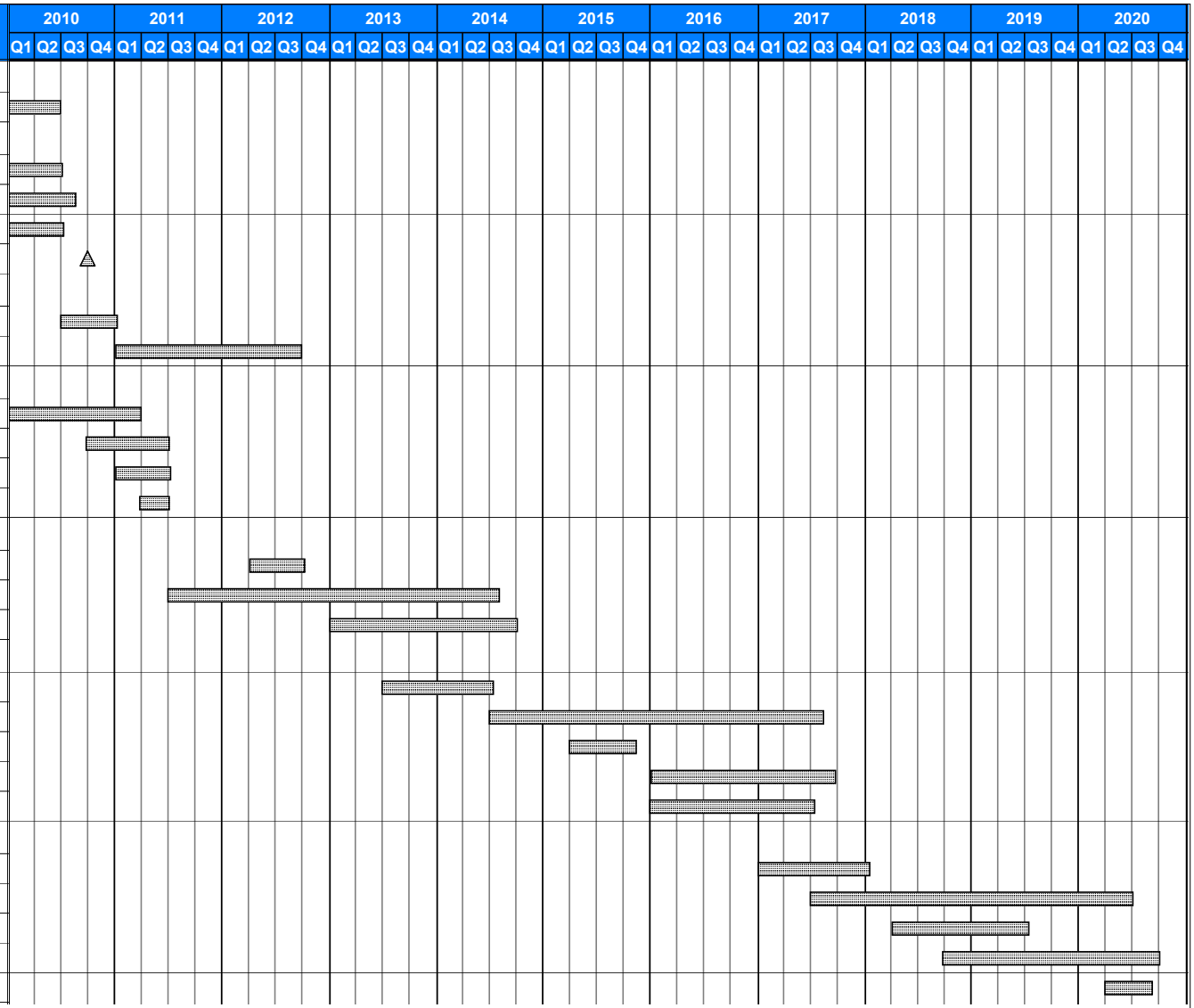
DESCRIPTION	ESTIMATED EXPENDITURES (x $1000) (in current dollars - no inflation) 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BUILDINGS AND LAND										
301 Victoria St. S. Expansion			200.0	2,300.0	1,500.0					
TRANSFORMATION FACILITIES										
Misc Transformer Station Upgrades & Modifications	47.6									
#4TS Upgrades	630.7									
#9TS Construction	6,495.0									
#9TS Spare Transformer		1,200.0	1,300.0							
#3TS Replace T5	1,704.3	1,600.0								
#5TS Upgrades			400.0	2,000.0	1,100.0					
#7TS Expand Capacity						1,500.0	3,000.0	2,500.0		
#8TS Expand Capacity									1,700.0	2,300.0
Subtotal	8,877.6	2,800.0	1,700.0	2,000.0	1,100.0	1,500.0	3,000.0	2,500.0	1,700.0	2,300.0
POLE LINES										
Misc Overhead Distribution	400.0	550.0	550.0	550.0	550.0	550.0	550.0	550.0	550.0	550.0
System Expansion to Supply New Development	1,213.4	1,000.0	1,000.0	800.0	800.0	800.0	800.0	800.0	800.0	800.0
Relocations Due to Roadway Modification Projects	700.0	900.0	900.0	700.0	700.0	700.0	700.0	700.0	700.0	700.0
Replacement of Pole Line Assets Due to Age/Condition	1,464.0	2,775.0	3,500.0	4,000.0	4,775.0	4,775.0	4,775.0	4,775.0	4,775.0	4,775.0
27.6 kV Voltage Conversion		250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
Innovation and Reliability		300.0	400.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Subtotal	3,777.4	5,775.0	6,600.0	6,800.0	7,575.0	7,575.0	7,575.0	7,575.0	7,575.0	7,575.0
UNDERGROUND DUCTS AND CABLES										
Misc Underground Distribution	400.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
System Expansion to Supply New Development	1,011.4	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Installation of New Residential UG Services	450.0	342.0	332.5	384.8	427.5	470.3	513.0	555.8	598.5	598.5
Installation of Commercial, Industrial & Apartment Services	234.0	270.0	270.0	270.0	270.0	270.0	270.0	270.0	270.0	270.0
Installation of New Underground Residential Distribution	1,940.0	1,940.0	2,182.5	2,425.0	2,667.5	2,910.0	3,152.5	3,395.0	3,395.0	3,395.0
Relocations Due to Roadway Modifications	350.0	350.0	350.0	350.0	150.0	150.0	150.0	150.0	150.0	150.0
Replacement of Primary Cables Due to Age/Condition	355.0	600.0	600.0	750.0	1,000.0	1,250.0	1,250.0	1,250.0	1,500.0	1,500.0
Rebuild Transformer Vaults	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0
27.6 kV Voltage Conversion		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Subtotal	4,980.4	4,642.0	4,875.0	5,319.8	5,655.0	6,190.3	6,475.5	6,760.8	7,053.5	7,053.5
DISTRIBUTION TRANSFORMERS										
Installation & Replacment of Distribution Transformers	500.0	830.0	870.0	810.0	760.0	760.0	760.0	760.0	760.0	760.0
Installation of New URD Transformers	361.0	372.4	419.8	464.2	514.2	556.0	606.0	650.4	650.4	650.4
Overhead Transformer Purchases	404.6	748.5	708.1	748.5	768.7	768.7	768.7	768.7	768.7	768.7
Commercial, Industrial & Apartment Transformer Purchases	404.6	404.6	404.6	404.6	404.6	404.6	404.6	404.6	404.6	404.6
URD Transformer Purchases	532.9	888.5	1,042.8	910.2	781.9	816.3	859.4	898.2	898.2	898.2
Network Transformer Purchases	285.6	285.6	285.6	285.6	285.6	285.6	285.6	285.6	285.6	285.6
Subtotal	2,488.7	3,529.6	3,730.9	3,623.1	3,515.0	3,591.2	3,684.3	3,767.5	3,767.5	3,767.5
REVENUE METERS	724.0	625.0	625.0	625.0	625.0	625.0	375.0	375.0	375.0	375.0
OFFICE EQUIPMENT	63.0	65.0	65.0	65.0	200.0	65.0	65.0	65.0	65.0	65.0
INFORMATION TECHNOLOGY	595.0	700.0	650.0	650.0	650.0	650.0	650.0	650.0	650.0	650.0
VEHICLES	865.0	900.0	900.0	925.0	925.0	950.0	950.0	1,000.0	1,000.0	1,000.0
TOOLS & EQUIPMENT	86.0	100.0	100.0	110.0	110.0	110.0	120.0	120.0	120.0	120.0
SUB-TOTAL	22,457.1	19,136.6	19,445.9	22,417.9	21,855.0	21,256.5	22,894.8	22,813.3	22,306.0	22,906.0
OTHER										
Smart Meters	1,758.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal	1,758.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	24,215.6	19,136.6	19,445.9	22,417.9	21,855.0	21,256.5	22,894.8	22,813.3	22,306.0	22,906.0

Appendix B

Stations 10 Year Plan
2010 - 2019

APPENDIX B
Stations 10 Year Plan
2010 - 2019

Task Name	Est Cost ($M)
#4TS - Building Addition & Replace P&C	**0.7**
Install Arc-proofing on Switchgear	
Wilmot TS	**2.7**
Engineering & Consultants - 6 Mos	
Install P&C	
Install Power Transformers, HV Equipment	
Hydro One Bypass & Decommissioning Detweiler TS	3.8
Wilmot TS - Spare Transformer	**2.5**
Engineering - 6 Mos	
Manufacture & Install Transformer	
#3TS - Replace T5 Power Tx with 60/100 Tx	**3.3**
Manufacture Transformer	
Engineering - 9 Mos	
Install P&C Equipment Changes	
Install Power Transformer	
#5TS - Building Addition & Replace P&C	**3.5**
Construct New Building	
Engineering - 36 Mos	
Install New P&C Equipment	
#7TS - Expand Capacity to 100 Mva	**7.0**
EA & IMO & CCRA Approvals	
Engineering - 36 Mos.	
Construct Building and Install Switchgear	
Install P&C Equipment	
Manufacture & Install 1 Power Tx, Re-use Old T5	
#8TS - Expand Capacity to 100 Mva	**5.5**
EA & IESO & CCRA Approvals	
Engineering - 36 Mos	
Construct Building, HV Yard and Install Switchgear	
Install P&C Equipment	
Relocate & Install Power Tx's (from #7TS in 2020)	
Totals	$29.0 Million



CAPITAL PROJECT DESCRIPTION:

This Schedule sets out KW Hydro's significant capital projects in the years 2004 through 2008 together with the budgeted projects in the 2009 bridge year and the 2010 test year. It should be noted that there will be some differences with the Capital Expenditures by OEB account from the Capital Expenditures Overview due to application of indirect overheads and items not of a material nature.

2004 CAPITAL EXPENDITURES BY PROJECT

BUILDINGS AND LAND

Capital expenditures on buildings and land are recorded in OEB accounts 1805, 1806 and 1908.

Purchase Vacant Land Adjacent to No. 7 Transformer Station - $829,040

In 2004 a vacant plot of land known as Motz Park adjacent to our No. 7 Transformer Station came onto the market. K-W Hydro purchased Motz Park in 2004 to secure the land for a possible expansion of the facilities at No. 7 Transformer Station. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1805	1806	1908
Purchase Vacant Land Adjacent to No. 7 TS	829,040	829,040		

Office Building Expansion - $1,315,350

The Office Building (Administration) facilities were constructed by the Corporation at 301 Victoria Street South, Kitchener in 1985. In 2004 and 2005, a major addition to the office building was completed which added 5,750 square feet of new space for the finance, customer service and information technology departments as well as the renovation to 4,800 square feet of existing space, all at a cost of $1.4M. The majority of these costs were incurred in 2004. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1805	1806	1908
Office Building Expansion	1,315,350			1,315,350

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $3,426,827

Kitchener-Wilmot Hydro Inc. is one the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1808	1815	1820
	8TS				
02-02-01	8TS - 15kV Switchgear	20,654		20,654	
02-03-01	8TS - Control Cables, Checking Ph1	194,736		194,736	
02-04-01	8TS - Control Cables, Checking Ph2	153,294		153,294	
02-03-02	8TS - LV Protection & Control Panels	36,909		36,909	
02-04-02	8TS - Revenue Metering	37,579		37,579	
02-02-03	8TS - Ground Grid & Equip. Grounding	8,174	8,174		
02-03-03	8TS - HV Protection & Control Panels	36,072		36,072	
02-04-03	8TS - 2 Remaining HV P&C Panels	25,291		25,291	
02-03-04	8TS - HV Equip. & Termination Structure	602,841		602,841	
02-04-04	8TS - HV Equip. & Termination Structure	142,327		142,327	
02-03-05	8TS - SCADA,DC Equip & Communications	144,319		144,319	
02-02-06	8TS - Cable Trays, Control Cable Ph1	121,210		121,210	
02-03-06	8TS - Power Transformer Progress Payments	1,271,398		1,271,398	
02-04-06	8TS - Accoustic Walls	139,520		139,520	
02-04-07	8TS - 230kV Tap Structures and Lines	302,600		302,600	
02-04-08	8TS - Install Power Transformers	189,903		189,903	
	Total	3,426,827	8,174	3,418,653	

The following initiatives warrant additional explanation:

- No. 8 Transformer Station on Huron Road was constructed to supply power to new greenfield developments in south-western Kitchener and to relieve overloading at No. 3 Transformer Station and No. 6 Transformer Station. No. 8 Transformer Station was placed into service in October 2004. For budgetary purposes, the construction of the station was divided into a number of smaller expenditures.

Replacement/Upgrades Due to Age/Condition - $76,434

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1808	1815	1820
02-05-06	3TS-P&C Upgrades & Modifications	34,078		34,078	
	TS Revenue Metering Upgrades				
02-04-09	1TS-Replace Revenue Metering	41,986		41,986	
02-05-04	7TS-Replace Revenue Metering	370		370	
	Total	76,434		76,434	

The following initiatives warrant additional explanation:

- The feeder protection relays on the No. 1 switchgear buss at No. 3 Transformer Station were obsolete and at the end of life. Spare parts were no longer available for some of the equipment. The relays were replaced in 2004 and 2005.
- The revenue metering at our transformer stations was upgraded over a number of years to bring it into compliance with IESO Market Rules.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $625,724

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1830	1835	1855
03-04-01	Miscellaneous Overhead Distribution	625,724	269,937	265,425	90,362

The following large projects (>$100,000) were allocated to Budget Item 03-04-01:

Description	Total	1830	1835	1855
8TS Feeders				
Huron Rd.: Fischer- Hallman Rd. to Amand Dr.	104,119	56,403	43,058	4,658

System Expansion to Supply New Development - $1,719,696

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1830	1835	1855
03-04-02	System Expansion to Supply New Developments	370,589	182,631	184,481	3,477
	New Hamburg 27.6 kV Feeder Reinforcement	0			
03-03-11	Hwy 7/8: Nafziger Rd. to Hamilton Rd.	127,946	34,665	93,281	
03-04-05	Nafziger Rd.:-Snyder's Rd. to Hwy 7/8	172,027	47,094	123,266	1,667
	8TS Feeders	0			
03-03-10	Fischer-Hallman Rd.: Huron Rd. to Bleams Rd.	78,088	2,042	59,955	16,091
03-04-06	New Dundee Rd.: Dodge Dr to Dodge Dr	103,672	45,205	58,240	227
03-04-07	Huron Rd.: 8TS to Strasburg Rd.	118,355	22,961	95,119	275
03-04-08	Huron Rd.: Strasburg Rd to Homer Watson Rd.	186,632	52,368	134,264	
03-04-09	Huron Rd.: 8TS to Fischer-Hallman Rd.	179,994	27,105	141,443	11,446
03-04-10	Fischer-Hallman R.: Huron Rd. to New Dundee Rd.	248,257	128,522	116,795	2,940
03-04-11	New Dundee Rd.: Dodge Dr. to Thomas Slee Dr.	134,136	51,520	62,844	19,772
	Total	1,719,696	594,113	1,069,688	55,895

No large projects (>$100,000) were allocated to Budget Item 03-04-02. The following initiatives warrant additional explanation:

- A new 27.6 kV line was constructed along Highway 7/8 from Nafziger Road to Hamilton Road (Budget Item 03-03-11) and along Nafziger Road from Snyder's Road to Highway 7/8 (Budget Item 03-04-05) to provide relief for existing 27.6 kV feeders supplying the Town of New Hamburg.
- New 13.8 kV feeders were constructed along Huron Road, Fischer-Hallman Road and New Dundee Road to connect the new No. 8 Transformer Station to the distribution system feeding the loads that the station was constructed to serve.

Relocations Due to Roadway Modification Projects - $268,631

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1830	1835	1855
03-04-03	Relocations-Roadway Modification Projects	268,631	153,910	109,319	5,401

No large projects (>$100,000) were allocated to Budget Item 03-04-03.

Replacement of Pole Line Assets Due to Age/Condition - $431,350

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition or other safety or reliability concerns. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1830	1835	1855
03-04-04	Single-Phase Pole Line Rebuilds	411,828	244,445	142,171	25,212
03-05-08	Homer Watson Blvd.: Blockline Rd. to Bleams Rd.	19,522	12,279	7,243	
	Total	431,350	256,724	149,414	25,212

The following large projects (>$100,000) were allocated to Budget Item 03-04-04:

Description	Total	1830	1835	1855
Prospect Ave. and Side Streets	127,612	82,661	42,405	2,546

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $427,262

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President. This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-01	Miscellaneous Underground Distribution	427,262	108,240	79,712	239,310

No large projects (>$100,000) were allocated to Budget Item 04-04-01.

System Expansion to Supply New Development - $735,517

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-05	System Expansion to Supply New Developments	218,575	24,653	193,922	
04-03-08	Weber St. W. (ducts)	22,089	22,089		
	8TS Feeders				
04-04-08	Huron Rd. @ 8TS (duct and cable)	490,210	148,224		341,986
04-04-09	Huron Rd. @ Homer Watson Blvd. (riser cable)	4,643		4,643	
	Total	735,517	194,966	198,565	341,986

The following large projects (>$100,000) were allocated to Budget Item 04-04-05:

Description	Total	1840	1845	1855
6M24 Feeder Through Sunrise Shopping Centre	203,030	9,108	193,922	

The following initiatives warrant additional explanation:

- Municipal road construction along Weber Street West in the Kitchener downtown core provided an opportunity to install duct structures for future installation of underground cables at a fraction of the cost that would be required at any other time.
- Budget Items 04-04-08 and 04-04-09 allocate funds for duct banks and cables associated with new 13.8 kV feeders along Huron Road, Fischer-Hallman Road and New Dundee Road that connect the new No. 8 Transformer Station to the distribution system feeding the loads that the station was constructed to serve.

Installation of New Residential Underground Services - $504,660

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-02	Residential Underground Services	504,660			504,660

Installation of Large Commercial and Industrial Services - $384,251

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-03	Large Commercial & Industrial Services	384,251	5,534		378,717

Installation of New Underground Residential Distribution (URD) - $2,421,347

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-04	Residential Underground Distribution	2,421,347	609,110	916,340	895,897

New URD Developments for 2004:

- Doon Mills, Stages 7,8 & 9
- Doon, Stage 5B & 5C
- Westmeadow Dr. Townhouses
- Laurentian, Stage 11
- Big Springs, Stage 1
- Downy Lane, Stage 1 & 4-7
- 301 Spadina Rd. Townhouses
- 110 Activa Ave. Townhouses
- Wagon St., Stage 3B
- Bryan Ct. Extension
- Williamsburg, Stage 4
- Stonecroft, Stages 2, 4, 5 & 10
- Deer Ridge GRCA Lands
- Activa Baden, Stages 2, 7, 8 & 9

Relocations Due to Roadway Modification Projects - $303,292

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1840	1845	1855
04-04-06	Relocations-Road Rebuilding Projects	303,292	110,315	176,641	16,336

The following large projects (>$100,000) were allocated to Budget Item 04-04-06:

Description	Total	1840	1845	1855
Highland Rd: Fischer-Hallman Rd to Westmount Rd	146,288	79,024	66,634	630
6M11 Feeder: O/H to U/G Conversion	111,448	1,441	110,007	

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $406,659

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1850
05-04-01	Install O/H & U/G Transformers	406,659	406,659

New URD Transformer Installations - $580,443

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1850
05-04-02	Underground Residential Areas	580,443	580,443

Overhead Transformer Purchases - $51,720

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1850
05-04-03	Overhead Transformer Purchases	51,720	51,720

Commercial, Industrial and Apartment Transformer Purchases - $347,767

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1850
05-04-04	Commercial, Industrial and Apartment Transformer Purchases	347,767	347,767

URD Transformer Purchases - $385,859

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the actual expenditures during 2004.

Budget #	Budget Description	Total	1850
05-04-05	Underground Residential Areas	385,859	385,859

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the actual expenditures during 2004.

Budget Description	Total	1860
Meters	396,251	396,251

OFFICE EQUIPMENT

These expenditures are recorded in OEB account 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1915	1960
Office Equipment	53,841	53,841	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	19,060		19,060		
Computer Hardware - Replacements	111,655	52,793	58,862		
Computer Software	257,408		257,408		
System Supervisory Equipment	37,778				37,778
Total	425,901	52,793	335,330		37,778

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1930	1950
Trucks <3 Tons	93,336	93,336	
Trucks >3 Tons	200,006	173,006	
Total	266,342	266,342	

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the actual expenditures during 2004.

Budget Description	Total	1935	1940	1945
Tools and Instruments	58,596		58,596	

2005 CAPITAL EXPENDITURES BY PROJECT

BUILDINGS AND LAND

Capital expenditures on buildings and land are recorded in OEB accounts 1805, 1806 and 1908.

Purchase Vacant Land Adjacent to No. 7 Transformer Station - $1,590

In 2005, there were some outstanding fees to be paid relating to the purchase in 2004 of a vacant plot of land adjacent to our No. 7 Transformer Station. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1805	1806	1908
Purchase Vacant Land Adjacent to No. 7 TS	1,590	1,590		

Office Building Expansion - $66,476

The Office Building (Administration) facilities were constructed by the Corporation at 301 Victoria Street South, Kitchener in 1985. In 2004 and 2005, a major addition to the office building was completed which added 5,750 square feet of new space for the finance, customer service and information technology departments as well as the renovation to 4,800 square feet of existing space, all at a cost of $1.4M. The majority of these costs were incurred in 2004. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1805	1806	1908
Office Building Expansion	66,476			66,476

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $7,917

Kitchener-Wilmot Hydro Inc. is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1808	1815	1820
	8TS				
02-03-01	8TS - Control Cables, Checking Ph1	2,182		2,182	
02-04-04	8TS - HV Equip. & Termination Structure	3,388		3,388	
02-03-05	8TS - SCADA,DC Equip & Communications	2,347		2,347	
	Total	7,917		7,917	

The following initiatives warrant additional explanation:

- Although No. 8 Transformer Station on Huron Road was placed into service in 2004, some expenditures carried over into 2005.

Replacement/Upgrades Due to Age/Condition - $1,696,412

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1808	1815	1820
02-05-06	3TS - P&C Upgrades & Modifications	108,384		108,384	
02-05-01	5TS - Replace Circuit Breakers	540,562		540,562	
02-05-02	6TS - Replace Circuit Breakers	335,904		335,904	
02-05-08	1TS-IPACS Replacement	372,011		372,011	
	4TS P&C and Switchgear Upgrades				
02-06-01	4TS-Replace P&C Equipment & SCADA	11,707	8,645	3,062	
02-05-05	4TS-Addition,Relay & Battery Room	327,844	327,844		
	Total	1,696,412	336,489	1,359,923	

The following initiatives warrant additional explanation:

- The replacement of the feeder protection relays on the No. 1 switchgear buss at No. 3 Transformer Station was completed in 2005.
- The air-magnetic circuit breakers at No. 5 Transformer Station were obsolete and worn out. They were replaced with new vacuum circuit breakers in 2005.
- The SF6 circuit breakers at No. 6 Transformer Station were unreliable. Three of the original fourteen units had failed within the first ten years of operation. They were replaced with new vacuum circuit breakers in 2005.

- The IPACS system was a single computer that provided primary protection and control for the main power transformers and circuit breakers at No. 1 Transformer Station. By 2003, the equipment was obsolete and unreliable, no longer supported by its manufacturer and was plagued by a series of minor problems. In 2005, engineering design began for replacement protection and control equipment. In 2005, the IPACS system failed completely. The new protection and control equipment was procured and placed into service in 2005 and early 2006.
- The protection and control equipment at No. 4 Transformer Station was obsolete and at the end of life. Spare parts were no longer available for some of the equipment. In 2005, work began on the construction of a new relay room to house replacement protection and control equipment.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $542,100

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1830	1835	1855
03-05-01	Miscellaneous Overhead Distribution	542,100	250,335	201,166	90,599

No large projects (>$100,000) were allocated to Budget Item 03-05-01.

System Expansion to Supply New Development - $514,204

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be identified under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1830	1835	1855
03-05-02	System Expansion to Supply New Developments	499,759	291,491	205,318	2,950
	8TS Feeders				
03-06-08	Huron Rd.: Amand Dr. to Trussler Rd.	4,649	1,755	2,894	
03-04-10	Fischer-Hallman Rd.: Huron Rd. to New Dundee Rd	3,722	5,855	-2,133	
03-04-11	New Dundee Rd.: Dodge Dr. to Thomas Slee Dr.	6,074	5,046		1,028
	Total	514,204	304,147	206,079	3,978

No large projects (>$100,000) were allocated to Budget Item 03-05-02.

The following initiatives warrant additional explanation:

- New 13.8 kV feeders were constructed along Huron Road, Fischer-Hallman Road and New Dundee Road to connect the new No. 8 Transformer Station to the distribution system feeding the loads that the station was constructed to serve. These projects were substantially completed in 2004.

Relocations Due to Roadway Modification Projects - $762,215

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1830	1835	1855
03-05-03	Relocations-Roadway Modification Projects	762,215	407,611	344,469	10,135

The following large projects (>$100,000) were allocated to Budget Item 03-05-03:

Description	Total	1830	1835	1855
Ira Needles: Yellow Birch/Highland/Victoria	239,903	120,281	116,261	3,361
Sportsworld Dr.	130,762	64,133	61,384	5,245
Homer Watson Blvd at Hwy 401/New Dundee Rd	127,540	63,308	63,831	400
New Dundee Rd at Hwy 401/ Homer Watson Blvd	96,013	49,154	46,570	289

Replacement of Pole Line Assets Due to Age/Condition - $1,027,996

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, preparation for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1830	1835	1855
03-05-04	Single-Phase Pole Line Rebuilds	271,384	126,687	107,985	36,712
03-05-05	Snyders Rd-Mill to Sandhills,New Secondaries	225,270	98,719	94,730	31,821
03-05-07	Snyders Rd-Rebuild Nafziger to Luxemburg	207,075	118,804	81,940	6,331
03-05-08	Homer Watson-Rebuild Blockline to Bleams	23,197	6,348	16,849	
03-05-09	East Ave/Filbert St-Rebuild Krug to Victoria	301,070	125,450	151,771	23,849
	Total	1,027,996	476,008	453,275	98,713

The following large projects (>$100,000) were allocated to Budget Item 03-05-04:

Description	Total	1830	1835	1855
Prospect Ave and Side Streets	109,274	28,137	54,861	26,276

Innovation and Reliability - $185,430

Kitchener-Wilmot Hydro is constantly looking for ways to cost effectively improve system reliability and efficiency. In 2005 and 2006, capacitor banks were installed on existing feeders. This project improved the total system power factor by approximately 5%, improved voltage regulation on long feeders and increased capacity in the distribution system by in excess of 13 MVA. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1830	1835	1855
14-06-01	Capacitor Banks	185,430	9,283	175,029	1,118

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $456,466

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-01	Miscellaneous Underground Distribution	456,466	34,580	172,966	248,920

No large projects (>$100,000) were allocated to Budget Item 04-05-01.

System Expansion to Supply New Development - $181,699

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-05	System Expansion to Supply New Developments	89,801	57,050	32,751	
04-05-08	Victoria St. N.: Waterloo St. to Weber St. (ducts)	91,898	91,898		
	Total	181,699	148,948	32,751	

No large projects (>$100,000) were allocated to Budget Item 04-05-05.

The following initiatives warrant additional explanation:

- Municipal road construction along Victoria Street North in the Kitchener downtown core provided an opportunity to install duct structures for future installation of underground cables at a fraction of the cost that would be required at any other time.

Installation of New Residential Underground Services - $611,739

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-02	Residential Underground Services	611,739			611,739

Installation of Large Commercial and Industrial Services - $372,169

This is a component System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-03	Large Commercial & Industrial Services	372,169		758	371,411

Installation of New Underground Residential Distribution (URD) - $3,537,401

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-04	Residential Underground Distribution	3,537,401	1,035,790	1,186,355	1,315,256

New URD Developments for 2005:

- Lyndale Estates, Stage 1
- Doon Mills, Stage 3B & 9B
- Lyndale South
- Brigadoon Estates
- Huron Woods, Stage 1
- Huron Village, Stages 1A, 1B & 2
- Norris Sternberg, Stage 2
- Doon Mills Townhouses
- 165 Chandos Dr. Townhouses
- 85 Bankside Dr. Townhouses
- Laurentian Village, Stage 6
- MAK Subdivision
- Pine Hollow Ct
- Big Springs, Stage 2
- 690 Blockline Rd. Townhouses
- 265 Lawrence Ave. Townhouses
- Baden West
- Rembrandt Townhouses
- Sunbridge Cr.
- Edgewater/Lyndale South

Relocations Due to Roadway Modification Projects - $872,715

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1845	1855
04-05-06	Relocations-Road Rebuilding Projects	872,715	520,828	206,609	145,278

The following large projects (>$100,000) were allocated to Budget Item 04-05-06:

Description	Total	1840	1845	1855
Fairway Rd at Hwy 8	439,135	273,467	149,554	16,114
Sportsworld Dr.	218,659	99,195	25,507	93,957

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $264,267

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1850
05-05-01	Install O/H & U/G Transformers	264,267	264,267

New URD Transformer Installations - $1,029,701

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1840	1850
05-05-02	Underground Residential Areas	1,029,701		1,029,701

Overhead Transformer Purchases - $73,619

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1850
05-05-03	Overhead Transformer Purchases	73,619	73,619

Commercial, Industrial and Apartment Transformer Purchases - $514,165

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1850
05-05-04	Commercial, Industrial and Apartment Transformer Purchases	514,165	514,165

URD Transformer Purchases - $623,111

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the actual expenditures during 2005.

Budget #	Budget Description	Total	1850
05-05-05	Underground Residential Areas	623,111	623,111

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the actual expenditures during 2005.

Budget Description	Total	1860
Meters	457,810	457,810

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1915	1960
Office Equipment	63,344.	63,344.	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	170,525	170,445	80		
Computer Hardware - Replacements	83,074	83,074			
Computer Software	186,437		186,437		
Total	440,036	253,519	186,517		

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1930	1950
Trucks <3 Tons	78,789	78,789	
Trucks >3 Tons	986,252	986,252	
Total	1,065,041	1,065,041	

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the actual expenditures during 2005.

Budget Description	Total	1935	1940	1945
Tools and Instruments	79,029		70,605	8,424

2006 CAPITAL EXPENDITURES BY PROJECT

BUILDINGS AND LAND

Capital expenditures on buildings and land are recorded in OEB accounts 1805, 1806 and 1908.

Purchase of Land For No. 9 Transformer Station - $14,738

In 2006, K-W Hydro initiated the purchase of a parcel of land for the construction of No. 9 Transformer Station on Wilmot Centre Road in Wilmot Township. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1805	1806	1908
Deposit for Purchase of Land for No. 9 TS	10,988	10,988		
Pole Line Easement - 3015 King St. E.	3,750		3,750	
Total	14,738	10,988	3,750	

Office Building Upgrades - $115,216

In 2006, K-W Hydro performed an energy audit on its Office Building (Administration) facilities at 301 Victoria St. S. and replaced 135 energy inefficient windows. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1805	1806	1908
Energy Audit and Office Building Upgrades	115,216			115,216

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $84,676

Kitchener-Wilmot Hydro Inc. is one the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1808	1815	1820
02-06-07	6TS-Sanitary Sewer Installation	34,874	34,874		
02-06-08	8TS-Sanitary Sewer Installation	49,802	49,802		
	Total	84,676	84,676		

The following initiatives warrant additional explanation:

- Connection of the sanitary sewers at No. 6 Transformer Station and No. 8 Transformer Station had to be deferred until the sewers were installed in the adjacent roadways. These connections were installed in 2006.

Replacement/Upgrades Due to Age/Condition - $565,899

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1808	1815	1820
02-06-04	TS Stations Upgrades & Modifications	20,479		20,479	
02-05-02	6TS - Replace Circuit Breakers	17,105		17,105	
02-05-08	1TS-IPACS Replacement	93,023		93,023	
02-06-03	Load Side Grounding Switches	141,068		141,068	
	TS Revenue Metering Upgrades	0			
02-06-02	6TS-Replace Revenue Metering	139,684		139,684	
	4TS P&C and Switchgear Upgrades	0			
02-05-05	4TS-Addition,Relay & Battery Room	57,909	57,909		
02-06-01	4TS-Replace P&C Equipment & SCADA	96,631	22,354	74,277	
	Total	565,899	80,263	485,636	

The following initiatives warrant additional explanation:

- Although the circuit breakers were replaced at No. 6 Transformer Station in 2005, some expenditures carried over into 2006.
- The installation of new protection and control equipment to replace the failed IPACS system at No. 1 Transformer Station was completed in 2006.
- Grounding switches were installed on the load side of the 115 kV circuit switchers at No. 1 Transformer Station, No. 3 Transformer Station and No. 5 Transformer Station in 2006 to allow our staff to ground the high voltage side of the main power transformers when performing maintenance.
- Work continued on the upgrades to the revenue metering at our transformer stations to bring it into compliance with IESO Market Rules.
- Work continued on the replacement of the protection and control equipment at No. 4 Transformer Station.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $484,590

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1830	1835	1855
03-06-01	Miscellaneous Overhead Distribution	484,590	291,827	151,827	40,936

No large projects (>$100,000) were allocated to Budget Item 03-06-01.

System Expansion to Supply New Development - $728,515

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1830	1835	1855
03-06-02	System Expansion to Supply New Developments	640,316	360,542	275,205	4,568
	8TS Feeders				
03-06-08	Huron Rd.:-Amand Dr. to Trussler Rd.	88,199	67,301	20,899	
	Total	728,515	427,843	296,104	4,568

No large projects (>$100,000) were allocated to Budget Item 03-06-02.

The following initiatives warrant additional explanation:

- A new 13.8 kV feeder was constructed along Huron Road to connect the new No. 8 Transformer Station to the distribution system feeding the loads that the station was constructed to serve.

Relocations Due to Roadway Modification Projects - $709,235

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1830	1835	1855
03-06-03	Relocations-Roadway Modification Projects	709,235	403,956	278,157	27,122

The following large projects (>$100,000) were allocated to Budget Item 03-06-03:

Description	Total	1830	1835	1855
Victoria St S: Patricia Ave to Lawrence Ave	241,016	131,158	92,105	17,753
Victoria St S: Walnut St to Patricia Ave	238,330	126,677	104,702	6,951

Replacement of Pole Line Assets Due to Age/Condition - $424,196

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, preparation for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1830	1835	1855
03-06-04	Single-Phase Pole Line Rebuilds	348,180	174,517	125,279	48,383
03-05-07	Snyders Rd-Rebuild Nafziger to Luxemburg	10,624	10,570	26	28
03-06-07	Berlett's Rd-Nafziger to East of Nith River	5,031	5,031		
03-05-09	East Ave/Filbert St-Rebuild Krug to Victoria	60,361	10,580	43,735	6,047
	Total	424,196	200,698	169,040	54,458

The following large projects (>$100,000) were allocated to Budget Item 03-06-04:

Description	Total	1830	1835	1855
Water St/Richmond St/Heins St	102,074	38,366	38,515	25,193

Innovation and Reliability - $325,942

Kitchener-Wilmot Hydro is constantly looking for ways to cost effectively improve system reliability and efficiency. In 2005 and 2006, capacitor banks were installed on existing feeders. This project improved the total system power factor by approximately 5%, improved voltage regulation on long feeders and increased capacity in the distribution system by in excess of 13 MVA. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1830	1835	1855
14-06-01	Capacitor Banks	325,942	85,148	238,064	2,730

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $825,245

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-01	Miscellaneous Underground Distribution	732,677	90,930	162,009	479,738
04-06-07	Kiwanis Park Dr. (primary cable replacement)	92,569	51,044	38,256	3,269
	Total	825,246	141974	200,265	483,007

The following large projects (>$100,000) were allocated to Budget Item 04-06-01:

Description	Total	1840	1845	1855
Victoria St S: Walnut St to Patricia Ave	117,610	40,073	55,547	21,990

System Expansion to Supply New Development - $105,129

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-05	System Expansion to Supply New Developments	41,652	605	41,047	
04-06-08	Victoria St. N.: Waterloo St. to Weber St. (ducts)	63,477	63,477		
	Total	105,129	64,082	41,047	0.00

No large projects (>$100,000) were allocated to Budget Item 04-06-05.

The following initiatives warrant additional explanation:

- Municipal road construction along Victoria Street North in the Kitchener downtown core provided an opportunity to install duct structures for future installation of underground cables at a fraction of the cost that would be required at any other time.

Installation of New Residential Underground Services - $610,545

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-02	Residential Underground Services	610,545			610,545

Installation of Large Commercial and Industrial Services - $280,799

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-03	Large Commercial & Industrial Services	280,799			280,799

Installation of New Underground Residential Distribution (URD) - $4,332,235

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-04	Residential Underground Distribution	4,332,235	988,421	1,451,470	1,892,344

New URD Developments for 2006:

- Country Hills East, Stage 1
- Vista Ridge
- University Meadows
- Edgewater, Stage 1
- Lyndale North, Stage 3 & 4
- Westmeadow, Stage 2
- Stonecroft, Stage 3
- Baden Village, Stage 11, 12, 13 & 14
- Chicopee Subdivision
- Northfair/Briarmeadow Dr
- Forest Glen, Stage 2
- Williamsburg South, Stage 1
- Topper Woods, Stage 1
- Highland West
- Templewood Dr., Stage 3B & 6B
- Dogwood Ct., New Hamburg
- Doon Mills, Stage 8
- Quailridge Subdivision
- 233 Lawrence Ave., Townhouses
- Hidden Valley Subdivision
- Doon Settlement Townhouses
- Deer Ridge, Stage 9 & 10

- Armenian Ct., Stage 5C
- 50 Bryan Ct. Townhouses
- Glasgow Heights
- Huron Woods, Stage 2

Relocations Due to Roadway Modification Projects - $279,671

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1845	1855
04-06-06	Relocations-Road Rebuilding Projects	211,184	66,460	86,153	58,571
04-06-09	Joseph St.: Water St. to Gaukel St. (duct & cable)	68,487	50,388	18,099	
	Total	279,671	116,848	104,252	58,571

No large projects (>$100,000) were allocated to Budget Item 04-06-06.

The following initiatives warrant additional explanation:

- The City of Kitchener undertook a project to remove soil contaminated with coal tar located on Joseph Street and Gaukel Street. Originally scheduled for 2006 and 2007, the project proved to be more extensive than originally conceived. The entire distribution system (ducts, cables, pole lines) had to be removed prior to removal of the soil and reinstated later once the work had been completed. Kitchener-Wilmot Hydro upgraded its facilities during reinstatement.

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $216,476

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1850
05-04-01	Install O/H & U/G Transformers	216,476	216,476

New URD Transformer Installations - $1,279,437

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1840	1850
05-06-02	Underground Residential Areas	1,279,437		1,279,437

Overhead Transformer Purchases - $286,804

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1850
05-06-03	Overhead Transformer Purchases	286,804	286,804

Commercial, Industrial and Apartment Transformer Purchases - $867,591

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1850
05-06-04	Commercial, Industrial and Apartment Transformer Purchases	867,591	867,591

URD Transformer Purchases - $935,129

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the actual expenditures during 2006.

Budget #	Budget Description	Total	1850
05-06-05	Underground Residential Areas	935,129	935,129

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the actual expenditures during 2006.

Budget Description	Total	1860
Meters	508,196	508,196

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1915	1960
Office Equipment	64,565	64,565	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	343,868	343,868			
Computer Hardware - Replacements	76,422	76,422			
Computer Software	233,916		233,916		
Total	654,206	420,290	233,916		

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1930	1950
Trucks <3 Tons	143,763	143,763	
Trucks >3 Tons	410,463	410,463	
Total	554,226	554,226	

TOOLS AND INSTRUMENTS

These expenditures are recorded OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the actual expenditures during 2006.

Budget Description	Total	1935	1940	1945
Tools and Instruments	75,642		70,458	5,184

2007 CAPITAL EXPENDITURES BY PROJECT

BUILDINGS AND LAND

Capital expenditures on buildings and land are recorded in OEB accounts 1805, 1806 and 1908.

Purchase of Land For No. 9 Transformer Station - $187,113

In 2007, K-W Hydro completed the purchase of a parcel of land for the construction of No. 9 Transformer Station on Wilmot Centre Road in Wilmot Township. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1805	1806	1908
Purchase of Land for No. 9 TS	187,113	187,113		

Office Building Upgrades - $328,227

In 2007, K-W Hydro completed a additional upgrades of its Office Building (Administation) facilities to implement the recommendations of an energy audit. Energy inefficient lighting was replaced and natural gas fired heaters were installed in the vehicle garage. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1805	1806	1908
Office Building Upgrades	328,227			328,227

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $207,620

Kitchener-Wilmot Hydro Inc. is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1808	1815	1820
02-04-08	8TS-Power Transformer Installation	-5,271		-5,271	
02-06-08	8TS-Sanitary Sewer Installation	35,676	35,676		
02-06-07	6TS-Sanitary Sewer Installation	8,651	8,651		
	9TS				
02-07-04	9TS-Assessment Fees & Design Consulting	111,003	95,877	15,126	
02-08-04	9TS-Site Grading & Foundations	2,387		2,387	
02-07-05	9TS-Site Grading & Foundations	55,174	55,174		
	Total	207,620	195,378	12,242	

The following initiatives warrant additional explanation:

- Connection of the sanitary sewers at No. 6 Transformer Station and No. 8 Transformer Station had to be deferred until the sewers were installed in the adjacent roadways. These connections were installed in 2006 and 2007.
- No. 9 Transformer Station on Wilmot Centre Road is being constructed to supply power to new greenfield developments in New Hamburg and Baden and to enable conversion of the 8.3 kV distribution system to 27.6 kV operation. For budgetary purposes, the construction of the station was divided into a number of smaller expenditures. For additional information on No. 9 Transformer Station and voltage conversion, please see the chapter entitled "Long Term Plan For The Distribution System In Wilmot Township".

Replacement/Upgrades Due to Age/Condition - $1,149,796

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1808	1815	1820
02-07-07	Transformer Station Upgrades & Modifications	284,799		284,799	
02-06-03	Load Side Grounding Switches	2,713		2,713	
02-07-06	Load Side Grounding Switches	122,176		122,176	
02-07-08	3TS-T5 Transformer Replacement	2,989		2,989	
02-07-09	6DS & 8DS Fan Cooling Upgrades	97,118			97,118
	TS Revenue Metering Upgrades				
02-07-03	5TS-Replace Revenue Metering	179,498		179,498	
02-07-02	4TS-Replace Revenue Metering	138,757		138,757	
	4TS P&C and Switchgear Upgrades				
02-06-01	4TS-Replace P&C Equipment & SCADA	62,023	12,585	49,438	
02-07-01	4TS-Replace P&C Equipment & SCADA	259,723		259,723	
	Total	1,149,796	12,585	1,040,093	97,118

The following initiatives warrant additional explanation:

- Grounding switches were installed on the load side of the 230 kV and 115 kV circuit switchers at No. 6 Transformer Station and No. 7 Transformer Station in 2007 to allow our staff to ground the high voltage side of the main power transformers when performing maintenance.
- Work began on the preparation of specifications for a new transformer to replace transformer T5 at No. 3 Transformer Station.
- Cooling fans were added to the main power transformers at No. 6 Distribution Station and No. 8 Distribution Station to increase the capacity to supply residential growth in Baden.
- Work continued on the upgrades to the revenue metering at our transformer stations to bring it into compliance with IESO Market Rules.
- Work continued on the replacement of the protection and control equipment at No. 4 Transformer Station.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $2,348,388

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1830	1835	1855
03-07-01	Miscellaneous Overhead Distribution	2,202,066	1,137,708	925,878	138,480
03-07-12	Retention of Load Transfer Customers	146,322	82,840	62,793	689
	Total	2,348,388	1,220,548	988,671	139,169

The following large projects (>$100,000) were allocated to Budget Item 03-07-01:

Description	Total	1830	1835	1855
Capacitor Banks (carry-over from 2006)	288,644	57,285	231,023	336
Erb's Rd: Sandhills Rd to Lot 9 (carry-over from 2006)	266,252	150,597	115,655	
Shade St. NH	264,537	193,430	60,485	10,622
Stirling Ave: Weber St E to East Ave(carry-over from 2006)	153,252	49,181	94,269	9,839
Erb's Rd: Twp Rd 16A to St Agatha	114,552	110,495	4,057	

System Expansion to Supply New Development - $1,293,465

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1830	1835	1855
03-07-02	System Expansion to Supply New Developments	1,241,075	644,241	593,009	3,825
03-06-08	Huron Rd.:-Amand Dr. to Trussler Rd.	49,821	6,201	40,124	3,496
03-08-09	2nd Feeder to Bridgeport	2,569	2,569		
	Total	1,293,465	653,011	633,133	7,321

The following large projects (>$100,000) were allocated to Budget Item 03-07-02:

Description	Total	1830	1835	1855
Ira Needles Blvd -Stage 2	147,332	89,749	57,583	
Zeller Dr. - Stages 2 & 3	316,259	199,029	117,230	

The following initiatives warrant additional explanation:

- The new 13.8 kV feeder that was being constructed along Huron Road was completed in 2007.
- Parts of Bridgeport are separated by the Grand River from the remainder of the distribution system in the City of Kitchener. In 2007, work began on a second river crossing to improve reliability for this group of customers.

Relocations Due to Roadway Modification Projects - $413,709

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1830	1835	1855
03-07-03	Relocations-Roadway Modification Projects	413,709	271,141	140,653	1,915

The following large projects (>$100,000) were allocated to Budget Item 03-07-03:

Description	Total	1830	1835	1855
Wilmot-Easthope Rd at Hwy 7/8	125,133	116,679	8,454	
Fischer-Hallman Rd at Huron Rd	122,479	49,679	72,800	

Replacement of Pole Line Assets Due to Age/Condition - $155,173

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, or other safety or reliability concerns. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1830	1835	1855
03-07-04	Single-Phase Pole Line Rebuilds	126,215	76,023	45,285	4,907
03-08-08	Doon Valley-Conestoga College Blvd to Pinnacle	28,958	28,958		
	Total	155,173	104,981	45,285	4,907

No large projects (>$100,000) were allocated to Budget Item 03-07-04.

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $778,031

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-01	Miscellaneous Underground Distribution	755,904	76,419	233,093	446,393
04-06-07	Kiwanis Park Dr. (primary cable replacement)	22,127		22,126	
	Total	778,031	76,419	255,219	446,393

No large projects (>$100,000) were allocated to Budget Item 04-07-01.

System Expansion to Supply New Development - $528,358

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-05	System Expansion to Supply New Developments	289,103	74,166	214,937	
04-06-08	Victoria St. N.: Waterloo St. to Weber St. (ducts)	239,255	239,255		
	Total	528,358	313,421	214,937	

No large projects (>$100,000) were allocated to Budget Item 04-07-05.

The following initiatives warrant additional explanation:

- Municipal road construction along Victoria Street North in the Kitchener downtown core provided an opportunity to install duct structures for future installation of underground cables at a fraction of the cost that would be required at any other time.

Installation of New Residential Underground Services - $634,397

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-02	Residential Underground Services	634,397			634,397

Installation of Large Commercial and Industrial Services - $384,271

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-03	Large Commercial & Industrial Services	384,271			384,271

Installation of New Underground Residential Distribution (URD) - $3,293,587

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-04	Residential Underground Distribution	3,293,587	579,725	1,083,562	1,630,300

New URD Developments for 2007:

- Victoria Meadows
- Mallard Pl. Townhouses
- Riverbank Estates
- Stirling Bridge Townhouses
- Windflower Terrace
- Hidden Valley
- Howe Drive
- Topper Woods, Stage 2
- Williamsburg South, Stages 2 & 3
- Huron Woods, Stage 3
- Doon Mills, Stage 8B
- Huron Village, Stages 3, 6 & 15
- Valleyview Villas Grand Chicopee
- Brookfield Cr.
- Baden Village, Stages 10, 17 & 18
- Grand River South, Stage 1
- Deer Ridge Heights Townhouses
- 50 Howe Dr. Townhouses
- Garden Villas Apartments
- 12 Holborne Dr. Townhouses
- Villas of Grand Chicopee
- Lyndale, Stages 5 & 6

- Riverstone Ct.
- Edgewater, Stage 2
- Edgewater Pl.
- T12 Loop
- 50 Bryan Ct., Stage 2

Relocations Due to Roadway Modification Projects - $452,743

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-07-06	Relocations-Road Rebuilding Projects	305,636	40,305	132,463	132,868
04-06-09	Joseph St.: Water St. to Gaukel St. (duct & cable)	74,670	57,557	17,113	
04-07-09	Joseph St.: Linden Ave. to King Centre (cable)	72,437		72,437	
	Total	452,743	97,862	222,013	132,868

No large projects (>$100,000) were allocated to Budget Item 04-07-06.

The following initiatives warrant additional explanation:

- The City of Kitchener undertook a project to remove soil contaminated with coal tar located on Joseph Street and Gaukel Street. Originally scheduled for 2006 and 2007, the project proved to be more extensive than originally conceived. The entire distribution system (ducts, cables, pole lines) had to be removed for several city blocks prior to removal of the soil and reinstated later once the work had been completed. Kitchener-Wilmot Hydro upgraded its facilities during reinstatement.

Replacement of Primary Cable Due to Age/Condition - $16,249

This is a collection of Renewal projects requiring cable replacement due to several criteria including age, condition, backyard construction, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1840	1845	1855
04-08-07	Fairview Park Mall (replace primary cable)	16,249		16,249	

The following initiatives warrant additional explanation:

- Fairview Park Mall replaced a section of duct bank during a renovation in 2007 and 2008. A section of trunk feeder cable that ran through the duct bank had to be replaced.

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $294,001

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1850
05-07-01	Install O/H & U/G Transformers	291,119	291,119
05-05-06	Replace Faulted/Rusted U/G Transformers	2,882.	2,882.
	Total	294,001	294,001

New URD Transformer Installations - $1,052,003

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1850
05-07-02	Underground Residential Areas	1,052,003	1,052,003

Overhead Transformer Purchases - $109,356

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1850
05-07-03	Overhead Transformer Purchases	109,356	109,356

Commercial, Industrial and Apartment Transformer Purchases - $629,784

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1850
05-07-04	Commercial, Industrial and Apartment Transformer Purchases	629,784	629,784

URD Transformer Purchases - $495,350

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the actual expenditures during 2007.

Budget #	Budget Description	Total	1850
05-07-05	Underground Residential Areas	495,350	495,350

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the actual expenditures during 2007.

Budget Description	Total	1860
Meters	468,307	468,307

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1915	1960
Office Equipment	61,092	61,092	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	39,893	39,893			
Computer Hardware - Replacements	134,824	134,824			
Computer Software	277,283		277,283		
Communication Equipment	99,514			99,514	
Total	551,514	174,717	277,283	99,514	

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1930	1950
Power Operated Equipment	156,347		156,347
Trucks <3 Tons	103,702	103,702	
Trucks >3 Tons	741,517	741,517	
Total	1,001,566	845,219	156,347

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the actual expenditures during 2007.

Budget Description	Total	1935	1940	1945
Tools and Instruments	72,349		42,854	29,495

2008 CAPITAL EXPENDITURES BY PROJECT

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $3,679,380

Kitchener-Wilmot Hydro Inc. is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1808	1815	1820
	9TS				
02-08-02	9TS-Switchgear	1,387,529		1,387,529	
02-08-03	9TS-Station & Building Grounding	12,113		12,113	
02-07-04	9TS-Assessment Fees & Design Consulting	4,362		4,362	
02-08-04	9TS-Site Grading & Foundations	2,888		2,888	
02-07-05	9TS-Site Grading & Foundations	92,103	92,103		
02-08-05	9TS-Site Grading & Foundations	1,178,285	1,178,285		
02-09-06	9TS-Power Transformers	1,002,100		1,002,100	
	Total	3,679,380	1,270,388	2,408,992	

The following initiatives warrant additional explanation:

- Work continues on the construction of No. 9 Transformer Station on Wilmot Centre Road.

Replacement/Upgrades Due to Age/Condition - $1,256,146

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1808	1815	1820
02-07-07	Transformer Station Upgrades & Modifications	32,424		32,424	
02-08-07	Transformer Station Upgrades & Modifications	279,053		279,053	
02-07-06	Load Side Grounding Switches	13,203		13,203	
02-07-08	3TS-T5 Transformer Replacement	2,888		2,888	
	TS Revenue Metering Upgrades				
02-07-03	5TS-Replace Revenue Metering	33,846		33,846	
	4TS P&C and Switchgear Upgrades				
02-05-05	4TS-Building Addition-Relay & Battery Room	326	326		
02-06-01	4TS-Replace P&C Equipment & SCADA	349,903	24,279	325,624	
02-07-01	4TS-Replace P&C Equipment & SCADA	4,565		4,565	
02-08-01	4TS-Replace P&C Equipment & SCADA	539,938		539,938	
	Total	1,256,146	24,605	1,231,541	

The following initiatives warrant additional explanation:

- Work continued on the installation of grounding switches on the load side of the 230 kV and 115 kV circuit switchers at No. 6 Transformer Station and No. 7 Transformer Station.
- Work continued on the preparation of specifications for a new transformer to replace transformer T5 at No. 3 Transformer Station.
- Work continued on the upgrades to the revenue metering at our transformer stations to bring it into compliance with IESO Market Rules.
- Work continued on the replacement of the protection and control equipment at No. 4 Transformer Station.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $861,151

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1830	1835	1855
03-08-01	Miscellaneous Overhead Distribution	860,600	357,757	425,640	77,203
03-07-12	Retention of Load Transfer Customers	551		551	
	Total	861,151	357,757	426,191	77,203

The following large projects (>$100,000) were allocated to Budget Item 03-08-01:

Description	Total	1830	1835	1855
Erb's Rd: Twp Rd 16A to St. Agatha (carry-over from 2008)	211,359	39,528	167,285	4,546

System Expansion to Supply New Development - $1,291,522

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1830	1835	1855
03-08-02	System Expansion to Supply New Developments	635,380	280,482	348,066	6,832
03-08-09	2nd Feeder to Bridgeport	150,797	96,335.	54,462	
03-08-11	Pioneer Dr-Homer Watson to Green Valley Dr	369,576	222,902	146,674	
	9TS Feeders				
03-09-12	Wilmot Centre Rd-Rebuild 9TS to Bleams	3,299	3,299		
03-09-13	Bleams Rd-Rebuild Trillium/Washburn	132,468	107,884	24,584	
	Total	1,291,520	710,902	573,786	6,832

The following large projects (>$100,000) were allocated to Budget Item 03-08-02:

Description	Total	1830	1835	1855
Gerber Rd: Notre Dame to 1288	155,366	92,414	62,942	
9TS Feeders				
Wilmot Centre Rd at 9TS	207,603	64,681	141,371	1,551

The following initiatives warrant additional explanation:

- Work continued on the second river crossing to Bridgeport.
- A pole line on Pioneer Drive and Green Valley Drive was reconstructed to a add a second 13.8 kV circuit to provide relief for existing 13.8 kV feeders supplying the growing commercial district near Sportsworld Drive.
- Work began on the construction of new 27.6 kV feeders along Wilmot Centre Road to connect the new No. 9 Transformer Station to the distribution system feeding the loads that the station is being constructed to serve.

Relocations Due to Roadway Modification Projects - $602,795

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1830	1835	1855
03-08-03	Relocations-Roadway Modification Projects	602,795	340,743	255,019	7,033

The following large projects (>$100,000) were allocated to Budget Item 03-08-03:

Description	Total	1830	1835	1855
Hwy 8 at King St E	119,210	74,432	44,778	
Westmount Rd at Ottawa St	111,904	51,658	60,246	

Replacement of Pole Line Assets Due to Age/Condition - $802,493

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1830	1835	1855
03-08-04	Single-Phase Pole Line Rebuilds	80,158	45,440	29,362	5,356
03-09-05	New Dundee-Rebuild Main, Front & South St	122,901	69,154	50,559	3,188
03-06-07	Berlett's Rd-Rebuild Nafziger to East of Nith River	2,925	2,925		
03-08-08	Doon Valley-Conestoga College Blvd to Pinnacle	343,284	169,653	157,765	15,866
03-09-11	Erb's' Rd-Rebuild #2777 to 8DS	4,882	4,882		
03-08-15	Erb's' Rd-Rebuild Lot 15/16 to Sand Hills	248,342	132,735	108,768	6,839
	Total	802,492	424,789	346,454	31,249

No large projects (>$100,000) were allocated to Budget Item 03-08-04.

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $1,059,780

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-01	Miscellaneous Underground Distribution	1,059,780	442,785	288,355	328,640

The following large projects (>$100,000) were allocated to Budget Item 04-08-01:

Description	Total	1840	1845	1855
Vault 397, Frederick St - Replace Roof Slab	130,646	130,646		

System Expansion to Supply New Development - $587,602

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-05	System Expansion to Supply New Developments	144,873	86,438	58,435	
04-08-08	9TS-Ductbank across Hwy 7/8	6,429	6,429		
04-08-09	Primary Loop through Sportsworld Dr Complex	435,827	23,576	362,131	50,120
04-09-10	Bleams Rd-Rebuild Trillium/Washburn	474		474	
	Total	587,603	116,443	421,040	50,120

The following large projects (>$100,000) were allocated to Budget Item 04-08-05:

Description	Total	1840	1845	1855
2nd Feeder to Bridgeport	102,028	43,593	58,435	

The following initiatives warrant additional explanation:

- Work began on the route selection for a new duct bank that will carry 27.6 kV feeders from No. 9 Transformer Station across Highway 7/8 to the distribution system feeding the loads that the station is being constructed to serve.
- A new cable system was installed to supply power to new commercial development in the vicinity of Sportsworld Drive.
- Work began on the installation of a new trunk feeder that will supply power to Washburn Drive.

Installation of New Residential Underground Services - $681,221

This item is component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-02	Residential Underground Services	681,221			681,221

Installation of Large Commercial and Industrial Services - $306,500

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-03	Large Commercial & Industrial Services	306,500			306,500

Installation of New Underground Residential Distribution (URD) - $1,611,299

This is a component of System Expansion to Supply New Developments that is convenient to allocate funds for separately. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-04	Residential Underground Distribution	1,611,299	640,125	268,968	702,206

New URD Developments for 2008:

- Edgewater Estates Townhouses
- Old Huron Rd.
- 975 Strasburg Rd. Townhouses
- 10 Fallowfield Dr. Townhouses
- Chicopee, Stage 2
- Block 94 Fallowfield
- Eby Estates, Stage1
- Baden Village, Stages 15 & 16
- 240 Westmeadow Dr. Townhouses
- Edgewater, Stage 2
- Grand River South, Stage 4
- Academy Gardens, Stage 1
- Stonecroft, Stage 4

Relocations Due to Roadway Modification Projects - $764,329

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-06	Relocations-Road Rebuilding Projects	407,980	300,118	62,746	45,116
04-06-09	Joseph St-Water to Gaukel,Extend Duct & Cable	341,713	317,521	24,192	
04-07-09	Joseph St-Linden Ave to King Centre	14,636		14,636	
	Total	764,329	617,639	101,574	45,116

The following large projects (>$100,000) were allocated to Budget Item 04-08-06:

Description	Total	1840	1845	1855
Joseph St Ducts	185,960	185,960		
Hwy 8 at King St E	164,415	113,695	50,720	

Replacement of Primary Cable Due to Age/Condition - $16,153

This is a collection of Renewal projects requiring cable replacement due to several criteria including age, condition, backyard construction, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1840	1845	1855
04-08-07	Fairview Park Mall (replace primary cable)	14,030		14,030	
04-09-07	4M27-Replace Primary 4TS to PB 623	2,123		2,123	
	Total	16,153		16,153	

The following initiatives warrant additional explanation:

- Fairview Park Mall replaced a section of duct bank during a renovation in 2007 and 2008. A section of trunk feeder cable that ran through the duct bank had to be replaced.
- The trunk feeder primary cable in circuit 4m27 had a history of failure. The cable replacement was scheduled over three years 2008-2010.

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $253,931

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1850
05-08-01	Install O/H & U/G Transformers	253,931	253,931

New URD Transformer Installations - $816,921

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1850
05-08-02	Underground Residential Areas	816,921	816,921

Overhead Transformer Purchases - $53,650

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1850
05-08-03	Overhead Transformer Purchases	53,650	53,650

Commercial, Industrial and Apartment Transformer Purchases - $629,535

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1850
05-08-04	Commercial, Industrial and Apartment Transformer Purchases	629,535	629,535

URD Transformer Purchases - $854,839

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the actual expenditures during 2008.

Budget #	Budget Description	Total	1850
05-08-05	Underground Residential Areas	854,839	854,839

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have three primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the actual expenditures during 2008.

Budget Description	Total	1860
Meters	361,664	361,664

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the actual expenditures during 2008.

Budget Description	Total	1915	1960
Office Equipment	53,254	53,254	

INFORMATION TECHNOLOGY:

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the actual expenditures during 2008.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	118,239	118,239			
Computer Hardware - Replacements	52,463	52,463			
Computer Software	294,549		294,549		
Total	465,251	170,702	294,549		

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the actual expenditures during 2008.

Budget Description	Total	1930	1950
Power Operated Equipment	101,679		101,679
Trucks <3 Tons	77,620	77,620	
Trucks >3 Tons	636,970	636,970	
Total	816,269	714,590	101,679

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the actual expenditures during 2008.

Budget Description	Total	1935	1940	1945
Tools and Instruments	102,496		93,815	8,681

2009 CAPITAL EXPENDITURES BY PROJECT

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $6,070,400

Kitchener-Wilmot Hydro Inc. is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1808	1815	1820
	9TS				
02-09-02	9TS-Switchgear Installation (partly carried over from 2008)	180,900		180,900	
02-09-03	9TS-Station and Building Grounding (carry over from 2008 budget)	80,900		80,900	
02-09-04	9TS-Transformer Design Review and Inspection	39,300		39,300	
02-09-05	9TS-Final site grading and landscaping and Payment of holdback on civil construction contract	266,800	266,800		
02-09-06	9TS-Remainder of payments for 2 Transformers and their spare parts and transportation to site	4,166,300		4,166,300	
02-09-07	9TS-HV and LV P&C Panels	637,700		637,700	
02-09-08	9TS-Cable tray and control cable installation and termination. Wire and device checking - Phase 1	399,800		399,800	
02-09-09	9TS-DC and SCADA equipment - Phase 1	251,100		251,100	
02-09-10	Transformer Stations Miscellaneous Upgrades & Modifications	47,600		47,600	
	Total	6,070,400	266,800	5,803,600	

The following initiatives warrant additional explanation:

- Work continues on the construction of No. 9 Transformer Station on Wilmot Centre Road.

Replacement/Upgrades Due to Age/Condition - $848,500

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1808	1815	1820
	4TS P&C and Switchgear Upgrades				
02-09-01	4TS-Replace P & C Equipment and SCADA	848,500		848,500	

The following initiatives warrant additional explanation:

- Work continued on the replacement of the protection and control equipment at No. 4 Transformer Station.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $400,000

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1830	1835	1855
03-09-01	Miscellaneous Overhead Distribution	400,000	200,000	160,000	40,000

System Expansion to Supply New Development - $1,389,000

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1830	1835	1855
03-09-02	System Expansion to Supply New Developments	450,000	225,000	180,000	45,000
03-09-13	Bleams Rd., Trillium Dr. & Washburn Dr.	309,400	182,700	119,100	7,600
	Downtown Kitchener Feeder Reinforcement				
03-09-08	Patricia Ave.: in front of KWHydro	90,800	43,600	44,600	2,600
03-09-09	Cherry St.: Walnut St. to Iron Horse Trail	118,300	53,400	53,800	11,100
03-09-10	Iron Horse Trail: Cherry St. to Victoria St.	122,300	55,900	66,400	
	9TS Feeders				
03-09-12	Wilmot Centre Rd: No. 9 TS to Bleams Rd.	298,200	149,700	145,400	3,100
	Total	1,389,000	710,300	609,300	69,400

The following initiatives warrant additional explanation:

- Work continues on the installation of a new trunk feeder that will supply power to Washburn Drive.
- Work will begin on the construction of a new trunk feeder to provide relief to the feeders supplying power to the downtown area of the City of Kitchener.
- Work continued on the construction of new 27.6 kV feeders along Wilmot Centre Road to connect the new No. 9 Transformer Station to the distribution system feeding the loads that the station is being constructed to serve.

Relocations Due to Roadway Modification Projects - $500,000

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1830	1835	1855
03-09-03	Relocations-Roadway Modification Projects	500,000	250,000	200,000	50,000

Replacement of Pole Line Assets Due to Age/Condition - $1,381,700

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1830	1835	1855
03-09-04	Single-Phase Pole Line Rebuilds	250,000	125,000	100,000	25,000
03-09-05	New Dundee: Main Front and South St	201,300	111,000	70,900	19,400
03-09-06	Block Line Rd.: Westmount Rd. to Laurentian Dr.	169,400	117,200	52,200	
03-09-07	East Ave.: Krug St. to Ottawa St.	322,600	183,600	125,900	13,100
03-09-11	Erbs Rd.: #2777 Erbs Rd to 8 DS (Stage 4)	438,400	258,700	177,800	1,900
	Total	1,381,700	795,500	526,800	59,400

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $400,000

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-01	Miscellaneous Underground Distribution	400,000	180,000	120,000	100,000

System Expansion to Supply New Development - $1,005,300

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-05	System Expansion to Supply New Developments	150,000	90,000	60,000	
04-09-10	Bleams Rd, Trillium Dr, Washburn Dr	102,700		25,400	77,300
	Downtown Kitchener Feeder Reinforcement				
04-09-11	1TS feeder riser to Patricia Ave	117,600	24,700	92,900	
04-09-12	Relocate 4M24 Riser to Iron Horse Trail	132,800	8,800	124,000	
	9TS Feeders				
04-09-08	9TS Feeder Ductbank Crossing Under Hwy 7/8	310,600	310,600		
04-09-09	9TS Feeders South on Wilmot Centre Rd	191,600	19,900	171,700	
	Total	1,005,300	454,000	474,000	77,300

The following initiatives warrant additional explanation:

- Work continues on the installation of a new trunk feeder that will supply power to Washburn Drive.
- Work will begin on the construction of a new trunk feeder to provide relief to the feeders supplying power to the downtown area of the City of Kitchener.
- Work will begin on the construction of a new duct bank that will carry 27.6 kV feeders from No. 9 Transformer Station across Highway 7/8 to the distribution system feeding the loads that the station is being constructed to serve.
- Work will begin on the installation of trunk feeder cables at No. 9 Transformer Station.

Installation of New Residential Underground Services - $450,000

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-02	Residential Underground Services	450,000			450,000

nstallation of Large Commercial and Industrial Services - $270,000

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-03	Large Commercial & Industrial Services	270,000			270,000

Installation of New Underground Residential Distribution (URD) - $2,240,000

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-04	Residential Underground Distribution	2,240,000	819,800	703,400	716,800

Relocations Due to Roadway Modification Projects - $150,000

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-06	Relocations-Road Rebuilding Projects	150,000	22,500	22,500	105,000

Replacement of Primary Cable Due to Age/Condition - $211,100

This is a collection of Renewal projects requiring cable replacement due to several criteria including age, condition, backyard construction, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-07	4M27 4 T.S. to PB 623 (replace primary cable)	211,100	0	211,100	0

The following initiatives warrant additional explanation:

- The trunk feeder primary cable in circuit 4m27 had a history of failure. The cable replacement was scheduled over three years 2008-2010.

Rebuild Transformer Vaults Due to Age/Condition - $200,000

The structural elements of our network transformer vaults deteriorate over time. We survey the condition of these vaults on a regular basis as per OEB guidelines. Structural elements that are found to be in poor condition are replaced/rebuilt. Major repairs are capitalized and charged to this account. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1840	1845	1855
04-09-13	3-ph Transformer Vault Roof Replacement	200,000	180,000	20,000	0

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $400,000

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1850
05-09-01	Install O/H & U/G Transformers	400,000	400,000

New URD Transformer Installations - $477,000

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1850
05-09-02	Underground Residential Areas	477,000	477,000

Overhead Transformer Purchases - $440,300

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1850
05-09-03	Overhead Transformer Purchases	440,300	440,300

Commercial, Industrial and Apartment Transformer Purchases - $374,900

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1850
05-09-04	Commercial, Industrial and Apartment Transformer Purchases	374,900	374,900

URD Transformer Purchases - $662,700

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1850
05-09-05	Underground Residential Areas	662,700	662,700

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the budgeted expenditures during 2009.

Budget Description	Total	1860
Meters	291,000	291,000

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the budgeted expenditures during 2009.

Budget Description	Total	1915	1960
Office Equipment	60,000	60,000	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the budgeted expenditures during 2009.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	10,000	10,000			
Computer Hardware - Replacements	275,000	275,000			
Computer Software	275,000	0	275,000		
Total	560,000	285,000	275,000		

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the budgeted expenditures during 2009.

Budget #	Budget Description	Total	1930	1950
	Power Operated Equipment	100,000		100,000
	Trucks <3 Tons	150,000	150,000	
	Trucks >3 Tons			
11-09-1	TR80 70' Bucket Truck - Forestry (Replacement)	315,000	315,000	
11-09-2	TR 64 42' Bucket Truck (Replacement)	195,000	195,000	
11-09-3	TR 15 Radial Boom Derrick (replace frame, overhaul RBD and repaint)	90,000	90,000	
	Total	850,000	750,000	100,000

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the budgeted expenditures during 2009.

Budget Description	Total	1935	1940	1945
Tools and Instruments	82,200	2,200	68,000	12,000

2010 CAPITAL EXPENDITURES BY PROJECT

TRANSFORMATION FACILITIES

Capital expenditures on transformation stations are recorded in OEB accounts 1808, 1815 and 1820. For the purposes of budgeting, capital expenditures on transformation stations are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

System Expansion to Supply New Development - $6,542,600

Kitchener-Wilmot Hydro Inc. is one of the local distribution companies in the Province which receives power at the transmission voltage and transforms it down to distribution voltage. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1808	1815	1820
2-10-12	Transformer Stations Miscellaneous Upgrades & Modifications	47,600		47,600	
	9TS				
2-10-3	9TS - HV Equipment & Terminations, Neutral Reactors	720,000		720,000	
2-10-4	9TS - Install Power Transformers	226,800		226,800	
2-10-5	9TS - Acoustic Walls	141,400	141,400		
2-10-6	9TS - HV Revenue Metering	328,800		328,800	
2-10-7	9TS - Control cable and communications system, installation and terminations, Wire and device checking - Phase 2, and Transformer power cables	592,600		592,600	
2-10-8	9TS - SCADA equipment - Phase 2	189,000		189,000	
2-10-9	9TS - Hydro One Non-Pooled Work for 230 kV Tap	400,000		400,000	
2-10-10	9TS - Hydro One Bypass & Decommissioning Costs for Detweiler TS	3,800,000		3,800,000	
2-10-11	9TS - Transfer Trip and Telemetry for Two Generators	96,400		96,400	
	Total	6,542,600	141,400	6,401,200	

The following initiatives warrant additional explanation:

- Work continues on the construction of No. 9 Transformer Station on Wilmot Centre Road. The station is scheduled to go into service by the middle of 2010.

Replacement/Upgrades Due to Age/Condition - $2,335,000

This is a collection of projects in which equipment at existing stations was replaced or upgraded due to age or deteriorating condition. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1808	1815	1820
	4TS P&C and Switchgear Upgrades				
2-10-2	4TS - Install Arc-Proof Doors on Switchgear	630,700		630,700	
	3TS - Replace Transformer T5				
2-10-1	3TS - T5 Replacement Transformer - Progress Payments	1,704,300		1,704,300	
	Total	2,335,000		2,335,000	

The following initiatives warrant additional explanation:

- When the replacement of the protection and control equipment at No. 4 Transformer Station has been completed, the switchgear cells will be modified to bring it up to an arc proof standard.
- Progress payments are due for the replacement power transformer that will be installed at No. 3 Transformer Station in 2011.

POLE LINES

Capital expenditures on pole lines are recorded in OEB accounts 1830, 1835 and 1855. For the purposes of budgeting, capital expenditures on poles and overhead conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Overhead Distribution - $400,000

This category includes minor replacements of assets. These are typically appurtenant to some other larger project and are not discretionary i.e. during the installation of an underground cable, it becomes necessary to replace a pole, install an additional pole or install additional guying. Occasionally, an unforeseen rebuild driven by condition will be charged here. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Total project costs are typically small. Projects with a total cost greater than $20,000 must be approved by the President. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1830	1835	1855
03-10-01	Miscellaneous Overhead Distribution	400,000	200,000	160,000	40,000

System Expansion to Supply New Development - $929,600

This category includes the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1830	1835	1855
03-10-02	System Expansion to Supply New Developments	450,000	225,000	180,000	45,000
03-10-05	Bridge St.: Queen St. to 1810 Bridge St.	283,800	168,900	111,600	3,300
03-10-13	Washburn Dr.: Bleams Rd. to 95 Washburn Dr.	211,300	112,500	95,800	3,000
	Downtown Kitchener Feeder Reinforcement				
03-10-08	Victoria St S - Walnut St. to Joseph St.	65,800	20,300	45,500	
	9TS Feeders				
03-10-12	Foundry St - North of HWY 7/8 to Gingerich Rd	202,500	96,400	106,100	
	Total	1,213,400	623,100	539,000	51,300

The following initiatives warrant additional explanation:

- Work begins on the installation of a new trunk feeder that will supply power to Washburn Drive.

- Work continues on the construction of a new trunk feeder to provide relief to the feeders supplying power to the downtown area of the City of Kitchener.
- New 27.6 kV feeders will be constructed along Foundry Street to connect the new No. 9 Transformer Station to the distribution system feeding the loads that the station is being constructed to serve.

Relocations Due to Roadway Modification Projects - $700,000

This category includes expenditures to relocate/replace pole line assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing poles, wires and hardware. Relocations usually mean replacement with some recovery of material for reuse. Experience has shown however, that the labour cost to recover used materials often approaches or exceeds the cost to purchase new materials. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1830	1835	1855
03-10-03	Relocations-Roadway Modification Projects	700,000	350,000	280,000	70,000

Replacement of Pole Line Assets Due to Age/Condition - $1,464,000

This is a collection of several renewal projects requiring a rebuild due to several criteria including age, condition, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1830	1835	1855
03-10-04	Single-Phase Pole Line Rebuilds	687,600	343,800	275,000	68,800
03-10-06	Mill St.: Ottawa St. S. to Courtland Ave.	142,800	75,800	60,100	6,900
03-10-07	Charles St. E.: Borden Ave. to Ottawa St. S.	98,700	52,400	30,800	15,500
03-10-09	Victoria St. N.: Weber St. W. to Ahrens St.	270,300	132,800	80,100	57,400
03-10-10	Borden Ave.: East Ave. to King St. E.	117,900	56,400	54,400	7,100
03-10-11	Victoria St. S. - Weichel St. to Lawrence Ave.	146,700	95,000	40,600	11,100
	Total	1,464,000	756,200	541,000	166,800

UNDERGROUND DUCTS AND CABLES

Capital expenditures on underground systems are recorded in OEB accounts 1840, 1845 and 1855. For the purposes of budgeting, capital expenditures on ducts, manholes and underground conductors are grouped into several major objective based categories. Any given project may include expenditures in more than one OEB account and satisfy the objectives of more than one category.

Miscellaneous Underground Distribution - $400,000

This category allows funding to be budgeted for asset replacements that are typically appurtenant to some other larger project and are therefore not discretionary i.e. during the reconstruction of a pole line, it becomes necessary to replace riser ducts, replace a cable or transfer a service. Individual project costs are typically small. Specific projects are not known at the time that the budget is set and total expenditures can vary from year to year. Unforeseen projects such as a rebuild driven by condition will be charged here. Projects with a total cost greater than $20,000 must be approved by the President.

This category also allows funding to be budgeted for the completion of projects that are underway at the end of the previous fiscal year. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-01	Miscellaneous Underground Distribution	400,000	180,000	120,000	100,000

System Expansion to Supply New Development - $1,011,400

This category allows funding to be budgeted for the addition of new feeder assets required to provide service to new developments. Additional circuits may be constructed to provide service to new customers in areas not previously serviced. Additional circuits may be constructed in previously serviced areas to increase capacity where load density increases. This spending is generally customer driven and is not discretionary. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

A specific project that has a high project cost (>$50,000) and is known at the time that the budget is prepared may be allocated funding under a separate budget item number. New feeders constructed from Transformer Stations and dedicated feeders for large customers are allocated funding in this manner. Duct and manhole systems that are constructed for future use are also allocated funding in this manner. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-05	System Expansion to Supply New Developments	150,000	90,000	60,000	
	Downtown Kitchener Feeder Reinforcement				
04-10-10	1TS Feeder Riser to Patricia Ave.	120,400	25,700	94,700	
04-10-11	Relocate 4M24 Riser to Iron Horse Trail	196,600	8,300	188,300	
	9TS Feeders				
04-10-08	9TS Feeder Ductbank north of Hwy 7/8	544,400		544,400	
	Total	1,011,400	124,000	887,400	

The following initiatives warrant additional explanation:

- Work continues on the construction of a new trunk feeder to provide relief to the feeders supplying power to the downtown area of the City of Kitchener.
- Work continues on the installation of trunk feeder cables at No. 9 Transformer Station.

Installation of New Residential Underground Services - $450,000

This item is a component of System Expansion to Supply New Developments. The costs to connect the meter at each new home to the URD system that was installed when the subdivision was serviced are captured here. These costs tend to be mostly labour and per unit costs are relatively consistent. Total expenditures are proportional to the number of new homes constructed. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-02	Residential Underground Services	450,000			450,000

Installation of Large Commercial and Industrial Services - $234,000

This is a component of System Expansion to Supply New Developments. The costs to install ducts and cables to service new large commercial and industrial customers are captured here. Also captured here are the costs to upgrade the capacity of existing services. The cost per service can vary widely with the nature and capacity of each service. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-03	Large Commercial & Industrial Services	234,000			234,000

Installation of New Underground Residential Distribution (URD) - $1,940,000

This is a component of System Expansion to Supply New Developments. The costs to install Underground Residential Distribution systems in new residential subdivisions are captured here. Total expenditures tend to vary with the level of economic activity in the Region. This spending is customer driven and is not discretionary. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-04	Residential Underground Distribution	1,940,000	710,000	609,200	620,800

Relocations Due to Roadway Modification Projects - $350,000

This category includes expenditures to relocate/replace duct and cable assets that conflict with roadway construction activities. This spending is driven by the road authorities and is not discretionary. Reimbursement is limited to 50% of labour and labour saving devices only in accordance with the Public Service Works on Highways Act. Specific projects are rarely known at the time that the budget is set and total expenditures can vary from year to year.

Note that it is rarely possible to relocate existing ducts, wires and hardware. Relocations usually mean replacement with little or no recovery of material for reuse. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-06	Relocations-Road Rebuilding Projects	350,000	52,500	52,500	245,000

Replacement of Primary Cable Due to Age/Condition - $355,000

This is a collection of Renewal projects requiring cable replacement due to several criteria including age, condition, backyard construction, opportunity for conversion to 27.6 kV or other safety or reliability concerns. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-07	4M27 PB 825 to PB 836, PB836 to PB969 (replace cable)	205,100		205,100	
04-10-09	Fairview Park Mall (replace cable)	149,900	2,100	147,800	
	Total	355,000	2,100	352,900	

The following initiatives warrant additional explanation:

- The trunk feeder primary cable in circuit 4m27 had a history of failure. The cable replacement was scheduled over three years 2008-2010.
- A section of trunk feeder cable that ran through Fairview Park Mall was replaced in 2008. The next section of cable will be replaced in 2010.

Rebuild Transformer Vaults Due to Age/Condition - $240,000

The structural elements of our network transformer vaults deteriorate over time. We survey the condition of these vaults on a regular basis as per OEB guidelines. Structural elements that are found to be in poor condition are replaced/rebuilt. Major repairs are capitalized and charged to this account. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1840	1845	1855
04-10-12	3-ph Transformer Vault Roof Replacement	240,000	216,000	24,000	

DISTRIBUTION TRANSFORMERS

These expenditures are recorded in OEB account 1850.

Installation and Replacement of Distribution Transformers - $500,000

The labour and materials to install or replace distribution transformers are recorded here. Transformers are installed or replaced appurtenant to some other project (installing new services, rebuilding pole lines, replacing faulted units, etc.). Consequently, these expenditures are not discretionary. Specific expenditures are not known at the time that the budget is set and total expenditures can vary from year to year. Individual project costs are typically small. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-01	Install O/H & U/G Transformers	500,000	500,000

New URD Transformer Installations - $361,000

This is a component of System Expansion to Supply New Developments. The labour and materials to install distribution transformers in Underground Residential Distribution systems in new residential subdivisions are captured here. Also captured here are the costs to complete the vault collars for transformers installed in previous years, work which must be deferred until final landscaping has been completed. Total expenditures tend to vary with the level of economic activity in the Region. These expenditures are customer driven and are not discretionary. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-02	Underground Residential Areas	361,000	361,000

Overhead Transformer Purchases - $404,600

This category captures the costs of installed transformers that are used on pole lines. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-03	Overhead Transformer Purchases	404,600	404,600

Commercial, Industrial and Apartment Transformer Purchases - $404,600

This category captures the costs of installed transformers that are used in commercial, industrial and apartment services. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-04	Commercial, Industrial and Apartment Transformer Purchases	404,600	404,600

URD Transformer Purchases - $532,900

This category captures the costs of installed transformers that are used in Underground Residential Distribution. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-05	Underground Residential Areas	532,900	532,900

Network Transformer Purchases - $285,600

This category captures the costs of installed transformers that are used in the Network Distribution System. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1850
05-10-06	Network Transformers	285,600	285,600

REVENUE METERS

These expenditures are recorded in OEB account 1860. Capital expenditures on meters have four primary drivers, new meters for new customers, replacement of failed units, reliability (elimination of meter types that have history of poor reliability) and standardization (elimination of meter types for which we have only a few in service). The following summarizes the budgeted expenditures during 2010.

Budget Description	Total	1860
Meters	724,000	724,000

OFFICE EQUIPMENT

These expenditures are recorded in OEB accounts 1915 and 1960. Kitchener-Wilmot Hydro replaces and purchases additional office equipment and furniture on an incremental basis. The following summarizes the budgeted expenditures during 2010.

Budget Description	Total	1915	1960
Office Equipment	63,000	63,000	

INFORMATION TECHNOLOGY

These expenditures are recorded in OEB accounts 1920, 1925, 1955 and 1980. The following summarizes the budgeted expenditures during 2010.

Budget Description	Total	1920	1925	1955	1980
Computer Hardware - New	80,000	80,000			
Computer Hardware - Replacements	122,500	122,500			
Computer Software	402,500		402,500		
Total	595,000	192,500	402,500		

VEHICLES

These expenditures are recorded in OEB accounts 1930 and 1950. These accounts capture purchases of new and replacement vehicles and equipment as well as expenditures for major rebuilds that extend the useful service life of vehicles and equipment. These expenditures are required to ensure that our equipment and fleet remains in excellent condition for serving the need of our customers and to allow the fleet to be expanded to provide service to an expanding customer base. The following summarizes the budgeted expenditures during 2010.

Budget #	Budget Description	Total	1930	1950
	Power Operated Equipment			
	Trucks <3 Tons	150,000	150,000	
	Trucks >3 Tons			
11-10-1	TR9 50' Bucket Truck - (Replacement)	325,000	325,000	
11-10-2	TR34 57' Bucket Truck - (Replacement)	390,000	390,000	
	Total	865,000	865,000	

TOOLS AND INSTRUMENTS

These expenditures are recorded in OEB accounts 1935, 1940 and 1945. The Corporation purchases the tools and equipment required to support its construction, operation and maintenance activities. Broken and worn out equipment must be replaced. Individual items that have a purchase cost greater than $1,000 are capitalized. The following summarizes the budgeted expenditures during 2010.

Budget Description	Total	1935	1940	1945
Tools and Instruments	86,000	1,000	73,000	12,000

Table 22

Capital Projects Table - 2009 Bridge Year

			Uniform System of Accounts #									
			1808	1815	1830	1835	1840	1845	1850	1855	1860	
Project	Expected Start Date	Expected In-Service Date	Buildings & Fixtures	Transformer Station Equipment > 50kV	Poles, Towers & Fixtures	Overhead Conductors & Devices	Underground Conduit	Underground Conductors & Devices	Line Transformers	Services	Meters	Total
4TS - Replace P&C Equipment & SCADA	Jan/09	Nov/09		848,500								848,500
9TS - Switchgear Installation	Dec/08	Jun/10		180,900								180,900
9TS - Station and Building Grounding	Apr/09	Jun/10		80,900								80,900
9TS - Transformer Design Review and Inspection	Aug/09	Jun/10		39,300								39,300
9TS - Final Site Grading,Landscaping	Jun/09	Jun/10	266,800									266,800
9TS - Remainder of Payments for 2 Transformers	Dec/09	Jun/10		4,166,300								4,166,300
9TS - High Voltage and Low Voltage P&C Panels	Mar/09	Jun/10		637,700								637,700
9TS - Cable Tray and Control Cable Installation,Ph 1	Mar/09	Jun/10		399,800								399,800
9TS - DC and SCADA Equipment - Phase 1	Jun/09	Jun/10		251,100								251,100
Misc. Transformer Station Upgrades and Modifications	Ongoing			47,600								47,600
Pole Line Adjustments for New Services	Ongoing				200,000	160,000				40,000		400,000
System Expansion to Supply New Developments	Ongoing				225,000	180,000				45,000		450,000
Relocations Due to Roadway Modification Projects	Ongoing				250,000	200,000				50,000		500,000
Single-Phase Pole Line Rebuilds	Ongoing				125,000	100,000				25,000		250,000
Rebuild Main, Front and South St.'s (New Dundee)	Oct/08	May'09			111,000	70,900				19,400		201,300
Rebuild Blockline Rd., Westmount Rd. to Laurentian Dr.	Nov/09	Dec/09			117,200	52,200						169,400
Rebuild East Ave., Krug St. to Ottawa St.	Jul/09	Oct/09			183,600	125,900				13,100		322,600
Rebuild Patricia Ave., in front of KW Hydro	Nov/09	Dec/09			43,600	44,600				2,600		90,800
Rebuild Cherry St., Walnut St. to Iron Horse Trail	Unscheduled				53,400	53,800				11,100		118,300
Rebuild Iron Horse Trail, Cherry St. to Victoria St.	Unscheduled				55,900	66,400						122,300
Rebuild Erbs Rd., #2777 to 8DS (Stage 4)	Aug/09	Oct/09			258,700	177,800				1,900		438,400
Rebuild Wilmot Centre Rd., 9TS to Bleams Rd.	May/09	Jun/09			149,700	145,400				3,100		298,200
Rebuild Bleams Rd., Trillium Dr. to Washburn Dr.	Jan/09	Jun/09			182,700	119,100				7,600		309,400
Misc. & Pole Line Rebuild Transfers	Ongoing						180,000	120,000		100,000		400,000
Residential Underground Services	Ongoing									450,000		450,000
Large Commercial & Industrial Services	Ongoing									270,000		270,000
New Subdivision Developments	Ongoing						819,800	703,400		716,800		2,240,000
System Expansion to Supply New Developments	Ongoing						90,000	60,000				150,000
Relocations Due to Roadway Modification Projects	Ongoing						22,500	22,500		105,000		150,000
Replace Primary Cable from 4TS to PB623	Mar/09	Oct/09						211,100				211,100
9TS Feeder Ductbank Crossing Under Hwy 7/8	Sep/09	Oct/09					310,600					310,600
9TS Feeders South on Wilmot Centre Rd.	Jun/09	Jun/10					19,900	171,700				191,600
Transfers from Pole Work, Bleams,Trillium-Washburn	Jan/09	Jun/09						25,400		77,300		102,700
1TS Feeder Riser to Patricia Ave.	Unscheduled						24,700	92,900				117,600
Relocate 4M24 Riser to Iron Horse Trail	Unscheduled						8,800	124,000				132,800
3 Phase Transformer Vault Roof Replacement	Jan/09	Aug/09					180,000	20,000				200,000
New Transformers to be Purchased	Ongoing								815,200			815,200
New Subdivision Transformer Installations	Ongoing								662,700			662,700
Install and/or Replace 1 Phase & 3 Phase Transformers	Ongoing								400,000			400,000
Install TX Vault Collars in New Developments	Ongoing								477,000			477,000
New Meters to be Purchased	Ongoing										196,000	196,000
Installation and Co-ordination of Installation of Meters	Ongoing										40,000	40,000

Capital Projects Table - 2009 Bridge Year

			Uniform System of Accounts #								
			1920	1925	1915	1930	1935	1940	1945	1995	
Project	Expected Start Date	Expected In-Service Date	Computer Equipment - Hardware	Computer Software	Office Furniture & Equipment	Transportation Equipment	Stores Equipment	Tools, Shop & Garage Equipment	Measurement & Testing Equipment	Contributions & Grants - Credit	Total
SAN Disk Capacity Expansion (Phase I)	Apr/09	Sep/09	10,000								10,000
Desktop and Monitor Replacements	Ongoing		50,000								50,000
Departmental Printer Upgrades	Ongoing		10,000								10,000
Replace SCADA Hardware	Aug/09	2010	200,000								200,000
Replace Telephone Handsets (Phase 1)	Mar/09	Jul/09	15,000								15,000
IT New System Development	Ongoing			150,000							150,000
JDE Archive Implementation	Sep/09	Oct/09		40,000							40,000
FileNexus Upgrade	May/09	Jun/09		15,000							15,000
HRWare Custom Modifications	Unscheduled			15,000							15,000
Cognos TM1 Financial Analysis	Unscheduled			30,000							30,000
Unforeseen Hardware Requirements	Ongoing		12,500								12,500
Unforeseen Software Requirements	Ongoing			12,500							12,500
4 - Polemaster Payout Brake Spindels	Jan/09	Feb/09						4,600			4,600
4 - Polemaster Reels	Jan/09	Feb/09						11,600			11,600
1 - 15kV Loadbuster Tool	Dec/08	Jun/09						2,100			2,100
4 - Hydraulic Cutters	Mar/09	Jun/09						13,000			13,000
2 - Hydraulic Presses	Mar/09	Jun/09						8,700			8,700
1 - Cordless Hammer Drill & Reciprocating Saw Kit	Jan/09	Jan/09						1,300			1,300
1 - Cordless Circular Saw and Rotary Hammer Drill Kit	Jan/09	Jan/09						1,500			1,500
1 - Bandsaw	Jan/09	Feb/09						1,600			1,600
1 - Pneumatic Breaker	Unscheduled							2,500			2,500
1 - Locate Transmitter	Feb/09	Mar/09							2,000		2,000
1 - Engine Diagnostics Scanner	Jun/09	Jun/09							10,000		10,000
1 - 5000lb Floor Scale	Unscheduled						2,200				2,200
Replacements for Broken/Worn Out Tools	Ongoing							20,000			20,000
Replace Truck 80 (55' Reach Tree Trimming)	Dec/08					315,000					315,000
Replace Truck 64 (42' Reach Single Bucket)	Dec/08					195,000					195,000
Overhaul Truck 15 (Digger Derrick)						90,000					90,000
Replace Forklift 201	Mar/09	Apr/09				100,000					100,000
Replace Truck 82 (Full Size Pickup)	Jan/09	Apr/09				30,000					30,000
Replace Truck 43 (Full Size Pickup)	Jan/09	Apr/09				35,000					35,000
Replace Truck 46 (Compact Pickup)	Mar/09	May/09				25,000					25,000
Replace Truck 49 (Full Size Pickup)						30,000					30,000
Replace Truck 16 (Compact Crossover)	Mar/09	Apr/09				30,000					30,000
New/Replacement Office Furniture	Ongoing				60,000						60,000
											19,658,000

Capital Projects Table - 2010 Test Year

			Uniform System of Accounts #									
			1808	1815	1830	1835	1840	1845	1850	1855	1860	
Project	Expected Start Date	Expected In-Service Date	Buildings & Fixtures	Transformer Station Equipment > 50kV	Poles, Towers & Fixtures	Overhead Conductors & Devices	Underground Conduit	Underground Conductors & Devices	Line Transformers	Services	Meters	Total
3TS - Replace T5 Transformer (Progress Payments)	Not Invoiced			1,704,300								1,704,300
4TS - Install Arc-Proof Doors on Switchgear	Jul/10	Dec/10		630,700								630,700
9TS - HV Equipments & Terminations, Neutral Reactors	Sep/09	Jun/10		720,000								720,000
9TS - Install Power Transformers	Nov/09	Jun/10		226,800								226,800
9TS - Acoustic Walls	Nov/09	Jun/10	141,400									141,400
9TS - HV Revenue Metering	Nov/09	Jun/10		328,800								328,800
9TS - Control Cable and Communications System	Sep/09	Jun/10		592,600								592,600
9TS - SCADA Equipment (Phase 2)	Sep/09	Jun/10		189,000								189,000
9TS - Hydro One Non-Pooled Work for 230kV Tap	Not Invoiced			400,000								400,000
9TS - Hydro One Decommissioning Costs-Detweiler TS	Not Invoiced			3,800,000								3,800,000
9TS - Transfer Trip and Telemetry for Two Generators	Jan/10	Jun/10		96,400								96,400
Misc. Transformer Station Upgrades and Modifications	Ongoing			47,600								47,600
Pole Line Adjustments for New Services	Ongoing				200,000	160,000				40,000		400,000
System Expansion to Supply New Developments	Ongoing				225,000	180,000				45,000		450,000
Relocations Due to Roadway Modification Projects	Ongoing				350,000	280,000				70,000		700,000
Single-Phase Pole Line Rebuilds	Ongoing				343,750	275,000				68,750		687,500
Rebuild Bridge,Queen to 1810 Bridge (New Dundee)	Unscheduled				168,900	111,600				3,300		283,800
Rebuild Mill St, Ottawa St. to Courtland Ave.	Unscheduled				75,800	60,100				6,900		142,800
Rebuild Charles St. E., Borden Ave. to Ottawa St. S.	Unscheduled				52,400	30,800				15,500		98,700
Add Lower Circuit-Victoria St., Walnut St. to Joseph St.	Unscheduled				20,300	45,500						65,800
Rebuild Victoria St. N., Weber to Ahrens	Unscheduled				132,800	80,100				57,400		270,300
Rebuild Borden Ave., East Ave. to King St.	Unscheduled				56,400	54,400				7,100		117,900
Rebuild Victoria St. S., Weichel St. to Lawrence Ave.	Unscheduled				95,000	40,600				11,100		146,700
New Pole Line - Foundry St., North 7/8 to Gingerich	Unscheduled				96,400	106,100						202,500
Rebuild Washburn Dr., Bleams Rd. to 95 Washburn Dr.	Unscheduled				112,500	95,800				3,000		211,300
Misc. & Pole Line Rebuild Transfers	Ongoing						180,000	120,000		100,000		400,000
Residential Underground Services	Ongoing									450,000		450,000
Large Commercial & Industrial Services	Ongoing									234,000		234,000
New Subdivision Developments	Ongoing						710,000	609,200		620,800		1,940,000
System Expansion to Supply New Developments	Ongoing						90,000	60,000				150,000
Relocations Due to Roadway Modification Projects	Ongoing						52,500	52,500		245,000		350,000
Replace Cable PB 825 to PB 836, PB 836 to PB 869	Unscheduled							205,100				205,100
9TS Feeder Ductbank North of Hwy 7/8	Unscheduled							544,400				544,400
Replace Primary Cable - Fairview Park Mall	Unscheduled						2,100	147,800				149,900
1TS Feeder Riser to Patricia Ave.	Unscheduled						25,700	94,700				120,400
Relocate 4M24 Riser to Iron Horse Trail	Unscheduled						8,300	188,300				196,600
3 Phase Transformer Vault Roof Replacement	Ongoing						216,000	24,000				240,000
New Transformers to be Purchased	Ongoing								1,094,800			1,094,800
New Subdivision Transformer Installations	Ongoing								532,900			532,900
Install and/or Replace 1 phase & 3 phase transformers	Ongoing								500,000			500,000
Install TX Vault Collars in New Developments	Ongoing								361,000			361,000
New Meters to be Purchased	Ongoing										230,000	230,000
Installation and Co-ordination of Installation of Meters	Ongoing										40,000	40,000

Capital Projects Table - 2010 Test Year

			Uniform System of Accounts #								
			1920	1925	1915	1930	1935	1940	1945	1995	
Project	Expected Start Date	Expected In-Service Date	Computer Equipment - Hardware	Computer Software	Office Furniture & Equipment	Transportation Equipment	Stores Equipment	Tools, Shop & Garage Equipment	Measurement & Testing Equipment	Contributions & Grants - Credit	Total
SAN Disk Capacity Expansion (Phase II)	Feb/10	Apr/10	30,000								30,000
Vitual Desktop Infrastructure Pilot to Assess Feasibility	Mar/10	Apr/10	20,000								20,000
DRP Equipment Enhancements/Replacement	Apr/10	Aug/10	30,000								30,000
Desktop & Monitor Replacements	Ongoing		40,000								40,000
Departmental Printer Upgrades	Ongoing		5,000								5,000
Data Centre Network Infrastructure Technology Refresh	May/10	Jul/10	50,000								50,000
Phase II of Telephone Handset Replacement	Mar/10	Apr/10	15,000								15,000
IT New System Developments	Ongoing			120,000							120,000
Email Archive Software	Feb/10	Mar/10		40,000							40,000
System Management Software	Jun/10	Aug/10		20,000							20,000
Outage Management Software	Apr/10	Dec/10		200,000							200,000
Unforeseen Hardware Requirements	Ongoing		12,500								12,500
Unforeseen Software Requirements	Ongoing			12,500							12,500
Tools, Shop and Garage Equipment	Unscheduled							73,000			73,000
Measurement and Testing Equipment	Unscheduled								12,000		12,000
Stores Equipment	Unscheduled						1,000				1,000
Replace Truck 9 (46' Reach Single Bucket)	Unscheduled					325,000					325,000
Replace Truck 34 (57' Reach Double Bucket)	Unscheduled					390,000					390,000
Replace 4-5 Light Duty Vehicles	Unscheduled					150,000					150,000
New/Replacement Office Equipment	Ongoing				63,000						63,000
											22,003,000

VARIANCE ANALYSIS ON RATE BASE:

As shown in Table 17, KW Hydro's materiality threshold for variance analysis is $194,529, which is 0.5% of KW Hydro's Distribution Revenue requirement. The Gross Fixed Asset Variance analysis for those variances highlighted in Table 20 is provided as follows.

2006 Actual vs. 2006 Board Approved

- **Account 1805 – Land**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1805	1,717,527	1,303,007	2,132,047	2,133,637	2,144,625	427,098

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- Significant projects contributing to this variance were:
  - Purchase of land in 2004 ($829,040 in 2004 and $1,590 in 2005) formerly known as Motz Park, a vacant piece of land adjacent to Transformer Station #7 in the south part of the City of Kitchener.
  - 2006 increased by $10,988 due to a deposit towards the purchase of land for the new Transformer Station #9 Wilmot Township.

- **Account 1808 – Buildings & Fixtures**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1808	5,681,415	5,631,822	5,731,007	6,052,136	6,166,087	484,672

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amount as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $133,263
- 2005 WIP Transfers to Capital - $321,129
- 2006 WIP Transfers to Capital - $113,951

➢ Significant projects in 2004 and 2005 contributing to this variance were:

- Grounding Installations at Transformer Station #8 - $100,152
- Switchgear Building Addition at Transformer Station #4 - $336,489

➢ Significant projects in 2006 that increased the rate base by $113,951 included:

- Switchgear Building Addition Completion - $80,263
- Sewer Installation at Transformer Station #6 - $34,874

- **Account 1815 – Transformer Station Equipment >50kV**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1815	33,823,668	31,879,137	35,768,199	36,707,954	37,461,401	3,637,733

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $3,854,984
- 2005 WIP Transfers to Capital - $939,755
- 2006 WIP Transfers to Capital - $753,447

➢ Significant projects contributing to this variance were:

- Transformer Station #8 was brought into service during 2004 at a total cost of $5.7M. The average rate base was skewed by the higher cost at the end of the rebasing period.
- Vacuum Circuit Breaker Replacement at Transformer Station #5 - $522,118
- Vacuum Circuit Breaker Replacement at Transformer Station #6 - $325,870

➢ Significant projects in 2006 that increased the rate base by $753,447 included:

- Feeder Protection Replacement at Transformer Station #3 - $142,462
- IPACS Replacement at Transformer Station #1 - $357,715
- P&C Reconstruction at Transformer Station #4 - $74,277
- Replace Revenue Metering at Transformer Station #6 - $116,179

- **Account 1830 – Poles, Towers & Fixtures**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1830	19,744,311	19,062,967	20,425,655	21,466,221	22,578,067	2,833,755

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $1,578,044
- 2005 WIP Transfers to Capital - $1,298,842
- 2006 WIP Transfers to Capital - $1,410,417

➢ Significant overhead line projects contributing to this variance were:

- Construction of new pole line along Hwy. 7/8 and Nafziger Rd. - $272,754
- Rebuild pole line on Fischer-Hallman Rd. - $263,442
- Rebuild pole line on Huron Rd. - $257,173
- Relocate pole line on Ira Needles Blvd. - $120,281
- Relocate pole line on Homer Watson Blvd./New Dundee Rd. - $112,461
- Rebuild pole line on Prospect Ave. and Sidestreets - $110,799
- Write-off of Assets at End of Useful Life in 2004 - $(215,356), 2005 - $(258,276)

➢ Significant projects in 2006 that affected the rate base by $1,410,417 included:

- Construction of new pole line on Victoria St. S. - $260,048
- Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $175,260
- Rebuild pole line on East Ave./Filbert St. - $136,030
- Spot Replacements on Berlett's Rd. & Wilby Rd. - $106,309
- Replace poles for Capacitor Banks - $93,373
- Relocate pole line on Gateway Park Dr. - $48,198
- Rebuild Pole Lines on Miller/Christian/Queen in Baden - $38,637
- Rebuild Pole Lines on Water/Richmond/Heinz - $38,366
- Write-off of Assets at End of Useful Life in 2006 - $(298,572)

- **Account 1835 – Overhead Conductors & Devices**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1835	24,939,292	24,210,910	25,667,674	26,315,539	27,320,325	2,381,033

The 2006 Board Approved amounts for each account are calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $1,753,945
- 2005 WIP Transfers to Capital - $1,004,272
- 2006 WIP Transfers to Capital - $1,416,801

➢ Significant projects contributing to this variance were:

- Rebuild pole line on Huron Rd. - $414,804
- Construction of new pole line along Hwy. 7/8 and Nafziger Rd. - $324,470
- Rebuild pole line on Fischer-Hallman Rd. - $303,819
- Relocate pole line on Homer Watson Blvd./New Dundee Rd. - $168,642
- Relocate pole line on Ira Needles Blvd. - $116,261
- Write-off of Assets at End of Useful Life 2004 - $(297,181), 2005 - $(356,407)

➢ Significant projects in 2006 that affected the rate base by $1,416,801 included:

- Install Capacitor Banks - $414,150
- Construction of pole line on Victoria St. S. - $196,807
- Rebuild pole line on East Ave./Filbert St. - $195,506
- Spot Replacements on Berlett's Rd. & Wilby Rd. - $73,375
- Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $66,729
- Write-off of Assets at End of Useful Life in 2006 - $(412,014)

- **Account 1840 – Underground Conduit**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1840	15,924,245	15,420,614	16,427,876	17,505,849	19,235,053	3,310,809

The 2006 Board Approved amounts for each account are calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $1,007,262
- 2005 WIP Transfers to Capital - $1,077,973
- 2006 WIP Transfers to Capital - $1,729,205

➢ Significant projects contributing to this variance were:

- Ductwork for feeders out of Transformer Station #8 - $306,621
- Ductwork & Concrete vaultson Weber St. W. - $247,853
- Relocate ducts on Sportsworld Dr./Gateway Park Dr. - $99,195
- New Subdivision Developments for 2004 - $400,147 as listed below:
    - Doon Mills, Stages 7,8 & 9
    - Doon, Stage 5B & 5C
    - Westmeadow Dr. Townhouses
    - Laurentian, Stage 11
    - Big Springs, Stage 1
    - Downy Lane, Stage 1 & 4-7
    - 301 Spadina Rd. Townhouses
    - 110 Activa Ave. Townhouses
    - Wagon St., Stage 3B
    - Bryan Ct. Extension
    - Williamsburg, Stage 4
    - Stonecroft, Stages 2, 4, 5 & 10
    - Deer Ridge GRCA Lands
    - Activa Baden, Stages 2, 7, 8 & 9
- New Subdivision Developments for 2005 - $911,208, listed below:
    - Lyndale Estates, Stage 1
    - Doon Mills, Stage 3B & 9B
    - Lyndale South
    - Brigadoon Estates
    - Huron Woods, Stage 1
    - Huron Village, Stages 1A, 1B & 2
    - Norris Sternberg, Stage 2
    - Doon Mills Townhouses
    - 165 Chandos Dr. Townhouses
    - 85 Bankside Dr. Townhouses

- Laurentian Village, Stage 6
- MAK Subdivision
- Pine Hollow Ct
- Big Springs, Stage 2
- 690 Blockline Rd. Townhouses
- 265 Lawrence Ave. Townhouses
- Baden West
- Rembrandt Townhouses
- Sunbridge Cr.
- Edgewater/Lyndale South

➢ Significant projects in 2006 that increased the rate base by $1,729,205 included:

- Rebuild ducts on Fairway Rd. at Hwy. 8 - $279,187
- Construction of ducts on Victoria St. S. - $155,375
- New Subdivision Developments - $1,236,432, listed below:

  - Country Hills East, Stage 1
  - Vista Ridge
  - University Meadows
  - Edgewater, Stage 1
  - Lyndale North, Stage 3 & 4
  - Westmeadow, Stage 2
  - Stonecroft, Stage 3
  - Baden Village, Stage 11, 12, 13 & 14
  - Chicopee Subdivision
  - Northfair/Briarmeadow Dr
  - Forest Glen, Stage 2
  - Williamsburg South, Stage 1
  - Topper Woods, Stage 1
  - Highland West
  - Templewood Dr., Stage 3B & 6B
  - Dogwood Ct., New Hamburg
  - Doon Mills, Stage 8
  - Quailridge Subdivision
  - 233 Lawrence Ave., Townhouses
  - Hidden Valley Subdivision
  - Doon Settlement Townhouses
  - Deer Ridge, Stage 9 & 10
  - Armenian Ct., Stage 5C
  - 50 Bryan Ct. Townhouses
  - Glasgow Heights
  - Huron Woods, Stage 2

- **Account 1845 – Underground Conductors & Devices**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1845	34,557,272	33,929,133	35,185,411	36,613,993	38,497,671	3,940,399

The 2006 Board Approved amounts for each account are calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 WIP Transfers to Capital - $1,256,277
  - 2005 WIP Transfers to Capital - $1,428,582
  - 2006 WIP Transfers to Capital - $1,883,678

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2004 (see Account 1840 for details) - $769,680
  - New Subdivision Developments in 2005 (see Account 1840 for details) - $1,251,017
  - Sunrise Shopping Centre - $303,929

➢ Significant projects in 2006 that increased the rate base by $1,883,678 included:

  - New Subdivision Developments for 2006(see Account 1840 for details) - $1,450,177
  - Replace cables on Fairway Rd. at Hwy. 8 - $226,023
  - Relocate cables on Victoria St. S. - $56,965

- **Account 1850 – Line Transformers**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1850	37,173,353	36,270,685	38,076,020	40,522,990	43,486,083	6,312,730

The 2006 Board Approved amounts for each account are calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 WIP Transfers to Capital - $1,805,334
  - 2005 WIP Transfers to Capital - $2,446,971
  - 2006 WIP Transfers to Capital - $2,963,092

- Significant projects contributing to this variance were:
  - 212 New Transformers Purchased in 2004 - $785,346
  - New Subdivision Developments for 2004(see Account 1840 for details) - $331,920
  - Install/Replace Single Phase and Three Phase Transformers - $240,767
  - Construction of Submersible Transformer Vault Collars in New Developments - $116,266
  - 320 New Transformers Purchased in 2005 - $1,210,895
  - New Subdivision Developments for 2005(see Account 1840 for details) - $738,915
  - Install/Replace Single Phase and Three Phase Transformers - $315,822
  - Construction of Submersible Transformer Vault Collars in New Developments - $129,957
- Significant projects in 2006 that increased the rate base by $2,963,092 included:
  - 522 New Transformers Purchased in 2006 - $2,089,523
  - New Subdivision Developments for 2006(see Account 1840 for details) - $816,342
  - Install/Replace Single Phase and Three Phase Transformers - $285,593
  - Construction of Submersible Transformer Vault Collars in New Developments - $138,112
  - Adjust Transformers in Inventory (Scrapped) - $(460,028)

- **Account 1855 – Services**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1855	27,499,620	26,345,494	28,653,745	31,313,640	34,470,736	6,971,116

The 2006 Board Approved amounts for each account are calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $2,335,454
- 2005 WIP Transfers to Capital - $2,692,519
- 2006 WIP Transfers to Capital - $3,194,811

- Significant projects contributing to this variance were:
  - New Subdivision Developments for 2004 (see Account 1840 for details) - $683,693
  - Installation of New Residential Services for 2004 (WO 0083) - $504,660
  - New Commercial Primary & Secondary Services for 2004 - $494,362

Primary

- 325 Max Becker Dr. – Williamsburg Office Centre
- 760 Weber St. E. – Eastwood Collegiate
- 1400 – 1450 Ottawa St. (11) – Sunrise Shopping Centre
- 100 Washburn Dr. – Mitchell Plastics
- 868 Doon Village Rd. – Doon Village Retirement Home
- 368 Mill Park Dr. – Doon Sewage Treatment Plant
- 110 Sportsworld Dr. – Twin Ice Pads
- 2500 Shirley Ave. – City of Kitchener Sewage Pumping Station
- 1425 Strasburg Rd. – Millgate Holdings Inc.
- 144 Highland Ave. – Old Firehall Apartments
- 460 Bingeman Centre – Custom Leather
- 100 Hollinger Dr. – Teleflex GFI Controls
- 1441 Erbs Rd. – Kraehling Farms Inc.
- 1604 Victoria St. N. – Victoria Electric
- 324 Highland Rd. – Lion Head Estates Inc.
- 165 Duke St. E. – City of Kitchener (New Kitchener Market)
- 9 Shirley Ave. – Bodycote
- 888 Guelph St. – Golden Windows
- 345 Briarmeadow Dr. – Whispering Pines Apartments
- 730 Ottawa St. S. – Rona Inc.
- 460 Belmont Ave. – Boehmer Box
- 695 Strasburg Rd. – Cypriot Homes
- 4278 King St. E. – Deliotte-Touche

Secondary

- 19 Gaukel St. – Poole Electric
- 125 Ebydale Dr. – Region of Waterloo
- 275 Highland Rd. – Flesher & Mann Apartments
- 2645 Huron Rd. – Walter Wilchiwsky
- 182 Victoria St. N. – Versus Restaurant
- 1077 Queen St. – St. Mary's Hospital Parking Lot
- 1102 Erb's Rd. – Shan-Elle Farms
- 3011 King St. E. – Sunoco
- 275 Webster Rd. – John's Garage
- 190 Gateway Dr. (3) – Boston Pizza
- 173 Washburn Ave. – Markem
- 1656 Snyder's Rd. – Old Fashioned Variety & Gas Bar
- 35 Sasaga Dr. – Beckerman Studios
- 2 Executive Pl. – Princess Auto
- 163 Biehn Dr. – Region of Waterloo Well K34
- 1014 Victoria St. N. – K-W Home Furniture
- 130 Weber St. W. – 1361959 Ontario Inc.

- 533 Weber St. E. – Kitchener Church of God
- 275 Webster Rd. – New Garage
- 1197 Union St. – Trade mark Industrial
- 8 Market Lane – City of Kitchener Events Service
- 3111 King St. E. – Heffner Lexus Toyota Used Vehicles
- 50 Borden Ave. – Pro-Woodhouse Contracting
- 185 Washburn Dr. – Electricomm Inc.
- 75 Charles St. – House of Friendship
- 169 Riverbend Dr. – Eastwood Printing
- 176 Hayward Ave. – Hayward Mini Storage
- 1015 Ottawa St. N. – Suncor Energy
- 245 Lorne Ave. – St. Bernadette Catholic School
- 154 Gatewood Ave. – St. Francis School
- 300 Mill St. – G.K.O. Holdings Inc.
- 30 Riverview Pl. – Westmount Storefront Systems Ltd.
- 1522 King St. E. – Greenfield Apartments
- 640 Trillium Dr. – M&M Meats

- New Subdivision Developments for 2005(see Account 1840 for details) - $1,357,559
- Installation of New Residential Services for 2005 (WO 0083) - $611,739
- New Commercial Primary & Secondary Services for 2005 - $308,516

Primary

- 1400 Ottawa St. S. (3) – Sunrise Shopping Centre
- 50 Washburn Dr. – Basics Warehouse
- 35 Weber St. W. (2) – WCDSB Administration Facility
- 4278 King St. E. – Cora Group
- 17 Executive Pl. – Executive Pl. Development Inc.
- 3131 King St. E. – Heffner Toyota
- 140 Mansion St. – Haaystown Holdings Inc.
- 1221 Weber St. (2) – McRory Plaza
- 806 Zeller Dr. – City of Kitchener Waste Pumping Station
- 593 Strasburg Rd. – Bloomingdale Mews
- 1825 Strasburg Rd. – Huron Heights Secondary School
- 4263 King St. E. – Deer Ridge Center
- 310 Fairway Rd. – Shoppers Drug Mart & Golf Town
- 2255 Shirley Ave. – ACL Steel
- 901 Victoria St. N. – Baxter Plaza
- 400 Bingeman Centre – Brick Brewery Ltd.
- 19 Crestview Pl. – XL Tools Inc.
- 545 Trillium Dr. – Shelane Properties
- 189 Joseph St. – Ball Brothers

Secondary

- 480 Charles St. E. K-W Family Counseling Services
- 100 Washburn Dr. – Mitchell Plastics
- 485 Charles St. E. – New Song Church
- 125 Hanson Ave – Royal Auto Body
- 100 Heritage Dr. – Hanson's Pontiac Buick
- 59 Webster Rd – Miller's Antiques

- 262 McBrine Dr. – Engineered Concrete Ltd.
- 35 Webster Rd. – Mohrwood Inc.
- 49 Webster Rd. – Kittel Holdings
- 1525 Bleams Rd. – Temporary Sewage Pumping Station
- 555 King St. E. – Betzner Brownstone Apartments
- 192 Activa Ave. – Voisin Plaza
- 110 Otonabee Dr. – Kearsley Electric
- 75 Centennial Rd. – CRS Rental Supply
- 1254 Union St. – Alloy Castings
- 34 Snyder's Rd. – Tim Horton's
- 8 Bloomingdale Rd. – Bloomingdale Mews
- 270 Manitou Dr. – Labstat

- Relocate services to new poles on Sportsworld Dr./Gateway Park Dr. - $109,057
- Write-off of Assets at End of Useful Life 2004 - $(927,203), 2005 - $(32,624)

➢ Significant projects in 2006 that affected the rate base by $3,194,811 included:

- New Subdivision Developments for 2006(see Account 1840 for details) - $1,822,091
- Installation of New Residential Services for 2006 (WO 0083) - $610,545
- New Commercial Primary & Secondary Services for 2006 - $264,033

Primary

- 155 Livingston Blvd. – Baden Public School
- 4355 King St. E. – Hampton Inn
- 1600 River Rd. – Snow Tube Park
- 1560 Battler Rd. – Boehmer Box
- 1242 Nafziger Rd. – Canadian Building Materials
- 170 Country Hills Dr. – Drewlo Apartments
- 1520 Victoria St. N. – Valet Auto Wash
- 795 Ottawa St. S. – Craft Development Inc.
- 2053 Shirley Dr. – Eldorado Tools
- 563 Highland Rd. W. – Shoppers Drug Mart
- 1420 King St. E. – Matrix Apartments
- 2300 Shirley Ave. – Barn-Terr
- 4220 King St. E. – Mandarin Restaurant
- 500 Bingeman Centre – Stiplosek Building
- 324 Highland Rd. W. – Highland Centre Plaza

Secondary

- 77 Young St. – St. Louis Adult Learning Centre
- 2236 Shirley Dr. – Bavarian Window Works
- 537 Frederick St. – Pharmaplus
- 120 Duke St. – WLU School of Social Work
- 156 Stonecroft Way – Stonecroft Fitness & Community Centre
- 258 McBrine Dr. – Leoni-Elocab
- 200 Victoria St. S. – Tim Horton's Area Offices
- 145 Peel St. – Lyle Cressman
- 4553 King St. E. – Leather By Mann
- 2444 Shirley Ave. – Classic Self Storage

- 4152 Huron Rd. – Green Acre Farm Ltd.
- 1209 Waterloo St. – Pfennings Organic Vegetables
- 2499 Homer Watson Blvd. – MTO High Mast Lighting
- 270 Manitou Dr. – Labstat
- 421 Greenbrook Dr. – Protend Arrow Building Group
- 41 Heritage Dr. – Mennonite Thrift Store

- Relocate services on Victoria St. S. - $46,694
- Relocate services on Gateway Park Dr. - $39,811
- Relocate services on East Ave./Filbert St. - $35,921
- Write-off of Assets at End of Useful Life 2006 - $(37,714)

- **Account 1860 – Meters**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1860	9,684,628	9,482,610	9,878,861	10,336,671	10,844,867	1,160,239

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 WIP Transfers to Capital - $396,251
- 2005 WIP Transfers to Capital - $457,810
- 2006 WIP Transfers to Capital - $508,196

➢ Significant projects contributing to this variance were:

- 3,426 New Meters Purchased in 2004 - $237,151
- 4,814 New Meters Purchased in 2005 - $320,214
- Co-ordination and Installation of Meters (Labour) in 2004 - $156,613
- Co-ordination and Installation of Meters (Labour) in 2005 - $163,336

➢ Significant projects in 2006 that increased the rate base by $508,196 included:

- 4,039 New Meters Purchased in 2006 - $361,196
- Co-ordination and Installation of Meters (Labour) in 2005 - $150,373

- **Account 1908 – Buildings & Fixtures**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1908	8,148,053	7,436,235	8,859,872	8,926,348	9,041,564	893,511

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 WIP Transfers to Capital - $1,423,637
  - 2005 WIP Transfers to Capital - $66,476
  - 2006 WIP Transfers to Capital - $115,216

➢ Significant projects contributing to this variance were:

  - Replacement of the HVAC in the Main Office Building - $71,967
  - Replacement of the UPS unit in the Main Office Building - $64,040
  - Addition to Main Office Building - $1,351,670

➢ Significant projects in 2006 that increased the rate base by $115,216 included:

  - Upgrades to the Main Office Building - $115,216

- **Account 1920 – Computer Equipment – Hardware**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1920	1,909,151	1,928,189	1,890,112	2,143,632	2,466,828	557,677

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 Capital Expenditures Brought into Service - $130,715
  - 2005 Capital Expenditures Brought into Service - $253,520
  - 2006 Capital Expenditures Brought into Service - $420,290

- Significant projects contributing to this variance were:
  - Handheld Meter Reading Units - $30,305
  - Computer Systems/Laptops in 2004 - $48,628
  - Barcode Scanners for Warehouse - $19,060
  - IT Department Servers & Peripherals in 2004 - $29,721
  - Computer Systems/Laptops in 2005 - $71,858
  - IT Department Servers & Peripherals in 2005 - $181,661
  - Write-off of Assets at End of Useful Life - $(168,792)
- Significant projects in 2006 that affected the rate base by $420,290 included:
  - IT Department Servers & Peripherals in 2006 - $180,499
  - Control Room Display System - $166,590
  - Computer Systems/Laptops in 2006 - $73,201
  - Write-off of Assets at End of Useful Life - $(92,174)

- **Account 1925 – Computer Software**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1925	1,312,309	1,183,604	1,441,013	1,588,246	1,823,626	511,318

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 Capital Expenditures Brought into Service - $296,691
  - 2005 Capital Expenditures Brought into Service - $186,516
  - 2006 Capital Expenditures Brought into Service - $235,380
- Significant projects contributing to this variance were:
  - Human Resources Software Implementation (HRWARE) - $111,745
  - Meridian Telephone System Software and Implementation - $69,705
  - Web Site Development - $55,487
  - GIS Software Development - $32,455
  - Itron Licensing & Support - $31,937

- Significant projects in 2006 that increased the rate base by $235,380 included:
  - GIS System Implementation & Training - $112,238
  - Budgeting Software (TMI) User Licensing - $43,935
  - Human Resources (HRWARE) Software Upgrade - $37,259
  - Oracle Database - $20,745

- **Account 1915 – Office Furniture & Equipment**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1915	790,894	763,974	817,814	881,158	942,453	151,559

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 Capital Expenditures Brought into Service - $53,841
  - 2005 Capital Expenditures Brought into Service - $63,344
  - 2006 Capital Expenditures Brought into Service - $64,565

- Significant projects contributing to this variance were:
  - Workstations - $38,387
  - Boardroom Equipment - $23,284
  - Partitions for Finance Department - $17,140
  - Multi-Media Data Cabinet - $7,147
  - Partitions for Customer Service Department - $4,306

- Significant projects in 2006 that increased the rate base by $64,565 included:
  - Control Room Workstations - $54,818
  - Digital Postage Meter - $9,747
  - Write-off of Assets at End of Useful Life - $(3,270)

- **Account 1930 – Transportation Equipment**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1930	6,531,374	6,600,595	6,462,153	6,972,494	6,823,052	291,677

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

- 2004 Capital Expenditures Brought into Service - $293,342
- 2005 Capital Expenditures Brought into Service - $1,116,613
- 2006 Capital Expenditures Brought into Service - $605,712

➢ Significant projects contributing to this variance were:

- Light Duty Trucks Purchased in 2004 - $93,336
- Light Duty Trucks Disposed in 2004 - $(49,346)
- Light Duty Trucks Purchased in 2005 - $78,789
- Light Duty Trucks Disposed in 2005 - $(42,405)
- Heavy Duty Trucks Purchased in 2004 - $200,006
- Heavy Duty Trucks Disposed in 2004 - $(382,438)
- Heavy Duty Trucks Purchased in 2005 - $986,254
- Heavy Duty Trucks Disposed in 2005 - $(529,166)
- Trailers Purchased in 2005 - $51,570
- Trailers Disposed in 2005 - $(34,702)

➢ Significant projects in 2006 that affected the rate base by $605,712 included:

- Light Duty Trucks Purchased in 2006 - $143,763
- Light Duty Trucks Disposed in 2006 - $(129,474)
- Heavy Duty Trucks Purchased in 2006 - $410,463
- Heavy Duty Trucks Disposed in 2006 - $(30,416
- Trailers Purchased in 2006 - $51,486
- Trailers Disposed in 2006 - $(48,204)
- Assets Reclassified to Power Equipment - $(547,060)

- **Account 1950 – Power Operated Equipment**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1950	27,687	27,687	27,687	27,687	652,918	625,232

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 Capital Expenditures Brought into Service - $0
  - 2005 Capital Expenditures Brought into Service - $0
  - 2006 Capital Expenditures Brought into Service - $19,527

➢ Significant projects contributing to this variance were:

  - No Items

➢ Significant projects in 2006 that increased the rate base by $625,232 included:

  - There were a number of assets that had been previously been coded to 1930 Transportation Equipment ($547,060) and 1935 Stores Equipment ($58,644) that should have been coded to 1950 Power Equipment. These assets were reclassified in 2006 - $605,704

- **Account 1980 – System Supervisory Equipment**

OEB Account	2006 Board Approved	2003 Actual	2004 Actual	2005 Actual	2006 Actual	Variance
1980	1,909,496	1,890,607	1,928,386	1,928,386	1,778,633	(130,863)

The 2006 Board Approved amounts for each account were calculated as the average of the 2003 and 2004 actual amounts in accordance with the 2006 rate model. As such, the amount for 2006 Actual includes the difference between the 2004 actual and the 2006 Board Approved amounts as well as 2005 normal investments.

  - 2004 Capital Expenditures Brought into Service - $37,778
  - 2005 Capital Expenditures Brought into Service - $0
  - 2006 Capital Expenditures Brought into Service - $0

➢ Significant projects contributing to this variance were:

  - VMS Dual Master Station Equipment (Upgrade to SCADA system) in 2004 - $37,778

- Significant projects in 2006 that decreased the rate base by $149,752 included:
  - Write-off of Assets at End of Useful Life - $(149,752)

2007 Actual vs. 2006 Actual

- **Account 1805 – Land**

OEB Account	2006 Actual	2007 Actual	Variance
1805	2,144,625	2,331,738	187,113

  - 2007 WIP transfers to capital - $187,113

- Significant projects contributing to this variance were:
  - Purchase of Land for Transformer Station #9 Wilmot Township - $187,113

- **Account 1808 – Buildings & Fixtures**

OEB Account	2006 Actual	2007 Actual	Variance
1808	6,166,087	6,320,061	153,974

  - 2007 WIP Transfers to Capital - $153,974 (transferred to work-in-progress in 2008)

- Significant projects contributing to this variance were:
  - Environmental/Geotechnical Assessment for Transformer Station #9 - $95,877
  - Site Sanitary Servicing for Transformer Station #8 - $85,478
  - These costs were subsequently transferred to work-in-progress in 2008. The costs were coded direct to capital by mistake but adjustments were made in the following year.

- **Account 1815 – Transformer Station Equipment >50kV**

OEB Account	2006 Actual	2007 Actual	Variance
1815	37,461,401	37,975,643	514,243

  - 2007 WIP Transfers to Capital - $514,243

  ➢ Significant projects contributing to this variance were:

  - Replace Revenue Metering at Transformer Station #5 - $179,498
  - Load Side Ground Switches for Transformer Stations #1, #3 & #5 - $143,781
  - Feeder Management Relays for Transformer Station #4 - $93,477
  - High Voltage P&C Panels for Transformer Station #4 - $89,381

- **Account 1830 – Poles, Towers & Fixtures**

OEB Account	2006 Actual	2007 Actual	Variance
1830	22,578,067	24,540,153	1,962,087

  - 2007 WIP Transfers to Capital - $2,232,390

  ➢ Significant pole line projects contributing to this variance were:

  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Assets - $235,915
  - Rebuild Shade St. in New Hamburg - $205,084
  - Removal & Extension of Zeller Dr. - $201,012
  - Ira Needles Blvd. Extension - $174,669
  - Nafziger Rd. Extension - $131,574
  - Erb's Rd. Rebuild - $110,495
  - Hwy 7/8 @ Wilmot Easthope Rd. Relocation - $105,110
  - Rebuild Huron Rd. - $75,256
  - Install poles for 27.6kV Capacitor Banks in Wilmot Township - $57,285
  - Write-off of Assets at End of Useful Life - $(270,304)

- **Account 1835 – Overhead Conductors & Devices**

OEB Account	2006 Actual	2007 Actual	Variance
1835	27,320,325	28,732,469	1,412,143

  - 2007 WIP Transfers to Capital - $2,232,390

➢ Significant projects contributing to this variance were:

  - 27.6kV Capacitor Banks - $231,023
  - Nafziger Rd. Extension - $198,306
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $136,941
  - Removal & Extension of Zeller Dr. - $123,034
  - Ira Needles Blvd. Extension - $118,682
  - Write-off of Assets at End of Useful Life - $(373,005)

- **Account 1840 – Underground Conduit**

OEB Account	2006 Actual	2007 Actual	Variance
1840	19,235,053	20,595,981	1,360,928

  - 2007 WIP Transfers to Capital - $1,785,149

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments for 2007 - $695,545
    - Victoria Meadows
    - Mallard Pl. Townshouses
    - Riverbank Estates
    - Stirling Bridge Townhouses
    - Windflower Terrace
    - Hidden Valley
    - Howe Drive
    - Topper Woods, Stage 2
    - Williamsburg South, Stages 2 & 3
    - Huron Woods, Stage 3
    - Doon Mills, Stage 8B
    - Huron Village, Stages 3, 6 & 15
    - Valleyview Villas Grand Chicopee
    - Brookfield Cr.
    - Baden Village, Stages 10, 17 & 18
    - Grand River South, Stage 1
    - Deer Ridge Heights Townhouses
    - 50 Howe Dr. Townhouses

- Garden Villas Apartments
- 12 Holborne Dr. Townhouses
- Villas of Grand Chicopee
- Lyndale, Stages 5 & 6
- Riverstone Ct.
- Edgewater, Stage 2
- Edgewater Pl.
- T12 Loop
- 50 Bryan Ct., Stage 2

- Victoria St. Reconstruction - $424,429
- Joseph St. Reconstruction - $131,058
- Ira Needles Blvd. Extension - $35,607
- 200 Fairway Rd. Modifications - $22,540

- **Account 1845 – Underground Conductors & Devices**

OEB Account	2006 Actual	2007 Actual	Variance
1845	38,497,671	40,392,971	1,895,300

- 2007 WIP Transfers to Capital - $1,895,300

➢ Significant projects contributing to this variance were:

- New Subdivision Developments for 2007(see Account 1840 for details) - $1,148,661
- Joseph St. Reconstruction - $243,130
- Rebuild Morrison Rd. - $151,401

- **Account 1850 – Line Transformers**

OEB Account	2006 Actual	2007 Actual	Variance
1850	43,486,083	46,357,757	2,871,674

- 2007 WIP Transfers to Capital - $2,871,674

➢ Significant projects contributing to this variance were:

- 117 New Transformers Purchased - $1,234,469
- New Subdivision Developments for 2007(see Account 1840 for details) - $763,907
- Install/Replace Single Phase & Three Phase Transformers - $346,854
- Install Submersible Transformer Vault Collars for New Developments- $128,735

- **Account 1855 – Services**

OEB Account	2006 Actual	2007 Actual	Variance
1855	34,470,736	37,715,277	3,244,541

  - 2007 WIP Transfers to Capital - $3,278,684

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2007(see Account 1840 for details) - $1,792,775
  - Installation of New Residential Services (WO 0083) - $634,397
  - New Commercial Primary and Secondary Services in 2007 - $255,659

Primary

- 760 Commonwealth Dr. (2) – Williamsburg Public School
- 149 Manitou Dr., K-W Countertops
- 809 Wellington St. N. – Christie Digital Systems
- 286 Fairway Rd. – Leon's Home Furnishings
- 715 Fisher-Hallman Rd. – Fischer-Hallman Business Centre
- 299 Trillium Dr. – Conestoga Cold Storage
- 560 Bingeman Centre – Broda Enterprises
- 1170 Fisher-Hallman Rd. – Max Becker Plaza
- 56 River Birch St. – City of Kitchener Pumping Station
- 1316 Snyder's Rd. W. – Steinmann Mennonite Church
- 171 Apple Ridge Dr. – Doon South Public School
- 521 King St. W. – UofW School of Pharmacy
- 2300 Shirley Dr. – Barn-Terr
- 270 Bleams Rd. – Tim Horton's

Secondary

- 79 Milton St. – Bell Canada
- 26 Sereda Rd. – Maple Auto Repair
- 34 Bloomingdale Rd. – Amy Awning & Signs Inc.
- 2326 Snyder's Rd. – John Dyck
- 222 Fairway Rd. – MTO High Mast Lighting
- 400 King St. W. – City of Kitchener Parking Lot
- 79 Milton St. – Township of Wilmot Sewage Lift Station #2
- 18 Charles St. E. – DNA Silk Screening
- 1180 Strasburg Rd. – Apostolic Christian Church
- 85 Huron St. – Skowron Decorating
- 813 Bleams Rd. – J. Steckle Heritage Homestead
- 15 Shirk Pl. – Conestogo Electric]
- 1228 King St. E. – Alpine Glass
- 680 Victoria St. N. – 1639824 Ontario Inc.
- 228 Madison Ave. S. – Joe's Drywall
- 900 Fairway Rd. – Lackner Woods Plaza
- 20A Alice Ave. – Knipfel Water Supply
- 166 Frederick St. – Revenue Canada
- 48 King St. E. – Mr. Sub

- 117 Onward St. – Megna Apartments
- 225 Centennial Ct. – Ont. Secondary School Teacher's Federation
- King St. & Francis St. – Region of Waterloo Traffic
- 416 Waterloo St. – New Apostolic Church
- 1510 Victoria St. N. – Pioneer Craftsman
- 563 Highland Rd. – Pro-Electric Ltd.

- Joseph St. Reconstruction - $142,545
- Linden Ave. & Oak St. Extension - $73,101
- Write-off of Assets at End of Useful Life - $(34,144)

- **Account 1860 – Meters**

OEB Account	2006 Actual	2007 Actual	Variance
1860	10,844,867	11,313,174	468,307

- 2007 WIP Transfers to Capital - $468,307

➢ Significant projects contributing to this variance were:

- 5,710 New Meters Purchased in 2007 - $393,311
- Installation of Meters and Co-ordination of Installation (Labour) in 2007 - $89,255

- **Account 1908 – Buildings & Fixtures**

OEB Account	2006 Actual	2007 Actual	Variance
1908	9,041,564	9,369,791	328,227

- 2007 WIP Transfers to Capital - $328,227

➢ Significant projects contributing to this variance were:

- Renovations to the main office building - $328,227

- **Account 1920 – Computer Equipment – Hardware**

OEB Account	2006 Actual	2007 Actual	Variance
1920	2,466,828	2,121,385	(345,443)

  - 2007 Capital Expenditures Brought into Service - $174,716

➢ Significant projects contributing to this variance were:

  - Computer Systems/Laptops - $72,714
  - IT Department Servers & Peripherals in 2007 - $81,064
  - Write-off of Assets at End of Useful Life - $(491,532)

- **Account 1925 – Computer Software**

OEB Account	2006 Actual	2007 Actual	Variance
1925	1,823,626	2,100,909	277,283

  - 2007 Capital Expenditures Brought into Service - $277,283

➢ Significant projects contributing to this variance were:

  - Internal IT Labour Costs Capitalized - $119,824. KW Hydro's CIS system is "home-grown" and requires programming for required software changes. Costs included in 2007 include programming required for subsystem development for customer deposits and electronic bill availability.
  - Field Worker Software - $57,237
  - Budgeting Software (TMI) - $61,020
  - CADD Development - $16,244
  - Call Pilot Software - $13,549
  - Write-off of Assets at End of Useful Life - $(520,159)

- **Account 1930 – Transportation Equipment**

OEB Account	2006 Actual	2007 Actual	Variance
1930	6,823,052	7,058,405	235,353

  - 2007 Capital Expenditures Brought into Service - $852,979

  ➢ Significant projects contributing to this variance were:

  - Light Duty Trucks Purchased in 2007 - $103,702
  - Light Duty Trucks Disposed in 2007 - $(73,938)
  - Heavy Duty Trucks Purchased in 2007 - $749,277
  - Heavy Duty Trucks Disposed in 2007 - $(543,688)

- **Account 1945 – Measurement & Testing Equipment**

OEB Account	2006 Actual	2007 Actual	Variance
1945	718,355	603,760	(114,594)

  - 2007 Capital Expenditures Brought into Service - $29,495

  ➢ Significant projects contributing to this variance were:

  - P & C Testing Equipment - $29,495
  - Write-off of Assets at End of Useful Life - $(144,090)

2008 Actual vs. 2007 Actual

- **Account 1815 – Transformer Station Equipment >50kV**

OEB Account	2007 Actual	2008 Actual	Variance
1815	37,975,643	38,712,090	736,446

  - 2008 WIP Transfers to Capital - $736,446

  ➢ Significant projects contributing to this variance were:

  - Install Transfer Trip Protection at Transformer Station #5 - $286,040
  - Replace Revenue Metering at Detweiler Station - $204,110
  - Load Side Grounds Switches for Transformer Stations #6 & #7 - $135,379
  - Replace Revenue Metering at Transformer Station #3 - $74,943
  - Install Impedence Sensing Relays at Transformer Station #5 - $33,846

- **Account 1830 – Poles, Towers & Fixtures**

OEB Account	2007 Actual	2008 Actual	Variance
1830	24,540,153	25,851,567	1,311,413

  - 2008 WIP Transfers to Capital - $1,668,890

➢ Significant pole line projects contributing to this variance were:

  - Rebuild Erb's Rd. - $346,214
  - Rebuild Pioneer Dr./Green Valley Dr. - $222,902
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $201,545
  - Rebuild Doon Valley Dr. - $169,653
  - Construct 2nd Feeder to Bridgeport - $96,335
  - Relocate Wilmot Centre Rd. - $64,681
  - Relocate Westmount Rd. & Ottawa St. - $51,658
  - Write-off of Assets at End of Useful Life - $(357,476)

- **Account 1835 – Overhead Conductors & Devices**

OEB Account	2007 Actual	2008 Actual	Variance
1835	28,732,469	29,774,758	1,042,289

  - 2008 WIP Transfers to Capital - $1,535,588

➢ Significant projects contributing to this variance were:

  - Rebuild Erb's Rd. - $353,216
  - Rebuild Doon Valley Dr. - $157,765
  - Rebuild Pioneer Dr./Green Valley Dr. - $146,674
  - Relocate Wilmot Centre Rd. - $141,374
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $100,704
  - Relocate Westmount & Ottawa - $60,247
  - Construct 2nd Feeder to Bridgeport - $54,462
  - Write-off of Assets at End of Useful Life - $(493,299)

- **Account 1840 – Underground Conduit**

OEB Account	2007 Actual	2008 Actual	Variance
1840	20,595,981	20,010,044	(585,937)

  - 2008 WIP Transfers to Capital - $1,634,771

➢ Significant projects contributing to this variance were:

  - Write-off of Assets at End of Useful Life - $(2,220,708)
  - New Subdivision Developments in 2008 - $445,329
    - Edgewater Estates Townhouses
    - Old Huron Rd.
    - 975 Strasburg Rd. Townhouses
    - 10 Fallowfield Dr. Townhouses
    - Chicopee, Stage 2
    - Block 94 Fallowfield
    - Eby Estates, Stage1
    - Baden Village, Stages 15 & 16
    - 240 Westmeadow Dr. Townhouses
    - Edgewater, Stage 2
    - Grand River South, Stage 4
    - Academy Gardens, Stage 1
    - Stonecroft, Stage 4
  - Rebuild Joseph St. (Phase 2) - $505,448
  - Vault Top Replacements - $302,210
  - Construct 2nd Feeder to Bridgeport - $43,592

- **Account 1845 – Underground Conductors & Devices**

OEB Account	2007 Actual	2008 Actual	Variance
1845	40,392,971	35,933,596	(4,459,375)

  - 2008 WIP Transfers to Capital - $1,052,880

➢ Significant projects contributing to this variance were:

  - Write-off of Assets at End of Useful Life - ($5,512,254)
  - New Subdivision Developments in 2008(see Account 1840 for details) - $495,491
  - Install cables on Sportsworld Dr. - $362,131
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $121,821
  - Construct 2nd Feeder to Bridgeport - $58,435

- **Account 1850 – Line Transformers**

OEB Account	2007 Actual	2008 Actual	Variance
1850	46,357,757	48,710,018	2,352,262

  - 2008 WIP Transfers to Capital - $2,352,262

➢ Significant projects contributing to this variance were:

  - 223 New Transformers Purchased - $1,538,024
  - New Subdivision Developments in 2008(see Account 1840 for details) - $401,600
  - Install/Replace Single Phase & Three Phase Transformers - $333,384
  - Install Submersible Transformer Vault Collars in New Developments - $111,254
  - Retrofit/Replace Submersible Transformer vault covers (to accommodate new grilles introduced for safety purposes) - $127,705

- **Account 1855 – Services**

OEB Account	2007 Actual	2008 Actual	Variance
1855	37,715,277	36,788,796	(926,481)

  - 2008 WIP Transfers to Capital - $2,517,081

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2008 (see Account 1840 for details) - $784,991
  - Installation of New Residential Services (WO 0083) - $681,221
  - New Commercial Primary and Secondary Services in 2008 - $563,399

Primary

- 2069 Ottawa St. S. – Mannheim Water Treatment Plant
- 171 Apple Ridge Dr. – J.W. Gerth School
- 4585 King St. E. – Mann Future Inc.
- 260 Doon South Dr. – Doon Mills Plaza
- 190 Hidden Valley Rd. – Hydro One Networks
- 135 Hanson Ave. – City of Kitchener Twin Pads
- 721 Ottawa St. S. – Alpine Plaza
- 560 Queen St. S. – Drewlo Holdings
- 20 Greenbrook Dr. – Greenbrook Water Treatment Plant
- 3065 King St. E. – Transfreight
- 1990 Ottawa St. S. – Mannheim Reservior
- 45 Washburn Dr. – Triton Electronik
- 173 Washburn Dr. – Jenmar Holdings Inc.
- 1326 Victoria St. N. – Keybrand Foods
- 800 Wilson Ave. – Michelin Building A
- 130 Birch Ave. – Trademark Industrial Motor Shop Building

- 2102 Shirley Dr. – Strassburger Windows
- 131 Goodrich Dr. – Michelin Building B
- 1500 Highland Rd. – GOCO Gas Bar
- 1362 Victoria St. N. – PM Contracting
- 520 Bingeman Centre – MTE Consulting
- 100 Sportsworld Dr. – E1/E2 Building
- 100 Sportsworld Dr. – Moose Winooski's
- 100 Sportsworld Dr. – Outback Steakhouse
- 1760 Strasburg Rd. – J.T. Bakeries

Secondary

- 19 Arnold St. – New Hamburg Veterinary Clinic
- 38 Hanson Ave. – Heimpel Automotive
- 580 Lancaster St. W. – Gallery Building
- 2362 Snyder's Rd. E. – Dynamo Electric Motor Shop
- 1250 Strasburg Rd. – Latter Day Saints Church
- 1440 Huron Rd. – City of Kitchener Fire Hall
- 610 Wabanaki Dr. – ETFO Waterloo Region
- 540 Bingeman Centre- MHBC Office Ltd.
- 1381 Victoria St. N. – VEVEST Commercial Plaza
- 1191 Weber St. – Mr. Lube
- 1045 Trillium Dr. – Berkshire Warehouse Building
- 1191 Fisher-Hallman – McDonald's
- 227 Victoria St. – Dordan Mechanical Building
- 108 Birch Ave. – Erikson Distribution
- 218 Bleams Rd. – Kitchener Gospel Hall Church
- 1855 Notre Dame Dr. – Kids Link
- 901 Ottawa St. S. – McLennan Park
- 30 Charles St. W. – City of Kitchener Fountain
- 20 Crestview Pl. – Aberdeen Homes Ltd.
- 1516 Glasgow St. – Region of Waterloo South Work Shop
- 1405 King St. E. – Rockway Senior Centre
- 251 Jacob St. – Township of Wilmot Grandstands
- 4233 King St. E. – TD Bank

  - Write-off of Assets at End of Useful Life - $(3,398,407)

- **Account 1860 – Meters**

OEB Account	2007 Actual	2008 Actual	Variance
1860	11,313,174	11,606,960	293,785

  - 2008 WIP Transfers to Capital - $293,785

➢ Significant projects contributing to this variance were:

  - 2,069 New Meters Purchased in 2008 - $181,563
  - Installation of Meters and Co-ordination of Installation (Labour) in 2008 - $98,766

- **Account 1925 – Computer Software**

OEB Account	2007 Actual	2008 Actual	Variance
1925	2,100,909	2,360,459	259,549

  - 2008 WIP Transfers to Capital - $259,549

➢ Significant projects contributing to this variance were:

  - Telephone Switchboard Upgrade - $114,456
  - Capitalize IT Labour - $73,045. KW Hydro's CIS system is "home-grown" and requires programming for required changes. Costs included in 2007 include programming required for subsystem development for customer deposits and electronic bill availability.
  - Replicator Software - $45,360

- **Account 1930 – Transportation Equipment**

OEB Account	2007 Actual	2008 Actual	Variance
1930	7,058,405	6,874,197	(184,208)

  - 2008 WIP Transfers to Capital - $198,321

➢ Significant projects contributing to this variance were:

  - Light Duty Trucks Purchased in 2008 - $71,788
  - Light Duty Trucks Disposed in 2008 - $(64,198)
  - Heavy Duty Trucks Purchased in 2008 - $120,701
  - Heavy Duty Trucks Disposed in 2008 - $(318,331)
  - Hauling Box Trailer - $5,832

- **Account 2070 – Other Plant**

OEB Account	2007 Actual	2008 Actual	Variance
2070	-	551,269	551,269

  - 2008 Capital Expenditures Brought into Service - $0

➢ Significant projects contributing to this variance were:

  - Truck #70 Purchased, Not Yet in Service - $348,877
  - Truck #72 Purchased, Not Yet in Service - $167,392
  - JDE Archiving Software Purchased, Not Yet in Service - $35,000

2009 Bridge Year vs. 2008 Actual

- **Account 1815 – Transformer Station Equipment >50kV**

OEB Account	2008 Actual	2009 Bridge	Variance
1815	38,712,090	40,094,599	1,382,509

  - 2009 WIP Transfers to Capital - $1,382,509

➢ Significant projects contributing to this variance were:

  - Replacement of Protection & Control Equipment at Transformer Station #4 - $1,382,509

- **Account 1830 – Poles, Towers & Fixtures**

OEB Account	2008 Actual	2009 Bridge	Variance
1830	25,851,567	27,389,219	1,537,652

  - 2009 WIP Transfers to Capital - $2,043,091

➢ Significant pole line projects contributing to this variance were:

  - Rebuild Erbs Rd. (Stage 4) - $258,700
  - Relocations Due to Roadway Modification Projects - $250,000
  - System Expansions to Supply New Developments - $225,000
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $200,000
  - Rebuild East Ave (Krug St. to Ottawa St.) - $183,600
  - Rebuild Wilmot Centre Rd. (Wilmot TS to Bleams Rd.) - $149,700
  - Single Phase Pole Line Rebuilds - $125,000
  - Rebuild Block Line Rd. (Westmount Rd. to Laurentian Dr.) - $117,200
  - Rebuild Main St., Front St. & South St. in New Dundee - $111,000
  - Write-off of Assets at End of Useful Life - $(505,439)

- **Account 1835 – Overhead Conductors & Devices**

OEB Account	2008 Actual	2009 Bridge	Variance
1835	29,774,758	30,606,129	831,371

  - 2009 WIP Transfers to Capital - $1,528,851

➢ Significant projects contributing to this variance were:

  - Relocations Due to Roadway Modification Projects - $200,000
  - System Expansions to Supply New Developments - $180,000
  - Rebuild Erbs Rd. (Stage 4) - $177,800
  - Rebuild Wilmot Centre Rd. (Wilmot TS to Bleams Rd.) - $145,400
  - Rebuild East Ave. (Krug St. to Ottawa St.) - $125,900
  - Write-off of Assets at End of Useful Life - $(697,480)

- **Account 1840 – Underground Conduit**

OEB Account	2008 Actual	2009 Bridge	Variance
1840	20,010,044	21,674,675	1,664,631

  - 2009 WIP Transfers to Capital - $1,664,631

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2009 - $819,800
  - Construct Feeder Ductbank under Hwy 7/8 for feeders out of Transformer Staton #9 - $310,600
  - Vault Roof Replacements - $180,000
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $180,000
  - System Expansion to Supply New Developments - $90,000

- **Account 1845 – Underground Conductors & Devices**

OEB Account	2008 Actual	2009 Bridge	Variance
1845	35,933,596	37,462,718	1,529,122

  - 2009 WIP Transfers to Capital - $1,529,122

  ➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2009 - $703,400
  - Replace 4M27 feeder cables from #4TS to Pullbox 623 - $211,100
  - Install feeders cables South on Wilmot Centre Rd. - $171,700
  - Relocate 4M24 Feeder Riser to Iron Horse Trail - $124,000
  - Underground Transfers from Pole Line Rebuilds/Riser Rebuilds - $120,000

- **Account 1850 – Line Transformers**

OEB Account	2008 Actual	2009 Bridge	Variance
1850	48,710,018	50,603,907	1,893,889

  - 2009 WIP Transfers to Capital - $2,283,071

  ➢ Significant projects contributing to this variance were:

  - New Transformers to be Purchased - $1,477,900
  - New Subdivision Developments in 2009 - $477,000
  - Write-off of Assets at End of Useful Life - $(389,183)

- **Account 1855 – Services**

OEB Account	2008 Actual	2009 Bridge	Variance
1855	36,788,796	38,424,440	1,635,644

  - 2009 WIP Transfers to Capital - $1,699,489

  ➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2009 - $716,800
  - Installation of New Residential Services - $550,000
  - New Commercial Primary and Secondary Services in 2009 - $270,000
  - Relocations Due to Road Rebuilding Projects - $105,000
  - Write-off of Assets at End of Useful Life - $(63,845)

- **Account 1860 – Meters**

OEB Account	2008 Actual	2009 Bridge	Variance
1860	11,606,960	11,897,960	291,000

  - 2009 WIP Transfers to Capital - $291,000

Balances in 1860 do not include Smart Meters.

➢ Significant projects contributing to this variance were:

  - New Meters to be Purchased in 2009 - $196,000
  - Installation of New Meters in 2009 - $39,500

- **Account 1925 – Computer Software**

OEB Account	2008 Actual	2009 Bridge	Variance
1925	2,360,459	2,670,459	310,000

  - 2009 Capital Expenditures and WIP Transfers Brought into Service - $310,000

➢ Significant projects contributing to this variance were:

  - New In-House System Developments (Upgrade Payroll & CIS) - $150,000
  - JD Edwards Archive Implementation - $40,000
  - TM1 Training - $30,000
  - FileNexus Upgrade - $15,000
  - Custom Modifications to HRWare - $15,000
  - Write-off of Assets at End of Useful Life - $(243,300)

- **Account 1930 – Transportation Equipment**

OEB Account	2008 Actual	2009 Bridge	Variance
1930	6,874,197	7,219,966	345,769

  - 2009 Capital Expenditures and WIP Transfers Brought into Service - $756,269

➢ Significant projects contributing to this variance were:

  - Light Duty Trucks to be Purchased in 2009 - $150,000
  - Heavy Duty Trucks Put in Service from WIP Purchased in 2008 - $516,269
  - Heavy Duty Trucks to be Purchased and Put into Service in 2009 - $90,000
  - Transportation Equipment to be Disposed in 2009 - $(410,500)

2010 Test Year vs. 2009 Bridge Year

- **Account 1808 – Buildings & Fixtures**

OEB Account	2009 Bridge	2010 Test	Variance
1808	6,240,576	8,066,099	1,825,523

  - 2009 WIP Transfers to Capital - $1,825,523

  - Significant projects contributing to this variance were:
    - Transformer Station #9 - $1,825,523

- **Account 1815 – Transformer Station Equipment >50kV**

OEB Account	2009 Bridge	2010 Test	Variance
1815	40,094,599	55,295,760	15,201,162

  - 2009 WIP Transfers to Capital - $15,201,162

  - Significant projects contributing to this variance were:
    - Transformer Station #9 - $12,517,800.
    - Replace T5 Transformer at Transformer Station #3 - $1,704,300
    - Install Arc-Proof Switchgear Doors at Transformer Station #4 - $630,700

- **Account 1830 – Poles, Towers & Fixtures**

OEB Account	2009 Bridge	2010 Test	Variance
1830	27,389,219	28,688,344	1,299,125

  - 2009 WIP Transfers to Capital - $1,829,035

  - Significant projects contributing to this variance were:
    - Relocations Due to Roadway Modification Projects - $350,000
    - System Expansions to Supply New Developments - $225,000
    - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $200,000
    - Single Phase Pole Line Rebuilds - $343,750
    - Write-off of Assets at End of Useful Life - $(529,910)

- **Account 1835 – Overhead Conductors & Devices**

OEB Account	2009 Bridge	2010 Test	Variance
1835	30,606,129	31,351,420	745,291

  - 2009 WIP Transfers to Capital - $1,476,540

➢ Significant projects contributing to this variance were:

  - Relocations Due to Roadway Modification Projects - $280,000
  - System Expansions to Supply New Developments - $180,000
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $160,000
  - Single Phase Pole Line Rebuilds - $275,000
  - Write-off of Assets at End of Useful Life - $(731,249)

- **Account 1840 – Underground Conduit**

OEB Account	2009 Bridge	2010 Test	Variance
1840	21,674,675	22,344,217	669,542

  - 2009 WIP Transfers to Capital - $1,270,976

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2010 - $710,000
  - Vault Roof Replacements - $216,000
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $180,000
  - System Expansion to Supply New Developments - $90,000
  - Relocations Due to Road Rebuilding Projects - $52,500
  - Write-off of Assets at End of Useful Life - $(601,433)

- **Account 1845 – Underground Conductors & Devices**

OEB Account	2009 Bridge	2010 Test	Variance
1845	37,462,718	37,863,510	400,792

  - 2009 WIP Transfers to Capital - $1,893,673

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2010 - $609,200
  - Feeder cables for Transformer Station #9 - $544,400
  - Replace 4M27 feeder cable (Stage 3) - $205,100
  - Minor Replacement of Assets Appurtenant to Projects Budgeted Under Other Accounts - $120,000
  - System Expansion to Supply New Developments - $60,000
  - Relocations due to Road Rebuilding Projects - $52,500
  - Write-off of Assets at End of Useful Life - $(1,492,992)

- **Account 1850 – Line Transformers**

OEB Account	2009 Bridge	2010 Test	Variance
1850	50,603,907	51,080,360	476,453

  - 2009 WIP Transfers to Capital - $2,469,765

➢ Significant projects contributing to this variance were:

  - New Transformers to be Purchased - $1,627,700
  - New Subdivision Developments in 2010 - $361,000
  - Install/Replace Single Phase & Three Phase Transformers - $500,000
  - Write-off of Assets at End of Useful Life - $(2,004,412)

- **Account 1855 – Services**

OEB Account	2009 Bridge	2010 Test	Variance
1855	38,424,440	39,387,653	963,213

  - 2009 WIP Transfers to Capital - $1,961,638

➢ Significant projects contributing to this variance were:

  - New Subdivision Developments in 2010 - $620,800
  - Installation of New Residential Services (WO 0083) - $450,000
  - New Commercial Primary and Secondary Services in 2010 - $234,000
  - Relocations Due to Road Rebuilding Projects - $315,000
  - Single Phase Pole Line Rebuilds - $173,050
  - Write-off of Assets at End of Useful Life - $(987,325)

- **Account 1860 – Meters**

OEB Account	2009 Bridge	2010 Test	Variance
1860	11,897,960	12,247,643	349,684

  - 2009 WIP Transfers to Capital - $724,000

Balances in 1860 do not include Smart Meters.

➢ Significant projects contributing to this variance were:

  - New Meters to be Purchased in 2010 - $305,600
  - Installation of Meters in 2010 - $16,500
  - Write-off of Assets at End of Useful Life - $(374,316)

- **Account 1925 – Computer Software**

OEB Account	2009 Bridge	2010 Test	Variance
1925	2,670,459	3,062,959	392,500

  - 2009 Capital Expenditures Brought into Service - $392,500

➢ Significant projects contributing to this variance were:

  - Purchase of Outage Management Software - $200,000
  - CIS System Development - $120,000
  - Email Archiving Software - $40,000
  - System Management Software - $20,000

- **Account 2070 – Other Plant**

OEB Account	2009 Bridge	2010 Test	Variance
2070	510,000	715,000	205,000

  - 2009 Capital Expenditures Brought into Service - $0

➢ Significant projects contributing to this variance were:

  - Purchase of Heavy Duty Transportation Equipment which will take more than one year to go into service - $715,000

VARIANCE ANAYLSYIS ON CONTRIBUTED CAPITAL:

KW Hydro tracks its contributions in aid of construction (contributed capital) in compliance with the Distribution System Code and its balances are a direct reduction of its rate base. Detail of the balances of Contributed Capital in aggregate are presented below.

OEB Account	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
1955	(16,627,062)	(20,619,130)	(25,609,027)	(30,771,382)	(35,269,965)	(38,069,965)	(40,869,965)
$$ Change		(3,992,068)	(4,989,896)	(5,162,355)	(4,498,583)	(2,800,000)	(2,800,000)
% Change		24.0%	24.2%	20.2%	14.6%	7.9%	7.4%

KW Hydro tracks its Contributed Capital by the OEB account to which the contribution pertains. Details of the Contributed Capital are presented in Table 23.

Additional details in dollar and percentage change year over year are presented in Tables 23 & 24.

KW Hydro's service territory resides within the Region of Waterloo, which is one of the fastest growing communities in Canada. The Region of Waterloo boasts a growth rate between 2001 – 2006 of 8.9% on its website. This growth has put pressure on KW Hydro's infrastructure resources but, at the same time, has led to year over year increases in Contributed Capital. The increase to Contributed Capital from 2004 to 2008 is 112% (approximately 22% per year).

The recent recession; however, has affected Waterloo Region negatively. The City of Kitchener, particularly, has long been known as a manufacturing hub with a blue-collar employee base. During the recession, there have been numerous plant closures. On March 13, 2009, Statistics Canada reported that for February 2009, Waterloo Region had the third highest unemployment rate in Canada at 9.1% with 25,500 people out of work - the highest unemployment rate for the Region of Waterloo since 1993. Just five months previous, the unemployment rate in Waterloo Region was much lower at 5.3%.

Capital contributions of $4.5M received in 2008, represents a 14.6% increase which is lower than previous year's of 24% in 2005, 24.2% in 2006 and 20.2% in 2007. KW Hydro expects this decline to continue into 2009 and 2010 due to the continued recession. KW Hydro forecasts a 50% decrease in new housing starts for 2009 Bridge and 2010 Test from the 2008 Actual, expecting Contributed Capital increases to remain flat at $2,800,000 for each year.

Capital Expenditures and Contributed Capital

KW Hydro budgets its capital expenditures each year basing its decisions on numerous factors including but not limited to:

- Expected growth
- Reliability statistics
- Previous years' experience
- Working capital availability

While the collection of Contributed Capital is considered to be a source of working capital and therefore reduces the overall cash required for its capital expenditures program, KW Hydro's capital expenditures program is not driven by the amount of Contributed Capital that it expects to collect in any given year. Capital expenditures are thus driven by the factors listed above (and more), rather than Contributed Capital.

Table 23

Contributed Capital Details - Balances by USoA Account

Account	Description	2004	2005	2006	2007	2008
1830	Poles, Towers and Fixtures	(761,738)	(870,284)	(1,098,312)	(1,167,461)	(1,492,095)
1835	Overhead Conductors and Devices	(646,259)	(717,432)	(878,613)	(934,108)	(1,151,516)
1840	Underground Conduit	(2,774,765)	(3,399,682)	(4,641,490)	(5,440,530)	(6,063,578)
1845	Underground Conductors and Devices	(2,002,100)	(1,931,663)	(898,799)	(805,775)	(1,573,826)
1850	Line Transformers	(3,017,845)	(4,088,461)	(5,830,863)	(7,251,217)	(7,988,314)
1855	Services	(7,326,318)	(9,484,136)	(12,132,894)	(15,040,758)	(16,858,049)
1860	Meters	(98,037)	(127,472)	(128,055)	(131,533)	(142,587)
		(16,627,062)	**(20,619,130)**	**(25,609,027)**	**(30,771,382)**	**(35,269,965)**

Table 24

Contributed Capital Annual $$ Change

Account	Description		2005	2006	2007	2008
1830	Poles, Towers and Fixtures		(108,546)	(228,028)	(69,148)	(324,634)
1835	Overhead Conductors and Devices		(71,172)	(161,181)	(55,495)	(217,407)
1840	Underground Conduit		(624,917)	(1,241,809)	(799,039)	(623,048)
1845	Underground Conductors and Devices		70,437	1,032,864	93,025	(768,051)
1850	Line Transformers		(1,070,616)	(1,742,402)	(1,420,354)	(737,097)
1855	Services		(2,157,819)	(2,648,758)	(2,907,864)	(1,817,290)
1860	Meters		(29,435)	(583)	(3,478)	(11,054)
			(3,992,068)	**(4,989,896)**	**(5,162,355)**	**(4,498,583)**

Table 25

Contributed Capital Annual % Change

Account	Description		2005	2006	2007	2008
1830	Poles, Towers and Fixtures		14.2%	26.2%	6.3%	27.8%
1835	Overhead Conductors and Devices		11.0%	22.5%	6.3%	23.3%
1840	Underground Conduit		22.5%	36.5%	17.2%	11.5%
1845	Underground Conductors and Devices		-3.5%	-53.5%	-10.3%	95.3%
1850	Line Transformers		35.5%	42.6%	24.4%	10.2%
1855	Services		29.5%	27.9%	24.0%	12.1%
1860	Meters		30.0%	0.5%	2.7%	8.4%
			24.0%	**24.2%**	**20.2%**	**14.6%**



ASSET MANAGEMENT STRATEGY

September 18, 2009

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Kitchener-Wilmot Hydro Inc.

Asset Management Strategy

1. Kitchener-Wilmot Hydro Overview

Kitchener-Wilmot Hydro Inc. (KWH) is a local distribution company responsible for the distribution of electricity to approximately 84,000 homes and businesses within the City of Kitchener and the Township of Wilmot. It is a subsidiary of Kitchener Power Corporation whose shareholders are the City of Kitchener and the Township of Wilmot, with ownership interests of 92.25% and 7.75% respectively. It receives power from Hydro One Networks Inc. and delivers electricity to its customers via seven high voltage transformer stations.

2. Strategic Goals

The corporation established a Business Plan, in 1993, which has been updated periodically, with the latest edition prepared in 2004. This Strategic Direction "Plan 2015" confirms the strategic goals of the corporation as follows:

A) CUSTOMER SATISFACTION

- Enhance customer satisfaction through high quality service.
- Promote the efficient use of electricity.
- Continue to deliver reliable electricity at the lowest reasonable rates.
- Minimize system outages.

B) ASSET MANAGEMENT

- Plan expansion of the transformation and distribution systems to meet the electrical needs of customers.
- Continue to refurbish aging plant facilities.
- Continue to reduce system outages.

C) ENVIRONMENT

- Support environmental programs (Reduce, Reuse, Recycle).
- Promote the purchase of environmentally friendly products.
- Provide an information system that addresses environmental issues. In particular, one that will eliminate or drastically reduce the need to produce volumes of paper to attain desirable results.

D) HEALTH & SAFETY

- Promote safety performance for staff and the public.
- Create a "Safety Culture" within the Corporation.
- Create a healthy environment for staff.

E) CORPORATE MANAGEMENT

- Continue to employ required staff with the necessary skills to meet customer needs and expectations.
- Maintain sound financial performance.
- Provide adequate tools, equipment and training to improve productivity and allow staff to serve the Corporation and its customers effectively and efficiently.
- Provide the systems necessary to capture, store and make readily available required information of all types to assist staff in effectively performing their function within the Corporation.
- Establish a totally compatible Internal Information Systems Network that will allow optimum utilization of a mix of hardware and software solutions regardless of their manufacturer.
- Build value for our Shareholders, the City of Kitchener and Township of Wilmot.

3. Asset Management Overview

KWH's commitment to Asset Management is confirmed in its Strategic Goals (above) and is not a new direction for the organization. KW Hydro is an infrastructure-based business with its distribution system assets the key element in the delivery of electricity to its existing and new customers. KW Hydro distribution assets range in age from new to over 60 years old.

Asset management is the management of physical infrastructure throughout its life cycle with the goal of optimizing life cycle costs and performance. KWH has a comprehensive system of inspection and maintenance procedures to provide for continuous assessments of its distribution business and to achieve consistency with its Strategic Goals. These procedures present information to satisfy the reporting requirements of the Ontario Energy Board's (OEB) Distribution System Code (DSC). However, KWH also has reporting mechanisms that go beyond these regulatory obligations and are focused on continuous performance improvements to ensure the availability of long term capacity to meet the needs of its customers, all of which contribute to the effective and successful management of the distribution system.

System reliability and performance is monitored via a variety of weekly, monthly, annual and on-demand reports generated by the Supervisory Control and Data Acquisition (SCADA) system. Equipment failures are identified by root cause and reported to the Board of Directors in a monthly report prepared by senior managers in the Operations Department. Service Quality Indicators such as SAIDI, SAIFI and CAIDI are tracked monthly and reported annually. When a pattern of recurring failures emerges, the Engineering Department is asked to investigate and try to develop a strategy for improving reliability.

Major assets such as pole lines are replaced as they approach the end of their life. End of life determinations are made on the basis of age, deteriorating condition, deteriorating performance, accelerating maintenance costs or some combination of the above.

Although K-W Hydro did not have a formal written Asset Management Plan prior to preparing this rate application, it has extensive inspection, maintenance and replacement programs for each of its assets that date back many years. Asset management is regarded as an evolving set of practices. K-W Hydro is constantly looking for ways to improve its inspection and maintenance activities. Maintenance practices now include infrared thermography, insulator washing and dry ice cleaning. In 1999, K-W Hydro replaced its old CableCAD Automated Mapping and Facilities Management (AM/FM) information system with an Intergraph Geographic Information System (GIS) that was compatible with and capable of interfacing with other corporate databases. Since that time, much effort has been devoted to integrating the GIS data with other corporate databases, converting existing asset records, capturing additional asset data and developing new capabilities. The GIS system is now able to produce a wide variety of reports and analyses in support of management decision making. Upcoming initiatives include:

- migrating maintenance record capture from a forms based system to electronic capture using a variety of mobile computing platforms;
- development of an Outage Management System (OMS) that can access smart meter data and linking outage data to the GIS platform;
- upgrading our SCADA system and improving the integration of SCADA and GIS databases.

K-W Hydro recently employed a consultant to review and document K-W Hydro's current asset management practices. The consultant's observations are summarized in a report entitled "Kitchener-Wilmot Hydro Inc. Asset Management Review". A copy of this report may be found in Exhibit 2.

Asset management is not viewed as a static end product, but an evolving discipline. As such, it is expected that the Asset Management Strategy will evolve over time. Asset replacement is an integral part of Asset Management and is usually capitalized. Kitchener-Wilmot Hydro first developed a ten year capital expenditures plan in 1995 as part of a corporate strategic plan. The current version of the ten year Capital Expenditures Plan examines trends in asset condition and age and identifies expected capital expenditures over the next ten years. These expected capital expenditures are documented in a ten year Capital Expenditures Forecast, which is included in Exhibit 2.

Responsibility for Asset Management is shared by senior managers throughout the organization.

The Operations Manager is responsible for the following asset management activities:

- Managing all asset inspection and condition assessment activities
- Monitoring and reporting on the performance of the distribution system
- Managing the Control Room and Supervisory Control and Data Acquisition (SCADA) System
- Acquisition and management of an Outage Management System (OMS)
- Managing all revenue metering activities including implementation of Smart Metering
- Managing the corporate fleet

The Engineering Manager is responsible for the following asset management activities:

- Managing the asset records stored in the Geographic Information System (GIS).
- Preparing plans for distribution system expansion and asset replacement
- Investigation of the causes of equipment failures and development of measures to mitigate future failures

The Manager of Information Technology is responsible for the following asset management activities:

- Managing all computer hardware and software assets
- Integrating all corporate databases into a seamless whole that supports staff in effectively performing their functions
- Development of the back office systems in support of Smart Metering and the proposed Outage Management System
- Development and implementation of mobile computing hardware and software, continuing the transition from paper based records to computerized data capture, storage and retrieval.

The Manager of Construction and System Planning has been assigned overall responsibility for the continuous management of the Asset Management Strategy and fills the role of the Asset Manager. The Manager of Construction and System Planning is also responsible for the following specific asset management activities:

- Managing all distribution system construction and maintenance activities
- Distribution system planning
- Analyzing outage data and identifying root causes that require mitigation

- Preparing and updating the Asset Management Strategy
- Preparing and updating the 10 year Capital Expenditures Program
- Preparing and updating the 10 year Capital Expenditures Forecast
- Co-ordinating the asset management activities of the Corporation

3.1 Performance Initiatives

KWH has implemented several practices that are designed to maintain or enhance performance and improve the reliability of its distribution system. These practices include routine and systematic inspections, reactive maintenance and preventative maintenance activities. Data related to these practices as well as data from various programs, for example the SCADA system or Customer Information System, is presented in various reports, summarizing and reflecting the status of the distribution system and events on the system. These reports are reviewed on an ongoing basis to identify emerging trends on the distribution network that may impact system performance and a root-cause analysis is performed for recurrent deficiencies. Where recurrent problems are identified, corrective measures are subsequently identified and implemented to address the deficiencies. Once the mitigating measures have proven to be effective KWH may proactively initiate new maintenance programs or revise standards or specifications to improve overall performance and reliability.

3.2 Inspections and Assessments

The application of the DSC reinforces the principles of good utility practice and identifies a systematic approach to distribution system inspection and maintenance. KWH has enhanced these requirements to generate more complete assessments of all of its key facilities. Routine inspection and reporting on the individual components of the distribution system is completed annually. Deficiencies identified during inspection and maintenance activities are prioritized based on severity and corrected accordingly. The most severe deficiencies (most likely to impact reliability and safety) are corrected immediately while less urgent priorities are channeled into the maintenance program, capital budget or identified for consideration in the 10 year plan.

4. Asset Management Considerations and Priorities

To provide consistency with its Strategic Goals KWH has to manage its assets while recognizing realistic service and performance goals. Customer expectations for the delivery of safe, reliable electricity at a reasonable price have to be respected. The following considerations are critical to the strategy:

- The strategy should create opportunities for improved efficiencies.
- The activities should demonstrate good stewardship in the long term up-keep of the distribution system.
- Service delivery should be safe, fair and consistent within all customer groups.
- Measures to improve performance should demonstrate progress towards and/or achievement of the goals within reasonable budget considerations.
- Maintenance plans should be consistent with good utility practice but capture specific items from the annual assessments and any specific customer needs.
- Capital budgets should justify proposed expenditures and be flexible to respond to new priorities and extended life expectancies.
- Recommendations from the strategy should provide placeholders in the 10 year Capital Expenditures Program.
- Annual reviews of the strategies and procedures should be a priority.

5. Risk Management

Risk management is a fundamental activity in any business and in the electrical distribution industry it requires a systematic approach to assess the following attributes of each asset:

- Condition
- Age and life expectancy
- Location
- Operational data and
- Maintenance
    - Reactive maintenance
    - Preventative maintenance
    - Asset replacement based on condition/age to minimize failures
    - CBM (Condition Based Maintenance)

It is the systematic approach of inspections, condition and age assessment, data analysis and maintenance that allow KWH to identify and mitigate risk to its assets and distribution system. The details of this systematic approach are documented within this section.

5.1 Inspections and Condition Assessment

The OEB's DSC establishes Minimum Inspection Requirements (Appendix 1) which document in detail, the inspection standards and cycles required. Table C-1 identifies the maximum intervals for the inspection cycle patrols, which for most urban facilities is 3 years. A definition of Patrol Inspection is included on the first page of the document.

KWH's service area is served by an urban distribution system serving the City of Kitchener and a rural distribution system serving the Township of Wilmot. Its service area is structured into geographical zones for implementation of systematic and routine visual patrols to comply with the OEB inspection requirements, at a minimum. The visual inspections of the major distribution facilities, noted below, are comprehensive and the level of detail is beyond the Patrol Inspection Definition. In addition to fulfilling the requirements of the DSC, the inspections allow for deficiencies and the general condition of system components and related peripheral equipment and hardware, including vegetation growth, to be realized and documented with sufficient lead time and for subsequent analysis in support of maintenance and capital planning activities concerning the following assets:

- o Poles/Supports/Hardware
- o Conductors
- o Switches and Protective Devices
- o Transformers
- o Stations
- o Civil Infrastructure
- o Vegetation
- o Maintenance

5.1.1 Overhead Systems

General Practice

KWH currently inspects the overhead distribution system in each geographic zone, completing approximately one-third of its distribution system each year, as per Appendix C 'Minimum Inspection Requirements' of the DSC. The visual patrol serves as an inspection to assess the condition of overhead assets, including wood/concrete poles and their supports and attachments, pole-mounted distribution transformers, switches and surrounding vegetation; inspection and assessment of each of these assets is further described below. A map of the zone subject to inspection along with a System Inspection Work Log Sheet and an Overhead System Defect Report are used during the visual patrol. The System Inspection Work Log Sheet (Appendix 2) is on a 'report by exception' basis; that is, unless a defect is identified during the inspection, the Work Log only documents the completion/date of inspection, overhead transformer, switch or other equipment numbers included within the zone and the inspector's name/initials. Any defects identified during the inspection are also noted on the System Inspection Work Log Sheet, with the location and description of the defect, and are more thoroughly documented on KWH's Overhead System Defect Report (Appendix 3); this Report notes the location of the defect and allows for the inspector to comment on the condition of the overhead asset(s). The System Inspection Work Log Sheet and the Overhead System Defect Report are subsequently submitted for review by management. Follow-up reactive maintenance is subsequently prioritized and scheduled, through the issuance of a Maintenance Work Order or MWO, for correction of defects. Data from inspection activities are compiled and used for reporting as noted in Section 5.3.

5.1.1.1 Poles/Conductors/Supports/Hardware

Annual visual inspections of KWH-owned poles are conducted internally, as described above, allowing each pole to be visited on a 3 year cycle and satisfying the inspection requirements of the DSC. The condition-based assessment allows KWH to monitor and identify defects concerning the integrity of the pole or other issues concerning the condition of the pole, supports and attachments including conductor, cross arms, guys and guy guards, cable dips, et cetera. Such defects and concerns are identified on the System Inspection Work Log Sheet and detailed further through commentary on the Overhead System Defect Report.

Analysis of the asset records maintained in KWH's Geographic Information System (GIS) reveals that the poles supporting three-phase trunk feeders have an average age approximately 10 years younger than the poles supporting single-phase distribution circuits. This is consistent with past capital investments, as KWH has focused its construction efforts in rebuilding pole lines carrying trunk feeders. Of the three-phase poles, less than 1% are greater than 60 years old, 9% are between 50 and 60 years old, 9% are between 40 and 50 years old and 81% are less than 40 years old. Of the single-phase poles, 2% are greater than 60 years old, 23% are between 50 and 60 years old, 17% are between 40 and 50 years old and 58% are less than 40 years old. Of the poles supporting no high voltage conductors, less than 1% are greater than 60 years old, 5% are between 50 and 60 years old, 4% are between 40 and 50 years old and 90% are less than 40 years old.

KWH tested the condition of all of its wood poles in the 1990's and intends to perform another round of pole testing in the near future to supplement its current visual inspection program. KWH's 10 year Capital Expenditure Program sets targets for replacing poles greater than 40 years old. The strategy is to test and confirm the integrity of poles greater than 40 years old and to consider the test results when prioritizing pole replacements. An increase in the capital expenditures for pole replacement will be required to achieve the targets.

5.1.1.2 Transformers/Switches/Vegetation

Inspections of pole-mounted transformers, switches and vegetation growth are also a component of the visual patrol of the overhead distribution system as noted in the general practice above and are therefore inspected on a 3 year cycle. Deficiencies related to the transformers, switches and excess vegetation are noted on the Overhead System Defect Report and subsequently addressed through reactive maintenance programs.

The condition of overhead system assets is further identified during preventative maintenance activities, including infrared thermography, insulator washing and vegetation management.

5.1.2 Underground Systems

General Practice

Similar to the general overhead process of inspection and condition assessment, the underground distribution system is also inspected on a 3 year cyclical basis to assess the condition of underground assets including pad-mount transformers, submersible transformers, transformer vaults and adjacent civil structures. Inspection details are noted on the System Inspection Work Log Sheet as well as a basic description of the underground distribution system defect, on a 'report by exception' basis as described in Section 5.1.1. An additional supplementary form, the Underground System Defect Report (Appendix 4), similar to the Overhead System Defect Report, serves to identify in greater detail inspection activities and defects in need of attention. Following inspection of the applicable grid-zone, the System Inspection Work Log Sheets and the Underground System Defect Reports are submitted to management for review. As with overhead systems, follow-up reactive maintenance is subsequently prioritized and scheduled, through the issuance of a MWO (Appendix 5), for correction of defects that were identified in the visual patrol of the underground system. Additionally, the condition of underground system assets is further identified during preventative maintenance activities, including infrared thermography, of the underground system. Again, data from inspection activities are compiled and used for reporting as noted in Section 5.3.

5.1.2.1 KWH expects to develop a tracking feature for underground cable faults within its GIS when more faults are realized Transformers

Inspections of pad-mount and submersible transformers occur within the visual patrol of the underground distribution system and are therefore inspected on a 3 year cycle, whereby approximately one-third of the transformers within KWH's distribution system are inspected on an annual basis. Deficiencies such as broken bushings, oil leaks or paint chips, among others, are noted on the Underground System Defect Report and on the Underground System Pad-mounted Transformer Survey Sheet (Appendix 6) or Underground System Submersible Survey Sheet (Appendix 7) for pad-mount and submersible transformers respectively.

5.1.2.2 Civil Infrastructure

Inspections of civil infrastructure for pull boxes and network transformer vaults are included in the underground distribution system inspection completed on a 3 year cyclical basis. Deficiencies are noted on the Underground System Defect Report and submitted for review and prioritization by management and based on a site-check.

5.1.3 Stations/Breakers/Reclosers

As with the overhead and underground distribution system, KWH performs comprehensive inspections and condition assessments of both KWH-owned stations and customer-owned substations.

5.1.3.1 KWH-Owned Transformer Stations

There are 7 KWH-owned Transformer Stations (TSs) operating at 115kV to 13.8 kV or 230kV to 13.8kV. Inspection of the TSs is performed on a daily, weekly and/or monthly basis and follows the general KWH practice of reporting deficiencies on the appropriate forms (refer to Appendix 8) and subsequent scheduling of maintenance through issuance of an MWO to correct the deficiencies.

Transformer Station inspections incorporate several activities on a daily, weekly and monthly basis and generally include the following:

1. Daily Transformer Inspections
2. Daily Switchgear Building Inspection
3. Weekly General Inspections
4. Monthly Tapgear Counter Readings and Assessment of Station Service Transformers
5. Monthly Emergency Equipment Inspections

5.1.3.2 KWH-Owned Distribution Stations

There are 7 KWH-owned Distribution Stations (DSs) operating at 27.6kV to 8.32kV. Inspection of the DSs is performed on a weekly and/or monthly basis and follows the general KWH practice of reporting deficiencies on the appropriate forms (refer to Appendix 9) and subsequent scheduling of maintenance through issuance of an MWO to correct the deficiencies.

Distribution Station inspections incorporate several activities on a weekly and monthly basis and generally include the following:

1. Weekly Transformer and Building Inspections
2. Weekly Recloser/Circuit Breaker/Voltage Operations Assessment and Readings
3. Monthly Voltage Regulator Inspection and Readings (where applicable)
4. Monthly Emergency Equipment Inspections

5.1.3.3 Customer-Owned Substations

There are 735 customer-owned substations, of which 556 house transformers owned by KWH while the remaining house customer-owned transformers. Both substation enclosures and KWH-owned transformers are inspected by KWH crew on an annual basis.

The Customer-Owned Substation Inspection Form (Appendix 10) is the form utilized for customer-owned transformers at customer-owned substations and identifies, at a minimum, items at the substation enclosure requiring inspection; the form also allows for reporting deficiencies related to inspection items or other items that require the owner's attention.

The Customer Service Transformer Vault and/or Room Inspection form (Appendix 11) is utilized for inspection of KWH-owned transformers at customer-owned substations. In addition to inspection and reporting of the substation enclosure, the transformers are inspected for leaks, oil level and oil temperature; if necessary, oil temperature is reset and recorded again after resetting. Deficiencies are noted on the form which is submitted for review by Operations management. Subsequent follow-up reactive maintenance, if necessary, is prioritized and performed for KWH-owned transformers.

If deficiencies are found in customer-owned transformers, transformer vaults or transformer rooms, a Customer Service Defect Letter (Appendix 12) is issued to the owner and may indicate the time-frame in which repairs are to be made, based on the severity of the deficiency. If deficiencies are not repaired in a timely manner, a second letter is issued to the owner and the Electrical Safety Authority (ESA) is notified.

In addition to the above inspection activities, maintenance is performed at the substations and is described in Section 5.2 'Maintenance'. For the majority of these activities, inspection and maintenance are performed together.

5.2 Maintenance

General maintenance is essential to minimizing risk and maintaining the functional integrity of a distribution system. Furthermore, such maintenance reduces overall costs, service disruptions and the need for immediate or emergency expenditures. KWH has recognized these benefits and has implemented two maintenance programs: reactive maintenance and preventative maintenance.

5.2.1 Overhead Systems – Reactive Maintenance

General Practice

Generally, maintenance activities are initiated after the inspection process through the creation and issuance of a Maintenance Work Order (MWO) as noted in Section 5.1, Inspection and Condition Assessment. The MWO (Appendix 5) identifies the equipment and location, follow-up action to address defects or concerns, the time frame for completion, an estimate of man-hours required to complete the maintenance activity and a work order number to which time and materials are charged. The activities are then scheduled based on priorities identified during weekly scheduling meetings. Generally, the priorities are as follows:

1. Activities driven by health and/or safety concerns.
2. Activities driven by external demands (e.g. customers, City of Kitchener or Township of Wilmot).
3. Reactive maintenance (identified during visual patrols).
4. Preventative maintenance.
5. Activities driven by high level planning through the annual budget.

The reactive maintenance program, Item 3, serves to address and remedy any deficiencies found during inspections and as noted on the System Inspection Work Log Sheet, Overhead System Defect Report and Overhead Line Maintenance Sheet. Reactive maintenance is further prioritized into 3 categories, A, B and C, based on the severity of the defects. ‘A’ priorities are defects or concerns requiring immediate attention, where any critical issues are identified and addressed immediately. Due to the urgency of these concerns, a separate MWO is not issued as described above; rather associated costs are charged to a standing work order that is then reviewed at a later date. ‘B’ and ‘C’ priorities, as determined by experience or a site review, are less urgent. Items of this priority are subsequently channeled into a maintenance schedule for completion within 1 month to 3 years, that is, prior to the next inspection period. External demands and/or customer impact are also considered when scheduling ‘B’ and ‘C’ priority remediation. For example, deficiencies that negatively impact service reliability would be corrected more quickly. Costs are charged to the work order numbers, as identified on the MWO. Once reactive maintenance is completed, the MWO is returned with further comment on action taken and the date of completion. The MWO is subsequently utilized for further system defect reporting and monthly reporting. Alternatively, through data analysis further elaborated below, these deficiencies may be channeled into a capital program for asset replacement.

5.2.2 Overhead Systems – Preventative Maintenance

General Practice

The preventative maintenance program is a more structured and comprehensive program for scheduling and completion of routine maintenance of the distribution facilities. The frequency of maintenance varies but generally considers the available technology to perform maintenance (such as infrared thermography), manufacturer specifications and relative importance of the equipment to the overall system reliability. Furthermore, preventative maintenance activities such as insulator washing serve as a secondary visual inspection of the condition of the assets. The program encompasses all the activities that are considered to be industry standard and good utility practice, including switch maintenance, infrared thermography of overhead plant, insulator washing and vegetation management. These combined inspection and maintenance activities provide adequate warning of asset deterioration and major problems.

As noted in Section 5.3 and similar to inspection and reactive maintenance activities, data from preventative maintenance programs are compiled and used for reporting. Corrective action to address deficiencies is initiated after analysis of reports and data, also as noted in Section 5.3.

5.2.2.1 Switches

Preventative switch maintenance is scheduled to be performed on a 7 year cycle. A list of Load Interrupter (LI) and Fused Load Interrupter (FLI) switches that are due for maintenance is generated and forwarded for scheduling. Inspection and maintenance activities are documented using the Overhead Line Maintenance Sheet (Appendix 13) which identifies switch properties, such as manufacturer, and switch condition. A check list for the switch condition allows personnel to note the condition and further comment on maintenance performed. The completed Overhead Line Maintenance Sheet is returned to management with date of inspection/maintenance and the next service date is subsequently documented. Any outstanding switch activities are carried over as inspection/maintenance activities for the subsequent year.

5.2.2.2 Infrared Thermography

Infrared (IR) thermography of overhead plant is completed once per year on all overhead 3-phase feeders. During this process all equipment installed on the same structure is checked for hot spots and general deficiencies of the facilities, including primary conductors for all voltages, overhead transformers, secondary dip cable, et cetera. These hot spots are recorded and a summary report is submitted to KWH documenting all defect locations and severity of the defects. Maintenance to address defects, as noted in the report, is subsequently scheduled based on defect severity. Generally, hot spots categorized as severe are addressed and repaired within 2 weeks, intermediate hot spots within 1 month and minor hot spots within 2 to 3 months.

5.2.2.3 Insulator Washing

Insulator washing is performed on a 2 year cycle for all 27.6kV polymer and porcelain insulators; that is, half of the total number of insulators are washed in year one while the other half are washed in year two. Additionally, insulator washing on the 13.8kV system is performed annually for insulators in areas known to have high salt contamination, as identified through previous washings and general reporting. An Insulator Cleaning Report (Appendix 14) summarizes washing activities and also identifies insulator concerns such as broken insulators and other visible issues observed with existing overhead equipment. In response to the insulator washing report, the Maintenance Supervisor prepares MWO's to resolve the concerns and issues as identified in the report; an example of an MWO to repair a broken insulator identified during insulator washing is also found in Appendix15.

5.2.2.4 Vegetation Management

Vegetation management, or tree trimming, is a preventative maintenance program scheduled on a 5 year cycle, where one of each of five zones of the distribution system is completed each year. This activity is executed by in-house utility arborists. Using their specialized knowledge of growth rates of various vegetation, arborists may either trim more frequently in a zone or trim back more growth to account for the different growth rates and in consideration of the 5 year trim cycle.

KWH takes additional preventative maintenance initiatives in their vegetation management program including tree-trimming during the implementation of capital build/rebuild projects as well as weed-spraying around transformer stations, rural distribution stations and transformer enclosures. Additionally, a substantial amount of reactive maintenance is performed in response to requests from the public to trim or remove trees in proximity to power lines.

5.2.3 Underground Systems – Reactive Maintenance

General Practice

Reactive maintenance of KWH's underground distribution system assets follows the same practice as noted for overhead systems, addressing and resolving any deficiencies found during inspections and documented on the Underground System Defect Report, Underground System Pad-Mounted Transformer Survey Sheet and Underground System Submersible Survey Sheet. Data from these documents are reviewed and subsequently utilized for reporting. As with overhead, associated costs for underground reactive maintenance are charged to the appropriate work order number.

5.2.3.1 Civil Infrastructure

There are three options to correct deficiencies in civil infrastructure. The deteriorated structure may be repaired (minor defects only), rebuilt to the original design or replaced with a new design. All three types of work are normally performed internally by K-W Hydro staff. Depending on the severity of the deficiency, the repair/rebuild/replace activities are generally completed within 3 months to 3 years from the initial inspection

5.2.4 Underground Systems – Preventative Maintenance

General Practice

The preventative maintenance program for the underground distribution system also forms a more structured and comprehensive program for scheduling and completion of routine maintenance of the underground distribution facilities. The frequency of maintenance varies but again considers the available technology to perform maintenance (such as infrared thermography and oil testing), manufacturer specifications and relative importance to the overall system reliability of the equipment. Furthermore, the preventative maintenance activities serve as a secondary visual inspection of assets, as the condition is further noted. The program encompasses activities that are considered to be industry standard and good utility practice, including infrared thermography of some underground plant. These combined inspection and maintenance activities provide adequate warning of asset deterioration and major problems.

As with inspection and reactive maintenance activities, data from preventative maintenance programs are compiled and used for reporting as noted in Section 5.3. Corrective action to address deficiencies is initiated after analysis of reports and data, as noted in Section 5.3.

Associated costs for underground preventative maintenance are charged to the appropriate work order number.

5.2.4.1 Infrared Thermography

Infrared thermography for the underground distribution system is completed as needed in known problem areas, specifically where outages most commonly occur, and at underground trunk feeders from substations. This practice is performed once every two years. In the intermediate years, IR thermography is completed at expressway crossings and on portions of KWH's network system, again in known problem areas where hot spots most commonly occur.

5.2.5 Stations/Breakers/Reclosers

General Practice

Inspections and maintenance of stations, breakers and reclosers are generally performed as a single activity. Similar to overhead and underground system maintenance, associated costs are charged to the appropriate work order number and data from inspections and maintenance are maintained for reporting purposes. This

section further elaborates on the preventative maintenance of power transformers, circuit switchers, breakers, reclosers and general dry-ice cleaning.

Corrective action to address deficiencies is initiated after analysis of reports and data, as noted in Section 5.3.

5.2.5.1 KWH-Owned Stations

All power transformers are owned by KWH, with 23 in service and 1 spare at the various Transformer Stations and Distribution Stations within the City of Kitchener and the Township of Wilmot. Preventative maintenance of these power transformers, performed on an annual basis, is initiated through the issuance of a work order. Appendix 16 is a set of maintenance instructions for tap changer maintenance, oil testing and general maintenance of the main power transformers, respectively, all of which activities are included in the preventative maintenance program.

Inspection and preventative maintenance of the 230kV circuit switchers is performed once every 5 years or after 750 open/close operations. Appendix 17 outlines the inspection and preventative maintenance instructions for the circuit switchers.

SF6, vacuum and air circuit breakers are located at each of the TSs and at one DS and are maintained once every 5 years (or if 50 operations have occurred before maintenance is due). Maintenance instructions and reporting forms applicable to all makes of pressurized or vacuum breakers may be found Appendix 18. Generally, any outstanding work that cannot be completed at the time of maintenance is noted; outstanding items are then reviewed and scheduled for correction at a later date.

Six of the seven DSs incorporate three-phase reclosers for protection and control that are maintained once every 3 years. As with other preventative maintenance activities, a work order is issued for subsequent scheduling. The set of instructions issued for preventative maintenance of the three-phase reclosers may be found in Appendix 19. Any outstanding work that cannot be completed at the time preventative maintenance is performed, for example where new parts are required, is noted and reviewed by management. Outstanding items are then completed at a later date.

5.2.5.2 Customer-Owned Substation Preventative Maintenance

Dry-ice cleaning, is performed on the KWH-owned load interrupter switches and power fuses installed in customer-owned substations on a 3 year cycle. This preventative maintenance activity can be implemented without having to de-energize the transformers, ultimately improving reliability.

5.3 Documentation & Data Analysis

KWH's distribution system, serving the City of Kitchener and the Township of Wilmot, is divided into 220 geographical zones (Appendix 20), whereby the overhead and underground distribution system and substations in each zone is systematically and routinely inspected by an overhead and underground/station crew respectively.

5.3.1 Documentation

5.3.1.1 Document Management

Documented results of these inspection and maintenance activities is largely paper-based, whereby inspection forms, maintenance reports, work orders and maintenance activity instructions are issued and submitted on paper. Additionally, IR thermography reports and insulator cleaning reports, completed by external contractors, are also submitted on paper. These records are filed and maintained for at least seven years.

Records that are created and/or maintained electronically include historical data and event logs, generated by the SCADA system and maintained in MS Excel as well as outage records and damaged equipment reports,

both of which are maintained in an Access database. Currently, all Load Interrupter (LI) and Fused Load Interrupter (FLI) switches and related data are recorded in the GIS and in an MS Access database and are used to initiate maintenance activities; that is, the Access database records the switch number and dates of service last performed and service next due. Additionally, Excel spreadsheets are used to track and schedule breaker/recloser preventative maintenance, track work orders issued and completed and track the total number of transformers at customer-owned substations as they are installed or removed as well as the number of inspections scheduled per month.

Over time, paper based inspection and maintenance records will be migrated to electronic data capture, storage and retrieval as part of ongoing initiatives to deploy mobile computing, to integrate corporate databases and to continue development of the Geographic Information System (GIS). It is anticipated that these records will be linked to and retrievable from the GIS, both in the office and in the field, enabling a whole new range of analysis and reporting capabilities.

Similarly, it is anticipated that records created and maintained in stand-alone databases will be migrated to the corporate Oracle database platform and integrated with other corporate databases.

5.3.1.2 Reporting

The following provides an overview of the reports relevant to asset and risk management and highlights a few of the weekly, monthly and annual reports prepared internally for review and data analysis.

An example of a KWH Control Room Weekly Update Report may be found in Appendix 21. The report summarizes trends and problems regarding the Ontario System Performance and KWH System Performance. It also identifies transmission/supply issues, significant feeder outages and outage sources on KWH's distribution system during the reporting period. The report is scrutinized by senior managers and enables a high level review of the issues and initiation of solutions to mitigate re-occurrence of these issues. These weekly outage reports are reviewed on an annual basis to determine general feeder reliability.

The Control Room maintains a database of all events that affect the distribution system. A variety of reports are generated from the events database on a weekly, monthly, annual or on demand basis. These reports provide managers with a wealth of information on outages, equipment failures, transmission supply issues, accidents, dig-ins, construction/maintenance activities and any other issues that affect the integrity and reliability of the distribution system. One example is the Damaged Equipment Report (Appendix 23) which is generated monthly and reviewed for preparation and inclusion in the Monthly System Report.

Each month, the departmental managers request summary reports from the supervisors within the respective departments for compilation and reporting of the departmental activities. One example is the Monthly Maintenance Report (Appendix 22) that summarizes maintenance activities for each of the Stations & Underground Department, the Line Department and the Construction Department. The summary outlines the number of completed and outstanding MWO's and the number of estimated work hours scheduled and completed for critical maintenance work to KWH's distribution system. Included in the Monthly Report is an individual report for each department. The Stations & Underground report recapitulates scheduled and completed station recloser maintenance, infrared hot spot repairs and other maintenance related to this group; likewise, the Line Department report outlines switch maintenance and infrared hot spot repairs. The individual reports also detail inspections completed within the month and are used for annual system survey reporting to the OEB. Lastly, the Monthly Report includes a Vehicle Maintenance Monthly Report, summarizing vehicle maintenance, specifications and tenders, a tree-trimming report and a Customer Service Deficiency Report, summarizing Customer Service Defect Letters issued for customer-owned substations.

The Operations Manager and the Manager of Construction and System Planning jointly prepare the Monthly System Report (Appendix 24), a high-level summary of construction, maintenance, equipment failures, health & safety activities and general activities from the Line, Stations and Underground, Construction, Metering, Protection and Control, Locate and Control Room Departments. This report is circulated to senior managers and presented to the Board of Directors and provides the basis for discussion of issues and trends affecting the operation and reliability of the distribution system.

KWH has developed an annual System Survey Report (Appendix 25) for reporting of visual patrols to the OEB. Major equipment categories for overhead and underground are not reported separately. Rather the System Survey Report summarizes the number of geographical grids scheduled for inspection and completed and defects identified and repaired each month, providing a total for the year. Each grid is inspected to identify defects related to the overhead and underground distribution system, stations and civil infrastructure. As required by the OEB, the System Survey Report is submitted to the OEB on an annual basis.

An Annual Engineering & Operations Report is prepared (Appendix 26) by Engineering and Operations Management and provides a summary of the Monthly System Reports as well as a summary of the work completed by the Operations and Engineering departments throughout the year, including construction and maintenance activities, and details statistics, cost indices and system outages. This report is circulated to senior managers and presented to the Board of Directors and provides the basis for discussion of issues and trends affecting the operation and reliability of the distribution system.

5.3.2 Data Analysis

Reports produced by the Control Room on a weekly, monthly or yearly basis analyze and summarize distribution system events and outages in a variety of different ways. Weekly Outage Reports list every outage, together with cause, duration and number of customers affected. Monthly System Reports list every equipment failure together with cause as well as any operating or maintenance or construction activity worthy of note. Annual reports produced by the department managers summarize the significant construction and maintenance activities. Operational, performance and fiscal statistics are presented and compared with previous years. Custom reports from the GIS system, the SCADA system, the Customer Information System, the Financial System, the Purchasing System, the transformer database, the meter database and other corporate databases are easy to configure and run on demand to support decision making processes. Queries across databases are almost as easy to configure. Senior staff involved in the operation and maintenance of the distribution system receives copies of all these reports. Discussion of emerging trends and potential initiatives to improve performance are ongoing.

Inspection and maintenance results are used to generate many reports, as described above, reflecting the status of the distribution system and to provide data for analysis by KWH. Data analysis is performed as documentation is prepared. That is, the deficiency reports and general preventative maintenance reports are reviewed and analyzed for trends, quality and impact on reliability; an informal root cause analysis may be performed for habitual equipment defects or failures, with solutions addressed in revised maintenance activities or capital projects. For example, trending and analysis revealed areas of the distribution system with high salt contamination; the subsequent solution implemented was to change the maintenance frequency for insulators, specifically increasing insulator washing activities, to minimize flashovers and outages, thereby improving reliability. Inspections and subsequent data analysis have revealed excess dirt accumulation on some KWH-owned transformers at some customer-owned substations. KWH is considering expanding its dry-ice cleaning program to include transformers in some of the dirtier locations. This preventative maintenance activity can be implemented without having to de-energize the transformers, ultimately improving reliability. Additionally, IR thermography and insulator washing reports are reviewed and analyzed to identify re-current deficiencies, such as hot spot patterns. Root cause analysis is subsequently performed and corrective measures are taken, where possible. For example, numerous hot spots have been recorded on in-line cut-outs and a root cause analysis revealed faulty connectors; KWH was then able to forecast the possibility of future hot spots. To minimize recurrence and to provide for continuous improvement to its system, KWH initiated a program to correct this problem, thereby eliminating a source of future outages. Another example was found in KWH's experience with submersible transformers. KWH's reports showed transformer failures in unexpected areas. The records revealed that submersible transformers had failed prematurely in certain areas of the distribution system. Examination of failed units revealed a corrosion problem in areas where the soil is poorly drained. Specifications and standards were revised to make the transformers more resistant to corrosion. A limited replacement program was subsequently implemented. Ongoing monitoring has revealed additional weaknesses that are being corrected through further design changes. Once the mitigating measures have proven to be effective, KWH intends to begin changing out transformers on a proactive basis in problem areas to improve reliability.

Items of concern are reviewed and discussed informally between KWH staff or more formally through regular and frequent departmental meetings in which maintenance activities are typically addressed. These and other meetings also serve as the general forum for addressing distribution network items that may impact system performance or expenditures and in support of additional maintenance or capital expenditures. As an example, repeated pole condition assessments, a maintenance item, were discussed and it was decided that further expenditures could be capitalized as a rebuild project through these discussions.

6. Innovation and New Technology

The Green Energy Act (GEA) offers opportunities for increased innovation and new technologies within the development of a Smart Grid. KWH has strong foundations in its established Supervisory Control and Data Acquisition (SCADA) and Geographic Information Systems (GIS). These systems would be leveraged in combined applications with Smart Meter communications to introduce enhancements such as 'In-Home Presentment', Outage Management Systems (OMS) and the introduction of increased distributed generators.

6.1 Supervisory Control and Data Acquisition (SCADA)

In 1988, KWH purchased and implemented a VMS-based Quindar (Survalent) Supervisory Control and Data Acquisition (SCADA) system for control and telemetering of components of its distribution system. The master station was subsequently upgraded in 1999 to provide increased speed, reliability and greater memory capability. Additionally, software was upgraded for better event handling. Currently, the system is dual redundant to allow for a seamless transition of data to a back-up system without affecting the continuity of system operation, thus providing a high level of system reliability and availability. To provide the required level of performance and sophistication of a Smart Grid, KWH expects to evaluate upgrades available to its SCADA system (i.e. a Windows-based system).

The SCADA system models the TSs and DSs with points telemetered to provide real-time analogue and status data. Alarm reporting and events, such as feeder peaks and peak station values, are logged into a historical data file every hour; the data is subsequently downloaded to an Excel file each month and archived for a minimum of five years. In addition to data acquisition, the system allows for control of feeder breakers, main and tie breakers, line disconnect switches, reclosures and transformer tap changers.

6.2 Geographic Information System (GIS)

In 2001 KWH began surveying poles and primary equipment for integration into their current Geographic Information System (GIS) – Intergraph's G Technology, an Oracle-based platform. Following the survey process, the data gathered was populated within the GIS as well as the transfer of paper maps, underground plant, secondary equipment, joint-use plant and streetlight data. The GIS is updated as new assets are installed, for example with new construction or as assets are replaced.

The GIS database also serves as a relational database which allows for one-way access to other databases; that is, the GIS routinely polls these databases to obtain information which it then uses to update its own database. This information and databases polled include:

1. Customer Information System (CIS): customer account number and meter number
2. Metering Database: type of meter and nameplate data
3. Transformer Database: PCB data (if applicable), nameplate data and transformer characteristics

As such, one may query a customer premise or transformer from the GIS and obtain information about the account/meter or transformer respectively.

KWH has indicated its intentions to further utilize the GIS to perform spatial queries on transformer failures, pole fires, animal contacts and cable faults. The spatial queries would allow analysis of these items to determine whether they are of geographical significance; that is, whether transformers, for example, are failing in a particular geographic area. Subsequent root-cause analysis would allow KWH to minimize failures and better maintain their assets. Additionally, KWH intends to further leverage the existing GIS by referencing the GIS database to the outage event log database to perform spatial queries on outages. Analysis of the impact of squirrel contacts in a given area, for example, could determine the subsequent impact to the number of customers affected, customer outage minutes and other reliability indices related to an event and therefore, through corrective measures, improve overall reliability.

6.3 Distribution Automation

With the introduction of the GEA, KWH has recognized the potential for system performance improvements offered by the Smart Grid. It is reviewing the benefits and opportunities for distribution automation, specifically the technologies associated with self-healing feeders. KWH is expecting to initiate a pilot project to evaluate equipment and communications technologies where the best advantages can be achieved within its distribution system. This should result in a long-term commitment within its 10 Year Capital Investment Plan.

KWH is also monitoring industry trends and the progress of other Local Distribution Companies (LDCs) in the advancement of these applications.

7. Performance Considerations

Performance of the distribution system is a continuous priority for KWH.

Data collected from inspection and maintenance activities as well as from reports documented in Section 5.3 provide data used for consideration of KWH's distribution system performance. Additionally, data is generated from KWH's SCADA system, providing event information for its distribution system performance. This data includes equipment events, such as transformer, switch and conductor failures and outage reports, identifying outage duration, number of affected customers, and customer calls, for example. Data is subsequently compiled into various reports, for analysis and review by management. Root-cause analysis is performed for these significant events and equipment failures; that is, management investigates analyzes the data to identify the cause of failures through a review of the event, location, failure rates and any other information that may contribute to determining the cause for failure. Through this investigation process, patterns and trends may become apparent. Mitigation strategies, for example redesign, are subsequently developed and applied to improve system performance. As an example, staff observed that various reports identified animal contacts (particularly squirrels) as the cause of a significant number of outages. Feeder outages from the SCADA system were examined to determine the worst performing feeder(s). These reports further confirmed, through root-cause analysis, that animal contacts were the cause of many of the outages on the worst performing feeder(s). KWH has begun experimenting with different approaches to animal guarding on this feeder to develop a cost-effective mitigation strategy for improving feeder reliability. KWH intends to apply lessons learned to other feeders experiencing higher rates of outages due to animal contacts, thereby improving feeder performance and system reliability. Furthermore, animal guarding has been incorporated into the standards for pole lines in treed areas. Another such example was noted in section 5.3.2, where specifications and standards for submersible transformers were revised to mitigate transformer failures due to corrosion.

Outage data may also be queried for calculation of Service Quality Indicators (SAIDI, SAIFI, CAIDI), either by regulatory groups or Finance, for OEB reporting. Additionally, the Service Quality Indicators (SQIs) are calculated monthly and reviewed annually for the entire KWH system by Finance, Engineering and Operations management for comparison with the previous five years. Again, the condition and performance of feeders are reviewed and root-cause analysis performed; a mitigation strategy is developed and recommendations are made for improvements within the maintenance plan and/or the capital investment plan, recognizing the suitability of any new technology. The recommendations also have to reflect the potential timeframes resulting from the Feeder Performance and require experienced judgment. The Asset Manager will consult with the appropriate engineering and operations personnel to arrive at consensus for these recommendations.

8. Maintenance Budget

Maintenance inspection activities are organized geographically and are coordinated with the Minimum Inspection Requirements of the DSC. Any maintenance recommendations resulting from the routine visual patrols, reactive or preventative maintenance performed are addressed within this maintenance budget. The Maintenance Budget also serves as a placeholder for future operations and maintenance activities recommended by operations and maintenance management. It is prepared annually and reviewed and updated monthly to reflect the latest performance priorities, as well as new or routine priorities for maintenance of the distribution system.

8.1 Overview

The Maintenance Budget identifies both routine and non-routine total expenditures for the upcoming year as well as for subsequent years as a placeholder to identify the year in which the expenditure will occur for operations and maintenance activities. Additionally, the budget identifies KWH's internal work order numbers, special projects and whether items are new or routine activities within each of the following categories:

- Inspections;
- Overhead Line Maintenance
- Underground Line Maintenance;
- Stations Maintenance; and
- General Maintenance;

A template used in developing the KWH Maintenance Budget is illustrated in Appendix 27.

8.2 Budget Details

There are two primary components to KWH's Maintenance budget: Operations activities and Maintenance Activities.

8.2.1 Operations

The Operations component is comprised of itemized annual expenditures for inspections or visual patrols of the overhead and underground distribution system (Section 5.1.1 and 5.1.2 respectively) and visual patrol of KWH-Owned substations and Customer-Owned substations (Section 5.1.3). Also included are itemized expenditures for overhead and underground infrared thermography (Section 5.2.2.2 and 5.2.4.1 respectively).

8.2.2 Maintenance

This section of the budget is comprised of total annual expenditures for reactive and preventative maintenance as well as special maintenance projects. Additionally, these total expenditures are subdivided into descriptions and expenditures within Overhead Line Maintenance, Underground Line Maintenance, Station Maintenance and General Maintenance as follows:

- Overhead Line Maintenance
    - Reactive maintenance for poles, fixtures, transformers, conductors & devices (Section 5.2.1) as identified during inspections
    - Reactive maintenance as identified during infrared thermography (Section 5.2.2.2)
    - Preventative maintenance for conductors & devices
        - Switch maintenance (Section 5.2.2.1)
        - Insulator Washing (Section5.2.2.3)

- Preventative maintenance for vegetation (Section 5.2.2.4)

- Underground Line Maintenance
  - Reactive maintenance for transformers, conductors, devices conduit & civil infrastructure (Section 5.2.3) as identified during inspections
  - Reactive maintenance as identified during infrared thermography (Section 5.2.4.1)

- Stations Maintenance
  - Reactive maintenance for TSs and DSs as identified during inspections
  - Preventative maintenance at TSs and DSs (Section 5.2.5.1)
  - Preventative maintenance at customer-owned substations (Section 5.2.5.2)

- General Maintenance
  - Office & Warehouse building maintenance
  - Vehicle & Garage maintenance
  - Service Centre maintenance
  - Tool maintenance
  - Streetlight maintenance

8.3 Development Process and System of Prioritization

The maintenance budget is developed and amended annually to reflect reactive and preventative maintenance activities scheduled to be performed within the year. For the majority of activities, maintenance occurs annually and as such, the expenditures are included each year; for other activities that are completed on a cyclical basis, the expenditures are included only in the year in which they are scheduled to be performed. Expenditures identified in the maintenance budget are amended each year to reflect scope of work (for example, increasing the amount to reflect an increase in scope) or inflation. Additionally, one-time maintenance expenditures are captured within the maintenance budget as non-recurring expenditures. The majority of budget items, however, are recurrent expenditures.

8.4 Approval Process

After preparation of a preliminary maintenance budget by the Maintenance Supervisor, each of the Operations Manager and Manager of Construction and System Planning review and approve the budget. Following this approval, KWH's CEO also reviews and approves the maintenance budget. These monies are subsequently extracted into the appropriate OEB USoA and presented, together with other administrative expenditures, as the Operations Maintenance & Administrative (OM & A) budget for approval by the KWH Board of Directors.

8.5 Revision Process

Due to the routine nature of maintenance activities, the maintenance budget is rarely revised. Where unforeseen activities are required, a preliminary estimate of expenditures is prepared for CEO approval and included as an amendment to the existing maintenance budget.

9. Capital Budget

The Capital Investment Plan serves as a primary input for the future year's capital budget and also as the placeholder for the longer term projects recommended by the Asset Manager. The Capital Investment Plan, as a long term planning document, recognizes efficiency and performance improvements of the distribution system and provides justification for these improvements. It is reviewed and updated annually to reflect the latest performance priorities of the distribution system. Any capital investment recommendations, that are required within a one year period, are considered annually within this plan. These are prepared, by the Asset Manager, from the results of the Risk Assessment process and include any applicable new technology solutions.

9.1 Annual Capital Investment Plan

The annual Capital Expenditures Budget for the subsequent year is prepared in the second and third quarter of the previous year collectively by departmental managers, with final approval by KWH's Board of Directors in November. Following approval, the budget is re-examined in September of the subsequent year and re-estimated based on completed activities year-to-date, in order to complete the capital program for that fiscal year.

The budget is a comprehensive qualitative and quantitative document detailing the following:

1. Assumptions
2. Highlights
3. Budget Summary
4. Budget Details
5. Historical Comparison

Each of these is further described in Sections 9.1.1 to 9.1.4, inclusive.

9.1.1 Assumptions

Included within the Capital Expenditures Budget is a list of assumptions used in by management in deriving and preparing the budget for the upcoming year. These assumptions typically concern growth forecasts for new customers, forecasts for construction activities, labour and material inflation factors and KWH resources.

9.1.2 Highlights

This section provides an overview of capital activities completed in the previous fiscal year, related to capital expenditures planned for the upcoming year, plus general highlights of other capital activities planned. These highlights may include, but are not limited to, activities related to Stations, Overhead and Underground Distribution, Meters and Information Technology.

9.1.3 Budget Summary

A brief summary of capital expenditures for the upcoming fiscal year is presented and outlines the following:

- 'Revised Budget' for the previous year;
- 'Actual Budget' for the previous year; and
- 'Actual Budget' for the upcoming year

The column entitled 'Actual Budget' for the upcoming year is a summary of the proposed capital budget for the upcoming fiscal year as presented to KWH's Board of Directors. The column entitled 'Actual Budget' for the previous year is a summary of the capital budget for the previous fiscal year as approved by the Board of Directors. Lastly, the column entitled 'Revised Budget' for the previous fiscal year is a re-estimated amount of capital expenditures required to complete the capital program in the previous fiscal year (the revision process is further described in Section?). This process of re-evaluation demonstrates the dynamic characteristic of KWH's annual Capital Expenditures Budget to meet the changing demands of its distribution system.

Within each of the aforementioned categories, summary expenditures are itemized under the budget categories of:

- Land and Land Easements;
- Stations and Buildings;
- Overhead Distribution;

- Underground Distribution;
- Transformers;
- Meters;
- Office Furniture & Equipment;
- Information Systems & Equipment;
- Vehicles;
- Tools & Instruments; and
- Additional Initiatives

Additional Initiatives are atypical expenditures that, although may be included in one of the above categories, represent unique circumstances or projects that are not seen year-to-year. Appendix 28 presents a template of the Budget Summary.

9.1.4 Budget Details

Some of the categories above are further itemized and forecasted expenditures identified as follows, based on the OEB's Uniform System of Accounts and KWH's internal budget categories:

- Stations and Buildings
  - Stations Buildings
  - Stations Equipment
  - Other Buildings
- Overhead Distribution
  - Poles, Towers and Fixtures
  - Conductors and Devices
  - Services
- Underground Distribution
  - Conduit and Ductwork
  - Conductors and Cables
  - Services
- Transformers
  - Line Transformers
  - Network and Line Transformers
- Meters
  - Meters
  - Smart Meters
- Information Systems & Equipment
  - Computer Hardware (New and Replacement)
  - Computer Software
- Vehicles
  - Power Operated Equipment
  - Vehicles > 3 Tons
  - Vehicles < 3 Tons
  - Trailers
- Tools & Instruments
  - Tools, Shop and Garage Equipment
  - Measuring and Testing Equipment
  - Stores Equipment
  - Miscellaneous Equipment

Each of the total expenditures listed are detailed in this section and further outline budgeted amounts for Labour & Equipment, Material, Contracts and Engineering Design, where applicable; an example of budget details for Overhead Distribution is included in Appendix 29.

9.1.5 Historical Comparison

Another component of the Annual Capital Investment Plan is the historical comparison table. This table provides a means to compare actual Annual Capital Investment Plans for the previous 10 years and provides a brief description and amount for atypical circumstances that would have caused significant increases in the budget from previous years.

9.1.6 Development Process and System of Prioritization

Capital investment projects are identified in the previous year(s) through regular communication in departmental meetings and various reporting and data analysis mechanisms noted in Section 5.3. These projects are developed to meet the objectives as outlined in Section 2 of this document; that is, the projects consider and address improvements related to customer satisfaction, asset management, the environment, health and safety and corporate management, but also allow for opportunity for innovation to these objectives. For each capital project identified a cost estimate is developed by personnel in the corresponding department and details Labour, Material, Contractor and Engineering Design costs.

Capital projects are scheduled at a high level within each quarter for the upcoming year(s), as determined by priorities and project drivers based on reliability, safety, the availability of engineering designs, vehicle access issues, traffic concerns, customer scheduling requirements and available manpower resources.

9.1.7 Approval Process

Capital projects are initially presented with a brief scope and estimate to departmental managers and then to the KWH Chief Executive Officer (CEO) for approval. These initial estimates are subsequently compiled, together with estimates for other work, and incorporated within the first draft of the Annual Capital Investment Plan in June. The third quarter presents an opportunity to revise the Annual Capital Investment Plan as inspection and maintenance results and performance of the distribution system is considered. Additionally, the proposed draft budget is compared with projects for the proposed year as identified in the 10 Year Capital Investment Plan. A final Annual Capital Investment Plan, considering these aspects, is finalized in October and presented to Board of Directors for approval in November.

9.1.8 Revision Process

Throughout the budget year, weekly and monthly meetings allow for discussion of unforeseen projects that were not initially accounted for, revision to planned projects or execution of projects within the Annual Capital Investment Plan.

Weekly Meetings

Once per week, managers of Construction & System Planning, Engineering and Operations meet with lead staff to discuss, in detail, planned work for the following two to three week period; that is, execution of projects with respect to resources and scheduling are discussed and prioritized to meet corporate objectives as outlined in the Annual Capital Investment Plan. Also discussed is reactive maintenance, planned maintenance and other activities related to improved performance of the distribution system. It is within these weekly meetings and discussion of such activities that unplanned capital and maintenance projects are first identified and discussed.

Monthly Meetings

The monthly meetings, attended by Purchasing, Construction, Engineering and Operations management, review a high level 4-month rolling plan for execution of the current year's capital budget projects as well as unplanned projects identified through weekly meetings.

Approval of New Budget Items

Unplanned projects are reviewed and prioritized relative to existing projects within the Annual Capital Investment Plan; projects deemed to be of higher priority are subsequently scheduled for completion within the current year and the current Annual Capital Investment Plan is amended to include the unplanned capital project. This may result in deferral of an existing planned project to a subsequent year to allow for funds to be used for the new budget item. It is within this Budget Approval Sheet that a current cost estimate, with OEB USoA, project justification and funds derivatives are outlined. The latter details from where and how funds for the newly proposed project will be derived, for example an existing planned project as identified in the 10 Year Capital Investment Plan may be deferred to a subsequent year and its funds allocated to the proposed project. As with the approval process, the budget approval sheet must be approved by KWH's CEO and appended to the existing Annual Capital Investment Plan.

9.1.9 Material Expenditures

Material expenditures are controlled through the preparation of a Budget Approval Sheet (Appendix 30). The Budget Approval Sheet is developed by personnel in the corresponding department and details Labour, Material, Contractor and Engineering Design costs as identified in the 'Budget Details' for that capital item. Also included within the Budget Approval Sheet are work order numbers and project justification. The latter details from where and how funds for the newly proposed project will be derived, for example an existing planned project as identified in the 10 Year Capital Investment Plan may be deferred to a subsequent year and its funds allocated to the proposed project. As with the approval process, the Budget Approval Sheet and therefore the capital expenditures, must be approved by KWH's CEO and appended to the existing Annual Capital Investment Plan.

9.2 10 Year Capital Investment Plan

The longer term recommendations resulting from the Risk Assessment process are captured and summarized in a 10 year Capital Investment Plan. Potential timeframes and budgetary estimates for individual projects are documented on the Capital Budget Request form and subjected to annual review and prioritization. This plan is updated and refined prior to each rate filing to capture the progress in maintaining and upgrading of the distribution system.

APPENDICES

(All of the forms, procedures, analysis documents required to support the Asset Management strategy).

In order to conserve paper and avoid duplication of materials already submitted in the 2010 Rate Application EB-2009-0267 a list of the documentation that comprises these appendices is listed below.

The following appendices can be found in Exhibit 2 on the following pages:

Appendix 1 – OEB's Distribution System Code, Minimum Inspection Requirements	Page 171 to 182
Appendix 2 – Overhead System Inspection Work Log Sheet	Page 72 to 79
Appendix 3 – Overhead System Defect Report	Page 80
Appendix 4 – Underground System Defect Report	Page 85
Appendix 5 – Maintenance Work Order	Page 81
Appendix 6 – Underground System Pad-Mounted Transformer Survey Sheet	Page 86
Appendix 7 – Underground System Submersible Survey Sheet	Page 87
Appendix 8 – Transformer Station Deficiency Reporting Forms	Page 95 to 102
Appendix 9 – Distribution Station Deficiency Reporting Forms	Page 88 to 94
Appendix 10 – Customer-Owned Substation Inspection Form	Page 140
Appendix 11 – Customer Service Transformer Vault and/or Room Inspection Form	Page 143
Appendix 12 – Customer Service Defect Letter	Page 141 to 142
Appendix 13 – Overhead Line Maintenance Sheet	Page 82
Appendix 14 – Insulator Cleaning Report	Page 83
Appendix 15 – Maintenance Work Order for Broken Insulator	Page 84
Appendix 16 – Tap Changer Maintenance & Main Power Transformer Maintenance	Page 103 to 112
Appendix 17 – Maintenance Instructions for Circuit Switchers	Page 113 to 120
Appendix 18 – Maintenance Instructions for SF6 and Air Circuit Breakers	Page 121 to 132
Appendix 19 – Maintenance Instructions for Three-Phase Reclosers	Page 133 to 138
Appendix 20 – KWH Geographical Zones	Page 71
Appendix 21 – Control Room Weekly Update Report	Page 146 to 147
Appendix 22 – Monthly Maintenance Report	Page 148 to 152
Appendix 23 – Damaged Equipment Report	Page 153 to 159
Appendix 24 – Monthly System Report	Page 160 to 169
Appendix 25 – Annual System Survey Report	Page 203 to 206
Appendix 26 – Annual Engineering & Operations Report	Page 183 to 202

The following appendices are attached as follows:

Appendix 27 – Maintenance Budget Template
Appendix 28 – Capital Budget Summary Template
Appendix 29 – Capital Budget Detail Template for Overhead Distribution
Appendix 30 – Budget Approval Sheet

APPENDIX 27

MAINTENANCE BUDGET TEMPLATE

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Inspections Charged to Operations Budget (BU # 50xx)	1	12172 BU5015	Regular daily inspections of TS's all year long. Includes monthly battery mtce.	On-going					
	2	12173 BU 5016	Regular weekly, monthly & battery inspections at all DS's.	On-going					
	3	BU 5016 5016.7078	Scada system antenna (MRC Systems)	On-going				Jan. 2/09	
	4	12185 BU 5020	Infra red survey of all overhead primary. Including buswork at stations.	On-going					
	5	12188 BU 5020	O/H System survey for OEB compliance. Grid maps	On-going					
	6	12179 BU 5045	U/G System survey for OEB compliance. Grid maps (see O/H section for more specifics)	On-going					
	7	12179 BU 5045	Underground vault and pullbox survey. Area B in 2009, approx. 210 locations. (Area A in 2010)	On-going					
	8	12215 BU 5045	Network system regular inspections	On-going					
	9	12182 BU 5045	Infra red survey of u/g pulboxes out of HT stations	On-going					
	10	12174 BU 5070	Regular monthly inspections on customer service transformer installations.	On-going					
			Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
HT Step-down Building Maintenance BU # 5110 (3HT)	11	12051 WO 3HT	Contracted grounds maintenance at six HT stations. Includes vegetation control (weed spray)	On-going	incl in WO 3HT	incl in WO 3HT			
	12	12051 WO 3HT	Pest control at HT locations; 1TS / 3TS / 4TS / 5TS / 6TS / 7TS / 8TS	On-going	incl in WO 3HT	incl in WO 3HT			
	13	12051 WO 3HT	Building trim repainting at 2 stations to be determined	On-going	incl in WO 3HT	incl in WO 3HT			
	14 a b c d	--- --- ---	Misc. Stn Building Maintenance - Salary Allocations - Allocations from various accounts - WO 3HT - Stn Building Maintenance - Unforecasted special projects (list all Wos) Subtotal	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	15 a		Special Projects: 1 TS, 3 TS, 4 TS, 8 TS. Fire alarms lockout for ventilation fans.	per Bob C.	defer to 2011	defer to 2011			
		BU 5110	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Distribution Station Building Maintenance BU # 5111 (3)	16	12050 WO 3	Contracted grounds maintenance at distribution stations.	On-going	incl in WO 3	incl in WO 3			
	17	12050 WO 3	Pest control at all DS's	On-going	incl in WO 3	incl in WO 3			
	18	12050 WO 3	Weed control at seven DS's Weed control at # 1 DS, New Hamburg	On-going On-going	incl in WO 3 incl in WO 3	incl in WO 3 incl in WO 3			
	19	12050 WO 3	Building trim repainting at 2 stations locations to be determined	On-going	incl in WO 3	incl in WO 3			
	20 a b c d	--- --- --- 12050	Misc. DS Building Maintenance - Salary Allocations - Allocations from various accounts - WO 3 - DS Building Maintenance - Unforecasted special projects (list all Wos) Subtotal	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	21		Special Projects:						
		BU 5111	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
HT Step-down Equipment Maintenance BU # 5115 (2HTP / 2HTS)	22	12049	Gas in oil analysis & water content tests on all power transformers at HT stations. Referenced under BU 5162	On-going	Incl. in WO 20HTS	Incl. in WO 20HTS			
	23	12168	On load tapchanger maintenance at eight transformer stations.	On-going					
	24	12338	Recalibrate Line/Feeder/Bus/Tx. relaying	On-going					
	25	12170	Circuit switcher maintenance at all eight HT stations	On-going					
	26	12171	Circuit breaker maintenance at all HT stations. Approx. 20 breakers.	On-going					
	27 a b c d e	--- --- --- 12048 12049	Misc. HT Stn Equipment Maintenance - Salary Allocations - Allocations from various accounts - WO 2HTP - HT Stn Equip P&C Mtce - WO 2HTS - HT Stn Equip Mtce - Unforecasted special projects (list all Wos) Subtotal	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	28 a b c d	 SWO SWO SWO 12415 SWO	Special Projects: Replace station batteries at # 7 TS Replace tapchanger work platforms in T7 and T8 enclosures 8 TS Replace local alarms relays for circuit switcher gas alarms. T11 and T12 @ 6 TS Repaint the radiators, conservators, enclosures and support beams. USM Permashell via flow coat method.	 New New per Cliff T. New per Bob C. New	 defer 2011	 defer 2011			
		BU 5115	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Distribution Station Equipment Maintenance BU# 5116 (2)	29	12169	On load tapchanger maintenance at # 3 DS - annually.	On-going					
	30		Station recloser maintenance. 3 year cycle.	On-going	---	---			
	a		1DS, 2DS, 7DS, 8DS reclosers			---			
	31	---	Misc. DS Equipment Maintenance	On-going	---	---			
	a	---	- Salary Allocations		---	---			
	b	---	- Allocations from various accounts						
	c	12047	- WO 2 - DS Equipment Maintenance						
	d		- Unforecasted special projects (list all Wos)						
			Subtotal						
			Subtotal - On-going maintenance						
	32		Special Projects:						
	a	SWO	Replacement of HV switch, fuse holders & lightning arresters at 5 DS.	defer	defer	defer			
		BU 5116	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Overhead Line Maintenance Poles, Fixtures BU # 5120 (4)	33	12187	Spot pole replacements found during the year (incl rotted poles). For emergency replacement of dangerous poles only.	On-going					
	34 a b c d e f g	--- --- --- 12052 12153	Misc. O/H Mtce, Poles/Fixtures - Salary Allocations - Allocations from various accounts - WO 4 - O/H Mtce, Poles/Fixtures - WO 88SDP - Storm Damage Poles/Fixtures - Pole or Butt Removals - Misc Ground Restorations - Unforecasted special projects (list all Wos) Subtotal	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	35 a	 SWO	Special Projects: Replacement of HV switch, fuse holders & lightning arresters at 5 DS.	 defer	 defer	 defer			
		BU 5120	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Overhead Line Conductors, Devices BU # 5125 (4C)	36	SWO	Birdproofing on primary feeders	On-going					
	37	12399 SWO	Insulator washing on overhead 27.6kv lines in Wilmot Twsp. Odd year spec. (contracted)	On-going					
	38	SWO	Repair deficiencies on OH lines found during infrared surveys	On-going	incl in WO 4C	incl in WO 4C			
	39	12186	LI switch maintenance. 7 year cycle. Squirrel-proofing	On-going					
	40 a b c d e	--- --- --- 12053 12154	Misc. O/H Mtce, Conductor/Devices - Salary Allocations - Allocations from various accounts - WO 4C - O/H Mtce, Conductor/Devices - WO88SDO - Storm Damage O/H Cond/Dev - Unforecasted special projects (list all Wos) Subtotal	On-going	---	---			
			Subtotal - On-going maintenance						
	41		Special Projects: Infrared survey						
		BU 5125	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Overhead Line Services Maintenance BU # 5130 (8)	42 a b c d e	--- --- --- 12064 12155	Misc. O/H Mtce, Services - Salary Allocations - Allocations from various accounts - 75% of WO 8 - Consumer Premises Exp - WO 88SDS - Storm Damage O/H Services - Unforecasted special projects (list all Wos)	On-going	---	---			
			Subtotal - On-going maintenance						
	43		Special Projects:						
		BU 5130	Total						
Overhead Line Maintenance Tree Trimming BU # 5135 (84)	44 a b c d e	--- --- --- 12151 12156	Misc. O/H Mtce, Tree Trimming - Salary Allocations - Allocations from various accounts - WO 84 - O/H Mtce, Tree Trimming - WO 88SDT - Storm Damage Tree Trimming - Unforecasted special projects (list all Wos)	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	45		Special Projects:						
		BU 5135	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Underground Line Maintenance Conduit BU # 5145 **(5N = network ductwork) (5U =u/g ductwork)**	46		**Planned vault & pullbox repairs**	On-going					
	a	8383	- Vault 386, replace top slabs.	386 v					
	b	9502	- Vault 288, replace top.	288 p					
	c	9506	- PB 602, replace top.	602 p					
	d	9507	- PB 605, replace top.	605 p					
	e	9511	- PB 711, replace top.	711 p					
	f		- PB 416, new collar	416 p					
	g		- PB 342, replace top.	342 p					
	h		- PB 490, replace top.	490 p					
			Brett and consulting engineer will prioritize repairs based on condition assessment.						
			Subtotal						
	47	---	Misc. U/G Line Mtce, Conduit	On-going	---	---			
	a	---	- Salary Allocations						
	b	---	- Allocations from various accounts						
	c	12054	- WO 5N - Ntwk Mtce Ductwork						
	d	12056	- WO 5U - U/G Mtce, Ductwork						
	e		- Asphalt repairs		---	---			
	f		- Ground restorations						
	g		- Unforecasted special projects incl. vault & pull box repairs not specifically budgeted for (list all Wos)		---	---			
			Subtotal						
			Subtotal - On-going maintenance						
	48		Special Projects:						
		BU 5145	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Underground Line Maintenance Conductor/Devices BU # 5150 **(5NC= network conductor, and devices)** **(5UC = u/g conductor, and devices)**	49	SWO	Dry ice blast cleaning on mini-rupters at approximately 30 locations.	On-going					
	50	SWO	Repairs to deficiencies found during infrared survey of pullboxes	On-going					
	51 a b c d e f g	--- --- --- 12055 12057 12158	Misc. U/G Line Mtce Conductor/Devices - Salary Allocations - Allocations from various accounts - WO 5NC - Ntwk Mtce Conductor/Devices - WO 5UC - U/G Mtce Conductor/Devices - WO 88SDU - Storm Damage UG Cond/Dev - Network System Maintenance - Unforecasted special projects (list all Wos) Subtotal	On-going	---	---			
			Subtotal - On-going maintenance						
	52		Special Projects: Infrared survey						
		BU 5150	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Underground Line Maintenance Services BU # 5155 (8)	53	---	Misc. U/G Line Mtce Services	On-going	---	---			
	a	---	- Salary Allocations		---	---			
	b	---	- Allocations from various accounts						
	c	12064	- 25% of WO 8 - Consumer Premises Exp						
	d	12108	- WO 30 - Reloc Res U/G Services						
(30)	e	12159	- WO 88SDM Storm Damage UG Services						
	f		- Unforecasted special projects (list all Wos)						
			Subtotal - On-going maintenance						
	54		Special Projects:						
		BU 5155	Total						
Overhead Line Maintenance Transformers BU # 5160 (6OH)	55	SWO	Voltage regulator maintenance due in 2009. Three year cycle (last done in 2006) 3 voltage regulators.	On-going		---			
	56	---	Misc. O/H Mtce, Transformers	On-going	---	---			
	a	---	- Salary Allocations		---	---			
	b	---	- Allocations from various accounts						
	c	12059	- WO 6OH - O/H Mtce, Transformers						
	d		- Unforecasted special projects (list all Wos)						
			Subtotal						
			Subtotal - On-going maintenance						
	57		Special Projects:						
		BU 5160	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Underground Line Maintenance Transformers BU # 5162 **(6N = = network tx's) (6U = = u/g tx's)**	58	12181	Standard oil testing up to 30 transformers at stations and on network. Charge WO 6N for Network units Charge BU 5116 for DS units Charge BU 5115 for TS units	On-going WO 12058 WO 12047 WO 12049	incl in WO 6N	incl in WO 6N			
	59	12178	Network protector maintenance on 10 to12 units (one complete cable per year). incl. replace two master relays per year	On-going					
	60	---	Network protector air pressure and primary switch tests (**due in 2010**)	On-going	due 2010				
	61	12177	Network Tx vault inspection, ammeter & Tx. Temp. readings in July/August 2009.	On-going					
	62	SWO	Repairs to deficiencies found during network Tx vault inspections.	On-going					
	63	---	Major network transformer inspection & maintenance (done in 2007, **due in 2010**) Overhaul and repaint network transformers based on results of condition survey	On-going	due 2010				
	64	12180	Submersible vault cleaning by contractor.	On-going					
	65	12175	Remove weeds & debris from enclosures. Sterilize soil with Simezene.	On-going					
	66	12217	Repairs to defects found during regular monthly inspections of customer sevice transformer installations Too high! Reduce 2009 estimate by $15,700 to reflect reduced inspection frequency.	On-going					
	67 a b c d e	--- --- --- 12058 12060	Misc. U/G Line Mtce Transformers - Salary Allocations - Allocations from various accounts - WO 6N - Ntwk Mtce, Transformers - WO 6U - U/G Mtce, Transformers - Unforecasted special projects (list all Wos) Subtotal	On-going	--- ---	--- ---			
			Subtotal - On-going maintenance						
	68		Special Projects:						
		BU 5162	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Office and Warehouse Building Maintenance BU # 5675 (13)	69	**H.V.A.C. maintenance**							
	a	12070	Mechanical / pneumatic controls	On-going				Monthly	
LED Sign Board		12070	Pressure washing of air conditioning condensors and louvers.	On-going					
	b	12070	Building automation controls	On-going				Annual	
Heated front entrance walkways	70	**UPS Maintenance**							
	a	12081	UPS Maintenance	On-going Repairs					
	b	12081	Isuzu diesel genset	Inspection- Repairs -					
	71	**Fire Alarm Systems**							
	a	12071 (13IN)	Edwards panel in Control Room (includes service centre systems) Sprinkler system inspection and maintenance. (Warehouse & Serv.Centre)	On-going Repairs				Apr. 20/09	
	b	12071 (13IN)	Fire extinguish systems inspection	On-going					
	72	**Elevator Maintenance**							
	a	12068	Elevator inspection and service. Installation # 037429	On-going Periodic inspecion by TSSA				on - going	
	73	12083	Chiller and humidifier chemical service	On-going				Monthly	

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Office and Warehouse Building Maintenance (continued) BU # 5675 (13)	74	12069 (13EX)	Dock leveler Annual preventative maintenance on dock leveler at warehouse	On-going					
	75	12069	Repaint dock leveler with epoxy coating.	Carry over					
	76	12071	Installation of Vista V51 window film on west wal of customer service to decrease extreme heat transfer through windows.	New				Apr. 20/09	
	77	12069	Window cleaning. Two times each year.	On-going					
	78	12078	Security system upgrades	New					
	79	12071	Control room lighting upgrade and map board removal.	New					
	80	12069	Patio renovations	New					
	81	12071	Main reception desk design plan	New					
	82	12071	Main office painting maintenance	On-going					
	83	12083	Annual mtce. on water softener & reverse osmosis unit.	On-going in May					
	84	12069 12071	Control of spider mites in main office areas and break areas. May to August	On-going					
	85	12077 (13RM)	Inspection & preventative maintenance on roof & roof drains. Repairs needed.	On-going On-going in May					
	86	12074 (13LS)	Contracted grounds maintenance @ 301 Victoria Street complex	On-going					
	87	12071 (13IN)	Electrical safety authority safety services program for 2009. May 1/09 to Apr. 30/10	new to budget				May 5/09	
	88	12076 (13PM)	On-going plumbing maintenance	On-going				on going	
	89	12069 12071	On-going building maintenance not specifically accounted for.	On-going				on going	
	90 a b c	--- --- --- ---	Misc. Office and Warehouse Building Mtce. - Salary Allocations - Allocations from various accounts - Unforecasted special projects (list all Wos)	On-going					
		BU 5675	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Vehicle Repair Garage Maintenance BU # 6470 (22)	91	**Vehicle hoist & Fluid Dispenser Mtce.**							
	a	12095	Inspections (large & small hoists)	On-going				Jan. 21/09	
	b	12095	Repairs needed	On-going					
	92		**Jib & Chain Fall inspections**						
	a	12095	Inspect chain fall in welding shop	On-going					
	b	12095	Inspect jib in oil storage	On-going					
	89 93	12095	Pump out floor interceptors for hoists and for wash bay areas. Twice in the year	On-going					
	94	12095	On-going building maintenance not specifically accounted for.	On-going					
	95	12095	Electric door opener for back entry door to garage.	New					
	96	12095	Repaint trim and/or safety lines as needed.	On-going					
	97	12095	Oil & grease dispenser maintenance Annual inspection Repairs needed	On-going					
	98 a b c d	--- --- --- 12246 ---	Misc. Vehicle Repair Garage Maintenance - Salary Allocations - Allocations from various accounts - WO 21 - Vehicle Maintenance - Unforecasted special projects (list all Wos)	On-going					
		BU 6470	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Vehicle Maintenance BU # 6470 **(21 = = Truck Mtce. Misc.)**	99	12246	Contracted monthly vehicle washing	On-going				Jan. 12 Feb. 12 Mar. 9 Apr. 3	
	100	12246	Rustproofing of medium & large aerial vehicles.	New					
	101	**Emission testing due in Oct / Nov** licences due date is Nov.30							
	a	12246 Oct.	Diesel powered units	On-going					
	b	12246 Oct.	Gasoline powered units 13 due in 2009	On-going					
	102	12246 Nov.	Annual vehicle licenses. Due in Nov. Minister of Finance	On-going					
	103	**Annual Inspections; Vehicles & Equip.**							
	a	12329	a) Forklift 201, large unit. (Sept.) Repairs needed	On-going On-going					
	b	12329	b) Forklift 201 lift attachment (Jan.)	On-going					
	c	12310	c) Truck 73 lifting beam attachment (Jan.)	On-going					
	d	12333	d) Forklift 207, small unit. (Sept.) Repairs needed	On-going On-going					
	e	12321	e) Trailer 118, Vacuum excavator Repairs needed	On-going Additional					
	f	12152	f) Hydraulic cable trailers 121 & 127 (Aug.) Repairs needed	On-going On-going					
	g	12324/12325	g) Tension stringing machines,149&150 (Aug.) Repairs needed	On-going On-going					
	h	12250	h) Deck winch on truck 23, UP-70 (Aug.) Repairs needed	On-going Additional					
	i	12319	i) Portable genset trailer 105 (Oct.) Inspection & maintenance included	Inspection- Repairs -					

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Vehicle Maintenance (continued) BU # 6470 **(21 = Truck Mtce. Misc.)**	j	12249 (23SM)	j) Transformer cart unit 102 (July) Inspection & maintenance included	On-going	Repairs				
	104	**Aerial Device Inspections & Testing**							
	a	12193 Apr.	a) Dielectric Testing of all Aerial units	On-going					
	b	12193 Apr.	b) Dielectric Testing of fibre & rubber	On-going					
			Repairs needed for a) and b) above.	On-going					
	c	**vehicle WO's** May	c) Annual inspection & condition eval. on four aerial units. (3 are due in 2009; 26,60,81.)	On-going					
			Repairs needed	On-going					
	d	**vehicle WO's** May	d) Bucket leveling system inspections on aerial units. (3 are due in 2009; 26,60,81.)	On-going			included in item 90. c) above		
			Repairs needed	On-going					
	e	**vehicle WO's** June	e) Altec AM series elbow and turret bearing inspections & replace hydraulic filters.. Include annual inspection. Trucks 33 and 69 in 2009.	On-going	33ATR 69ATR			Apr. 20/09	
	105	12246	All data online vehicle database, annual subscription.	New to budget					
	106	**vehicle WO's**	Repainting of several fleet units.	On-going					
	107	**vehicle WO's**	High cost vehicle maintenance items not specifically budgeted for.						
	108	---	Misc. Vehicle Maintenance	On-going					
	a	---	- Salary Allocations						
	b	---	- Allocations from various accounts						
	c	12246	- WO 21 - Vehicle Maintenance						
	d	---	- Unforecasted special projects (list all Wos)						
		BU 6470	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Service Centre Building Maintenance BU # 6475 (51)	109	**H.V.A.C. maintenance**							
	a	12136	Mechanical / pneumatic controls	On-going				monthly	
	b	12136	Building automation controls contract from Sep. 1 /08 to Aug. 31/09	On-going				Annual	
	c	12136	Annual maintenance of floor heating	On-going					
	110	12136	Calibration of CO and NO2 sensors in garages A & B	On-going				Feb.	
	111	**Elevator Maintenance**							
	a	12133	Elevator inspection and service. Installation # 60219	On-going Periodic inspecion by TSSA					
	112	12140 (51MC)	Annual inspection & maintenance on Tx. Room overhead crane	Inspect - Repairs -					
	113	12143 (51RF)	Inspection & preventative maintenance on roof & roof drains. Repairs needed.	On-going On-going in May					
	114	12143 (51RF)	Replace skylights in garage A (garage B in 2010)	New					
	115	12136	Pressure washing of air conditioning condensors and louvers. Pressure washing of 4 large exhaust fans Construction Dept. via MWO	On-going				April	
	116	12140 (51MC)	Replacement of catch basins and grating for floor drains in garage A. (garage B in 2010)	Carry over					
	117	12140 (51MC)	Service centre painting maintenance. **Include preparation & repaint ceiling in garage A.**	On-going and New					

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Service Centre Building Maintenance (cont…) BU # 6475 (51)	118	**Garage door maintenance**							
	a	12191	On going repairs required during the year. Includes two preventative maintenance inspections on all 24 door, 19 operators, and 2 powered gates. Details page 13. Spring PM schedule for Mar. or Apr. Fall PM schedule for Sep. or Oct.	On-going					
		12349 (51IN)	Edwards panel in Control Room (includes service centre systems) Sprinkler system inspection and maintenance. (Warehouse & Serv.Centre)	On-going Repairs				Apr. 20/09	
	119 (51FP)	12135	Fuel dispensers Inspection & maintenance included	On-going					
	120	12142 (51PM)	On-going plumbing maintenance	On-going				on going	
	121	charge applicable wo's	On-going building maintenance not specifically accounted for.	On-going				on going	
	122 a b c	--- --- --- ---	Misc. Service Centre Building Mtce. - Salary Allocations - Allocations from various accounts - Unforecasted special projects (list all Wos)	On-going					
		BU 6475	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Tool Expense and Maintenance BU # 6477 (20 = Stock Tool Mtce.) (20NT = New &Replace-ment Tools & Expense, < 1,000.00) (29 = Radio Equip. Mtce.)	123	12094	WO 20NT - New Tools < $1,000	On-going					
	124	12093	WO 20 - Stock/Tool Mtce & Exp	On-going					
	125	12093	Fire extinguisher maintenance - inspection of all fire extinguishers (Aug) - fire extinguisher test, recharge or replacements	On-going	incl in WO 20	incl in WO 20			
	126	12107	WO 29 On-going radio system mtce						
	a		Annual data & voice communications rental agreements a) Voice radio system antenna (CTV Baden tower) b) Voice and data licences (due March 31st)	On-going				Feb. 3/09 Feb. 25/09	
	b		Misc. radio system maintenance	On-going					
	127	---	Misc. Tool Expense & Mtce.	On-going	---	---			
	a	---	- Salary Allocations		---	---			
	b	---	- Allocations from various accounts						
	c	12328	- 160SW - '98 Tenant Sweeper Mtce						
	d	---	- Unforecasted special projects (list all Wos)						
			Subtotal						
			Subtotal - On-going maintenance						
	128		Special Projects:						
		BU 6477	Total						
			Budgeted Amount						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
Streetlight Maintenance BU # 10026 (10 = = Kitch.St.light fixture) (11= = Twsp.St.light system)	129	12066	Repaint approximately 75 steel & aluminum streetlight standards.	On-going					
	130	12189	Replacement of up to ten(10) rotted concrete streetlight poles.	On-going					
	131	Spec in January 12353 SWO	Streetlight relamping program for 2009. Area 1. File no. 7613-04-32	On-going					
	132 a b c d e	--- --- --- 12066 12067 ---	Misc. Streetlight Mtce. - Salary Allocations - Allocations from various accounts - WO 10 - Kitchener Streetlight Maintenance - WO 11 - Wilmot Streetlight Maintenance - Unforecasted special projects (list all Wos)	On-going					
		BU 10026	Total						

Business Unit	Item Number	Work Order	Description	New or On-Going	2009 Budget	2010 Budget	Issued Cost	Completion Date	Actual JDE
			Distribution System Maintenance						
5110			HT Step-down Building Maintenance						
5111			Distribution Station Building Maintenance						
5115			HT Step-down Equipment Maintenance						
5116			Distribution Station Equipment Maintenance						
5120			Overhead Line Maintenance - Poles, Fixtures						
5125			Overhead Line Maintenance - Conductors, Devices						
5130			Overhead Line Maintenance - Services						
5135			Overhead Line Maintenance - Tree Trimming						
5145			Underground Line Maintenance - Conduit						
5150			Underground Line Maintenance - Conductors, Devices						
5155			Underground Line Maintenance - Services						
5160			Overhead Line Maintenance - Transformers						
5162			Underground Line Maintenance - Transformers						
			Total Distribution System Maintenance						
50xx			Inspections Charged to Operations Budget						
			Building, Vehicles, Tools and Streetlighting Maintenance						
5675			Office and Warehouse Building Maintenance						
6470			Vehicle Maintenance						
6475			Service Centre Building Maintenance						
6477			Tool Expense and Maintenance						
10026			Streetlight Maintenance						
			Total Building, Vehicles, Tools and Streetlighting Maintenance						

APPENDIX 28

CAPITAL BUDGET
SUMMARY TEMPLATE

KITCHENER-WILMOT HYDRO INC.
2009 CAPITAL EXPENDITURES
BUDGET SUMMARY

DESCRIPTION **NORMAL REQUIREMENTS**	**2008 Actual Budget**	**2008 Revised Budget**	**2009 Actual Budget**
LAND AND LAND EASEMENTS	xxxxx	xxxxx	xxxxx
STATIONS AND BUILDINGS	xxxxx	xxxxx	xxxxx
OVERHEAD DISTRIBUTION	xxxxx	xxxxx	xxxxx
UNDERGROUND DISTRIBUTION	xxxxx	xxxxx	xxxxx
TRANSFORMERS	xxxxx	xxxxx	xxxxx
METERS	xxxxx	xxxxx	xxxxx
OFFICE FURNITURE & EQUIPMENT	xxxxx	xxxxx	xxxxx
INFORMATION SYSTEMS & EQUIPMENT	xxxxx	xxxxx	xxxxx
VEHICLES	xxxxx	xxxxx	xxxxx
TOOLS & INSTRUMENTS	xxxxx	xxxxx	xxxxx
GRAND TOTAL	**$ xxxxx**	**$ xxxxx**	**$ xxxxx**

APPENDIX 29

CAPITAL BUDGET DETAIL TEMPLATE FOR OVERHEAD DISTRIBUTION

2009 CAPITAL BUDGET

BUDGET CATEGORY 03
OVERHEAD DISTRIBUTION

ITEM NUMBER	BUDGET CATEGORY	DESCRIPTION	LABOUR & EQUIPMENT	MATERIAL	CONTRACT	ENG DESIGN	TOTAL
		Special Work Orders					
		Misc. Overhead Distribution					
		W.O. 14, 19, 19C & Misc.					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-1	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
		(i) Pole line adjustments for new services					
		(ii) Load transfers					
		(iii) Other					
		System Expansion to Supply New Developments					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-2		(Possible Requirements in 2009)					
		(i) [Street Name] both ends					
		(ii) [Street Name]					
		(iii) [Street Name]					
		(iv) Other					
		Relocations Due to Roadway Modifications					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-3		Region/City Projects That Might Require Relocations					
		(i) [Street Name]					
		(ii) [Street Name]					
		(iii) [Street Name]					
		(iv) Other					

2009 CAPITAL BUDGET

BUDGET CATEGORY 03
OVERHEAD DISTRIBUTION
(continued)

ITEM NUMBER	BUDGET CATEGORY	DESCRIPTION	LABOUR & EQUIPMENT	MATERIAL	CONTRACT	ENG DESIGN	TOTAL
3-09-4		Single-Phase Pole Line Rebuilds					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
		(i) [Street Name] (# Poles)					
		(ii) [Street Name] (# Poles)					
		(iii) [Street Name] (# Poles)					
3-09-5		Pole Line Rebuild & Spot Replacement (# Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-6		[Location] Rebuild 1 cct (x Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-7		[Location] Rebuild 1 cct & reconductor (x Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-8		[Location] Rebuild 1 cct (x Poles); add upper cct					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-9		[Location] Rebuild 1 cct (x Poles); add new LI					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx

2009 CAPITAL BUDGET

BUDGET CATEGORY 03
OVERHEAD DISTRIBUTION
(continued)

ITEM NUMBER	BUDGET CATEGORY	DESCRIPTION	LABOUR & EQUIPMENT	MATERIAL	CONTRACT	ENG DESIGN	TOTAL
3-09-10		[Location] Rebuild 1 double cct (x Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-11		[Location] Rebuild 3 cct pole line(x Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
3-09-12		[Location] Rebuild double cct pole line (x Poles)					
	03-01	Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
		Total	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
Budget Category Summary							
	03-01	Overhead Distribution – Poles, Towers & Fixtures	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-02	Overhead Distribution – Conductors & Devices	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
	03-03	Overhead Distribution - Services	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx
		Total	**$ xxxxx**	**$ xxxxx**	**$ xxxxx**	**$ xxxxx**	**$ xxxxx**

APPENDIX 30

BUDGET APPROVAL SHEET

2009 Capital Budget Item No.: 3-09-13 (part of)
Section: Overhead Distribution

Estimated Expenditure this Year

	Direct	Indirect	Totals
1. Labour	$ xxxxx	$ xxxxx	$ xxxxx
2. Materials	$ xxxxx	$ xxxxx	$ xxxxx
3. Contractors	$ xxxxx	$ xxxxx	$ xxxxx
Sub-Totals	$ xxxxx	$ xxxxx	$ xxxxx
		Engineering	$ xxxxx
		Total	$ xxxxx

Descriptions & Calculations

File # 7410-08-W83

W.O. # Poles - 11709
Wires - 11710
Services - 11711

Description: Rebuild/Extension for dedicated feeder

Contributed Capital		$ xxxxx
K-W Hydro Share of Costs		$ xxxxx
Amount in 2009 Budget		$ xxxxx
Prepared By	on	
Approved:		
Dept. Head:	President:	

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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OVERVIEW OF OPERATING REVENUE:

This exhibit provides the details of KW Hydro's Operating Revenue for the 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual Years, the 2009 Bridge Year and the 2010 Test Year. This Exhibit also provides a detailed variance analysis by rate class of the Operating Revenue components. Distribution Revenue does not include revenue from commodity sales.

A summary of Operating Revenue is presented in Table 1. In order to reconcile the Operating Revenue for rebasing purposes with the Operating Revenue as per GAAP accounting records, a separate line for accruals and adjustments has been added to Table 1.

Throughput Revenue:

Throughput Revenue in this application includes fixed charges revenue from monthly charges multiplied by the number of customers plus variable charges revenue from the consumption of KW Hydro's six major classes (Residential, General Service<50 kW, General Service>50 kW, Large User, Street Lighting and Unmetered Scattered Load). The revenue from the Embedded Distributor rate class and Standby Charges are included in Other Distribution Charges. Data related to KW Hydro's Throughput Revenue includes details such as the weather normalized forecasting methodology, normalized volume based on the historical number of customers billed throughout the year and known economic conditions. Detailed variance analysis on the Throughput Revenue is set out Tables 4 and 5.

Other Revenue:

Other Revenue includes Late Payment Charges, Specific Service Charges, Other Distribution Revenue and Other Income and Deductions. A summary of Other Operating Revenue together with a variance analysis is presented in Table 31.

Table 1
Summary of Operating Revenue

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual	2009 Bridge	2009 Bridge vs. 2008 Actual	2010 Test	2010 Test vs. 2009 Bridge
Throughput Revenue	32,397,153	32,780,795	383,642	33,087,304	306,509	33,317,184	229,880	32,974,219	-342,964	39,262,515	6,288,296
Residential	15,514,378	16,211,027	696,649	16,469,082	258,055	16,707,006	237,923	16,739,424	32,418	20,102,779	3,363,355
GS<50	3,995,367	4,307,803	312,436	4,236,656	-71,147	4,308,248	71,592	4,346,854	38,606	5,194,190	847,336
GS>50	10,941,312	10,730,405	-210,907	10,871,206	140,801	10,606,784	-264,423	10,462,798	-143,985	12,637,538	2,174,740
Large User	1,355,522	1,026,277	-329,245	986,956	-39,321	1,106,912	119,955	852,051	-254,861	643,343	-208,707
Street Lighting	211,107	392,171	181,064	354,980	-37,191	434,116	79,137	419,620	-14,497	502,648	83,028
Unmetered Scattered Load	379,467	113,113	-266,354	168,424	55,311	154,118	-14,306	153,472	-646	182,016	28,544
Transformer Ownership Allowance	(959,968)	(916,755)	43,213	(862,464)	54,291	(837,659)	24,805	(743,263)	94,396	(426,772)	316,491
Other Distribution Charges	0	86,663	86,663	78,357	-8,306	59,824	-18,533	65,000	5,176	70,145.20	5,145
Other Revenue	2,315,495	2,565,890	250,395	3,493,786	927,896	2,869,204	-624,582	1,977,192	-892,012	1,740,295	-236,897
Late Payment Charge	180,040	198,339	18,299	243,733	45,394	207,836	-35,896	200,400	-7,436	200,400	0
Specific Service Charges	488,507	213,643	-274,864	243,261	29,618	233,223	-10,037	233,000	-223	256,727	23,727
Other Distribution Revenue	836,390	677,756	-158,634	1,027,084	349,327	816,243	-210,841	847,000	30,757	841,300	-5,700
Other Income and Deductions	810,558	1,476,152	665,594	1,979,709	503,557	1,611,902	-367,807	696,792	-915,110	441,868	-254,924
Total Operating Revenue	33,752,680	34,516,593	763,913	35,796,983	1,280,390	35,408,552	-388,431	34,273,149	-1,135,403	40,646,183	6,373,034
Accruals & Adjustments		(198,984)		67,098		(350,698)					
Total Operating Revenue Booked per Accounting Records		34,317,609		35,864,081		35,057,854					

VARIANCE ANALYSIS ON OPERATING REVENUE:

KW Hydro's 2009 Throughput Revenue has been calculated using its most recently approved rates and estimated number of customers and consumption (see details in Table 22). In particular, delivery rates are based on the EB-2008-0192 dated March 10, 2009. The 2010 Throughput Revenue is determined by the revenue requirement calculation from Exhibit 6.

2006 Board Approved:

KW Hydro's 2006 Board Approved Throughput Revenue was forecast to be $32.40M and Total Revenue was estimated for $33.75M. In the 2006 EDR Model, the Other Distribution Charges (Embedded Distributor rate class and Standby Charges) were not included and therefore are also not included this time.

2006 Actual:

KW Hydro's Throughput Revenue in fiscal 2006 was $32.78M, 1.2% higher than the 2006 Board Approved amount due to the load growth (i.e. 2.1% consumption increase in the Residential class). Total Revenue was $34.32M. This represents a 1.7% increase from the 2006 Board Approved amount. Other Revenue decreased by $0.34M (see Table 31 for details).

2007 Actual:

KW Hydro's Throughput Revenue in the fiscal year 2007 was $33.09M, which was 0.9% higher than the 2006 Actual due to the load growth (i.e. 2.45% consumption increase in the Residential class). Total Revenue was $35.86M, representing a 4.5% increase from the 2006 Actual. Other Revenue increased $0.96M in the year.

2008 Actual:

KW Hydro's Throughput Revenue in the fiscal year 2008 was $33.32M, 0.7% higher than 2007 Actual due an increase in customers (i.e. 1.96% growth in the number of customers in the Residential class). Total Revenue was $35.06M, representing a 2.2% decrease from the 2007 Actual. Other Revenue decreased $0.72M.

2009 Bridge Year:

KW Hydro's Throughput Revenue is forecast to be $32.97M (based on Board Approved 2009 rates and weather normalized load forecast), as shown in Table 22. Total Revenue is forecast to be $34.27M in the 2009 Bridge Year.

Comparison to 2008 Actual:

Total Revenue in 2009 is expected to be $1.1M lower than the 2008 Actual year level. This decrease is the result of load reductions and decreased Other Revenue (most significantly, lower Interest Income due to declining in interest rates) in this period.

2010 Test Year:

KW Hydro's Throughput Revenue is forecast to be $39.26M or 97% of Total Revenue. Total Revenue is forecast to be $40.65M (based on the 2010 revenue requirement), as shown in Exhibit 6. Other Revenue is forecast to be $1.38M.

Comparison to 2009 Bridge Year:

Total Revenue in 2010 is forecast to be $6.37M higher than the 2009 Bridge Year. This increase comes from increased revenue as required through the Revenue Deficiency determination of $6.16M. KW Hydro expects a decrease in Other Revenue of $0.23M, mainly due to expected continuation of decreased Interest Revenue. In 2010, as a result of this rate application, KW Hydro expects to increase its rate base by $15.39M (see Exhibit 2). The need to generate a return on its increased rate base resulted in a revenue deficiency.

WEATHER NORMALIZATION METHODOLOGY:

The purpose of weather normalization is to predict future customer consumption based on normal weather conditions. To achieve this goal, the relationship between weather change and customer consumption must be defined. KW Hydro reviewed the various processes used by the 2009 Cost of Service applicants and is proposing to adopt a weather normalization methodology combining Multifactor Regression (MR) for weather normalization and Normalized Average Use per Customer (NAC) for load forecast.

The rationale behind introducing this methodology is the fact that the MR model failed to predict reliable results for the three most recent years (2006 to 2008) due to the impact from CDM (LDC third-tranche funding and OPA programs) and the economic slowdown; therefore the data from these three years cannot be used for KW Hydro's load forecast purposes. Problematically, KW Hydro has only one year of NAC (2004), which doesn't fulfill the Board's minimum filing requirements for multiyear weather normalization. This methodology was thus created to integrate MR and NAC and fulfill the weather normalization and load forecast requirements.

The following steps are included in this weather normalization and load forecast process.

1. Generate an MR model to build the relationship between total system purchases and weather conditions (HDD and CDD), along with other key drivers (such as population and economic growth).

2. Predict total system purchases using the equation produced from above MR model and test the variances between the prediction and the actual.

3. Apply normal weather (twelve year average HDD and CDD) to the equation to calculate the weather normalized predicted total system purchase by year.

4. Generate a total weather normalization factor, by year, by dividing the weather normalized predicted total system purchase by the predicted total system purchases and test the results with actual HDD and CDD.

5. Determine the weather sensitivity by class and calculate the class weather normalization factor, by class, by year.

6. Calculate the actual average consumption, by class, by year, and apply the class weather normalization factor from Step 5 to yield the weather normalized average consumption, by class, by year.

7. Determine the weather normalized average consumption growth rate, by class, by year based on the results from Step 6.

8. Forecast other key drivers for the 2009 Bridge Year and the 2010 Test Year.

9. Analyze the results from Step 7 and 8 to forecast the weather normalized average consumption, by class, for the 2009 Bridge Year and the 2010 Test Year.

10. Estimate customer count for the 2009 Bridge Year and the 2010 Test Year.

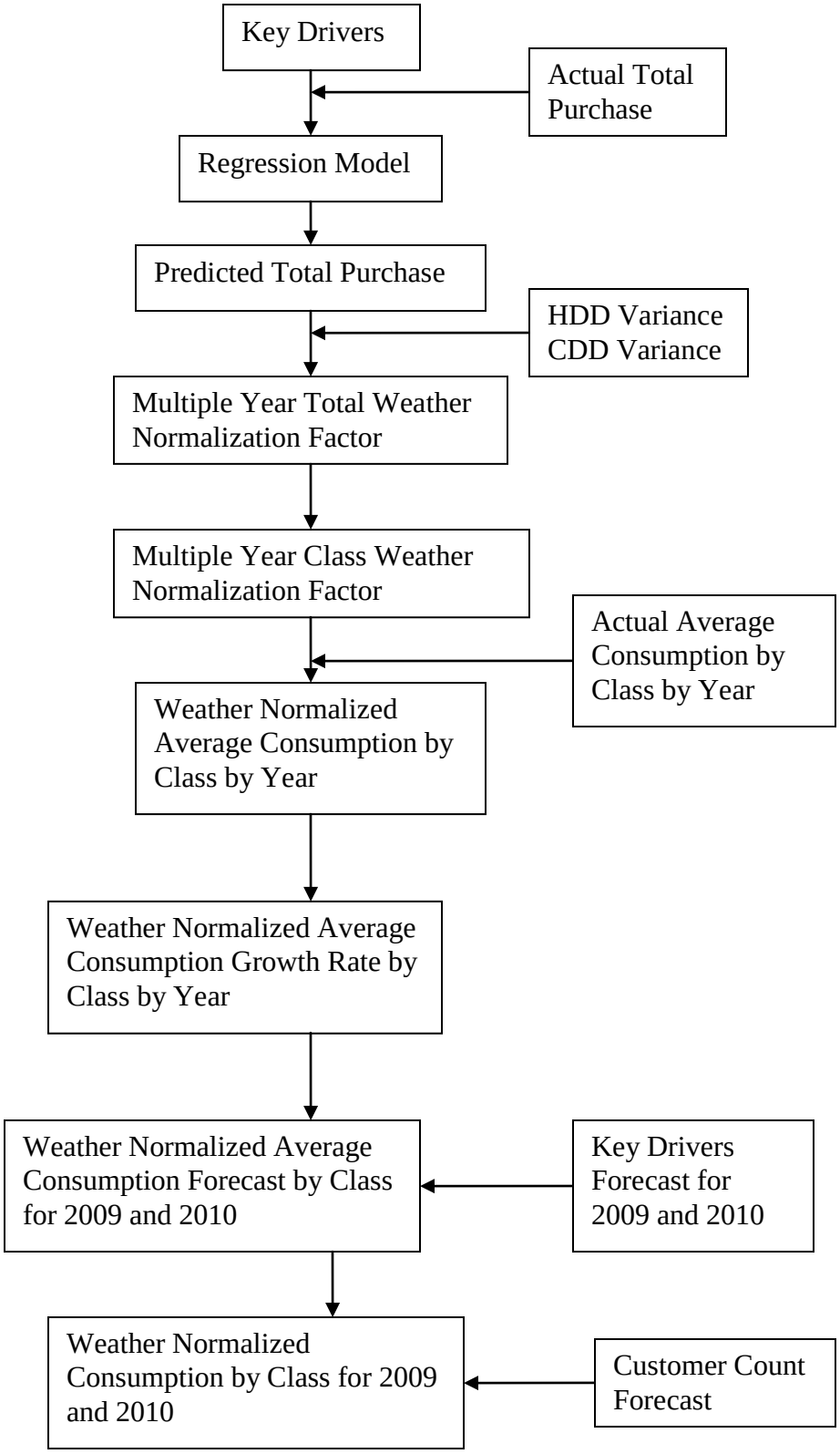
11. Combine Step 9 and 10 to calculate the weather normalized consumption, by class, for the 2009 Bridge Year and the 2010 Test Year.

12. Convert the kW demand consumption to kWh consumption for GS>50, Large User and Street Lighting classes.

13. Calculate the total system kWh consumption for the 2009 Bridge Year and the 2010 Test Year.

14. Test the results with the NAC generated by Hydro One.

The weather normalization and load forecast flow chart is shown as follows:


Key Drivers
Actual Total Purchase
Regression Model
Predicted Total Purchase
HDD Variance
CDD Variance
Multiple Year Total Weather Normalization Factor
Multiple Year Class Weather Normalization Factor
Actual Average Consumption by Class by Year
Weather Normalized Average Consumption by Class by Year
Weather Normalized Average Consumption Growth Rate by Class by Year
Weather Normalized Average Consumption Forecast by Class for 2009 and 2010
Key Drivers Forecast for 2009 and 2010
Weather Normalized Consumption by Class for 2009 and 2010
Customer Count Forecast

KW Hydro has elected to use total system energy purchases, rather than billed energy in its weather normalization calculation using multiple regressions analysis. Due to the absence of smart meter data and the fact that KW Hydro normally bills its Residential customers on a bi-monthly basis, there is a disconnect between the month that the energy was billed to customers and the month in which it was consumed. Since the IESO bills market participants using actual meter data on a monthly basis, it is clear that the total system purchased energy for January 2008 is the actual energy consumed in January 2008. On the billing side, the energy billed in January 2008 will not typically be the energy consumed by customers in that same period. Energy consumed in January 2008 by Residential customers will most likely not be billed until March 2008. Therefore, the weather conditions in January 2008 are related to energy consumed in this month, not energy billed in this month. Therefore, the total system purchased energy instead of billed energy has been adopted for weather normalization purposes.

Data for KW Hydro's total system load is available back to January 1997. This provides in excess of 140 monthly data points, which provides a reasonable data set for use in a multiple regression analysis. Based on the recent observations regarding global climate change, historical weather data is showing there is a warming of the global climate system. It is KW Hydro's opinion that it is appropriate to review the impact of weather since 1997 on the energy usage and then determine the average weather conditions from 1997 to 2008 which would then be applied in the forecasting process to determine a weather normalized forecast.

The multifactor regression model has determined that the two primary drivers of year-over-year changes in KW Hydro's load growth are economic conditions and weather. Both of these effects are captured within the multifactor regression model.

Economic growth, which encompasses population trends in KW Hydro’s service area as well as general economic conditions, are captured in the model using an index of economic output, Ontario Real Gross Domestic Product ("GDP") and population statistics.

Weather impacts on load are apparent in both the winter heating season, and in the summer cooling season. For that reason, both Heating Degree Days (i.e. a measure of coldness in winter) and Cooling Degree Days (i.e. a measure of summer heat) are modeled.

An additional factor in determining energy use in the monthly model can be classified as "calendar factors". For example, the number of days in a particular month will impact energy use. The modeling of purchased energy uses the number of days in the month and a “flag” variable to capture the typically lower usage in the spring and fall months.

The following historical monthly data were used as inputs in the regression model:

- Monthly total system purchased energy data from January 1997 to December 2008;
- Weather data: heating degree-days (HDD) and cooling degree-days (CDD) (KW Hydro uses the degree-days count for the Region of Waterloo International Airport data point as published by Environment Canada);
- Real gross domestic product (GDP) for Ontario (1988 ~ 2007 data: based on 2003 and 2008 Ontario Economic Outlook and Fiscal Review, Ontario Ministry of Finance; 2008 ~ 2010 data: based on 2009 Ontario Economic Outlook and Fiscal Review, Ontario Ministry of Finance;
- Population of City of Kitchener and Township of Wilmot (from Region of Waterloo Planning, Housing and Community Services Department);
- Number of days in the month;
- Number of peak hours (16* number of business days in any given month, excluding weekends and holidays)
- Spring fall flag (1 for Spring and Fall, and 0 for Summer and Winter)

After selecting the days in the month where the mean daily temperature is below (above) the 18°C base, the summation of each day’s negative (positive) differences between the mean daily temperature and 18°C is the HDD (CDD) for that month. The number of HDD and CDD influences electricity consumption for space heating, space cooling, lighting and other uses.

The process of developing a model of energy usage involves estimating multifactor models using different input variables to determine the best fit. Using stepwise regression techniques, different explanatory variables were tested with the ultimate model being determined both by model statistics and by forecast accuracy (see the detailed statistical results of various models in Appendix A). The higher the R-squared value, the higher the degree of reliability therefore Model 1 is chosen since it has a higher R-squared value.

The predictor of kWh purchased by KW Hydro is as follows:

KW Hydro Monthly Predicted kWh Purchases			t-statistics
= Heating Degree Days	X	42,856	18.76
+ Cooling Degree Days	X	279,401	12.63
+ Ontario Real GDP Monthly Index	X	365,283	2.78
+ Population	X	236	1.36
+ Number of Days in the Month	X	3,821,121	8.10
+ Spring Fall Flag	X	(3,985,096)	(3.97)
+ Number of Peak Hours	X	63,329	2.53
+ Constant of		(87,705,790)	(3.11)

The regression analysis between the total purchased energy (dependent variable) and seven inputs (independent variables) results 91% R-squared (using the data up to December 2005), 91% adjusted R-squared and 3.05E-50 Significance F, demonstrating reasonable confidence on the relationship between output and inputs. The t-statistics for input variables all exceed 2 except Population. Since Population is the key driver for the number of Residential customers, KW Hydro has kept it in the MR model. See Appendix A for detailed monthly input data and summary output.

Using above equation, the model generates the predicted purchases shown in Table 2.

From 2006 to 2008, total purchases declined significantly due to the impact of CDM programs and the economic downturn. When the data from this three-year period is included in the regression model, the R-squared value drops very quickly and the model is no longer reliable (i.e. the co-efficient for population turns into a negative and population growth then brings down consumption, see Table 2-1).

Because the purpose of weather normalization is to remove the fluctuation of weather conditions, as long as the recent drop in total purchases doesn't largely result from climate change, the regression equation generating from the data up to December 2005 can still be

applied to 2006 ~ 2008. This is because the MR model is being used for weather normalization purposes only and not for load forecasting. The weather normalization factor is calculated by dividing the weather normalized predicted total system purchases by the predicted total system purchase (see detailed analysis below); therefore, any variances between actual purchases and predicted purchases are not relevant in the calculation

Weather normalization is based on long term weather conditions (more than ten years average HDD and CDD) and short term fluctuations due to non-weather factors can be treated as outliers. In the three most recent years, the variances between actual purchases and predicted purchases are mostly derived from non-weather related drivers (such as CDM programs); therefore, it is better to exclude that particular data from the MR model for weather normalization purposes.

The actual total purchases are based on actual weather conditions (actual HDD and CDD). To predict the weather normalized purchases under normal weather conditions, average monthly HDD and CDD from 1997 to 2008 are entered into the regression model to replace the actual HDD and CDD and other monthly independent variables remain unchanged. The following equations demonstrate the calculation of the weather normalization factor.

Monthly HDD Variance = (Actual HDD – Average HDD) * HDD Regression Co-efficient
Monthly CDD Variance = (Actual CDD – Average CDD) * CDD Regression Co-efficient
Monthly Weather Normalized Purchase = Predicted Purchase – HDD Variance – CDD Variance
Weather Normalized Factor = Weather Normalized Purchase / Predicted Purchase

From Table 3, the weather normalization factor for total system energy purchases (kWh) are:
Year 2004: 100.87%; 2005: 98.51%; 2006: 100.59%; 2007: 99.77%: 2008: 100.28%

To test the weather normalization factor against the actual weather conditions, monthly HDD and CDD charts are introduced Charts 2 & 3. From the two charts, a hot summer in 2005 and 2006 as well as a cold winter in 2005 and 2007 can be identified. The general trend is slightly upwards, winters are getting warmer and summers are getting hotter. This observation matches the results from weather normalization factor calculations. A hot summer, followed by a cold winter in 2005 explains the lowest weather normalization factor, which means the actual energy

purchased in 2005 was greater than the expected energy purchase under average weather conditions.

KW Hydro performed a sensitivity analysis using the twenty year HDD and CDD trend (see Chart 3). The general trend for HDD is slightly downward, indicating that winters are getting warmer and less heating is required. The general trend for CDD is slightly upwards, indicating that summers are getting hotter and more cooling is necessary. The twenty year average annual HDD is 4,164 and CDD is 206. The twelve year average HDD is 4,090 and CDD is 216. Therefore in eight years the average annual HDD has decreased by 74 (4,090 subtracts 4,164) and CDD has increased by 10 (216 subtracts 206); approximately 9.25 HDD per year and 1.25 CDD per year.

Based on the equation generated from the MR model, the co-efficient for HDD is 42,856 and the co-efficient for CDD is 279,401. The impact of 9.25 HDD and 1.25 CDD is 745,669 kWh, which represents only 0.04% of KW Hydro's 2008 total system purchases (1,939,064,404 kWh). In this application, KW Hydro opted to apply the twelve year average HDD and CDD to calculate normal weather. It is KW Hydro's opinion that the twelve year average HDD and CDD more accurately calculates a sound representation for normal weather.

Table 2
Historic Annual Energy Purchases

Year	Actual Total Purchased (GWh)	Predicted Purchases (GWh)	Variance		Actual Purchased (GWh) Changes over Last Year	Predicted Purchased (GWh) Changes over Last Year
			GWh	%		
1997	1,835	1,818	(17)	-0.9%		
1998	1,835	1,847	12	0.6%	0.0%	1.6%
1999	1,900	1,910	10	0.5%	3.5%	3.4%
2000	1,917	1,928	11	0.6%	0.9%	1.0%
2001	1,964	1,961	(3)	-0.2%	2.4%	1.7%
2002	2,037	2,015	(22)	-1.1%	3.7%	2.8%
2003	2,013	2,010	(4)	-0.2%	-1.2%	-0.3%
2004	2,010	2,020	11	0.5%	-0.2%	0.5%
2005	2,086	2,088	2	0.1%	3.8%	3.4%
Total	**17,598**	**17,598**	**0**	**0%**		

Table 2.1

SUMMARY OUTPUT **Up to Dec. 2008**

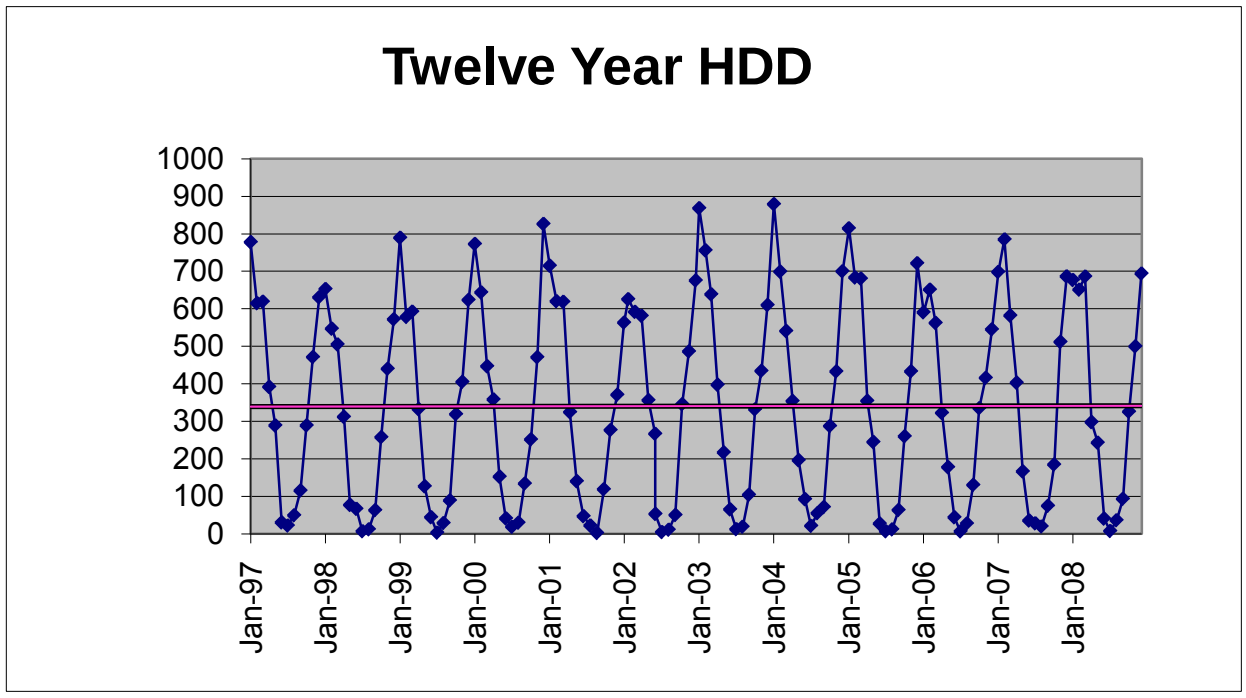
Regression Statistics	
Multiple R	0.927904319
R Square	0.861006425
Adjusted R Square	0.853852344
Standard Error	4580130.3
Observations	144

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	7	1.76728E+16	2.52469E+15	120.3517847	4.47646E-55
Residual	136	2.85295E+15	2.09776E+13		
Total	143	2.05258E+16			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	65983710.84	21985362.78	3.001256405	0.003199674	22506320.4	109461101.3	22506320.4	109461101.3
Heating Degree Days	41080.00465	2389.490766	17.19194953	6.49777E-36	36354.6415	45805.36779	36354.6415	45805.36779
Cooling Degree Days	272679.9769	23561.17601	11.57327532	5.46773E-22	226086.3201	319273.6338	226086.3201	319273.6338
Ontario Real GDP Monthly %	1011262.476	117013.4813	8.642273221	1.33975E-14	779861.2085	1242663.744	779861.2085	1242663.744
Number of Days in Month	3626737.096	496043.4517	7.311329449	2.0493E-11	2645781.037	4607693.155	2645781.037	4607693.155
Spring Fall Flag	-4967687.234	1030314.932	-4.821523091	3.76019E-06	-7005197.601	-2930176.868	-7005197.601	-2930176.868
Population	-782.3812828	128.5953822	-6.084054258	1.11986E-08	-1036.686463	-528.0761026	-1036.686463	-528.0761026
Number of Peak Hours	71906.88821	24619.51964	2.920726694	0.00408964	23220.29254	120593.4839	23220.29254	120593.4839

Chart 1


Twelve Year HDD
1000
900
800
700
600
500
400
300
200
100
0
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08

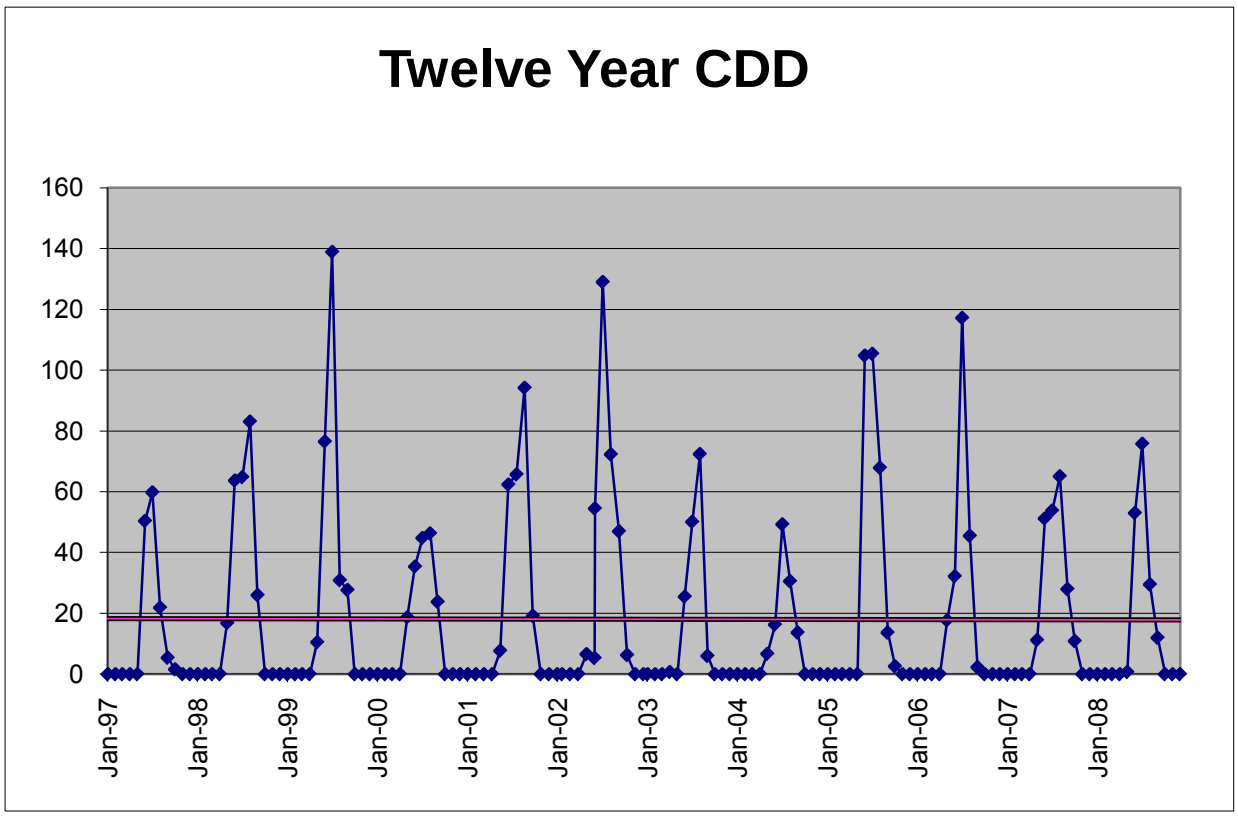
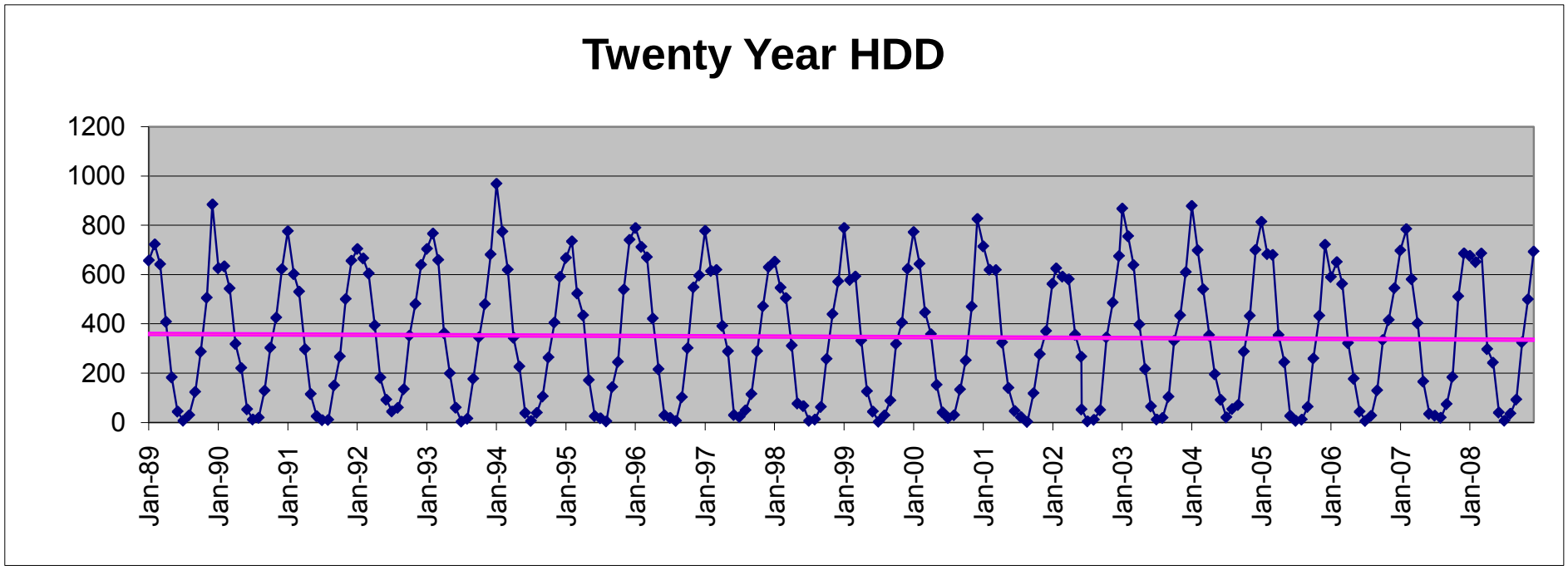
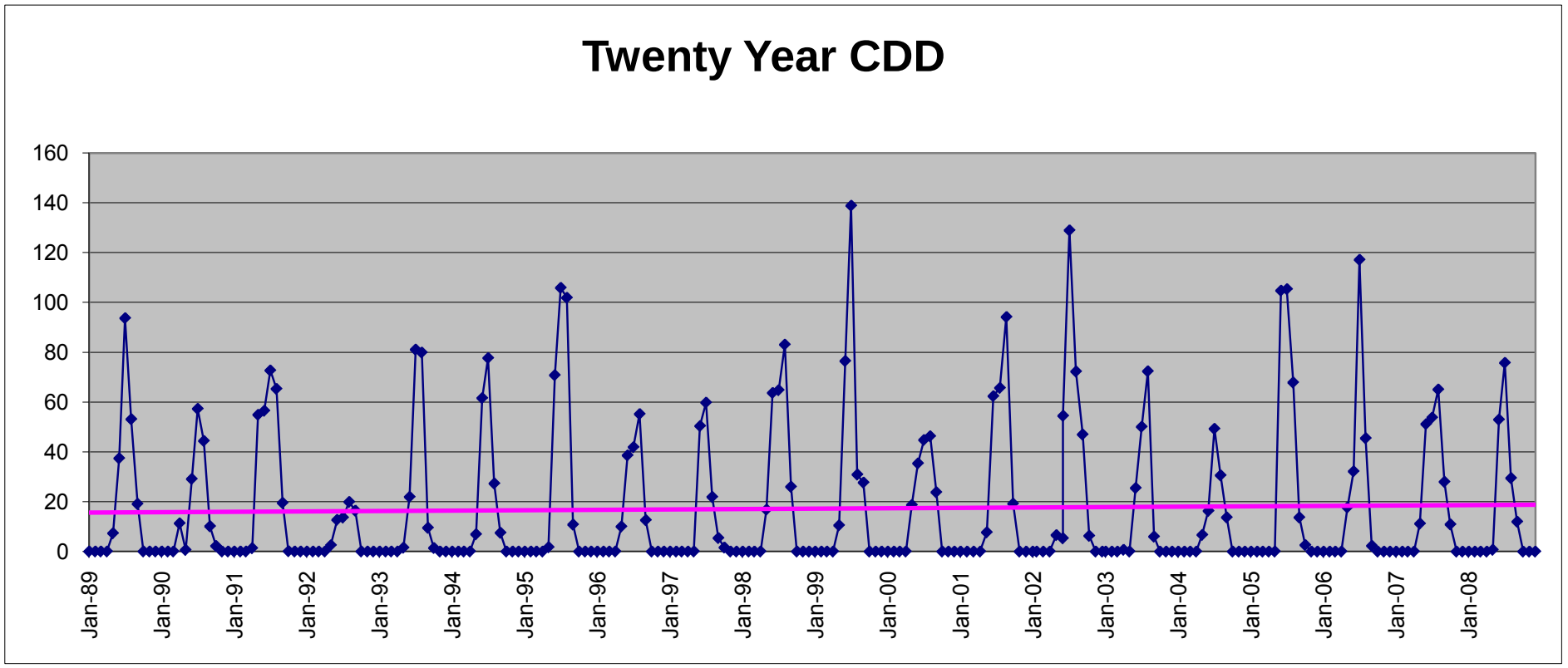

Twelve Year CDD
160
140
120
100
80
60
40
20
0
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08

Table 3
Weather Normalized Annual Energy Purchases

	Predicted Purchases (GWh)	HDD Variance (GWh)	CDD Variance (GWh)	Total Variance (GWh)	Weather Normalized Purchase (GWh)	Weather Normalized Purchase vs. Predicted Purchase	Difference
1997	1,818	9	(21)	(12)	1,831	100.68%	0.68%
1998	1,847	(25)	11	(14)	1,861	100.76%	0.76%
1999	1,910	(7)	19	12	1,897	99.35%	-0.65%
2000	1,928	2	(13)	(11)	1,939	100.55%	0.55%
2001	1,961	(12)	9	(2)	1,963	100.11%	0.11%
2002	2,015	(2)	29	28	1,988	98.63%	-1.37%
2003	2,010	16	(17)	(1)	2,011	100.07%	0.07%
2004	2,020	10	(28)	(17)	2,038	100.87%	0.87%
2005	2,088	9	22	31	2,057	98.51%	-1.49%
2006	2,082	(12)	(0)	(12)	2,094	100.59%	0.59%
2007	2,083	4	1	5	2,078	99.77%	-0.23%
2008	2,081	7	(13)	(6)	2,087	100.28%	0.28%
Total	**23,843**	**0**	**0**	**0**	**23,843**		**0.18%**

Chart 2


Twenty Year HDD
1200
1000
800
600
400
200
0
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08


Twenty Year CDD
160
140
120
100
80
60
40
20
0
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08

WEATHER NORMALIZED THROUGHPUT REVENUE AND CONSUMPTION:

KW Hydro's distribution rate structure includes a monthly fixed charge, coupled with a variable charge. For the Residential, GS<50 and Unmetered Scattered Load customers, the variable charge is based on kWh consumption. For GS>50, Large User and Street Lighting customers, the charge parameter is monthly peak demand (kW). The details of Throughput Revenue and Consumption from 2006 to 2008 are shown in Table 4.

The actual Throughput Revenue increased to $33.32M in 2008 from $32.40M of 2006 board Approved. This included a $0.95M total addition to the fixed charge amount and a $0.03M reduction in variable charges. The increasing number of customers contributes to the growing fixed charge revenue and the significant decrease, on average, in consumption per customer resulting in the reduced variable charge revenue.

From the above weather normalization study, the weather normalization factor for total energy purchases was determined. However, each rate class has different sensitivity to weather conditions. As part of the Cost Allocation Information filing, in 2006, Hydro One performed a weather normalization analysis for KW Hydro and identified the following weather sensitive ratios for each class:

Residential and GS<50 Class:	100% Weather Sensitive
GS>50 Class:	64% Weather Sensitive
Large User, Street Lighting and Unmetered Scattered Load	0% Weather Sensitive

Since the Large User, Street Lighting and Unmetered Scattered Load classes are not weather sensitive, the weather normalization factor formula can be expressed as follows:

Total Weather Normalization Factor-1
= Residential Consumption / Total Consumption * (Residential Weather Normalization Factor-1)
+ GS<50 Consumption / Total Consumption * (GS<50 Weather Normalization Factor-1)
+ GS>50 Consumption / Total Consumption * (GS>50 Weather Normalization Factor-1)

Establishing a weather normalization factor for each rate class has been difficult. The relationship between the consumption of individual rate classes to HDD and CDD is difficult to

ascertain. When applying the regression analysis model individually to the rate classes, the R-squared value for the Residential class is only 77% and 65% for the GS<50 class, indicating low reliability. Therefore, KW Hydro cannot pursue individual weather normalization factors for each rate class through the regression analysis model. Alternatively, KW Hydro has decided to convert the total system weather normalization factor into class weather normalized factor that acts as a proxy for individual weather normalization factors.

Residential Weather Normalization Factor = Class Weather Normalization Factor
GS<50 Weather Normalization Factor = Class Weather Normalization Factor
GS>50 Weather Normalization Factor = 64% *(Class Weather Normalization Factor – 1)+1

As an example, in 2004 the total weather normalization factor is 100.87%, Residential customers account for 30.47% of total kWh consumption, GS<50 for 11.44% and GS>50 for 45.26%. The class weather normalization factor should therefore equal:

0.87% =30.47% * (Class Weather normalization Factor -1)+
11.44% * (Class Weather Normalization Factor -1)+
45.26% * [64%*(Class Weather Normalization Factor -1)]
Class Weather Normalization Factor -1 = 0.87% / 70.88%
Class Weather Normalization Factor = 101.23%

See Table 6 for detailed calculations of class weather normalization factors.

Applying the class weather normalization factors to actual revenue and consumption, KW Hydro generated weather normalized revenue and consumption as follows:

The weather normalized Throughput Revenue for 2008 increased to $33.37M from the $33.32M of 2008 actual revenue, including $0.05M or 0.15% impact of weather correction; and added $0.97M from the 2006 Board Approved revenue of $32.4M, including $0.95M in additions to fixed charges and $0.02M additions to variable charges revenue.

Weather normalized consumption in 2008 increased 4.55% in kWh and decreased 6.12% in kW from 2006 Board Approved consumption. In 2008, one Large User ceased operations and the remaining three Large Use customers reduced their consumption. The detailed analysis of customer count and average consumption is presented in Table 11.

Table 4
Summary of Throughput Revenue

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual
			%		%		%
Throughput Revenue ($)	32,397,153	32,780,795	1.18	33,087,304	0.94	33,317,184	0.69
Fixed Charge	13,984,193	14,338,107	2.53	14,680,541	2.39	14,934,945	1.73
Variable Charge	18,412,960	18,442,688	0.16	18,406,763	-0.19	18,382,238	-0.13
Consumption							
Residential (kWh)	611,363,405	624,196,150	2.10	639,510,859	2.45	638,167,356	-0.21
GS<50 (kWh)	217,315,826	231,128,009	6.36	233,685,645	1.11	233,464,130	-0.09
GS>50 (kW)	2,266,174	2,306,337	1.77	2,286,676	-0.85	2,227,288	-2.60
Large User (kW)	470,044	381,847	-18.76	330,481	-13.45	329,862	-0.19
Street Lighting (kW)	40,839	42,692	4.54	43,371	1.59	45,893	5.81
USL (kWh)	8,866,274	4,733,123	-46.62	4,977,378	5.16	3,287,782	-33.95

Table 5
Details of Throughput Revenue

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual
			%		%		%
Throughput Revenue ($)	32,397,153	32,780,795	1.18	33,087,304	0.94	33,317,184	0.69
Fixed Charge	13,984,193	14,338,107	2.53	14,680,541	2.39	14,934,945	1.73
Residential	7,965,624	8,317,289	4.41	8,663,498	4.16	8,841,865	2.06
GS<50	2,050,723	2,209,414	7.74	2,173,457	-1.63	2,216,599	1.98
GS>50	2,957,015	2,867,839	-3.02	2,852,334	-0.54	2,846,071	-0.22
Large User	681,991	670,708	-1.65	655,837	-2.22	682,669	4.09
Street Lighting	129,009	201,330	56.06	210,792	4.70	222,939	5.76
USL	199,831	71,528	-64.21	124,623	74.23	124,803	0.15
Variable Charge	18,412,960	18,442,688	0.16	18,406,763	-0.19	18,382,238	-0.13
On kWh	9,673,034	10,033,712	3.73	9,912,585	-1.21	9,986,106	0.74
Residential (kWh)	7,548,754	7,893,738	4.57	7,805,584	-1.12	7,865,141	0.76
GS<50 (kWh)	1,944,644	2,098,389	7.91	2,063,199	-1.68	2,091,650	1.38
USL (kWh)	179,636	41,585	-76.85	43,801	5.33	29,315	-33.07
On kW	8,739,926	8,408,976	-3.79	8,494,179	1.01	8,396,133	-1.15
GS>50 (kW)	7,984,297	7,862,566	-1.52	8,018,872	1.99	7,760,712	-3.22
Large User (kW)	673,531	355,569	-47.21	331,119	-6.88	424,243	28.12
Street Lighting (kW)	82,098	190,841	132.46	144,188	-24.45	211,178	46.46
Throughput Revenue (Volumes)							
kWh	837,545,505	860,057,282	2.69	878,173,882	2.11	874,919,268	-0.37
kW	2,777,057	2,730,876	-1.66	2,660,528	-2.58	2,603,043	-2.16
Unit Revenue							
$/Customer or Connection (on Fixed Charge)	140.88	138.25	-1.87	138.47	0.17	138.47	0.00
$/kWh (on Variable Charge)	0.0115	0.0117	1.01	0.0113	-3.25	0.0114	1.12
$/kW (on Variable Charge)	3.1472	3.0792	-2.16	3.1927	3.68	3.2255	1.03
Consumption							
Residential (kWh)	611,363,405	624,196,150	2.10	639,510,859	2.45	638,167,356	-0.21
GS<50 (kWh)	217,315,826	231,128,009	6.36	233,685,645	1.11	233,464,130	-0.09
GS>50 (kW)	2,266,174	2,306,337	1.77	2,286,676	-0.85	2,227,288	-2.60
Large User (kW)	470,044	381,847	-18.76	330,481	-13.45	329,862	-0.19
Street Lighting (kW)	40,839	42,692	4.54	43,371	1.59	45,893	5.81
USL (kWh)	8,866,274	4,733,123	-46.62	4,977,378	5.16	3,287,782	-33.95

Table 6
Weather Normalization Factor By Class

	2004 Actual	%	2005 Actual	%	2006 Actual	%	2007 Actual	%	2008 Actual	%
Consumption	1,947,483,902	100%	2,040,872,519	100%	1,917,735,012	100%	1,918,190,356	100%	1,877,404,166	100%
Residential (kWh)	593,383,986	30.47%	640,475,237	31.38%	624,196,150	32.55%	639,510,859	33.34%	638,167,356	33.99%
GS<50 (kWh)	222,837,922	11.44%	234,287,434	11.48%	231,128,009	12.05%	233,685,645	12.18%	233,464,130	12.44%
GS>50 (kWh)	881,507,867	45.26%	918,952,852	45.03%	860,411,209	44.87%	866,794,206	45.19%	838,013,719	44.64%
Large User (kWh)	234,737,963	12.05%	232,058,404	11.37%	181,975,799	9.49%	157,680,777	8.22%	146,928,777	7.83%
Street Lighting (kWh)	15,016,164	0.77%	15,098,592	0.74%	15,290,722	0.80%	15,541,491	0.81%	17,542,402	0.93%
USL (kWh)					4,733,123	0.25%	4,977,378	0.26%	3,287,782	0.18%
Weather Normalization Factor	100.87%	0.87%	98.51%	-1.49%	100.59%	0.59%	99.77%	-0.23%	100.28%	0.28%
Residential (kWh)	101.23%	1.23%	97.92%	-2.08%	100.80%	0.80%	99.69%	-0.31%	100.37%	0.37%
GS<50 (kWh)	101.23%	1.23%	97.92%	-2.08%	100.80%	0.80%	99.69%	-0.31%	100.37%	0.37%
GS>50 (kWh)	100.79%	0.79%	98.67%	-1.33%	100.52%	0.52%	99.80%	-0.20%	100.24%	0.24%
Large User (kWh)	100.00%	0	100.00%	0	100.00%	0	100%	0	100%	0
Street Lighting (kWh)	100.00%	0	100.00%	0	100.00%	0	100%	0	100%	0
USL (kWh)					100.00%	0	100%	0	100%	0

Table 7

Summary of Throughput Revenue — Weather Normalized

	2006 Board Approved	2006 Actual - Normalized	2006 Actual-Normalized vs. 2006 Board Approved	2007 Actual - Normalized	2007 Actual-Normalized vs. 2006 Actual-Normalized	2008 Actual - Normalized	2008 Actual-Normalized vs. 2007 Actual-Normalized
			%		%		%
Throughput Revenue ($)	32,397,153	32,901,702	1.56	33,040,957	0.42	33,372,918	1.00
Fixed Charge	13,984,193	14,338,107	2.53	14,680,541	2.39	14,934,945	1.73
Variable Charge	18,412,960	18,563,595	0.82	18,360,416	-1.09	18,437,972	0.42
Throughput Revenue (Volumes)							
kWh	837,545,505	866,940,475	3.51	875,476,018	0.98	878,174,467	0.31
kW	2,777,057	2,742,755	-1.24	2,656,006	-3.16	2,608,367	-1.79

Table 8

Details of Throughput Revenue — Weather Normalized

	2006 Actual	Weather Normaliz-ation Factor	2006 Actual - Normalized	2007 Actual	Weather Normaliz-ation Factor	2007 Actual - Normalized	2008 Actual	Weather Normaliz-ation Factor	2008 Actual - Normalized
Throughput Revenue ($)	32,780,795		32,901,702	33,087,304		33,040,957	33,317,184		33,372,918
Fixed Charge	14,338,107		14,338,107	14,680,541		14,680,541	14,934,945		14,934,945
Residential	8,317,289	100%	8,317,289	8,663,498	100%	8,663,498	8,841,865	100%	8,841,865
GS<50	2,209,414	100%	2,209,414	2,173,457	100%	2,173,457	2,216,599	100%	2,216,599
GS>50	2,867,839	100%	2,867,839	2,852,334	100%	2,852,334	2,846,071	100%	2,846,071
Large User	670,708	100%	670,708	655,837	100%	655,837	682,669	100%	682,669
Street Lighting	201,330	100%	201,330	210,792	100%	210,792	222,939	100%	222,939
USL	71,528	100%	71,528	124,623	100%	124,623	124,803	100%	124,803
Variable Charge	18,442,688		18,563,595	18,406,763		18,360,416	18,382,238		18,437,972
On kWh	10,033,712		10,114,123	9,912,585		9,882,094	9,986,106		10,023,290
Residential (kWh)	7,893,738	100.80%	7,957,263	7,805,584	99.69%	7,781,468	7,865,141	100.37%	7,894,515
GS<50 (kWh)	2,098,389	100.80%	2,115,276	2,063,199	99.69%	2,056,825	2,091,650	100.37%	2,099,461
USL (kWh)	41,585	100.00%	41,585	43,801	100.00%	43,801	29,315	100.00%	29,315
On kW	8,408,976		8,449,471	8,494,179		8,478,322	8,396,133		8,414,682
GS>50 (kW)	7,862,566	100.52%	7,903,061	8,018,872	99.80%	8,003,016	7,760,712	100.24%	7,779,262
Large User (kW)	355,569	100.00%	355,569	331,119	100.00%	331,119	424,243	100.00%	424,243
Street Lighting (kW)	190,841	100.00%	190,841	144,188	100.00%	144,188	211,178	100.00%	211,178
Throughput Revenue (Volumes)									
kWh	860,057,282		866,940,475	878,173,882		875,476,018	874,919,268		878,174,467
kW	2,730,876		2,742,755	2,660,528		2,656,006	2,603,043		2,608,367
Unit Revenue									
$/Customer or Connection (on Fixed Charge)	138.25		138.25	138.47		138.47	138.47		138.47
$/kWh (on Variable Charge)	0.0117		0.0117	0.0113		0.0113	0.0114		0.0114
$/kW (on Variable Charge)	3.0792		3.0807	3.1927		3.1921	3.2255		3.2260
Consumption									
Residential (kWh)	624,196,150	100.80%	629,219,348	639,510,859	99.69%	637,535,000	638,167,356	100.37%	640,550,659
GS<50 (kWh)	231,128,009	100.80%	232,988,004	233,685,645	99.69%	232,963,640	233,464,130	100.37%	234,336,026
GS>50 (kW)	2,306,337	100.52%	2,318,216	2,286,676	99.80%	2,282,154	2,227,288	100.24%	2,232,612
Large User (kW)	381,847	100.00%	381,847	330,481	100.00%	330,481	329,862	100.00%	329,862
Street Lighting (kW)	42,692	100.00%	42,692	43,371	100.00%	43,371	45,893	100.00%	45,893
USL (kWh)	4,733,123	100.00%	4,733,123	4,977,378	100.00%	4,977,378	3,287,782	100.00%	3,287,782
# of Customers or Connections									
Residential	72,866		72,866	74,392		74,392	75,847		75,847
GS<50	7,049		7,049	7,198		7,198	7,337		7,337
GS>50	1,021		1,021	1,005		1,005	1,007		1,007
Large User	4		4	4		4	4		4
Street Lighting	21,993		21,993	22,599		22,599	22,840		22,840
USL	781		781	818		818	820		820

Table 9

Variance Analysis of Throughput Revenue — Weather Normalized

	2006 Board Approved	2006 Actual Normalized	2006 Actual-Normalized vs. 2006 Board Approved	2007 Actual Normalized	2007 Actual-Normalized vs. 2006 Actual-Normalized	2008 Actual Normalized	2008 Actual-Normalized vs. 2007 Actual-Normalized
			%		%		%
Throughput Revenue ($)	32,397,153	32,901,702	1.56	33,040,957	0.42	33,372,918	1.00
Fixed Charge	13,984,193	14,338,107	2.53	14,680,541	2.39	14,934,945	1.73
Residential	7,965,624	8,317,289	4.41	8,663,498	4.16	8,841,865	2.06
GS<50	2,050,723	2,209,414	7.74	2,173,457	-1.63	2,216,599	1.98
GS>50	2,957,015	2,867,839	-3.02	2,852,334	-0.54	2,846,071	-0.22
Large User	681,991	670,708	-1.65	655,837	-2.22	682,669	4.09
Street Lighting	129,009	201,330	56.06	210,792	4.70	222,939	5.76
USL	199,831	71,528	-64.21	124,623	74.23	124,803	0.15
Variable Charge	18,412,960	18,563,595	0.82	18,360,416	-1.09	18,437,972	0.42
On kWh	9,673,034	10,114,123	4.56	9,882,094	-2.29	10,023,290	1.43
Residential (kWh)	7,548,754	7,957,263	5.41	7,781,468	-2.21	7,894,515	1.45
GS<50 (kWh)	1,944,644	2,115,276	8.77	2,056,825	-2.76	2,099,461	2.07
USL (kWh)	179,636	41,585	-76.85	43,801	5.33	29,315	-33.07
On kW	8,739,926	8,449,471	-3.32	8,478,322	0.34	8,414,682	-0.75
GS>50 (kW)	7,984,297	7,903,061	-1.02	8,003,016	1.26	7,779,262	-2.80
Large User (kW)	673,531	355,569	-47.21	331,119	-6.88	424,243	28.12
Street Lighting (kW)	82,098	190,841	132.46	144,188	-24.45	211,178	46.46
Throughput Revenue (Volumes)							
kWh	837,545,505	866,940,475	3.51	875,476,018	0.98	878,174,467	0.31
kW	2,777,057	2,742,755	-1.24	2,656,006	-3.16	2,608,367	-1.79
Unit Revenue							
$/Customer or Connection (on Fixed Charge)	140.88	138.25	-1.87	138.47	0.17	138.47	0.00
$/kWh (on Variable Charge)	0.0115	0.0117	1.01	0.0113	-3.25	0.0114	1.12
$/kW (on Variable Charge)	3.1472	3.0807	-2.11	3.1921	3.62	3.2260	1.06
Consumption							
Residential (kWh)	611,363,405	629,219,348	2.92	637,535,000	1.32	640,550,659	0.47
GS<50 (kWh)	217,315,826	232,988,004	7.21	232,963,640	-0.01	234,336,026	0.59
GS>50 (kW)	2,266,174	2,318,216	2.30	2,282,154	-1.56	2,232,612	-2.17
Large User (kW)	470,044	381,847	-18.76	330,481	-13.45	329,862	-0.19
Street Lighting (kW)	40,839	42,692	4.54	43,371	1.59	45,893	5.81
USL (kWh)	8,866,274	4,733,123	-46.62	4,977,378	5.16	3,287,782	-33.95

Table 10

Variance Analysis of Throughput Revenue — Weather Normalized vs. Actual

	2006 Board Approved	2006 Actual	2006 Actual - Normalized	2006 Actual-Normalized vs. 2006 Actual	2007 Actual	2007 Actual - Normalized	2007 Actual-Normalized vs. 2007 Actual	2008 Actual	2008 Actual - Normalized	2008 Actual-Normalized vs. 2008 Actual
				%			%			%
Throughput Revenue ($)	32,397,153	32,780,795	32,901,702	0.37	33,087,304	33,040,957	-0.14	33,317,184	33,372,918	0.17
Fixed Charge	13,984,193	14,338,107	14,338,107	0.00	14,680,541	14,680,541	0.00	14,934,945	14,934,945	0.00
Residential	7,965,624	8,317,289	8,317,289	0.00	8,663,498	8,663,498	0.00	8,841,865	8,841,865	0.00
GS<50	2,050,723	2,209,414	2,209,414	0.00	2,173,457	2,173,457	0.00	2,216,599	2,216,599	0.00
GS>50	2,957,015	2,867,839	2,867,839	0.00	2,852,334	2,852,334	0.00	2,846,071	2,846,071	0.00
Large User	681,991	670,708	670,708	0.00	655,837	655,837	0.00	682,669	682,669	0.00
Street Lighting	129,009	201,330	201,330	0.00	210,792	210,792	0.00	222,939	222,939	0.00
USL	199,831	71,528	71,528	0.00	124,623	124,623	0.00	124,803	124,803	0.00
Variable Charge	18,412,960	18,442,688	18,563,595	0.66	18,406,763	18,360,416	-0.25	18,382,238	18,437,972	0.30
On kWh	9,673,034	10,033,712	10,114,123	0.80	9,912,585	9,882,094	-0.31	9,986,106	10,023,290	0.37
Residential (kWh)	7,548,754	7,893,738	7,957,263	0.80	7,805,584	7,781,468	-0.31	7,865,141	7,894,515	0.37
GS<50 (kWh)	1,944,644	2,098,389	2,115,276	0.80	2,063,199	2,056,825	-0.31	2,091,650	2,099,461	0.37
USL (kWh)	179,636	41,585	41,585	0.00	43,801	43,801	0.00	29,315	29,315	0.00
On kW	8,739,926	8,408,976	8,449,471	0.48	8,494,179	8,478,322	-0.19	8,396,133	8,414,682	0.22
GS>50 (kW)	7,984,297	7,862,566	7,903,061	0.52	8,018,872	8,003,016	-0.20	7,760,712	7,779,262	0.24
Large User (kW)	673,531	355,569	355,569	0.00	331,119	331,119	0.00	424,243	424,243	0.00
Street Lighting (kW)	82,098	190,841	190,841	0.00	144,188	144,188	0.00	211,178	211,178	0.00
Throughput Revenue (Volumes)										
kWh	837,545,505	860,057,282	866,940,475	0.80	878,173,882	875,476,018	-0.31	874,919,268	878,174,467	0.37
kW	2,777,057	2,730,876	2,742,755	0.43	2,660,528	2,656,006	-0.17	2,603,043	2,608,367	0.20
Unit Revenue										
$/Customer or Connection (on Fixed Charge)	140.88	138.25	138.25	0.00	138.47	138.47	0.00	138.47	138.47	0.00
$/kWh (on Variable Charge)	0.0115	0.0117	0.0117	0.00	0.0113	0.0113	0.00	0.0114	0.0114	0.00
$/kW (on Variable Charge)	3.1472	3.0792	3.0807	0.05	3.1927	3.1921	-0.02	3.2255	3.2260	0.02
Consumption										
Residential (kWh)	611,363,405	624,196,150	629,219,348	0.80	639,510,859	637,535,000	-0.31	638,167,356	640,550,659	0.37
GS<50 (kWh)	217,315,826	231,128,009	232,988,004	0.80	233,685,645	232,963,640	-0.31	233,464,130	234,336,026	0.37
GS>50 (kW)	2,266,174	2,306,337	2,318,216	0.52	2,286,676	2,282,154	-0.20	2,227,288	2,232,612	0.24
Large User (kW)	470,044	381,847	381,847	0.00	330,481	330,481	0.00	329,862	329,862	0.00
Street Lighting (kW)	40,839	42,692	42,692	0.00	43,371	43,371	0.00	45,893	45,893	0.00
USL (kWh)	8,866,274	4,733,123	4,733,123	0.00	4,977,378	4,977,378	0.00	3,287,782	3,287,782	0.00

WEATHER NORMALIZED LOAD AND CUSTOMER/CONNECTION FORECAST:

The purpose of this evidence is to present the process used by KW Hydro to prepare the weather normalized load and customer/connection forecast used to design the proposed distribution rates. Table 11 provides a summary of the actual and weather normalized load and customer/connection count.

Customer count and consumption in the Exhibit are shown in year-end format. Since the 2006 EDR and previous rate applications are all based on year-end amount, this application also uses this format.

Prior to 2006, KW Hydro did not have an Unmetered Scattered Load rate class. The consumption of this class was included in GS<50 class. The Street Lighting and Unmetered Scattered Load are measured based on the number of connections.

Customer count in 2008 has been gradually changing from 2006 Board Approved counts. The total & increases are: Residential class: 9.28%, GS<50: 7.96%, Street Lighting: 7.87%. There has been no increase in the Large User class. Reductions in customer count include the GS>50 at 4.82% and 0.73% for the Unmetered Scattered Load class. The average increase for the Residential and GS<50 has been approximately 2% annually for the past five years.

Average weather normalized consumption per customer reduced 4.13% to 8,445 kWh annually in 2008 from 8,809 kWh of 2006 Board Approved consumption for the Residential class. There were increases for both the GS>50 and Street Lighting classes at 3.5% and 4.2% respectively. Decreases were noted for the Large User and Unmetered Scattered Load classes at 29.8% and 62.7% respectively. Average weather normalized consumption stayed almost the same for the GS<50 class at around 31,939kWh.

Table 11

Summary of Consumption and Customer Connections — Weather Normalized

	2004 Actual - Normalized	2005 Actual - Normalized	2005 Actual-Normalized vs. 2004 Actual-Normalized	2006 Board Approved	2006 Actual - Normalized	2006 Actual-Normalized vs. 2006 Board Approved	2006 Actual-Normalized vs. 2005 Actual-Normalized	2007 Actual - Normalized	2007 Actual-Normalized vs. 2006 Actual-Normalized	2008 Actual - Normalized	2008 Actual-Normalized vs. 2007 Actual-Normalized
# of Customers or Connections	**98,456**	**100,944**	**2,488**	**99,262**	**103,714**	**4,452**	**2,770**	**106,016**	**2,302**	**107,855**	**1,839**
Residential	69,405	71,490	2,085	69,405	72,866	3,461	1,376	74,392	1,526	75,847	1,455
GS<50	6,816	6,916	100	6,796	7,049	253	133	7,198	149	7,337	139
GS>50	1,058	1,077	19	1,058	1,021	-37	-56	1,005	-16	1,007	2
Large User	4	4	0	4	4	0	0	4	0	4	0
Street Lighting	21,173	21,457	284	21,173	21,993	820	536	22,599	606	22,840	241
USL				826	781	-45	781	818	37	820	2
Average Consumption											
Residential (kWh per Customer)	8,655	8,773	118	8,809	8,635	-173	-137	8,570	-65	8,445	-125
GS<50 (kWh per Customer)	33,095	33,172	77	31,977	33,053	1,076	-119	32,365	-688	31,939	-426
GS>50 (kW per Customer)	2,166	2,147	-19	2,142	2,271	129	123	2,271	0	2,217	-54
Large User (kW per Customer)	115,107	111,437	-3,670	117,511	95,462	-22,049	-15,975	82,620	-12,842	82,466	-155
Street Lighting (kW per Connection)	1.9710	1.9643	0	1.9288	1.9412	0	0	1.9192	0	2.0093	0
USL (kWh per Connection)				10,734	6,060	-4,674	6,060	6,085	24	4,009	-2,075

Table 12

Details of Consumption and Customer Count — Actual

	2004 Actual	2005 Actual	2005 Actual vs. 2004 Actual	2006 Board Approved	2006 Actual	2006 Actual vs. 2005 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual
			%			%	%		%		%
Consumption											
Residential (kWh)	593,393,986	640,475,237	7.93	611,363,405	624,196,150	-2.54	2.10	639,510,859	2.45	638,167,356	-0.21
GS<50 (kWh)	222,837,922	234,287,434	5.14	217,315,826	231,128,009	-1.35	6.36	233,685,645	1.11	233,464,130	-0.09
GS>50 (kW)	2,273,819	2,343,889	3.08	2,266,174	2,306,337	-1.60	1.77	2,286,676	-0.85	2,227,288	-2.60
Large User (kW)	460,426	445,748	-3.19	470,044	381,847	-14.34	-18.76	330,481	-13.45	329,862	-0.19
Street Lighting (kW)	41,732	42,148	1.00	40,839	42,692	1.29	4.54	43,371	1.59	45,893	5.81
USL (kWh)				8,866,274	4,733,123		-46.62	4,977,378	5.16	3,287,782	-33.95
# of Customers or Connections											
Residential	69,405	71,490	3.00	69,405	72,866	1.92	4.99	74,392	2.09	75,847	1.96
GS<50	6,816	6,916	1.47	6,796	7,049	1.92	3.72	7,198	2.11	7,337	1.93
GS>50	1,058	1,077	1.80	1,058	1,021	-5.20	-3.50	1,005	-1.57	1,007	0.20
Large User	4	4	0.00	4	4	0.00	0.00	4	0.00	4	0.00
Street Lighting	21,173	21,457	1.34	21,173	21,993	2.50	3.87	22,599	2.76	22,840	1.07
USL				826	781		-5.45	818	4.74	820	0.24
Average Consumption											
Residential (kWh per Customer)	8,550	8,959	4.79	8,809	8,566	-4.38	-2.75	8,597	0.35	8,414	-2.12
GS<50 (kWh per Customer)	32,693	33,876	3.62	31,977	32,789	-3.21	2.54	32,465	-0.99	31,820	-1.99
GS>50 (kW per Customer)	2,149	2,176	1.26	2,142	2,259	3.79	5.46	2,275	0.73	2,212	-2.79
Large User (kW per Customer)	115,107	111,437	-3.19	117,511	95,462	-14.34	-18.76	82,620	-13.45	82,466	-0.19
Street Lighting (kW per Connection)	1.9710	1.9643	-0.34	1.9288	1.9412	-1.18	0.64	1.9192	-1.13	2.0093	4.70
USL (kWh per Connection)				10,734	6,060		-43.54	6,085	0.40	4,009	-34.11

Table 13

Details of Consumption and Customer Count — Weather Normalized

	2004 Actual - Normalized	2005 Actual - Normalized	2005 Actual-Normalized vs. 2004 Actual-Normalized	2006 Board Approved	2006 Actual - Normalized	2006 Actual-Normalized vs. 2006 Board Approved	2006 Actual-Normalized vs. 2005 Actual-Normalized	2007 Actual - Normalized	2007 Actual-Normalized vs. 2006 Actual-Normalized	2008 Actual - Normalized	2008 Actual-Normalized vs. 2007 Actual-Normalized
			%			%	%		%		%
Consumption											
Residential (kWh)	600,677,407	627,161,742	4.41	611,363,405	629,219,348	2.92	0.33	637,535,000	1.32	640,550,659	0.47
GS<50 (kWh)	225,573,073	229,417,324	1.70	217,315,826	232,988,004	7.21	1.56	232,963,640	-0.01	234,336,026	0.59
GS>50 (kW)	2,291,681	2,312,707	0.92	2,266,174	2,318,216	2.30	0.24	2,282,154	-1.56	2,232,612	-2.17
Large User (kW)	460,426	445,748	-3.19	470,044	381,847	-18.76	-14.34	330,481	-13.45	329,862	-0.19
Street Lighting (kW)	41,732	42,148	1.00	40,839	42,692	4.54	1.29	43,371	1.59	45,893	5.81
USL (kWh)				8,866,274	4,733,123	-46.62		4,977,378	5.16	3,287,782	-33.95
# of Customers or Connections											
Residential	69,405	71,490	3.00	69,405	72,866	4.99	1.92	74,392	2.09	75,847	1.96
GS<50	6,816	6,916	1.47	6,796	7,049	3.72	1.92	7,198	2.11	7,337	1.93
GS>50	1,058	1,077	1.80	1,058	1,021	-3.50	-5.20	1,005	-1.57	1,007	0.20
Large User	4	4	0.00	4	4	0.00	0.00	4	0.00	4	0.00
Street Lighting	21,173	21,457	1.34	21,173	21,993	3.87	2.50	22,599	2.76	22,840	1.07
USL				826	781	-5.45		818	4.74	820	0.24
Average Consumption											
Residential (kWh per Customer)	8,655	8,773	1.36	8,809	8,635	-1.97	-1.57	8,570	-0.76	8,445	-1.45
GS<50 (kWh per Customer)	33,095	33,172	0.23	31,977	33,053	3.36	-0.36	32,365	-2.08	31,939	-1.32
GS>50 (kW per Customer)	2,166	2,147	-0.86	2,142	2,271	6.00	5.74	2,271	0.01	2,217	-2.37
Large User (kW per Customer)	115,107	111,437	-3.19	117,511	95,462	-18.76	-14.34	82,620	-13.45	82,466	-0.19
Street Lighting (kW per Connection)	1.9710	1.9643	-0.34	1.9288	1.9412	0.64	-1.18	1.9192	-1.13	2.0093	4.70
USL (kWh per Connection)				10,734	6,060	-43.54		6,085	0.40	4,009	-34.11

RESIDENTIAL CLASS:

The growth of Residential customers has remained constant at approximately 2% in recent years, 3% in 2005, 1.92% in 2006, 2.09% in 2007 and 1.96% in 2008. The growth in the Residential rate class is directly related to the population growth in KW Hydro's service area. Population growth is shown based on information from the Region of Waterloo. The population growth from 2001 to 2006 was 1.56% and the growth forecast for 2001 ~ 2031 from the Region of Waterloo is 1.58%. For the 2009 Bridge Year and 2010 Test Year, the expected growth of the Residential customer class is estimated at 1.5%, resulting in a residential customer count of 76,984 for 2009 and 78,139 for 2010.

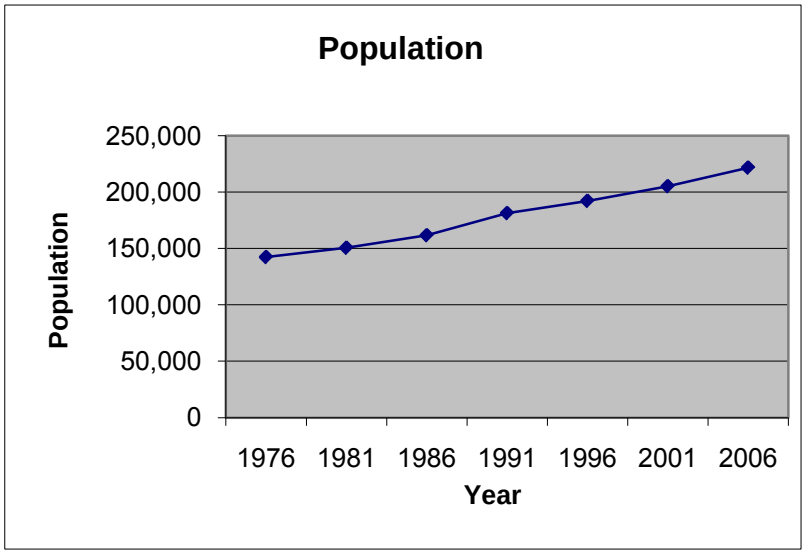
KW Hydro has not made any changes to its Residential customer base with respect to suite metering. To date, the Board is still developing the guidelines regarding smart sub-metering and, until all the guidelines are complete, KW Hydro cannot accurately estimate its effect on the number of customers it may have in the future.

Average weather normalized consumption for the Residential class reduced gradually in the last three years due to third-tranche CDM and OPA Energy Conservation programs; 1.57% in 2006, 0.76% in 2007 and 1.45% in 2008. These amounts have been calculated using KW Hydro's internal calculations and do not take into account Enerspectrum's 3rd party calculations utilized in Exhibit 10. KW Hydro's calculations are lower than Enerspectrum's. The total impact from both programs in 2007 accounts for a 3.48% consumption reduction (see Table 14). Considering the impact of third-tranche CDM, OPA Energy Conservation programs and the new Green Energy initiatives, KW Hydro forecasts a 1% reduction for 2009 to 8,361 kWh from 8,445 kWh in 2008 and a 0.5% reduction for the 2010 Test Year to 8,319 kWh.

Chart 3

Population

	Population
1976	142,427
1981	150,659
1986	161,749
1991	181,389
1996	192,250
2001	205,265
2006	221,765
Annual Growth Rate in Population	
1976 ~ 1981	1.13%
1981 ~ 1986	1.43%
1986 ~ 1991	2.32%
1991 ~ 1996	1.17%
1996 ~ 2001	1.32%
2001 ~ 2006	1.56%
Population Forecast from Waterloo Region (2001 ~ 2031)	1.58%



GENERAL SERVICE LESS THAN 50kW CLASS:

The GS<50kW class includes small commercial businesses such as corner stores. Generally these small businesses are located close to Residential customers. The growth in the Residential customer base will attract new small businesses to emerge. The growth rate of GS<50kW customer class has remained at 2% in the recent years, 1.47% in 2005, 1.92% in 2006, 2.11% in 2007, 1.93% in 2008. Taking into consideration an expected 1.58% population growth rate and continued economic slowdown for the 2009 Bridge Year as well as the 2010 Test Year, the growth of the GS<50kW customer class has been estimated at 1% or 7,410 for 2009 and 7,484 for 2010.

Average weather normalized consumption for GS<50kW class has reduced gradually in the last three years due to third-tranche CDM program and OPA Energy Conservation programs - 0.36% in 2006, 2.08% in 2007 and 1.32% in 2008. These amounts have been calculated using KW Hydro's internal calculations and do not take into account Enerspectrum's 3rd party calculations utilized in Exhibit 10. KW Hydro's calculations are lower than Enerspectrum's. The total impact from both programs in 2007 accounts for a 1.6% reduction in consumption (see Table 14). Taking into consideration third-tranche CDM, OPA Energy Conservation programs and new Green Energy initiatives, KW Hydro forecasts a 1% reduction for 2009 to 31,620 kWh from 31,939 kWh in 2008 and a 0.5% reduction for 2010 to 31,462 kWh.

Table 14
Energy Savings Due to CDM and OPA Programs

	Residential				GS < 50			
	2007 Energy Savings (kWh)	2007 # of Customers	2007 Average Energy Savings (kWh)	Average Energy Savings vs. Average Consumption	2007 Energy Savings (kWh)	2007 # of Customers	2007 Average Energy Savings (kWh)	Average Energy Saving vs. Average Consumption
CDM Program								
Total for CDM Program	3,375,183	74,392	45	0.53%	3,806,193	7,198	529	1.63%
OPA Program								
Total for OPA Program	18,858,000	74,392	253	2.95%	9,000	7,198	1	0.00%
Total	**22,233,183**	**148,784**	**299**	**3.48%**	**3,815,193**	**14,396**	**530**	**1.63%**

GENERAL SERVICE GREATER THAN 50kW CLASS:

The GS>50kW class includes large commercial and industrial businesses such as manufacturing companies and large office towers. These large businesses fluctuate according to the demand for products and economic conditions. Due to a changing economy from manufacturing to knowledge based industries, the number of GS>50kW customers decreased significantly in recent years, 5.2% in 2006, 1.57% in 2007 and slightly increased .2% in 2008. The economic downturn in 2009 is expected to further reduce the number of customers in the GS>50kW class by 0.5%, reaching 1,002 by the end of 2009. The promising turnaround in 2010 could stop the decline of GS>50kW class and for the 2010 Test Year, the number of customers is estimated to remain the same as that of the 2009 Bridge Year at 1,002. The addition of one Large User customer forecasted to be reclassified to GS>50kW will bring the total to 1,003.

Average weather normalized demand for the GS>50kW class has fluctuated over the past five years: a 0.86% decrease in 2005, a 5.74% increase in 2006, a 0.01% increase in 2007 and a 2.37% decrease in 2008. Table 15 shows the major GS>50kW accounts that ceased operations in recent years and their respective consumptions. In 2008 seven (7) GS>50 customers ceased operations, accounting for a kW reduction to the entire rate class of 1.96%. Since in excess of 50% of GS>50kW customers are manufacturing companies, the recent recession trend will continue to reduce the demand for this class. KW Hydro therefore predicts a 2% demand reduction for the 2009 Bridge Year (at 2,173kW per customer) and no change for the 2010 Test Year (at 2,173kW per customer).

Table 15

Discontinued Accounts and Related Consumption

Customer	Account Type	Month Account Closed	Billed Demand (kW)	Average Historical Annual Consumption (kWh/year)
GS > 50 # 1	GS>50	Sep-04	128	467,983
% Reduction of Whole Class			**0.07%**	
GS > 50 # 2	GS>50	Mar-05	952	3,004,202
GS > 50 # 3	GS>50	May-05	313	1,583,468
GS > 50 # 4	GS>50	Sep-05	643	2,875,074
GS > 50 # 5	GS>50	Oct-05	116	242,215
Total			2,024	7,704,959
% Reduction of Whole Class			**1.04%**	
GS > 50 # 6	GS>50	Jan-06	1,795	8,190,216
GS > 50 # 7	GS>50	Feb-06	382	1,711,694
Total			2,177	9,901,909
% Reduction of Whole Class			**1.13%**	
GS > 50 # 8	GS>50	May-07	4,341	15,564,179
GS > 50 # 9	GS>50	Jun-07	70	229,639
Total			4,411	15,793,817
% Reduction of Whole Class			**2.31%**	
GS > 50 # 10	GS>50	Jan-08	465	1,226,794
GS > 50 # 11	GS>50	Jan-08	638	2,509,745
GS > 50 # 12	GS>50	Apr-08	822	3,008,384
GS > 50 # 13	GS>50	Jul-08	138	641,305
GS > 50 # 14	GS>50	Jul-08	448	123,735
GS > 50 # 15	GS>50	Oct-08	107	395,660
GS > 50 # 16	GS>50	Oct-08	1,012	4,405,915
Total			3,630	12,311,537
% Reduction of Whole Class			**1.96%**	

LARGE USER CLASS:

In 2008, KW Hydro had four (4) Large User customers and their historic demand is shown in Table 16.

1. Large User #1, a manufacturer of frames for General Motors sport utility vehicles, laid off the majority of its staff in December 2008. The billed demand for this customer dropped to 3,659 kW in January 2009 from 11,785 kW in January 2007. KW Hydro has been informed that this Large User will be ceasing all production and will close but has not yet given the official date.

2. Large User #2 was reclassified from GS>50 class in May 2007. Its eight month average consumption from May 2008 ~ December 2008 dropped to 5,254kW from 5,616kW of last year during the same period, accounting for a 6.45% reduction. In January 2009, its billed demand further decreased to 4,679kW. Large User #2 is a family owned and operated business since 1948 and boasts North America's largest and most advanced metal finishing operation for original equipment manufacturers of steel and aluminum components.

3. Large User #3 has maintained its billed demand in the 5,450kW range (2007 average 5,155kW and 2006 average 5,508kW). This customer develops, manufactures and sells high quality proprietary rubber-based products offering enhanced performance and productivity to transportation, military and industrial markets. The Kitchener location is one of its three facilities.

4. Large User #4 slightly reduced its billed demand to 6,294kW in 2008 from a 2007 average of 6,466kW and a 2006 average of 6,683kW, resulting in a 2.66 % reduction in 2008 and a 3.25% reduction in 2007. This customer is a leading producer of premium quality value-added meat products, its Kitchener location produces processed meats — hams, lunch meats, hot dogs, smoked and dry sausages.

KW Hydro evaluates all of its customers' consumption levels based on the Board's guidelines and re-classifies them to the appropriate rate class as necessary. Large User #1 informed KW Hydro in January 2009 that it may close the account in April 2009. KW Hydro expects 1,000kW billed demand for this customer up to the end of April 2009.

For Large User #3 and Large User #4, KW Hydro forecasts that their billed demand will be maintained at 2008 average levels for the 2009 Bridge Year and the 2010 Test Year (5,450kW for Large User #3 and 6,294kW for Large User #4) due to the stabilization of the meat and rubber markets.

Large User #2 billed demand has been reduced to 4,335kW as at January 2009. Since November 2008, its billed demand has remained below 5,000kW. Large User #2 was reclassified to the GS>50 rate class effective as of April 11, 2009. KW Hydro expects 4,500kW billed demand in the 2009 Bridge Year. KW Hydro has added this customer to the GS>50 class for the 2010 Test Year customer count and consumption.

Table 16

Billed Demand of Large User Customers

	Large User # 1	Large User # 2	Large User # 3	Large User # 4
Feb-09	2,519	4,236	5,676	5,998
Jan-09	3,659	4,335	5,131	5,876
Dec-08	9,742	4,679	5,678	5,884
Nov-08	9,742	4,879	5,720	5,755
Oct-08	9,552	5,145	5,647	6,498
Sep-08	11,310	5,356	5,783	6,701
Aug-08	11,642	5,211	5,300	7,167
Jul-08	10,740	5,599	5,492	7,356
Jun-08	10,644	5,622	5,878	7,408
May-08	4,752	5,544	5,526	6,151
Apr-08	10,454	5,599	4,942	5,845
Mar-08	10,930	5,472	5,085	5,532
Feb-08	11,025	5,499	5,275	5,586
Jan-08	11,120	5,369	5,085	5,645
Average	**10,138**	**5,331**	**5,451**	**6,294**
Dec-07	11,452	5,411	4,918	5,663
Nov-07	11,120	5,489	5,061	6,170
Oct-07	11,880	5,677	5,031	6,813
Sep-07	11,928	5,699	5,078	7,109
Aug-07	12,023	5,710	4,823	6,967
Jul-07	12,355	5,721	5,132	7,538
Jun-07	12,023	5,665	4,823	7,225
May-07	11,880	5,555	5,440	6,831
Apr-07	11,167		5,411	5,669
Mar-07	11,357		5,522	5,647
Feb-07	11,737		5,317	5,960
Jan-07	11,785		5,308	5,998
Average	**11,726**	**5,616**	**5,155**	**6,466**
Dec-06			5,582	5,930
Nov-06			5,835	6,082
Oct-06			5,509	6,840
Sep-06			5,346	7,192
Aug-06			5,227	7,436
Jul-06			5,870	7,353
Jun-06			5,983	7,406
May-06			5,690	6,610
Apr-06			5,275	6,526
Mar-06			5,251	6,007
Feb-06			5,322	6,520
Jan-06			5,203	6,292
Average			**5,508**	**6,683**

STREET LIGHTING CLASS:

For the Street Lighting rate class, since the historical pattern in usage per connection was consistent, the 2008 usage per connection was assumed to remain constant for the 2009 Bridge year and the 2010 Test year, at 2.0093kW per connection. The number of connections is expected to grow at 1% for the next two years (1.07% growth in 2008), reaching 23,068kW in the 2009 Bridge Year and 23,299kW in the 2010 Test Year.

UNMETERED SCATTERED LOAD CLASS:

Unmetered Scattered Load class was removed from the GS<50 rate classification into its own rate class in 2006. The number of connections remains stable at approximately 820 (826 in 2006, 818 in 2007 and 820 in 2008). The connection count for the 2009 Bridge Year and the 2010 Test Year is forecast to remain at 820. The usage per connection reduced tremendously to 4,009kWh in 2008 from 6,085kWh in 2007 (34.11% decrease). In July 2007, the largest customer in this class (accounting for approximately 75% of the consumption) renegotiated the average fixed load on each connection with KW Hydro and the billed load per connection was reduced from 875W to 562W - a drop of 35.77%. Therefore, the consumption in 2008 is considered to be indicative for the 2009 Bridge Year and the 2010 Test Year, at 4,009kWh per connection.

The summary of customer count and consumption for the 2009 Bridge Year and the 2010 Test Year is shown in Table 19.

Table 17

Summary of Consumption and Customer Count for 2009 and 2010

	2008 Actual - Normalized	2009 Bridge - Normalized	2009 Bridge-Normalized vs. 2008 Actual-Normalized	2010 Test-Normalized	2010 Test-Normalized vs. 2009 Bridge-Normalized
			%		%
# of Customers or Connections					
Residential	75,847	76,984	1.5%	78,139	1.5%
GS<50	7,337	7,410	1.0%	7,484	1.0%
GS>50	1,007	1,002	-0.5%	1,003	0.1%
Large User	4	3.33	-16.7%	2	-40.0%
Street Lighting	22,840	23,068	1.0%	23,299	1.0%
USL	820	820	0.0%	820	0.0%
Average Consumption					
Residential (kWh per Customer)	8,445	8,361	-1.0%	8,319	-0.5%
GS<50 (kWh per Customer)	31,939	31,620	-1.0%	31,462	-0.5%
GS>50 (kW per Customer)	2,217	2,173	-2.0%	2,225	2.4%
Large User (kW per Customer)	82,466	59,678	-27.6%	70,464	18.1%
Street Lighting (kW per Connection)	2.0093	2.0093	0.0%	2.0093	0.0%
USL (kWh per Connection)	4,009	4,009	0.0%	4,009	0.0%
Consumption					
Residential (kWh)	640,550,659	643,663,224	0.5%	650,038,341	1.0%
GS<50 (kWh)	234,336,026	234,304,200	0.0%	235,461,608	0.5%
GS>50 (kW)	2,232,612	2,177,346	-2.5%	2,231,346	2.5%
Large User (kW)	329,862	198,928	-39.7%	140,928	-29.2%
Street Lighting (kW)	45,893	46,351	1.0%	46,815	1.0%
USL (kWh)	3,287,782	3,287,380	0.0%	3,287,380	0.0%

Table 17.1

Details of Consumption and Customer Count for 2010

Class	Customer/ Connection	UOM	Annual NAC	Monthly NAC	Units
Residential	78,139	kWh	8,319	693	650,038,341
GS<50	7,484	kWh	31,462	2,622	235,461,608
GS>50	1,003	kW	2,225	185	2,231,346
Large User	2	kW	70,464	5,872	140,928
Street Lighting	23,299	kW	2	0.17	46,815
Unmetered Scattered Load	820	kWh	4,009	334	3,287,380

kWh CONSUMPTION LOAD FORECAST:

There are three rate classes that are charged based on a per kW basis. These include GS>50kW, Street Lighting and Large User. As a result, the billed demand forecast for these classes must be converted to a kWh basis for the cost of power calculation. The forecast of kWh for these classes is based on a review of the historical ratio of kW to kWh and then applying the average ratio to the forecasted kW to produce the required kWh.

Table 18 outlines the kW/kWh ratio by applicable rate class for the years that data is available (i.e. 2000 to 2008).

The average ratio was applied to the weather normalized billed demand forecast to provide the forecast of kWh by rate class as shown in Table 19.

Table 19 summarizes the forecast of consumption and customer count for the applicable rate classes. As shown in Table 19, the total kWh consumption is forecasted to reduce 4.38% in the 2009 Bridge Year and 0.02% in the 2010 Test Year.

Table 18
kW/kWh Ratio

	General Service > 50 kW	Large User	Streetlighting
kW/kWh			
2000	0.2022%	0.1803%	0.2861%
2001	0.2376%	0.1850%	0.2861%
2002	0.2604%	0.1846%	0.2962%
2003	0.2605%	0.1876%	0.2793%
2004	0.2579%	0.1961%	0.2779%
2005	0.2551%	0.1921%	0.2792%
2006	0.2681%	0.2098%	0.2792%
2007	0.2638%	0.2096%	0.2791%
2008	0.2658%	0.2245%	0.2616%
Average	**0.2524%**	**0.1966%**	**0.2805%**

Table 19

Summary of Consumption and Customer Count for 2009 and 2010

	2008 Actual - Normalized	2009 Bridge - Normalized	2009 Bridge-Normalized vs. 2008 Actual-Normalized	2010 Test-Normalized	2010 Test-Normalized vs. 2009 Bridge-Normalized
			%		%
Billed Demand					
GS>50 (kW)	2,232,612	2,177,346	-2.48%	2,231,346	2.48%
Large User (kW)	329,862	198,928	-39.69%	140,928	-29.16%
Street Lighting (kW)	45,893	46,351	1.00%	46,815	1.00%
kW/kWh Ratio					
GS>50	0.2524%	0.2524%		0.2524%	
Large User	0.1966%	0.1966%		0.1966%	
Street Lighting	0.2806%	0.2805%		0.2805%	
kWh Consumption	1,946,866,003	1,861,620,082	-4.38%	1,861,211,165	-0.02%
GS>50 (kWh)	884,552,910	862,656,894	-2.48%	884,051,506	2.48%
Large User (kWh)	167,783,316	101,184,130	-39.69%	71,682,604	-29.16%
Street Lighting (kWh)	16,355,310	16,524,254	1.03%	16,689,726	1.00%
Residential (kWh)	640,550,659	643,663,224	0.49%	650,038,341	0.99%
GS<50 (kWh)	234,336,026	234,304,200	-0.01%	235,461,608	0.49%
USL (kWh)	3,287,782	3,287,380	-0.01%	3,287,380	0.00%
Customer Count					
GS>50	1,007	1,002	-0.50%	1,003	0.10%
Large User	4	3.33	-16.67%	2	-40.00%
Street Lighting	22,840	23,068	1.00%	23,299	1.00%
Residential	75,847	76,984	1.50%	78,139	1.50%
GS<50	7,337	7,410	0.99%	7,484	1.00%
USL	820	820	0.00%	820	0.00%

COST TO BENEFIT ANALYSIS:

In 2006, as part of the Cost Allocation Study, Hydro One conducted a weather normalization study for KW Hydro based on 2004 actual consumption. This study required four (4) years of historic load data and months of preparation. The study used Hydro One's methodology, which was approved by the Board in the Distribution Cost Allocation Review (EB-2005-0317) and Hydro One's 2006 Distribution Rate case (RP-2005-020/EB-2005-0378). Hydro One's study estimated future consumption.

A comparison between the results of Hydro One's study and KW Hydro's proposed methodology (shown in Table 20) proves that KW Hydro's proposed methodology produces a better weather correction outcome.

The weather normalization methodology adopted by KW Hydro avoids the disadvantages of using a single year of weather normalized historic load to determine future load and of different classes carrying the same weather normalization correction. It is KW Hydro's opinion that it is the best available model at the time this Application was prepared.

There was a cold winter and a very cool summer in 2004 (HDD 4,330 and CDD 117), when compared to the twelve year average (from 1997 to 2008) of HDD 4,090 and CDD 216. Energy consumption in 2004 should have been less than in an average year and weather normalized consumption in 2004 should have been higher than actual consumption in that year. Hydro One's study and KW Hydro's methodology both identify this trend. The difference is that Hydro One's methodology generates a much higher correction factor of 5.6% than that of the 1.2% calculated by KW Hydro.

In 2005, there was a cold winter and a very hot summer (HDD 4,302 and CDD 294). Energy consumption in 2005 should have been higher than that of 2004 and weather normalized consumption in 2004 should have been lower than that of actual 2005. Table 21 shows that Hydro One predicted 2004 weather normalized consumption that is higher than 2005 actual. In 2004 and 2005, there were no other key drivers to significantly influence a Residential customer's consumption except climate changes. KW Hydro's methodology successfully projects this trend again in 2005. Therefore, adopting the results from Hydro One's study could result in overstatement of future consumption.

Table 20

Comparison of Hydro One's and KW Hydro's Methodology for 2004

Average Consumption	2004 Actual	Hydro One	Hydro One vs. Actual	KW Hydro Methodology 2004	KW Hydro vs. Actual
Residential (kWh)	8,550	9,031	+ 5.6%	8,655	+ 1.2%

Table 21

Comparison of Hydro One's and KW Hydro's Methodology for 2005

Average Consumption	2005 Actual	Hydro One 2004	2004 Hydro One vs. 2005 Actual	KW Hydro Methodology 2004	2004 KW Hydro vs. 2005 Actual
Residential (kWh)	8,959	9,031	+ 0.8%	8,655	- 3.4%

2009 THROUGHPUT REVENUE

KW Hydro's Throughput Revenue for the 2009 Bridge Year has been calculated using its most recently approved rates and estimated number of customers and consumption (see details in Table 22). In particular, delivery rates are based on the EB-2008-0192 dated March 10, 2009. Note that there is a slight difference between the Throughput Revenue in Exhibit 6 – Calculation of Revenue Deficiency or Surplus – due to the fact that transformer allowance credits and Embedded Distributor revenue are not included in Table 22. Table 22 only includes the six major rate classes.

2010 THROUGHPUT REVENUE

KW Hydro's Throughput Revenue ***at existing rates*** for the 2010 Test Year has been calculated using it most recently approved rates and estimated number of customers and consumption (see details in Table 23). In particular, delivery rates are based on the EB-2008-0192 dated March 10, 2009. Note that there is a slight difference between the Throughput Revenue in Exhibit 6 – Calculation of Revenue Deficiency or Surplus – due to the fact that transformer allowance credits and Embedded Distributor revenue are not included in Table 23. Table 23 only includes the six major rate classes.

KW Hydro's Throughput Revenue ***at proposed rates*** for the 2010 Test Year has been calculated using its proposed rates and estimated number of customers and consumption (see details in Table 24). In particular, delivery rates are based on Exhibit 8 – Rate Design. Note that there is a slight difference between the Throughput Revenue in Exhibit 6 – Calculation of Revenue Deficiency or Surplus – due to the fact that transformer allowance credits and Embedded Distributor revenue are not included in Table 24. Table 24 only includes the six major rate classes.

Table 22

2009 Throughput Revenue at Existing 2009 Rates

Class	Fixed Rate	Variable Rate	Number of Customers	kWh / kW Sales	Fixed Charge	Variable Charge	Throughput Revenue
Residential	$ 9.55	$ 0.0123	76,984	643,663,224	$ 8,822,366	$ 7,917,058	$ 16,739,424
GS < 50	$ 25.17	$ 0.0090	7,410	234,304,200	$ 2,238,116	$ 2,108,738	$ 4,346,854
GS > 50	$ 232.71	$ 3.5202	1,002	2,177,346	$ 2,798,105	$ 7,664,693	$ 10,462,798
Large User	$ 14,195.83	$ 1.4316	3.33	198,928	$ 567,265	$ 284,785	$ 852,051
Street Lighting	$ 0.78	$ 4.3948	23,068	46,351	$ 215,916	$ 203,703	$ 419,620
Unmetered Scattered Load	$ 12.59	$ 0.0090	820	3,287,380	$ 123,886	$ 29,586	$ 153,472
Total 2009 Throughput Revenue					$ 14,765,655	$ 18,208,564	**$ 32,974,219**

Table 23

2010 Throughput Revenue at Existing 2009 Rates

Class	Fixed Rate	Variable Rate	Number of Customers	kWh / kW Sales	Fixed Charge	Variable Charge	Base Revenue
Residential	$ 9.55	$ 0.0123	78,139	650,038,341	$ 8,954,729	$ 7,995,472	$ 16,950,201
GS < 50	$ 25.17	$ 0.0090	7,484	235,461,608	$ 2,260,467	$ 2,119,154	$ 4,379,622
GS > 50	$ 232.71	$ 3.5202	1,003	2,231,346	$ 2,800,898	$ 7,854,784	$ 10,655,682
Large User	$ 14,195.83	$ 1.4316	2	140,928	$ 340,700	$ 201,753	$ 542,452
Street Lighting	$ 0.78	$ 4.3948	23,299	46,815	$ 218,079	$ 205,743	$ 423,821
Unmetered Scattered Load	$ 12.59	$ 0.0090	820	3,287,380	$ 123,886	$ 29,586	$ 153,472
Total 2010 Throughput Revenue					$ 14,698,758	$ 18,406,492	**$ 33,105,250**

Table 24

2010 Throughput Revenue at Proposed 2010 Rates

Class	Fixed Rate	Variable Rate	Number of Customers	kWh / kW Sales	Fixed Charge	Variable Charge	Base Revenue
Residential	$ 12.05	$ 0.0145	78,139	650,038,341	$ 11,298,899	$ 9,445,804	$ 20,744,703
GS < 50	$ 25.17	$ 0.0123	7,484	235,461,608	$ 2,260,467	$ 2,887,438	$ 5,147,906
GS > 50	$ 232.71	$ 4.0440	1,003	2,231,346	$ 2,800,898	$ 9,023,602	$ 11,824,499
Large User	$ 14,195.83	$ 1.8583	2	140,928	$ 340,700	$ 261,889	$ 602,589
Street Lighting	$ 0.78	$ 5.1517	23,299	46,815	$ 218,079	$ 241,178	$ 459,256
Unmetered Scattered Load	$ 9.49	$ 0.0123	820	3,287,380	$ 93,382	$ 40,318	$ 133,699
Total 2010 Throughput Revenue					$ 17,012,424	$ 21,900,229	**$ 38,912,653**

EMBEDDED DISTRIBUTOR

KW Hydro has one Embedded Distributor (Waterloo North Hydro Inc.) that it wheels power to. Prior to market commencement May 1, 2002, Hydro One Networks had the obligation to supply Waterloo North Hydro Inc's Wellesley DS in the Town of Wellesley. Following market opening, KW Hydro became the host distributor to Waterloo North Hydro Inc. for the wheeled power.

There are two sections of line on which power is wheeled through KW Hydro's service territory. One section of the line (7.21 km) is an L.V. line that is specific to the Wellesley DS. The other section of line (1.4 km), which is closer to the Detweiler T.S., is shared between KW Hydro and Waterloo North Hydro Inc. The Applicant therefore charges the Embedded Distributor two separate distribution rates.

The rates for the Embedded Distributor rate class were designed using a model similar to the one used by Ontario Hydro and this rate was approved through KW Hydro's 2006 EDR application (EB-2005-0386). This rate was approved by the Board and has been maintained with slight adjustments through IRM. Two years of data have been used in the analysis as the rate was approved as part of the 2006 EDR, allowing only two full years of data for analysis. The revenues from the Embedded Distributor have been relatively consistent over the past two years and are shown in Table 25.

Revenue has been maintained around $60,000 in the recent years ($61,407 in 2007 and $59,513 in 2008). The power wheeled to the Embedded Distributor has also been consistent and consumption is presented using the weather normalization factor used in the load forecast for the Large User rate classification in Table 26.

The utilization factor is calculated based on the length of the line and the load wheeled. Calculations are as follows:

- ✓ Specific Line utilization factor = Specific Line Length (7.21) / Total Line Length (1,044.2)
- ✓ Shared Line utilization factor = (Shared Line Length (1.4) / Total Line Length (1,044.2)) * (Average Load Wheeled (4,088.6) / Load Wheeled (7,351.3)

Other costs (administration and depreciation expense) are the result of calculating the cost of each component on a *per kilometer* basis and then extrapolating the per kilometer basis to the length of the line being used.

The 26M12 and Wellesley DS peak loads are presented in Tables 26 and 27 respectively, weather normalized and are used for calculation of the Embedded Distributor – Shared Line rate.

KW Hydro proposes to increase its rates to its Embedded Distributor to $1.29 per kW for the Specific Line and to $0.14 per kW for the Shared Line. The required rate change will allow KW Hydro to reach its 2010 Test Year revenue requirement of $70,145 from this rate classification. Table 28 summarizes the Embedded Distributor rate calculation.

Table 25

Embedded Distributor - Annual Revenue

Month	2007			2008		
	Shared ($)	Specific $	Total $	Shared $	Specific $	Total $
January	427.72	4,833.20	5,260.92	459.54	5,194.35	5,653.89
February	484.41	5,473.81	5,958.22	447.05	5,053.26	5,500.31
March	438.21	4,951.73	5,389.93	407.03	4,600.82	5,007.85
April	357.92	4,044.46	4,402.38	363.45	4,108.26	4,471.72
May	322.07	3,640.47	3,962.54	311.17	3,517.07	3,828.24
June	424.31	4,796.16	5,220.47	397.58	4,493.70	4,891.29
July	449.30	5,078.66	5,527.96	399.40	4,514.26	4,913.66
August	453.27	5,123.50	5,576.77	381.25	4,309.10	4,690.34
September	408.05	4,612.43	5,020.49	371.25	4,196.08	4,567.33
October	351.47	3,972.82	4,324.29	395.21	4,466.94	4,862.15
November	434.88	4,915.62	5,350.50	414.74	4,687.66	5,102.41
December	439.90	4,972.36	5,412.26	489.64	5,534.17	6,023.81
	4,991.49	56,415.23	61,406.71	4,837.31	54,675.68	59,512.99
Monthly Averages	415.96	4,701.27	5,117.23	403.11	4,556.31	4,959.42
Rates	$ 0.10	$ 1.14		$ 0.10	$ 1.13	

Table 26
Weather Normalized Consumption (kW)

Month	2007	2008	Average
Factor	99.77%	100.28%	100.03%
January	4,267.33	4,585.30	4,426.32
February	4,832.94	4,460.75	4,646.84
March	4,371.98	4,061.36	4,216.67
April	3,570.94	3,626.56	3,598.75
May	3,197.27	3,126.70	3,161.98
June	4,212.26	3,994.93	4,103.60
July	4,460.37	4,013.21	4,236.79
August	4,499.75	3,830.82	4,165.28
September	4,050.90	3,730.35	3,890.62
October	3,489.16	3,971.14	3,730.15
November	4,317.18	4,167.37	4,242.27
December	4,367.01	4,919.92	4,643.47
Total	**49,637.09**	**48,488.38**	**49,062.73**
Monthly Average	4,136.42	4,040.70	4,088.56

Table 27

26M12 Peak Loads Weather Normalized

Month	2007	2008	Average
Factor	99.77%	100.28%	100.21%
January	6,630.36	10,127.69	8,379.02
February	7,225.75	6,867.07	7,046.41
March	7,158.93	8,303.08	7,731.00
April	7,173.73	7,939.03	7,556.38
May	4,636.50	6,451.42	5,543.96
June	8,895.66	5,694.61	7,295.13
July	8,895.66	5,585.17	7,240.42
August	8,375.59	6,084.28	7,229.94
September	7,170.31	6,966.73	7,068.52
October	7,346.45	6,695.13	7,020.79
November	7,538.51	6,922.45	7,230.48
December	6,790.92	10,955.35	8,873.13
Total	**87,838.37**	**88,592.02**	**88,215.20**
Monthly Average	7,319.86	7,382.67	7,351.27

Table 28
2010 CALCULATION OF WHEELING CHARGES

KILOMETERS OF OVERHEAD LINE AS PER INDICIES	1,044.2
LENGTH OF LINE - SPECIFIC	7.21
LENGTH OF LINE - SHARED	1.4
AVERAGE LOAD WHEELED-SPECIFIC LINE (kW)	4,088.6
AVERAGE LOAD WHEELED-SHARED LINE (kW)	7,351.3
DEPRECIATION RATE	4%
TOTAL FIXED ASSET VALUE	269,440,297
CAPITAL COST OF LINE:	57,542,139
OPERATING AND MAINTENANCE COSTS:	2,660,000
ACCUMULATED DEPRECIATION	26,898,658
GENERAL ADMINISTRATION COSTS	6,838,276
ADMIN COSTS SPECIFIC TO OVERHEAD	1,460,394.03
DEEMED DEBT RATE-LONG TERM	7.62%
DEEMED DEBT RATE-SHORT TERM	1.33%
DEEMED RETURN ON EQUITY BEFORE TAX	8.01%
DEEMED DEBT SHARE-LONG TERM	56.0%
DEEMED DEBT SHARE-SHORT TERM	4.0%
DEEMED EQUITY SHARE	40.00%
TAX RATE	30.99%
RATE OF RETURN BEFORE TAX	8.96%
UTILIZATION FACTOR-SPECIFIC	0.6905%
UTILIZATION FACTOR-SHARED	0.0746%
SPECIFIC LINE:	
DEPRECIATION EXPENSE OF OVERHEAD LINE:	15,892.70
RETURN ON ASSETS	18,965.01
ADMINISTRATION COSTS	28,450.53
SHARED LINE:	
DEPRECIATION EXPENSE OF OVERHEAD LINE:	1,716.33
RETURN ON ASSETS	2,048.12
ADMINISTRATION COSTS	3,072.51
SPECIFIC LINE TOTAL WHEELING COSTS	63,308.23
SHARED LINE TOTAL WHEELING COSTS	$6,836.97
TOTAL REVENUE REQUIREMENT FOR WHEELING CHARGES:	**$70,145.20**

TRANSFORMER OWNERSHIP ALLOWANCE

When the customers maintain ownership of their own transformers, they are entitled to receive a credit equivalent to the cost of transformation. KW Hydro currently gives a Transformer Ownership Allowance Credit at its Board Approved rate of $0.60 per kW of demand per month to all its customers who own their transformers. In accordance with the Guelph Hydro Decision (EB-2007-0742), KW Hydro proposed to apply the Transformer Ownership Allowance Credit to only those customers who own a transformer under 1,500 kVA (approximately 1,350 kW) based on KW Hydro's Conditions of Service which is documented as follows:

"Kitchener-Wilmot Hydro Inc. will supply and install transformation to a maximum of 1,500 kVA per transformer location, room or enclosure on the 13.8/8kV distribution system."

The result of this change will mean that a number of KW Hydro's Large Use customers will no longer receive the transformer ownership allowance, beginning May 1, 2010, as KW Hydro moves its rates in line with the Cost Allocation study.

Estimated future volumes are calculated by multiplying the 2008 kW associated with the transformer ownership allowance by the load growth rate indicated in the load forecast section for each class for the 2009 Bridge Year and 2010 Test Year.

The Transformer Allowance rate for the 2010 Test Year is $0.70 per kW calculated based on KW Hydro's 2010 Cost Allocation Study (see Table 29 for details).

The total Transformer Allowance for the 2010 Test Year will be a credit to customers of $426,772, which is lower than the $959,968 of 2006 Board Approved amount due to the reduction of kW demand (see Table 30) and the lower number of customers entitled to receive it in the future. Table 30 shows the split within the GS > 50 class between customers that have transformers less than and greater than 1,350 kW. Although such rate classes do not exist in KW Hydro's Tariff of Rates and Charges, the split is shown to demonstrate the impact of the change in Transformer Allowance credits.

Table 29
Transformer Allowance Calculation for GS>50 - 1350kW

		Cost Allocation Reference Model - Tab & Cell	2010 Cost Allocation	Formula
	A	B	C	
1	kW for Customers with their Own Transformers	I6 Customer Data - F23	1,065,632	
2	kW for Customers using KW Hydro Owned Line Transformers		1,165,714	C3 - C1
3	Total Class kW's	I6 Customer Data - F22	2,231,346	
4	Total Transformer Cost Allocated to GS 50-1350kW	O3.1 Line Tran Unit Cost - F23	$813,507	
5	Total Transformer Cost per kW		$0.70	C4 / C2

Table 30

Transformer Ownership Allowance

	2006 Actual			2007 Actual			2008 Actual			2009 Bridge			2010 Test		
	kW	$ / kW	$	kW	$ / kW	$	kW	$ / kW	$	kW	$ / kW	$	kW	$ / kW	$
GS > 50	1,146,079	(0.60)	(687,647)	1,106,892	(0.60)	(664,135)	1,066,236	(0.60)	(639,742)	1,039,843	(0.60)	(623,906)	1,065,632		
1,350 > GS > 50							610,020			594,920			609,674	(0.70)	(426,772)
4,999 > GS > 1,350							456,216			444,923			455,957	0.00	0
Large User	381,847	(0.60)	(229,108)	330,481	(0.60)	(198,289)	329,862	(0.60)	(197,917)	198,928	(0.60)	(119,357)	140,928	0.00	0
Total	**1,527,925**		**(916,755)**	**1,437,440**		**(862,464)**	**2,462,334**		**(837,659)**	**2,278,614**		**(743,263)**	**2,272,191**		**(426,772)**

STANDBY CHARGE

The Standby Charge is a charge designed to compensate the distributor for maintaining the ability to accommodate the total load of a customer at any time when the customer's load displacement facility is out of service.

KW Hydro currently has one customer maintaining its load displacement facility and standby charges declined from $49,993 in 2006 to $311 in 2008. For the 2009 Bridge Year and the 2010 Test Year, KW Hydro estimates Standby Charges Revenue will be nil. However, considering that there may be a need for this charge in the next four years, KW Hydro proposes to maintain the current Board Approved Standby Charge rate. In the 2006 EDR model, the Standby Charge is not included in the Revenue calculation.

SSS ADMINISTRATIVE CHARGE

KW Hydro proposes to maintain the current Board Approved SSS Administrative charge rate of $0.25 per customer per month and estimates revenue of $226,500 for 2009 and $228,000 for the 2010 Test Year.

OTHER REVENUE:

Other Distribution Revenue includes Late Payment Charges, Specific Service Charges, Retail Service Revenue, RPP Administration Charge, Distribution Wheeling Service Revenue and Miscellaneous Revenue. Table 31 provides the details of Other Revenue.

Note that there is a $15,000 difference between the Total Other Revenues in Table 31 ($1,740,295) and Exhibit 6 – Revenue Deficiency Determination Table 5 ($1,725,295) due to account 4355-Gain on Disposition of Utility and Other Property. For 2010, KW Hydro forecast a gain of $30,000, of which only 50% ($15,000) is included as a revenue offset.

Note: The amount in "Other Income and Deductions" does not equal to the trial balance provided. Interest Revenue has been increased for historical years due to the removal of Interest Expense on the regulatory asset variance accounts. The years removed are:

2006 - $(112,039) DR
2007 - $(242,629) DR
2008 - $(267,656) DR

Interest on regulatory asset variance accounts is not included in the 2009 Bridge Year or the 2010 Test Year.

VARIANCE ANALYSIS ON OTHER REVENUE:

Category One

4225 – Late Payment Charges

Late Payment Charges increased 15.4% from the 2006 Board Approved $180,040 to $207,836 Actual 2008; however, 2005 Late Payment Charges were only $181,399. Due to expected changes from the OEB for low income customers, arrears programs and the historical fluctuation, KW Hydro has estimated a small reduction in Late Payment Charges to $200,400 for the 2009 Bridge Year as well as the 2010 Test Year.

Late Payment Charges	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Late Payment Charges	198,339	243,733	207,836	200,400	200,400

Category Two

4235 – Miscellaneous Service Revenue (Specific Service Charges)

There are no significant variances in Miscellaneous Service Revenue (Specific Service Charges) over the past three years ($233,223 Actual 2008), but a 52.3% decrease from $488,507 2006 Board Approved was noted. After investigation, KW Hydro discovered that Pole Rentals (OEB Account # 4210) had been erroneously included in Miscellaneous Service Revenue (OEB Account # 4235) in the 2006 EDR and 4210 was classified as a component of Other Distribution Revenue. Pole Rental Revenue of $257,487 was thus included in the 2006 Board Approved amount.

Miscellaneous Services Revenues	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Unsealing Meters Revenue	7,835	11,575	9,290	9,500	9,500
Reconnection Charges Revenue	31,535	34,315	34,252	33,500	34,000
Change of Occupancy Charges	155,597	170,311	165,862	165,500	166,000
Return Cheque Charges Revenue	18,676	27,060	23,820	24,500	25,000
Collection of Account Rev-No Disconnection*	-	-	-	-	20,800
Meter Dispute Revenue (if meter found correct)*	-	-	-	-	347
Unauthorized Meter Removal Revenue*	-	-	-	-	1,080
Total	**213,643**	**243,261**	**233,223**	**233,000**	**256,727**

- Based on 9 months collection

In addition, KW Hydro proposes to introduce three (3) new Specific Service Charges for 2010:

- ✓ Collection of Account Charge – No Disconnection
- ✓ Meter Dispute Charge plus Measurement Canada Fees (if meter found correct)
- ✓ Meter Removal without Authorization

4235 - Collection of Account Charge – No Disconnection

Due to the nature of the current economy and increased field collection activity, KW Hydro's collection team is making unnecessary calls to customers who have not made an effort to pay their arrears and instead, rely on our collection service to come to them. KW Hydro estimates that there are about four (4) calls of this nature per day, incurring significant expense. In order that other customers are not

subsidizing these arrears call-outs and because the costs are becoming significant, KW Hydro requests that the Board authorizes a charge of $30 to customers for this service with estimated annual revenue of $31,200. The calculation of this Specific Service Charge was selected from the standard table developed during the 2006 EDR.

4235 - Meter Dispute Charge plus Measurement Canada Fees (if meter found correct)

KW Hydro requests authorization to charge $30 for a Meter Dispute Charge. The calculation of this Specific Service Charge was selected from the standard table developed during the 2006 EDR. When the smart meter deployment is completed in 2010 and we move to time-of-use pricing, KW Hydro anticipates that the number of meter disputes will increase. Although the number of meter disputes has been low in the past three years, KW Hydro expects the number of occurrences to increase 100% generating an annual revenue requirement of $520.

4235 - Meter Removal without Authorization

One of the features of the smart meter is a tamper alarm that will notify KW Hydro if the meter is tampered with, removed or experiences a power outage. When these are actions are not authorized or expected, KW Hydro will dispatch a truck to determine the cause of the alarm which, in many cases will represent an unauthorized removal of the meter. When the smart meter deployment is completed in 2010, we expect that the number of these calls will increase by 300%, generating $1,620 in annual revenue. The requested charge of $60 per occurrence was calculated using the generic rate model designed during the 2006 EDR and is detailed in Table 32.

KW Hydro proposes to maintain the current Specific Service Charges rates and forecasts $233,000 for the 2009 Bridge Year at the existing specific charges. Including the new Specific Service Charges requested above (adjusted for eight (8) months collection rather than twelve (12)). KW Hydro expects $256,727 in the 2010 Test Year.

Table 31
Summary of Other Revenue

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual	2009 Bridge	2009 Bridge vs. 2008 Actual	2010 Test	2010 Test vs. 2009 Bridge
			%		%		%		%		%
Other Revenue											
Late Payment Charge	180,040	198,339	10.2%	243,733	22.9%	207,836	-14.7%	200,400	-3.6%	200,400	0.0%
Specific Service Charges	488,507	213,643	-56.3%	243,261	13.9%	233,223	-4.1%	233,000	-0.1%	256,727	10.2%
Other Distribution Revenue	836,390	677,756	-19.0%	1,027,084	51.5%	816,243	-20.5%	847,000	3.8%	841,300	-0.7%
Other Income and Deductions	810,558	1,476,152	82.1%	1,979,709	34.1%	1,611,902	-18.6%	696,792	-56.8%	441,868	-36.6%
Total Other Revenue	2,315,495	2,565,890	10.8%	3,493,786	36.2%	2,869,204	-17.9%	1,977,192	-31.1%	1,740,295	-12.0%

Table 32

Specific Service Charges
Generic Rates and Model for Deriving LDC Specific Rates

LDC Name: ***Kitchener-Wilmot Hydro Inc.***

Specific Service Charge Description:		**$60 Meter Removal Without Authorization**			
		Rate/Amount	**Hours/Units**	**O/T Factor**	**Calculated Cost**
L	Direct Labour (inside staff) Straight Time	33.42	1		$33.42
A	Direct Labour (inside staff) Overtime				$0.00
B	Direct Labour (field staff) Straight Time	27.00			$0.00
O	Direct Labour (field staff) Overtime	27.00	0	0	$0.00
U	Other Labour (Specify)				$0.00
R	Payroll Burden %	40%			$13.37
	Total Labour Cost				$46.79
O	Small Vehicle Time	15.00	1		$15.00
T	Large Vehicle Time	42.00			$0.00
H	Other: Material				$0.00
E	Contract				$0.00
R	Other	3.00			
	Total Other				$15.00
Total Cost					$61.79
	Specific Service Charge Value Requested - Round to nearest $5				**$60.00**

Used For:

Disconnect/Reconnect at meter - during regular hours
Install/Remove load control device - during regular hours

Category 3

4080, 4082 & 4084 – Standard Supply Service Admin. and Retailer Services

4080, 4082 & 4084	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Standard Supply Services Admin Charges*	219,409	217,119	222,219	226,500	228,000
Retailer Services Revenue	62,408	57,852	56,739	43,680	42,420
Service Transaction Request Revenue	3,578	8,253	5,291	37,220	28,280
Total	**285,395**	**283,224**	**284,249**	**307,400**	**298,700**

*** SSS Charges are Charged to 4080**

There have been no significant variances in these accounts beyond what is expected due to volume.

4210 – Rent from Electric Property

Rent from Electric Property	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Pole Rentals	251,191	640,621	432,852	444,000	446,000
Rent Revenue	69,280	70,240	71,455	71,600	72,600
Transformer Rental Revenue	-	2,800	-	-	
Scada Line Rental Revenue	-	2,068	1,176	-	
Total	**320,471**	**715,730**	**505,483**	**515,600**	**518,600**

Rent from Electric Property has fluctuated primarily from changes in Pole Rental Revenue from year to year based on the number of pole attachments. The 2007 actual included a prior year adjustment of $198,113 pertaining to a rate dispute settled in 2007.

4220 – Other Electric Revenue

Other Utility Operating Income	Actual			Bridge	Test
	2006	2007	2008	2009	2010
LV Wheeling Charges-WNH	23,175	-	-	-	-
Other Electrical Incidental Services	-	-	140	-	-
Electric Rev-Accounting Services	900	5,010	2,370	-	-
Electric Rev-Dispatch Services	6,000	1,000	-	-	-
Electric Rev-Locate Services	17,816	-	-	-	-
Control Room Services	24,000	22,120	24,000	24,000	24,000
Total	**71,891**	**28,130**	**26,510**	**24,000**	**24,000**

There has been minimal fluctuation in the account 4220 – Other Electric Revenue and the revenue is of an immaterial nature. LV Wheeling Charges ceased in 2006 once KW Hydro received an approved distribution charge for its embedded distributor. Other services have not been forecasted because we do not expect any revenue in 2009 and 2010, except for control room services.

Category 4

4355 – Gain on Disposition of Utility and Other Property

Gain on Disposition of Utility and Other Property	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Proceeds on Disposal of Assets	15,160	98,330	52,911	42,000	42,000
Net Book Value of Assets Disposed	(15,204)	(29,789)	(14,367)	(12,000)	(12,000)
Total	**(44)**	**68,541**	**38,545**	**30,000**	**30,000**

Assets are rarely disposed of until they are fully depreciated and past their useful life. Typically if there is a net book value remaining, it will be because the asset is no longer usable or, in the case of trucks, where a rebuilt aerial device has not lasted as long as expected. Assets other than trucks and power operated equipment are typically scrapped with a zero net book value. Trucks are generally traded in during replacement; although they are occasionally sold to a third-party. The revenue in this account is immaterial and fluctuates from year to year. Using an average, KW Hydro has estimated the profit on assets disposed for 2010 to be $30,000.

4375 & 4380 – Revenue and Expenses of Non-Utility Operations

4375 & 4380 - Non-Utility Operations	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Ontario Power Authority Programs Revenue	-	196,681	587,775	897,000	1,037,800
Streetlighting Capital & Maintenance Services	1,356,698	1,565,041	1,186,519	1,319,501	1,265,524
Expenses of Above Activities	(1,356,698)	(1,737,709)	(1,668,029)	(2,137,709)	(2,222,956)
Total	**-**	**(172,668)**	**(481,510)**	**(818,208)**	**(957,432)**

These two accounts have historically had low balances in aggregate. Details of the balances are as follows:

OPA Programs:

Since 2007, KW Hydro has run conservation and demand management programs on behalf of the OPA. Details are provided in Table 33. Each year, the amount of revenue received from the OPA has been increased steadily. KW Hydro expects that this trend will continue as the OPA continues with its CDM activities and programs. Note: KW Hydro assumed that the Summer Sweepstakes program would not continue for 2009 and 2010 but left a placeholder as it expects that the OPA will introduce new programs during the year 2009. For expenses, KW Hydro uses fully-allocated costing for labour as per the OEB's CDM guidelines. All third-party costs are a direct flow-through charged directly to the OPA. Also, as per the CDM guidelines, CDM profits are not to be shared with customers but rather are to be kept by the shareholder. For that reason, the dollar amount of expenses for 2010 OPA revenues are matched dollar for dollar.

Street Lighting Capital and Maintenance Services:

KW Hydro provides street lighting capital and maintenance services to the City of Kitchener and the Township of Wilmot. For these services, KW Hydro charges for all labour, material and overheads (plus a 9% administration charge) as it would for any other service provided to any other customer. KW Hydro may outsource this activity to an affiliate which in turn would have a service agreement with the affiliate customers; however, it will take some time to get a service agreement together and an affiliate set up. For 2009 and 2010, KW Hydro has calculated revenues based on the historical average plus a profit equivalent to the rate of return allowed by the OEB. Non-street lighting activities were removed prior to the calculation as shown in Table 34.

Table 33

2007 & 2008 OPA Programs Actuals and Projection to December 31, 2009 & 2010

	2007 KWHI Actual	2008 KWHI Actual	2009 KWHI Budgeted	2010 KWHI Budgeted
The Great Refrigerator Roundup Funding				
OPA Budget Guideline June 18, 2008			**110%**	**144%**
Fixed and Variable Funding	$14,420	$74,708	$83,578	$109,411
Program Management Fee	$0	$8,913	$5,060	$6,624
LDC Incentives	$5,560	$7,900	$8,500	$8,500
Total GRR Funding	**$19,980**	**$91,521**	**$97,138**	**$124,535**
Total GRR Costs	**$14,420**	**$74,708**	**$50,600**	**$66,240**
Profit/Loss	$5,560	$16,813	$46,538	$58,295
Balance from 2007 program		$2,640	$0	$0
Balance December 31		$77,348	$50,600	$66,240
BUDGET			**$51,000**	**$66,300**
Electricity Retrofit Incentive Program				
OPA Budget Guideline June 18, 2008			**124%**	**198%**
Fixed and Variable Funding	$30,977	$90,498	$89,280	$142,560
Program Management Fee	$0	$10,556	$10,106	$16,137
LDC Incentives	$0	$24,202	$17,360	$27,720
Total ERIP Funding	**$30,977**	**$125,256**	**$116,746**	**$186,417**
Total ERIP Costs	**$30,977**	**$74,581**	**$101,059**	**$161,369**
Profit/Loss	$0	$50,675	$15,686	$25,048
Balance from 2007 program		$5,824	$0	$0
Balance December 31		$80,405	$101,059	$161,369
BUDGET			**$101,000**	**$161,500**
Placeholder for Program Similar to Summer Sweeps				
Fixed and Variable Funding	$79,654	$66,551	$65,877	$65,755
Program Management Fee	$0	$14,620	$6,059	$6,181
LDC Incentives	$18,453	$478	$600	$600
Total SS Funding	**$98,106**	**$81,649**	**$72,536**	**$72,536**
Total Summer Sweepstakes Costs	**$79,654**	**$66,551**	**$60,594**	**$61,806**
Profit/Loss	$18,453	$15,099	$11,942	$10,730
Balance from 2007 program		$1,915	$0	$0
Balance December 31		$68,466	$60,594	$61,806
BUDGET			**$61,000**	**$62,000**
Peaksaver				
OPA Budget Guideline June 18, 2008 (2010 adjusted per JVO)			**100%**	**100%**
Fixed and Variable Funding	$47,618	$221,756	$447,902	$447,902
Program Management Fee	$0	$8,517	$49,049	$50,030
LDC Incentives	$0	$13,780	$40,000	$40,000
Total PS Funding	**$47,618**	**$244,053**	**$536,951**	**$537,932**
Total Peaksaver Costs	**$47,618**	**$222,988**	**$490,493**	**$500,303**
Profit/Loss	$0	$21,065	$46,459	$37,630
Balance from 2007 program		$37,549	$0	$0
Balance December 31		$260,538	$490,493	$500,303
BUDGET			**$495,000**	**$503,000**
Small Commercial Install				
OPA Budget Guideline June 18, 2008			**150%**	**200%**
Fixed and Variable Funding	$0	$26,134	$156,042	$208,055
Program Management Fee	$0	$2,613	$15,604	$21,222
LDC Incentives	$0	$0	$12,900	$13,250
Total Small Commercial Install Funding	**$0**	**$28,748**	**$184,546**	**$242,527**
Total Small Commercial Install Costs	**$0**	**$26,134**	**$156,042**	**$212,218**
Profit/Loss	$0	$2,613	$28,503	$30,310
Balance from 2007 program		$0	$0	$0
Balance December 31		$26,134	$156,042	$212,218
BUDGET			**$156,000**	**$212,000**
LDC Community Initiatives Fund	**$0**	**$16,548**	**$33,000**	**$33,000**
Expenses		$16,548	$33,000	$33,000
Profit/Loss	$0	$0	$0	$0
TOTAL REVENUE	$196,681	$587,775	$1,040,917	$1,196,948
TOTAL COSTS	$172,668	$481,511	$891,788	$1,034,935
BUDGET	**$0**	**$0**	**$897,000**	**$1,037,800**

Table 34

2009 & 2010 Street Lighting Revenue Determination

Description	2006 Actual	2007 Actual	2008 Actual	2009 Bridge*	2010 Test **
Revenue					
City of Kitchener Street Lighting Capital & Maintenance	537,892	954,286	905,429	929,858	948,455
Township of Wilmot Street Lighting Capital & Maintenance	34,648	88,422	19,205	53,814	54,890
Operating Revenue from Street Lighting	572,540	1,042,708	924,634	983,671	1,003,344
Profit on Street Lighting (8.01% Rate of Return)				78,792	80,368
PILs				26,001	24,906
Revenue Including PILs	572,540	1,042,708	924,634	1,088,464	1,108,618
Unaffiliated Transactions	602,024	498,373	173,288	231,037	237,273
Total Streetlighting Revenue	**1,174,564**	**1,541,081**	**1,097,922**	**1,319,501**	**1,345,892**

* 2 year average

** 2% inflation added to Bridge Year

4390 – Miscellaneous Non-Operating Income

Miscellaneous Non-Operating Revenue	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Scrap Sales	136,291	48,442	65,000	50,000	50,000
Other Misc. Non-Operating Revenue	6,187	18,545	12,549	1,000	1,000
A/P Discounts Taken/Lost	40,115	29,460	16,966	15,500	16,500
Lease Option Consideration	7,000	7,000	7,000	7,500	7,500
Total	**189,593**	**103,446**	**101,515**	**74,000**	**75,000**

Account 4390 holds revenue of a miscellaneous nature. The only major fluctuation in the account comes from Scrap Sales. This swing stems from the reduced revenue in scrap sales due to higher volume in materials recovered from overhead pole line rebuilds in 2006 and fluctuating market prices for scrap steel, aluminum and copper; fewer A/P discounts offered by vendors; and unpredictable unclaimed credits from customers (Other Misc. Non-Operating Revenue).

4405 – Interest and Dividend Income

Interest & Dividend Income	Actual			Bridge	Test
	2006	2007	2008	2009	2010
Interest Revenue	1,257,310	1,772,013	1,352,897	514,000	256,500
Interest Revenue on PILS returns	29,293	11,697	12,681	-	-
Total	**1,286,603**	**1,783,710**	**1,365,578**	**514,000**	**256,500**

The amount shown in this account does not equal to the trial balance provided. Interest Revenue has been increased for historical years due to the removal of interest expense on regulatory asset variance accounts. The years removed are:

2006 - $(112,039) DR
2007 - $(242,629) DR
2008 - $(267,656) DR

Interest on regulatory asset variance accounts is not included in the 2009 Bridge or 2010 Test years. Interest Income has decreased substantially over the past couple of years and this trend is expected to continue. Estimates of $514,000 and $256,500 are the result of a significant drop

in interest rates for short-term investments and balances held in bank accounts. Details are provided in Table 35:

KW Hydro does not receive any dividend income.

Table 35
Interest Revenue

	2006	2007	2008	2009	2010
Short-Term Investment Interest	1,142,221	1,633,373	1,265,646	479,000	219,000
Bank Deposit Interest	118,573	138,165	88,806	35,000	37,500
Miscellaneous Interest Revenue	893	3,962	43		
Interest - Retailers	(4,377)	(3,487)	(1,598)		
	1,257,310	1,772,013	1,352,897	514,000	256,500
Interest from PILs Returns	29,293	11,697	12,681		
	1,286,603	1,783,710	1,365,578	514,000	256,500

DESCRIPTION OF REVENUE SHARING

KW Hydro does not have a revenue sharing practice in place.

Appendix A

Monthly Inputs and Outputs into Regression Model

Month	Total Purchased (kWh)	Heating Degree Days	Cooling Degree Days	Ontario Real GDP Monthly %	# of Days in Month	Spring Fall Flag	Total Population	# of Peak Hours	Predicted Purchases (kWh)
Jan-97	178,379,084	777.9	0	96.0	31	0	208,129	352	170,654,603
Feb-97	154,547,898	615	0	96.4	28	0	208,358	320	150,369,740
Mar-97	161,647,356	619.1	0	96.7	31	1	208,587	304	157,196,756
Apr-97	145,784,872	391.9	0	97.1	30	1	208,816	352	146,864,919
May-97	141,630,070	289	0	97.5	31	1	209,046	336	145,449,330
Jun-97	147,352,701	30.4	50.4	97.8	30	0	209,276	336	148,799,061
Jul-97	152,141,811	22.1	59.8	98.2	31	0	209,506	352	156,090,645
Aug-97	145,107,825	49.4	21.9	98.6	31	0	209,736	320	144,831,396
Sep-97	139,600,641	115.2	5.4	98.9	30	1	209,967	336	136,434,899
Oct-97	148,289,546	288.9	1.6	99.3	31	1	210,198	352	147,838,340
Nov-97	155,059,094	471.4	0	99.6	30	1	210,429	304	148,538,375
Dec-97	165,554,412	630.7	0	**100.0**	31	0	210,661	336	165,384,891
Jan-98	169,014,862	652.8	0	100.4	31	0	210,892	336	166,551,543
Feb-98	149,446,860	547.1	0	100.8	28	0	211,124	320	149,720,068
Mar-98	161,538,633	505.1	0	101.2	31	1	211,357	352	157,628,859
Apr-98	139,888,239	312	0	101.6	30	1	211,589	336	144,741,259
May-98	146,043,180	77.1	16.8	102.0	31	1	211,822	320	142,357,485
Jun-98	152,205,116	66.7	63.7	102.4	30	0	212,055	352	157,417,913
Jul-98	153,589,755	6.9	64.8	102.8	31	0	212,288	352	159,174,615
Aug-98	160,175,410	12.1	83.1	103.2	31	0	212,521	320	162,686,210
Sep-98	145,106,275	63	26	103.6	30	1	212,755	336	142,342,873
Oct-98	143,393,838	257.6	0	104.0	31	1	212,989	336	147,444,206
Nov-98	152,187,498	440.1	0	104.4	30	1	213,223	336	151,643,146
Dec-98	162,755,458	572.1	0	**104.8**	31	0	213,458	336	165,311,343
Jan-99	176,550,323	789.6	0	105.5	31	0	213,693	320	173,891,124
Feb-99	153,314,486	578.4	0	106.1	28	0	213,928	320	153,668,814
Mar-99	165,000,091	592.5	0	106.8	31	1	214,163	368	165,112,281
Apr-99	143,094,038	332.6	0	107.4	30	1	214,398	336	148,419,241
May-99	145,495,902	126.7	10.5	108.1	31	1	214,634	320	145,611,960
Jun-99	162,933,501	44.4	76.5	108.8	30	0	214,870	352	163,021,506
Jul-99	171,126,555	3.2	138.9	109.4	31	0	215,107	336	181,807,054
Aug-99	156,668,949	28.8	30.9	110.1	31	0	215,343	336	153,024,489
Sep-99	149,477,238	88.9	27.7	110.7	30	1	215,580	336	147,192,471
Oct-99	149,731,148	319	0	111.4	31	1	215,817	320	152,397,543
Nov-99	155,962,063	405.1	0	112.0	30	1	216,055	352	154,598,772
Dec-99	170,494,981	623.7	0	**112.7**	31	0	216,292	336	171,069,064
Jan-00	178,748,867	773	0	113.2	31	0	216,530	320	176,681,075
Feb-00	162,866,687	643.8	0	113.7	29	0	216,768	336	164,781,075
Mar-00	161,127,993	446.9	0	114.3	31	1	217,007	368	162,283,828
Apr-00	146,022,967	358.3	0	114.8	30	1	217,245	304	150,835,153
May-00	149,955,206	152.4	18.7	115.3	31	1	217,484	352	154,351,826
Jun-00	155,366,404	41.1	35.4	115.9	30	0	217,723	352	154,673,080
Jul-00	155,720,648	18.6	44.8	116.4	31	0	217,963	320	158,370,226
Aug-00	163,322,317	29.7	46.3	116.9	31	0	218,203	352	161,541,669
Sep-00	149,740,084	134	23.8	117.5	30	1	218,443	320	150,128,278
Oct-00	151,587,385	251.6	0	118.0	31	1	218,683	336	153,642,025
Nov-00	161,969,851	470.9	0	118.5	30	1	218,923	352	160,470,100
Dec-00	180,858,897	826.5	0	**119.1**	31	0	219,164	304	180,740,644
Jan-01	182,274,650	715	0	119.2	31	0	219,405	352	179,098,182
Feb-01	162,106,075	620.2	0	119.4	28	0	219,647	320	161,663,599
Mar-01	171,156,935	618.7	0	119.6	31	1	219,888	352	171,227,267
Apr-01	148,249,402	324.6	0	119.8	30	1	220,130	320	152,881,717
May-01	152,023,283	140.3	7.7	119.9	31	1	220,429	352	153,131,394
Jun-01	164,607,865	47	62.4	120.1	30	0	220,729	336	163,722,052
Jul-01	165,667,707	22.3	65.7	120.3	31	0	221,029	336	167,544,190
Aug-01	179,800,173	2.3	94.2	120.5	31	0	221,330	352	175,774,041
Sep-01	152,179,272	118.8	19.2	120.6	30	1	221,631	304	149,095,823
Oct-01	157,676,688	276.7	0	120.8	31	1	221,933	352	157,498,524
Nov-01	158,548,740	370.8	0	121.0	30	1	222,235	352	157,855,676
Dec-01	169,575,721	563.3	0	**121.1**	31	0	222,537	304	171,020,546
Jan-02	177,517,725	625.7	0	121.5	31	0	222,840	352	176,914,763
Feb-02	161,211,185	592	0	121.9	28	0	223,143	320	162,182,756
Mar-02	170,041,740	581.2	0	122.2	31	1	223,446	320	169,405,971
Apr-02	157,586,692	356.2	6.6	122.6	30	1	223,751	352	160,027,829
May-02	158,146,121	266.8	5.3	123.0	31	1	224,055	352	159,848,729
Jun-02	165,702,280	53.1	54.5	123.3	30	0	224,360	320	162,764,773
Jul-02	188,623,930	4.7	129	123.7	31	0	224,665	352	187,573,406
Aug-02	181,428,121	11	72.3	124.1	31	0	224,971	336	171,217,179
Sep-02	166,376,272	50.2	47	124.4	30	1	225,277	320	157,175,669
Oct-02	164,590,462	345.6	6.3	124.8	31	1	225,584	352	164,531,474
Nov-02	167,671,224	486.4	0	125.2	30	1	225,891	336	164,197,314
Dec-02	178,016,768	675.6	0	**125.5**	31	0	226,198	320	179,284,007

Appendix A

Monthly Inputs and Outputs into Regression Model

Month	Total Purchased (kWh)	Heating Degree Days	Cooling Degree Days	Ontario Real GDP Monthly %	# of Days in Month	Spring Fall Flag	Total Population	Number of Peak Hours	Predicted Purchases (kWh)
Jan-03	190,378,781	868.4	0	125.7	31	0	226,506	352	189,262,266
Feb-03	171,543,309	755.9	0	125.8	28	0	226,815	320	171,365,564
Mar-03	175,211,043	638.7	0	126.0	31	1	227,124	336	173,535,609
Apr-03	158,902,796	397.4	0.7	126.1	30	1	227,433	336	160,085,533
May-03	153,862,542	217	0	126.2	31	1	227,743	336	156,005,268
Jun-03	158,431,401	65.3	25.5	126.4	30	0	228,053	336	157,970,745
Jul-03	174,564,024	12.5	50.1	126.5	31	0	228,363	352	167,169,650
Aug-03	169,748,540	18.9	72.4	126.7	31	0	228,674	320	171,112,125
Sep-03	156,371,480	104.1	6	126.8	30	1	228,986	336	148,985,986
Oct-03	162,268,740	331.9	0	127.0	31	1	229,298	352	161,367,083
Nov-03	164,430,651	434.4	0	127.1	30	1	229,610	320	159,534,075
Dec-03	177,490,066	610	0	**127.3**	31	0	229,923	336	176,436,931
Jan-04	192,348,958	879.2	0	127.5	31	0	230,236	336	187,525,369
Feb-04	169,863,441	699.2	0	127.8	29	0	230,549	320	171,739,996
Mar-04	177,167,445	540.9	0	128.1	31	1	230,864	368	171,005,187
Apr-04	157,072,871	354.1	0	128.3	30	1	231,178	336	157,411,575
May-04	157,786,100	196.2	6.7	128.6	31	1	231,493	320	155,211,223
Jun-04	154,052,959	92.5	16.3	128.9	30	0	231,809	352	157,251,974
Jul-04	163,633,478	21.3	49.3	129.1	31	0	232,124	336	165,832,377
Aug-04	164,138,179	55	30.6	129.4	31	0	232,441	336	162,132,104
Sep-04	163,856,338	71.3	13.7	129.7	30	1	232,757	336	149,620,036
Oct-04	160,081,431	287.5	0	129.9	31	1	233,075	320	157,229,327
Nov-04	166,248,386	432.9	0	130.2	30	1	233,392	352	161,925,639
Dec-04	183,498,520	700.1	0	**130.5**	31	0	233,710	336	180,371,771
Jan-05	191,925,611	814.7	0	130.7	31	0	234,029	320	183,947,241
Feb-05	167,744,798	683.5	0	131.0	28	0	234,348	320	167,732,854
Mar-05	178,090,456	680.5	0	131.3	31	1	234,668	352	175,867,211
Apr-05	157,075,507	354.6	0	131.6	30	1	234,987	336	157,761,314
May-05	156,602,226	244.9	0	131.9	31	1	235,308	336	156,920,032
Jun-05	185,456,372	27.3	104.8	132.2	30	0	235,629	352	179,107,220
Jul-05	182,676,958	6.8	105.4	132.5	31	0	235,950	320	179,770,809
Aug-05	187,079,468	11.9	67.9	132.8	31	0	236,272	352	172,097,362
Sep-05	161,449,897	63.4	13.7	133.1	30	1	236,594	336	149,747,428
Oct-05	163,427,156	259.9	2.6	133.4	31	1	236,916	320	157,281,103
Nov-05	169,133,892	433.1	0	133.7	30	1	237,240	352	162,435,186
Dec-05	185,701,753	721.6	0	**134.0**	31	0	237,563	320	180,599,828
Jan-06	180,884,396	590.6	0	134.3	31	0	237,887	336	176,422,729
Feb-06	167,382,214	651.2	0	134.5	28	0	238,212	320	166,892,818
Mar-06	176,124,916	562.4	0	134.8	31	1	238,537	368	172,662,508
Apr-06	151,964,964	322.5	0	135.1	30	1	238,862	304	154,552,246
May-06	159,654,612	177.8	17.7	135.4	31	1	239,188	352	160,551,720
Jun-06	165,936,260	44.1	32.2	135.7	30	0	239,514	352	160,392,455
Jul-06	180,206,074	6.5	117.2	135.9	31	0	239,841	320	183,372,167
Aug-06	170,319,873	27.5	45.5	136.2	31	0	240,168	352	166,997,969
Sep-06	146,413,364	130.3	2.3	136.5	30	1	240,496	320	148,545,016
Oct-06	156,203,823	335.1	0	136.8	31	1	240,824	336	161,180,271
Nov-06	159,443,321	415.9	0	137.0	30	1	241,153	352	162,044,534
Dec-06	169,111,893	545.2	0	**137.3**	31	0	241,482	304	172,517,096
Jan-07	176,757,145	698.3	0	137.6	31	0	241,811	352	182,243,598
Feb-07	169,548,903	785.1	0	137.8	28	0	242,141	320	172,630,515
Mar-07	169,785,289	582	0	138.1	31	1	242,472	352	172,487,117
Apr-07	152,362,041	403	0	138.3	30	1	242,803	320	159,173,614
May-07	154,014,085	166.4	11.2	138.6	31	1	243,134	352	158,444,742
Jun-07	169,268,879	35.5	51.2	138.8	30	0	243,466	336	164,185,257
Jul-07	163,444,297	28	53.8	139.1	31	0	243,799	336	168,203,219
Aug-07	174,768,589	19.7	65.1	139.3	31	0	244,132	352	172,066,422
Sep-07	155,465,661	74.7	28	139.6	30	1	244,465	304	152,137,471
Oct-07	156,164,442	184.7	10.9	139.8	31	1	244,799	352	159,074,768
Nov-07	163,324,721	511.8	0	140.1	30	1	245,133	352	165,929,174
Dec-07	174,086,124	686.6	0	**140.3**	31	0	245,468	304	178,239,972
Jan-08	179,117,549	676.8	0	140.3	31	0	245,803	352	180,967,093
Feb-08	169,726,296	651.2	0	140.3	29	0	246,139	320	170,048,151
Mar-08	168,965,441	686.1	0	140.2	31	1	246,475	304	172,291,494
Apr-08	147,983,455	297.9	0	140.2	30	1	246,812	352	155,861,392
May-08	145,276,896	243.1	0.7	140.1	31	1	247,149	336	155,949,653
Jun-08	159,314,198	40.6	53	140.1	30	0	247,486	336	162,926,922
Jul-08	171,209,090	7.6	75.8	140.0	31	0	247,824	352	172,253,529
Aug-08	162,062,937	36.2	29.5	140.0	31	0	248,163	320	158,164,091
Sep-08	152,323,101	93	12	139.9	30	1	248,502	336	147,984,758
Oct-08	151,170,598	326	0	139.9	31	1	248,842	352	158,726,269
Nov-08	158,302,152	500	0	139.8	30	1	249,182	304	158,475,608
Dec-08	173,612,691	694	0	**139.8**	31	0	249,522	336	177,039,781

Appendix B

SUMMARY OUTPUT **UP TO DEC 2005**

Regression Statistics	
Multiple R	0.955840981
R Square	0.913631981
Adjusted R Square	0.90758622
Standard Error	3823828.62
Observations	108

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	7	1.54673E+16	2.20962E+15	151.1194257	3.05281E-50
Residual	100	1.46217E+15	1.46217E+13		
Total	107	1.69295E+16			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-87705790	28185870.58	-3.111693491	0.002424982	-143625753	-31785827.03	-143625753	-31785827.03
Heating Degree Days	42855.87471	2284.410053	18.76014976	1.58403E-34	38323.67035	47388.07908	38323.67035	47388.07908
Cooling Degree Days	279400.8987	22122.63712	12.62963801	1.97875E-22	235510.2179	323291.5795	235510.2179	323291.5795
Ontario Real GDP Monthly %	365282.7248	131623.8935	2.775200726	0.006585132	104144.6758	626420.7738	104144.6758	626420.7738
Number of Days in Month	3821120.871	471781.0751	8.099351738	1.38904E-12	2885120.679	4757121.062	2885120.679	4757121.062
Spring Fall Flag	-3985095.993	1002739.36	-3.974209203	0.000133458	-5974502.272	-1995689.714	-5974502.272	-1995689.714
Population	236.3991524	174.1942564	1.357100729	0.17780447	-109.1972819	581.9955866	-109.1972819	581.9955866
Number of Peak Hours	63328.72781	25049.43987	2.528149458	0.013031363	13631.35387	113026.1017	13631.35387	113026.1017

Appendix C

Load Forecast Models Evaluation

	Model 1	Model 2	Model 3	Model 4	Model 5
	Full Model	Remove Population	Further Remove Peak Hours	Further Remove GDP	Further Remove Spring Fall Flag
Constant	-87,705,790	-55,590,774	-42,200,206	13,563,692	16,709,089
Independent Variables					
HDD	42,856	42,783	42,876	45,498	48,917
CDD	279,401	278,424	283,892	310,811	350,719
Ontario Real GDP Growth	365,283	538,403	539,484		
Number of Days in Month	3,821,121	3,828,431	4,066,435	4,254,951	4,044,754
Spring Fall Flag	-3,985,096	-4,009,995	-3,686,601	-2,705,439	
Population	236				
Number of Peak Hours	63,329	62,737			
Model Statistics					
R-Squared	91.4%	91.2%	90.7%	66.8%	66.1%
Adjusted R-Squared	90.8%	90.7%	90.2%	65.5%	65.1%
Standard Error of Estimate	3,823,829	3,839,729	3,936,804	7,391,894	7,426,940
F-Test	151.12	174.54	198.07	51.71	67.64
Significate F-Test	3.05E-50	5.48E-51	7.47E-51	8.25E-24	2.43E-24

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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MANAGER'S SUMMARY-OPERATING COSTS:

KW Hydro's operating costs have been steadily increasing each year, particularly Distribution Operating and Maintenance, due to a number of reasons including steady growth, additional costs associated with regulatory and legislated requirements, ongoing maintenance and upgrades to improve the reliability of its distribution system. KW Hydro believes that it is important to ensure a safe reliable service to its customers. In addition, LDCs have been operating in a dynamic atmosphere since market opening in 2002. This has put additional cost pressures on all distribution utilities in the province, particularly in the area of regulation and compliance. KW Hydro has had considerable monetary outlays over the past number of years to comply with regulatory and legislative changes arising from rate applications, RRR reporting, embedded generation, smart meters, ESA regulations, etc.

A summary of KW Hydro's operating costs for the 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Bridge Year and the 2010 Test Year including the determination of the variance amount for analysis, in accordance with the Filing Requirements, is provided in Table 1 below.

Note the Cost of Power is not included in Distribution Expenses in Table 1 but rather is used for the Working Capital calculation. In addition, Distribution Expenses included in Table 1 include account 6205 Donations and 5705 Amortization expense, not included for Working Capital Purposes (Exhibit 2, Table 2).

Note also that Table 1 below also includes 6205 Donations which are not included in Table 5 of Exhibit 6 – Calculation of Revenue Deficiency. In addition, Table 1 does not include 6005 and 6035 Interest Expense and Capital Tax amounts included in Table 5 of Exhibit 6 – Calculation of Revenue Deficiency.

In recording its costs, KW Hydro follows the OEB's Accounting Procedures Handbook (the "APH") in distinguishing work performed between Operations and Maintenance. Detailed information with respect to OM&A costs and variances, arranged by USoA account, is provided in Table 5.

The variance used to determine the OM&A accounts requiring analysis has been prescribed by the Filing Requirements as 0.5% of total distribution expenses including PILs which ranges from $114,474 to $142,239 (see Table 2). KW Hydro has adopted a variance analysis threshold of $75,000 for Operating Costs, which is significantly below the materiality threshold required, see Table 2.

Table 1
Summary of Operating Costs

OM&A Expenses	2006 Board Approved	2006 Actual	Variance - Board Approved to Actual	2007 Actual	Variance - 2006 Actual to 2007 Actual	2008 Actual	Variance - 2007 Actual to 2008 Actual	2009 Bridge	Variance - 2008 Actual to 2009 Bridge Year	2010 Test	Variance - 2009 Bridge Year to 2010 Test Year
Operation	2,315,938	2,585,870	269,932	2,733,252	147,382	3,016,284	283,032	2,799,800	(216,484)	3,051,200	251,400
Maintenance	2,736,940	3,602,257	865,317	3,605,546	3,288	3,968,318	362,772	4,342,200	373,882	4,761,500	419,300
Billing and Collections	2,434,491	2,676,674	242,182	2,772,666	95,993	2,864,738	92,072	3,006,500	141,762	3,003,200	(3,300)
Community Relations	150,090	702,223	552,133	791,303	89,081	207,677	(583,626)	208,800	1,123	256,376	47,576
Administrative and General Expenses	2,487,622	2,585,071	97,449	2,634,695	49,624	2,572,119	(62,576)	2,974,400	402,281	3,118,200	143,800
Total OM&A	10,125,081	12,152,094	2,027,013	12,537,462	385,368	12,629,134	91,672	13,331,700	702,566	14,190,476	858,776
Property Tax	518,048	510,416	(7,632)	527,008	16,591	506,522	(20,486)	529,300	22,778	550,500	21,200
Amortization Expenses	8,098,266	8,510,357	412,090	8,901,061	390,704	9,253,850	352,789	9,723,672	469,822	10,735,844	1,012,171
Total Operating Expenses	**18,741,396**	**21,172,867**	**2,431,471**	**21,965,531**	**792,664**	**22,389,507**	**423,976**	**23,584,672**	**1,195,166**	**25,476,819**	**1,892,147**
Variance from Previous Year				792,664		423,976		1,195,166		1,892,147	
Percent Change (Year over Year)				3.74%		1.93%		5.34%		8.02%	
Percent Change (Year over Year) AMORTIZATION REMOVED				3.17%		0.54%		5.52%		6.35%	
Percent Change Test Year vs. Most Current Actuals (2010 vs. 2008)										13.79%	
Percent Change Test Year vs. Last Board Approved Rebasing Year (2010 vs. 2006)										35.94%	
Average for 2007, 2008 & 2009		3.67%									
Compound Annual Growth Rate (for 2007, 2008 & 2009)		3.66%									

Table 2

Base Revenue Requirement & Variance Calculation

Service Revenue Requirement (from Revenue Deficiency Calculation)	40,631,182.31	
Less: Revenue Offsets	-1,725,294.67	
Base Revenue Requirement		**38,905,887.64**
Allocated to:		
Low Voltage Wheeling Costs		
Directly Assigned CDM	0.00	
Other	38,905,887.64	
Total		**38,905,887.64**

Variance Calculation 0.5% of Distribution Revenue Requirement **$** **194,529**

OM&A COSTS:

OM&A costs in this Exhibit represent KW Hydro's integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and government direction; and to maintain distribution business service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to KW Hydro's distribution system, and meeting the requirements of the OEB's Standard Supply Service Code and Retail Settlement Code.

The proposed OM&A cost expenditures for the 2010 Test Year are the result of a business planning and work prioritization process that ensures that the most appropriate, cost effective solutions are put in place.

KW Hydro is proposing recovery of 2010 Test Year OM&A costs, including Amortization but excluding Donations, PILs and Interest totaling $25,386,819. This total differs with the total in Table 1 by $90K, which is the forecast of Donations for 2010.

OM&A Budgeting Process Used by KW Hydro

The operating budget is prepared annually by Management and is reviewed and approved by the KW Hydro's Board of Directors. The budget is prepared before the start of each fiscal year. The operating budget is adjusted in September of the operating year and is then considered to be final.

Operating Work Plans

Each department Manager provides input for the preparation of the departmental budget. The following directives are provided to each manager:

- Outside expenses for all department budgets are built using previous year actual, current year forecast and current year budget as the base;
- Significant variances in spending from prior years must be explained and documented;
- Review the headcount of the department for accuracy and outline any changes;
- Finance Department prepares a total labour budget by department using projected wage and benefit costs. Overtime and account distribution are projected considering previous years actual.

KW Hydro has identified the following cost drivers in the preparation of this application, which are identified in Table 3. While there are many cost drivers, certain items are significant enough to

warrant special comment. It should be noted that KW Hydro's cost drivers have exceeded the actual OM&A cost increases year over year and it is not possible for Table 3 to balance completely for each years OM&A without detailing every expense or credit. The variance has been identified in Table 3. Successful efforts at cost containment has allowed KW Hydro to keep its OM&A under control.

OM&A Costs Table

Table 5 provides details of KW Hydro's OM&A costs for the 2005 Actual, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Bridge and the 2010 Test Year including the determination of the variance amount for analysis, in accordance with the Filing Requirements. Note that Table 5 below does not include account 6110 - Income Tax Expenses (PILS) nor does it include account 5705 - Amortization Expense.

Table 3

OM&A Incremental Cost Driver Table

OM&A	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
Opening Balance	10,836,360	12,662,510	13,064,470	13,135,656	13,861,000
OMERS	506,079	29,114	53,016	34,749	56,700
CDM Activities	410,346	94,023	(600,395)	(77,708)	(1,600)
LEAP Donations	0	0	0	0	46,976
A/R Credit Insurance	0	10,800	53,254	(4,054)	10,000
IFRS	0	0	0	66,650	43,000
Rebasing Regulatory Expense	0	0	0	0	57,000
Inflationary Payroll Increases	170,981	174,240	180,432	170,698	175,435
Other Payroll Changes	3,600	1,000	0	232,000	0
Inflation (labour removed)	86,793	101,706	115,511	121,688	130,255
PBO Benefit Expenses	302,941	18,178	188,769	117,537	20,000
Increase in Bad Debts	112,099	(32,496)	(4,469)	43,246	10,000
Payroll-Related Benefit Costs	61,548	54,721	(3,728)	65,193	67,260
"Catch up" meter maintenance	0	0	0	0	100,000
Increased OT	348,252	144,925	401,416		
Closing Balance	**12,838,999**	**13,258,721**	**13,448,275**	**13,905,656**	**14,576,026**

Note: Cost Drivers for the years 2007 through 2010 shown in Table 3 are incremental to 2006 actual costs

Incremental Cost Drivers

OMERS

- OMERS costs for 2005 were nil due to the reclassification to account 1505. Beginning May 1, 2006, OMERS costs were once again included in KW Hydro's distribution rates and OMERS costs recorded were $506,079.
- OMERS costs have continued to rise each year since 2006. For the year 2010, KW Hydro estimated rates of 6.5% for earnings below the YMPE (yearly maximum pensionable earnings) and 9.8% for earnings above the YMPE.

CDM Activities

- KW Hydro reclassified part of its third-tranche CDM funding from OM&A in the amount of $524,480 and $586,762 during the years 2006 and 2007 respectively to account 1565. The offsetting revenue is recorded within the Distribution Revenue. This amount does not include capital outlays. The incremental effect from the previous fiscal year to Operating Costs was $410,346 for 2006 and $94,023 for 2007 for all CDM activities undertaken by KW Hydro (including CDM activities not necessarily forming part of the third-tranche spending).
- In September 2007, KW Hydro completed its third-tranche CDM spending and 2008's costs were significantly below the previous year. In 2008, CDM expenditures were down from the previous year by $600,395 with continued reductions in CDM spending expected in 2009 and 2010; however, KW Hydro continues to run Conservation programs on behalf of the Ontario Power Authority.

LEAP

- On March 10, 2009, the OEB issued its Report of the Board in EB-2008-0150 detailing its Low Income Energy Assistance Program (LEAP). In this report, the Board stated its expectation that LDCs would contributed 0.12% of their Distribution Revenue Requirement to LEAP. For 2010, KW Hydro calculated an incremental amount to Operating Costs of $46,976.

Accounts Receivable Credit Insurance

- In 2007, KW Hydro bought an insurance policy for the Accounts Receivable balances of its largest customers to protect itself and its customers from potential bad debts resulting from non-payment or insolvency of its larger customers. Lower insurance coverage was purchased for the 2009 policy year, thus resulting in $4,054 reduction in premium costs.

Inflationary Payroll Increases

- KW Hydro's employees are represented by Unions and collective agreements are in place dictating the economic increases each unionized employee is to receive. The economic increases, effective April 1 of each year, were 3.5%, 3.3% and 3.3% for 2006, 2007 and 2008 respectively. 60% of all labour costs run through OM&A. Based on the labour costs of the previous year, KW Hydro estimates that the cost of each years' economic increase was as follows:
  - 2006 - $170,981
  - 2007 - $174,240
  - 2008 - $180,432
- The previous collective agreement with KW Hydro's two unions expired March 31, 2009. To date, KW Hydro has not yet reached a new agreement with its Outside Union; however, a new three-year agreement was recently ratified with the Inside Union. The agreed upon economic increase is 3%, effective April 1, 2009 and KW Hydro has used a 3% increase in estimating its incremental payroll. As previously mentioned, historically, 60% of all labour costs run through OM&A. KW Hydro expects that the split between capital and maintenance will be maintained for 2009 and 2010. This split has been factored into estimated inflationary labour cost increases for 2009 and 2010 as follows:
  - 2009 - $170,698
  - 2010 - $175,435

Other Payroll Increases

- A number of changes have occurred internally due to pressures on the organization:
  - In 2006, a new Supervisor was hired on February 26 for the Control Room to coordinate and approve work protection requests from our own crews and to coordinate outage planning requirements with the IESO and Hydro One as required by the Market Rules.
  - In 2007, there were three senior management promotions effective January 2007. This formed part of the new organizational structure following the retirement of the President and CEO in March 2007. The Vice President of Operations was promoted to President and CEO but the Vice President of Operations position was not refilled. Also during the year 2007, a Supervisor of Key Accounts and Data Acquisition was hired on January 29, 2007 to supervise the Meter Reading department, and be responsible for key accounts and CDM programs administration. Further, an additional

IT Programmer position was created and filled in March 2007 to assist with increased department demands.

- 2008 did not see any significant incremental payroll changes.
- In 2009, KW Hydro plans to add one new position of Powerline Technician in 2009 due to the increasing demands on the outside crews. Three currently unfilled positions, which have been vacant since last year, will also be filled during the year. The total estimated incremental cost in 2009 is $207,000 for this change. Additionally, in 2009, KW Hydro undertook pay equity maintenance during the years 2008 and 2009. Upon completion, KW Hydro paid retroactive wages to some of its staff totalling $25K.
- KW Hydro does not expect any significant incremental payroll changes in 2010.

Inflation

- After removal of inflationary costs due to labour increases, KW Hydro has estimated inflationary increases for its OM&A as follows below. 2006 to 2009 are the inflationary percentages used in previous rate applications released by the Board. 2010's percentage is 2.25% estimated by KW Hydro. For the purposes of this cost driver, total OM&A from Table 3 has been reduced by total labour costs for the year and the remaining amount multiplied by the inflation factor.
  - 2006 – 2.1%
  - 2007 – 1.9%
  - 2008 – 2.1%
  - 2009 – 2.3%
  - 2010 – 2.25%

PBO Benefit Expenses

- Actuarial valuation of post-retirement non-pension benefits sponsored by KW Hydro is conducted every three years in accordance with CICA guidelines. These valuations made a significant impact on OM&A expenses in 2006 and 2008. In 2005, a $285,689 gain was recorded, making 2006 appear unusually high.

Bad Debts Expense

- Bad debts increased substantially in 2006 following three bad debts incurred by three of KW Hydro's larger customers totalling $112,426.
- Due to the recession in 2009, KW Hydro expects that bad debts will continue to rise in 2009 but fall back in 2010 due to the recent changes announced by the Board with the LEAP program.

Payroll Related Benefit Costs

- Payroll related benefit costs have been steadily increasing each year with the exception of 2008. The costs included in this category include WSIB, EI and CPP contributions, Employee Fringe Benefits (dental, life insurance, medical, etc), and Ontario Health Tax premiums.

Increased Overtime

- KW Hydro's overtime costs have been steadily increasing each year due to a buoyant economy, increased storm damage and other service performance demands on our staff (i.e. OEB customer service performance indices).

International Financial Reporting Standards (IFRS)

- In 2009 and 2010, KW Hydro will continue to update its financial system to conform with IFRS, incurring additional costs in both years.
- KW Hydro has budgeted its IFRS implementation costs for 2009 and 2010. They have not been amortized over the four year period as they are not considered to be of a material nature.
- As of the August 28th filing date for this application, KW Hydro is not yet able to estimate its ongoing IFRS compliance costs and these have not been factored into its overall OM&A.

Rebasing Regulatory Expense

- KW Hydro's expects to incur $228,000 in additional expenses due to the 2010 rate application. This cost has been amortized over four years beginning in 2010.

Increased Meter Maintenance

- KW Hydro expects to complete installation of Smart Meters mid-year 2010. The cost of the Smart Meter initiative will be reclassified to deferral accounts 1555 and 1556 during this time. Due to the focus on Smart Meter installs, KW Hydro will need to get caught up on its meter maintenance on its non-smart meters and expects to incur an additional $100,000 in 2010.

Other Cost Drivers

- In 2008, there was a general increase in distribution overhead and underground maintenance expense primarily due to:
  - Storm damage repair costs. Severe storms on July 11 and July 27 ($140K)
  - Planned increase in replacement of rotted and dangerous poles ($40K)
  - Additional birdproofing on primary feeders ($35K) to improve system reliability and to prevent customer outages.

KW Hydro strives to maintain reliable service while keeping its controllable expenses under control. Controllable expenses per customer and per employee are detailed in Table 4.

OM&A Costs Table

Table 5 provides detail of KW Hydro's OM&A costs for the 2005 Actual, 2006 Actual, 2007 Actual, 2008 Actual, the 2009 Bridge Year and the 2010 Test Year including the determination of the variance amount for analysis, in accordance with the Filing Requirements.

Table 4

OM&A Cost per Customer and FTEE

OM&A	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
Number of Customers	80,961	82,626	84,222	85,426	86,655
Total OM&A	12,662,510.37	13,064,469.80	13,135,656.41	13,861,000.00	14,740,975.59
Number of FTEEs	167	170	171	174	174
FTEEs/Customer	0.002063	0.002057	0.002030	0.002037	0.002008
OM&A Cost per FTEE	75,823.42	76,849.82	76,816.70	79,660.92	84,718.25
FTEEs/Customer % Increase from Previous Year		-0.25%	-1.32%	0.32%	-1.42%
OM&A Cost per FTEE % Increase from Previous Year		1.35%	-0.04%	3.70%	6.35%

Table 5

Detailed, Account by Accounts, OM&A Expense Table

Expense Description Operation	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5005-Operation Supervision and Engineering	370,542.44	405,729.22	441,668.18	445,714.40	586,300.00	630,700.00
5010-Load Dispatching	424,771.69	506,821.96	566,957.17	578,537.89	609,000.00	641,000.00
5012-Station Buildings and Fixtures Expense	0.00	0.00	0.00	0.00	0.00	0.00
5014-Transformer Station Equipment-Operation Labour	220,548.93	255,544.36	281,926.97	280,485.55	288,900.12	297,567.12
5015-Transformer Station Equipment-Operation Supplies & Expenses	278,618.71	319,406.36	295,842.08	471,004.00	486,099.88	506,432.88
5016-Distribution Station Equipment-Operation Labour	10,154.70	7,455.03	8,140.48	7,829.39	8,064.27	8,306.20
5017-Distribution Station Equipment-Operation Supplies & Expenses	7,989.91	8,498.51	9,262.14	16,544.96	17,935.73	18,693.80
5020-Overhead Distribution Lines & Feeders-Operation Labour	27,060.47	31,125.94	20,897.74	41,591.04	42,838.77	44,123.93
5025-Overhead Distribution Lines & Feeders-Operation Supplies & Expenses	24,045.38	38,785.87	27,559.61	56,600.45	32,161.23	55,876.07
5030-Overhead Subtransmission Feeders-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5035-Overhead Distribution Transformers-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5040-Underground Distribution Lines & Feeders-Operation Labour	397,489.54	367,347.91	283,128.48	295,343.14	303,300.00	315,250.00
5045-Underground Distribution Lines & Feeders-Operation Supplies & Expenses	8,482.87	76,552.12	114,150.14	140,307.87	146,700.00	149,750.00
5050-Underground Subtransmission Feeders-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5055-Underground Distribution Transformers-Operation	0.00	0.00	0.00	0.00	0.00	0.00
5065-Meter Expense	494,721.23	520,537.25	638,217.67	611,647.72	220,000.00	320,000.00
5070-Customer Premises-Operation Labour	12,970.63	7,914.32	11,293.86	14,955.31	15,403.97	15,866.09
5075-Customer Premises-Materials and Expenses	10,743.49	9,069.71	12,911.00	17,820.52	6,596.03	9,133.91
5090-Underground Distribution Lines & Feeders-Rental Paid	23,167.65	12,460.80	4,756.04	21,503.41	20,000.00	20,000.00
5095-Overhead Distribution Lines & Feeders-Rental Paid	(9,729.45)	18,470.55	16,390.55	16,398.00	16,500.00	18,500.00
5096-Other Rent	150.00	150.00	150.00	0.00	0.00	0.00
Subtotal - Operation	**2,301,728.19**	**2,585,869.91**	**2,733,252.11**	**3,016,283.65**	**2,799,800.00**	**3,051,200.00**

Maintenance	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5105-Maintenance Supervision and Engineering	0.00	0.00	0.00	0.00	0.00	0.00
5110-Maintenance of Buildings and Fixtures-Distribution Stations	128,113.47	124,163.66	86,334.05	92,560.36	103,700.00	116,000.00
5112-Maintenance of Transformer Station Equipment	494,638.86	552,488.61	465,660.32	400,378.23	465,000.00	515,000.00
5114-Maintenance of Distribution Station Equipment	78,810.55	52,148.38	66,880.16	34,838.39	85,000.00	70,000.00
5120-Maintenance of Poles, Towers and Fixtures	198,040.00	288,872.62	303,297.39	306,343.94	340,000.00	365,000.00
5125-Maintenance of Overhead Conductors and Devices	469,181.08	451,455.16	519,840.19	732,539.59	700,000.00	815,000.00
5130-Maintenance of Overhead Services	850,411.84	1,061,866.18	1,120,163.37	1,291,210.17	1,275,000.00	1,380,000.00
5135-Overhead Distribution Lines and Feeders-Right of Way	0.00	0.00	330.86	6,490.91	0.00	0.00
5145-Maintenance of Underground Conduit	194,523.65	466,775.29	374,783.42	241,910.55	365,000.00	390,000.00
5150-Maintenance of Underground Conductors and Devices	292,142.94	275,960.03	354,099.26	417,729.21	490,000.00	520,000.00
5155-Maintenance of Underground Services	248,588.20	130,662.74	102,441.36	200,094.86	208,000.00	225,000.00
5160-Maintenance of Line Transformers	161,556.56	197,436.30	210,596.33	244,026.71	310,000.00	365,000.00
5175-Maintenance of Meters	566.66	428.23	1,118.90	194.64	500.00	500.00
Subtotal - Maintenance	**3,116,573.81**	**3,602,257.20**	**3,605,545.61**	**3,968,317.56**	**4,342,200.00**	**4,761,500.00**

Billing and Collections	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5305-Supervision	181,803.46	186,284.84	213,070.44	191,383.27	223,800.00	237,600.00
5310-Meter Reading Expense	446,703.94	467,518.02	483,688.55	472,900.54	425,700.00	305,400.00
5315-Customer Billing	1,024,270.12	1,203,237.25	1,247,189.51	1,323,120.39	1,364,000.00	1,420,900.00
5320-Collecting	595,993.33	598,165.86	638,668.07	684,670.21	757,900.00	794,200.00
5325-Collecting- Cash Over and Short	85.02	2.23	(30.81)	5.70	100.00	100.00
5330-Collection Charges	20,545.56	17,746.80	18,857.91	26,314.49	25,000.00	25,000.00
5335-Bad Debt Expense	91,619.20	203,718.62	171,222.59	166,753.69	210,000.00	220,000.00
5340-Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00	(410.48)	0.00	0.00
Subtotal - Billing and Collections	**2,361,020.63**	**2,676,673.62**	**2,772,666.26**	**2,864,737.81**	**3,006,500.00**	**3,003,200.00**

Table 5

Detailed, Account by Accounts, OM&A Expense Table

Community Relations	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5405-Supervision	0.00	0.00	0.00	0.00	0.00	0.00
5410-Community Relations - Sundry	76,443.40	90,360.88	86,541.25	98,788.26	105,000.00	105,000.00
5415-Energy Conservation	142,134.04	552,479.73	646,502.97	46,108.29	31,600.00	30,000.00
5420-Community Safety Program	50,811.93	59,381.94	58,259.18	62,780.39	72,200.00	74,400.00
5425-Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00	0.00	0.00	46,975.59
5515-Advertising Expense	0.00	0.00	0.00	0.00	0.00	0.00
5520-Miscellaneous Sales Expense	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal - Community Relations	**269,389.37**	**702,222.55**	**791,303.40**	**207,676.94**	**208,800.00**	**256,375.59**

Administrative and General Expenses	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
5605-Executive Salaries and Expenses	38,000.13	47,500.32	45,700.32	47,445.00	49,100.00	50,600.00
5610-Management Salaries and Expenses	778,988.91	864,016.93	887,706.75	885,082.44	928,474.00	968,278.00
5615-General Administrative Salaries and Expenses	126,900.76	215,910.40	290,117.28	190,044.12	207,426.00	217,822.00
5620-Office Supplies and Expenses	140,594.31	138,408.93	134,998.46	135,234.67	148,900.00	153,000.00
5625-Administrative Expense Transferred Credit	(245,456.41)	(279,282.05)	(254,198.88)	(185,703.25)	(102,600.00)	(103,100.00)
5630-Outside Services Employed	72,834.22	108,700.80	122,796.87	135,012.39	236,500.00	226,500.00
5635-Property Insurance	74,773.80	77,807.52	79,529.04	86,960.51	92,000.00	102,000.00
5640-Injuries and Damages	211,127.10	167,682.95	194,619.02	202,870.56	206,500.00	217,500.00
5645-Employee Pensions and Benefits	96,503.95	399,235.25	421,771.11	216,208.65	255,600.00	218,100.00
5655-Regulatory Expenses	211,438.55	257,433.24	241,101.35	386,513.50	401,600.00	489,300.00
5660-General Advertising Expenses	0.00	0.00	0.00	0.00	0.00	0.00
5665-Miscellaneous General Expenses	49,380.66	20,919.21	27,525.17	42,263.38	50,800.00	51,300.00
5670-Rent	0.00	0.00	0.00	0.00	0.00	0.00
5675-Maintenance of General Plant	519,620.60	375,208.98	297,941.32	315,000.96	375,600.00	400,600.00
5680-Electrical Safety Authority Fees	30,964.70	33,728.35	34,326.88	34,985.60	34,500.00	36,300.00
6205-Charitable Donations	155,560.00	157,800.00	110,760.00	80,200.00	90,000.00	90,000.00
Subtotal - Administrative and General Expenses	**2,261,231.28**	**2,585,070.83**	**2,634,694.69**	**2,572,118.53**	**2,974,400.00**	**3,118,200.00**

Taxes Other Than Income Taxes	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
6105-Property Taxes	526,417.03	510,416.26	527,007.73	506,521.92	529,300.00	550,500.00
Subtotal - Taxes Other Than Income Taxes	**526,417.03**	**510,416.26**	**527,007.73**	**506,521.92**	**529,300.00**	**550,500.00**

Total Operating, Maintenance and Administration Expenses	**10,836,360.31**	**12,662,510.37**	**13,064,469.80**	**13,135,656.41**	**13,861,000.00**	**14,740,975.59**

Staffing

As of the end of 2008, KW Hydro had 171 employees. As of the end of 2009, KW Hydro expects to have 174 employees. There is no change expected in the number of employees for 2010. The number of expected employees by major department as of 2009 and 2010 is presented in Table 6.

There are two unions representing the employees of KW Hydro. The Outside unionized staff is represented by the Power Workers Union (PWU) Local 1000 and the Inside unionized staff is represented by the International Brotherhood of Electrical Workers Union (IBEW) Local 636. The previous collective agreements expired March 31, 2009. Previous settlements included annual wage increases of 3.5% for 2006, 3.3% per year for 2007 and 2008 and changes to the benefits package. KW Hydro recently settled a three-year agreement with its Inside Unionized staff, which included a 3% economic increase in each year of the contract. Negotiations continue with the Outside Unionized staff. KW Hydro has therefore estimated a 3% increase going forward for the purpose of this rate application. The City of Kitchener has been a high-growth area for a number of years and the cost of living in the area has risen along with the high demand for housing and services. KW Hydro's economic wage adjustments are driven by the local cost of living and are developed through the negotiation process.

Table 6
2009 Number of Employees by Department

Administration - Executive *	2
Finance **	10
Customer Service ***	23
Engineering	21
Operations & Maintenance	102
Purchasing / Warehouse	7
Safety / Community Relations	1
Information Technology	8
Total Employees by Major Department	174

* As there are only 2 executives, KW Hydro reports these employees as part of the Management group.
** Includes General Administration, Accounting and Regulatory
*** Includes Customer Service Administration, Billing, Collection and Meter Reading

VARIANCE ANALYSIS ON OM&A COSTS:

As mentioned above, the dollar amount chosen by KW Hydro that triggers variance analysis is $75,000. In order to provide the most information available, KW Hydro has reviewed the variance of each OEB USoA account by year to determine where explanations are necessary. An identification reference has been assigned for each variance exceeding the threshold and an explanation of each variance is presented in the following section.

Preamble

Following the 2006 EDR, KW Hydro analyzed its regulatory reporting and identified some areas within its general ledger where reporting could be improved. Some of the variances identified below, due to their materiality, are due to changes to regulatory reporting categories that were subsequently changed after the fiscal year 2004. KW Hydro has adjusted its RRR Trial Balance for those years so that all numbers agree. The changes made did not affect the net income or the ROE of KW Hydro.

2006 ACTUAL VERSUS 2006 BOARD APPROVED:

Ref A: 5010 – Load Dispatching

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5010	415,739	424,772	506,822	91,083

An existing employee was promoted into the new position of Supervisor – Stations Operations on February 6, 2006 and a trainee was hired to fill his Station Operator vacancy in April of 2006. KW Hydro would have had an additional staff member in this department for the balance of 2006 and beyond.

Ref B: 5014 Transformer Station Equipment – Operation Labour

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5014	343,006	220,549	255,544	(87,461)

Prior to 2005, the amount in this account also included overheads associated with the labour in 5014 rather than simply the labour portion. Overheads were removed beginning in 2005 and reported through 5015 Transformer Station Equipment – Operation Supplies and Expenses. In 2005 and 2006, the amount of labour overheads transferred to 5015 was $145,650 & $119,417 respectively.

Ref C: 5015 Transformer Station Equipment – Operation Supplies and Expenses

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5015	132,813	278,619	319,406	186,593

Prior to 2005, the amount in this account was reduced by overheads associated with labour. This overhead amount was reported in 5014 – Transformer Station Equipment – Operation Labour. In 2006, the amount of labour overheads transferred to 5015 was $119,417. These overheads were reported in 5015 in all subsequent years.

Additionally, this has been a department with high employee turnover; thus there has been additional overtime for the remaining employees and higher-than-normal training costs.

Ref D: 5112 Maintenance of Transformer Station Equipment

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5112	312,271	494,639	552,489	240,218

Maintenance of Transformer Station Equipment increased $240,218 to $552,489 from 2006 Board Approved. In 2004, KW Hydro's #8 Transformer Station (#8 TS) went into service. As a result we now have seven transformer stations to maintain, instead of six, resulting in increased maintenance costs. Following the in-service date of #8 TS, there was additional maintenance work performed at KW Hydro's other stations that had been deferred due to the construction of #8 TS. In addition, increased requirements for IESO re-verification of protective relays at the transformer stations resulted in the hiring of one additional staff person for P&C work.

Ref E: 5120 Maintenance of Poles, Towers and Fixtures

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5120	203,011	198,040	288,873	85,861

Several severe storms in 2006 (February 4&5, May 31, July 17&18 and October 4) resulted in above average pole repairs and replacements.

Ref F: 5125 Maintenance of Overhead Conductors and Devices

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5125	366,497	469,181	451,455	84,959

The 2005 Actual increased due to a planned increase in LI switch maintenance. The 2006 Actual was higher due to additional line repairs and maintenance due to several severe storms (see 5120 Maintenance of Poles, Towers and Fixtures).

Ref G: 5130 Maintenance of Overhead Services

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5130	325,938	850,412	1,061,866	735,928

Maintenance of Overhead Services costs increased by $735,928 compared to 2006 Board Approved amount. In 2004, $605,205 was coded to 5135 Overhead Distribution Lines and Feeders that should have been included in 5130 (and had been for all years but 2004). In 2005, Consumer Premise Expense increased $43,320 and tree trimming increased $83,869 over 2006 Board Approved. There was a need to catch up on the tree trimming in the South Quadrant of the Township of Wilmot. In addition, above average tree trimming was required to clean up broken trees and tree branches in 2006 as a result of several severe storms (see 5120 Maintenance of Poles, Towers and Fixtures). The balance represents labour and equipment charges which increased over the two-year period between the 2004 and 2006 year-ends.

Ref H: 5135 Overhead Distribution Lines and Feeders – Right of Way

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5135	605,205	-	-	(605,205)

In 2004, $605,205 was coded to 5135 Overhead Distribution Lines and Feeders that should have been included in 5130 (and had been for all years but 2004).

Ref I: 5145 Maintenance of Underground Conduit

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5145	245,724	194,524	466,775	221,051

Maintenance of Underground Conduit increased by $221,051 compared to the 2006 Board Approved amount. In 2006, KW Hydro conducted a Vault Top Replacement Survey and significant repairs were identified as required. As a result, vault top replacements increased $190,003. In addition, repairs from C/S inspection defects increased by $41,531. C/S inspection defects are defects identified in transformer rooms and enclosures during inspections of customer premises. If repairs or replacements are identified, the customer is contacted and then supervised while these repairs are completed so that none of our equipment is damaged and for the safety of the workers doing the repairs.

Ref J: 5315 Customer Billing

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5315	1,059,064	1,024,270	1,203,237	144,173

Settlement services from Enerconnect were previously charged to Regulatory expenses 5655 and subsequently moved to Customer Billing. The amount paid to Enerconnect in 2006 was $147,964.

Ref K: 5335 Bad Debt Expense

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5335	115,474	91,619	203,719	88,245

In 2006, KW Hydro incurred bad debts from three larger customers at a cost of $112,426.

Ref L: 5415 Energy Conservation

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5415	20,500	142,134	552,480	531,980

This account records the cost of expenses approved as part of the Third Tranche Conservation and Demand program. An offsetting amount was recorded as income in 2006.

Ref M: 5615 General Administrative Salaries and Expenses

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5615	300,417	126,901	215,910	(84,507)

In 2006, Information Technology charges of $128,113 were charged elsewhere in error, creating an artificial variance. In addition, some charges were moved to 5630 Outside Services Employed (see below).

Ref N: 5630 Outside Services Employed

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5630	-	72,834	108,701	108,701

Prior to 2006, the charges in this account were allocated to 5615. This account includes $4,921 in legal fees, $32,100 in audit fees and $71,680 in professional fees for 2006.

Ref O: 5655 Regulatory Expenses

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5655	322,798	211,439	257,433	(65,365)

KW Hydro received a Tier 1 adjustment of $125,768 as part of the 2006 EDR for Regulatory Expenses. 2004 actual expenses were $197,030. In the years 2005 and 2006, Settlement Services from Enerconnect in the amount of $91,212, which had previously been reported in 5655, were transferred to 5315 Billing.

Ref P: 6205 Charitable Donations

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
6205	158,700	155,560	157,800	(900)

Detailed expenses charged to this account are as follows:

Waterloo Regional Children's Museum	150,000	Charitable Contribution
Kitchener-Wilmot Hydro Inc. Social Club	7,500	06 Contribution - Social Club
Funeral Donations	300	
	157,800	

Ref Q: 5705 Amortization Expense

OEB Account	2006 Board Approved	2005 Actual	2006 Actual	Variance
5705	7,849,151	8,218,644	8,510,357	661,206

Actual depreciation expense in 2006 was $661,206 over the 2006 Board Approved levels. The 2006 Board Approved amount is based on 2004 Actual results, which includes two years of capital expenditures. KW Hydro had $10.5M in capital expenditures in 2006, resulting in an after depreciation net book value increase of $1.4M. The high capital expenditures in both years increased amortization expense each year.

2007 ACTUAL VERSUS 2006 ACTUAL:

Ref A: 5040 Underground Distribution Lines & Feeders – Operation Labour

OEB Account	2006 Actual	2007 Actual	Variance
5040	367,348	283,128	(84,219)

In 2007, there was a significant decrease in inside salaries charged to this cost center ($106,197) due to the retirement of KW Hydro's President and CEO. Following his retirement, there was a change in the organizational structure and as a result, one of the senior positions, previously charged to this cost center, was promoted. The previous position held by this employee was not refilled, decreasing the costs in 2007.

Ref B: 5065 Meter Expense

OEB Account	2006 Actual	2007 Actual	Variance
5065	520,537	638,218	117,680

Prior to 2007, a Meterperson had been temporarily performing the Service Co-ordinator duties. This labour was charged to the department where he was working, rather than to Meter Expense. During 2006, the Service Co-ordinator position was permanently filled and the Meterperson was again available to work within the Meter Department.

Ref C: 5112 Maintenance of Transformer Station Equipment

OEB Account	2006 Actual	2007 Actual	Variance
5112	552,489	465,660	(86,828)

In 2007, planned protective relay maintenance was down by $91,000.

Ref D: 5145 Maintenance of Underground Conduit

OEB Account	2006 Actual	2007 Actual	Variance
5145	466,775	374,783	(91,992)

In 2007, a decrease in miscellaneous ductwork activity lowered expenses by $27,000. In addition, fewer large vault tops were replaced in 2007, further reducing expenses by $60,000.

Ref E: 5150 Maintenance of Underground Conductors and Devices

OEB Account	2006 Actual	2007 Actual	Variance
5150	275,960	354,099	78,139

2007 costs include an additional $41,000 for Infrared Survey repairs compared to the previous year. Also, there was additional underground maintenance in 2007, primarily due to increased costs for labour and materials to make repairs as a result of additional scheduled underground system survey work.

Ref F: 5415 Energy Conservation

OEB Account	2006 Actual	2007 Actual	Variance
5415	552,480	646,503	94,023

In September 2007, KW Hydro completed its third-tranche spending on CDM programs, with increased costs in 2007.

Ref G: 5655 Regulatory Expenses

OEB Account	2006 Actual	2007 Actual	Variance
5655	257,433	241,101	(16,332)

OEB cost assessments increased by $16,332 in 2007.

Ref H: 5675 Maintenance of General Plant

OEB Account	2006 Actual	2007 Actual	Variance
5675	375,209	297,941	(77,268)

In 2006, KW Hydro paved its parking lot at a cost of $41,550 and there were some renovations totaling $20,898 in the control room.

Ref I: 6205 Charitable Donations

OEB Account	2006 Actual	2007 Actual	Variance
6205	157,800	110,760	(47,040)

Detailed expenses charged to this account are as follows:

Kitchener-Wilmot Hydro Inc. Social Club	10,000	07 Contribution - Social Club
Waterloo Regional Children's Museum	100,000	Charitable Donation
R.O.O.F.	560	Low Income/CDM Donation
Funeral Donations	200	
	110,760	

Ref J: 5705 Amortization Expense

OEB Account	2006 Actual	2007 Actual	Variance
5705	8,510,357	8,901,061	390,704

The increase in depreciation expense is related to the 2007 Capital Expenditures and the resulting increase in capital projects going into service of $11.7M.

2008 ACTUAL YEAR VERSUS 2007 ACTUAL:

Ref A: 5015 Transformer Station Equipment – Operations Supplies and Expenses

OEB Account	2007 Actual	2008 Actual	Variance
5015	295,842	471,004	175,162

For 2008 Transformer Station Equipment – Operations Supplies and Expenses, there was an increase of $175,162 over 2007 Actual. In 2007, KW Hydro received cash receipts totaling $141,872 for Hydro One Meter Exit fees that were credited to this account, substantially reducing the 2007 balance and artificially making 2008's balance seem unusually highly. Prior to market opening, Hydro One meter service provider costs were built into rates. KW Hydro replaced the meters in its transformer stations but rates were not immediately adjusted. The cash receipts were refunds for the service not provided by Hydro One.

Ref B: 5125 Maintenance of Overhead Conductors and Devices

OEB Account	2007 Actual	2008 Actual	Variance
5125	519,840	732,540	212,699

For 2008, there was an increase of $212,699 from 2007 Actual. 2008 had increased costs for storm damage ($104,000), maintenance on LI switches ($75,680) and bird proofing costs ($38,341). LI switch maintenance and bird proofing costs to improve distribution system reliability have been growing substantially, particularly in the older neighbourhoods with mature trees and; thus, more birds, squirrels, broken limbs, etc.

Ref C: 5130 Maintenance of Overhead Services

OEB Account	2007 Actual	2008 Actual	Variance
5130	1,120,163	1,291,210	171,047

For 2008, there was an increase of $171,047 from 2007 Actual. 2008 had increased costs for storm damage ($77,399), consumer premises expenses ($78,680) and increased tree trimming costs ($17,064).

Ref D: 5145 Maintenance of Underground Conduit

OEB Account	2007 Actual	2008 Actual	Variance
5145	374,783	241,911	(132,873)

In 2008, there was a decrease of $132,873 from 2007 Actual. 2007 maintenance of underground conduit included many vault top replacements and slab repairs. 2008 Actual saw a decrease in vault top replacements of $84,735 and a decrease in slab repairs of $82,574 as replacement of vault tops in excess of $100,000 were capitalized beginning in 2008.

Ref E: 5155 Maintenance of Underground Services

OEB Account	2007 Actual	2008 Actual	Variance
5155	102,441	200,095	97,654

2007 Actual was reduced due to an insurance claim for stolen cable from a jobsite for which KW Hydro received proceeds of $52,320. For 2008 Actual, consumer premises expense increased by $25,000. In addition, there was cable stolen from a jobsite on Old Huron Road that KW Hydro had to replace at a cost of $10,000.

Ref F: 5315 Customer Billing

OEB Account	2007 Actual	2008 Actual	Variance
5315	1,247,190	1,323,120	75,931

In 2008, allocated charges for the Information Technology department increased $6,821 due to an increase in the number of computers used in the Billing department. Other increases include fees for the Customer Satisfaction survey (performed every other year) of $2,727 and a sharp increase due to the purchase of A/R Credit insurance in 2008 of $53,254.

Ref G: 5415 Energy Conservation

OEB Account	2007 Actual	2008 Actual	Variance
5415	646,503	46,108	(600,395)

Expenditures related to Third Tranche CDM were completed in 2007. 2008 expenditures are lower as KW Hydro continues to support CDM through the administration of OPA programs within its service territory.

Ref H: 5615 General Administrative Salaries and Expenses

OEB Account	2007 Actual	2008 Actual	Variance
5615	290,117	190,044	(100,073)

In 2008, costs from 5615 were transferred to 5655 Regulatory Expenses. Until 2008, internal regulatory expenses (anything not invoiced by the OEB) were not booked to 5655 but to various administrative accounts. The $100,073 variance is this shifting of costs.

Ref I: 5645 Employee Pensions and Benefits

OEB Account	2007 Actual	2008 Actual	Variance
5645	421,771	216,209	(205,562)

In 2008, employee pensions and benefits decreased $205,562 from 2007 Actual due to a decrease of $188,769 in Post Retirement Benefit Obligation (PBO) expense (due to an accounting policy change). This decrease was because of 2008 PBO amortization of ($98,225), decreased service and interest costs ($90,544). Other reductions included health and life insurance for retirees at ($14,496).

Ref J: 5655 Regulatory Expenses

OEB Account	2007 Actual	2008 Actual	Variance
5655	241,101	386,514	145,412

In 2008, regulatory costs that had previously been included in 5610 and 5615 were moved for reporting in this account. Previously, internal regulatory costs had not been considered material enough to report separately. For 2008, $147,311 in staff labour was reported through 5655.

Ref K: 6205 Charitable Donations

OEB Account	2007 Actual	2008 Actual	Variance
6205	110,760	80,200	(30,560)

Detailed expenses are as follows:

Township of Wilmot Recreation Complex	25,000	Charitable Donation
Activa Sportsplex-Place to Play	50,000	Charitable Donation
Centre In The Square Electric Thursdays	5,000	Charitable Donation
Funeral Donations	200	
	80,200	

Ref L: 5705 Amortization Expense

OEB Account	2007 Actual	2008 Actual	Variance
5705	8,901,061	9,253,850	352,789

The increase in depreciation expense is related to the 2008 Capital Expenditures and the resulting increase in capital projects going into service of $8.26M.

2009 BRIDGE YEAR VERSUS 2008 ACTUAL YEAR:

Ref A: 5005 Operation Supervision and Engineering

OEB Account	2008 Actual	2009 Bridge	Variance
5005	445,714	586,300	140,586

The 2009 Bridge shows as increase of $140,586 over 2008 Actual. Additions include a $46,221 increase for IT support, $9,000 for increased wages and a reduction in administrative credit of $83,103. This change stems from KW Hydro's opinion that there will be a substantial reduction in billable construction (less administrative recovery) going forward for 2009 and 2010.

Ref B: 5065 Meter Expense

OEB Account	2008 Actual	2009 Bridge	Variance
5065	611,648	220,000	(391,648)

2009 Meter expenses show a decrease of $391,648 from 2008 Actual. This marked reduction is due to the smart meter initiative. As KW Hydro installs smart meters to all residential customers, it is expected that there will be less labour costs spent on its conventional meters and more on the smart meters. All costs relating to smart meters will be charged to the smart meter variance account until the Board orders disposition of the accounts.

Ref C: 5145 Maintenance of Underground Conduit

OEB Account	2008 Actual	2009 Bridge	Variance
5145	241,911	365,000	123,089

The 2009 Bridge shows an increase of $123,089 over 2008 Actual. In 2009, KW Hydro expects increased pull box and vault repairs. All of the repairs identified in the Vault Top Replacement survey of 2006 have not yet been completed and there are still 45 remaining to be repaired. This requires a full-time crew working on the project. In addition, KW Hydro crews are performing another survey in 2009.

Ref D: 5625 Administrative Expense Transferred Credit

OEB Account	2008 Actual	2009 Bridge	Variance
5625	(185,703)	(102,600)	83,103

The net decrease for 2009 is due to an expected $81,300 decrease in administrative credit from construction. KW Hydro has forecasted that construction activities will decrease significantly in 2009 (close to 50%) and administrative recovery will be reduced as well.

Ref E: 5630 Outside Services Employed

OEB Account	2008 Actual	2009 Bridge	Variance
5630	135,012	236,500	101,488

KW Hydro expects to hire additional staff to assist with the IFRS project (IFRS consultant and temporary accounting resources) $66,650, and $34,000 in Human Resource services (internal equity review, attendance management programs) in 2009.

Ref F: 5655 Regulatory Expenses

OEB Account	2008 Actual	2009 Bridge	Variance
5655	386,514	401,600	15,087

For 2009, KW Hydro expects an increase in labour expense of $13,659.

Ref G: 6205 Charitable Donations

OEB Account	2008 Actual	2009 Bridge	Variance
6205	80,200	90,000	9,800

KW Hydro intends to increase its charitable donations for 2009 marginally. For 2009, KW Hydro has already agreed to a sponsorship of the "Energy Unlimited" exhibit designed to demonstrate the many sources of clean and renewable energies, new technologies and energy conservation ($40K). In addition, KW Hydro has provided a corporate sponsorship of "Electric Thursdays" at its local theatre, The Center in the Square.

Ref H: 5705 Amortization Expense

OEB Account	2008 Actual	2009 Bridge	Variance
5705	9,253,850	9,723,672	469,822

The increase in depreciation expense is the result of 2009 Capital Expenditures.

2010 TEST YEAR VERSUS 2009 BRIDGE YEAR:

Ref A: 5065 Meter Expense

OEB Account	2009 Bridge	2010 Test	Variance
5065	220,000	320,000	100,000

The 2010 Test year shows an increase of $100,000 over the 2009 Bridge year due to increased costs from maintenance on conventional meters. KW Hydro intends to use many of its own resources for the smart meter implementation and the expected expenses in 2009 were considerably reduced due to the transfer of operating costs to the smart meter variance account. In 2010, KW Hydro expects to complete its smart meter installs at which time meter labour costs will shift to maintenance activities using its five person staff, effectively increasing its operating costs for 2010.

Ref B: 5125 Maintenance of Overhead Conductors and Devices

OEB Account	2009 Bridge	2010 Test	Variance
5125	700,000	815,000	115,000

The 2010 Test Year shows an increase of $115,000 over the 2009 Bridge. This is primarily due to increased costs stemming from the planned installation of bird/squirrel proofing on transformer fuse cutouts in an effort to improve our outage statistics on our worst performing feeders.

Ref C: 5130 Maintenance of Overhead Services

OEB Account	2009 Bridge	2010 Test	Variance
5130	1,275,000	1,380,000	105,000

Maintenance of Overhead Services shows an increased of $105,000 in the 2010 Test over 2009 Bridge due to increased labour and overhead costs. The costs included in this activity are primarily labour. A three percent inflationary increase in direct labour costs has been added for 2010. In addition, indirect labour costs have been steadily increasing year over year (i.e. CPP, EI, OMERS, sick leave, etc) and a 5% increase has been added to cover these increased costs.

Ref D: 5310 Meter Reading Expense

OEB Account	2009 Bridge	2010 Test	Variance
5310	425,700	305,400	(120,300)

As KW Hydro completes its installation of smart meters, begins to remotely read its meters and moves towards TOU pricing, it is expected that meter reading expenses will decrease substantially over time. 2010 Test year thus shows a decrease from 2009 Bridge of $120,300.

Ref F: 5425 Miscellaneous Customer Service & Informational Expenses

OEB Account	2009 Bridge	2010 Test	Variance
5425	-	46,976	46,976

This amount represents the amount that KW Hydro will be expected to support low-income programs (LEAP) as mandated by the OEB in 2010 (0.12% of distribution revenue).

Ref E: 5655 Regulatory Expenses

OEB Account	2009 Bridge	2010 Test	Variance
5655	401,600	489,300	87,700

Increased regulatory expenses for 2010 include $57,000 for KW Hydro's 2010 rate application (includes additional staff $63,000, and consulting and legal assistance $165,000, amortized over 4 years). An additional $27,000 has been budgeted for increased OEB fees and cost awards as these costs are expected to increase.

Ref G: 6205 Charitable Donations

OEB Account	2009 Bridge	2010 Test	Variance
6205	90,000	90,000	-

No variance exists. As a good corporate citizen, KW Hydro intends to maintain the 2009 level of charitable donations and supporting our community where possible.

Ref H: 5705 Amortization Expense

OEB Account	2009 Bridge	2010 Test	Variance
5705	9,723,672	10,735,844	1,012,171

The increase in depreciation expense is the result of 2010 Capital Expenditures.

CHARGES TO AFFILIATES FOR SERVICES PROVIDED:

Introduction:

A summary of charges to affiliates for services provided in 2006 Actual and 2007 Actual, 2008 Actual together with the projections for the 2009 Bridge Year and 2010 Test Year, are shown in Table 7.

KW Hydro currently performs street lighting capital and maintenance services for the City of Kitchener and the Township of Wilmot. Actual cost including labour, labour burden, stores material and burden, along with vehicle costs are charged to both parties. In addition, in 2009, billings to both parties will include a return on capital in line with the allowed rate of return.

As a result of recent changes to the Affiliate Relationships Code, KW Hydro is reviewing its provision of services to its shareholders in respect of Street Light Capital and Maintenance services and these services may be outsourced in the future.

There are currently no shared services with the City of Kitchener or the Township of Wilmot.

Table 7

2006 ~ 2010 Charges to Affiliates for Services Provided

Description	2006 Actual	2007 Actual	2008 Actual	2009 Bridge *	2010 Test **
Revenue					
City of Kitchener Street Lighting Capital & Maintenance	537,892	954,286	905,429	929,858	948,455
Township of Wilmot Street Lighting Capital & Maintenance	34,648	88,422	19,205	53,814	54,890
Operating Revenue from Street Lighting	572,540	1,042,708	924,634	983,671	1,003,344
Profit on Street Lighting (8.01% Rate of Return)				78,792	80,368
PILs				26,001	24,906
Total Streetlighting Revenue	572,540	1,042,708	924,634	983,671	1,003,344

* 2 year average
** 2% inflation added to Bridge Year

REGULATORY COSTS:

Introduction

KW Hydro's regulatory costs have been steadily increasing, albeit at a reasonably slow rate and are considered to be an on-going cost. Prior to 2008, internal regulatory labour costs were not tracked specifically as "regulatory costs" but rather a mix of Management costs USoA (5610) and General Office USoA (5615), depending on the staff involved. Regulatory costs as recorded in the following Table 8.

In 2008, KW Hydro began to charge directly to 5655 the internal labour utilized for regulatory costs. These costs were previously recorded in General Administration accounts as noted above. The Regulatory Department consists of one manager and two financial analysts. One of the analysts is dedicated to full-time regulatory activities (previously charged to USoA 5615) while the manager and the second analyst's time is split between regulatory and management USoA (5610). For comparability, based on the percentages used internally, KW Hydro has calculated the amounts that would have been charged to regulatory had staff time been charged historically as follows in Table 9:

The allocation of labour charges were booked as follows:

Allocation of Regulatory Labour

USoA	2006	2007
5610	42,180	43,502
5615	92,792	97,516
Total	**134,971**	**141,018**

Overall, there has been a marginal change in regulatory labour costs.

2010 Rebasing Budget

Increased regulatory expenses for 2010 include $57,000 for KW Hydro's 2010 rate application (includes additional staff $63,000, consulting, and legal assistance $165,000, amortized over 4 years). The rebasing budget for 2010 is considered to be one-time for 2010.

Table 8
Regulatory Costs

Regulatory Cost Category	USoA Account	2006	2007	% Change in 2006 Actual Year vs. 2007 Actual	2008	% Change in 2007 Actual Year vs. 2008 Actual	2009 - Bridge Year	% Change in 2009 Bridge Year vs. 2008 Actual	2010 Test Year Forecast	% Change in 2010 Test Year vs. 2009 Bridge Year
OEB Annual Assessment	5655	235,375	227,992	-3.14%	215,977	-5.27%	220,000	1.86%	230,000	4.55%
Hearings (oral and written)	5655	-	1,605	100.00%	3,594	123.96%	2,500	-30.44%	76,500	2960.00%
OEB Section 30 Costs (OEB Initiated)	5655	2,559	9,246	261.32%	14,664	58.59%	12,200	-16.80%	12,200	0.00%
Operating Expenses Associated with Staff Resources Allocated to Regulatory Matters	5655	-	-	0.00%	147,311	100.00%	161,100	9.36%	164,100	1.86%
Operating Expenses Associated with Other Resources Allocated to Regulatory Matters **	5655	-	-	0.00%	4,167	100.00%	5,000	19.98%	5,700	14.00%
Cost Allocation Informational Filing	5655	18,699	1,458	-92.20%	-	-100.00%	-	0.00%	-	0.00%
Other Regulatory Agency Fees or Assessments	5655	800	800	0.00%	800	0.00%	800	0.00%	800	0.00%
Total Cost		**257,433**	**241,101**	**-6.34%**	**386,514**	**60.31%**	**401,600**	**3.90%**	**489,300**	**21.84%**

** Includes mileage, meals, accommodation for regulatory matters.

Table 9
Regulatory Costs Adjusted for Labour

Regulatory Cost Category	USoA Account	2006	2007	% Change in 2006 Actual Year vs. 2007 Actual	2008	% Change in 2007 Actual Year vs. 2008 Actual	2009 - Bridge Year	% Change in 2009 Bridge Year vs. 2008 Actual	2010 Test Year Forecast	% Change in 2010 Test Year vs. 2009 Bridge Year
OEB Annual Assessment	5655	235,375	227,992	-3.14%	215,977	-5.27%	220,000	1.86%	230,000	4.55%
Hearings (oral and written)	5655	-	1,605	0.00%	3,594	123.96%	2,500	-30.44%	76,500	2960.00%
OEB Section 30 Costs (OEB Initiated)	5655	2,559	9,246	261.32%	14,664	58.59%	12,200	-16.80%	12,200	0.00%
Operating Expenses Associated with Staff Resources Allocated to Regulatory Matters	5610, 5615, 5655	134,971	141,018	0.00%	147,311	4.46%	161,100	9.36%	164,100	1.86%
Operating Expenses Associated with Other Resources Allocated to Regulatory Matters	5610, 5615	-	-	0.00%	4,167	100.00%	5,000	19.98%	5,700	14.00%
Cost Allocation Informational Filing	5655	18,699	1,458	-92.20%	-	-100.00%	-	0.00%	-	0.00%
Other Regulatory Agency Fees or Assessments	5655	800	800	0.00%	800	0.00%	800	0.00%	800	0.00%
Total Cost		**392,405**	**382,119**	**-2.62%**	**386,514**	**1.15%**	**401,600**	**3.90%**	**489,300**	**21.84%**

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS):

Introduction

By 2011, Canada will move to the same accounting standards as are used by publically accountable enterprises in many other countries around the world. IFRS is anticipated to provide shareholder and regulators with financial information that has enhanced comparability and transparency. The transition to IFRS; however, will not be easy and will require significant effort by KW Hydro and its staff to comply with the standard. In order to have the 2010 year-end financial statement in IFRS format, KW Hydro will need to work diligently through the years 2009 and 2010 to reach its goal. KW Hydro has thus developed the following budget in Table 10.

KW Hydro is receiving assistance from its auditor, KPMG, for its IFRS implementation project. Additional staff will also be required for the analysis of KW Hydro's general ledger as KW Hydro does not have the internal resources to complete the project without additional assistance.

KW Hydro has budgeted its IFRS implementation costs for 2009 and 2010. They have not been amortized over the four year period as they are not considered to be of a material nature. As of the August 28th filing date for this application, KW Hydro is not yet able to estimate its ongoing IFRS compliance costs and these have not been factored into its overall OM&A.

Table 10
IFRS Implementation Budget

USoA	Detail	2009	2010	Total
5630	Contract Labour	40,000	28,000	68,000
5630	Professional Fees	26,650	15,000	41,650
	Total	**66,650**	**43,000**	**109,650**

EMPLOYEE COMPENSATION, INCENTIVE PLAN EXPENSES, PENSION EXPENSE AND POST RETIREMENT BENEFITS:

Overview

KW Hydro is facing the same challenges as other LDCs throughout the electricity distribution sector. In the next five years, 10.7% of KW Hydro's employees will be eligible for retirement, and an additional 7.7% will be eligible within 10 years. KW Hydro's total employee average age is 45.4 years.

The challenge KW Hydro faces is effectively bridging the gap in maintaining sufficient talent to meet the current needs of the utility while planning for the 'new' future. Tables 11 - 13 below illustrate KW Hydro's current employee demographics by employee type.

Effective workforce planning will be a significant initiative going forward. KW Hydro recognizes the need to develop a strategy to replace its aging workforce going forward. As a result of the required four year training program, apprentice positions must be introduced on a timely basis. To meet this need, KW Hydro hired:

- One Apprentice Lineperson in 2007 and two in 2008
- One Electrician in 2006 and one in 2008
- One P&C technician apprentice in 2008
- One Station Operator Trainee in 2008 and one will be hired in 2009.

As noted in the Tables 11, 12 & 13, the average age of the two new line apprentices is 26 years of age. Four additional outside union positions (three currently unfilled and one new position) of Powerline Technicians have been included in the 2009 Bridge Year and no additional positions have been forecast for the 2010 Test Year.

Table 11
Unionized Workforce

Department	Avg. Age	Avg. Length of Service
Customer Service	43.9	10.6
Finance	46.4	7.0
Purchasing	46.4	11.8
Engineering	41.6	6.6
IT	34.0	6.5
Linemen	42.8	15.9
Apprentice Linemen	26.0	1.7
Foresters	43.0	10.0
Truck Driver	48.0	19.0
Electricians	46.4	18.4
Apprentice Electricians	28.0	2.0
Construction	45.9	11.6
Control Room	44.8	10.2
Meter	46.0	20.4
P&C	48.0	22.0
Vehicle Maintenance	51.0	24.0
Operations Services	44.2	11.4
Totals	**42.7**	**12.3**

Table 12
Salaried (Non-Union) Workforce

Department	Avg. Age	Avg. Length of Service
Executive	57.5	21.0
Directors	59.0	4.0
Mgrs/Supv/Supt/Foreman	49.2	20.9
General & Admin	46.3	17.4
Totals	**53.0**	**15.8**

Table 13
Skilled Trades/Engineering (Union & Management)

Department	Avg. Age	Avg. Length of Service	
Engineering PEng/Technicians*	44.1	12.4	Incl. all supervisors
Linemen	45.2	18.7	Incl. superintendent & foremen
Electricians	48.0	21.3	Incl. superintendent & foremen
Meter Technicians	43.8	19.4	Incl. foreman
P&C Technicians	27.7	8.3	Incl. foreman
Station Operators	50.3	20.2	Incl. foreman & supervisor
Totals	**43.2**	**16.7**	

*Does not include 3 PEng in other areas

CHANGE IN WORKFORCE YEAR OVER YEAR:

Table 7 in Exhibit 4, Tab 2, Schedule 6 shows KW Hydro's average FTE headcount for 2006 Actual (167), 2007 Actual (170), 2008 Actual (171), 2009 Bridge Year (174), and 2010 Test Year (174). Note these numbers are average headcounts.

2007 Actual vs. 2006 Actual

The FTE employees increased from 167 to 170 in 2007.

Management & Non-Union

In March 2007, KW Hydro's President and CEO retired. His position was filled by the Vice President of Operations. The position of Vice President of Operations was not filled but was split into two separate positions 1) Operations Manager, and 2) Manager of Construction and Systems Planning, within the management category. These positions were filled internally through promotions effective January 1, 2007. Additionally during 2007, a new position, the Supervisor of Key Accounts and Data Acquisition, was created within the Customer Services department. This position supervises the Meter Reading department, deals with KW Hydro's key accounts and assists with the administration of OPA CDM programs. The position of Engineering Services Supervisor that was previously vacant was re-filled through internal promotion. In the non-union category, an additional programmer position was created in the IT department to assist with the growing demands on the department.

Union

A new AM/FM Technician was hired during 2007 to fill a position left vacant after the Engineering Services Supervisory was promoted.

2008 Actual vs. 2007 Actual

The FTE employees increased from 170 to 171 in 2008.

Management & Non-Union

The position of Projects Engineer was hired on November 3, 2008. Following the promotion of the Senior Planning and Standards Engineer to Manager of Construction and Systems Planning, a vacancy existed and the new position was created to assist with stations design, systems planning and distributed generation projects.

Non-Union

There were no new FTEs in the non-union in 2008.

2009 Bridge Year vs. 2008 Actual

Management & Non-Union

KW Hydro hired an Electrical Engineer May 25, 2009 to assist the Senior Distribution Engineer with projects in that department. This position will also aid in the transition expected when the Engineering Manager retires in 2010.

Union

KW Hydro expects to fill three currently unfilled positions of Powerline Technician and to add one new position in 2009 due to growing demands on the outside crews.

As indicated previously, KW Hydro must continue to move forward with the training of new Powerline Technicians in order to have a skilled workforce in place prior to retirement of certified linemen in the next five years.

2010 Test Year vs. 2009 Bridge Year

The FTE employees count will stay the same.

Net Increase in FTE Employees

Table 14 outlines the increase in employees since the 2006 Board Approved EDR:

Table 14

FTE 2006 Actual/Board Approved	167
Retirement (2007)	(1)
Net Increase in Apprentice/Linemen	1
Supervisor of Key Accounts & Data Acquisition	1
AM/FM Technician (2007)	1
IT Programmer (2007)	1
Projects Engineer	1
Electrical Engineer	1
FTE 2010 Test Year	**174**

KW HYDRO'S COMPENSATION/PERFORMANCE SYSTEM:

Outside Union

KW Hydro's outside unionized staff is represented by the Power Workers Union (PWU) Local 1000. A formal set of contract negotiations are currently underway as the previous collective agreement expired March 31, 2009. The previous settlement included annual wage increases of 3.3% per year for 2007 and 2008 and changes to the benefits package. KW Hydro estimates a 3% annual increase going forward for the purpose of this rate application. All salary estimates used the 9/12 assumption, using the rates in effect for the first 3 months (Jan-March) and then the increased rates for April to Dec. for each year. KW Hydro's pay rates are competitive with other LDCs in Waterloo Region.

Inside Union

KW Hydro's inside unionized staff is represented by the International Brotherhood of Electrical Workers Union (IBEW) Local 636. A formal set of contract negotiations were completed July 10, 2009 and ratified by the Union on July 15, 2009, retroactive to April 1, 2009. The negotiated general wage increase is 3% each year effective April 1, 2009 through March 31, 2012. The previous collective agreement expired March 31, 2009. Previous settlements included annual wage increases of 3.3% per year for 2007 and 2008 and changes to the benefits package. KW Hydro had estimated a 3% annual increase going forward for the purpose of this rate application. All salary estimates used the 9/12 assumption, using the rates in effect for the first 3 months (Jan-March) and then the increased rates for April to Dec. for each year. KW Hydro's pay rates are competitive with other LDCs in Waterloo Region.

Executive/Management

KW Hydro collects pay market data from Ontario's LDCs and National/Regional Salary Surveys in order to pay competitive wages to its management staff and to assist it in hiring and maintaining talented staff. Each management staff is paid on an hourly/salary basis. KW Hydro uses a pay grid that includes 19 pay grades within the management group with each grade paying more as the level of responsibility increases. Each grade allows for five possible progression steps. Senior management is not paid overtime.

Individual job performance is aligned with the KW Hydro's vision, mission, and goals. Annually, when qualifying employees are scheduled for progression, a formal evaluation is conducted by the supervisor/manager and the results are forwarded to the President and CEO and shared with the employee. Pay progression may be withheld if job performance is below acceptable levels. Job performance review is also conducted as needed for internal promotions and job vacancies.

Employee Compensation and Benefits

KW Hydro's employee complement, compensation and benefits are set out in Table 17. The Filing Requirements for Distribution Applications state that "where there are three or few employees in any category, the applicant may aggregate this category with the category to which it is most closely related", KW Hydro has reported its Executive category with that of Management. At present, there are only two executive positions, the President and CEO, as well as the Vice President Finance and Chief Financial Officer, at KW Hydro.

Table 17 reports the actual wages and salaries paid, rather than the general ledger balances and does not include members of the Board (Directors), temporary employees or students. KW Hydro's payroll system is not integrated with its JD Edwards Enterprise financial system and limitations in the payroll system preclude KW Hydro from including accruals and other adjustments made in Table 17. KW Hydro's payroll system was developed in-house and a system rewrite is included as part of its upcoming capital expenditures program.

For the purposes of RRR reporting, KW Hydro has reported the actual wages and salaries paid, not including year-end accruals to the general ledger. A reconciliation of the amounts reported in Table 17 and the amounts reported in 2.1.5 of the RRRs is presented in Table 15.

The "Salaries and Wages" amounts include all Salaries and Wages paid, inclusive of vacations, statutory holidays, floater holidays, sick leave, bereavement leave, union meetings labour and other miscellaneous paid leave (i.e. jury duty), which may be considered as benefits; however, they are not considered benefits for the purpose of this analysis. The "Benefits" amounts include the employer's cost to provided Extended Health Care, Dental and Travel coverage, Long-Term Disability and Life Insurance to its employees. KW Hydro does not provide any incentive or bonus compensation plans.

In the forecast of total Salary and Wages for the 2009 Bridge and 2010 Test years, KW Hydro has used a 3% annual increase for all employees. The previous collective agreement with KW Hydro's two unions expired March 31, 2009. To date, KW Hydro has not yet reached a new agreement with its Outside Union; however, a new three-year agreement was recently ratified with the Inside Union. The agreed upon economic increase is 3%, effective April 1, 2009 and KW Hydro has used a 3% annual increase in estimating its incremental payroll.

Increases in KW Hydro's labour costs for the most part, have stayed in line with union-negotiated economic adjustments. Detail is shown in Table 18.

Table 15

Reconciliation of Actual Salaries & Wages Paid 2006-2008

	2006	2007	2008
Balance per Table 17	11,459,713	11,721,863	12,379,622
Directors, Temporary Employees and Students	187,211	174,301	200,790
Total per RRR Reporting	**11,646,924**	**11,896,164**	**12,580,412**

Table 16

Reconciliation of Salaries & Wages Paid 2006-2008 including Accruals

	2006	2007	2008
Balance per RRR Reporting	11,646,924	11,896,164	12,580,412
Accruals/Adjustments	(99,140)	(71,493)	(82,554)
Total per General Ledger	**11,547,784**	**11,824,671**	**12,497,858**

Table 17
Employee Costs

	Last Rebasing Year	Historical Year (Bridge Year -1)	Bridge Year	Test Year
Number of Employees (FTEs including Part-Time)				
Executive	-	-	-	-
Management	28	31	32	32
Non-Union	26	27	27	27
Union	113	113	115	115
Total	167	171	174	174
Number of Part-Time Employees				
Executive	-	-	-	-
Management	0	0	0	0
Non-Union	0	0	0	0
Union	0	0	0	0
Total	0	0	0	0
Total Salary and Wages				
Executive	-	-	-	-
Management	2,520,474	2,831,792	3,037,513	3,109,607
Non-Union	1,953,528	2,089,978	2,128,137	2,176,020
Union	6,985,711	7,457,852	7,622,688	7,796,295
Total	11,459,713	12,379,622	12,788,338	13,081,922
Total Benefits				
Executive	-	-	-	-
Management	155,715	153,535	170,712	182,969
Non-Union	135,985	151,977	159,826	176,267
Union	474,610	495,208	528,470	584,062
Total	766,310	800,720	859,007	943,298
Total Compensation (Salary, Wages, & Benefits)				
Executive	-	-	-	-
Management	2,676,189	2,985,327	3,208,225	3,292,576
Non-Union	2,089,514	2,241,955	2,287,962	2,352,287
Union	7,460,320	7,953,060	8,151,158	8,380,357
Total	12,226,023	13,180,342	13,647,345	14,025,220
Compensation - Average Yearly Base Wages				
Executive	-	-	-	-
Management	90,017	91,348	94,922	97,175
Non-Union	75,136	77,407	78,820	80,593
Union	61,820	65,999	66,284	67,794
Total	226,973	234,753	240,026	245,562
Compensation - Average Yearly Overtime				
Executive	-	-	-	-
Management	1,498	1,091	1,073	1,094
Non-Union	7,448	5,788	7,471	7,639
Union	7,720	8,829	9,045	9,339
Total	16,666	15,708	17,589	18,072
Compensation - Average Yearly Incentive Pay				
Executive	-	-	-	-
Management	0	0	0	0
Non-Union	0	0	0	0
Union	0	0	0	0
Total	0	0	0	0
Compensation - Average Yearly Benefits				
Executive	-	-	-	-
Management	5,561	4,953	5,335	5,718
Non-Union	5,230	5,629	5,919	6,528
Union	4,200	4,382	4,595	5,079
Total	14,992	14,964	15,850	17,325
Total Compensation	**12,226,023**	**13,180,342**	**13,647,345**	**14,025,220**
Total Compensation Charged to OM&A	**7,510,771**	**8,077,273**	**8,320,860**	**8,858,421**
Total Compensation Capitalized	**4,715,252**	**5,103,069**	**5,326,486**	**5,166,799**

Table 18

Estimated Economic Increases

	2005	2006	2007	2008	2009	2010
Total Operating Labour*	6,513,560	7,040,006	7,290,165	7,586,570	7,797,118	8,262,628
Economic Adjustment per Contract		6,684,541	7,214,246	7,470,596	7,757,268	7,972,553
Variance		355,465	75,919	115,974	39,850	290,074
Increase per G/L		526,446	250,159	296,406	210,548	465,510
Union Negotiated Economic Adjustment (%)		3.5%	3.3%	3.3%	3.0%	3.0%
		3.5%	3.3%	3.3%	3.0%	3.0%
Estimated Economic Increase		**170,981**	**174,240**	**180,432**	**170,698**	**175,435**

* Not Including Employee Benefits

EMPLOYEE BENEFITS:

A comprehensive and competitive benefits package exists which includes medical, life and travel insurance, and long term disability. The plans are designed to address the health and welfare needs of the employee population with similar plans for both union and management employees. A copy of the Employee Benefit Handbook for the Outside Union is attached as Appendix A. The Inside (Office) Union employees receive the same benefits as the Outside Union employees.

For consistency with the Wages and Salaries reported, the amounts for Employee Benefits are based on the amounts paid.

For the purposes of RRR reporting 2.1.5, KW Hydro's amounts reported differ substantially for Fringe Benefits from what is reported in this analysis. KW Hydro's 2.1.5 reported amounts are $3,551,615 for 2006, $3,577,357 for 2007 and $3,740,725 for 2008. This is due to the fact that the amounts reported through 2.1.5 are inclusive of all benefits and indirect costs related to payroll, including the benefits included in the wages and salaries reported. These "all-inclusive" benefits reported for the purposes of RRR amounts include, in addition to the benefits reported above, W.S.I.B, CPP and EI remittances, Employer Health Tax, vacation pay, statutory holiday pay, sick leave, bereavement leave, paid union duties, OMERS and other miscellaneous paid time (i.e. jury duty).

KW Hydro's Employee Benefits have been steadily increasing each year. A summary of the increases is presented in Table 19.

The increase in 2006 benefit cost was primarily driven by a 26% renewal premium increase in employee Extended Health Care coverage due to rising claims utilization.

Health and dental premiums increased an average of 8% in 2009, driven largely by increases in drug, vision care and dental claims.

Health, dental and life insurance premium costs are expected to continue to rise in 2010.

OMERS Pension Expense and Post Retiree Benefits:

OMERS Pension Expense

KW Hydro's employees are members of the Ontario Municipal Employees Retirement System ("OMERS"). Accordingly, KW Hydro has provided the OMERS pension premium information for 2006 Actual, 2007 Actual, 2009 Bridge Year, and the 2010 Test Year in Table 20 below. OMERS pension premiums from January 1, 2006 to April 30, 2006 were deferred to account 1508 for recovery at a later date have been recorded as an adjustment.

The amounts paid by KW Hydro to OMERS continues to increase each year; however these costs are primarily driven by mandated OMER's premium rates and are thus uncontrollable by KW Hydro. KW Hydro estimates its OMERS expense by estimating the number of employees within each category (inside/management, outside, etc) and their salaries and wages, upon which OMERS contributions are based. The OMERS contributions are then calculated by applying the estimated tiered rates of 6.5% (up to the YMPE) and 9.8% (over the YMPE) for the year 2010. Actual rates of 6.3% and 9.5% were used for the year 2009.

Post-Retirement Benefits - Liability

Actuarial valuation of post-retirement non-pension benefits sponsored by KW Hydro is conducted every three years in accordance with CICA guidelines. The purpose of these valuations is to determine KW Hydro's liabilities and benefit expense in respect of post-retirement non-pension benefits.

KW Hydro has provided post-retirement benefits accounting information as required and has included the change in post-retirement expense for 2006 Actual, 2007 Actual, 2008 Actual, 2009 Bridge Year, and 2010 Test Year, in Table 21 below.

An actuarial gain of $1,032,190 was recorded in 2008. Post-retirement benefit expense includes annual amortization of this gain thereby reducing expense by $98,225 in 2008, $97,005 in 2009 and $95,213 in 2010.

Post-Retirement Benefits - Premiums

KW Hydro pays certain health, dental, and life insurance benefits on behalf of its retired employees. Actual premiums paid for 2006 Actual, 2007 Actual, 2009 Bridge Year, and 2010 Test Year, are shown in Table 21.

Table 19

Summary of Employee Benefits

	2005	2006	2007	2008	2009	2010
Annual Benefit Cost	660,823.51	766,310.17	792,862.89	800,719.63	859,007.26	943,297.68
% Increase per Year		15.96%	3.47%	0.99%	7.28%	9.81%
$ Increase per Year		105,487	26,553	7,857	58,288	84,290

Table 20
Pension Premium Information

	Actual			Bridge	Test
	2006	**2007**	**2008**	**2009**	**2010**
Premiums Paid	761,209	783,174	836,658	870,500	927,200
Regulatory Asset Adjustment	(247,542)	-	-	-	-
Pension Expense	**513,667**	**783,174**	**836,658**	**870,500**	**927,200**
% Increase		52.47%	6.83%	4.04%	6.51%
$$ Increase		269,508	53,484	33,842	56,700

Table 21
Post-Retirement Benefit Obligation

	Actual			Bridge	Test
	2006	**2007**	**2008**	**2009**	**2010**
Premiums Paid	180,432	181,199	200,856	179,522	185,338
Change in Liability Account	202,622	220,033	11,607	50,478	59,662
Post-Retirement Benefit Expense	**383,054**	**401,232**	**212,463**	**230,000**	**245,000**

DEPRECIATION, AMORTIZATION AND DEPLETION:

KW Hydro's amortization policy is outlined in its Capitalization Policy (see Exhibit 2).

Amortization on capital assets is calculated as follows:

- KW Hydro uses the pooling of assets for all fixed assets with the exception of:
    - 1915 – Furnitures & Equipment
    - 1920 – Computer Equipment
    - 1925 – Computer Software
    - 1930 – Transportation Equipment
    - 1935 – Stores Equipment
    - 1940 – Tools
    - 1945 – Measurement and Testing Equipment
    - 1950 – Power Operated Equipment
    - 1955 – Communication Equipment
    - 1960 – Miscellaneous Equipment

  Amortization for all pooled assets is calculated on a straight line basis over the estimated remaining useful life of the assets at the end of the previous year; plus:
- Normally a full year's amortization is taken on capital additions during the current year. For this rate application, KW Hydro used the half year rule for calculating depreciation expense for the 2010 Test Year.
- For assets that are not subject to pooling ("identifiable assets"), amortization begins upon the in-service month. Therefore an item put into service in November would only have two months of amortization at year-end.
- Depreciation rates are in line with rates set out in the APH. A summary of those rates are as follows in Table 22:

Table 22

1808	Buildings	2.0%
1908	Buildings	2.0%
1815	Transformer Station Equipment - >50 kV	2.5%
1820	Distribution Station Equipment - <50 kV	3.3%
1830	Poles Towers & Fixtures	4.0%
1835	Overhead Conductors	4.0%
1840	Underground Conduit	4.0%
1845	Underground Conductors and Devices	4.0%
1850	Line Transformers	4.0%
1855	Services	4.0%
1860	Metering	4.0%
1915	Furniture & Equipment	10.0%
1920	Computer Hardware	20.0%
1925	Computer Software	20.0%
1930	Transportation Equipment <3 Tonnes	20.0%
1930	Transportation Equipment >3 Tonnes	12.5%
1935	Stores Equipment	10.0%
1940	Tools, Shop and Garage Equipment	10.0%
1945	Measurement and Testing Equipment	10.0%
1950	Power Operated Equipment	12.5%
1955	Communication Equipment	10.0%
1960	Miscellaneous Equipment	20.0%
1995	Contributed Capital	4.0%

All of KW Hydro's amortization expense runs through account 5705 – Amortization Expense – Property, Plant and Equipment with the exception of vehicle amortization. Some vehicle amortization is charged directly to the department that is being served. For example, a truck used for meter reading activities will be charged directly to account USoA 5310 – (Meter Reading). The amortization for the balance of the vehicles that do not have a readily identifiable department, the vehicle amortization is considered to be an allocated expense and is split between capital and OM&A based on direct labour dollars.

Details of KW Hydro's amortization by account number are provided in the Fixed Asset Continuity Schedules in Exhibit 2, Tables 12 to 16 and in Table 23.

Table 23

Amortization Expense

Account	Description	2006	2007	2008	2009	2010
5005	Operation Supervision and Engineering	18,586	12,363	6,218	5,000	-
5310	Meter Reading	4,883	4,371	4,371	6,900	9,400
5320	Collecting	5,771	8,740	8,740	5,200	4,500
5705	Depreciation Expense-Property, Plant & Equipment	8,510,357	8,901,061	9,253,850	9,723,672	10,735,844
Allocated between Capital and OM&A		552,661	522,605	591,185	628,400	649,100
Total		**9,092,257**	**9,449,140**	**9,864,364**	**10,369,172**	**11,398,844**

ALLOCATED (OVERHEAD) FUNCTIONS:

KW Hydro's general ledger accounting system is work order driven. For all work that is to be completed, work orders are taken out through KW Hydro's JD Edwards (JDE) financial system. Some work orders are "standard", which means that they continue from year to year. Other work orders are "special", which means that they are taken out for a specific purpose when needed. All work orders are attached to a department or, in the case of capital work orders, a project, and are categorized according to the work that is being performed.

Further, KW Hydro has a number of departments that are considered to be "overhead" departments (balances are cleared or allocated to other business units). The costs from each of these "overhead" departments are allocated to capital, operating, maintenance and administrative units based on a management-approved methodology. Most often, but not always, the allocation of the costs related to these departments are allocated based on charges to work orders.

In addition to the allocated functions below, payroll burden items are also allocated. Payroll burden costs are outlined in the Employee Compensation section of this Exhibit. In addition, an outline of the procedure used by KW Hydro to allocate overhead costs is attached as Appendix B.

Effectively, based on the allocators calculated each year, the resulting split has historically averaged 60% Operating and 40% Capital for allocated costs.

The costs in these departments have not changed materially from year to year. Costs for each of the allocated departments are as follows:

Truck Operation and Maintenance

Activity	2006	2007	2008	2009	2010
Truck Operation & Maintenance	1,708,459	1,916,856	2,023,644	2,079,100	2,200,000

Truck Operation and Maintenance is responsible for the maintenance of KW's fleet of trucks and power operated equipment. KW Hydro performs many of its own onsite repairs, having two full-time mechanics in its vehicle garage. The vehicle count is as follows:

	2006	2007	2008	2009	*2010
< 3 tons	40	40	40	41	41
> 3 tons	35	35	35	36	36
	75	**75**	**75**	**77**	**77**

* proposed 2010 based on no fleet additions or reductions.

All vehicle costs (including amortization, fuel, repairs, etc) are captured within this department. KW Hydro attempts to control its vehicle operating costs by replacing or overhauling vehicles as they reach the end of their useful lives. On a yearly basis, replacement priorities are set based on a number of conditions including age of the vehicle, hours in use, condition, maintenance records, etc. As shown above, KW Hydro does not anticipate the addition of any vehicles or equipment to its fleet by 2010; however, there will be replacements and 9 vehicles and/or equipment will be traded in during each of the years 2009 and 2010.

Allocation - All vehicle costs are charged to a vehicle work order in our Enterprise system, by vehicle. Vehicle overhead is then charged to all other work orders at the rate of 50% of all direct labour dollars charged, excluding premium dollars paid (i.e. overtime) and credited against the Truck Operation and Maintenance cost centre. The allocation is to both operating and capital, depending on the actual work activity.

Service Centre Building Maintenance

Activity	2006	2007	2008	2009	2010
Service Centre Building Maintenance	305,511	441,469	429,005	505,000	530,000

KW Hydro has a service centre attached to its main office that is approximately 47,500 square feet and includes two main garages for the storage of fleet vehicles as well as workshops for the trades staff and some office space.

KW Hydro's building maintenance costs are beginning to rise as the building ages. The Service Centre was built in 1988 and is now 21 years old, requiring additional maintenance.

The year 2007 saw a substantial increase in the costs for Service Centre Building Maintenance due to general increased building maintenance costs, a substantial increase in winter maintenance activities ($31.5K), an unplanned special project to reduce the size of the warehouse dock in Garage A ($52K) and stairway construction in the Practice Vault ($6K). 2009 and 2010 include an additional $40K to replace the catch basins in Garage A and to complete Garage B.

Allocation - All Service Centre Building Maintenance is charged to a maintenance work order in our Enterprise system. These expenses are then allocated on a monthly basis using a standard formula to other operating cost centers based on expected usage. The allocation of this cost center does not get charged to capital.

Information Technology

Activity	2006	2007	2008	2009	2010
Information Technology	1,007,969	931,276	1,037,351	1,156,400	1,246,000

KW Hydro has an Information Technology (IT department on site, staff includes one Manager, four Systems Analysts (including a supervisor), two Computer Operators and two Network and Technical Support staff. An additional Systems Analyst was hired March 2007 to assist with the increasing demands on the department. The IT department supports a mix of virtual (40) and physical servers (15) and about 150 workstations. These numbers change as new staff is added and software requirements change. Supported software would include Operating systems (Microsoft Windows XP, Microsoft Windows Server, IBM AIX, WMWare, KW Hydro's in-house developed CIS application, and various third-party software packages including JD Edwards, Intergraph G/Technology, FieldWorker, Cognos, File Nexus and many more.

2008 saw increased IT costs for KW Hydro. In 2008, KW Hydro completed an external security audit conducted by a third party at a cost of $20K. KW Hydro also signed a new 5 year contract with Teranet at a cost of $16K per year and added new licensing for its VMWare and Microsoft software at a cost of $30K. There was also an increase in salaries as there was a 3.3% economic increase in all salaries throughout the utility and it was the first full year for the Systems Analyst hired in 2007.

In 2009, KW Hydro expects an increase of $20K for salaries stemming from expected economic increases arising from union negotiations. Other expected increases include increased costs for expanded network bandwidth and maintenance on new replication software associated with the development of disaster recovery plans. There will also be software maintenance on new applications including Fieldworker, Optim (JD Edwards archiving software), PowerLine systems software and Solarwinds network management software used by IT Technical staff to maintain optimal performance of network infrastructure.

In 2010, KW Hydro again expects increases of $20K in salaries from economic increases as well as increased costs for a new external security audit ($20K) after a SCADA upgrade in 2009.

Allocation - All Information Technology expenses are allocated on a monthly basis to all operating departments within the utility based on the number of workstations used within each department. The allocation of this cost center does not get charged to capital.

Safety and Training

Activity	2006	2007	2008	2009	2010
Safety and Training	768,038	803,662	740,749	779,400	802,100

KW Hydro's Safety department includes one employee, the Safety Supervisor, who is responsible for the administration of all safety programs in the utility as well as general supervisor training in the utility. This includes apprenticeship training, and proficiency training meeting the legally mandated Electrical Utility Safety Rules. The Safety Department also arranges public safety initiatives including a Grade School Education program with many paid volunteer presenters and general safety education to high schools and the local college, Conestoga College.

Costs in this department have remained stable since 2006 with no large swings. However, these costs can be variable according to staff turnover, changes in work methods, legislated changes to the Occupational Health and Safety Act/Regulations, the Highway Traffic Act/Regulations, the Environmental Protection Act/Regulations and others. Costs included in this department would include the wages of the Safety Supervisor, employee work boot allowances, flame retardant safety clothing purchases, all personal protective equipment purchases and testing, training cost for apprentices and journeypersons, monthly or quarterly safety meeting costs for staff, safety committee expenses and training, ergonomic improvements and training, and supervisory training. Maintenance and testing cost of vehicles are not included.

Allocation - All Safety and Training expenses are allocated 100% to the Payroll Burden cost centre. The allocation of this cost center will be a mix of operating and capital, depending on the labour activity.

Purchasing/Warehouse Department

Activity	2006	2007	2008	2009	2010
Purchasing/Warehouse	615,098	589,255	631,142	664,800	691,200

The Purchasing/Warehouse department is responsible for all of the purchasing activities at KW Hydro as well as the care and control of all inventoried items.

Costs for this department have not materially fluctuated over the past few years. This department has 7 employees including a departmental manager, one administrative staff, a buyer, a stores supervisor and three warehouse staff. The full main floor of the warehouse measures 12,945 square feet. In the back of the warehouse is a mezzanine, which measures 3,448 square feet. A number of inventoried items are also stored in the outside fenced yard.

Allocation - Costs for this department all allocated based on inventory issues and direct purchases. For all direct purchases and inventory items charged to work orders, 15% material overhead is charged and the offset is credited against this cost center. The allocation of this cost center will be charged to both operating and capital, depending on the actual work activity.

PAYMENTS-IN-LIEU OF INCOME TAXES (PILS):

KW Hydro is subject to the payment of PILs under Section 93 of the *Electricity Act, 1998*, as amended. The Applicant does not pay Section 89 proxy taxes, and is exempt from the payment of income and capital taxes under the *Income Tax Act (Canada)* and the Ontario *Corporations Tax Act*. Table 2 below provides a summary of 2006 OEB Approved, 2006 and 2007 income taxes included in audited statements, 2009 Bridge Year estimate using current rates, and 2010 Test Year income taxes based on revised rates. A copy of the 2008 Federal T2 and Ontario C23 tax return has been provided in Appendix C. PILS amounts included in the 2008 financial statements are based on estimates and will differ from the actual PILS return. The difference between actual and estimate will be recorded in 2009 financial statements. A summary of PILS per the audited financial statements are presented in Table 24.

Tax Calculation

KW Hydro has used the most recent tax rates available at present, which are provided in Table 25. KW Hydro has not calculated Federal Large Corporation Tax as it has been discontinued and does not apply.

KW Hydro has calculated PILS using the Board approved method and are summarized in Table 26, detailed calculations are shown in Table 27. KW Hydro has included an estimated $25,000 (10 apprenticeships @ $5,000) deduction for the Ontario Apprenticeship Tax Credit (ATTC). Historically, KW Hydro has taken this deduction each year and has therefore included it here for both 2009 and 2010. KW Hydro presents its historical and expected deductions in Table 28.

Adjustments to Accounting Income

KW Hydro's adjustments to accounting income include the removal of accounting amortization, addition of capital cost allowance (CCA), the inclusion of the booked amount for the gain on disposal of net assets ($30,000) and the removal of charitable donations ($90,000). 2009 adjustments to accounting income are in Table 29 and 2010 adjustments to accounting income are in Table 30.

KW Hydro fully allocates the amortization charged on its Transportation Equipment from account 1935 to other cost centers; however, the amortization charged is recognized in the taxation schedules. Detail is presented Table 31.

Capital Cost Allowance (CCA)

KW Hydro presents the calculations for CCA for the 2009 Bridge Year in Table 32 and in Table 33 for the 2010 Test Year.

KW Hydro does not have any Cumulative Eligible Capital or associated deductions nor does KW Hydro have any non-distribution eliminations.

Capital Taxes

KW Hydro provides the detail of the calculation of Ontario Capital Taxes in Table 34. The numbers represent the actual amounts paid upon filing of the returns and prior year adjustments are not included. KW Hydro has used the capital tax estimates as calculated by the rate model and has not provided a separate figure. The amounts for Ontario Capital Tax are $314,594 and $222,170 for 2009 and 2010 respectively. The figure should and does decrease from year to year due to decreasing Ontario Capital Tax rates.

Property Taxes

KW Hydro owns numerous properties in both the City of Kitchener and the Township of Wilmot. Property taxes are paid on a per property basis and are considered an uncontrollable expense. Table 35 shows KW Hydro's properties and their market value assessments.

For the 2010 Test Year, KW Hydro estimated a 4% increase in property taxes, based on historical trends. Actual and estimated amounts for property taxes are shown in Table 36.

Table 24
Summary of PILS

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test
Income Taxes	3,562,401	2,753,671	2,852,445	2,518,014	1,836,808	222,170
Large Corporation Tax	473,075	0	0		0	0
Ontario Capital Tax	117,953	504,102	481,977	304,545	314,594	2,748,885
Total Taxes	**4,153,429**	**3,257,773**	**3,334,422**	**2,822,559**	**2,151,402**	**2,971,055**

Table 25
Corporate Tax Rates

Corporate Tax Rates for Tax Year	2009 Bridge	2010 Test
OCT Exemption	15,000,000	15,000,000
Federal Income Tax	19.00%	18.00%
Ontario Income Tax	14.00%	12.99%
Combined Income Tax	33.00%	30.99%
Ontario Capital Tax Rate	0.225%	0.150%
Large Corporation Tax Rate	0.00%	0.00%
Large Corporation Tax Exemption	0.00%	0.00%

Table 26
Summary of Income Taxes

Description	2006 Board Approved	2009 Bridge	2010 Test
Income Taxes	2,275,662	1,807,108	2,720,994
Large Corporation Tax	75,349	0	0
Ontario Capital Tax	473,075	314,594	222,170
Total Taxes	**2,824,086**	**2,121,702**	**2,943,165**

Table 27
Tax Calculations

Description	2006 Board Approved	2009 Bridge	2010 Test
Determination of Taxable Income			
Utility Income Before Taxes	5,982,900	4,883,458	7,975,040
Book to Tax Adjustments			
Additions to Accounting Income:			
Amortization of tangible assets	8,097,955	10,369,172	11,398,844
Charitable donations	154,200	0	0
Non-deductible meals and entertainment expense	16,445	25,000	25,000
Other Additions	375,474	0	0
Total Additions	**8,644,074**	**10,394,172**	**11,423,844**
Deductions from Accounting Income:			
Gain on disposal of assets per financial statements	35,000	30,000	30,000
Capital cost allowance from Schedule 8	7,394,349	9,695,788	10,507,979
Other Deductions	897,344	0	0
Total Deductions	**8,326,693**	**9,725,788**	**10,537,979**
Regulatory Taxable Income	**6,300,282**	**5,551,843**	**8,860,905**
Federal Corporate Income Tax Rate	22.12%	19.00%	18.00%
Provincial Corporate Income Tax Rate	14.00%	14.00%	12.99%
Subtotal	**2,275,662**	**1,832,108**	**2,745,994**
Less: ATTC		(25,000)	(25,000)
Regulatory Income Tax	**2,275,662**	**1,807,108**	**2,720,994**
Calculation of Utility Income Taxes			
Income Taxes	2,275,662	1,807,108	2,720,994
Large Corporation Tax	75,349	0	0
Ontario Capital Tax	473,075	314,594	222,170
Total Taxes	**2,824,086**	**2,121,702**	**2,943,165**
Calculation of Ontario Capital Tax			
Total Rate Base	167,691,571	154,819,612	163,113,438
Less Exemption	10,000,000	15,000,000	15,000,000
Taxable Capital /Deemed taxable capital	**157,691,571**	**139,819,612**	**148,113,438**
OCT Rate	0.300%	0.225%	0.150%
Ontario Capital Tax	**473,075**	**314,594**	**222,170**

Table 28
Number of Apprentices

	2006	2007	2008	2009	2010
# of Apprentices	6	7	7	10	10
ATTC	30,000	25,655	22,185	25,000	25,000

Table 29

Determination of Tax Adjustments to Accounting Income for 2009

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Amortization of tangible assets	104	10,369,172	0	10,369,172
Non-deductible meals and entertainment expense	121	25,000	0	25,000
Total Additions		**10,394,172**	**0**	**10,394,172**
Deductions:				
Gain on disposal of assets per financial statements	401	30,000	0	30,000
Capital cost allowance from Schedule 8	403	9,695,788	0	9,695,788
Total Deductions		**9,725,788**	**0**	**9,725,788**
Other Adjustments to Taxable Income:				
Charitable donations from Schedule 2	311	90,000	0	90,000
Total Adjustments		**90,000**	**0**	**90,000**
Tax Adjustments to Accounting Income		**758,384.53**	**0**	**758,384.53**

Table 30

Determination of Tax Adjustments to Accounting Income for 2010

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Amortization of tangible assets	104	11,398,844	0	11,398,844
Non-deductible meals and entertainment expense	121	25,000	0	25,000
Total Additions		**11,423,844**	**0**	**11,423,844**
Deductions:				
Gain on disposal of assets per financial statements	401	30,000	0	30,000
Capital cost allowance from Schedule 8	403	10,507,979	0	10,507,979
Total Deductions		**10,537,979**	**0**	**10,537,979**
Other Adjustments to Taxable Income:	0	0	0	0
Charitable donations from Schedule 2	311	90,000	0	90,000
Total Adjustments		**90,000**	**0**	**90,000**
Tax Adjustments to Accounting Income		**975,865**		**975,865**

Table 31

Description	2009 Bridge	2010 Test
Amortization per 5705	9,723,672	10,735,844
Allocated Amortization on Transportation Equipment	645,500	663,000
Amortization per PILS Schedules	**10,369,172**	**11,398,844**

Table 32

CCA Continuity Schedule (2009)

Class	Class Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to Feb 22/05	116,858,103	13040	0	116,871,143	6,520	116,864,623	4%	4,674,585	112,196,558
2	Distribution System - pre 1988	10,852,578	0	0	10,852,578	0	10,852,578	6%	651,155	10,201,423
3	Buildings - pre 1988	3,355,594			3,355,594	0	3,355,594	5%	167,780	3,187,814
8	General Office/Stores Equipment	824,212	142,200	0	966,412	71,100	895,312	20%	179,062	787,349
10	Computer Hardware/Vehicles	1,881,378	856,269	30000	2,707,647	413,135	2,294,513	30%	688,354	2,019,293
17	New Electrical Generating Equipment - Feb 27/00 Other Than Bldgs	546,071	0	0	546,071	0	546,071	8%	43,686	502,385
45.1	Computers & Systems Hardware - post Mar 19/07	258,722	0	0	258,722	0	258,722	55%	142,297	116,425
46	Data Network Infrastructure Equipment - post Mar 22/04	247,609	0	0	247,609	0	247,609	30%	74,283	173,326
47	Distribution System - post Feb 22/05	24,869,343	9,621,764	0	34,491,106	4,810,882	29,680,225	8%	2,374,418	32,116,688
50	Computer equipment - post January 27, 2009	0	595,000	0	595,000	0	595,000	100%	595,000	0
	SUB-TOTAL - UCC	**159,927,318**	**11,228,273**	**30,000**	**171,125,591**	**5,301,636**	**165,823,954**		**9,695,788**	**161,429,803**

Table 33

CCA Continuity Schedule (2010)

Class	Class Description	UCC Bridge Year Opening Balance	Additions	Disposals	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	112,196,558	1,825,523	0	114,022,081	912,762	113,109,320	4%	4,524,373	109,497,708
2	Distribution System - pre 1988	10,201,423	0	0	10,201,423	0	10,201,423	6%	612,085	9,589,338
3	Buildings - pre 1988	3,187,814	0	0	3,187,814	0	3,187,814	5%	159,391	3,028,423
8	General Office/Stores Equip	787,349	149,000	0	936,349	74,500	861,849	20%	172,370	763,980
10	Computer Hardware/ Vehicles	2,019,293	660,000	30,000	2,649,293	315,000	2,334,293	30%	700,288	1,949,005
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	502,385	0	0	502,385	0	502,385	8%	40,191	462,195
45	Computers & Systems Hardware acq'd post Mar 22/04	128,540	0	0	128,540	0	128,540	45%	57,843	70,697
45.1	Computers & Systems Hardware acq'd post Mar 19/07	116,425	0	0	116,425	0	116,425	55%	64,034	52,391
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	173,326	0	0	173,326	0	173,326	30%	51,998	121,328
47	Distribution System - post 22-Feb-2005	32,116,688	24,026,789	0	56,143,477	12,013,395	44,130,083	8%	3,530,407	52,613,071
50	Computer equipment - post January 27, 2009	0	595,000	0	595,000	0	595,000	100%	595,000	0
	SUB-TOTAL - UCC	**161,429,803**	**27,256,312**	**30,000**	**188,656,115**	**13,315,656**	**175,340,459**		**10,507,979**	**178,148,137**

Table 34
Calculation of Ontario Capital Taxes

	2006	2007	2008
Paid-up capital stock	63,689,499	63,689,499	63,689,499
Retained earnings (if deficit, deduct)	25,690,536	29,304,772	43,096,703
Loans and advances	76,962,142	76,962,142	76,962,142
Future Income Tax Asset per book	0	0	(11,564,625)
Other reserves not allowed as deductions for income tax purposes		*See below detail:*	
Customer Deposits	11,722,741	10,889,618	11,303,622
Bad debts	(76,133)	(93,752)	(38,280)
Pension Obligations	202,622	220,033	11,607
Subtract:			
Amounts deducted for income tax purposes in excess of amounts booked (Depreciation vs. CCA)	(417,876)	(471,694)	(833,755)
Net Paid-up Capital	178,609,282	181,444,006	184,294,424
Paid-Up Capital of Associated Corporation	5,312,201	286,304	345,390
Total Paid-Up Capital of Associated Group	183,921,483	181,730,309	184,639,814
Prorate Share of Exemption *	9,711,170	12,480,307	14,971,941
Net Paid-Up Capital	168,898,112	168,963,699	169,322,483
Rate	0.300%	0.285%	0.225%
Ontario Capital Tax	506,694	481,547	380,976
Exemption	10,000,000	12,500,000	15,000,000

Table 35

MUNICIPAL & PROXY TAXES

	MARKET VALUE ASSESSMENT				
	2006	**2007**	**2008**	**2009**	**2010**
CITY OF KITCHENER					
EBY STREET N. (U.G. TRANSFORMER)	33,500	33,500	33,500	33,500	33,500
OLD #2 & #5 H.T. - 59 GRABER PLACE	802,000	802,000	802,000	967,500	1,133,000
#6 H.T. - 1425 OTTAWA ST. S.	186,000	186,000	186,000	225,750	265,500
#7 H.T. - '75 FAIRWAY RD. S.	142,000	142,000	142,000	167,000	192,000
#3 H.T.- BLEAMS ROAD & #2 H.T.194 BLEAMS	347,000	347,000	347,000	401,250	455,500
WESTHEIGHTS DRIVE (TRANSFORMER VAULT)	46,000	46,000	8,300	9,250	10,200
HALL'S LANE W. (TRANSFORMER VAULT)	2,600	2,600	2,600	1,000	1,000
CHARLES ST. E. (TRANSFORMER VAULT)	2,300	2,300	2,300	1,200	1,200
#8 H.T. - 665 HURON ROAD	195,000	225,000	225,000	252,750	280,500
301 VICTORIA STREET S.	6,238,000	6,238,000	6,238,000	5,399,074	5,530,063
FAIRWAY RD. S.	244,000	787,000	787,000	820,250	853,500
CITY OF KITCHENER TOTAL - ACTUAL	**8,238,400**	**8,811,400**	**8,773,700**	**8,278,524**	**8,755,963**
TOWNSHIP OF WILMOT					
5 VICTORIA ST. S. TWP OF WILMOT #2 DS	79,000	79,000	79,000	95,000	111,000
TOWNSHIP RD 2 TWP OF WILMOT #5 DS	80,000	80,000	80,000	43,000	43,000
REGIONAL RD 12 TWP OF WILMOT #3 DS	80,000	80,000	80,000	41,000	41,000
81 MILL ST. TWP OF WILMOT #6 DS (BUILDING)	65,000	65,000	65,000	39,500	39,500
25 PEEL ST. TWP (N.H. SERV.CENTRE & # 1DS)	179,000	179,000	179,000	89,000	89,000
HERITAGE DR. NEW HAMBURG #7DS PLAN 885 PT LOT 9	33,000	33,000	33,000	34,875	36,750
REGIONAL RD 5, SOUTH OF ERB #8 DS	81,000	81,000	81,000	56,000	56,000
REGIONAL RD 51, C NORTH OF BLEAMS RD L15PT (#9 DS)		12,500	18,700	167,750	187,500
REGIONAL RD 51, C NORTH OF BLEAMS RD L15PT (#9 DS)		5,000	5,000	0	0
TOWNSHIP OF WILMOT TOTAL - ACTUAL	**597,000**	**614,500**	**620,700**	**566,125**	**603,750**
TOTAL	**8,835,400**	**9,425,900**	**9,394,400**	**8,844,649**	**9,359,713**

Table 36
MUNICIPAL & PROXY TAXES

CITY OF KITCHENER

	2006	2007	2008	2009	2010
	FINAL	FINAL	FINAL	NOT FINAL	NOT FINAL
City Levy	0.007069500	0.006903900	0.006722300	-	-
Regional Levy	0.010875600	0.010574900	0.010213100	-	-
Education Levy	0.017009800	0.017009800	0.016877600	-	-
City Levy	0.010876100	0.010621400	0.010242000	-	-
Regional Levy	0.016731600	0.016269100	0.015712400	-	-
Education Levy	0.026168900	0.026168900	0.025965500	-	-

	TAXES	TAXES	TAXES	TAXES ESTIMATED	TAXES ESTIMATED
EBY STREET N. (U.G. TRANSFORMER)	1,171	1,155	1,133	1,209	1,257
OLD #2 & #5 H.T. - 59 GRABER PLACE	57,614	56,845	55,732	59,475	61,854
#6 H.T. - 1425 OTTAWA ST. S.	27,062	26,701	26,178	27,926	29,043
#7 H.T. - '75 FAIRWAY RD. S.	18,401	18,156	17,800	19,035	19,796
#3 H.T.- BLEAMS ROAD & #2 H.T.194 BLEAMS	23,027	22,720	22,275	23,772	24,723
WESTHEIGHTS DRIVE (TRANSFORMER VAULT)	290	286	281	300	312
HALL'S LANE W. (TRANSFORMER VAULT)	140	138	135	144	150
CHARLES ST. E. (TRANSFORMER VAULT)	124	122	120	128	133
#8 H.T. - 665 HURON ROAD	7,094	22,875	11,704	12,494	12,993
301 VICTORIA STREET S.	335,458	330,985	324,500	346,331	360,212
FAIRWAY RD. S.	3,225	10,716	11,071	11,817	12,290
CITY OF KITCHENER TOTAL	**473,606**	**490,699**	**470,929**	**502,630**	**522,763**

TOWNSHIP OF WILMOT

	2006	2007	2008	2009	2010
	FINAL	FINAL	FINAL	FINAL	NOT FINAL
IH-Municipal Levy	0.007483050	0.007186430	0.006796030	0.006034790	-
IH-Regional Levy	0.015708950	0.015281810	0.014665420	0.013217930	-
IH-Education Levy	0.026168900	0.026168900	0.025965520	0.024286590	-

	TAXES	TAXES	TAXES	TAXES ESTIMATED	TAXES ESTIMATED
5 VICTORIA ST. S. TWP OF WILMOT #2 DS	3,900	3,842	3,747	4,136	4,302
TOWNSHIP RD 2 TWP OF WILMOT #5 DS	3,949	3,891	3,794	1,872	1,947
REGIONAL RD 12 TWP OF WILMOT #3 DS	4,775	4,705	4,588	2,614	2,718
81 MILL ST. TWP OF WILMOT #6 DS (BUILDING)	7,107	7,003	6,828	5,630	5,855
25 PEEL ST. TWP (N.H. SERV.CENTRE & # 1DS)	8,836	8,706	8,489	3,875	4,030
HERITAGE DR. NEW HAMBURG #7DS PLAN 885 PT LOT 9	3,215	3,168	3,089	3,110	3,234
REGIONAL RD 5, SOUTH OF ERB #8 DS	5,029	4,956	4,832	3,473	3,611
REGIONAL RD 51, C NORTH OF BLEAMS RD L15PT (#9 DS)		28	225	1,961	2,039
REGIONAL RD 51, C NORTH OF BLEAMS RD L15PT (#9 DS)		10	-	-	-
TOWNSHIP OF WILMOT TOTAL	**36,810**	**36,309**	**35,593**	**26,670**	**27,737**
TOTAL	**510,416**	**527,008**	**506,522**	**529,300**	**550,500**

PURCHASE OF PRODUCTS AND SERVICES FROM NON-AFFILIATES:

Like other distributors, KW Hydro purchases many services and products from third parties. To ensure that the Corporation receives the value for its money, KW Hydro has developed a Purchasing Policy which outlines the procedures to be followed by all employees of KW Hydro when purchasing a product or service. The Purchasing Policy is attached as Appendix D of this Exhibit 4.

The three tables below illustrate KW Hydro's expenditures on purchased products and services by OEB account in 2006 (Table 37), 2007 (Table 38) and 2008 (Table 39) where the total value of all transactions by vendor exceed $100,000 during the year. The tables do not include anything that is not a good or a service. Payroll remittances (benefits, Government remittances, etc.), payments to the IESO and energy retailers and affiliate transactions are also excluded. The method of purchase (quotation, tender, etc) is also listed.

KW Hydro has separated the various vendors by vendor type. All vendors are managed by KW Hydro's Purchasing Department, with the exception of Group 1 vendors. A description of each vendor type is as follows:

Group 1	The prices in this category are market-driven. The purchases from this vendor type are typically stable with slight increases to reflect the cost of living.
Group 2A	These vendors supply stock for KW Hydro's inventory. Group 2A vendors sell items that are required by KW Hydro on an ongoing basis and purchases are expected to remain relatively steadily with slight increases to reflect the cost of living.
Group 2B	These vendors supply stock for KW Hydro's inventory. The quantity of items purchased from Group 2B vendors are affected by changes in the economy. Due to the current recession and resulting reduction in new home starts, KW Hydro estimates a 2/3 reduction in purchases with Group 2B vendors.
Group 2C	These vendors supply stock for KW Hydro's inventory. KW Hydro forecasts little or no ongoing purchases with Group 2C vendors.

Group 3 These vendors are used by KW Hydro for Transformer Station Buildings and Equipment. Group 3 vendors will continue to be used through 2010 until #9 Transformer Station is completed and in service.

Group 4 These vendors are being used for the Smart Meter Initiative. Purchases will increase dramatically in 2009 and 2010.

Group 5 These vendors are used by KW Hydro on an annual or semi-annual basis and purchases are dictated based on need. Purchase levels in this Group should remain relatively steady with slight increases to reflect the cost of living; however, due to the nature of the purchases, it is difficult to pinpoint the specific vendors that will be used in this category.

Group 6A These vendors are contractors used by KW Hydro. Group 6A vendors are used for subdivision contract work and purchases for 2009 and 2010 are estimated to decrease by 2/3 due to the current recession and resulting reduction in new home starts.

Group 6B These vendors are contractors used by KW Hydro. Purchases from Group 6B vendors are expected to stay consistent with overhead projects required by KW Hydro.

Group 7 These vendors are used for large vehicle purchases and maintenance. Group 7 vendors sell items that are required by KW Hydro on an ongoing basis and purchases are expected to remain relatively steadily with slight increases to reflect the cost of living.

Group 8 These vendors are used for furniture or electronic components and are used as required. Due to the nature of this vendor Group, it is difficult to estimate purchases going forward.

Note that the vendor categories above are not always static. For example, a service may occasionally be purchased from a vendor from whom KW Hydro would usually purchase stock inventory, etc.

In addition to the vendors identified in Tables 37 through 29, KW Hydro has identified two new vendors that are expected to reach > $100,000 on an annual basis. They are:

- Southwest Power, an overhead power lines contractor. This company has completed one project to date in 2009 and they are being considered for two other contract projects before the end of this year.
- Ed Lau Ironworks, a manufacturer of submersible vault frames and covers. This company was successful in the bidding process this year and we have already places one order for 50 units at $1,066 and will need to make a second order before the end of the year.

In review of the overall purchases for 2009, KW Hydro will see an increase due to the significant costs involving the construction of #9 Transformer Station in Wilmot Township and the Smart Meter program. It is expected that these two projects will offset the decrease that we have seen in the new home starts for subdivision projects. Increased purchases are expected to carry on through 2010 as the two major projects will continue through most of 2010.

Table 37

2006 Non-Affiliated Vendors > $100,000 per Year

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
5315	1	Canada Post Corporation	Postage / Permits	Market Price	208,000	
5320	1	Canada Post Corporation	Postage / Permits	Market Price	52,430	
Allocated	1	Canada Post Corporation	Postage / Permits	Market Price	1,260	
5415	1	Canada Post Corporation	Postage / Permits	Market Price	414	
5620	1	Canada Post Corporation	Postage / Permits	Market Price	430	**262,534**
5005	1	Minister of Finance	Vehicle Plate Renewal	Remittance	479	
5310	1	Minister of Finance	Waste Management - Asbestos	Settlements	74	
5320	1	Minister of Finance	Vehicle Plate Renewal	Remittance	296	
5645	1	Minister of Finance	Vehicle Plate Renewal	Remittance	1,522	
5665	1	Minister of Finance	Admin fee Authorized Requeter	Market Price	250	
Allocated	1	Minister of Finance	Remittance, Vehicle License Plate Renewal, Permits	Settlements	249,678	**252,299**
1180	1	Ontario Energy Board	Assessment	Remittance	240,254	
5655	1	Ontario Energy Board	Cost Awards	Settlements	2,847	**243,101**
1180	1	The Mearie Group	2007 Liability Insurance	Insurance	224,796	
5005	1	The Mearie Group	2007 EDIST Conf & Exhibition	Market Price	3,749	
Allocated	1	The Mearie Group	2007 EDIST Conf & Exhibition	Market Price	1,440	
5620	1	The Mearie Group	Annual Fee Hum Res Infor '06	Market Price	600	
5630	1	The Mearie Group	'06 UPM Survey	Market Price	21,104	
5640	1	The Mearie Group	Re: Claim#377 Homestead Land	Claim	9,000	
5665	1	The Mearie Group	Leadership Ph 2,3 & 4 '06	Seminar - Market Price	1,798	**262,487**
1850	2A	ABB Inc.	Stock - Relay, Transformers	Tendered	332,251	
1330	2A	ABB Inc.	Stock - Reel	Tendered	4,451	
5112	2A	ABB Inc.	Labour - Contract Work	Tendered	8,681	
2055	2A	ABB Inc.	Stock - Socket	Tendered	296	**345,678**
1330	2A	Bel Volt Sales Ltd	Stock Items-Line Supplies	Quotations - annually or as required	294,610	
5114	2A	Bel Volt Sales Ltd	Stock Items-Line Supplies	Quotations - annually or as required	243	
Allocated	2A	Bel Volt Sales Ltd	Stock Items-Line Supplies	Quotations - annually or as required	(175)	**294,677**
1330	2A	Cooper Power Systems	Stock Items - Capacitor Banks	Quotations - annually or as required	154,109	**154,109**
2055	2A	Epac	Labour	Quotations - annually or as required	4,599	
1330	2A	Epac	Line Supplies - Stock Items	Quotations - annually or as required	109,834	
5120	2A	Epac	Line Supplies - Stock Items	Quotations - annually or as required	162	
5125	2A	Epac	Marker-Phase Aluminum	Quotations - annually or as required	365	
Allocated	2A	Epac	Labour	Quotations - annually or as required	5,725	**120,684**
1110	2A	General Electric Canada	Labour	Quotations - annually or as required	204,428	
1860	2A	General Electric Canada	Stock Items - Meters, Transformer	Quotations - annually or as required	65,880	**270,308**
1330	2A	Grafton Utility Supply Ltd.	Line Supplies - Stock Items	Quotations - annually or as required	173,107	
5112	2A	Grafton Utility Supply Ltd.	Line Supplies - Stock Items	Quotations - annually or as required	239	
5125	2A	Grafton Utility Supply Ltd.	Freight on Stock Items	Market Price	27	
Allocated	2A	Grafton Utility Supply Ltd.	Line Supplies - Stock Items	Quotations - annually or as required	2,526	**175,900**

2006 Non-Affiliated Vendors > $100,000 per Year

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
1940	2A	Guillevin International Co.	Tools	Quotations - annually or as required	9,863	
2055	2A	Guillevin International Co.	Labour	Quotations - annually or as required	7,384	
1330	2A	Guillevin International Co.	Stock Inventory	Quotations - annually or as required	95,280	
5112	2A	Guillevin International Co.	Labour	Quotations - annually or as required	4,939	
5150	2A	Guillevin International Co.	Line Supplies - Stock Items	Quotations - annually or as required	989	
5160	2A	Guillevin International Co.	Line Supplies - Stock Items	Quotations - annually or as required	1,039	
5410	2A	Guillevin International Co.	Line Supplies - Stock Items	Quotations - annually or as required	2,065	
5675	2A	Guillevin International Co.	Line Supplies - Stock Items	Quotations - annually or as required	1,341	
Allocated	2A	Guillevin International Co.	Line Supplies - Stock Items	Quotations - annually or as required	(16,714)	**106,186**
2055	2A	Hogg Fuel & Supply Ltd	Labour	Quotations - annually or as required	6,179	
1305	2A	Hogg Fuel & Supply Ltd	Stock Items / Ready Mix	Quotations - annually or as required	349,726	
5145	2A	Hogg Fuel & Supply Ltd	Labour	Quotations - annually or as required	810	**356,714**
1330	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	(37)	
2055	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	12,450	
1330	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	146,604	
Allocated	2A	Nedco	Stock Items - Wire	Quotations - annually or as required	804	**159,820**
1330	2A	Prysmian Power Cables & Systems Canada	Stock Items - Cable	Tendered	245,280	**245,280**
1330	2A	Westburne Ruddy Electric	Stock Items	Quotations - annually or as required	290	
1940	2A	Westburne Ruddy Electric	Stock Items - Adapters, Fluke	Quotations - annually or as required	31,814	
2055	2A	Westburne Ruddy Electric	Labour - Line Work	Quotations - annually or as required	29,557	
1330	2A	Westburne Ruddy Electric	Stock Items - Poles, Wire	Quotations - annually or as required	545,253	
5065	2A	Westburne Ruddy Electric	Meter - Base Replace	Quotations - annually or as required	289	
5110	2A	Westburne Ruddy Electric	Light - Emergency Exit	Quotations - annually or as required	18,491	
5112	2A	Westburne Ruddy Electric	Hoffman Steel Panel	Quotations - annually or as required	3,330	
5120	2A	Westburne Ruddy Electric	Staple - Ground Wire Moulding	Quotations - annually or as required	205	
5145	2A	Westburne Ruddy Electric	Stock Items - Bell End-2	Quotations - annually or as required	81	
5150	2A	Westburne Ruddy Electric	Stock Items - Fuse	Quotations - annually or as required	1,909	
5675	2A	Westburne Ruddy Electric	Stock Items - Ballast	Quotations - annually or as required	1,258	
Allocated	2A	Westburne Ruddy Electric	Stock Items	Quotations - annually or as required	13,357	**645,833**
1850	2B	Canadian Electrical Services	Line Supplies, Stock Items - Transformers	Tendered Annually	1,400,790	
4390	2B	Canadian Electrical Services	Discount Reimbursed	Tendered Annually	623	**1,401,413**
1330	2B	Industrial Cast Stone Ltd	Stock Items - Vaults	Quotations - annually or as required	316,910	**316,910**
1850	2B	Moloney Electric Corporation	Stock Items - Transformers	Tendered annually	522,607	
5160	2B	Moloney Electric Corporation	Labour - Trsf Repair	Quotations - annually or as required	270	**522,877**
1330	2B	Nexans Canada Inc.	Stock Items - Wire & Wood Reels	Quotations - annually or as required	2,720,610	
Allocated	2B	Nexans Canada Inc.	Line Supplies - Stock Items, Wood Reels	Quotations - annually or as required	(214,324)	**2,506,286**
2055	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	6,903	
1330	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	441,775	**448,678**
1330	2B	Tekmet Limited	Stock - Vaults, Crossarm	Quotations - annually or as required	267,960	
Allocated	2B	Tekmet Limited	Workbench	Quotations - annually or as required	1,283	**269,243**

2006 Non-Affiliated Vendors > $100,000 per Year

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
5415	2B	The Walter Fedy Partnership	Consulting, Engineering Service	Contractor	284,841	
5675	2B	The Walter Fedy Partnership	Consulting, Services Arch/Eng	Contractor	3,419	
11456	2B	The Walter Fedy Partnership	Service, Engineering Design	Contractor	3,728	**291,989**
1330	3	S&C Electric Canada Ltd	Stock - Cable, Switch	Quotations - annually or as required	99,436	
Allocated	3	S&C Electric Canada Ltd	Tool Repair	Quotations - annually or as required	2,106	**101,542**
5065	4	Olameter Inc.	Meter-Inspection & Sealing	Quotations - as required	370	
5310	4	Olameter Inc.	2006 Meter Reading Contract	Contract	169,283	
Allocated	4	Olameter Inc.	Stock - Battery	Quotations - as required	162	**169,815**
1860	5	Itron Canada Inc.	Stock Items - Meters	Quotations - annually or as required	216,735	
2290	5	Itron Canada Inc.	Stock Items - Hardware/Software	Quotations - annually or as required	(1,794)	
5065	5	Itron Canada Inc.	Stock Items - Software	Quotations - annually or as required	1,080	
5310	5	Itron Canada Inc.	Stock Items - Hardware/Software	Quotations - annually or as required	14,461	
5315	5	Itron Canada Inc.	Stock Items - Hardware/Software	Quotations - annually or as required	9,820	**240,301**
2055	6A	Doug Wright Construction 2001	Labour	Tendered annually	1,046,610	
5145	6A	Doug Wright Construction 2001	Labour	Tendered annually	8,053	**1,054,663**
1930	7	Highway Sterling Western Star	Cab & Chassis	Tendered	161,691	
Allocated	7	Highway Sterling Western Star	Automotive Tools	Quotations	245	**161,936**
1930	7	Posi-plus Ontario Inc.	Truck	Tendered	176,976	
Allocated	7	Posi-plus Ontario Inc.	Truck repair	Tendered	742	**177,718**
1920	8	Applied Electronics Limited	Control Room Display - Monitors	Quotations - as required	166,590	**166,590**
1925	8	Intergraph Canada Ltd.	GIS System Annual Licence Fees	Tendered originally	19,051	
Allocated	8	Intergraph Canada Ltd.	GIS System Annual Licence Fees	Tendered originally	112,238	**131,290**
1920	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	224,226	
1925	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	13,826	
5315	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	599	
Allocated	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	14,074	**252,725**
1920	8	Softchoice Corporation	Tape Cartridges	Tendered originally	14,774	
1925	8	Softchoice Corporation	D81443 Oracle Database Std. Ed	Tendered originally	23,314	
5320	8	Softchoice Corporation	Toner	Tendered originally	2,204	
Allocated	8	Softchoice Corporation	Antivirus, software	Tendered originally	158,976	**199,268**
Total					**12,308,856**	**12,308,856**

Table 38

2007 Vendors > $100,000 per Year

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
4380	1	Canada Post Corporation	OPA Direct Mail-Advertising	Market Price	27,101.26	
5315	1	Canada Post Corporation	Postage / Permits	Market Price	232,000.00	
5320	1	Canada Post Corporation	Postage / Permits	Market Price	58,625.00	
ALLOCATED	1	Canada Post Corporation	Delivery Mode Data 1/07-12/07	Market Price	1,350.00	
5620	1	Canada Post Corporation	No 9010 Box Renewal '07	Market Price	625.00	**319,701.26**
1805	1	Miller Thomson	Legal Services	Hourly	168,506.69	
4380	1	Miller Thomson	Legal Services	Hourly	8,580.20	
5090	1	Miller Thomson	Legal Services	Hourly	3,609.32	
5620	1	Miller Thomson	Legal Services	Hourly	180.20	
5630	1	Miller Thomson	Legal Services	Hourly	24,941.95	**205,818.36**
5145	1	Minister of Finance/MTO (BOM)	Waste Management - Asbestos	Settlements	500.00	
5310	1	Minister of Finance/MTO (BOM)	Vehicle Plate Renewal	Remittance	74.00	
5320	1	Minister of Finance/MTO (BOM)	Vehicle Plate Renewal	Remittance	296.00	
ALLOCATED	1	Minister of Finance/MTO (BOM)	Remittance, Vehicle License Plate Renewal, Permits	Settlements	260,160.36	**261,030.36**
1180	1	Ontario Energy Board	Assessment	Remittance	223,776.00	
5655	1	Ontario Energy Board	Cost Awards	Settlements	10,046.30	**233,822.30**
4705	1	Ontario Power Generation Inc	EmbPowerGen	Settlements	612,562.26	**612,562.26**
1180	1	The MEARIE Group	Insurance	Quotations - annually or as required	398,344.55	
5005	1	The MEARIE Group	Enercom 2006 Conference	Market Price	831.63	
5114	1	The MEARIE Group	Vehicle Insurance - Final	Quotations - annually or as required	4.32	
5125	1	The MEARIE Group	Vehicle Insurance - Final	Quotations - annually or as required	23.31	
5150	1	The MEARIE Group	Vehicle Insurance - Final	Quotations - annually or as required	11.23	
5310	1	The MEARIE Group	Vehicle Insurance - Final	Quotations - annually or as required	7.77	
5320	1	The MEARIE Group	Vehicle Insurance - Final	Quotations - annually or as required	15.54	
5620	1	The MEARIE Group	Annual fee HR Infor 2007	Market Price	600.00	
5630	1	The MEARIE Group	2007 Utility Perf Mgmt Survey	Market Price	1,988.43	
5665	1	The MEARIE Group	07 Ins, Financial & Bus Conf.	Market Price	2,220.00	**404,046.78**
4705	1	Toromont Energy Ltd.	Embedded Generator Power Purch	Settlements	2,121,747.58	**2,121,747.58**
6205	1	Waterloo Regional Children's Mus	Charitable Contribution	Grant	100,000.00	**100,000.00**
1330	2A	Bel Volt Sales Ltd	Stock Items - Cable, Plant Materials	Quotations annually / or as required	245,418.81	
5125	2A	Bel Volt Sales Ltd	Stock Items - Cable Assembly	Quotations annually / or as required	56.70	
ALLOCATED	2A	Bel Volt Sales Ltd	Stock Items - Stud	Quotations annually / or as required	13,961.43	**259,436.94**
1330	2A	Guelph Utility Pole Co.	Stock - Concrete Poles	Quotations - annually or as required	437,984.28	**437,984.28**
1330	2A	HD Supply Utilities/Grafton Supply	Stock Items	Quotations - annually or as required	256,554.70	
ALLOCATED	2A	HD Supply Utilities/Grafton Supply	Labour	Quotations - annually or as required	3,837.89	**260,392.59**

2007 Vendors > $100,000 per Year

1305	2A	Hogg Fuel & Supply Ltd	Stock - Fuel	Quotations - annually or as required	(19.96)	
2055	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-20 MPA	Quotations - annually or as required	3,976.70	
1305	2A	Hogg Fuel & Supply Ltd	Stock - Fuel	Quotations - annually or as required	254,431.47	
5120	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-20 MPA	Quotations - annually or as required	257.26	
5145	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-32 MPA	Quotations - annually or as required	175.90	
ALLOCATED	2A	Hogg Fuel & Supply Ltd	Stock - Concrete 1 MPA	Quotations - annually or as required	1,635.93	**260,457.30**
2055	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	11,994.58	
1330	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	106,976.72	
5675	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	542.70	
ALLOCATED	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	195.75	**119,709.75**
1330	2A	Noramco Wire & Cable	Stock Items - Wire & Cable	Quotations - annually or as required	138,127.30	
5125	2A	Noramco Wire & Cable	Stock Items - Wire & Cable	Quotations - annually or as required	688.45	
ALLOCATED	2A	Noramco Wire & Cable	Stock Items - Wire & Cable	Quotations - annually or as required	1,247.62	**140,063.37**
1940	2A	Westburne Ruddy Electric	Stock Items - Hydraulic Breaker-Burndy	Quotations - annually or as required	5,862.24	
2055	2A	Westburne Ruddy Electric	Stock Items	Quotations - annually or as required	12,118.98	
1330	2A	Westburne Ruddy Electric	Stock Items - Poles, Wire	Quotations - annually or as required	482,176.12	
5065	2A	Westburne Ruddy Electric	Line Attachment	Quotations - annually or as required	180.36	
5110	2A	Westburne Ruddy Electric	Stock - 100 Watt Lamp	Quotations - annually or as required	19.18	
5112	2A	Westburne Ruddy Electric	Stock Items - Connectors, Fuses, Lamps	Quotations - annually or as required	2,342.54	
5120	2A	Westburne Ruddy Electric	Stock Item - Staples	Quotations - annually or as required	30.24	
5125	2A	Westburne Ruddy Electric	Penetrox - A13	Quotations - annually or as required	499.19	
5130	2A	Westburne Ruddy Electric	Stock - Base-Meter 13 Jaw Transformer	Quotations - annually or as required	2,508.19	
5150	2A	Westburne Ruddy Electric	Cloth-Sand A-3 Electricians	Quotations - annually or as required	618.84	
ALLOCATED	2A	Westburne Ruddy Electric	Stock Items - Brady Labels	Quotations - annually or as required	138.28	
5675	2A	Westburne Ruddy Electric	Stock Items - Line Attachments, Lamps	Quotations - annually or as required	982.00	
ALLOCATED	2A	Westburne Ruddy Electric	Stock Items - Lamps, Fuses, Plugs	Quotations - annually or as required	(1,445.94)	**506,030.22**
1850	2B	Canadian Electrical Services	Stock - Transformers.	Tendered annually	860,824.58	**860,824.58**
1330	2B	Industrial Cast Stone Ltd	Stock Items - Vaults	Quotations - annually or as required	194,496.87	**194,496.87**
1850	2B	Moloney Electric Corporation	Stock - Transformers	Tendered annually	373,644.79	**373,644.79**
1330	2B	Nexans Canada Inc.	Stock Items - Wood Reels	Quotations - annually or as required	2,243,064.50	
4390	2B	Nexans Canada Inc.	Discount taken in error	Quotations - annually or as required	1,671.49	
ALLOCATED	2B	Nexans Canada Inc.	Stock Items - Wood Reels	Quotations - annually or as required	(75,334.95)	**2,169,401.04**
2055	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	6,328.80	
1330	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	359,955.36	
5120	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	(291.63)	**365,992.53**
1330	2B	Tekmet Limited	Stock - Crossarms, Vaults	Quotations - annually or as required	144,346.53	**144,346.53**
2055	3	ABB Inc. (Burlington)	Labour - Contract Work	Tendered	98,986.32	
5112	3	ABB Inc. (Burlington)	Labour - Contract Work	Tendered	4,827.60	**103,813.92**

2007 Vendors > $100,000 per Year

1815	3	Custom Control Panels Inc	Stock - Panels, Station	Tendered	89,380.80	
2055	3	Custom Control Panels Inc	Labour	Tendered	21,459.60	**110,840.40**
1330	3	S&C Electric Canada Ltd	Stock - Switch	Quotations - annually or as required	77,417.75	
2055	3	S&C Electric Canada Ltd	Stock - Switch	Quotations - annually or as required	71,552.16	**148,969.91**
1815	4	General Electric Canada	Stock - Relay	Tendered	159,712.26	
1860	4	General Electric Canada	Stock - Transformers	Tendered	72,577.08	**232,289.34**
1860	4	KTI Limited	Stock - Electronic Meters	Quotations - annually or as required	140,701.32	**140,701.32**
5065	4	Olameter Inc.	Meter-Inspection & Sealing	Quotations - as required	1,124.52	
5175	4	Olameter Inc.	Meter-Inspection & Sealing	Quotations - as required	394.96	
5310	4	Olameter Inc.	2007 Meter Reading Contract	Contract	218,081.37	**219,600.85**
1860	5	Itron Inc	Stock Items - Meters	Quotations - annually or as required	83,397.06	
2290	5	Itron Inc	Stock Items - Hardware/Software	Quotations - annually or as required	(222.87)	
5065	5	Itron Inc	Stock Items - Software	Quotations - annually or as required	1,080.00	
5305	5	Itron Inc	Conference	Seminar - Market Price	1,106.55	
5310	5	Itron Inc	Stock Items - Hardware/Software	Quotations - annually or as required	18,100.76	
5315	5	Itron Inc	Stock Items - Hardware/Software	Quotations - annually or as required	11,804.16	**115,265.66**
1955	5	MRC Systems Inc	IP Radio Remote Migration	Tendered	93,676.38	
ALLOCATED	5	MRC Systems Inc	Labour - Radio Repair	Tendered	11,041.12	**104,717.50**
5015	5	Rodan Energy & Metering Solution	Meters	Tendered	49,160.35	
2055	5	Rodan Energy & Metering Solution	Labour & Material	Tendered	117,255.20	**166,415.55**
2055	6A	Doug Wright Construction 2001	Labour	Tendered annually-Discontinued	248,572.87	**248,572.87**
2055	6A	G & B Cable Contracting Inc.	Labour	Tendered annually	1,863.63	
5120	6A	G & B Cable Contracting Inc.	Labour	Tendered annually	406,979.71	**408,843.34**
1908	6B	The Walter Fedy Partnership	Consulting, Engineering Service	Contractor	111,336.79	
2055	6B	The Walter Fedy Partnership	Engineering Service	Contractor	198.90	**111,535.69**
2055	6B	K-Line Mtce & Construction (St	Labour - Contract Work	Tendered annually	255,574.06	
5120	6B	K-Line Mtce & Construction (St	Labour - Wash-Pressure,Vault	Tendered annually	31,204.21	
5160	6B	K-Line Mtce & Construction (St	Labour - Wash-Pressure,Vault	Tendered annually	47,412.82	
ALLOCATED	6B	K-Line Mtce & Construction (St	Equipment Rental	Tendered annually	38,417.00	**372,608.09**
1930	7	Posi-plus Ontario Inc.	Stock - Truck Parts	Tendered	543,963.33	
2290	7	Posi-plus Ontario Inc.	Stock - Truck Parts	Tendered	(3,480.00)	
4355	7	Posi-plus Ontario Inc.	Stock - Truck Parts	Tendered	(62,640.00)	**477,843.33**
1180	8	Applix, Inc.	Annual Mtce	Tendered originally, Tech Support	23,109.95	
1925	8	Applix, Inc.	TMI User Licences, Item 10	Tendered originally, License Fee	50,903.01	
ALLOCATED	8	Applix, Inc.	TMI User Licences, Item 10	Tendered originally, License Fee	24,444.63	**98,457.59**

2007 Vendors > $100,000 per Year

1180	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	10,628.28	
1920	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	119,419.29	
1955	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	5,837.70	
5305	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	549.72	
5310	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	55.08	
ALLOCATED	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	34,833.26	
5620	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	47.52	**171,370.85**
5415	8	Reg Municipality of Waterloo	Lighting Upgrade, LED Traffic Lights Conversion	Contract	331,915.00	
2055	8	Reg Municipality of Waterloo	Dumping Fee	Market Price	801.00	**332,716.00**
Total					13,916,071.90	13,916,071.90

Table 39

2008 Vendors > $100,000 per Year

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
1110	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	2	
1925	1	Bell Canada (PO Box 1550)	Telephone System	Market Price	114,456	
4210	1	Bell Canada (PO Box 1550)	Joint use pole charges 2007	Contract	23,172	
5005	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	1,496	
5015	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	38,870	
5045	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	639	
5065	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	1,032	
5305	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	984	
5310	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	2,559	
5315	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	12,988	
5320	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	2,323	
ALLOCATED	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	11,902	
5620	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	9,069	
5615	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	117	
ALLOCATED	1	Bell Canada (PO Box 1550)	Telephone Expense	Market Price/Less Discount	8,736	**228,345**
5315	1	Canada Post Corporation	Mail delivery	Market Price	232,000	
5320	1	Canada Post Corporation	Mail delivery	Market Price	58,642	
ALLOCATED	1	Canada Post Corporation	Delivery Mode Data	Market Price	1,500	
5620	1	Canada Post Corporation	Box Renewal	Market Price	642	**292,784**
1180	1	The MEARIE Group	2009 Liability Insurance	1.1180	212,480.00	
5620	1	The MEARIE Group	Subscription Apr2008-Mar2009	5615.7120	800.00	
5630	1	The MEARIE Group	UPMS survey & PBO Actuarial Serv	5615.7135	12,149.50	
5640	1	The MEARIE Group	Re: Ins Claim #040597	5615.5640	1,000.00	
5665	1	The MEARIE Group	2008 Conf & Meetings	5610.7090	2,500.00	
ALLOCATED	1	The MEARIE Group	MEA Trades Cert #1475-07-34	6492.8620	22,776.00	**251,706**
2055	1	Minister of Finance	Traffic Control/Permits	Market Price	1,718	
5005	1	Minister of Finance	Vehicle Plate Renewal	Market Price	296	
5045	1	Minister of Finance	Vehicle Plate Renewal	Market Price	319	
5310	1	Minister of Finance	Vehicle Plate Renewal	Market Price	148	
5320	1	Minister of Finance	Vehicle Plate Renewal	Market Price	148	
ALLOCATED	1	Minister of Finance	Remittance, Vehicle License Plate Renewal, Permits	Settlements	272,836	**275,465**
2292	1	O.M.E.R.S.	Pension	Monthly Remittances	836,866	
ALLOCATED	1	O.M.E.R.S.	Pension	Monthly Remittances	836,450	**1,673,316**
1180	1	Ontario Energy Board	Assessment	Remittance	214,534	
5655	1	Ontario Energy Board	Cost Awards	Settlements	15,464	**229,998**
1180	1	The MEARIE Group	Liability Insurance	Quotations - annually or as required	212,480	
5620	1	The MEARIE Group	Subscription Apr2008-Mar2009	Market Price	800	
5630	1	The MEARIE Group	PBO Actuarial Services	Market Price	12,150	
5640	1	The MEARIE Group	Re: Ins Claim McNeil #040597	Insurance	1,000	
5665	1	The MEARIE Group	Enercom 2008 Mtg	Market Price	2,500	**228,930**

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
4705	1	Toromont Energy Ltd.	Embedded Generator Power Purch	Settlements	4,422,240	**4,422,240**
1330	2A	Bel Volt Sales Ltd	Stock - Cable, Plant Materials	Quotations annually / or as required	268,089	
ALLOCATED	2A	Bel Volt Sales Ltd	Stock Items - Grounding, Clamp	Quotations annually / or as required	5,317	**273,405**
1330	2A	Guelph Utility Pole Co.	Stock - Concrete Poles	Quotations - annually or as required	158,521	**158,521**
1850	2A	HD Supply Utilities	Stock Items	Quotations - annually or as required	7,695	
2055	2A	HD Supply Utilities	Stock Items	Quotations - annually or as required	1,049	
1330	2A	HD Supply Utilities	Stock Items	Quotations - annually or as required	239,292	
5125	2A	HD Supply Utilities	Stock Item - Coupling	Quotations - annually or as required	642	
ALLOCATED	2A	HD Supply Utilities	Stock Item - Tools	Quotations - annually or as required	5,287	**253,965**
2055	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-20 MPA	Quotations - annually or as required	41,741	
1305	2A	Hogg Fuel & Supply Ltd	Stock - Fuel	Quotations - annually or as required	313,862	
5145	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-32 MPA	Quotations - annually or as required	3,197	
5150	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-32 MPA	Quotations - annually or as required	556	
5160	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-32 MPA	Quotations - annually or as required	684	
ALLOCATED	2A	Hogg Fuel & Supply Ltd	Stock - Concrete-30 MPA	Quotations - annually or as required	400	**360,440**
1330	2A	Nedco	Stock Items - Street Light, Wire	Quotations - annually or as required	120,777	
5675	2A	Nedco	Stock Items - Lamps	Quotations - annually or as required	258	
ALLOCATED	2A	Nedco	Return of 250MCM RHW2 Cable	Quotations - annually or as required	(237)	**120,797**
1330	2A	Noramco Wire & Cable	Stock Item - Wire	Quotations - annually or as required	136,254	
5125	2A	Noramco Wire & Cable	Stock Item - Wire	Quotations - annually or as required	109	**136,363**
1945	2A	Westburne Ruddy Electric	Stock Item - Earth Ground Clamp	Quotations - annually or as required	1,661	
2055	2A	Westburne Ruddy Electric	Stock Items - Poles, Wire	Quotations - annually or as required	24,068	
1330	2A	Westburne Ruddy Electric	Stock Items - Poles, Wire	Quotations - annually or as required	326,994	
4390	2A	Westburne Ruddy Electric	Stock Item	Quotations - annually or as required	41	
5110	2A	Westburne Ruddy Electric	Stock - Lamps, Battery	Quotations - annually or as required	392	
5112	2A	Westburne Ruddy Electric	Stock Items - Connectors, Fuses, Lamps	Quotations - annually or as required	516	
5120	2A	Westburne Ruddy Electric	Stock Item - Staples, Ground Wire	Quotations - annually or as required	756	
5130	2A	Westburne Ruddy Electric	Stock - Wire	Quotations - annually or as required	85	
5150	2A	Westburne Ruddy Electric	Stock - Cloth-Sand A-3 Electricians	Quotations - annually or as required	619	
5160	2A	Westburne Ruddy Electric	Labour	Quotations - annually or as required	1,581	
ALLOCATED	2A	Westburne Ruddy Electric	Stock Items - Brady Labels	Quotations - annually or as required	69	
5675	2A	Westburne Ruddy Electric	Stock Items - Flourescent Lamps	Quotations - annually or as required	289	
ALLOCATED	2A	Westburne Ruddy Electric	Stock Items - Labour & Material	Quotations - annually or as required	3,282	**360,353**
1853	2B	Canadian Electrical Services	Stock - Transformers.	Tendered annually	821,560	**821,560**
1330	2B	Industrial Cast Stone Ltd	Stock Items - Vaults	Quotations - annually or as required	134,833	**134,833**
1850	2B	Moloney Electric Corporation	Stock - Transformers	Tendered annually	680,936	**680,936**
1330	2B	Nexans Canada Inc.	Stock Items - Wire, Wood Reels	Quotations - annually or as required	1,253,207	
ALLOCATED	2B	Nexans Canada Inc.	Stock Items - Wood Reels Return	Quotations - annually or as required	(51,248)	**1,201,959**

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
1330	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	230,636	
2055	2B	StressCrete Limited	Stock - Concrete Poles	Quotations - annually or as required	3,905	**234,541**
2055	3	ABB Inc. (Brampton)	TS # 9 Station Equipment	Tendered	1,173,711	**1,173,711**
2055	3	Custom Control Panels Inc	Panel-Low Voltage P&C	Tendered	243,643	**243,643**
2055	3	Nith Valley Construction Ltd.	Labour	Tendered	1,158,846	**1,158,846**
1940	3	S&C Electric Canada Ltd	Stock Items - Loadbuster Tool	Quotations - annually or as required	3,432	
1330	3	S&C Electric Canada Ltd	Stock Items	Quotations - annually or as required	145,120	
ALLOCATED	3	S&C Electric Canada Ltd	Stock Items - Tool Repair	Quotations - annually or as required	2,507	**151,058**
1815	3	Siemens Canada Ltd	50/66.7/83.3 MVA Power - 20%	Tendered	1,002,100	**1,002,100**
1860	4	KTI Limited	Stock - Electronic Meters	Quotations - annually or as required	173,162	**173,162**
5065	4	Olameter Inc.	Meter-Inspection & Sealing	Quotations - as required	918	
5310	4	Olameter Inc.	Meter Reading	Contract	289,227	**290,145**
1350	4	Util-Assist	Thermostats Purchased	Contract	157,664	
4380	4	Util-Assist	Labour - Thermostat Intallations	Contract	43,885	
2055	4	Util-Assist	Consulting Fee	Contract	24,197	**225,746**
1180	5	Able-One Systems Inc.	2009 Software Maintenance Fees	Quotation	12,361	
1920	5	Able-One Systems Inc.	Computer Hardware	Quotation	24,690	
1925	5	Able-One Systems Inc.	Softek Replicator Software	Quotation	45,360	
4380	5	Able-One Systems Inc.	Laptop for OPA media events	Quotation	2,181	
ALLOCATED	5	Able-One Systems Inc.	Computer Maintenance and Repairs	Quotation	16,145	**100,736**
2055	5	Rodan Energy & Metering Solutior	Line-Attach,Contract Work,Lab	Tendered	61,092	
5015	5	Rodan Energy & Metering Solutior	Labour & Material - Monthly Maintenance	Tendered	63,078	
5065	5	Rodan Energy & Metering Solutior	Labour	Tendered	3,130	**127,300**
2055	6A	G & B Cable Contracting Inc.	Labour	Tendered annually	451,244	
5155	6A	G & B Cable Contracting Inc.	Labour	Tendered annually	4,730	**455,973**
2055	6B	Black & McDonald Ltd	Birdproof Equipment	Tendered annually	191,142	
5125	6B	Black & McDonald Ltd	Birdproofing Equipment	Contract	20,160	**211,302**
1930	7	Atlas Polar Company Ltd	Hiab - Crane & Deck	Tendered	103,572	**103,572**
1930	7	Highway Sterling Western Star	Cab & Chassis	Tendered	206,078	
ALLOCATED	7	Highway Sterling Western Star	Automotive Tools	Quotations	2,413	**208,491**
ALLOCATED	7	J. Hart Hydraulics Inc.	Truck Repair	Quotations - annually or as required	120,385	**120,385**
1930	7	Wajax Industries Ltd	Truck	Tendered	263,169	
ALLOCATED	7	Wajax Industries Ltd	Labour - Truck Repair	Tendered	5,252	**268,421**

OEB Account	Vendor Type	Vendor Name	Type of Product(s) / Service / Activity	Methodology/Pricing	Dollar Value	Total
1180	8	Metafore	VMEP-VMware Support 2009	Partnership - Gov't pricing structure	7,992	
1920	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	126,478	
4380	8	Metafore	HP OfficeJet J4580 Printer-OPA Programs	Partnership - Gov't pricing structure	121	
5005	8	Metafore	Stock - Image Transfer Kit	Partnership - Gov't pricing structure	3,643	
5305	8	Metafore	Stock - Fuser Kit	Partnership - Gov't pricing structure	868	
5320	8	Metafore	Fujitsu Scanner Cleaning Wipes	Partnership - Gov't pricing structure	91	
ALLOCATED	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	11,764	
5620	8	Metafore	Computers, Servers, Software / Hardware	Partnership - Gov't pricing structure	1,173	
ALLOCATED	8	Metafore	Stock - Image Transfer Kit	Partnership - Gov't pricing structure	555	**152,686**
Total					18,507,733	18,507,733

ONE-TIME COSTS:

KW Hydro has not included any one-time costs in its 2010 distribution rate application.

SPECIAL PURPOSE CHARGES RELATED TO THE GREEN ENERGY AND GREEN ECONOMY ACT, 2009:

KW Hydro is expected to complete Smart Meter installations in 2010 in accordance with the Minister's directive. In addition, KW Hydro plans to continue with the delivery of standard OPA and CDM programs; and has budgeted for minor distribution system expansions to connect renewable generation facilities under the FIT program. KW Hydro has not included any additional costs related to the Green Energy Act for the 2010 Test Year. As of this rate filing, the Board has not yet given LDCs sufficient guidance on what these costs will be and how these costs will actually be recovered. In the absence of such guidance, KW Hydro has chosen not to include Green Energy Act related costs.

Kitchener-Wilmot Hydro Inc. (Outside Union)

Prepared February, 2007

This handbook has been designed to help you understand and get the most out of your benefits. It gives you most of the information you will generally require regarding your benefits. Separate sections for each benefit plan allow you quick access to the benefit information you want when you want it.

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Please keep this handbook in a safe place. If changes are made to your benefits, replacement pages will be provided to you for insertion in this handbook.

Your health, dental, disability and life plans are insured through the ***Great-West Life Assurance Company****.*

Need help?

Any questions you have about your benefit program may be referred to your Plan Administrator.

For quick and easy access to information about your group benefits, claim forms, and claim payments, visit the Great-West Life website at www.greatwestlife.com.

General Information

Enrolling In The Benefit Program

Who Can Enroll

If you are an active permanent full-time employee under the age of 65 and working at least 17.5 hours per week, you are first eligible to enroll in the Extended Health Care benefit on the first day of the third month of continuous service with your employer. You are first eligible to enroll in the Dental, Long Term Disability and Life Insurance benefits on the first day of the month coinciding with or next following the date you complete six (6) months of continuous service with your employer.

Your dependents, as defined below, are also eligible for coverage under the extended health care and dental care plans. Eligible dependents include your:

Spouse

- the person who you are legally married to, or
- a person who continuously resides with you in a role like that of a marriage partner.

Dependent Children

Dependent children include your natural or legally adopted children, or step-children who:

- are unmarried,
- are not employed on a full-time basis,
- are not eligible for insurance as an employee under this plan or any other group plan, and
- are under 21 years of age , or, if in full-time attendance at an accredited school, college or university, are under 23 years of age.

A child insured under this plan, who is incapacitated due to a mental or physical handicap on the date he reaches the age when he would otherwise no longer be eligible for coverage, will continue to be an eligible dependent subject to written proof of the dependent's condition. A child is considered incapacitated if he is incapable of engaging in any substantially gainful activity and is dependent on you for support, maintenance and care, due to a mental or physical handicap.

When Coverage Starts

Coverage for you and your eligible dependents commences on the first day of the month coinciding with or next following the date you first become eligible to enroll. If you are not actively at work on the date your coverage would normally begin, your coverage will not start until you return to active full-time work.

General Information

Changing Your Coverage

There are times when you may need to change your coverage under the extended health care and/or dental care plans, either reducing or adding coverage as appropriate. This may be necessary if:

- you acquire a new spouse or dependent child,
- you separate or divorce,
- your spouse or dependent child dies,
- your child no longer qualifies as an eligible dependent, or
- you acquire or lose similar benefits through your spouse's plan.

In all cases, contact your Plan Administrator who will help you make the necessary changes to your coverage.

General Information

When Coverage Terminates

Coverage for you and your dependents will end on:

- the last day of the month in which your employment ends,
- the last day of the month in which you or your dependents cease to qualify for coverage based on the plan's eligibility requirements,
- the date you enter an armed service on full-time duty,
- the last day of the month in which your employer receives a written request from you to terminate the insurance, where permitted,
- the date you fail to make any required premium contribution,
- the last day of the month in which you attain age 65 (applies to all benefits other than Retirement Life Insurance), or
- the date the group plan is cancelled.

If you are not actively at work due to **Maternity or Parental Leave of Absence**, coverage will be continued for the period of leave to which you are entitled provided premiums continue to be paid on your behalf. If you do not intend to continue your coverage during this period, where permitted by law, you must inform your employer in writing on or before the date your leave begins. In this case, coverage for you and your dependents will not be reinstated until you return to active full-time work.

Coverage for you and your dependents will cease on the date you are not actively at work due to **lay-off, leave of absence (other than maternity or parental leave), strike or lock-out**.

If you are not actively at work due to **illness or injury**:

- your life, accident and disability coverage will continue in accordance with the "Waiver of Premium" provisions described in the applicable sections of this handbook, and

- extended health care and dental care coverage for you and your dependents will continue until your employer terminates such coverage, provided premiums continue to be paid on your behalf and this plan remains in force.

General Information

If You Retire

Coverage for you and your dependents will stop on the last day of the month in which you retire. *However*, if you retire prior to your 65th birthday and qualify to receive an early pension through OMERS, your dental and extended health coverage may be continued until the last day of the month in which you reach age 65, subject to the eligibility criteria established by your employer.

If you retire under an Early Retirement or Normal Retirement pension through OMERS, you may qualify for a reduced amount of life insurance. Coverage details are provided in the Life Insurance section of this handbook.

DENTAL CARE

Your dental care plan has been developed to help you and your family maintain good dental health.

HOW THE PLAN WORKS

Reimbursement of eligible dental services and supplies is based on the fees recommended in the **2006** Ontario Dental Association Fee Guide for General Practitioners for dental expenses which are incurred on or after September 1st, 2006. For expenses which are incurred on or after April 1, 2007, reimbursement will be based on the fees recommended in the **2007** Ontario Dental Association Fee Guide for General Practitioners. For expenses which are incurred on or after April 1, 2008, reimbursement will be based on the fees recommended in the **2008** Ontario Dental Association Fee Guide for General Practitioners.

There is **no dental care deductible**.

WHAT IS COVERED

The plan provides 100% reimbursement for the following BASIC dental services:

a) complete oral examinations (once in any 36-month period),

b) full mouth x-rays (once in any 36-month period),

c) recall examinations (once in any 9-month period, or once in any 6-month period for dependent children under age 18),

d) bitewing x-rays (once in any 9-month period, or once in any 6-month period for dependent children under age 18),

e) routine diagnostic and laboratory procedures, includes bacteriologic tests, biopsy and cytological tests

f) one unit of light scaling and one unit of polishing, once in any 9-month period (or once in any 6-month period for dependent children under age 18),

g) fluoride treatment (once in any 9-month period, or once in any 6-month period for dependent children under age 18),

h) oral hygiene instruction and reinstruction (once in any 9-month period, or once in any 6-month period for dependent children under age 18),

i) fillings (amalgam, silicate, acrylic, and composite), retentive pins, and pit and fissure sealants,

j) surgical services (excluding implant surgery),

DENTAL CARE

k) consultation (maximum 2 units every 12 months), anaesthesia, and conscious sedation,

l) denture repairs, relines and rebases (minor adjustments are covered only after 3 months have elapsed from the date of insertion),

m) injection of antibiotic drugs, when administered by a dentist in conjunction with dental surgery,

n) periodontal services for treatment of gum disease and other supporting tissues of the teeth, including:

- **i)** scaling in excess of one unit, and root planing, up to a combined maximum of 8 units every 12 months;
- **ii)** provisional splinting;
- **iii)** occlusal equilibration, up to a maximum of 8 units every 12 months;
- **iv)** periodontal surgery, and

o) endodontic services which include root canal therapy, root amputation, apexifications, periapical services and surgical and emergency services.

100% reimbursement is provided for the following FIXED PROSTHODONTIC AND MAJOR RESTORATIVE services up to a maximum of $1,000 per person per benefit year (the "benefit year" is the 12-month period commencing on March 1st of each year)*:

a) crowns, onlays and inlays (only when function is impaired due to cuspal or incisal angle damage caused by trauma or decay), including gold foil restorations (only when approved by the Insurance Company), metal transfers, telescoping and splinting,

b) veneers,

c) initial provision of fixed bridgework, and

d) replacement of a fixed bridgework or addition of teeth to bridgework provided the replacement or addition is due to one of the following:

- **i)** a natural tooth is extracted and the existing appliance cannot be made serviceable;

DENTAL CARE

ii) the existing appliance is at least 36 months old and cannot be made serviceable; or

iii) the existing appliance is temporary and, within 12 months of its installation, it is replaced by a permanent bridge. The total amount payable for both the temporary and permanent bridge is the amount which would have been allowed for a permanent bridge.

The plan provides 50% reimbursement of the following ORTHODONTIC services and supplies up to a lifetime maximum of $1,500 per person **:**

a) space maintainers,

b) correction of malocclusion of the teeth,

c) observation and adjustment,

d) appliances for tooth guidance and uncomplicated tooth movement,

e) appliances to control harmful habits,

f) retention appliances, and

g) fixed or cemented, unilateral and bilateral appliances.

MAXIMUM BENEFIT

No overall maximum benefit applies for basic dental services. The maximum benefit payable for fixed prosthodontic and major restorative services is $1,000 per person per benefit year. Benefits for orthodontic services are limited to a lifetime maximum of $1,500 per person.

DENTAL CARE

PRE-TREATMENT ESTIMATE

Whenever the total cost of proposed dental treatment is expected to exceed $500, a treatment plan should be submitted to the Insurance Company in advance to determine how much of your proposed treatment will be covered by the plan. A treatment plan provides a written description of your dental needs, including x-rays; the proposed treatment necessary in the professional judgement of the dentist; and, the cost of the proposed treatment.

Note: *If, for any given dental condition, there are two or more courses of treatment covered under this plan which will produce professionally adequate results, the Insurance Company will pay benefits as if the least expensive course of treatment was used. The Insurance Company retains a professional dental consultant to determine the adequacy of the various courses of treatment available.*

COORDINATING BENEFITS

If both you and your spouse are covered by employer benefit plans, your coverage may overlap; dental services covered by your plan may also be covered by your spouse's plan. "Coordination of Benefits" lets you take advantage of this overlap to recover up to 100% of your eligible expenses.

To coordinate benefits, the person who received the dental treatment makes the claim first — from their employer's plan. (If your child receives dental care, the parent whose birthday falls earliest in the year submits the claim first — to his or her plan). A cheque and explanation of what is being paid comes back from the Insurance Company, and then, if not all of the expense is covered, a second claim can be submitted to the spouse's benefit plan.

The amount payable will be coordinated so that the payment from all benefit plans does not exceed 100% of the eligible expense.

DENTAL CARE

HOW TO CLAIM DENTAL BENEFITS

1. Pick up a claim form from your Plan Administrator before you go to the dentist, or visit www.greatwestlife.com to get printed claim forms with your plan information already filled in.

2. Take the claim form with you to your appointment and ask the dentist to complete the dentist's portion of the claim form. If your dentist agrees to accept payment from the plan instead of directly from you, be sure the claim form shows that the refund should be made payable to the dentist.

3. Fill out the sections of the claim form that ask for information about you (the employee) and the patient (you or your eligible dependent). To ensure prompt processing of your claim, be sure to indicate the name of your employer, your policy account number, and your certificate number, in the appropriate boxes provided on the claim form. (This information is provided on your wallet-sized certificate of insurance.)

4. Return your completed claim form for processing to The Great-West Life Assurance Company, at the address shown on the claim form.

5. The Insurance Company will review your claim and determine what portion is eligible for reimbursement. You should receive your refund cheque, along with an explanation of the benefits being paid, within 2-3 weeks. If you assign payment of the claim to your dentist, you will receive only a copy of the benefits being paid and the refund cheque will be sent directly to your dentist.

OR

Your dental office may file your claim electronically with Great-West Life. In order to process your claim, the information transmitted by the dental office must be complete, and include the same information required for a paper claim (i.e., your employer's name, your policy number, and your certificate number).

Note: *Dental claims must be submitted no later than 12 months from the date the expense is incurred. If your insurance terminates, benefits are payable only if your claim is submitted within 90 days of the date your insurance terminates.*

DENTAL CARE

WHAT'S NOT COVERED

Your dental care plan does **not** cover:

- services or treatment that are covered under any other plan, government plan or legally mandated program,
- dental care resulting from self-inflicted injuries or illnesses, while sane or insane, war, insurrection, the hostile action of any armed forces, or participation in a riot or civil commotion,
- dental care required as a result of committing or attempting to commit an assault or criminal offense,
- charges for broken appointments, third party examinations, travel to and from appointments, or completion of claim forms,
- charges for services or supplies for which there would have been no charge at all in the absence of insurance, or which are received from a medical or dental department maintained by an employer, association or trade union,
- charges for services or supplies which are performed or provided by an Immediate Family Member or a person who lives with the insured person,
- treatment rendered for a full mouth reconstruction, for a vertical dimension, or for a correction of temporomandibular joint dysfunction,
- cosmetic treatment, unless required due to an accidental injury which occurs while you or your dependent is insured under this plan,
- implants, or any services rendered in conjunction with implants,
- anti-snoring or sleep apnea devices,
- treatment which is not generally recognized by the dental profession as an effective, appropriate and essential form of treatment for the dental condition,
- replacement of removable appliances which are lost, mislaid or stolen,
- laboratory fees which exceed the reasonable and customary charges, as determined by the Insurance Company,
- charges for complete or partial dentures, or
- services completed after termination of coverage.

Extended Health Care

Under the extended health care plan, you and your family receive financial protection against major medical expenses which are not covered under your provincial health plan.

How The Plan Works

Your extended health care plan reimburses **100%** of the cost of medical services and supplies that are covered under the plan.

The **deductible** under the extended health care plan for employees with **single coverage is $10 per benefit year**. This means that only the first $10 spent on eligible medical services or supplies is *not* reimbursed each benefit year.

If you have **family coverage**, a $10 deductible will be applied only once for each insured family member and not more than twice per family in a benefit year — a **maximum deductible of $20**.

Vision Care, Hearing Aids, Out-of-Country and Travel Assistance expenses are not subject to the deductible.

The "benefit year" is the 12-month period commencing on March 1st of each year.

What Is Covered

The following medical services and supplies are covered *provided they are:*

- *medically necessary in the treatment of an illness or injury,*
- *recommended by a physician,*
- *incurred for the care of a person while insured under this benefit,*
- *reasonable and customary taking all factors into account,*
- *not covered under the provincial health plan or any other government-sponsored program, and*
- *they can legally be insured.*

EXTENDED HEALTH CARE

Hospital Care

Private Hospital: Daily charges for confinement in a licensed private hospital, to a maximum of $10 per day, limited to a maximum of 120 days per person.

Chronic Care: Daily charges for confinement in a licensed chronic hospital or chronic care unit of a public general hospital, to a maximum of $3 per day for semi-private accommodation, limited to a maximum of 120 days during any 12 consecutive months. Benefits are not payable for accommodation in psychiatric hospitals or nursing homes.

Note: *The plan does not cover charges for any portion of the cost of accommodation (Ward, Semi-Private or Private) in a public general hospital, utilization or copayment fees (or similar charges).*

Prescribed Drugs and Medicines — Direct Payment Plan

- Formulary Two Generic Plan or its equivalent: drugs, medicines and injected allergy sera that are prescribed in writing by a physician or dentist for the treatment of an illness or injury, and are dispensed by a licensed pharmacist,
- oral contraceptives,
- preventive vaccines and medicines (oral or injected),
- hematinic vitamins (vitamins to treat blood disorders) that are dispensed by a pharmacist and are properly identified in the Compendium of Pharmaceuticals and Specialties, and
- insulin, standard syringes, needles and diagnostic aids, if required for treating diabetes (cotton swabs, rubbing alcohol, automatic jet injectors and similar equipment are not covered).

The **dispensing fee** is subject to a maximum of **$7** per prescription.

The maximum amount for any covered expense is the price of the lowest cost generic equivalent product that can legally be used to fill the prescription, as listed in the Provincial Drug Benefit Formulary.

If there is no generic equivalent product for the prescribed Drug or medicine, the amount covered is the cost of the prescribed product.

Where a prescription contains a written direction from the Physician or dentist that the prescribed Drug or medicine is not to be substituted with another product, the full cost of the prescribed product is covered if it is a covered expense under this benefit.

EXTENDED HEALTH CARE

Benefits will be paid directly to the dispensing pharmacist, provided the pharmacist is enrolled in the pay-direct drug plan — simply present your drug card to the pharmacist. **You will be required to pay the deductible, when applicable, to the pharmacist or dispensing fee charges in excess of the maximum allowable under the plan.**

Note: *The maximum quantity of Drugs or medicines that will be payable for each prescription will be limited to the lesser of the quantity prescribed by the Physician or Dentist; or, a 34-day supply for non-maintenance drugs or a 100-day supply for maintenance drugs. The drug benefit does not cover charges for smoking cessation aids, dietary supplements, health foods, nutritional products and vitamins (other than injectables and hematinics). The plan does not cover expenses for the administration of serums, vaccines, or injectable Drugs; or Drugs, biologicals and related preparations which are intended to be administered in Hospital on an in-patient or out-patient basis and are not intended for a patient's use at home.*

Professional Services

Services of a licensed chiropractor, physiotherapist or registered massage therapist, to a combined maximum of $500 per person per benefit year. The services of a physiotherapist or massage therapist are eligible only when recommended in writing by the attending physician.

Services of a clinical psychologist, up to $35 for the initial visit and $20 per hour for each subsequent visit, to an overall maximum of $200 per person per benefit year.

Services of a speech pathologist, when recommended in writing by the attending physician or dentist, to a maximum of $200 per person per benefit year.

No payment will be made for the completion of reports, assessments, tests or evaluations.

EXTENDED HEALTH CARE

MEDICAL SERVICES AND SUPPLIES

For all medical equipment and supplies covered under this plan under the following provisions, eligible covered expenses will be limited to the cost of the device or item that adequately meets the patient's fundamental medical needs.

Private Duty Nursing

Private duty nursing services (other than for custodial care, homemaking services and supervision) deemed to be within the practice of nursing provided in the patient's home by a Registered Nurse (R.N.) who is not a relative, friend or member of the patient's household, to a maximum of $10,000 per person per benefit year.

Note: *A detailed treatment plan must be submitted before private duty nursing services begin. The Insurance Company will then advise you of any benefits that are payable under the plan. When the services are extended for more than 30 days, prior approval must be obtained from Great-West Life on a monthly basis.*

Durable Medical Equipment

Rental of (or, at the Insurance Company's option, purchase of) the following items when recommended in writing by the attending physician:

- hospital bed, crutches, cane, walker, oxygen set, respirator (a device to provide artificial respiration), standard-type wheelchair and wheelchair repairs.

Medical Services and Supplies

- Bandages or surgical dressings, blood transfusions, plasma, radium and radioactive isotope treatments when recommended in writing by the attending physician

Diagnostic Services

For provinces where diagnostic services are not covered by the provincial health plan, diagnostic services performed in a hospital or licensed medical laboratory.

Extended Health Care

Non-Dental Prostheses, Supports and Hearing Aids

- standard type artificial limb or eye,
- splints, trusses, casts, cervical collars, braces (excluding dental braces) catheters, urinary kits, external breast prostheses (following mastectomies), ostomy supplies (where a surgical stoma exists),
- corrective prosthetic lenses and frames (once only for persons who lack an organic lens or after cataract surgery),
- modifications or adjustments to stock-item orthopaedic shoes or regular footwear (excluding the cost of the shoes or footwear) when recommended by a physician or podiatrist, limited to 1 pair per benefit year,
- custom-made orthopaedic shoes which are constructed by a Certified Orthopaedic Footwear Specialist (C.F.S.O.) and are required because of a medical abnormality that, based on medical evidence, cannot be accommodated in a stock-item orthopaedic shoe or a modified stock-item orthopaedic shoe, limited to 1 pair per benefit year, up to a maximum of $1,200 per pair,
- casted, custom-made orthotics which are recommended by a physician or podiatrist, limited to 2 pairs per benefit year, up to a maximum of $375 per pair,
- hearing aids (including charges for installation, repair, maintenance and initial batteries), to a maximum of $300 every 60 consecutive months. Benefits are not payable for ear examinations, tests, replacement batteries or expenses covered by the Workplace Safety and Insurance Board or any government plan,
- surgical stockings, to a maximum of 6 pairs per calendar year,
- surgical brassieres, to a maximum of 4 per calendar year, and
- wigs and hairpieces, required as a result of a temporary hair loss due to medical treatment, limited to $250 per lifetime.

Ambulance

Licensed ambulance service provided in the insured person's province of residence, including air ambulance, to and from the nearest hospital where adequate treatment is available (the difference between the government agency allowance and the customary charge).

EXTENDED HEALTH CARE

Accidental Dental Treatment

Services of a dentist for the treatment of damage to natural teeth or the jaw resulting from an external, accidental blow to the mouth which occurs while insured under this plan. The treatment must be received and approved for payment within 12 months of the accident. Injuries due to biting or chewing are *not* covered. Payment will be based on the monetary rates shown in the Ontario Dental Association Fee Guide for General Practitioners in effect at the time of treatment.

Vision Care

The following vision care services are covered when prescribed by an ophthalmologist, optometrist, or oculist:

a) eye examinations, purchase and fitting of prescription glasses or elective contact lenses, to a maximum of **$300** every 24 consecutive months (charges for repairs are also included under this maximum); and

b) you may elect to apply the maximum amount towards laser eye surgery on a one-time basis in your lifetime in lieu of prescription eyeglasses or contact lenses.

Benefits are not payable for the cost of industrial safety glasses or expenses covered by the Workplace Safety and Insurance Board or any government plan.

Out-of-Province or Out-of-Country

REFERRALS FOR TREATMENT OUTSIDE YOUR HOME PROVINCE

If a physician in the insured person's home provinces gives a written referral for treatment that is not performed in that home province, the insurer will cover the cost of the treatment as specified below, if it is provided in Canada or the United States.

The physician must give the insurer full details of the treatment and the insurer must approve it in advance. The insured person must apply and provide the insurance company with a statement from the provincial health plan that describes what it will cover.

The insurer will pay up to $10,000 in the insured person's lifetime for the following:

- Hospital room and board at the ward rate
- Hospital services and supplies, and
- Diagnosis and treatment by physicians

EXTENDED HEALTH CARE

EMERGENCY OUT-OF-PROVINCE / COUNTRY COVERAGE

The insured person must be eligible for benefits under a government health plan in Canada to qualify for emergency out-of-province/country coverage or Travel Assistance coverage.

The insurer will cover the first 60 days of a trip.

Eligible medical services and supplies are covered under this plan for treatment given outside the patient's province of residence if required to provide treatment as a result of a **medical emergency** arising while temporarily outside the home province (including outside Canada), on business or vacation.

> A **medical emergency** is a sudden, unexpected injury which occurs, or an unforeseen illness which begins, during the absence from the patient's home province and which requires immediate medical attention. The plan will not cover emergency treatment while travelling for health reasons.
>
> **Travelling outside Canada while pregnant:** This plan will not cover any pregnancy related costs which are incurred outside of Canada within nine weeks of the expected delivery date. Costs associated with a child born outside Canada within nine weeks of the expected delivery date, or after the expected delivery date, are not covered.

The plan will pay up to $1,000,000 for each insured person for all the covered costs related to any one medical emergency. When emergency treatment for a condition is completed, any ongoing treatment related to that condition is not covered.

When used under this emergency out-of-province/country section, hospital means a facility licensed to provide emergency treatment for sick or injured patients. It must have facilities for diagnosis and treatment. Physicians and registered nurses must be in attendance 24 hours a day. It does not include nursing homes, homes for the aged, rest homes, convalescent care facilities or any facility that provides similar care.

The plan will cover the charges for emergency treatment that are over the amount covered by the provincial health plan of the insured person's home province. This coverage includes the cost of:

- Hospital room and board at the ward rate
- Hospital services and supplies, and
- Diagnosis and treatment by physicians

In emergency out-of-province/country situations, other charges included under the Extended Health Care coverage section of this plan are covered to the same extent that they would be in Canada. This includes coverage such as wheelchair rental, crutches and prescription drugs.

EXTENDED HEALTH CARE

In the event of a medical emergency, you or someone acting on your behalf must contact the Travel Assistance Centre prior to seeking medical treatment. If it is not reasonably possible for you to contact the Travel Assistance Centre prior to seeking medical treatment due to the nature of the medical emergency, you must contact the Travel Assistance Centre as soon as possible. Failure to contact the Travel Assistance Centre as described will result in a reduction of benefits in the case of hospitalization of 40% of eligible costs. All costs for such emergency will be limited to your emergency out-of-province/country coverage and Travel Assistance coverage maximum or $25,000, whichever is less.

If a physician or the Travel Assistance provider recommends you or your dependent be moved to a different facility at the destination, and you choose not to go, eligible costs for emergency coverage and Travel Assistance coverage will in the case of hospitalization be reduced by 40% of eligible costs. All costs for such emergency will be limited to your emergency out-of-province/country coverage and Travel Assistance coverage maximum or $25,000, whichever is less.

If a physician or the Travel Assistance provider recommends you or your dependent return to your home province, and you choose not to go, emergency coverage and Travel Assistance coverage will end.

Travel Assistance Coverage

This plan provides travel assistance for you and your eligible dependents, while you are temporarily outside your province of residence (including outside of Canada) because of business or vacation, and not for health reasons. The assistance services are delivered through an international organization, specializing in travel assistance.

The insurer will cover the first 60 days of a trip.

Travelling outside Canada while pregnant: This plan will not cover any pregnancy related costs which are incurred outside of Canada within nine weeks of the expected delivery date. Costs associated with a child born outside Canada within nine weeks of the expected delivery date, or after the expected delivery date, are not covered.

The services under the Travel Assistance coverage include:

- multilingual assistance by telephone, 24 hours a day, 365 days a year, for the insured person or medical providers to obtain aid, assistance, and exchange information, in matters relating to the covered services.
- referrals to physicians or medical facilities, if necessary.
- arrangements for direct payment, wherever possible, for physicians' services, hospitalization and other insured services.
- communication with the physician who is treating the insured person to get an understanding of the situation and monitor the condition.

EXTENDED HEALTH CARE

- telephone interpretation services in most major languages.
- the sending and receiving of urgent messages.
- medical evacuation home or transportation to another medical facility. For transportation home, payment will be made based on an economy fare ticket.
- arrangements for (including all necessary documents) and the cost of transporting the insured person's remains to their home, up to a maximum of $3,500.
- help to locate Embassy or Consulate services.
- help to locate lost documents or luggage.

The Travel Assistance benefit includes the following services, subject to prior approval of the charges:

- the cost of additional commercial accommodation required beyond the original return date, for a companion travelling with the insured person. This includes charges for accommodation, meals, telephone and taxi or rental cars, up to a maximum of $150 per day, not to exceed a total of $1,500.
- the cost of an economy fare ticket home, for a companion who is travelling with the insured person, and who has forfeited their ticket because of a delay caused by the insured person's illness, injury, or death.
- the cost of an economy fare ticket home for each child left alone because of the insured person's illness, injury, or death. The Travel Assistance provider will also arrange for a qualified attendant to accompany the children, if necessary.
- the cost of a round-trip economy fare ticket for a family member to visit an insured person who is travelling alone and must be hospitalized for more than 10 days.
- the cost of returning a vehicle to the insured person's home or the nearest rental agency, up to a maximum of $1,000.

The insurer is not legally responsible for the actions or advice of any physician or attorney that the insured person is referred to.

The Travel Assistance benefit does not cover medical emergencies in the home province.

How To Access The Travel Assistance Plan — Your Travel Assistance Card

Your travel assistance card lists the toll free numbers to call in case of an emergency while outside your province. The toll free number will put you in touch with the international travel assistance organization.

EXTENDED HEALTH CARE

Your travel assistance card also lists your certificate number and your group policy number, which the travel assistance organization needs to confirm that you are covered under the plan.

How to make an out-of-province/country claim

There are special rules for claiming the costs of emergency treatment outside of your home province or Canada.

For all medical expenses, the Travel Assistance provider must be contacted at the time of the emergency. This will enable the Travel Assistance provider to co-ordinate payment directly with the hospital and/or medical provider involved, providing the insured person gives approval to the Travel Assistance provider to co-ordinate payment with the Provincial Health Care plan.

If a medical provider or hospital bills you directly, send the bill along with your claim form to the Travel Assistance provider.

What is not covered for Emergency out-of-province/country treatment and travel assistance

The insurer will not pay for any costs resulting directly or indirectly:

(a) from an accident occurring while you or your dependent was operating a vehicle, vessel or aircraft, if you or your dependent:
   i) were impaired by drugs or alcohol, or
   ii) had a blood alcohol level higher than 80 milligrams of alcohol per 100 millilitres of blood

(b) from the abuse of illegal substances.

MAXIMUM BENEFIT

The maximum dollar amount that is reimbursed for covered medical services and supplies received in your home province is unlimited.

The maximum that is reimbursed for medical treatment received outside your home province or Canada is:

- $1,000,000 for each covered person for all covered costs related to any one emergency under the emergency out-of-province/country and the Travel Assistance coverage; or
- $10,000 during the covered person's lifetime for approved referral treatment.

Extended Health Care

Coordinating Benefits

If both you and your spouse are covered by employer benefit plans, your coverage may overlap; medical services and supplies covered by your plan may also be covered by your spouse's plan. "Coordination of Benefits" lets you take advantage of this overlap to recover up to 100% of your eligible expenses.

To coordinate benefits, the person who received the service or supply makes the claim first — from their employer's plan. (If your child receives medical care, the parent whose birthday falls earliest in the year submits the claim first — to his or her plan). A cheque and explanation of what is being paid comes back from the Insurance Company, and then, if not all of the expense is covered, a second claim can be submitted to the spouse's benefit plan.

The amount payable will be coordinated so that payment from all benefit plans does not exceed 100% of the eligible expense.

How To Claim Extended Health Care Benefits

To claim benefits for medical services and supplies, *other than* drugs or medicines:

1. Save all your receipts for medical services and supplies, and any bills or receipts received for hospital care. Receipts and bills should show:

   - the patient's name,
   - the date the treatment or supply was provided,
   - the nature of the service or supply, and
   - an item-by-item list of the charges.

2. Pick up a claim form from your Plan Administrator or visit www.greatwestlife.com to get printed claim forms with your plan information already filled in.

3. Fill out the sections of the claim form that ask for information about you (the employee) and the patient (you or your eligible dependent). To ensure prompt processing of your claim, be sure to indicate the name of your employer, your policy number, and your certificate number, in the appropriate boxes provided on the claim form. (This information is provided on your wallet-sized certificate of insurance.)

4. Return your completed claim form, with original receipts attached, for processing to The Great-West Life Assurance Company at the address shown on the claim form.

5. The Insurance Company will review your claim and determine what portion is eligible for reimbursement. You should receive your refund cheque, along with an explanation of the benefits being paid, within 2-3 weeks.

Extended Health Care

Note: *Extended health care claims must be submitted no later than 12 months from the date the expense is incurred. If your insurance under this plan terminates, benefits are payable only if your claim is submitted within 90 days of the date your insurance terminates.*

To claim benefits for drugs or medicines:

1. Present your drug card to the pharmacist when filling your prescription.

2. Provided the pharmacist is enrolled in the pay-direct drug plan, payment will be made directly to the pharmacist — you do not need to complete any claim forms or wait for the reimbursement.

3. You will be required to pay the deductible, where applicable, to the pharmacist or dispensing fee charges in excess of the maximum allowable under the plan.

Note: *If the prescription is not obtained through the use of your drug card, be sure to get a receipt from the pharmacist. To receive reimbursement of benefits payable, a claim form must be completed and sent to The Great-West Life Assurance Company at the address shown on the claim form, along with your original receipts.*

What's Not Covered

Your extended health care plan does not cover any expense which is directly or indirectly related to:

- any illness or injury arising out of or in the course of employment when the person is covered by or is eligible for coverage by the Workplace Safety and Insurance Board,

- any illness or injury for which benefits are payable under any government plan or legally mandated program,

- self-inflicted injuries or illnesses, while sane or insane, war, insurrection, the hostile action of any armed forces, or participation in a riot or civil commotion,

- the committing of or the attempt to commit an assault or criminal offense,

- charges for periodic check-ups, broken appointments, third party examinations, travel for health purposes or completion of claim forms,

- charges for services or supplies for which there would have been no charge at all or which would have been reimbursed under a government-sponsored plan in the absence of insurance, or which are received from a medical or dental department maintained by an employer, association or trade union,

EXTENDED HEALTH CARE

- charges for services or supplies which are required for participation in recreational or sports activities, but which are not medically necessary for regular activities,
- charges which would have been payable by the provincial health plan had proper application been made,
- charges for services or supplies which are performed or provided by an Immediate Family Member or a person who lives with the insured person, or which are provided while confined in a Hospital on an in-patient basis,
- medical treatment which is not usual and customary, or which is experimental or investigational in nature,
- care, services or supplies utilized as treatment of lifestyle choices, as determined by Great-West Life,
- services or supplies which are primarily for cosmetic purposes,
- services or supplies provided in a health spa or psychiatric hospital,
- services or supplies provided while confined in a nursing home or home for the aged,
- additional, duplicate or replacement appliances or devices, except where the replacement is required because the existing appliance can no longer be made serviceable due to normal wear and tear, or as a result of a pathological change, unless prior approval in writing is obtained from Great-West Life, or
- vaporizers.

Long Term Disability

Your long term disability plan has been developed to protect you against the financial impact of lost income, if a lengthy illness or injury keeps you from coming to work.

How The Plan Works

Benefits are payable under the long term disability plan after you have been totally and continuously disabled for a period equal to the greater of **6 months** or the period during which you are receiving sick leave and E.I. benefits.

Benefits Provided

If you are totally disabled you will receive a monthly income benefit equal to **66-2/3% of your regular monthly earnings, to a maximum of monthly benefit of: $3,700 effective September 1, 2006; $3,800 effective April 1, 2007; $3,950 effective April 1, 2008.**

> *To qualify for long term disability benefits you must be "totally disabled". During the first 24 months that you receive long term disability, this means that you are unable to do the essential duties of your normal job and are not otherwise employed. After this 24-month period, you will continue to qualify for long term disability benefits only if you are unable to work at any job for which you are reasonably suited by virtue of your education, training and experience.*

Any benefits you receive from the long term disability plan are taxable if your employer contributes, in whole or in part, towards the cost of providing the plan.

Benefits from the long term disability plan will stop if you:

- recover,
- attain age 65,
- are unable to provide written proof of your disability,
- are no longer under a physician's care,
- fail to undergo an examination by an independent doctor of the Insurance Company's choice, or
- in the event of your death.

LONG TERM DISABILITY

Coordination With Other Disability Benefits

Long term disability benefits are reduced by the amount of income you receive or are entitled to receive as a result of the same disability from:

- Workers' Compensation or similar legislation (excluding any future cost of living adjustments),
- the Canada or Quebec Pension Plan (excluding any future cost of living adjustments or dependent benefits payable to you),
- any other federal, provincial or municipal government plan, excluding any disability benefits available to you through the Ontario Municipal Employees' Retirement System, but not filed on your behalf, and
- any other group insurance plan, or any retirement or pension plan of the employer, excluding any disability benefits available to you through the Ontario Municipal Employees' Retirement System.

Rehabilitation Benefit

The rehabilitation benefit is designed to help you through an adjustment period of up to 24 months while working part-time, in a reduced capacity or involved in a retraining program approved by the Insurance Company.

While you are participating in an approved rehabilitation program, your long term disability benefit will not be discontinued. However, your monthly long term disability benefit will be reduced by 50% of the compensation you receive from rehabilitative employment.

When Disability Recurs

If you recover from total disability, only to become disabled again, the second period of disability will be treated as a continuation of the first unless the second disability is unrelated to the first, or is separated from the first by more than six months.

Waiver of Premium

Premium payments are waived during any period in which you receive benefits from this plan. Long term disability benefits will continue in accordance with the terms of the policy regardless of whether or not this plan remains in effect or your other benefit coverages are subsequently terminated, provided your disability begins while your coverage under this plan is in force.

Long Term Disability

How To Claim Long Term Disability Benefits

Claim forms are available from your Plan Administrator. Early filing of claims is recommended. Forms should be completed and returned to your Plan Administrator or sent directly to The Great-West Life Assurance Company after you have been disabled at least 30 days and do not expect to return to work before the *Elimination Period* expires. Long term disability claims must be submitted no later than 90 days after the date you are eligible for benefits to begin.

What's Not Covered

Your long term disability plan does not cover:

- intentionally self-inflicted injury or illness,
- disability resulting from war, or act of war, or while engaged in the armed services,
- any period of disability during which you are not under the regular care and attendance of a legally qualified physician,
- any period of disability which commences while you are not insured under this plan,
- participation in a criminal act, or
- disability, loss or expense which commences or occurs during any period of statutory maternity or parental leave of absence except to the extent:

    a) the continuance of insurance coverage during such period of statutory maternity or parental leave of absence is required by legislation or by written agreement between you and your employer; and

    b) you do not receive or are not entitled to receive any payment, benefit, indemnity or other amount from any source, including any policy, plan or fund provided by any employer, insurer or government (including basic and supplementary unemployment insurance maternity/parental leave benefits).

LIFE INSURANCE

Your life insurance plan provides you with a basic benefit and allows you to purchase additional coverage for yourself. In the event of your death, the plan pays a benefit to your beneficiary.

HOW THE PLAN WORKS

If you should die while insured, your plan will pay the amount of your life insurance to the last nominated beneficiary as filed. In the absence of a beneficiary nomination, payment will be made to your estate.

You may name anyone you choose to receive benefits payable under the plan in the event of your death. However, if you name a minor, a trustee must also be appointed. You may change your beneficiary designation at any time, subject to the laws governing such changes, by contacting your Plan Administrator.

LIFE INSURANCE

BENEFITS PROVIDED

Employee Life Insurance

Your life insurance plan provides basic and optional coverage, depending on the Option you apply for. You may select coverage under one of the following four Options available under the plan.

OPTION	BASIC TERM INSURANCE (EMPLOYER PAID)	ADDITIONAL TERM INSURANCE (EMPLOYEE PAID)
1	150% of your annual earnings	Nil
2	175% of your annual earnings	25% of your annual earnings
3	175% of your annual earnings	75% of your annual earnings
4	175% of your annual earnings	125% of your annual earnings

Notes: *All amounts of basic term and additional term insurance are rounded upward to the nearest $1,000.*
Regardless of which Option you select, the total amount of coverage cannot exceed $600,000.
Before selecting (or changing) an Option, it may be important to review the Retirement Life Insurance coverage applicable to you.

Your life insurance coverage begins on the date you complete the eligibility waiting period, provided you make written application for coverage within 31 days of becoming eligible.

If you do not apply within the 31-day deadline, you will automatically be enrolled in the Basic Term Insurance plan only, for a benefit equal to 150% of your annual earnings (Option 1). To enroll in any of the plan Options available which include Additional Term Insurance (Options 2, 3 and 4), you must provide medical evidence — proof that you are insurable — satisfactory to the insurer.

LIFE INSURANCE

Changing Your Coverage

There are times when you may need to change your coverage under the employee's life insurance plan, either reducing or increasing the coverage, as appropriate. (**NOTE:** It may be important to review the Retirement Life Insurance coverage applicable to you before deciding to change your coverage Option.)

You may re-select your Option under the employee's life insurance plan at any time. Your Plan Administrator will provide you with the necessary forms to request a change.

Any request to increase the coverage amount, is subject to medical proof of insurability, satisfactory to the insurer, and will be effective on the date the insurer approves the application, provided you are actively at work.

Any request to reduce or cancel optional life insurance for will be effective on the later of the date you request or the first day of the month following the date your request is received. (**NOTE:** If you subsequently apply to add or increase coverage for yourself that was previously cancelled or reduced, evidence of insurability, satisfactory to the insurer, will be required.)

LIFE INSURANCE

Cost Of The Life Insurance Plan

Your employer pays the entire cost of your Employee Basic Term Life Insurance coverage. All life insurance premiums paid by your employer are a taxable benefit to you.

If you elect Additional Term Life Insurance coverage for yourself, the cost to you will be paid through payroll deduction.

For **EMPLOYEE ADDITIONAL TERM LIFE INSURANCE**, the rates vary by age, gender and smoking status, and are adjusted according to your age on the 1st of January each year, with any required adjustment taking effect at that time. Monthly costs are provided in the chart below.

Employee's Attained Age (as at January 1st)	MALE		FEMALE	
	Smoker Monthly Rate (per $1,000)	Non-Smoker Monthly Rate (per $1,000)	Smoker Monthly Rate (per $1,000)	Non-Smoker Monthly Rate (per $1,000)
Under 35	$0.044	$0.022	$0.022	$0.020
35 - 39	0.060	0.039	0.033	0.028
40 - 44	0.163	0.080	0.099	0.062
45 - 49	0.285	0.142	0.169	0.098
50 - 54	0.445	0.231	0.240	0.151
55 - 59	0.757	0.383	0.395	0.231
60 – 64	0.890	0.480	0.480	0.300

Note: *Monthly costs shown above reflect those in effect as of January 1st, 2007. The monthly cost schedule is subject to change by the insurer; your employer will notify you prior to any changes taking effect.*
Monthly costs shown above are subject to applicable taxes.

LIFE INSURANCE

When Coverage Ends

Employee Life Insurance (Basic Term and Additional Term) coverage ceases on the earliest of the following dates:

- the last day of the month in which your employment ends, other than by retirement on pension or cessation of active employment due to total disability;
- the last day of the month in which you reach age 65; or
- the date the group plan is cancelled.

Waiver Of Premium

If you become totally disabled while insured and before your 65th birthday or earlier retirement, your life insurance coverage under the Basic Term and Additional Term Life plan will be continued without further payment of premiums. Your coverage will continue until you are no longer disabled, retire or reach age 65, whichever occurs first

Proof that you are totally disabled must be submitted to Great-West Life within 12 months from the onset of the disability, and periodically as requested by Great-West Life thereafter.

Totally Disabled means that you are prevented from performing any work for compensation or profit or from following any gainful occupation. (However, if you are insured for Long Term Disability benefits by Great-West Life under this same master policy, the definition of total disability used to determine your eligibility for disability benefits, as described in this booklet, shall also apply when assessing your life insurance waiver of premium benefit.)

LIFE INSURANCE

Conversion Privilege

If **your** life insurance coverage ceases or reduces as a result of termination of employment, retirement or attainment of age 65, you may apply to convert your cancelled or reduced insurance to an individual policy — *without* having to provide medical evidence. You must make written application for the individual policy to Great-West Life accompanied by payment of the first premium within 31 days of the date your life insurance terminates or reduces. If you should die during the 31-day conversion period, a death benefit equal to the amount of life insurance eligible for conversion will be paid, regardless of whether application for conversion has been made.

You may choose an individual policy plan which provides coverage comparable to the coverage for which you were insured under this Plan, but without disability benefits, or you may choose any other individual policy which Great-West Life is willing to offer, but without disability benefits. The amount of the individual policy will not exceed the lesser of $200,000 or the excess of the amount of your life insurance in force under this Plan immediately prior to the termination or reduction over the amount of life insurance provided by any group policy of your employer or any other employer for which you are eligible on the effective date of the individual policy. The premium rate will be based on your age and gender, and the type of policy plan you select.

RETIREMENT LIFE INSURANCE

On the last day of the month in which you reach age 65, or retire on pension under a Normal Retirement, Early Retirement or Total Disability Retirement — whichever occurs first — your life insurance coverage under the Option you selected will cease. However, you will continue to be insured for a reduced Retirement Life Insurance benefit based on your years of service in this plan and your Option selection(s) prior to retirement, as set out in the chart on the following page.

LIFE INSURANCE

CLASSIFICATION		AMOUNT OF RETIREMENT LIFE INSURANCE
A.	If you retire with less than 10 Years of Service in this Plan	$2,000
B.	If you were not insured under the Superseded Plan* and retire with 10 or more Years of Service in this Plan **OR** if you were insured under the Superseded Plan* but at any time prior to retirement elected coverage under Options 2, 3 or 4	50% of your final annual earnings, reducing by 2-1/2% of final annual earnings on the anniversary of your retirement date each year following for ten years, to a minimum of 25% of your final annual earnings
C.	If you were insured under the Superseded Plan*:	
	1. If at **any time** you elected coverage under Options 2, 3 or 4;	Amount will be determined in accordance with provision B above
	2. If you were hired on or after May 1, 1967 and never elected coverage under Options 2, 3 or 4 at any time prior to retirement; or	50% of your final annual earnings
	3. If you were hired prior to May 1, 1967 and never elected coverage under Options 2, 3 or 4 at any time prior to retirement	70% of the amount of coverage you were insured for immediately prior to your retirement date

Notes: All amounts of retirement life insurance are rounded upward to the nearest $1.00.

Superseded Plan means the prior life insurance plan which this Plan replaced effective March 1, 1980.

Years of Service means your service in this Plan or the Superseded Plan with your current employer you retire from, together with service credited to you in this Plan or the Superseded Plan by reason of your prior service with any other employer participating in this Plan, where the transfer occurs without intervening employment.

LIFE INSURANCE

HOW TO CLAIM DEATH BENEFITS

Your Plan Administrator will furnish all the required claim forms to your beneficiary in the event of your death. Claims for death benefits must be submitted no later than 12 months after the date of death.

NOTES

NOTES

Appendix B

Kitchener-Wilmot Hydro Inc

Overhead Recovery Process - Year 2008

1) Allocation of Material Overheads

Doc Type	Recovery Basis	From BU	Department	To	Job Type
JA	15% applied to cost of materials issued from inventory	8030	Store and warehouse	Work orders	Capital, maintenance, operating, burden, vehicle and billable (WO type A to L)

2) Allocation of Labour Overhead

Doc Type	Recovery Basis	From BU	Department	To	Job Type
T3	65% applied to direct labour dollars, including premium dollars paid	6499	Payroll burden distributed	Work orders	Capital, maintenance, operating, burden, vehicle and billable (WO type A to L)

3) Allocation of Vehicle Overhead

Doc Type	Recovery Basis	From BU	Department	To	Job Type
T5	50% of direct labour dollars, excluding premium dollars paid	6499	Payroll burden distributed	Work orders	Capital, maintenance, operating, burden, vehicle and billable (WO type A to L)

4) Allocation of Supervision Cost

Doc Type	Recovery Basis	From BU	Department	To	Job Type
T4	5% applied to direct labour dollars, including premium dollars paid	6499	Payroll burden distributed	Work orders	Capital, maintenance, operating, burden, vehicle and billable (WO type A to L)

5) Allocation of Engineering Cost

Doc Type	Recovery Basis	From BU	Department	To	Job Type
JO	17% applied to total cost of capital projects	5006	Engineering	Work orders	Capital jobs only (billable and non-billable)

6) Allocation of Administration Cost Recovery

Doc Type	Recovery Basis	From BU	Department	To	Job Type
JC	9% applied to total cost of billable jobs	5005 5006 5615	Operation Supervision Engineering General administration	Work orders	Billable jobs only (excludes billing for accident)

Kitchener-Wilmot Hydro Inc

Overhead Recovery Process - Year 2008

7) Allocations of Overheads & Burden Accounts in Sequential Order

Doc Type	Recovery Basis	From BU	Department	To	Department
JU # 1 Payroll burden allocations	Based on salaries	6400	Salary fringe benefits	5005	Dist exp - opn supervision
				5006	Dist exp - opn engrg
				5045	Dist exp - opn UG dist lines and feeders
				5115	Dist exp - maint TX stn equipment
				5125	Dist exp - maint OH conductors and devices
				5130	Dist exp - maint OH services
				5145	Dist exp - maint UG conduit
				5150	Dist exp - maint UG conductors and devices
				5300	Cust acct - supervision
				5310	Cust acct - meter reading
				5315	Cust acct - billing
				5320	Cust acct - collecting
				5350	Information technology
				5415	Energy conservation
				5420	Community relations - safety program
				5610	Admin - management
				5612	Admin - regulatory
				5615	Admin - general
				6470	Truck opn and maint
				6490	Payroll burden
				6492	Safety training
				8030	Store and warehouse
JU # 2 IT cost allocations	Based on workstations	5350	IT department	5005	Dist exp - opn supervision
				5006	Dist exp - opn engrg
				5300	Cust acct - supervision (9%)
				5310	Cust acct - meter reading (9%)
				5315	Cust acct - billing (57%)
				5320	Cust acct - collecting (25%)
				5420	Community relations - safety
				5610	Admin - management
				5612	Admin - regulatory
				5615	Admin - general
				6490	Payroll burden
				6492	Safety training
				8030	Store and warehouse
JU # 5 Service centre bldg cost allocations	Allocate 5.34% over 4 BUs	6475	Service centre building	5120	Dist exp - maint poles, towers and fixtures
				5125	Dist exp - maint OH conductors devices
				5130	Dist exp - maint OH services
				5135	Dist exp - maint OH dist lines and feeders tree trimming
	Allocate 9.27% over 3 BUs			5145	Dist exp - maint UG conduit
				5150	Dist exp - maint UG conductors and devices
				5155	Dist exp - maint UG services
	Allocate 9.35% over 2 BUs			5065	Dist exp - opn dist meters
				5175	Dist exp - maint distribution meters
	Allocate 58.92% to 1 BU			6470	Truck operation and maintenance
	Allocate 17.12% to 1 BU			6490	Payroll burden
JU # 4	Allocate 100%	6470	Truck operation and maintenance	6499	Payroll burden distributed - transfer
JU # 6	Allocate 100%	6477	Tools, instruments and radio equipt maint	6499	Payroll burden distributed - transfer
JU # 7	Allocate 100%	6490	Payroll burden	6499	Payroll burden distributed - transfer
JU # 8	Allocate 100%	6492	Safety training	6499	Payroll burden distributed - transfer
JU # 9	Allocate 100%	6493	Payroll outside fringe benefits	6499	Payroll burden distributed - transfer
JU # 10	Allocate 100%	6494	Payroll outside fringe benefits	6499	Payroll burden distributed - transfer
JU # 12	Allocate 100%	8030	Store and warehouse	6499	Payroll burden distributed - transfer
JU # 13	Allocate 100% of residual i.e. net balance remaining not recovered from engineering OH (JO)	5006	Engineering	1.1807 - 1.1860	Capital assets (allocations based on YTD actual)
JU # 11	Allocate 100% of residual i.e. net balance remaining not recovered from labour OH (T3), vehicle OH (T5), supervision cost (T4)	6499	Payroll burden distributed	1.1807 - 1.1860	Capital assets (allocations based on YTD actual)
				5110 - 5195	Distribution expense - maintenance (allocations based on YTD actual)

Kitchener-Wilmot Hydro Inc

Overhead Recovery Process - Year 2008

Footnotes

1)

Work order type		Work order type	
A	Standard - capital	A	Standard - capital
B	Standard - maintenance	G	Special - capital
C	Standard - receivable	B	Standard - maintenance
D	Standard - operating	H	Special - maintenance
E	Standard - burden	D	Standard - operating
F	Standard - vehicle	J	Special - operating
G	Special - capital	E	Standard - burden
H	Special - maintenance	F	Standard - vehicle
I	Special - receivable maint	C	Standard - receivable
J	Special - operating	I	Special - receivable maint
K	Special - receivable job cost	K	Special - receivable job cost
L	Standard - payroll B/S liability	L	Standard - payroll B/S liability

2)

Doc Type		Object
JA	Material overhead	2075
TJ	Direct labour	2057
T3	Labour overhead	2070
T5	Vehicle overhead	2085
T4	Supervision overhead	2087
JO	Engineering overhead	2072

Canada Revenue Agency

T2 CORPORATION INCOME TAX RETURN

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Ontario (for tax years ending before 2009), Quebec, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or the *T2 Corporation - Income Tax Guide*.

Identification

Business Number (BN) ..... **001** 863603726 **R C** 0001

Corporation's name

002 Kitchener-Wilmot Hydro Inc.

Has the corporation changed its name since the last time you filed your T2 return? ..... **003** 1 Yes ☐ 2 No ☒

If **yes**, do you have a copy of the articles of amendment? ***(Do not submit)*** ... **004** 1 Yes ☐ 2 No ☐

Address of head office

Has this address changed since the last time you filed your T2 return? ..... **010** 1 Yes ☐ 2 No ☒
(If **yes**, complete lines 011 to 018)

011 301 Victoria Street South

012

City	Province, territory, or state
015 Kitchener	**016** ON
Country (other than Canada)	Postal code/Zip code
017	**018** N2G4L2

Mailing address (if different from head office address)

Has this address changed since the last time you filed your T2 return? ..... **020** 1 Yes ☐ 2 No ☒
(If **yes**, complete lines 021 to 028)

021 c/o

022

023

City	Province, territory, or state
025	**026**
Country (other than Canada)	Postal code/Zip code
027	**028**

Location of books and records

Has the location of books and records changed since the last time you filed your T2 return? ..... **030** 1 Yes ☐ 2 No ☒
(If **yes**, complete lines 031 to 038)

031 301 Victoria Street South

032

City	Province, territory, or state
035 Kitchener	**036** ON
Country (other than Canada)	Postal code/Zip code
037	**038** N2G4L2

040 Type of corporation at the end of the tax year

1 ☒ Canadian-controlled private corporation (CCPC)
2 ☐ Other private corporation
3 ☐ Public corporation
4 ☐ Corporation controlled by a public corporation
5 ☐ Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change. **043** _____ YYYY MM DD

To which tax year does this return apply?

Tax year start **060** 2008/01/01 YYYY MM DD

Tax year-end **061** 2008/12/31 YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? ..... **063** 1 Yes ☐ 2 No ☒

If **yes**, provide the date control was acquired ..... **065** _____ YYYY MM DD

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? ..... **066** 1 Yes ☐ 2 No ☒

Is the corporation a professional corporation that is a member of a partnership? ..... **067** 1 Yes ☐ 2 No ☒

Is this the first year of filing after:
Incorporation? ..... **070** 1 Yes ☐ 2 No ☒
Amalgamation? ..... **071** 1 Yes ☐ 2 No ☒
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? ..... **072** 1 Yes ☐ 2 No ☒
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? ..... **076** 1 Yes ☐ 2 No ☒

Is this the final return up to dissolution? ..... **078** 1 Yes ☐ 2 No ☒

Is the corporation a resident of Canada?
080 1 Yes ☒ 2 No ☐
If **no**, give the country of residence on line 081 and complete and attach Schedule 97.

081

Is the non-resident corporation claiming an exemption under an income tax treaty? ..... **082** 1 Yes ☐ 2 No ☒
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

085
1 ☐ Exempt under paragraph 149(1)(e) or (l)
2 ☐ Exempt under paragraph 149(1)(j)
3 ☐ Exempt under paragraph 149(1)(t)
4 ☐ Exempt under other paragraphs of section 149

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 RC 0001	2008	12	31

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules - Answer the following questions. For each *Yes* response, **attach** to the T2 return the schedule that applies.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166		T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		___
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205		5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207	X	7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210		10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming reserves of any kind?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231		31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233		___
Is the total taxable capital employed in Canada of the corporations and its associated corporations over $10,000,000?	234		___
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	236		36
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 RC 0001	2008	12	31

Attachments - continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134-A
Did the corporation have any controlled foreign affiliates?	258		T1134-B
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	X	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

Is the corporation inactive?	280	1 Yes	2 No X
Has the major business activity changed since the last return was filed? (enter **yes** for first-time filers)	281	1 Yes	2 No X

What is the corporation's major business activity? (Only complete if **yes** was entered at line 281) **282** Electricity distribution

If the major business activity involves the resale of goods, show whether it is wholesale or retail **283** 1 Wholesale 2 Retail

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	Electricity Distribution	**285**	100.00%
286		**287**	%
288		**289**	%

Did the corporation immigrate to Canada during the tax year?	291	1 Yes	2 No X
Did the corporation emigrate from Canada during the tax year?	292	1 Yes	2 No X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes	2 No
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible (YYYY MM DD)	294		
If the corporation's major business activity is construction, did you have any sub-contractors during the tax year?	295	1 Yes	2 No

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI	300		8,136,826	A
Deduct: Charitable donations from Schedule 2	311	200		
Gifts to Canada, a province, or a territory from Schedule 2	312			
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Gifts of medicine from Schedule 2	315			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320			
Part VI.1 tax deduction*	325			
Non-capital losses of previous tax years from Schedule 4	331			
Net capital losses of previous tax years from Schedule 4	332			
Restricted farm losses of previous tax years from Schedule 4	333			
Farm losses of previous tax years from Schedule 4	334			
Limited partnership losses of previous tax years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal		200	▶ 200	B
Subtotal (amount A **minus** amount B)(if negative, enter "0")			8,136,626	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355			D
Taxable income (amount C **plus** amount D)	360		8,136,626	
Income exempt under paragraph 149(1)(t)	370			
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)			8,136,626	Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7 ..... **400** 7,038,904 A

Taxable income from line 360, **minus** 10/3 of the amount on line 632*, **minus** 3 times the amount on line 636**, and **minus** any amount that, because of federal law, is exempt from Part I tax ..... **405** 8,136,626 B

Calculation of the business limit:

For all CCPCs, calculate the amount at line 4 below.

300,000 X (Number of days in the tax year in 2006 / Number of days in the tax year: ____ / 366) = ____ 1

400,000 X (Number of days in the tax year after 2006 / Number of days in the tax year: 366 / 366) = ____ 2

Add amounts at lines 1 and 2 ____ 4

Business limit (see notes 1 and 2 below) ..... **410** ____ C

Notes: 1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.

2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C ____ X **415 ***** ____ / 11,250 D = ... ____ E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") ..... **425** ____ F

Small business deduction

Amount A, B, C, or F whichever is the least: ____ X (Number of days in the tax year before January 1, 2008 / Number of days in the tax year: ____ / 366) X 16% = ____ 5

Amount A, B, C, or F whichever is the least: ____ X (Number of days in the tax year after December 31, 2007, and before January 1, 2009 / Number of days in the tax year: 366 / 366) X 17% = ____ 6

Amount A, B, C, or F whichever is the least: ____ X (Number of days in the tax year after December 31, 2008 / Number of days in the tax year: ____ / 366) X 17% = ____ 7

Total of amounts 5, 6, and 7 - Enter on line 9 **430** <NIL> G

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

*** **Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)] ..... **435** ____ H

Amount H ____ X (Number of days in the tax year in 2006 / Number of days in the tax year: ____ / 366) X 5% = ____ I

Amount H ____ X (Number of days in the tax year in 2007 / Number of days in the tax year: ____ / 366) X 7% = ____ J

Note: Resource deduction is no longer available for tax years starting after December 31, 2006.

Resource deduction - Total of amounts I and J ..... **438** ____ K
Enter amount K on line 10.

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008/	12/	31

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360			8,136,626 A
Amount Z1 from Part 9 of Schedule 27		B	
Amount QQ from Part 13 of Schedule 27		C	
Taxable resource income from line 435		D	
Amount used to calculate the credit union deduction from Schedule 17		E	
Amount from line 400, 405, 410, or 425, whichever is the least		F	
Aggregate investment income from line 440	1,097,922	G	
Total of amounts B, C, D, E, F, and G	1,097,922	▶	1,097,922 H
Amount A **minus** amount H (if negative, enter "0")			7,038,704 I

Amount I	7,038,704	x	Number of days in the tax year before January 1, 2008 / Number of days in the tax year	366	X 7%	=		J
Amount I	7,038,704	x	Number of days in the tax year after December 31, 2007, and before January 1, 2009 / Number of days in the tax year	366 / 366	X 8.5%	=	598,290	K
Amount I	7,038,704	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010 / Number of days in the tax year	366	X 9%	=		L
Amount I	7,038,704	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011 / Number of days in the tax year	366	X 10%	=		L.1

General tax reduction for Canadian-controlled private corporations - Total of amounts J, K, L, and L.1 ..... 598,290 M

Enter amount M on line 638.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)			N
Amount Z1 from Part 9 of Schedule 27		O	
Amount QQ from Part 13 of Schedule 27		P	
Taxable resource income from line 435		Q	
Amount used to calculate the credit union deduction from Schedule 17		R	
Total of amounts O, P, Q, and R		▶	S
Amount N **minus** amount S (if negative, enter "0")			T

Amount T		x	Number of days in the tax year before January 1, 2008 / Number of days in the tax year	366	X 7%	=		U
Amount T		x	Number of days in the tax year after December 31, 2007, and before January 1, 2009 / Number of days in the tax year	366 / 366	X 8.5%	=		V
Amount T		x	Number of days in the tax year after December 31, 2008, and before January 1, 2010 / Number of days in the tax year	366	X 9%	=		W
Amount T		x	Number of days in the tax year after December 31, 2009, and before January 1, 2011 / Number of days in the tax year	366	X 10%	=		W.1

General tax reduction - Total of amounts U, V, W, and W.1 X

Enter amount X on line 639.

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7	**440** 1,097,922	X 26 2/3 % =	292,779	A
Foreign non-business income tax credit from line 632				
Deduct:				
Foreign investment income from Schedule 7	**445**	X 9 1/3 % = (if negative, enter "0")	▶	B
Amount A **minus** amount B (if negative, enter "0")			292,779	C
Taxable income from line 360		8,136,626		
Deduct:				
Amount from line 400, 405, 410, or 425, whichever is the least				
Foreign non-business income tax credit from line 632	X 25/9 =			
Foreign business income tax credit from line 636	X 3 =			
		▶		
		8,136,626	X 26 2/3 %= 2,169,767	D
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780)		1,753,160		
Deduct: Corporate surtax from line 600				
Net amount		1,753,160	▶ 1,753,160	E
Refundable portion of Part I tax - Amount C, D, or E, whichever is the least			**450** 292,779	F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year	**460** 475,749			
Deduct: Dividend refund for the previous tax year	**465** 475,749			
		▶		G
Add the total of:				
Refundable portion of Part I tax from line 450 above	292,779			
Total Part IV tax payable from Schedule 3				
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	**480**			
	292,779	▶	292,779	H
Refundable dividend tax on hand at the end of the tax year - Amount G **plus** amount H			**485** 292,779	

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 3 of Schedule 3	2,300,000	X 1/3	766,667	I
Refundable dividend tax on hand at the end of the tax year from line 485 above			292,779	J
Dividend refund - Amount I or J, whichever is less (enter this amount on line 784)			292,779	

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Part I tax

Base amount of Part I tax - Taxable income (line 360 or amount Z, whichever applies) **multiplied** by 38% ..... **550** 3,091,918 **A**

Corporate surtax calculation

Base amount from line A above		3,091,918	1
Deduct:			
10% of taxable income (line 360 or amount Z, whichever applies)		813,663	2
Investment corporation deduction from line 620 below			3
Federal logging tax credit from line 640 below			4
Federal qualifying environmental trust tax credit from line 648 below			5
For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:			
28% of taxable income from line 360	2,278,255 a		
28% of taxed capital gains	b		6
Part I tax otherwise payable (line A **plus** lines C and D **minus** line F)	1,753,160 c		
Total of lines 2 to 6		813,663	7
Net amount (line 1 **minus** line 7)		2,278,255	8

Corporate surtax*

Line 8 2,278,255 x (Number of days in the tax year before January 1, 2008 / Number of days in the tax year) 366 X 4% = **600** <NIL> B

* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 ..... **602** C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440		1,097,922	i
Taxable income from line 360	8,136,626		
Deduct:			
Amount from line 400, 405, 410, or 425, whichever is the least			
Net amount	8,136,626 ▶	8,136,626	ii

Refundable tax on CCPC's investment income - 6 2/3 % of whichever is less: amount i or ii ..... **604** 73,195 D

Subtotal (**add** lines A, B, C, and D) 3,165,113 E

Deduct:

Small business deduction from line 430			9
Federal tax abatement	**608**	813,663	
Manufacturing and processing profits deduction from Schedule 27	**616**		
Investment corporation deduction	**620**		
Taxed capital gains **624**			
Additional deduction - credit unions from Schedule 17	**628**		
Federal foreign non-business income tax credit from Schedule 21	**632**		
Federal foreign business income tax credit from Schedule 21	**636**		
Resource deduction from line 438			10
General tax reduction for CCPCs from amount M	**638**	598,290	
General tax reduction from amount X	**639**		
Federal logging tax credit from Schedule 21	**640**		
Federal political contribution tax credit	**644**		
Federal political contributions **646**			
Federal qualifying environmental trust tax credit	**648**		
Investment tax credit from Schedule 31	**652**		
Subtotal		1,411,953 ▶	1,411,953 F

Part I tax payable - Line E **minus** line F ..... 1,753,160 G

Enter amount G on line 700.

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 RC 0001	2008	12	31

Summary of tax and credits

Federal tax

Part I tax payable	700	1,753,160
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 surtax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		1,753,160

Add provincial or territorial tax:

Provincial or territorial jurisdiction **750** Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Ontario [for tax years ending before 2009], Quebec, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	
Total tax payable	770	1,753,160 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	292,779
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	1,477,656
Total credits	890	1,770,435 B

Balance (line A **minus** line B) 1,770,435 − 17,275

Refund code **894** ☐ Overpayment 17,275

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.
Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid .....

Enclosed payment **898**

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information **910** Branch number

914 Institution number **918** Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? ..... **896** 1 Yes ☐ 2 No ☒

Certification

I, **950** Guthrie (Last name in block letters) **951** Geraldine (First name in block letters) **954** VP Finance & CFO (Position, office, or rank),

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2009/04/17 (Date (yyyy/mm/dd)) _____ (Signature of the authorized signing officer of the corporation) **956** (519) 749-6191 (Telephone number)

Is the contact person the same as the authorized signing officer? If **no**, complete the information below ..... **957** 1 Yes ☐ 2 No ☒

958 MARGARET NANNINGA (Name in block letters) **959** (519) 749-6177 (Telephone number)

Language of correspondence - Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French. **990** 1

Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français.

Canada Revenue Agency

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the *T2 Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements				5,159,525 **A**
Add:				
Provision for income taxes - current	**101**	2,565,279		
Provision for income taxes - deferred	**102**			
Interest and penalties on taxes	**103**			
Amortization of tangible assets	**104**	9,879,767		
Amortization of natural resource assets	**105**			
Amortization of intangible assets	**106**			
Recapture of capital cost allowance from Schedule 8	**107**			
Gain on sale of eligible capital property from Schedule 10	**108**			
Income or loss for tax purposes - joint ventures or partnerships	**109**			
Loss in equity of subsidiaries and affiliates	**110**			
Loss on disposal of assets	**111**			
Charitable donations and gifts from Schedule 2	**112**	200		
Taxable capital gains from Schedule 6	**113**			
Political donations	**114**			
Holdbacks	**115**			
Deferred and prepaid expenses	**116**			
Depreciation in inventory - end of year	**117**			
Scientific research expenditures deducted per financial statements	**118**			
Capitalized interest	**119**			
Non-deductible club dues and fees	**120**			
Non-deductible meals and entertainment expenses	**121**	24,260		
Non-deductible automobile expenses	**122**			
Non-deductible life insurance premiums	**123**			
Non-deductible company pension plans	**124**			
Tax reserves deducted in prior year from Schedule 13	**125**			
Reserves from financial statements - balance at the end of the year	**126**			
Soft costs on construction and renovation of buildings	**127**			
Non-deductible fines and penalties under section 67.6	**128**			
Total of fields 201 to 294 on page 2	**199**	379,217		
Total of fields 101 to 199	**500**	12,848,723	▶	12,848,723
Deduct:				
Gain on disposal of assets per financial statements	**401**	38,545		
Dividends not taxable under section 83 from Schedule 3	**402**			
Capital cost allowance from Schedule 8	**403**	9,046,011		
Terminal loss from Schedule 8	**404**			
Cumulative eligible capital deduction from Schedule 10	**405**			
Allowable business investment loss - Schedule 6	**406**			
Foreign non-business tax deduction under subsection 20(12)	**407**			
Holdbacks	**408**			
Deferred and prepaid expenses	**409**			
Depreciation in inventory - end of prior year	**410**			
Scientific research expenses claimed in year from Form T661	**411**			
Tax reserves claimed in current year from Schedule 13	**413**			
Reserves from financial statements - balance at the beginning of the year	**414**			
Patronage dividends from Schedule 16	**416**			
Contributions to deferred income plans from Schedule 15	**417**			
Total of fields 300 to 394 on page 3	**499**	786,866		
Total of fields 401 to 499	**510**	9,871,422	▶	9,871,422
Net income (loss) for income tax purposes - enter on line 300 on page 3 of the T2 return				8,136,826

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Add:

Accounts payable and accruals for cash basis - closing	201	
Accounts receivable and prepaid for cash basis - opening	202	
Accrual inventory - opening	203	
Accrued dividends - prior year	204	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
All crown charges, royalties, rentals, etc.		
- Non-deductible crown payments		
- Taxable portion of Alberta royalty tax credit and other rebates 12(1)(x.2)		
- Other		
Total	207	
Debt issue expense	208	
Deemed dividend income	209	
Deemed interest on loans to non-residents	210	
Deemed interest received	211	
Development expenses claimed in current year	212	
Dividend stop-loss adjustment	213	
Dividends credited to the investment account	214	
Exploration expenses claimed in current year	215	
Financing fees deducted in books	216	
Foreign accrual property income	217	
Foreign affiliate property income	218	
Foreign exchange included in retained earnings	219	
Gain on settlement of debt	220	
Interest paid on income debentures	221	
Limited partnership losses from Schedule 4	222	
Loss from international banking centres	223	
Mandatory inventory adjustment - included in current year	224	
Mining royalties (provincial mining taxes)	225	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Optional value of inventory - included in current year	229	
Other expenses from financial statements		
- for resource loss		
- others		
Total	230	
Recapture of SR&ED expenditures - Form T661	231	
Resource amounts deducted	232	
Restricted farm losses - current year - Schedule 4	233	
Sales tax assessments	234	
Share issue expense	235	
Write-down of capital property	236	
Amounts received in respect of qualifying environmental trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years - previous year	238	

Other additions:

600	Non-deductible PBO Accrual	290	212,463
601	Non-deductible Bad Debt Accrual	291	166,754
602		292	
603		293	
604a			
604b		294	

Total of fields 201 to 294 (enter this amount at line 199 on page 1) 379,217

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Deduct:

Accounts payable and accruals for cash basis - opening	**300**	
Accounts receivable and prepaid for cash basis - closing	**301**	
Accrual inventory - closing	**302**	
Accrued dividends - current year	**303**	
Bad debt	**304**	
Book income of joint venture or partnership	**305**	
Equity in income from subsidiaries or affiliates	**306**	
Exempt income under section 81	**307**	
Income from international banking centres	**308**	
Mandatory inventory adjustment - included in prior year	**309**	
Contributions to a qualifying environmental trust	**310**	
Non-Canadian advertising expenses - broadcasting	**311**	
Non-Canadian advertising expenses - printed materials	**312**	
Optional value of inventory - included in prior year	**313**	
Other income from financial statements	**314**	
Payments made for allocations in proportion to borrowing and bonus interest payment from Schedule 17	**315**	
Contractors' completion method adjustment: revenue net of costs on contracts under 2 years - current year	**316**	

Resource deductions:

Canadian development expenses from Schedule 12	**340**	
Canadian exploration expenses from Schedule 12	**341**	
Canadian oil and gas property expenses from Schedule 12	**342**	
Deductible crown charges	**343**	
Depletion from Schedule 12	**344**	
Foreign exploration and development expenses from Schedule 12	**345**	
Resource allowance	**346**	

Other deductions:

700	Bad Debts	**390**	205,034
701	Actual Benefit Obligations	**391**	200,856
702	Capital Tax Adjustment	**392**	380,976
703		**393**	
704		**394**	

Total of fields 300 to 394 (enter this amount at line 499 on page 1) 786,866

Canada Revenue Agency

CHARITABLE DONATIONS AND GIFTS

SCHEDULE 2

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return.*
- For more information, see the *T2 Corporation - Income Tax Guide.*

Part 1 - Charitable donations

Charitable donations at the end of the previous tax year				
Deduct: Charitable donations expired after five tax years	**239**			
Charitable donations at the beginning of the tax year	**240**		▶	
Add:				
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	**250**			
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	**210**	200		
Subtotal (line 250 **plus** line 210)			200	
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	**255**			
Total charitable donations available			200	**A**
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	**260**	200		
Charitable donations closing balance	**280**			

Part 2 - Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes * **multiplied** by 75%			6,102,620	**B**
Taxable capital gains arising in respect of gifts of capital property included in Part 1 **	**225**			**C**
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	**227**			**D**
The amount of the recapture of capital cost allowance in respect of charitable gifts	**230**			
Proceeds of disposition, less outlays and expenses **				**E**
Capital cost **				**F**
Amount E or F, whichever is less	**235**			
Amount on line 230 or 235, whichever is less				**G**
Subtotal (**add** amounts C, D, and G)				**H**
Amount H **multiplied** by 25%				**I**
Subtotal (amount B **plus** amount I)			6,102,620	**J**
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)			200	**K**

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008	12	31

Part 3 - Gifts to Canada, a province, or a territory

Gifts to Canada, a province, or a territory at the end of the previous tax year			
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	339		
Gifts to Canada, a province, or a territory at the beginning of the tax year	340		▶
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current-year gifts made to Canada, a province, or a territory *	310		
Subtotal (line 350 **plus** line 310)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355		
Total gifts to Canada, a province, or a territory available			
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return)	360		
Gifts to Canada, a province, or a territory closing balance	380		

* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 - Gifts of certified cultural property

Gifts of certified cultural property at the end of the previous tax year			
Deduct: Gifts of certified cultural property expired after five tax years	439		
Gifts of certified cultural property at the beginning of the tax year	440		▶
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450		
Total current-year gifts of certified cultural property	410		
Subtotal (line 450 **plus** line 410)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455		
Total gifts of certified cultural property available			
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460		
Gifts of certified cultural property closing balance	480		

Part 5 - Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the previous tax year			
Deduct: Gifts of certified ecologically sensitive land expired after five tax years	539		
Gifts of certified ecologically sensitive land at the beginning of the tax year	540		▶
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550		
Total current-year gifts of certified ecologically sensitive land	510		
Subtotal (line 550 **plus** line 510)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555		
Total gifts of certified ecologically sensitive land available			
Deduct: Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560		
Gifts of certified ecologically sensitive land closing balance	580		

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008	12	31

Part 6 - Additional deduction for gifts of medicine

Additional deduction for gifts of medicine at the end of the previous tax year . . . . . _____

Deduct: Additional deduction for gifts of medicine expired after five tax years . . . . . **639** _____

Additional deduction for gifts of medicine at the beginning of the tax year . . . . . **640** _____ ▶ _____

Add: Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary . . . . . **650** _____

Additional deduction for gifts of medicine for the current year:

Proceeds of disposition	**602**	_____	1
Cost of gifts of medicine	**601**	_____	2
Subtotal (line 1 **minus** line 2)		_____	3
Line 3 **multiplied** by 50% . . .		_____	4
Eligible amount of gifts	**600**	_____	5

A _____ x (**B** _____ / **C**) = Additional deduction for gifts of medicine for the current year **610** _____

where:

A is the **lesser** of line 2 and line 4

B is the eligible amount of gifts (line 600)

C is the proceeds of disposition (line 602)

Subtotal (line 650 **plus** line 610) _____

Deduct: Adjustment for an acquisition of control . . . . . **655** _____

Total additional deduction for gifts of medicine available . . . . . _____

Deduct: Amount applied against taxable income (enter this amount on line 315 of the T2 return) . . . . . **660** _____

Additionnal deduction for gifts of medicine closing balance . . . . . **680** _____

Part 7 - Amount available for carryforward by year of origin

You can complete this part to show all the donations and gifts from previous years available for carryforward by year of origin. This will help you determine the amount that could expire in following years.

Year of origin YYYY/MM/DD	Charitable donations available for carryforward	Gifts to Canada, a province, or a territory available for carryforward	Gifts of certified cultural property available for carryforward	Gifts of certified ecologically sensitive land available for carryforward	Additional deduction for gifts of medicine available for carryforward
2004/12/31					
2005/12/31					
2006/12/31					
2007/12/31					
2008/12/31					
Totals					

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008/12/31		

Part 8 - Carry forwards of charitable donations

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31				<NIL>	
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31		200	200		<NIL>
Totals		200	200		<NIL>

Part 9 - Carry forwards of gifts to Canada, a province, or a territory

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Part 10 - Carry forwards of gifts of certified cultural property

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Part 11 - Carry forwards of gifts of certified ecologically sensitive land

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Part 12 - Carry forwards of additional deduction for gifts of medicine

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Name of Corporation	Business Number	Tax Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008/12/31

Charitable Donations

SCHEDULE 2 - Federal Supplement

Name of Recipient (for donations of $100 or more)	Registration Number	Amount
Heart and Stroke Foundation		100
Historic St. Paul's Lutheran Church		100
Total donations of less than $100 each		
Sub-Total		200

Canada Revenue Agency

DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID AND PART IV TAX CALCULATION

SCHEDULE 3

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid for purposes of a dividend refund (see page 2).
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in the taxation year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- If you need more space, continue on a separate schedule.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return.*
- For more information, see the sections about Schedule 3 in the *T2 Corporation Income Tax Guide.*

Part 1 - Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

	Complete if payer corporation is connected			
A Name of payer corporation **200**	B * **205**	C Business Number Enter **NR** if the corporation does not have a Business Number **210**	D Taxation year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends were paid **220**	E Non-taxable dividend under section 83 **230**
	1			

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008	12	31

Part 1 continued - Dividends received during the taxation year

Do not include dividends received from foreign non-affiliates.

				If payer corporation is not connected, leave these columns blank.		
A Name of payer corporation **200**	F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a),(b), or (d) **240**	F1 Eligible dividends ***	F2 ****	G Total taxable dividends paid by connected payer corporation **250**	H Dividend refund of the connected payer corporation **260**	I Part IV tax before deductions F x 1/3 ** **270**
Total					**Total**	J

(enter on line 320 of the T2 return)

For dividends received from connected corporations: Part IV tax equals: $\frac{\text{Column F x Column H}}{\text{Column G}}$

** Life insurers are not subject to Part IV tax on subsection 138(6) dividends. Public corporations (other than subject corporations) do not need to calculate Part IV tax.

*** Enter in column F1, the amount of dividends received reported in column 240 that are eligible.

**** Under column F2, enter the code that applies to the deductible taxable dividend.

Note: If your corporation's taxation year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one taxation year of the payer corporation. If so, use a separate line to provide the information for each taxation year of the payer corporation.

Name of Corporation	Business Number	Tax Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001	2008/12/31		

Part 2 - Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1) .....

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax **330**

Non-capital losses from previous years claimed to reduce Part IV tax **335**

Current-year farm loss claimed to reduce Part IV tax **340**

Farm losses from previous years claimed to reduce Part IV tax **345**

Total losses applied against Part IV tax X 1/3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

Part 3 - Taxable dividends paid in the taxation year for purposes of a dividend refund

A	B	C	D
Name of connected recipient corporation **400**	Business Number **410**	Taxation year end of connected recipient corporation in which the dividends in column D were received **420** YYYY / MM / DD	Taxable dividends paid to connected corporations **430**
Kitchener Power Corp	863603924 RC 0001	2008/12/31	2,300,000

Note

If your corporation's taxation year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one taxation year of the recipient corporation. If so, use a separate line to provide the information for each taxation year of the recipient corporation.

Total 2,300,000

Total taxable dividends paid in the taxation year to other than connected corporations **450**

Total taxable dividends paid in the taxation year for the purpose of a dividend refund (total of column D above plus line 450) **460** 2,300,000

Part 4 - Total dividends paid in the taxation year

Complete this part if the total taxable dividends paid in the taxation year for purposes of a dividend refund (line 460 above) is different from the total dividends paid in the taxation year.

Total dividends paid in the taxation year **500** 2,300,000

Deduct:

Dividends paid out of capital dividend account **510**

Capital gains dividends **520**

Dividends paid on shares described in subsection 129(1.2) **530**

Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year **540**

Subtotal ▶

Total taxable dividends paid in the taxation year for purposes of a dividend refund 2,300,000

Canada Revenue Agency

SCHEDULE 7

CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

- This schedule is for the use of Canadian-controlled private corporations to calculate:
  - aggregate investment income and foreign investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the *Income Tax Act;*
  - specified partnership income for members of one or more partnership(s); and
  - income from an active business carried on in Canada for the small business deduction.
- For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation - Income Tax Guide.*

Part 1 and 2 - Aggregate and foreign investment income calculation

		Canadian investment income	Foreign investment income	Aggregate investment income	
The eligible portion of taxable capital gains included in income for the year			**001**	**002**	A
	Eligible portion of allowable capital losses for the year (including allowable business investment losses)		**009**	**012**	B
	Net capital losses of other years claimed on line 332 on the T2 return			**022**	C
Total of amounts B and C					D
Amount A **minus** amount D (if negative, enter "0")					E
Total income from property (in box 32 include income from a specified investment business carried on in Canada other than income from a source outside Canada)		1,097,922	**019**	**032** 1,097,922	F
	Exempt income		**029**	**042**	G
	Amounts received from AGRI Fund No. 2 that were included in computing the corporation's income for the year			**052**	H
	Taxable dividends deductible (total of Column F on Schedule 3)		**049**	**062**	I
	Business income from an interest in a trust that is considered property income under paragraph 108(5)(a)		**059**	**072**	J
Total of amounts G, H, I, and J					K
Amount F **minus** amount K		1,097,922		1,097,922	L
Total of amount E **plus** amount L		1,097,922		1,097,922	M
Total losses from property (in box 82 include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)			**069**	**082**	N
Amount M **minus** amount N (if negative, enter "0")		1,097,922	**079** L 0	**092** O 1,097,922	

Note: The aggregate investment income is the aggregate world source income.

Enter amount L, foreign investment income, on line 445 of the T2 return.
Enter amount O, aggregate investment income, on line 440 of the T2 return.

Part 3 - Specified partnership income

	A Partnership name 200	B Total income (loss) of partnership from an active business 300	C Corporation's share of amount in column B 310
1.			
2.			
3.			
4.			
5.			

	D Adjustments [add prior-year reserves under subsection 34.2(5), and deduct expenses incurred to earn partnership income, including any reserve under subsection 34.2(4)] 315	E Corporation's income (loss) of the partnership (column C **plus** column D) 320	F Number of days in the partnership's fiscal period 325	G Prorated business limit (column C / column B) x [business limit* x (column F/365)] (if column C is negative, enter "0")** 330	H Column E **minus** column G (if negative, enter "0") 385	I Lesser of columns E and G (if column E is negative, enter "0") 360
1.				0		0
2.				0		0
3.				0		0
4.				0		0
5.				0		0
Total		350		Total		

Corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) - enter as a positive amount **370**

Specified partnership loss of the corporation for the year - enter as a positive amount (total of all negative amounts in column E) **380**

Total of lines 370 and 380 ..... ▶ J

Amount at line 385 or line J, whichever is less **390** 0

Specified partnership income (line 360 **plus** line 390) **400**

* Use one of the following business limits to calculate column G, whichever applies:

- $250,000 if the corporation's tax year ends in 2004;
- $300,000 if the corporation's tax year ends in 2005 or 2006; or
- $400,000 if the corporation's tax year ends after 2006;

** When a partnership carries on more than one business, one of which generates income and another of which realizes a loss, the loss is not netted against the partnership's income.

Part 4 - Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses - from line 350 above (if the net amount is negative, enter "0" on line O) ..... K

Add: Specified partnership loss (from line 380 above) L

Subtotal M

Deduct: Specified partnership income (from line 400 above) ..... N

Partnership income* (enter on line S below) ..... **450** 0 O

Part 5 - Income from active business carried on in Canada

Net income for income tax purposes from line 300 of the T2 return ..... 8,136,826 P

Deduct: Foreign business income after deducting related expenses* **500**

Taxable capital gains **minus** allowable capital loss- amount A **minus** amount B* (page 1)** .....

Net property income = amount F **minus** amounts G, H, and N* (page 1) 1,097,922 Q

Personal services business income after deducting related expenses* **520**

1,097,922 ▶ 1,097,922

Net amount 7,038,904 R

Deduct: Partnership income (line 450 above) ..... S

Income from active business carried on in Canada (enter on line 400 of the T2 return - if negative, enter "0") ..... 7,038,904 T

* If negative, enter amount in brackets, and **add** instead of **subtracting**.

** This amount may only be negative to the extent of any allowable business investment losses.

Name of Corporation	Business Number	Tax year-end	Year	Month	Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008	12	31

Total income from property

	Canadian		Foreign	
Net rental income before CCA				
Less: Capital cost allowance				
Subtotal				
Interest income	1,097,922			
Less: Related expenses				
Subtotal	1,097,922	1,097,922		
Dividends under section 112 & 113				
Less: Related expenses				
Subtotal				
Other dividends				
Less: Related expenses				
Subtotal				
Property income from an interest in a trust				
Less: Related expenses				
Subtotal				
Other investment income				
Total Property Income		1,097,922		<NIL>
Total Property Losses		<NIL>		<NIL>

Canada Revenue Agency

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8 - Federal

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide.*

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

1 Class no.	Description	2 Undepreciated capital cost at the beginning of the year (column 11 from last year's T2S(8))	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (deduct 1/2 the amount, if any, by which the net cost of acquisitions exceeds col. 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Capital cost allowance (column 8 mulitiplied by column 9; or a lower amount) See note 3 below	11 Undepreciated capital cost at the end of the year (column 6 minus column 10)
200		**201**	**203**	**205**	**207**		**211**		**212**	**217**	**220**
1.0		121727,191				121727,191		121727,191	4.0	4,869,088	116858,103
2.0		11,545,296				11,545,296		11,545,296	6.0	692,718	10,852,578
3.0		3,532,204				3,532,204		3,532,204	5.0	176,610	3,355,594
8.0		763,760	236,892			1,000,652	118,446	882,206	20.0	176,441	824,211
10.0		2,387,647	300,000		52,911	2,634,736	123,545	2,511,191	30.0	753,357	1,881,379
17.0		593,555				593,555		593,555	8.0	47,484	546,071
45.0		424,926				424,926		424,926	45.0	191,217	233,709
46.0		107,337	202,909			310,246	101,455	208,791	30.0	62,637	247,609
47.0		20,710,855	6,057,663			26,768,518	3,028,832	23,739,686	8.0	1,899,175	24,869,343
50.0		208,664	227,342			436,006	113,671	322,335	55.0	177,284	258,722
	Totals	162001,435	7,024,806		52,911	168973,330	3,485,949	165487,381		9,046,011	159927,319

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim. See the T2 Guide for more information.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Canada Revenue Agency

CAPITAL COST ALLOWANCE (CCA) SCHEDULE 8SUM - Federal

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*

Is the corporation electing under regulation 1101(5q)? 1 Yes ☐ 2 No ☒

1 Class number **200**	2 UCC start of year (UCC at end of year of last year) **201**	3 Cost of acquisitions during the year (new property must be available for use) * **203**	4 Net adjustments ** **205**	5 Proceeds of dispositions (amount not to exceed the capital cost) **207**	6 Adjusted UCC	7 50% rule on net acquisitions *** **211**	8 Reduced UCC
reg	162001435	7,024,806		52,911	168973330	3,485,949	165487381
10.1							
13							
14							

	10 Recapture of CCA (line 107 of Schedule 1) **213**	11 Terminal loss (line 404 of Schedule 1) **215**	12 CCA (line 403 of Schedule 1) **** **217**	13 UCC at end of year **220**
reg			9,046,011	159927319
10.1				
13				
14				
Totals			9,046,011	

1 Class number **200**	2 UCC start of year (UCC at end of year of last year) **201**	3 Cost of acquisitions during the year (new property must be available for use) * **203**	4 Net adjustments ** **205**	5 Proceeds of dispositions (amount not to exceed the capital cost) **207**	6 Adjusted UCC	7 50% rule on net acquisitions *** **211**	8 Reduced UCC
24							
27							
29							
34							
Rental							

	10 Recapture of CCA (line 107 of Schedule 1) **213**	11 Terminal loss (line 404 of Schedule 1) **215**	12 CCA (line 403 of Schedule 1) **** **217**	13 UCC at end of year **220**
24				
27				
29				
34				
Rental				
Totals				

Totals:

Recapture		(Schedule 1 Line 107)
Terminal loss		(Schedule 1 Line 404)
CCA Claimed	9,046,011	(Schedule 1 Line 403)

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance - General Comments*.

**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

Canada Revenue Agency

RELATED AND ASSOCIATED CORPORATIONS

SCHEDULE 9

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

This schedule is to be completed by a corporation having one or more of the following:

- related corporation(s)
- associated corporation(s)

Name **100**	Country of residence (other than Canada) **200**	Business number (Canadian corp. only) (Note 1) **300**	Relationship code (Note 2) **400**	Number of common shares owned **500**	% of common shares owned **550**	Number of preferred shares owned **600**	% of preferred shares owned **650**	Book value of capital stock **700**
Kitchener Power Corp.		863603924RC0001	4					66,389,385
Kitchener Energy Services		863759098RC0001	4					10

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1- Parent 2 - Subsidiary 3 - Associated 4 - Related, but not associated.

Canada Revenue Agency

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

SCHEDULE 23

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.

Allocating the business limit

Date filed (do not use this area) ..... **025** Year Month Day

Enter the calendar year to which the agreement applies ..... **050** Year 2008

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? ..... **075** Yes ☐ No ☒

1 Names of associated corporations **100**	2 Business Number of associated corporations **200**	3 Ass'n code **300**	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % **350**	6 Business limit allocated * $ **400**
Kitchener-Wilmot Hydro Inc.	863603726 RC 0001	1		100.00	
Kitchener Power Corp.	863603924 RC 0001	1			
Kitchener Energy Services	863759098 RC 0001	1			
			Total		**A**
			If the taxation year of the corporation is less than 51 weeks enter the prorated business limit in this box		

Canada Revenue Agency

SHAREHOLDER INFORMATION

SCHEDULE 50

Name of Corporation	Business Number	Tax year-end	Year Month Day
Kitchener-Wilmot Hydro Inc.	863603726 **RC** 0001		2008/12/31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder				
	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust) **100**	Business Number **200**	Social insurance number **300**	Trust number **350**	Percentage common shares **400**	Percentage preferred shares **500**
1.	Kitchener Power Corp	863603924RC0001			100.000	
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	31/12/2008

CAPITAL TAX SUPPORTING SCHEDULE

PARTNERSHIPS / JOINT VENTURES INFORMATION:

Corporation's share of paid-up capital:

1. _____ _____
2. _____ _____
3. _____ _____ to (362) _____

Corporation's share of gross revenue:

Corporation's own gross revenue 173,302,020

ADD:

1. _____ _____
2. _____ _____
3. _____ _____

Total gross revenue of corporation & partnerships ..... to (480) 173,302,020

ELIGIBLE INVESTMENTS:

Bonds & debentures of other corporations:

1. _____ _____
2. _____ _____
3. _____ _____ to (402) _____

Mortgages due from other corporations:

1. _____ _____
2. _____ _____
3. _____ _____ to (403) _____

Shares in other corporations:

1. _____ _____
2. _____ _____
3. _____ _____ to (404) _____

Loans & advances to corporations (except amounts due from related corporations with head office outside Canada outstanding less then 120 days) or to a Government:

1. _____ _____
2. _____ _____
3. _____ _____ to (405) _____

Eligible loans and advances to related corporations s.62(5.1)(5.2) certain restrictions apply (Refer to Guide)

1. _____ _____
2. _____ _____
3. _____ _____ to (406) _____

Shares of partnership(s) or joint venture(s) eligible investments:

1. _____ _____
2. _____ _____
3. _____ _____ to (407) _____

LOANS AND ADVANCES:

From corporations or government _____

From shareholders or related persons 76,962,142

From _____ _____

From _____ _____ to (353) 76,962,142

Ontario

Ministry of Revenue

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

2007

CT23 Corporations Tax and Annual Return

For taxation years ending after December 31, 2004

Corporations Tax Act - Ministry of Finance (MOF)
Corporations Information Act - Ministry of Government Services (MGS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Government Services (MGS) **Annual Return.** Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3 - 17. Corporations that **do not** meet the EFF criteria but **do** meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

Ministry Use

MGS Annual Return Required? *(Not required if already filed or Annual Return exempt. Refer to Guide)* [X] Yes [ ] No **Page 1 of 20**

Corporation's Legal Name (*including punctuation*)
Kitchener-Wilmot Hydro Inc.

Ontario Corporations Tax Account No. (MOF)
1800120

Mailing Address
301 Victoria Street South

Kitchener ON
N2G4L2

This Return covers the Taxation Year
Start year month day 2008/01/01
End year month day 2008/12/31

Has the mailing address changed since last filed CT23 Return? [ ] Yes | Date of Change year month day

Date of Incorporation or Amalgamation
year month day 2000/07/01

Registered/Head Office Address
301 Victoria Street South

Kitchener ON
N2G4L2

Ontario Corporation No. (MGS) 7134991

Location of Books and Records
301 Victoria Street South

Kitchener ON
N2G4L2

Canada Revenue Agency Business No.
If applicable, enter
863603726 **RC** 0001

Name of person to contact regarding this CT23 Return | Telephone No. | Fax No.
MARGARET NANNINGA | (519)749-6177 | (519)745-2360

Jurisdiction Incorporated: Ontario

Address of Principal Office in Ontario (*Extra-Provincial Corporations only*) (MGS)

If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased:
Commenced year month day
Ceased year month day
[X] *Not Applicable*

Former Corporation Name (*Extra-Provincial Corporations only*) [X] *Not Applicable* (MGS)

Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). ▶

No. of Schedule(s)

If there is **no change** to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check [X] this box. Schedule(s) A and K are not required (MGS).

▶ [ ] **No Change**

Preferred Language / *Langue de préférence*
[X] English *anglais* [ ] French *français*

Ministry Use

Certification (MGS)

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person (*Print clearly or type in full*)
Geraldine Guthrie

Title D [ ] Director O [X] Officer P [ ] Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable [X] box(es) and complete required information.

Type of corporation

1 [X] 1 Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))
[ ] 2 Other Private
[ ] 3 Public
[ ] 4 Non-share Capital
[ ] 5 Other *(specify)* ▼

Share Capital with full voting rights owned by Canadian Residents (nearest percent) [ ] ●%

2 [ ] 1 Family Farm corporation s.1(2)
[ ] 2 Family Fishing corporation s.1(2)
[ ] 3 Mortgage Investment corporation s.47
[ ] 4 Credit Union s.51
[ ] 5 Bank Mortgage subsidiary s.61(4)
[ ] 6 Bank s.1(2)
[ ] 7 Loan and Trust corporation s.61(4)
[ ] 8 Non-resident corporation s.2(2)(a) or (b)
[ ] 9 Non-resident corporation s.2(2)(c)
[ ] 10 Mutual Fund corporation s.48
[ ] 11 Non-resident owned Investment corporation s.49
[ ] 12 Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
[ ] 14 Bare Trustee corporation
[ ] 15 Branch of Non-resident s.63(1)
[ ] 16 Financial institution prescribed by Regulation only
[ ] 17 Investment Dealer
[ ] 18 Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
[X] 19 Hydro successor, municipal electrical utility or subsidiary of either
[ ] 20 Producer and seller of steam for uses other than for the generation of electricity
[ ] 21 Insurance Exchange s.74.4
[ ] 22 Farm Feeder Finance Co-operative corporation
[ ] 23 Professional corporation (incorporated professionals only)

[ ] This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)
[ ] Amended Return
[ ] Taxation year end change - Canada Revenue Agency approval required
[ ] Final taxation year up to dissolution *(Note: for discontinued businesses, see guide.)*
[ ] Final taxation year before amalgamation
[ ] The corporation has a floating fiscal year end
[ ] There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario
[ ] There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year

If checked, date control was acquired — year / month / day

[ ] The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)
[ ] First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)
[ ] Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

Yes	No	
[ ]	[X]	Was the corporation inactive throughout the taxation year?
[X]	[ ]	Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?
		Are you requesting a refund due to:
[ ]	[X]	the Carry-back of a Loss?
[X]	[ ]	an Overpayment?
[ ]	[X]	a Specified Refundable Tax Credit?
[ ]	[X]	Are you a member of a Partnership or Joint Venture?

Complete if applicable

Ontario Retail Sales Tax Vendor Permit no. (Use head office no.): 85056057

Ontario Employer Health Tax Account no. (Use head office no.): 111148863

Specify major business activity: Electricity distribution

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Income Tax

Allocation - If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39)(Int. B. 3008).

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	±	From	690	8,136,826
Subtract: Charitable donations	−		1	200
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property *(Attach schedule 2)*	−		2	
Subtract: Taxable dividends deductible, per federal Schedule 3	−		3	
Subtract: Ontario political contributions *(Attach Schedule 2A)*(Int.B.3002R)	−		4	
Subtract: Federal Part VI.1 tax _____ X 3	−		5	
Subtract: Prior years' losses applied -				
Non-capital losses	−	From	704	
Net capital losses From 715 (page 16) _____ X inclusion rate 50.000000% =	−		714	
Farm losses	−	From	724	
Restricted farm losses	−	From	734	
Limited partnership losses	−	From	754	
Taxable Income (Non-capital loss)	=		10	8,136,626
Addition to taxable income for unused foreign tax deduction for federal purposes	+		11	
Adjusted Taxable Income 10 + 11 (if 10 is negative, enter 11)	=		20	8,136,626

Taxable Income

From 10 (or 20 if applicable)

	Ontario Allocation		Number of Days in Taxation Year				
8,136,626 X	30 100.0000	% X 12.5% X	Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ÷ Total Days: 73 366	= +	29		
8,136,626 X	30 100.0000	% X 14.0% X	Days after Dec. 31, 2003: 34 366 ÷ Total Days: 73 366	= +	32	1,139,128	
Income Tax Payable (before deduction of tax credits)			29 + 32	=	40	1,139,128	

Incentive Deduction for Small Business Corporations (IDSBC) (s.41)

If this section is not completed, the IDSBC will be denied.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X) ☐ Yes ☒ No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))		50	7,038,904
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+	51	8,136,626
Add: Losses of other years deducted for federal purposes (fed.s.111)	+	52	
Subtract: Losses of other years deducted for Ontario purposes (s.34)	−	53	
	=	8,136,626 ▶ 54	8,136,626
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)		55	

Ontario Business Limit Calculation

320,000 X	Days after Dec. 31, 2002 and before Jan. 1, 2004: 31 ÷ ** 366	= +	46
400,000 X	Days after Dec. 31, 2003: 34 366 ÷ ** 366	= +	47

Business Limit for Ontario purposes: 46 + 47 = 44 500,000 X 48 100.0000 % = 45 500,000

(Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.)

Income eligible for the IDSBC From 30 100.0000 % X 56 500,000 = 60 500,000

*** Ontario Allocation Least of 50 , 54 or 45

**** Note**: Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)*
***** Note**: Adjust accordingly for a floating taxation year and use 366 for a leap year.*
****** Note**: Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).*

continued on Page 5

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Income Tax *continued from Page 4*

Number of Days in Taxation Year

Calculation of IDSBC Rate

7.0% X (Days after Dec. 31, 2002 and before Jan. 1, 2004 [31] ÷ Total Days [73] 366) = + [89]

8.5% X (Days after Dec. 31, 2003 [34] 366 ÷ Total Days [73] 366) = + [90] 8.5000

IDSBC Rate for Taxation Year [89] + [90] = [78] 8.5000

Claim From [60] 500,000 • X From [78] 8.5000 % = [70]

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount in [114] below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

***Taxable Income of the corporation** From [10] (or [20] if applicable) + [80] 8,136,626

If you are a member of an associated group **(X)** [81] X (Yes)

Name of associated corporation (Canadian & foreign) (*If insufficient space, attach schedule*)	Ontario Corporations Tax Account No.(MOF) (if applicable)	Taxation Year End	*Taxable Income (if loss, enter nil)
			+ [82]
			+ [83]
			+ [84]

Aggregate Taxable Income [80] + [82] + [83] + [84] , etc = [85] 8,136,626

Number of Days in Taxation Year

320,000 X (Days after Dec. 31, 2002 and before Jan. 1, 2004 [31] ÷ Total Days [73] 366) = + [115]

400,000 X (Days after Dec. 31, 2003 [34] 366 ÷ Total Days [73] 366) = + [116]

[115] + [116] = 500,000 ▶ − [114] 500,000

(If negative, enter nil) = [86] 7,636,626

Number of Days in Taxation Year

Calculation of Specified Rate for Surtax 4.667% X (Days after Dec. 31, 2002 [38] ÷ Total Days [73] 366) = + [97] 4.2500

From [86] 7,636,626 • X From [97] 4.2500 % = [87] 324,557

From [87] 324,557 • X From [60] 500,000 • ÷ From [114] 500,000 • = [88] 324,557

Surtax Lesser of [70] or [88] = [100]

**** Note: Short Taxation Years -*** Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Income Tax *continued from Page 5*

Additional Deduction for Credit Unions (s.51(4)) *(Attach schedule 17)* - - - - - - - - - - 110

Manufacturing and Processing Profits Credit (M&P) (s.43)

Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: **a)** your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and **b)** the total active business income is $250,000 or less.

Eligible Canadian Profits - + 120

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - - - - − From 56 500,000

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 ____ ÷ From 30 100.0000 % ÷ From 78 8.5000 % = 121 500,000

*Ontario Allocation

Lesser of 56 or 121 - + 122 500,000

120 − 56 + 122 - = 130

Taxable Income - + From 10 8,136,626

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - - - - − From 56 500,000

Add: Adjustments for Surtax on Canadian-controlled private corporations - - - - - - - - - - - - - + From 122 500,000

Subtract: Taxable Income 10 **X** Allocation % to jurisdictions outside Canada - - - - - - - - - - - - - − 140

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses - - - - - - - - − 141 1,097,922

10 − 56 + 122 − 140 − 141 - = 142 7,038,704

Claim

Number of Days in Taxation Year

143 Lesser of 130 or 142	**X** From 30	100.0000 % X 1.5% X	Days after Dec. 31, 2002 and before Jan. 1, 2004: 33	÷ 73	Total Days 366	= +	154
143 Lesser of 130 or 142	**X** From 30	100.0000 % X 2.0% X	Days after Dec. 31, 2003: 34 366	÷ 73	Total Days 366	= +	156

Ontario Allocation

M&P claim for taxation year 154 + 156 - = 160

***Note**: Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))*

Manufacturing and Processing Profits Credit for Electrical Generating Corporations = 161

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity _ _ _ _ _ _ _ _ _ _ = 162

Credit for Foreign Taxes Paid (s.40)

Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). *(Attach schedule)* _ _ _ 170

Credit for Investment in Small Business Development Corporations (SBDC)

Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit 175 ____ Credit Claimed 180

Subtotal of Income Tax 40 − 70 + 100 − 110 − 160 − 161 − 162 − 170 − 180 - - - - = 190 1,139,128

continued on Page 7

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Income Tax *continued from Page 6*

DOLLARS ONLY

Specified Tax Credits *(Refer to Guide)*

Ontario Innovation Tax Credit (OITC) (s.43.3) ***Applies*** to scientific research and experimental development in Ontario.
Eligible Credit From 5620 OITC Claim Form (*Attach original Claim Form*) - - - - - - - - - - - - - - - - + 191

Co-operative Education Tax Credit (CETC) (s.43.4) ***Applies*** to employment of eligible students.
Eligible Credit From 5798 CT23 Schedule 113 *(Attach Schedule 113)* - - - - - - - - - - - - - - - - + 192 1,000

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)
Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions. Name of Production 204
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6) No. of Graduates From 6596
Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. 194
Eligible Credit From 6598 CT23 Schedule 115 *(Attach Schedule 115)* - - - - - - - - - - - - - - - - + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)
Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.
Eligible Credit From 6900 OBPTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* - - - + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)
Applies to labour relating to computer animation and special effects on an eligible production.
Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)
Applies to qualifying R&D expenditures under an eligible research institute contract.
Eligible Credit From 7100 OBRITC Claim Form *(Attach original Claim Form)* - - - - - - - - - - - - - - - + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)
Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.
Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)
Applies to qualifying labour expenditures of eligible products for the taxation year.
Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) - + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)
Applies to qualifying expenditures in respect of eligible Canadian sound recordings.
Eligible Credit From 7500 OSRTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* - - + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13) No. of Apprentices From 5896
Applies to employment of eligible apprentices. 202 7
Eligible Credit From 5898 CT23 Schedule 114 *(Attach Schedule 114)* - - - - - - - - - - - - - - - - + 203 22,185

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 = 220 23,185

Specified Tax Credits ***Applied to reduce Income Tax*** - - - - - - - - - - - - - - - - - - = 225 23,185

Income Tax 190 - 225 **OR Enter NIL if reporting Non-Capital loss** *(amount cannot be negative)* - - - - = 230 1,115,943

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on **Page 8.** If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on **Page 17.**

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the **Application of CMT Credit Carryovers** section part B, on **Page 8.**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Corporate Minimum Tax (CMT)

Total Assets of the corporation - - - - - - - - - - - - - - - - - - + 240 228,514,111

Total Revenue of the corporation - + 241 173,302,020

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group **(x)** 242 X (Yes)

Name of associated corporation (Canadian & foreign) *(if insufficient space attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
See attached schedule			+ 243 107,129,707	+ 244 5,122,930
			+ 245	+ 246
			+ 247	+ 248

Aggregate Total Assets 240 + 243 + 245 + 247 , etc - - - - - - - - - = 249 335,643,818

Aggregate Total Revenue 241 + 244 + 246 + 248 , etc - - - - - - - - - - - - - - - - - - - = 250 178,424,950

Determination of Applicability

Applies if ***either*** Total Assets 249 exceeds $5,000,000 ***or*** Total Revenue 250 exceeds $10,000,000.

Short Taxation Years - Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

Associated Corporation - The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101.**

Calculation: CMT (*Attach Schedule 101.*)

Gross CMT Payable - - CMT Base From Sch. 101 2136 7,724,804 (if negative, enter zero) X From 30 100.0000 (Ontario Allocation) % X 4% = 276 308,992

Subtract: Foreign Tax Credit for CMT purposes *(Attach schedule)* - − 277

Subtract: Income Tax - − From 190 1,139,128

Net CMT Payable (if negative, enter Nil on Page 17.) - = 280 -830,136

If 280 is less than zero and you do not have a CMT credit carryover, transfer 230 from **Page 7** to **Income Tax Summary, on Page 17.**

If 280 is less than zero and you have a CMT credit carryover, complete A & B below.

If 280 is greater than or equal to zero, transfer 230 to **Page 17** and transfer 280 to **Page 17, and** to **Part 4 of Schedule 101: Continuity of CMT Credit Carryovers**.

CMT Credit Carryover available From Schedule 101 - From 2333

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) - + From 190 1,139,128

Gross CMT Payable - - - - - - - - - - - - - - + From 276 308,992

Subtract: Foreign Tax Credit for CMT purposes - - - - - - − From 277

If 276 - 277 is negative, enter NIL in 290 = 308,992 ▶ - - − 290 308,992

Income Tax eligible for CMT Credit - = 300 830,136

B. Income Tax (after deduction of specified credits) - + From 230 1,115,943

Subtract: CMT credit used to reduce income taxes - − 310

Income Tax - = 320 1,115,943

Transfer to page 17

If A & B apply, 310 ***cannot exceed the lesser of*** 230 **,** 300 ***and your CMT credit carryover available*** 2333 **.**
If only B applies, 310 ***cannot exceed the lesser of*** 230 ***and your CMT credit carryover available*** 2333 **.**

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Capital Tax *(Refer to Guide and Int.B. 3011R)*

If your corporation is a Financial Institution (s.58(2)), complete lines 480 *and* 430 *on page 10 then proceed to page 13.*

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 *and* 430 *are both $3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in* 550 *on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.*

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

Paid-up Capital of Non-resident: Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose **business is not carried on solely in Canada** is deemed to be the **greater** of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	+	350	63,689,499
Retained earnings (if deficit, deduct) (Int.B. 3012R)	±	351	43,096,704
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	+	352	
Loans and advances *(Attach schedule)* (Int.B. 3013R)	+	353	76,962,142
Bank loans (Int.B. 3013R)	+	354	
Bankers acceptances (Int.B. 3013R)	+	355	
Bonds and debentures payable (Int.B. 3013R)	+	356	
Mortgages payable (Int.B. 3013R)	+	357	
Lien notes payable (Int.B. 3013R)	+	358	
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	+	359	-11,564,625
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	+	360	
Other reserves not allowed as deductions for income tax purposes *(Attach schedule)* (Int.B. 3012R)	+	361	11,276,949
Share of partnership(s) or joint venture(s) paid-up capital *(Attach schedule(s))* (Int.B. 3017R)	+	362	
Subtotal	=	370	183,460,669
Subtract: Amounts deducted for income tax purposes in excess of amounts booked *(Retain calculations. Do not submit.)* (Int.B. 3012R)	−	371	-833,755
Deductible R&D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	−	372	
Total Paid-up Capital	=	380	184,294,424
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	−	381	
Electrical Generating Corporations Only - All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the *Corporations Tax Act*, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	−	382	
Net Paid-up Capital	=	390	184,294,424

Eligible Investments *(Refer to Guide and Int.B.3015R)*

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	+	402	
Mortgages due from other corporations	+	403	
Shares in other corporations (certain restrictions apply) *(Refer to Guide)*	+	404	
Loans and advances to unrelated corporations	+	405	
Eligible loans and advances to related corporations (certain restrictions apply) *(Refer to Guide)*	+	406	
Share of partnership(s) or joint venture(s) eligible investments *(Attach schedule)*	+	407	
Total Eligible Investments	=	410	

continued on Page 10

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Capital Tax *continued from Page 9*

Total Assets (Int.B.3015R)

Total Assets per balance sheet	+	420	228514,111
Mortgages or other liabilities deducted from assets	+	421	
Share of partnership(s)/joint venture(s) total assets *(Attach schedule)*	+	422	
Subtract: Investment in partnership(s)/joint venture(s)	−	423	
Total Assets as adjusted	=	430	228514,111
Amounts in 360 and 361 (if deducted from assets)	+	440	11,276,949
Subtract: Amounts in 371 , 372 and 381	−	441	-833,755
Subtract: Appraisal surplus if booked	−	442	
Add or Subtract: Other adjustments (specify on an attached schedule)	±	443	
Total Assets	=	450	240624,815

Investment Allowance (410 ÷ 450) X 390 **Not to exceed** 410 = 460

Taxable Capital 390 - 460 = 470 184294,424

Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue) 480 173,302,020

Total Assets (as adjusted) From 430 228,514,111

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: *This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004.*

Financial Institutions use calculations on page 13.

Important: If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only **Section A below**.

OR If the corporation is **not** a member of an associated group and/or partnership, complete **Section B below**, then review only the Capital Tax calculations in **Section C on page 11**, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.

OR If the corporation **is** a member of an associated group and/or partnership, complete **Section B below** and **Section D on page 11**, and if applicable, complete **Section E or Section F on page 12**. Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B.3018).

Enter NIL in 550 on page 12 and complete the return from that point.

SECTION B

B1. Calculation of Taxable Capital Deduction (TCD)

Number of Days in Taxation Year

		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days		
7,500,000	X	36	366	= + 501	
		Days after Dec. 31, 2005 and before Jan. 1, 2007	Total Days		
10,000,000	X	37	366	= + 502	
		Days after Dec. 31, 2006 and before Jan. 1, 2008	Total Days		
12,500,000	X	38	366	= + 504	
		Days after Dec. 31, 2007	Total Days		
15,000,000	X	39 366	366	= + 505	15,000,000

Taxable Capital Deduction (TCD) 501 + 502 + 504 + 505 = 503 15,000,000

B2. This section applies to corporations to calculate the prorated capital tax rate.

Calculation of Capital Tax Rate

Number of Days in Taxation Year

		Days before Jan. 1, 2007	Total Days		
0.3%	X	556	366	= + 511	%
		Days after Dec. 31, 2006 and before Jan. 1, 2009	Total Days		
0.285%	X	557 366	366	= + 512	0.2250 %

Capital Tax Rate 511 + 512 = 516 0.2250 %

continued on Page 11

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Capital Tax Calculation *continued from Page 10*

SECTION C

This section applies if the corporation is **not** a member of an associated group and/or partnership.

C1. If 430 and 480 on page 10 are both $3,000,000 or less, enter NIL in 550 on page 12 and complete the return from that point.

C2. If Taxable Capital in 470 is **equal to or less than the TCD** in 503, enter NIL in 550 on page 12 and complete the return from that point.

C3. If Taxable Capital in 470 **exceeds the TCD** in 503, complete the following calculation and transfer the amount from 523 to 543 on page 12, and complete the return from that point.

+ From 470	184294,424											
- From 503												
= 471		X From 30	100.0000 %	X From 516	0.2250 %	X	555	366	=+	523		
		Ontario Allocation		Capital Tax Rate			Days in taxation year: 365 (366 if leap year) *If floating taxation year, refer to Guide.*			*Transfer to 543 on page 12 and complete the return from that point*		

SECTION D

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either 509 or 524 and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1. ☐ 509 (X if applicable) All corporations that you are associated with do **not** have a permanent establishment in Canada.

If Taxable Capital 470 on page 10 is equal to or less than the TCD 503 on page 10, enter NIL in 550 on page 12 and complete the return from that point.

If Taxable Capital 470 on page 10 exceeds the TCD 503 on page 10, proceed to **Section E**, enter the TCD amount in 542 in Section E, and complete Section E and the return from that point.

D2. ☐ 524 (X if applicable) One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

D2. Calculation is on next page

continued on Page 12

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Capital Tax Calculation *continued from Page 11*

D2. Calculation Do **not** complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 - + From 470 184294,424

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (If applicable)	Taxation Year End	Taxable Capital
See schedule CT21			+ 531 345,390
			+ 532
			+ 533

Aggregate Taxable Capital 470 + 531 + 532 + 533 , etc - - - - - - - - - - - - - - - - - - - = 540 184,639,814

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL. Enter NIL in 523 in section E below, as applicable.
If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

From 470 184294,424 ÷ From 540 184639,814 X From 503 15,000,000 = 541 14,971,941
Transfer to 542 *in Section E below.*

Ss.69(2.1) Election Filed

☐ 591 (X if applicable) **Election filed.** *Attach a copy of Schedule 591 with this CT23 Return.* Proceed to **Section F** below.

SECTION E

This section applies if the corporation **is** a member of an associated group and/or partnership whose total **aggregate** Taxable Capital 540 above, exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from 523 to 543, and complete the return from that point.

+	From 470	184294,424										
–	542	14,971,941										
=	471	169322,483	X From 30	100.0000 %	Ontario Allocation	X From 516	0.2250 %	Capital Tax Rate	X 555 366	Days in taxation year *365 (366 if leap year)	=+ 523	380,976

Total Capital Tax for the taxation year
Transfer to 543 *and complete the return from that point*

SECTION F

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

+ From 470	184294,424	X From 30	100.0000 %	Ontario Allocation	X From 516	0.2250 %	Capital Tax Rate	- - - -	=+ 561	
- Capital tax deduction from 995 relating to **your corporation's** Capital Tax deduction, on Schedule 591 - - - -									- From 995	
									= 562	

Total Capital Tax for the taxation year

Capital Tax - - - - - - - - - - - - - - - - - 562 X 555 366 = 563

Days in taxation year *365 (366 if leap year)

Transfer to 543 *and complete the return from that point*

** If floating taxation year, refer to Guide.*

Capital Tax before application of specified credits -	= 543	380,976
Subtract: Specified Tax Credits applied to reduce capital tax payable *(Refer to Guide)* - - - - - - - - - - - -	– 546	
Capital Tax 543 - 546 *(amount cannot be negative)* -	= 550	380,976

Transfer to Page 17

continued on Page 13

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Capital Tax *continued from Page 12*

Calculation of Capital Tax for Financial Institutions

1.1. Credit Unions only

For taxation years commencing **after May 4, 1999** enter NIL in 550 on page 12, and complete the return from that point.

1.2. Other than Credit Unions

(Retain details of calculations for amounts in boxes 565 and 570 . Do not submit with this tax return.)

565		X	567	%	X	From 30	100.0000	%	X	Days in taxation year 555 366	= +	569
Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1			Capital Tax Rate (1) *(Refer to Guide)*				Ontario Allocation			*365 (366 if leap year)		
570		X	571	%	X	From 30	100.0000	%	X	Days in taxation year 555 366	= +	574
Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount			Capital Tax Rate (2) *(Refer to Guide)*				Ontario Allocation			*365 (366 if leap year)		

Capital Tax for Financial Institutions - other than Credit Unions (before Section 2) 569 + 574 - - - - - - = 575

** If floating taxation year, refer to Guide.*

2. Small Business Investment Tax Credit

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments - - - - - -

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 ± 600 8,136,826

Transfer to Page 15

Add:

Federal capital cost allowance	601	9,046,011
Federal cumulative eligible capital deduction	602	
Ontario taxable capital gain	603	
Federal non-allowable reserves. Balance beginning of year	604	
Federal allowable reserves. Balance end of year	605	
Ontario non-allowable reserves. Balance end of year	606	
Ontario allowable reserves. Balance beginning of year	607	
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	608	
Federal resource allowance *(Refer to Guide)*	609	
Federal depletion allowance	610	
Federal foreign exploration and development expenses	611	
Crown charges, royalties, rentals, etc. deducted for Federal purposes *(Refer to Guide)*	617	

Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼

Number of Days in Taxation Year

612 _____ X 5/12.5 x (Days after Dec. 31,2002 and before Jan. 1,2004: 33 _____ ÷ Total Days: 73 366) = + 633 _____

612 _____ X 5/14.0 x (Days after Dec. 31,2003: 34 366 ÷ Total Days: 73 366) = + 634 _____

Total add-back amount for Management fees, etc. 633 + 634 = _____ ▶ + 613

Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661 excluding any negative amount in 473 from Ont. CT23 Schedule 161 + 615

Add any negative amount in 473 from Ont. CT23 Schedule 161 + 616

Federal allowable business investment loss + 620

Total of other items not allowed by Ontario but allowed federally *(Attach schedule)* + 614

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 9,046,011 640 9,046,011

Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	650	9,046,011
Ontario cumulative eligible capital deduction	651	
Federal taxable capital gain	652	
Ontario non-allowable reserves. Balance beginning of year	653	
Ontario allowable reserves. Balance end of year	654	
Federal non-allowable reserves. Balance end of year	655	
Federal allowable reserves. Balance beginning of year	656	
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) *(Retain calculations.Do not submit.)*	657	
Ontario depletion allowance	658	
Ontario resource allowance *(Refer to Guide)*	659	
Ontario current cost adjustment *(Attach schedule)*	661	
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	675	

Subtotal of deductions for this page 650 to 659 + 661 + 675 = 681 9,046,011

Transfer to Page 15

continued on Page 15

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1 - - - - - - - - - - - - - - - - - From ± 600 8,136,826

Total of Additions on page 14 - From = 640 9,046,011

Sub Total of deductions on page 14 - - - - - - - - - - - - - - - - - - From = 681 9,046,011

Deduct:

Ontario New Technology Tax Incentive (ONTTI) Gross-up

(***Applies*** only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario)(CCA) on prescribed qualifying intellectual property deducted in the current taxation year - - 662

ONTTI Gross-up deduction calculation:

From 662 Gross-up of CCA ____ X 100 / From 30 100.0000 Ontario allocation - From 662 ____ = 663

Workplace Child Care Tax Incentive (WCCT)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 665 ____ X 30% X 100 / From 30 100.0000 Ontario allocation = 666

Workplace Accessibility Tax Incentive (WATI)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 667 ____ X 100% X 100 / From 30 100.0000 Ontario allocation = 668

Number of Employees accommodated 669

Ontario School Bus Safety Tax Incentive (OSBSTI)
(***Applies*** to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.)*(Refer to Guide)*

Qualifying expenditures: 670 ____ X 30% X 100 / From 30 100.0000 Ontario allocation = 671

Educational Technology Tax Incentive (ETTI)
(***Applies*** to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: 672 ____ X 15% X 100 / From 30 100.0000 Ontario allocation = 673

Ontario allowable business investment loss - - - - - - - - - - - - - - - - + 678

Ontario Scientific Research Expenses claimed in year in 477
from Ont. CT23 Schedule 161 - + 679

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) - - - - - - - - - - - - + 677

Total of other deductions allowed by Ontario *(Attach schedule)* - - - - - - - - - + 664

Total of Deductions

681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 - - - - - = 9,046,011 ▶ 680 9,046,011

Net income (loss) for Ontario Purposes

600 + 640 − 680 - - - - - - - - - - - - - - = 690 8,136,826

Transfer to Page 4

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
Balance at Beginning of Year	700 (2)	710 (2)	720 (2)	730	740	750
Add:						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
Subtotal	703	713	723	733	743	753
Subtract: Utilized during the year to reduce taxable income	704 (2)	715 (2)(4)	724 (2)	734 (2)(4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
Subtotal	707	717	727	737	747	757
Balance at End of Year	709 (8) <NIL>	719 <NIL>	729 <NIL>	739 <NIL>	749 <NIL>	759 <NIL>

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1999/12/31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 2000/12/31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 2001/12/31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2002/12/31	820	830	840	853	873
804 5th preceding taxation year 2003/12/31	821	831	841	854	874
805 4th preceding taxation year 2004/12/31	822	832	842	855	875
806 3rd preceding taxation year 2005/12/31	823	833	843	856	876
807 2nd preceding taxation year 2006/12/31	824	834	844	857	877
808 1st preceding taxation year 2007/12/31	825	835	845	858	878
809 Current taxation year 2008/12/31	826	836	846	859	879
Total	829 <NIL>	839 <NIL>	849 <NIL>	869 <NIL>	889 <NIL>

Notes:

(1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
(2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
(3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
(4) To the extent of applicable gains/income/at-risk amount only.
(5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
(6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
(7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
(8) Amount in 709 must equal total of 829 + 839 .
(9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

DOLLARS ONLY

Request for Loss Carry-Back (s.80(16))

Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance.**
- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
  1) the first day of the taxation year after the loss year,
  2) the day on which the corporation's return for the loss year is delivered to the Minister, or
  3) the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation,** enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss	910	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income				
Predecessor Ontario Corporations's Tax Account No. (MOF) / Taxation Year Ending (year month day)				
i) 3rd preceding 901 2005/12/31	911	921	931	941
ii) 2nd preceding 902 2006/12/31	912	922	932	942
iii) 1st preceding 903 2007/12/31	913	923	933	943
Total loss to be carried back	From 706	From 716	From 726	From 736
Balance of loss available for carry-forward	919	929	939	949

Summary

Income Tax	+ From 230 or	320	1,115,943
Corporate Minimum Tax	+ From	280	
Capital Tax	+ From	550	380,976
Premium Tax	+ From	590	
Total Tax Payable	=	950	1,496,919
Subtract: Payments	−	960	1,496,919
Capital Gains Refund (s.48)	−	965	
Qualifying Environmental Trust Tax Credit (*Refer to Guide*)	−	985	
Specified Tax Credits (Refer to Guide)	−	955	
Balance	=	970	−0
If payment due Enclosed*		990	
If overpayment: Refund(*Refer to Guide*) (year month day)	=	975	0
Apply to		980	

(Includes credit interest)

* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order.*(Refer to Guide for other payment methods.)*

Certification

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (*please print*)

Geraldine Guthrie

Title

VP Finance & CFO

Full Residence Address

265 Westcourt Place

Waterloo ON
N2L6E4

Signature	Date
	17/04/2009

Note: Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Schedule A: Information on Ontario Corporations

(Corporations that are incorporated, continued or amalgamated under the *Ontario Business Corporations Act*)

To submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification

Corporation's Legal Name *(including punctuation)*	Ontario Corporation No. (MGS)	Date of Incorporation or Amalgamation (year month day)
Kitchener-Wilmot Hydro Inc.	7134991	2000/07/01

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Galajda	Larry	

Street Number and Name: 137 Westchester Drive — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code
Kitchener	ON	CA	N2B 3L6

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[X] Yes [ ] No

Date Elected (year month day): 2008/01/01

Date Ceased (year month day):

Officer

State the appointment period for each of the following

	Date Appointed (year month day)	Date Ceased (year month day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [ ] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [ ] Chief Financial Officer
- [ ] Chief Information Officer
- [ ] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Guthrie	Geraldine	Linda

Street Number and Name: 265 Westcourt Place — Suite: 905

City/Town/Village	Province/State	Country	Postal/Zip Code
Waterloo	ON	CA	N2L6E4

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[ ] Yes [ ] No

Date Elected (year month day):

Date Ceased (year month day):

Officer

State the appointment period for each of the following

	Date Appointed (year month day)	Date Ceased (year month day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*	2000/08/01	

Other Titles *(please specify)*

- [ ] Chair
- [ ] Chair Person
- [ ] Chairman
- [ ] Chairwoman
- [ ] Vice-Chair
- [X] Vice-President
- [ ] Assistant Secretary
- [ ] Assistant Treasurer
- [ ] Chief Manager
- [ ] Executive Director
- [ ] Managing Director
- [ ] Chief Executive Officer
- [X] Chief Financial Officer
- [ ] Chief Information Officer
- [ ] Chief Operating Officer
- [ ] Chief Administrative Officer
- [ ] Comptroller
- [ ] Authorized Signing Officer
- [ ] Other (untitled)

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Schedule A: Information on Ontario Corporations

(Corporations that are incorporated, continued or amalgamated under the *Ontario Business Corporations Act*)

To submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification

Corporation's Legal Name *(including punctuation)*	Ontario Corporation No. (MGS)	Date of Incorporation or Amalgamation (year month day)
Kitchener-Wilmot Hydro Inc.	7134991	2000/07/01

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Van Ooteghem	Jerry	Julien

Street Number and Name: 82 Stoke Drive — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code
Kitchener	ON	CA	N2N1Z4

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

☐ Yes ☐ No

Date Elected (year month day):

Date Ceased (year month day):

Officer

State the appointment period for each of the following

	Date Appointed (year month day)	Date Ceased (year month day)
President	2007/01/26	
Secretary		
Treasurer		
General Manager		
Other *(specify)*	2007/01/26	

Other Titles *(please specify)*

☐ Chair	☒ Chief Executive Officer
☐ Chair Person	☐ Chief Financial Officer
☐ Chairman	☐ Chief Information Officer
☐ Chairwoman	☐ Chief Operating Officer
☐ Vice-Chair / Vice-President	☐ Chief Administrative Officer
☐ Assistant Secretary	☐ Comptroller
☐ Assistant Treasurer / Chief Manager	☐ Authorized Signing Officer
☐ Executive Director / Managing Director	☐ Other (untitled)

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)

Street Number and Name: — Suite:

City/Town/Village	Province/State	Country	Postal/Zip Code

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

☐ Yes ☐ No

Date Elected (year month day):

Date Ceased (year month day):

Officer

State the appointment period for each of the following

	Date Appointed (year month day)	Date Ceased (year month day)
President		
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

☐ Chair	☐ Chief Executive Officer
☐ Chair Person	☐ Chief Financial Officer
☐ Chairman	☐ Chief Information Officer
☐ Chairwoman	☐ Chief Operating Officer
☐ Vice-Chair / Vice-President	☐ Chief Administrative Officer
☐ Assistant Secretary	☐ Comptroller
☐ Assistant Treasurer / Chief Manager	☐ Authorized Signing Officer
☐ Executive Director / Managing Director	☐ Other (untitled)

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 1: Calculation of CMT Base

Banks - Net income/loss as per report accepted by Superintendent of Financial Institutions (SFI) under the Bank Act (Canada), adjusted so consolidation/equity methods are not used.

Life Insurance corporations - Net income/loss before Special Additional Tax as determined under s.57.1(2)(c) or (d)

Net Income/Loss (unconsolidated, determined in accordance with GAAP) ± 2100 5,159,525

Subtract (to the extent reflected in net income/loss):

Provision for recovery of income taxes / benefit of current income taxes	+	2101	
Provision for deferred income taxes (credits) / benefit of future income taxes	+	2102	
Equity income from corporations	+	2103	
Share of partnership(s)/joint venture(s) income	+	2104	
Dividends received/receivable deductible under fed.s.112	+	2105	
Dividends received/receivable deductible under fed.s.113	+	2106	
Dividends received/receivable deductible under fed.s.83(2)	+	2107	
Dividends received/receivable deductible under fed.s.138(6)	+	2108	
Federal Part VI.1 tax paid on dividends declared and paid, under fed.s.191.1(1) X 3	+	2109	
Subtotal	=		– 2110

Add (to extent reflected in net income/loss):

Provision for current taxes / cost of current income taxes	+	2111	2,565,279
Provision for deferred income taxes (debits) / cost of future income taxes	+	2112	
Equity losses from corporations	+	2113	
Share of partnership(s)/joint venture(s) losses	+	2114	
Dividends that have been deducted to arrive at net income per Financial Statements s.57.4(1.1) (excluding dividends under fed.s.137(4.1))	+	2115	
Subtotal	=	2,565,279	+ 2116 2,565,279

Add/Subtract:

Amounts relating to s.57.9 election/regulations for disposals etc. of property for current/prior years

** Fed. s.85	+	2117		or - 2118	
** Fed. s.85.1	+	2119		or - 2120	
** Fed. s.97	+	2121		or - 2122	
** Amounts relating to amalgamations (fed.s.87) as prescribed in regulations for current/prior years	+	2123		or - 2124	
** Amounts relating to wind-ups (fed.s.88) as prescribed in regulations for current/prior years	+	2125		or - 2126	
** Amounts relating to s.57.10 election/regulations for replacement re fed.s.13(4), 14(6) and 44 for current/prior years	+	2127		or - 2128	
Interest allowable under ss. 20(1)(c) or (d) of ITA to the extent not otherwise deducted in determining CMT adjusted net income				- 2150	
Capital gains on eligible donations of publicly-listed securities and ecologically sensitive land made after May 1, 2006 (to the extent reflected in net income/loss)				- 2155	
Subtotal (Additions)	=				+ 2129
Subtotal (Subtractions)	=				– 2130
** Other adjustments					± 2131
Subtotal ± 2100 – 2110 + 2116 + 2129 – 2130 ± 2131					= 2132 7,724,804
** Share of partnership(s)/joint venture(s) **adjusted** net income/loss					± 2133
Adjusted net income (loss) (if loss, transfer to 2202 in ***Part 2: Continuity of CMT Losses Carried Forward.***)					= 2134 7,724,804
Deduct * CMT losses: pre-1994 Loss	+	From 2210			
* CMT losses: other eligible losses	+	2211			
	=				– 2135

* CMT losses applied cannot exceed adjusted net income or increase a loss

** *Retain calculations. Do not submit with this schedule.*

CMT Base = 2136 7,724,804

Transfer to CMT Base on Page 8 of the CT23 or Page 6 of the CT8

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 2: Continuity of CMT Losses Carried Forward

Balance at Beginning of year NOTES (1) , (2) - + 2201

Add: Current year's losses - - - - - - - - - - - - - - - - - + 2202

Losses from predecessor corporations on amalgamation NOTE (3) - - - + 2203

Losses from predecessor corporations on wind-up NOTE (3) - - - - - + 2204

Amalgamation (X) 2205 ☐ Yes Wind-up (X) 2206 ☐ Yes

Subtotal - = ▶+ 2207

Adjustments (attach schedule) - ± 2208

CMT losses available 2201 + 2207 ± 2208 - = 2209

Subtract: Pre-1994 loss utilized during the year to reduce adjusted net income - - - + 2210

Other eligible losses utilized during the year to reduce adjusted net income NOTE (4) - - - - - - - - - - - - - - - - - - + 2211

Losses expired during the year - - - - - - - - - - - - - - - - - + 2212

Subtotal - = ▶– 2213

Balances at End of Year NOTE (5) 2209 – 2213 - = 2214

Notes:

(1) Pre-1994 CMT loss (see s.57.1(1)) should be included in the balance at beginning of the year. Attach schedule showing computation of pre-1994 CMT loss.

(2) Where acquisition of control of the corporation has occurred, the utilization of CMT losses can be restricted. (see s.57.5(3) and s.57.5(7))

(3) Include and indicate whether CMT losses are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.57.5(8) and s.57.5(9))

(4) CMT losses must be used to the extent of the lesser of the adjusted net income 2134 and CMT losses available 2209.

(5) Amount in 2214 must equal sum of 2270 + 2290 .

Part 3: Analysis of CMT Losses Year End Balance by Year of Origin

For a pre-1994 loss, use the date of the last taxation year end before your corporation's first taxation year commencing after 1993.

	Year of Origin (oldest year first) year month day	CMT Losses of Corporation	CMT Losses of Predecessor Corporations
2240	1999/12/31	2260	2280
2241	2000/12/31	2261	2281
2242	2001/12/31	2262	2282
2243	2002/12/31	2263	2283
2244	2003/12/31	2264	2284
2245	2004/12/31	2265	2285
2246	2005/12/31	2266	2286
2247	2006/12/31	2267	2287
2248	2007/12/31	2268	2288
2249	2008/12/31	2269	2289
Totals		2270	2290

The sum of amounts 2270 + 2290 ***must equal amount in*** 2214 .

Corporate Minimum Tax (CMT)
CT23 Schedule 101

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 4: Continuity of CMT Credit Carryovers

Balance at Beginning of year NOTE (1) + 2301

Add: Current year's CMT credit (280 on page 8 of the CT23 or 347 on page 6 of the CT8. If negative, enter NIL) + From 280 or 347

Gross Special Additional Tax NOTE (2) 312 on page 5 of CT8.
(Life Insurance corporations only. Others enter NIL.) + From 312

Subtract Income Tax
(190 on page 6 of the CT23 or page 4 of the CT8) - From 190 1,139,128

Subtotal (If negative, enter NIL) = – 2305

Current year's CMT credit (if negative, entre NIL) 280 or 347 - 2305 = + 2310

CMT Credit Carryovers from predecessor corporations NOTE (3) + 2325

Amalgamation (X) 2315 ☐ Yes Wind-up (X) 2320 ☐ Yes

Subtotal 2301 + 2310 + 2325 = 2330

Adjustments *(Attach schedule)* ± 2332

CMT Credit Carryover available 2330 ± 2332 = 2333

Transfer to Page 8 of the CT23 or Page 6 of the CT8

Subtract: CMT Credit utilized during the year to reduce income tax
(310 on page 8 of the CT23 or 351 on page 6 of the CT8.) + From 310 or 351

CMT Credit expired during the year + 2334

Subtotal = - 2335

Balance at End of Year NOTE (4) 2333 – 2335 = 2336

Notes:

(1) Where acquisition of control of the corporation has occurred, the utilization of CMT credits can be restricted. (see s.43.1(5))

(2) The CMT credit of life insurance corporations can be restricted (see s.43.1(3)(b)).

(3) Include and indicate whether CMT credits are a result of an amalgamation to which fed.s.87 applies and/or a wind-up to which fed.s.88(1) applies. (see s.43.1(4))

(4) Amount in 2336 must equal sum of 2370 + 2390 .

Part 5: Analysis of CMT Credit Carryovers Year End Balance by Year of Origin

	Year of Origin (oldest year first) year month day	CMT Credit Carryovers of Corporation	CMT Credit Carryovers of Predecessor Corporation(s)
2340	1999/12/31	2360	2380
2341	2000/12/31	2361	2381
2342	2001/12/31	2362	2382
2343	2002/12/31	2363	2383
2344	2003/12/31	2364	2384
2345	2004/12/31	2365	2385
2346	2005/12/31	2366	2386
2347	2006/12/31	2367	2387
2348	2007/12/31	2368	2388
2349	2008/12/31	2369	2389
Totals		2370	2390

The sum of amounts 2370 + 2390 ***must equal amount in*** 2336 .

Ontario

Ministry of Revenue

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Ontario Charitable Donations and Gifts
Schedule 2 page 1 of 3

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

- For use by a corporation to claim any of the following:
  - Charitable donations;
  - Gifts to Her Majesty in right of Ontario, to Ontario crown agencies, or to Ontario Crown foundations;
  - Gifts to Canada or a province;
  - Gifts of certified cultural property; or
  - Gifts of certified ecologically sensitive land.
- The donations and gifts are eligible for a five year carry-forward.
- Use this schedule to show a credit transfer following an amalgamation or wind-up of subsidiary as described under subsection 87(1) and 88(1) of the federal *Income Tax Act* (Canada).
- For donations and gifts made after March 22, 2004, subsection 34(1.1) of the *Corporation Tax Act* parallels subsection 110.1(1.2) of the *Income Tax Act* and provides as follows:
  - where a particular corporation has undergone a change of control, for taxation years that end on or after the change of control, no corporation can claim a deduction for a gift made by a particular corporation to a qualified donee before the change of control;
  - if a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the change of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- For instructions on calculating additional deductions for eligible medical gifts made after March 18, 2007, please see the Revised Guide to the 2007 CT23 Corporations Tax and Annual Return. The deduction may be claimed in box 664 of Ontario Schedule 1.
- File one completed copy of this schedule with your CT23.

Part 1 - Charitable Donations

Charitable Donations at end of preceding taxation year			+		A
Deduct: Donations expired after 5 taxation years			-		B
Charitable donations at beginning of taxation year			=		C
Add: Donations transferred on amalgamation or wind-up of subsidiary	+		**D**		
Total current year charitable donations made	+	200	**E**		
Subtotal D + E	=	200	▶	200	F
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)			-		G
Total donations available **C + F - G**			=	200	H
Deduct: Amount applied against taxable income (amount **U, Part 2**)			-	200	U
Charitable donations closing balance			=		I

Part 2 - Maximum Deduction Calculation for Donations

Ontario net income for tax purposes multiplied by 75%	=	6,102,620	J

***Note**: For credit unions the Ontario net income for tax purposes is the amount before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.*

Ontario taxable capital gains arising in respect of gifts of capital property	+		K
Ontario taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01) ITA	+		L

Add the lesser of:

1. The amount of the recapture of capital cost allowance in respect of charitable gifts — **M**
2. **The lesser of:**
   - 2a. Proceeds of dispositions less outlays and expenses — **N**
   - 2b. The capital cost — **O**

   The lesser of **N** and **O** ▶ **P**

The lesser of **M** and **P** ▶ + **Q**

Subtotal K + L + Q = **R**

25% X **R** = **S**

Maximum deduction allowable J + S	=	6,102,620	T
Claim for charitable donations (not exceeding the lesser of **H** from Part 1, **T** and net income for tax purposes)		200	U

Enter in 1 *of the CT23*

Ontario Charitable Donations and Gifts

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 3 - Gifts to Her Majesty in right of Ontario

For use by a corporation claiming gifts to Her Majesty in right of Ontario, to Ontario Crown Agencies, or to Ontario Crown Foundations.

Gifts to Ontario Crown Agency or Ontario Crown Foundation at end of the preceding taxation year			+	
Deduct: Gifts expired after 5 years			-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation at the beginning of the taxation year			=	
Add: Gifts transferred on amalgamation or wind-up of a subsidiary	+			
Total current year gifts	+			
Subtotal			▶	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)			-	
Total gifts available			=	
Deduct: Amount applied against taxable income 2 of the CT23			-	
Gifts to Ontario Crown Agency or Ontario Crown Foundation closing balance			=	

Foundation Name	Date of Donation	Amount $

Total gifts to Her Majesty in right of Ontario =

Part 4 - Maximum Deduction Calculation for Gifts to Her Majesty in Right of Ontario

Deduction is the lesser of:

1. Ontario Net Income before deductions of gifts after deducting charitable donations and gifts to Her Majesty in right of Canada or a province other than Ontario . . . 8,136,626 **V**

2. **Lesser of:**

2a. Ontario Net Income for the taxation year . . . 8,136,826 **W**

2b. Gifts made in the taxation year or any of the five preceding taxation years to Her Majesty in Right of Ontario, an Ontario Crown Agency or an Ontario Crown Foundation . **X**

The lesser of **W** and **X** . . . ▶ **Y**

Maximum deduction allowable the lesser of **V** and **Y** . . . **Z**

Transfer to 2 of the CT23

Part 5 - Gifts to Canada or a province other than Ontario

Gifts to Canada or a province other than Ontario at the end of the preceding year			+	
Deduct: Gifts to Canada or a province other than Ontario expired after five taxation years			-	
Gifts to Canada or a province other than Ontario at the beginning of the taxation year			=	
Add: Gifts to Canada or a province other than Ontario transferred on amalgamation or wind-up of a subsidiary	+			
Total current year Gifts to Canada or a province other than Ontario (*Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date.*)	+			
Subtotal	=		▶	
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)			-	
Total gifts to Canada or a province other than Ontario available			=	
Deduct: Amount applied against taxable income			-	
Gifts to Canada or a province other than Ontario closing balance			=	

Ontario Charitable Donations and Gifts

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 6 - Gifts of certified cultural property

Gifts of certified cultural property at the end of the preceding taxation year		+	
Deduct: Gifts of certified cultural property expired after five years		-	
Gifts of certified cultural property at the beginning of the taxation year		=	
Add: Gifts of certified cultural property transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified cultural property	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		-	
Total gifts of certified cultural property available		=	
Deduct: Amount applied against taxable income		-	
Gifts of certified cultural property closing balance		=	

Part 7 - Gifts of certified ecologically sensitive land

Gifts of certified ecologically sensitive land at the end of the preceding taxation year		+	
Deduct: Gifts of certified ecologically sensitive land expired after five years		-	
Gifts of certified ecologically sensitive land at the beginning of the taxation year		=	
Add: Gifts of certified ecologically sensitive land transferred on amalgamation or wind-up of a subsidiary	+		
Total current year gifts of certified ecologically sensitive land	+		
Subtotal	=		▶
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)		-	
Total gifts of certified ecologically sensitive land available		=	
Deduct: Amount applied against taxable income		-	
Gifts of certified ecologically sensitive land closing balance		=	

Part 8 - Analysis of balance by year of origin

Year of origin	Charitable donations	Gifts to Her Majesty in right of Ontario	Gifts to Canada or a province other than Ontario	Gifts of certified cultural property	Gifts of certified ecologically sensitive land
2004/12/31					
2005/12/31					
2006/12/31					
2007/12/31					
2008/12/31					
Totals					

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 9 - Carry forwards of charitable donations

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31				<NIL>	
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31		200	200		<NIL>
Totals		200	200		<NIL>

Part 10 - Carry forwards of gifts to Canada or a province

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Part 11 - Carry forwards of gifts of certified cultural property

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Totals					<NIL>

Corporation's Legal Name	Ontario Corporations Tax Account No (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Part 12 - Carry forwards of gifts of certified ecologically sensitive land

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Total					<NIL>

Part 13 - Carry forwards of gifts to Her Majesty in right of Ontario

Year-end of Origin	Prior Year Carry forward	Current Year Donations	Applied	Expired	Carry-forward
2003/12/31					
2004/12/31					<NIL>
2005/12/31					<NIL>
2006/12/31					<NIL>
2007/12/31					<NIL>
2008/12/31					<NIL>
Total					<NIL>

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Charitable Donations

SCHEDULE 2 - Ontario Supplement

Name of Recipient (for donations of $100 or more)	Registration Number	Amount
Heart and Stroke Foundation		100
Historic St. Paul's Lutheran Church		100
Total donations of less than $100 each		
Sub-Total		200
Subtract gift to Her Majesty in right of Ontario		
Sub-Total		200

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8 Ontario

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Is the corporation electing under regulation 1101(5q)? 1 Yes ☐ 2 No ☒

1 Class no.	Description	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Ontario capital cost allowance (column 8 mulitiplied by column 9; or a lower amount)	11 Ontario undepreciated capital cost at the end of the year (column 6 minus column 10)
1.0		121,727,191				121,727,191		121,727,191	4.0	4,869,088	116,858,103
2.0		11,545,296				11,545,296		11,545,296	6.0	692,718	10,852,578
3.0		3,532,204				3,532,204		3,532,204	5.0	176,610	3,355,594
8.0		763,760	236,892			1,000,652	118,446	882,206	20.0	176,441	824,211
10.0		2,387,647	300,000		52,911	2,634,736	123,545	2,511,191	30.0	753,357	1,881,379
17.0		593,555				593,555		593,555	8.0	47,484	546,071
45.0		424,926				424,926		424,926	45.0	191,217	233,709
46.0		107,337	202,909			310,246	101,455	208,791	30.0	62,637	247,609
47.0		20,710,855	6,057,663			26,768,518	3,028,832	23,739,686	8.0	1,899,175	24,869,343
50.0		208,664	227,342			436,006	113,671	322,335	55.0	177,284	258,722
	Totals	162,001,435	7,024,806		52,911	168,973,330	3,485,949	165,487,381		9,046,011	159,927,319

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Ontario

Ministry of Revenue
Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8SUM Ontario

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Is the corporation electing under regulation 1101(5q)? 1 Yes ☐ 2 No ☒

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 mulitiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
reg	162,001,435	7,024,806		52,911	168,973,330	3,485,949	165,487,381				9,046,011	159,927,319
10.1												
13												
14												
24												
27												
29												
34												
Rental												
						Totals					9,046,011	

Enter in boxes 650 . . . . . 650 . . . . . 650 on the CT23.

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquistions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Ontario

Ministry of Revenue

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Corporate Minimum Tax - Associated Corporations

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Name of Associated Corporation (Canadian and Foreign)	Corporations Tax Number	Taxation Year End	Total Assets	Total Revenue
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31	228,514,111	173,302,020
Kitchener Power Corp.	1800122	2009/12/31	107,129,697	5,122,930
Kitchener Energy Services	1800121	2009/12/31	10	
		Totals	335,643,818	178,424,950

Transfer to 249 of the CT23 *Transfer to* 250 of the CT23

Ontario

Ministry of Revenue

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Cooperative Education Tax Credit (CETC) CT23 Schedule 113

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Instructions for completing the CETC Claim Form

- Enter the relevant details for each qualifying work placement, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each qualifying work placement.
- Enter the total tax credit claimed on line 192, page 7 of the CT23, or page 4 of the CT23 Short, or page 4 of the CT8.
  - The maximum amount of the credit that can be claimed in respect of each work placement is $1,000.
- Ensure you have the following documentation (Do not include with the form or tax return.):
  - a letter of certification form the Ontario college, university other post-secondary institution, containing information as specified by the Minister, stating that the student is enrolled in a qualifying education program; or
  - a voucher for leading-edge technology programs, other than an apprenticeship, stating that the educational program meets the definition of a qualifying program in leading-edge technology and that the work performed by that student during the work placement is in a related field.
- The credit is **considered government assistance** and is therefore **to be included in income** in the year the credit is claimed.

Summary of Co-operative Education Tax Credit Claimed

Complete a separate entry for each student work placement which ended during the corporation's taxation year. The tax credit is for co-op work placements and leading-edge technology work placements. A work placement is generally considered to be a full-time work assignment for up to 4 months in duration.

Example: If a corporation, with a December 31, 2001 taxation year end, hires an eligible student from September 1, 2001 until April 30, 2002, this would be considered 2 work placements. The first work placement is September 1, 2001 to December 31, 2001 and would be claimed in the 2001 taxation year. The second placement is January 1, 2002 to April 30, 2002 and must be claimed in the 2002 taxation year.

Qualifying Work Placements

Name of University / College and Education Program	Name of Student	Social Insurance No. of Student	Work Placement Start and End Dates year month day	Eligible Costs of Placement (ECP)	* Credit Claimed (See notes below) (max. $1,000 per work placement)
Conestoga Colleg	Bucek		From 2008/04/30	5750	5776
	Paul	523120814	To 2008/08/31	13,309	1,000
			From	5751	5777
			To		
			From	5752	5778
			To		
				5774	5798
			Totals	13,309	1,000

If insufficient space, attach schedule

Note: Enter corporation's salaries & wages paid in the preceding taxation year A $12,580,412

If A is $600,000 or greater use 10%. If A is $400,000 or less use 15%.

If A is over $400,000 but less than $600,000 use the following formula to calculate the rate: Rate =.15-[.05(12,580,412 -$400,000)/$200,000]

From A

Indicate rate used: 10.0000 %. *** Credit claimed equals ECP multiplied by rate.**

Transfer to 192 *Page 7 of the CT23 or Page 4 of the CT8*

Ontario

Ministry of Revenue

Corporations Tax
33 King Street West
PO Box 620
Oshawa ON L1H 8E9

Apprenticeship Training Tax Credit (ATTC)

CT23 Schedule 114

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Instructions for completing the ATTC Claim Form

- Enter the relevant details for each eligible apprentice, including the amount of tax credit.
- Your total tax credit for the taxation year is equal to the sum of the tax credits for each eligible apprentice.
- Enter the total tax credit claimed on line 203, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Enter the total number of apprentices hired on line 202, page 7 of the CT23 Long, or page 4 of the CT23 Short, or page 4 of the CT8.
- Corporations are eligible for a 25% (30% in the case of corporations with payroll not exceeding $400,000) refundable tax credit on wages and salaries paid or payable for services performed after May 18, 2004 by an eligible apprentice during the first 36 months of an apprenticeship.
- The maximum amount of credit that can be claimed in respect of each eligible apprentice is $5,000 per year to a maximum of $15,000 over the first 36 months of the apprenticeship. The maximum annual tax credit of $5,000 is pro-rated for the number of days the apprentice was employed during the taxation year.
- The credit is *considered government assistance* and is therefore *to be included in income* in the year the credit is claimed.

Summary of Apprenticeship Training Tax Credit Claimed

Complete a separate entry for each eligible apprentice that is in a qualifying skilled trade and hired before January 1, 2012. This credit applies to **salaries and wages paid after May 18, 2004 and before January 1, 2015** to eligible apprentices during the first 36 months of an apprenticeship.

Example: A taxpayer, with a December 31, 2004 taxation year end, hires an otherwise eligible apprentice on June 1, 2004 at a salary of $3,500 per month. The taxpayer's salaries and wages in the preceding taxation year were $700,000. The credit claimed is the lesser of *__(1)__ 25% of salaries paid to the apprentice during the period of employment (25% x $3,500 x 7 = $6,125), and *__(2)__ $5,000 multiplied by the number of days the apprentice was employed during the taxation year, divided by the total number of days in the calendar year ($5,000 x 214/366 = $2,923). Hence, the credit claimed in the 2004 taxation year is $2,923.

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social Insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed *(See notes below)*
434a	Lineworke	Name Jason Derks SIN 507222339			From 2008/09/15 To 2008/12/31	5850 13,730	5876 1,475
434a	Lineworke	Name Brent Holroyd SIN 497888297			From 2008/09/02 To 2008/12/31	5851 16,608	5877 1,653
434a	Lineworke	Name Chad Roberts SIN 528215155			From 2008/01/01 To 2008/12/31	5852 56,175	5878 5,000

If insufficient space, attach schedule

Apprenticeship Training Tax Credit (ATTC)
CT23 Schedule 114

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOR)	Taxation Year End
Kitchener-Wilmot Hydro Inc.	1800120	2008/12/31

Eligible Apprenticeship

Trade Code	Description of Apprenticeship Program	Apprentice Name and Social Insurance No. (SIN)	Registration Date of Apprenticeship Contract or Training Agreement year month day	Contract or Agreement No.	Employment Period year month day	Eligible Expenditures (EE)	* Credit Claimed *(See notes below)*
434b	Construct	Name Richard Cook SIN 513279687			From 2008/09/15 To 2008/12/31	5853 14,839	5879 1,475
434b	Construct	Name Kevin Goetz SIN 499222461			From 2008/01/01 To 2008/07/07	5854 38,038	5880 2,582
434b	Construct	Name Jeff MacDonald SIN 521611863			From 2008/01/01 To 2008/12/31	5855 71,443	5881 5,000
434b	Construct	Name James Watson SIN 464395151			From 2008/01/01 To 2008/12/31	5856 55,804	5882 5,000
		Name SIN			From To	5857	5883
		Name SIN			From To	5858	5884
		Name SIN			From To	5859	5885
		Name SIN			From To	5860	5886
		Name SIN			From To	5861	5887
					Totals	5874 266,637	5898 22,185

Corporation's salaries & wages paid in the preceding taxation year **A** $ 12,580,412

Transfer to 203 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

- If **A** is $600,000 or greater use 25%.
- If **A** is $400,000 or less use 30%.
- If **A** is over $400,000 but less than $600,000 use the following formula to calculate the specified percentage:
  Specified percentage = .30 - [.05 (From **A** 12,580,412 - $400,000) ÷ $200,000]

Indicate specified percentage used 25 %

* **Credit claimed equals lesser of:**

(1) EE multiplied by the specified percentage, and

(2) $5,000 x number of days the apprentice was employed in the taxation year
365 (366 if leap year)

Total Number of Apprentices . . . . . = 5896 7

Transfer to 202 *on Page 7 of the CT23 Long or Page 4 of the CT23 Short, or Page 4 of the CT8*

KITCHENER - WILMOT HYDRO INC.
POLICY & PROCEDURE

SUBJECT: Purchasing Policy		
Department: Purchasing	Revision: 3	No. PS-1
President & CEO: J. Van Ooteghem V-P Finance: G. Guthrie Purchasing Manager: L. Duthie	Issue Date: April 28, 1999 Revision Date: May 23, 2008	Page 1 of 6

The following describes the function of the Purchasing Manager and the policies of Kitchener-Wilmot Hydro Inc. in purchasing all supplies, material, equipment, and services (goods and services). The term "Corporation" shall mean in all cases, Kitchener-Wilmot Hydro Inc.

A. Wherever we can influence the life cycle of goods and services, each department of the Corporation shall apply the reduce, reuse, recycle and recover methodology, to reduce our environmental impact.

B. The Purchasing Manager shall have the following duties, powers and responsibilities:

- To have charge of and be responsible for a Central Purchasing Department and one or more stores warehouses.

- To have charge of and be responsible for the purchase of all goods by, for, or on behalf of the Corporation in accordance with the laws and regulations of the Province of Ontario and the standards of the Corporation. No goods shall be purchased by, for, or on behalf of the Corporation except through the Purchasing Manager.

- Under the direction of the Vice-President Finance & CFO, and except as otherwise herein provided, to have the sole power to purchase, store and distribute all goods required by the Corporation.

- To operate and maintain one or more stores warehouses and to develop and operate therein a uniform modern system of stores control based on perpetual inventory, maintaining on hand a sufficient stock of staple commodities to supply the budgeted and current needs of the Corporation.

- To maintain good vendor relations and, where necessary, refer them to other departments when technical information is required. All inquiries regarding materials, prices, services, delivery, terms and conditions are to be conducted by or through the Purchasing Manager.

- To group, correlate and unify, so far as possible, requirements of the various departments of the Corporation and by standardization to reduce the kinds of goods used by the Corporation to the smallest number, consistent with the needs of the various departments of the Corporation; this program shall be a joint enterprise among the various departments of the Corporation and the Purchasing Manager, with the Purchasing Manager having the responsibility of putting the same into effect.

- To request and receive from the heads of the various departments of the Corporation, estimates of requirements for future periods of time to enable the Purchasing Manager to determine the quantities of goods which should be contracted for in advance of actual current need.

- To confer with the heads of the various departments of the Corporation regarding the preparation of plans and specifications and to determine whether or not proposed plans and specifications are practicable from the viewpoint of producers.

- To be responsible for the issuing of all "Tender Calls". All "Tenders" are to be returned to the Corporation plainly marked "Sealed Tender" and are to be addressed to the attention of the Purchasing Manager.

- Except where a non-competitive commodity is required, to make all purchases on a competitive basis, consistent with corporate standards, quality and service, all things being equal, preference being given first to goods of local manufacturers and second to goods offered by local suppliers.

- To visit suppliers when necessary to create goodwill and/or to expedite deliveries to the Corporation.

C. Each department of the Corporation shall requisition its requirements to the Purchasing Manager and from time to time supply the Purchasing Manager with such data, specifications, details, information, etc. as may be required by the Purchasing Manager for his guidance and information.

D. Where tenders are required on contracts for construction work or other projects undertaken by the Corporation, the head of the department concerned will be responsible for the preparation of all necessary plans and specifications.

E. The following provisions shall apply to purchases of goods and services.

- Every purchase of goods or services shall be covered by a purchase order, except for authorized petty cash purchases, normal office supply purchases, and field orders for goods or services to be picked up, delivered, or provided to an authorized employee of the Corporation, where the value of the goods or services does not exceed $2,500 per order.

- Where the value of goods or services required is in excess of $2,500 but does not exceed $20,000, the purchase may be made on the authority of the Purchasing Manager provided a requisition signed by the Department Head or designate and the Vice President, has been obtained.

- Where the value of goods or services required is in excess of $20,000 but does not exceed $100,000, the purchase may be made on the authority of the Purchasing Manager provided a requisition signed by the Department Head or designate, the Vice President, and President, has been obtained and an attempt has been made to obtain three (3) written formal quotations, unless the goods or services are non-competitive.

- Where the estimated value of goods or services required exceeds $100,000 the purchase shall be made by a request for sealed tenders.

- Where the value of goods or services is provided for in current budgets and is in excess of $1 million excluding purchases for inventory, the purchase shall be presented to the Board of Directors for approval.

- Where the value of goods or services required has <u>not</u> been provided for in current budgets and the value exceeds $250,000, excluding purchase for inventory, the purchase shall be presented to the Board of Directors for approval.

- Requisitions or purchase orders shall not be artificially structured to avoid any of the above restrictions or limits.

- The Purchasing Manager shall not order goods or services, the purchase of which has not been authorized by this Corporation except goods or services required for current needs, the cost of which is provided for in current budgets.

- Authorization of budgeted work by this Corporation constitutes authorization for any purchases necessary to carry out such work.

F. The Purchasing Manager may, under one of the following conditions, purchase by negotiating with one or more sources or bidders. Under the following cases the requirements for inviting tenders and formal quotations may be waived.

- The goods or services are in short supply due to market conditions and in the judgment of the Purchasing Manager;
- Two or more identical bids have been received;
- All bids received failed to meet the specifications and/or tender terms and conditions and it is impractical to recall tenders or formal quotations;
- Certain professional services which require specialized technical knowledge to ensure compliance with structural, civil, environmental, or other regulatory standards, or which are critical to the Corporation's information technology support systems.

G. The Purchasing Manager may, under one of the following conditions, purchase by sole source procurement:

- When goods and services can be obtained only from one (1) person or firm,
- The expertise of an individual organization or individual is deemed to specifically required by the Corporation,
- When competition is precluded because of the existence of patent rights, copyrights, secret processes, control of raw material or other such conditions,
- When it is the only product or service that has been approved by the Corporation for use in the distribution system,
- When the procurement is for technical services in connection with the assembly, installation or servicing of equipment of a highly technical or specialized nature,
- When the procurement is for parts or components to be used as replacements in support of equipment specifically designed by the manufacturer,
- The contractor is already at work on the site (based on an existing Purchase Order) and it would not be practical to engage another contractor, or
- Specific Health and Safety items as approved by the Safety Supervisor.

H. The following procedure shall be followed in the calling and opening of sealed tenders.

X Tenders shall be opened in the presence of three witnesses, who will consist of the President & CEO, Vice-President of Finance & CFO, or their designates, and the Purchasing Manager or his designate. Any other authorized Corporation member desiring to be present at the opening of tenders may attend.

X Prior to the opening of tenders the Purchasing Manager shall advise the President & CEO and the Vice-President of Finance & CFO as to the description of the tenders and the time and place of the opening.

X Requests for tenders shall state that tenders will be received not later than 2:00 p.m., local time on a specified day.

X The Purchasing Manager shall not reveal pricing information pertaining to sealed tenders and quotations, to any of the bidders concerned. Provided, however, that if any bidder deems it desirable to do so, he may apply to the President & CEO, who may order that such pricing information be revealed to him.

X The Board of Directors will pre-authorize tendering for any major capital project which is not considered part of the normal operations of the Corporation, i.e., Office Buildings, etc.

X The awarding of the tender will be in favour of a bidder meeting specifications, terms and conditions of the tender and whose tender offers the lowest ultimate cost to the Corporation for the goods, equipment or services with due consideration of the importance of delivery, quality, service and price.

I. Stock Audit

X A physical inventory of stock items shall be taken annually in the last quarter of each year. The Purchasing Manager and the Stores Supervisor will conduct these stock audits and prepare a reconciliation report for the Vice-President of Finance & CFO.

X The Purchasing Manager and Stores Supervisor may periodically perform a physical count and inventory of all goods that are not in inventory but are used by and stored in various departments. The department head or designate shall provide any necessary assistance required. Excess or surplus goods may be transferred or otherwise disposed of.

J. Disposal of Surplus

X Where any goods or equipment or salvage are surplus, obsolete or non-repairable, they shall be declared surplus by the Purchasing Manager. When no other use can be found for same by other Departments, they shall be added to the surplus list for disposal by auction of tender, as per PS-2, Disposal of Surplus Office Furniture and Other Sundry Items.

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

INDEX

EXHIBIT 5 – COST OF CAPITAL AND RATE OF RETURN

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OVERVIEW:

KW Hydro was incorporated July 1, 2000 in accordance with the requirements of the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A.

KW Hydro is a wholly owned subsidiary of Kitchener Power Corp, which is owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

The purpose of this evidence is to summarize the method and cost of financing capital requirements for the 2010 test year.

CAPITAL STRUCTURE:

KW Hydro has a current deemed capital structure of 60% debt with a return of 6%, and 40% equity with a return of 9% as approved in the 2009 IRM rate decision EB-2008-0192.

KW Hydro has prepared this rate application with a deemed capital structure of 56% Long Term Debt, 4% Short Term Debt, and 40% Equity to comply with the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006 (the "Cost of Capital Report" EB-2006-0088 and EB-2006-0089).

Table 1 details KW Hydro's proposed deemed capital structure for 2010. Table 2 details the 2006 Board Approved capital structure and the actual results for the fiscal years 2006 through 2008.

KW Hydro's historic Debt to Equity ratios (45% in 2007 and 42% in 2008) are lower than the OEB deemed rate of 60% Debt and 40% Equity. KW Hydro does not currently have any short term debt; however, KW Hydro is currently evaluating options to bring the actual debt to equity ratio closer to the deemed capital structure.

KW Hydro does not have a schedule for retirement of debt and buy-back of common shares. The changes in actual capital structure are mainly due to the growing rate base, rather than increases to debt. Since long term debt was kept unchanged over past years, the growing rate base results in a lower long term debt ratio and higher equity ratio.

Table 1
2010 Capitalization/Cost of Capital

Line No.	Particulars	Deemed Capitalization Ratio (%)	Deemed Capitalization Ratio ($)	Cost Rate (%)	Return ($)
	Kitchener-Wilmot Hydro Inc.				
	Debt				
1	Long-term Debt	56.00%	$91,343,525	7.62%	$6,960,377
2	Short-term Debt	4.00% (1)	$6,524,538	1.33%	$86,776
3	**Total Debt**	60.0%	$97,868,063	7.20%	$7,047,153
	Equity				
4	Common Equity	40.00%	$65,245,375	8.01%	$5,226,155
5	Preferred Shares	0.00%	$ -		$ -
6	**Total Equity**	40.0%	$65,245,375	8.01%	$5,226,155
7	**Total**	100.0%	$163,113,438	7.52%	$12,273,308

Notes

(1) 4.0% unless an applicant utility has proposed or been approved for a different amount.

Table 2

Capital Structure Deemed vs. Actual

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual
Long Term Debt	81,249,257	76,962,142	76,962,142	76,962,142
Common Equity	66,476,665	89,237,114	92,943,633	106,768,928
Actual Debt / Equity		46% / 54%	45% / 55%	42% / 58%
Long Term Debt Ratio		46%	45%	42%
Equity Ratio		54%	55%	58%
Deemed Debt / Equity	**55% / 45%**	**55% / 45%**	**55% / 45%**	**57.5% / 42.5%**

COST OF CAPITAL

Cost of Debt: Long Term

KW Hydro is requesting a return on long term debt for the 2010 Test Year of 7.62% on the existing long term loans totaling $76,962,142 owing to its shareholders, the City of Kitchener and the Township of Wilmot. This is in accordance with the Board-issued Cost of Capital Parameter Updates for 2009 Cost of Service Applications. KW Hydro understands that the OEB will be finalizing the return on long term debt for 2010 rates based on January 2010 market interest rate information. KW Hydro's use of a Return on Long Term Debt of 7.62% is without prejudice to any revised return on debt that may be adopted by the OEB in early 2010.

Both shareholders hold unsecured promissory notes from KW Hydro totaling $76,962,142 (see detail below in Table 3) bearing interest at an "Established Rate", which is currently 6% per annum commencing on May 1, 2006 (see below in Table 4). Both Promissory Notes are payable on demand with eighteen (18) months written notice, are open with no maturity dates, and may be repaid by KW Hydro at any time without notice or bonus. "Established Rate" means the interest rate which is equal to the Ontario Energy Board's deemed debt rate for KW Hydro in the establishment of distribution rates. A copy of each Promissory Note is attached as Appendix A to this Exhibit.

Share capital consists of 10,000 common shares issued to Kitchener Power Corporation.

Table 3
Kitchener-Wilmot Hydro Inc.
Promissory Notes

Shareholder	% of Total Debt	Principal Amount
City of Kitchener	92.25%	70,997,576
Township of Wilmot	7.75%	5,964,566
Total	**100.00%**	**76,962,142**

Table 4

Long-Term Debt Cost

No.	Debt Holder	Is the Debt Holder Affiliated with the LDC? (Y/N)	Date of Issuance of Debt (Date)	Principal ($)	Term (Years)	Actual Rate in 2008 (%)
1	City of Kitchener	Y	1-Jul-2000	$ 70,997,576	N/A	6.00%
2	Township of Wilmot	Y	1-Jul-2000	$ 5,964,566	N/A	6.00%
Total				**$ 76,962,142**		
Weighted Average Long-term Debt Cost						**6.00%**

Cost of Debt: Short Term

KW Hydro is requesting a return on Short Term Debt for the 2010 Test year of 1.33% in accordance with the Cost of Capital Parameter Updates for 2009 Cost of Service Applications issued by the OEB on February 24, 2009. KW Hydro understands that the OEB will be finalizing the return on short term debt for 2010 rates based on January 2010 market interest rate information. KW Hydro's use of a Return on Short Term Debt of 1.33% is without prejudice to any revised return on short term debt that may be adopted by the OEB in early 2010.

Return on Equity:

KW Hydro is requesting a return on equity ("ROE") for the 2010 Test year of 8.01% in accordance with the Cost of Capital Parameter Updates for 2009 Cost of Service Applications issued by the OEB on February 24, 2009. KW Hydro understands that the OEB will be finalizing the ROE for 2010 rates based on January 2010 market interest rate information. KW Hydro's use of an ROE of 8.01% is without prejudice to any revised ROE that may be adopted by the OEB in early 2010.

KW Hydro's ROE in 2006 (5.26%), 2007 (6.03%) and 2008 (4.83%) were well below the allowed deemed ROE at 9%. The major item affecting returns during this time period was a growing rate base. Details of KW Hydro's Cost of Capital and Return on Equity are presented below in Table 5.

Prior to May 1, 2006, KW Hydro's deemed long term interest rate was 7%; the current deemed interest rate is 6%, however, the blending of the two rates during the year results in an overall higher interest cost of 6.33% for the year.

The ROE using current rates is projected at 2009 (5.57%) and 2010 (4.92%) are also well below the allowed deemed ROE.

Table 5

Cost of Capital Deemed vs. Actual

	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual
Long Term Debt	81,249,257	76,962,142	76,962,142	76,962,142
Common Equity	66,476,665	89,237,114	92,943,633	106,768,928
Actual Debt / Equity				
Long Term Debt Ratio		46%	45%	42%
Equity to Long Term Debt Ratio		54%	55%	58%
Deemed Debt / Equity	55% / 45%	55% / 45%	55% / 45%	57.5% / 42.5%
Interest on Long Term Debt	4,874,955	4,870,755	4,617,729	4,630,380
Net Income	5,982,900	4,696,469	5,606,518	5,159,525
Actual Long Term Debt Rate		6.33%	6.00%	6.02%
Actual Return on Equity		5.26%	6.03%	4.83%
Deemed Long Term Debt Rate	6%	6%	6%	6%
Deemed Return on Equity	9%	9%	9%	9%
Actual Cost of Capital		5.76%	6.02%	5.33%
Deemed Cost of Capital	7.35%	7.35%	7.35%	7.35%

PROMISSORY NOTE

FOR VALUE RECEIVED, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") hereby promises to pay to or to the order of The Corporation of the City of Kitchener (the "City of Kitchener") the Principal sum of $70,997,576.00 (the "Principal") with interest at the rate specified herein.

Repayment on Demand

The City of Kitchener may demand repayment of all or any part of the outstanding Principal with interest at the Established Rate upon eighteen (18) months written notice of demand to Kitchener-Wilmot Hydro.

Interest

The outstanding Principal shall bear interest at the Established Rate, such interest to be calculated and paid quarterly on March 31, June 30, September 30, and December 31 of each year, not in advance.

Interest at the Established Rate shall accrue from January 1, 2001 until the Principal is paid in full.

"Established Rate" means the interest rate which is equal to the interest rate on debt (the "Debt Rate") which the Ontario Energy Board or its successor may permit Kitchener-Wilmot Hydro to pay for rate making purposes in the establishment of distribution rates, and the interest rate as aforesaid shall change from time to time.

As at the date of this Promissory Note, the Established Rate is as follows:

For the year 2001	-	3.75%
For the year 2002	-	4.68%
Effective January 1, 2003	-	the Ontario Energy Board Established Rate (presently 7.00%)

Kitchener-Wilmot Hydro shall notify in writing, the City of Kitchener forthwith, of any change in the Established Rate approved by the Ontario Energy Board. Any change in the Established Rate shall be effective thirty (30) days from the date of approval.

If the Board of Directors of Kitchener-Wilmot Hydro approve capital expenditures requiring borrowing that causes the debt/equity ratio to exceed 55/45, the interest payable will be reduced to bring the overall total interest payable to the deemed allowable interest expense for regulatory purposes.

The payment of the Principal amount and all interest on this Promissory Note is subordinated to debt issued by Kitchener-Wilmot Hydro from time to time to a financial institution or other third party for the purposes of Kitchener-Wilmot Hydro and the City of Kitchener shall execute such documents as may reasonably be required by Kitchener-Wilmot Hydro to evidence the subordination.

This Promissory Note is open and may be repaid by Kitchener-Wilmot Hydro at any time without notice or bonus.

This Promissory Note is not assignable by the City of Kitchener without the consent of Kitchener-Wilmot Hydro. Such consent is not to be unreasonably withheld.

For value received, Kitchener-Wilmot Hydro confirms that it paid interest on the principal sum to the City of Kitchener for a portion of the year 2000 and will seek no recourse to recover this amount at any future date.

DATED as of the 27th day of NOVEMBER 2001.

KITCHENER-WILMOT HYDRO INC.

Per: _____
Authorized Signing Officer
Name: B. SIMS CHAIR
Title:

_____
Authorized Signing Officer
Name: R. CHARIE
Title: PRESIDENT & C.E.O.

Seal

PROMISSORY NOTE

FOR VALUE RECEIVED, Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot Hydro") hereby promises to pay to or to the order of The Corporation of the Township of Wilmot (the "Township of Wilmot") the Principal sum of $5,964,566.00 (the "Principal") with interest at the rate specified herein.

Repayment on Demand

The Township of Wilmot may demand repayment of all or any part of the outstanding Principal with interest at the Established Rate upon eighteen (18) months written notice of demand to Kitchener-Wilmot Hydro.

Interest

The outstanding Principal shall bear interest at the Established Rate, such interest to be calculated and paid quarterly, on March 31, June 30, September 30, and December 31 of each year, not in advance.

Interest at the Established Rate shall accrue from January 1, 2001 until the Principal is paid in full.

"Established Rate" means the interest rate which is equal to the interest rate on debt (the "Debt Rate") which the Ontario Energy Board or its successor may permit Kitchener-Wilmot Hydro to pay for rate making purposes in the establishment of distribution rates, and the interest rate as aforesaid shall change from time to time.

As at the date of this Promissory Note, the Established Rate is as follows:

For the year 2001	-	3.75%
For the year 2002	-	4.68%
Effective January 1, 2003	-	the Ontario Energy Board Established Rate (presently 7.00%)

Kitchener-Wilmot Hydro shall notify in writing, the Township of Wilmot forthwith, of any change in the Established Rate approved by the Ontario Energy Board. Any change in the Established Rate shall be effective thirty (30) days from the date of approval.

If the Board of Directors of Kitchener-Wilmot Hydro approve capital expenditures requiring borrowing that causes the debt/equity ratio to exceed 55/45, the interest payable will be reduced to bring the overall total interest payable to the deemed allowable interest expense for regulatory purposes.

The payment of the Principal amount and all interest on this Promissory Note is subordinated to debt issued by Kitchener-Wilmot Hydro from time to time to a financial institution or other third party for the purposes of Kitchener-Wilmot Hydro and the Township of Wilmot shall execute such documents as may reasonably be required by Kitchener-Wilmot Hydro to evidence the subordination.

This Promissory Note is open and may be repaid by Kitchener-Wilmot Hydro at any time without notice or bonus.

This Promissory Note is not assignable by the Township of Wilmot without the consent of Kitchener-Wilmot Hydro. Such consent is not to be unreasonably withheld.

For value received, Kitchener-Wilmot Hydro confirms that it paid interest on the principal sum to the Township of Wilmot for a portion of the year 2000 and will seek no recourse to recover this amount at any future date.

DATED as of the 27th day of NOVEMBER 2001.

KITCHENER-WILMOT HYDRO INC.

Per: _____
Authorized Signing Officer
Name: B. SIMS
Title: CHAIR

_____
Authorized Signing Officer
Name: R. CHARIE
Title: PRESIDENT & C.E.O.

Seal

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY OR SURPLUS

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RATE BASE AND REVENUE REQUIREMENT:

To continue to provide safe and reliable service to its customers and earn its permitted return on equity (ROE), KW Hydro requests to increase its base Revenue Requirement to $38.91M. KW Hydro's 2006 Board Approved Revenue Requirement was based on 2004 Actual results and there have been significant changes to Distribution Expenses and Rate Base for the past four years. Distribution Expenses have increased to $23M in 2008 from $18.74M of 2006 Board Approved, representing 5.3% annual growth. The Rate Base increased to $154.8M in 2008 from $147.73M of 2006 Board Approved, adding almost 1.2% every year. These increases to both Rate Base and Distribution Expenses will continue into the Test Year 2010.

KW Hydro proposes for 2010:

1. A Rate Base of $163.11M, a 2.5% annualized increase from $147.73M of 2006 Board Approved

2. A Base Revenue Requirement of $38.91M, a 5.5% annualized increase from $31.44M of 2006 Board Approved.

Table 1 provides the calculated 2010 Revenue Requirement.

Table 2 demonstrates the steps used to calculate the Revenue Requirement and the details of year over year comparison in the event that KW Hydro was allowed to rebase every year.

Cost of Capital and PILs in Table 2 are the deemed Cost of Capital and PILs in that year.

Table 1

2010 REVENUE REQUIREMENT CALCULATION

	2010 Test Year ($)	Comments
Net Fixed Assets	139,816,100	From Exhibit 2
(+)		
Working Capital	23,297,338	From Exhibit 2
=		
Rate Base	163,113,438	
(x)		
Cost of Capital	7.52%	From Exhibit 6
=		
Return on Ratebase	12,273,308	
(+)		
Distribution Expenses	25,386,819	From Exhibit 4
=		
Revenue Requirement before PILS	37,660,127	
(+)		
PILS	2,971,056	From Exhibit 4
=		
Service Revenue Requirement	**40,631,183**	
(-)		
Other Revenue	1,725,295	From Exhibit 3
=		
Base Revenue Requirement	**38,905,888**	
(+)		
Transformer Ownership Allowance	426,772	From Exhibit 3
(-)		
Other Distribution Charges	70,145	From Exhibit 3
=		
Throughput Revenue	**39,262,515**	

Table 2
Revenue Requirement ($) (if Rebased Every Year)

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual	2009 Bridge	2009 Bridge vs. 2008 Actual	2010 Test	2010 Test vs. 2009 Bridge
Net Fixed Assets	126,529,593	129,802,567	3,272,974	131,627,741	1,825,174	132,159,397	531,656	131,733,450	-425,946	139,816,100	8,082,650
+											
Working Capital	21,196,329	22,347,592	1,151,263	23,305,422	957,830	22,740,625	-564,797	23,361,797	621,171	23,297,338	-64,458
=											
Rate Base	147,725,922	152,150,159	4,424,237	154,933,163	2,783,004	154,900,022	-33,141	155,095,247	195,225	163,113,438	8,018,192
x											
Cost of Capital (Deemed)	7.35%	7.35%	0	7.35%	0	7.35%	0	7.35%	0	7.52%	0
=											
Return on Rate base	10,857,855	11,183,037	325,181	11,387,587	204,551	11,385,152	-2,436	11,399,501	14,349	12,273,308	873,807
+											
Distribution Expenses	18,741,396	21,453,182	2,711,786	22,443,311	990,129	23,033,332	590,021	23,494,672	461,340	25,386,819	1,892,147
=											
Revenue Requirement Before PILs	29,599,251	32,636,219	3,036,967	33,830,898	1,194,680	34,418,484	587,585	34,894,173	475,689	37,660,127	2,765,954
+											
PILs (Deemed)	4,153,429	4,153,429	0	4,035,476	-117,953	3,646,901	-388,575	2,151,402	-1,495,499	2,971,056	819,654
=											
Service Revenue Requirement	33,752,680	36,789,648	3,036,967	37,866,374	1,076,727	38,065,385	199,010	37,045,575	-1,019,809	40,631,183	3,585,608
–											
Revenue Offset	2,315,495	2,565,890	250,395	3,493,786	927,896	2,869,204	-624,582	1,750,692	-1,118,512	1,725,295	-25,397
=											
Base Revenue Requirement	31,437,185	34,223,758	2,786,573	34,372,589	148,831	35,196,181	823,592	35,294,883	98,702	38,905,888	3,611,005
–											
Other Distribution Charges	0	86,663	86,663	78,357	-8,306	59,824	-18,533	65,000	5,176	70,145	5,145
+											
Transformer Ownership Allowance	959,968	916,755	-43,213	862,464	-54,291	837,659	-24,805	743,263	-94,396	426,772	-316,491
=											
Throughput Revenue	32,397,153	35,053,850	2,656,697	35,156,695	102,846	35,974,016	817,321	35,973,146	-870	39,262,515	3,289,369

NET UTILITY INCOME AND RETURN ON RATE BASE:

This evidence is to demonstrate the actual return on Rate Base using actual Operating Revenue, Distribution Expenses, including Interest Expense and PILs, to compare the actual return expected on Rate Base to the deemed return on Rate Base in support of KW Hydro's Revenue Deficiency calculation.

The 2006 Board Approved return on Rate Base is 7.35%. The actual earned return on actual Rate Base for the years 2006 to 2008 were all below that ratio, due to a growing rate base and increased Distribution Expenses (see Table 3 for details). Based on most the recent Board Approved Cost of Capital, the deemed return on Rate Base should be 7.52% (40% * 8.01% + 4% * 1.33% + 56% * 7.62%). The estimated return on Rate Base for 2010, using KW Hydro's existing rates, is only 4.92%, as shown in Table 5. This return is far below the requested return on Rate Base of 7.52%.

KW Hydro has determined its 2010 Net Income after Interest Expense to be $5.23M. Table 5 provides the detailed Net Income and return on Rate Base calculation.

PILs and Interest Expenses presented in Table 3 are the actual expense incurred in the year and will be different from deemed PILs and Interest Expenses, with the exception of 2006 Board Approved, the 2009 Bridge Year and the 2010 Test Year. PILs and Interest Expenses for the 2009 Bridge Year and the 2010 Test Year are based on deemed PILs and Interest Expense amounts.

There is $15,000 difference between the Total Operating Revenue in Table 2 and the Total Operating Revenue in Table 1 of Exhibit 3. The revenue offset calculated in Table 2 of $1,725,295 is the amount used for rebasing purposes. Other Revenue, for accounting purposes, from Exhibit 3 is $1,740,295. The difference is because only half of the amount of account # 4355 - Gain on Disposition of Utility and Other Property of $30,000 is included in revenue offset used for rebasing purposes.

Table 3
Return on Rate Base ($)

	2006 Board Approved	2006 Actual	2006 Actual vs. 2006 Board Approved	2007 Actual	2007 Actual vs. 2006 Actual	2008 Actual	2008 Actual vs. 2007 Actual	2009 Bridge	2009 Bridge vs. 2008 Actual	2010 Test	2010 Test vs. 2009 Bridge
Total Operating Revenue	33,752,680	34,516,593	2.3%	35,796,983	3.7%	35,408,552	-1.1%	34,273,149	-3.2%	40,631,183	18.6%
–											
Distribution Expenses	18,741,396	21,453,182	14.5%	22,443,311	4.6%	23,033,332	2.6%	23,494,672	2.0%	25,386,819	8.1%
=											
Net Income Before PILs and Interest	15,011,284	13,063,411	-13.0%	13,353,672	2.2%	12,375,220	-7.3%	10,778,476	-12.9%	15,244,364	41.4%
–											
PILs	4,153,429	2,753,671	-33.7%	2,852,445	3.6%	2,260,734	-20.7%	2,151,402	-4.8%	2,971,056	38.1%
=											
Net Income Before Interest	10,857,855	10,309,740	-5.0%	10,501,227	1.9%	10,114,486	-3.7%	8,627,074	-14.7%	12,273,308	42.3%
–											
Interest Expense	4,874,955	5,151,002	5.7%	4,957,610	-3.8%	4,943,543	-0.3%	5,573,506	12.7%	7,047,153	26.4%
=											
Net Income After Interest	5,982,900	5,158,738	-13.8%	5,543,617	7.5%	5,170,943	-6.7%	3,053,568	-40.9%	5,226,155	71.1%
Rate Base	147,725,922	152,150,159	3.0%	154,933,163	1.8%	154,900,022	0.0%	155,095,247	0.1%	163,113,438	5.2%
Return on Rate Base	7.35%	6.78%	-7.8%	6.78%	0.0%	6.53%	-3.7%	5.56%	-14.8%	7.52%	35.3%

REVENUE DEFICIENCY:

KW Hydro has provided detailed calculations supporting its 2010 Revenue Deficiency. KW Hydro's net Revenue Deficiency is $4.25M and, when grossed up for PILs, the Revenue Deficiency is $6.16M. Tables 4 and 5 below provide the Revenue Deficiency calculations for the 2010 Test Year at existing 2009 Board-Approved rates and the resulting 2010 Test Year Revenue Requirement. The drivers of the Revenue Deficiency are summarized in Table 6.

Note also that Table 5 below does not include 6205 Donations, which are included in Exhibit 4 – Operating Costs, Table 1. In addition, Table 5 below includes 6005 and 6035 Interest Expense and Capital Tax amounts not included in Exhibit 4 – Operating Costs, Table 1.

The Revenue Deficiency arises from the following major factors (as shown in Table 6):

- An increase to net Fixed Assets of $13.29M from $126.53M of 2006 Board Approved to $139.82M in 2010. This accounts for 26.2% of the total Revenue Deficiency.

- An increase in Working Capital of $2.11M from $21.19M of 2006 Board Approved to $23.30M in 2010. This accounts for 4.4% of the total Revenue Deficiency.

- An increase in the Cost of Capital of 0.17% from 7.35% of 2006 Board Approved to 7.52% in 2010. This accounts for 0.7% of the total Revenue Deficiency.

- An increase in Distribution Expenses of $6.65M from $18.74M of 2006 Board Approved to $25.39M in 2010. This accounts for 64.7% of the total Revenue Deficiency.

Table 4

2010 Throughput Revenue at Existing 2009 Rates

	Fixed Rate	Variable Rate	Number of Customers	kWh / kW Sales	Fixed Charge	Variable Charge	Base Revenue
Residential	$9.55	$0.01	78,139	650,038,341	$8,954,729	$7,995,472	$16,950,201
GS < 50	$25.17	$0.01	7,484	235,461,608	$2,260,467	$2,119,154	$4,379,622
GS > 50	$232.71	$3.52	1,003	2,231,346	$2,800,898	$7,854,784	$10,655,682
Large User	$14,195.83	$1.43	2	140,928	$340,700	$201,753	$542,452
Street Lighting	$0.78	$4.39	23,299	46,815	$218,079	$205,743	$423,821
Unmetered Scattered Load	$12.59	$0.01	820	3,287,380	$123,886	$29,586	$153,472
Total 2010 Throughput Revenue					$14,698,758	$18,406,492	**$33,105,250**
2010 Throughput Revenue Requirement							**$39,262,515**
Total 2010 Revenue Deficiency							**($6,157,265)**

Table 5

Revenue Deficiency Determination

Description	2009 Bridge Actual	2010 Test Existing Rates	2010 Test - Required Revenue
Revenue			
Revenue Deficiency			**6,157,264**
Distribution Revenue	32,515,539	32,748,623	32,748,623
Other Operating Revenue (Net)	1,750,692	1,725,295	1,725,295
Smart Meter Deferral Account Adjustment			
Total Revenue	**34,266,231**	**34,473,918**	**40,631,182**
Costs and Expenses			
Administrative & General, Billing & Collecting	6,099,700	6,287,776	6,287,776
Operation & Maintenance	7,142,000	7,812,700	7,812,700
Depreciation & Amortization	9,723,672	10,735,844	10,735,844
Property Taxes	529,300	550,500	550,500
Capital Taxes	314,594	222,170	222,170
Deemed Interest	5,573,506	7,047,153	7,047,153
Total Costs and Expenses	**29,382,772**	**32,656,142**	**32,656,142**
Less OCT Included Above			
Total Costs and Expenses Net of OCT	**29,382,772**	**32,656,142**	**32,656,142**
Utility Income Before Income Taxes	**4,883,458**	**1,817,776**	**7,975,040**
Income Taxes:			
Corporate Income Taxes	1,836,808	840,749	2,748,885
Total Income Taxes	**1,836,808**	**840,749**	**2,748,885**
Utility Net Income	**3,046,650**	**977,027**	**5,226,155**
Capital Tax Expense Calculation:			
Total Rate Base	154,819,612	163,113,438	163,113,438
Exemption	15,000,000	15,000,000	15,000,000
Deemed Taxable Capital	**139,819,612**	**148,113,438**	**148,113,438**
Ontario Capital Tax	314,594	222,170	222,170
Income Tax Expense Calculation:			
Accounting Income	4,883,458	1,817,776	7,975,040
Tax Adjustments to Accounting Income	758,385	975,865	975,865
Taxable Income	**5,641,843**	**2,793,641**	**8,950,905**
Income Tax Expense before ATTC	1,861,808	865,749	2,773,885
ATTC	(25,000)	(25,000)	(25,000)
Income Tax Expense after ATTC	1,836,808	840,749	2,748,885
	33.00%	30.99%	30.99%
Actual Return on Rate Base:			
Rate Base	154,819,612	163,113,438	163,113,438
Interest Expense	5,573,506	7,047,153	7,047,153
Net Income	3,046,650	977,027	5,226,155
Total Actual Return on Rate Base	**8,620,156**	**8,024,180**	**12,273,308**
Actual Return on Rate Base	5.57%	4.92%	7.52%
Required Return on Rate Base:			
Rate Base	154,819,612	163,113,438	163,113,438
Return Rates:			
Return on Debt (Weighted)	6.00%	7.20%	7.20%
Return on Equity	9.00%	8.01%	8.01%
Deemed Interest Expense	5,573,506	7,047,153	7,047,153
Return On Equity	5,573,506	5,226,155	5,226,155
Total Return	**11,147,012**	**12,273,308**	**12,273,308**
Expected Return on Rate Base	7.20%	7.52%	7.52%
Revenue Deficiency After Tax	**2,526,856**	**4,249,128**	**0**
Revenue Deficiency Before Tax	**3,771,427**	**6,157,264**	**0**

Table 6

Summary of the Components of Revenue Deficiency

Drive	Increase (Decrease) from 2006 Board Approved ($)	Increase (Decrease) from 2006 Board Approved (%)	Impact on Revenue Deficiency ($)	Impact on Revenue Deficiency (%)	Evidentiary Reference
Net Fixed Assets	13,286,507	10.50%	($1,611,589)	26.2%	Exhibit 2
Working Capital	2,101,009	9.91%	($268,536)	4.4%	Exhibit 2
Cost of Capital (Deemed)	0.17%	2.37%	($44,611)	0.7%	Exhibit 6
Distribution Expenses	6,645,423	35.46%	($3,981,236)	64.7%	Exhibit 4
PILs (Deemed)	-1,182,373	-28.47%	($465,930)	7.6%	Exhibit 4
Other Revenue	-590,200	-25.49%	$270,566	-4.4%	Exhibit 3
Transformer Ownership Allowance	-533,196	-55.54%	($66,928)	1.1%	Exhibit 3
Other Distribution Charges	70,145		$11,000	-0.2%	Exhibit 3
Throughput Revenue	6,865,362	21.19%	**($6,157,264)**	100.0%	

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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EXHIBIT 7 – COST ALLOCATION

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COST ALLOCATION OVERVIEW:

Introduction:

On September 15, 2006, the OEB issued its directions on Cost Allocation Methodology for Electricity Distributors (the "Directions"). On November 15, 2006, the Board issued the Cost Allocation Information Filing Guidelines for Electricity Distributors (the "Guidelines"), the Cost Allocation Model (the "Model") and User Instructions (the "Instructions") for the Model. KW Hydro prepared a cost allocation information filing consistent with KW Hydro's understanding of the Directions, the Guidelines, the Model and the Instructions. KW Hydro submitted this filing to the OEB on February 23, 2007.

The results of a cost allocation study are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of Distribution Revenue collected by rate classification compared to the costs allocated to the classification. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates that the rate classification is over-contributing and is subsidizing other classes of customers.

One of the main objectives of the filing was to provide information on any apparent cross-subsidization among a distributor's rate classifications. It was felt that this would give an indication of cross-subsidization from one class to another and this information would be useful as a tool in future rate applications.

SUMMARY OF RESULTS AND PROPOSED CHANGES:

Cost Allocation Study Results

KW Hydro has completed its Cost Allocation Study according to the Board's Minimum Filing Requirements issued May 27, 2009 for LDC's filing Cost of Service rate applications and includes the three sets of revenue to cost ratios requested by the Board.

Table 1 outlines:

- the revenue to cost ratios from Run 2 of the Cost Allocation Informational Filing submitted by KW Hydro on February 28, 2007 (EB-2006-0247 and EB-2007-0002)
- the revenue to cost ratios from the Cost Allocation Informational Filing submitted by KW Hydro on February 28, 2007 with the approved Transformer allowance removed.
- the revenue to cost ratios from the 2010 Cost Allocation model using existing revenue to cost ratios.
- the revenue to cost ratios based on KW Hydro's proposed 2010 rates.

KW Hydro chose to present Run 2 because Run 1 of the original Cost Allocation Informational filing did not include the Unmetered Scattered Load rate class. Run 1 and Run 2 did include the Embedded Distributor rate class but the results are not reliable since KW Hydro only wheels the supply of power to its Embedded Distributor. The Embedded Distributor's rates are two-part and are designed on a specific and shared-line basis. The Embedded Distributor's LV rates are proposed in Exhibit 3.

KW Hydro's proposed Cost Allocation model therefore does not include the Embedded Distributor class. The total amount of Distribution Revenue from the 2010 trial balance was included in the Cost Allocation Study, although the Embedded Distributor was not modeled as part of the study. The revenue expected from the Embedded Distributor rate class is immaterial at $70,145 and will not affect the overall results.

Table 2 outlines:

- the current revenue dollar value, by rate class, based on existing rates, net of SSS charges
- the test year revenue assuming current revenue to cost ratios, by rate class
- the test year revenue assuming proposed revenue to cost ratios from Table 1.

Table 1
Revenue to Cost Ratio (%)

Customer Class	From Cost Allocation Model *	Column 1 Revised (Transformer Allowance Removed)	From 2010 Cost Allocation Model before Proposed Adjustments	Proposed for Test Year	Board Target Range
Residential	92.86%	90.28%	88.55%	95.75%	85 - 115
GS<50kW	98.06%	95.34%	102.23%	102.23%	80 - 120
GS>50kW	131.71%	136.53%	122.09%	107.65%	80 - 180
Large User	101.15%	117.46%	112.26%	106.24%	85 - 115
Street Lights	29.02%	26.15%	127.28%	107.80%	70 - 120
USL	153.04%	150.06%	158.46%	108.03%	80 - 120

* Based on Run 2

Table 2
Test Year Revenue Impacts

Customer Class	Current Revenue	Test Year Revenue Assuming Current Revenue to Cost Ratios	Test Year Revenue Assuming Proposed Revenue to Cost Ratios
Total	**33,105,250**	**39,490,515**	**39,490,515**
Residential	16,950,201	20,307,700	22,011,693
GS<50kW	4,379,622	5,214,790	5,214,790
GS>50kW	10,655,682	12,639,938	11,108,700
Large User	542,452	643,355	608,019
Street Lights	423,821	502,665	424,140
USL	153,472	182,066	123,173

INITIAL COST ALLOCATION STUDY:

The data used in the Cost Allocation Model was consistent with KW Hydro's cost data that supported its 2006 OEB-approved distribution rates. Details of the preparation and results of Run 2 of KW Hydro's 2006 cost allocation study are as follows:

- The preparation of the Cost Allocation study followed the guidelines released by the Ontario Energy Board ("OEB") on September 29, 2006 (RP-2005-0317).
- Having filed its 2006 electricity distribution rate application (EB-2005-0386) on a historical test year, KWHI's cost allocation model used KWHI's actual Board-approved 2004 trial balance and results from the 2006 EDR process.
- KWHI purchased the use of the provincial generic load shape using data generated by the Joint Load Data Research Study.
- The Hydro One Load Research team conducted the analysis on KWHI's behalf to develop a utility specific load shape, which was input into the Board's cost allocation model.
- KWHI, together with two other local utilities, outsourced an appliance saturation survey after successfully passing the Chi Square Test.
- KWHI did not perform any direct allocation of costs to rate classifications.
- Standard weighting factors calculated by the model for meter capital and meter reading costs were used without revision.
- Except for the Unmetered Scattered Load and Street Lighting rate classes, the default weighting factors were used for services and billings.
- For the Unmetered Scattered Load and Street Lighting rate class, the weighting factors for billings (Sheet 16, Customer Data, cell #34) was overridden to 0.1 because these customers receive summary bills, rather than bills for each connection.
- Fixed assets were broken out into primary and secondary distribution functions.
- The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to KW Hydro, its engineering records, and its customer and financial information systems.
- KW Hydro does not have any bulk transmission.

Results

A summary of the revenue to expense percentage results by rate classification for each run in this initial Cost Allocation Study is as shown in Table 3:

The results of the 2nd run demonstrated the following for each rate classification:

- The revenue generated by the Residential rate class falls slightly below the costs of servicing them.
- The rates for the GS<50kW rate class were balanced to the revenue requirement.
- The revenue generated from the GS>50kW rate class exceeded the cost of servicing them.
- The revenues and costs for the Large User category were closely aligned.
- The revenue generated by the Street Lighting class did not match the costs of servicing them.
- The revenue generated from the USL rate class exceeded the cost of servicing them.

Table 3

Revenue to Expense % (Initial Cost Allocation Study)

Rate Classification	Run 1	Run 2	Run 3
Residential	92.93%	92.86%	93.63%
GS < 50 kW	100.55%	98.06%	98.85%
GS > 50 kW	129.33%	131.71%	129.61%
Large Use	100.91%	101.15%	94.50%
Streetlighting	29.01%	29.02%	29.27%
Unmetered Scattered Load	N/A	153.04%	154.35%

INITIAL COST ALLOCATION STUDY – RUN 3:

With its filing of the Cost Allocation Informational filing, KW Hydro submitted all three runs. Runs 1 & 2 were per the requirements of the Board. LDCs were permitted to submit a 3rd copy of the Cost Allocation study if they expected or had any major changes in their customer base. During the 2006 EDR, KW Hydro had four customers in the Large Use category but was aware that one Large User customer was to discontinue operations and another Large User customer was significantly reducing its consumption. Consumption for the Large User class by 2006 had fallen 32% relative to the 2004 data so KW Hydro decided to submit a 3rd run of the Cost Allocation study using the reduced Large User consumption data. Results are shown above in Table 3.

INITIAL COST ALLOCATION STUDY WITH TRANSFORMER ALLOWANCE REMOVED:

KW Hydro's approved transformer allowance calculated through the 2006 EDR was $959,968. Of this amount, $683,712 was allocated to GS > 50 kW and $276,256 was allocated to the Large User rate class.

In accordance with the Board's Minimum Filing Requirements, KW Hydro removed the "cost" associated with transformer ownership allowance from the revenue requirement (Worksheet I3) and subtracted the "revenue" associated with the transformer ownership allowance from the approved revenue of the affected rates classes (Worksheet I6, row 29). There were no other changes to the model as filed with the Board in 2007.

The results of the 2nd run, adjusted for the transformer allowance, demonstrated the following revenue to cost ratio observations for each rate class (as shown in Table 1):

- Residential rate class revenue to cost ratio changed 92.86% to 90.28%.
- GS<50kW revenue to cost ratio changed from 98.06% to 95.34%
- GS>50kW revenue to cost ratio changed from 131.71% to 136.53%.
- Large User revenue to cost ratio changed from 101.15% to 117.46%.
- Street Lighting revenue to cost ratio improved, from 29.02% to 26.15%.
- USL revenue to cost ratio changed from 153.04% to 150.06%

The results of the 2nd run, with the transformer allowance removed, demonstrates the following for each rate classification:

- The Residential revenue to cost ratio moved farther away from 1.
- The rates for the GS<50kW rate class are still closely balanced to the revenue requirement.
- The revenue generated from the GS>50kW rate class continues to exceed the cost of servicing them.
- The revenues generated by the Large User category exceed the cost of servicing them.
- The revenue generated from the Street Lighting rate class is still below the cost of servicing them.
- The revenue generated from the USL rate class continues to exceed the cost of servicing them.

PROPOSED 2010 COST ALLOCATION MODEL:

KW Hydro ran the Cost Allocation model based on the Board's Minimum Filing Requirements issued May 27, 2009 and followed the cost allocation policies reflected in the Board's report of November 28, 2007, *Application of Cost Allocation for Electricity Distributors,* (EB-2007-0667).

Details of the preparation of the Cost Allocation study are as follows:

- The preparation of the Cost Allocation study followed the guidelines released by the Ontario Energy Board ("OEB") on September 29, 2006 (RP-2005-0317).
- As part of KW Hydro's 2010 electricity distribution rate application, this Cost Allocation Study has been prepared on a future test year basis, using the forecasted 2010 Trial Balance.
- KW Hydro purchased the use of the provincial generic load shape using data generated by the Joint Load Data Research Study in 2006.
- The Hydro One Load Research team conducted the analysis on KW Hydro's behalf to develop a utility specific load shape for the 2006 Cost Allocation Study.
- This load shape was maintained but the data was repopulated with forecast 2010 consumption data.
- For those rate classes for which interval data was available, more recent consumption data was tested to ensure that there had been no material change in consumption patterns. When none were identified, the generic load shape was used.

- KW Hydro, together with two other local utilities, outsourced an appliance saturation survey after successfully passing the Chi Square Test for the 2006 Cost Allocation Study.
- For the 2010 Cost Allocation Study, KW Hydro did not perform another appliance saturation study as it has been assumed that the appliance saturation study results have not changed materially since the original study was performed.
- The Embedded Distributor rate class was not included as part of the study as KW Hydro believes that the Embedded Distributor rate class cannot be accurately reflected in the model.
- The total amount of distribution revenue from the 2010 trial balance was included in the Cost Allocation Study, although the Embedded Distributor was not modeled as part of the study. The revenue expected from the Embedded Distributor rate class is immaterial at $70,145 and will not affect the overall results.
- KW Hydro did not perform any direct allocation of costs to rate classifications.
- Standard weighting factors calculated by the model for meter capital and meter reading costs were used without revision.
- The number of customers was obtained from the 2010 Load Forecast.
- KW Hydro is currently installing smart meters and expects to complete all installation by mid-2010. All low-volume customers were assumed to have smart meters for the purpose of this study.
- The default value of $300 for smart meter capital was changed to $180, following discussion with Board staff due to the fact that the initial Cost Allocation study was performed before Board staff had any history based on which to estimate a smart meter capital value. Subsequent to some installs being complete, Board staff suggested that $180 would be a more appropriate number to use.
- Except for the Unmetered Scattered Load and Street Lighting rate classes, the default weighting factors were used for services and billings.
- For the Unmetered Scattered Load and Street Lighting rate class, the weighting factors for billings (Sheet 16, Customer Data, cell #34) was overridden to 0.1 because these customers receive summary bills, rather than bills for each connection.
- Fixed assets were broken out into primary and secondary distribution functions.
- The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to KW Hydro, its engineering records, and its customer and financial information systems.
- KW Hydro does not have any bulk transmission.

- The transformer allowance revenue and cost data was not included as per Board instruction.
- The number of street light connections was revised as discussed further in the following section.

STREET LIGHTING CONNECTIONS:

Following the initial Cost Allocation Study, there was concern regarding the revenue to cost ratio for the Street Lighting rate class. KW Hydro felt that the number of street light connections was overstated and conducted an investigation into how the street lights were connected to its distribution system. KW Hydro uses a "daisy chain" system when attaching street light connections as follows:

The connection of streetlight circuits to Kitchener-Wilmot Hydro's secondary distribution circuit is normally performed using one or a combination of the following methods:

- Individually-controlled streetlights
- Group-controlled streetlights

Individually-controlled streetlights (see fig. 1) consist of a 120/240 3-wire secondary distribution system owned by the LDC with each light directly connected to the secondary distribution at different locations and individually controlled by a photo-cell mounted on top of the light.

Group-controlled streetlight circuits (see fig. 2) consist of an additional streetlight conductor that supplies power to all the streetlights which is owned by the streetlight owner (Municipality). The additional streetlight conductor is connected to the secondary distribution circuit via a service entrance switch and/or relay which houses the photo-cell for control of the streetlight group. There are typically 10 to 14 streetlights served by one switch and one photo-cell.

Approximately 187 (1%) of the lights connected on KW Hydro's distribution system are individually-controlled and connected directly to KW Hydro's secondary distribution system.

Approximately 22,590 (99%) of the lights connected on KW Hydro's distribution system are group-controlled via 1,398 relay/service entrance switches. Since the conductor supplying power to the lights and the service entrance switch are owned by the Municipality, all the lights serviced by one switch will represent one service connection point from the LDC perspective with the demarcation point being the line side of the switch. Therefore, the total number of streetlight service connections should be 1,585 (187 + 1,398), which is the total of the number of light individually controlled and directly connected to the distribution system plus the number of service connection points connected to the distribution system.

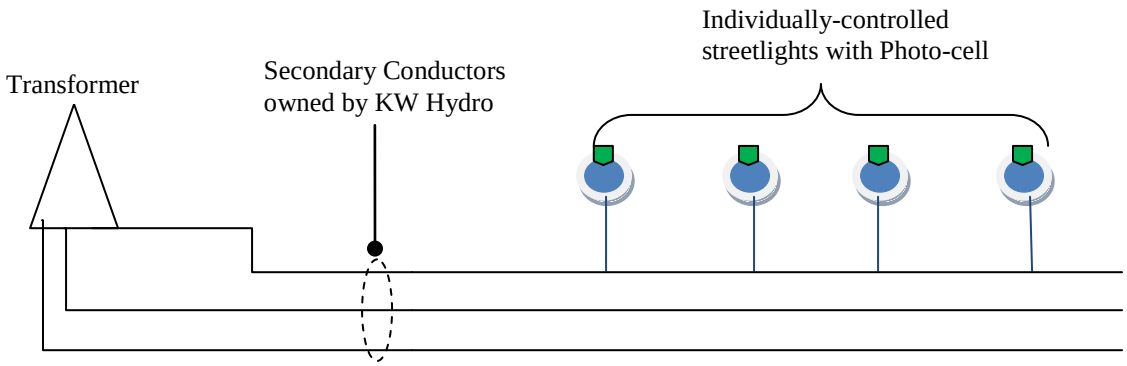


Figure 1 Individually-controlled Streetlight Circuit

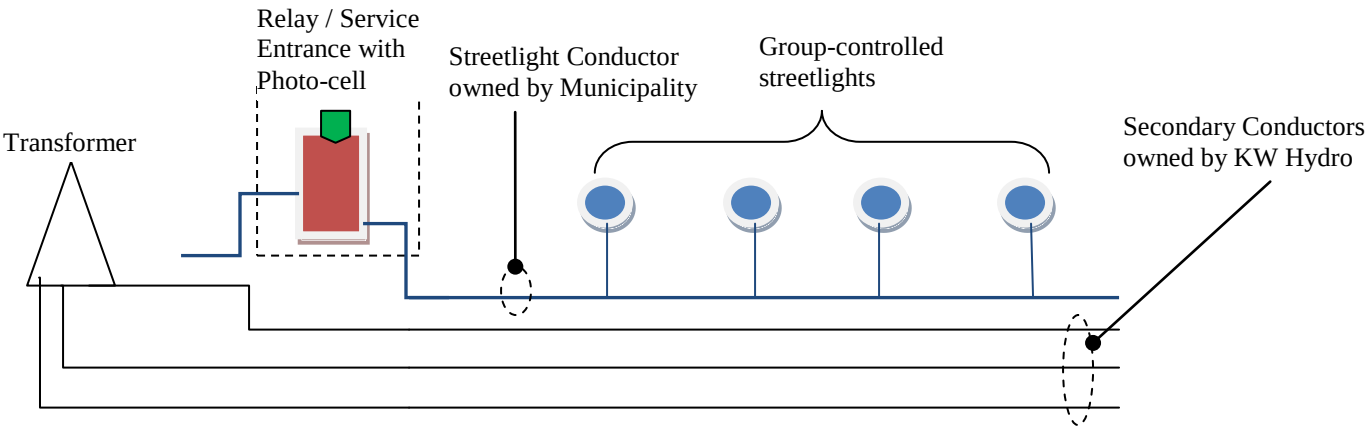


Figure 2 Group-controlled Streetlight Circuit

Based on the above rationale, KW Hydro changed the number of connections used in its Cost Allocation study to 1,585.

CONCLUSION:

The results from the initial cost allocation study (Table 1) showed that all rate classes except the Street Lighting and USL rate classes were within the acceptable range mandated by the Board.

Upon removal of the transformer allowance from the initial study, the revised results showed that the Large User rate class was outside of the acceptable range mandated by the Board.

KW Hydro has proposed ranges for all rate classes that are within the Board target. While it would be desirable to move the Residential rate class closer to 100% cost recovery, KW Hydro believes that a 95.75% revenue to cost ratio improves the existing range and that moving to full symmetry may have a material negative impact on the total bill for a Residential customer.

All other rates classes are slightly over 100% cost recovery. The highest revenue to cost ratio is 108.03%, which is not significant.

Through its next rebasing application, KW Hydro expects to continue to work on the revenue to cost ratios for all classes with the intent of moving the Residential class closer to 1.

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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RATE DESIGN OVERVIEW:

This Exhibit explains the methodology used by KW Hydro in calculating and designing its proposed rates to collect its proposed $40,631,182 service revenue requirement for 2010. After removing $1,725,295 in Revenue Offsets, $70,145 in Other Distribution Charges (from its Embedded Distributor), and adding back $426,772 in transformer allowance credits, the proposed throughput revenue (the total of the fixed and variable charges from the six major classes) is $39,262,515, which is the target amount used in this Exhibit.

Fixed/Variable Proportion

- Current Fixed/Variable Proportion

Based on KW Hydro's 2009 approved distribution rates and 2010 load forecast, the current fixed / variable proportion is calculated in Table 1.

- Proposed Fixed / Variable Proportion

After reducing the revenue allocation to the USL class and to keep the variable charge for this class in line with that of GS<50 class, KW Hydro proposes to decrease the monthly fixed charge for the USL class from $12.59 to $8.34. Due to the low revenue to cost ratio for the Residential class (88.55%), KW Hydro proposes to increase the revenue allocation to this class. The current monthly fixed charge of $9.55 for the Residential class is below the ceiling of $13.48 calculated by the 2010 Cost Allocation Study (see Exhibit 7 and the Excel model filed with the application). To balance the bill impact for the fixed and variable portions, KW Hydro proposes to increase the monthly fixed charge for this class from $9.55 to $12.05.

The revenue proportions are known from the results of the 2010 Cost allocation study (see Exhibit 7) and the expected kWh/kW are known by rate class from the Load Forecast (see Exhibit 3)., Upon finalizing the fixed monthly charge by class, the variable charge by class is a direct result of the difference between required revenue proportions by class and the monthly service charges that will be collected on an annual basis.

The monthly fixed charges for all other classes are kept unchanged. The proposed fixed / variable proportion is presented in Table 2.

- Floor and Ceiling Fixed Charges

Table 3 shows the comparison of the current and proposed monthly fixed charges with the floor and ceiling as calculated in the 2010 Cost Allocation study (see Exhibit 7 and the Excel model filed with the application).

KW Hydro's current monthly fixed charges for all rate classes exceed the ceiling as calculated by the Cost Allocation model (see Exhibit 7) with the exception of the Residential rate class. KW Hydro's current fixed charges are directly derived from the 1999 RUD model and have been kept unchanged, outside of small adjustments through IRM distribution rate application models. In the Report of the Board (EB-2007-0667), the Board ordered "Distributors that are currently above the value are not required to make changes to their current MSC to bring it to or below this level at this time". Therefore, KW Hydro proposes to maintain its current monthly fixed charges for all classes except for USL and Residential classes.

Table 1

2010 Test Year Fixed / Variable Proportion at Existing Rates

Class	Annual kWh	Annual kW For Dx	# of Customers or Connections	Existing Fixed Rates	Existing Variable Rates	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %	Fixed Proportion	Variable Proportion
Residential	650,038,341		78,139	9.55	0.0123	8,954,729	7,995,472	16,950,201	51.20%	52.8%	47.2%
GS<50 kW	235,461,608		7,484	25.17	0.0090	2,260,467	2,119,154	4,379,622	13.23%	51.6%	48.4%
GS>50 kW	0	2,231,346	1,003	232.71	3.5202	2,800,898	7,854,784	10,655,682	32.19%	26.3%	73.7%
Large Use	0	140,928	2	14,195.83	1.4316	340,700	201,753	542,452	1.64%	62.8%	37.2%
Street Lighting	0	46,815	23,299	0.78	4.3948	218,079	205,743	423,821	1.28%	51.5%	48.5%
USL	3,287,380		820	12.59	0.0090	123,886	29,586	153,472	0.46%	80.7%	19.3%
	888,787,329	**2,419,089**	**110,747**			**14,698,758**	**18,406,492**	**33,105,250**	**100%**		

Table 2

2010 Test Year Fixed / Variable Proportion at Proposed Rates

Class	Annual kWh	Annual kW For Dx	# of Customers or Connections	Proposed Fixed Rates	Proposed Variable Rates	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Excluding Transformer	Dist Rev At Proposed Rates %	Fixed Proportion	Variable Proportion
Residential	650,038,341		78,139	12.05	0.0162	11,298,899	10,507,872	21,806,772	55.54%	51.8%	48.2%
GS<50 kW	235,461,608		7,484	25.17	0.0125	2,260,467	2,933,723	5,194,190	13.23%	43.5%	56.5%
GS>50 kW	0	2,231,346	1,003	232.71	3.7221	2,800,898	8,305,403	11,106,300	28.29%	25.2%	74.8%
Large Use	0	140,928	2	14,195.83	1.8968	340,700	267,307	608,007	1.55%	56.0%	44.0%
Street Lighting	0	46,815	23,299	0.78	4.4012	218,079	206,044	424,123	1.08%	51.4%	48.6%
USL	3,287,380		820	8.34	0.0125	82,066	41,057	123,123	0.31%	66.7%	33.3%
	888,787,329	**2,419,089**	**110,747**			**17,001,108**	**22,261,407**	**39,262,515**	**100%**		

Standard Supply Service Administration	**228,000**
Distribution Revenue per Exhibit 7	**39,490,515**

Table 3

Comparison of Current and Proposed Monthly Fixed Charges with the Floor and Ceiling

Class	Existing Fixed Rates	Proposed Fixed Rates	Floor of Fixed Rates	Ceiling of Fixed Rates
Residential	9.55	12.05	3.96	13.48
GS<50 kW	25.17	25.17	6.18	20.39
GS>50 kW	232.71	232.71	39.32	98.01
Large Use	14,195.83	14,195.83	114.27	162.16
Street Lighting	0.78	0.78	0.00	5.03
USL	12.59	8.34	-0.03	6.38

RETAIL TRANSMISSION SERVICE RATES:

On July 21, 2009, the Board issued its *Revision to Guideline G-2008-0001 – Electricity Distribution Retail Transmission Service Rates*. This revision outlined the information that the Board requires an electricity distributor to file for approval to adjust its retail transmission service rates and directed that the revised guideline should be used for 2010 rate applications.

KW Hydro has followed the Board's Guideline G-2008-0001 in the preparation of this application.

KW Hydro proposes to reduce its approved Retail Transmission rates due to the continued trend of an excess of revenues over costs. KW Hydro proposes to reduce its Network Transmission rate by 5% and its Line and Connection Transformation rate by 22% for all rate classes.

KW Hydro's existing and proposed Retail Transmission rates are presented in Table 4.

KW Hydro has historically had an excess of revenue over its costs for Retail Transmission. Trying to reverse this trend, KW Hydro reduced its Retail Transmission rates as part of the 2006 EDR process (EB-2005-0386) based on the historical cost to revenue ratio.

The trend continued and KW Hydro proposed to reduce its Network Transmission rates by 12% and its Connection rates by 20% as part of its 2008 electricity distribution rate application (EB-2007-0883). On February 19, 2008, the Board had announced an initiative for the review and disposition of commodity account 1588 (RSVA Power) and was considering extending this initiative to other accounts that were similar in nature and approved only an 18% reduction to KW Hydro's Network rate and a 5% reduction for Connection.

As part of its 2009 electricity distribution rate application (EB-2008-0192), KW Hydro increased its Retail Transmission rates 15.2% in response to EB-2008-0113 when the Board approved an increase to the UTRs (18.6% for Network and 0.6% for Connection).

KW Hydro presents the historical actual and projected excess of revenues over costs to 2009 in Table 5. Actual and projected revenues received and costs paid are presented in Table 6.

The Transformation Connection Service Rate only applies to 8% of KW Hydro's load and thus the overall rate decrease has been adjusted for it. KW Hydro has therefore projected a 3.1% decrease to its Connection costs and revenues and has used the Board approved 3.5% as the increase for Network costs and revenues resulting from the Board's decision in EB-2008-0272, effective July 1, 2009. Using the historical and projected figures, KW Hydro calculated the following cost to revenue ratios in Table 8. Because KW Hydro's revenue inflows from retail transmission rates already exceeded the costs, the increase that results as part of its 2009 rate application has exacerbated the problem and KW Hydro continues to experience building liabilities to its Regulatory Assets.

Based on the information that KW Hydro has at the current time, a cost to revenue ratio of 92% for Network and an 81% cost to revenue ratio for Connection demonstrates that KW Hydro's requires a corresponding reduction of 5% and 22% for Network and Connection rates. The difference between the cost to revenue ratios experienced by KW Hydro in 2009 and the required reduction to its retail transmission rates is due to the timing difference between when Hydro One's UTR's will increase (July 1, 2009) and when KW Hydro's retail transmission rates will change (May 1, 2010). The increase to Hydro One's rates in 2009 is expected to begin the process of bringing KW Hydro's cost to revenue ratio more closer to 1.

KW Hydro is carrying significant liabilities on its balance sheet in accounts 1584 and 1586, which it has applied to clear (see Exhibit 9).

In its revision of July 21, 2009 to *Guideline G-2008-0001 – Electricity Distribution Retail Transmission Service Rates*, the Board communicated that additional changes to Hydro One's UTRs are expected effective January 1, 2010. KW Hydro expects that the calculation of its cost to revenue ratios will change at that time from the impact of the Board's decision and expects that its request for changes to its Retail Transmission rates may change during the review process as required by the Board.

Table 4
Proposed Retail Transmission Rates

		2009	Adjusted Rates Proposed 2010
Network	Residential	0.0047	0.0045
	< 50	0.0041	0.0039
	> 50	2.1384	2.0315
	Large Use	2.0099	1.9094
	USL	0.0041	0.0039
	Streetlighting	1.3004	1.2354
	Embedded Distributor	2.0162	1.9154
Connection	Residential	0.0018	0.0014
	< 50	0.0017	0.0013
	> 50	0.8869	0.6918
	Large Use	0.8336	0.6502
	USL	0.0017	0.0013
	Streetlighting	0.5394	0.4207
	Embedded Distributor	0.8362	0.6522

Table 5
Excess of Revenue over Costs (Historical and Projected)

	Actual			Projected
	2006	**2007**	**2008**	**2009**
Wholesale Network	(302,192)	(70,927)	(722,443)	(804,079)
Connection	(443,739)	(7,243)	(674,834)	(777,679)
	(745,931)	**(78,170)**	**(1,397,277)**	**(1,581,758)**

Table 6
Actual and Projected Revenue

	Actual			Projected	
Revenue by Year (includes billed and unbilled)	**2006**	**2007**	**2008**	**2009**	**Total Revenues**
Wholesale Network	11,125,346	10,699,685	9,254,904	10,300,708	41,380,643
Connection	3,874,761	3,683,337	3,487,024	4,018,446	15,063,568
	15,000,107	**14,383,022**	**12,741,928**	**14,319,154**	**56,444,211**

	Actual			Projected	
Cost by Year	**2006**	**2007**	**2008**	**2009**	**Total Costs**
Wholesale Network	10,823,154	10,628,758	8,532,461	9,496,629	39,481,002
Connection	3,431,022	3,676,094	2,812,190	3,240,767	13,160,073
	14,254,176	**14,304,852**	**11,344,651**	**12,737,396**	**52,641,075**

Table 7

Uniform Transmission Rate	Current Rate	Rate Effective July 1, 2009	Applies to	RTSR % Increase
Network Service Rate	$ 2.57	$ 2.66	100%	3.5%
Line Connection Service Rate	$ 0.70	$ 0.70	92.10%	0.0%
Transformation Connection Service Rate	$ 1.62	$ 1.57	7.90%	-3.1%
	$ 2.32	$ 2.27		-2.16%

Table 8

Cost to Revenue Ratio

	Actual				Proposed
	2006	2007	2008	Projected 2009	2010
Network	0.97	0.99	0.92	0.92	1.00
Connection	0.89	1.00	0.81	0.81	1.00

LOW VOLTAGE CHARGES:

KW Hydro does not have any low voltage charges.

LOSS ADJUSTMENT FACTORS:

To determine the total weather normalized energy purchases, the total weather normalized billed kWh is adjusted by a historical loss factor. Table 9 outlines KW Hydro's proposed loss factors. Table 10 shows that KW Hydro's loss factor on average for the past five years has been 3.20%.

The Total Loss Factor (TLF) is calculated as the Supply Facility Loss Factor (SFLF) multiplied by the Distribution Loss Factor (DLF). KW Hydro proposes to use the current approved SFLF of 1.0053. The DLF calculation is based on the past five year average. KW Hydro has one embedded distributor (Waterloo North Hydro Inc.) that it wheels power to.

KW Hydro's loss factor is below the Boards threshold of 5% and slightly lower than the 2006 Board Approved loss factor of 3.29%. From 2005 to 2006, KW Hydro installed 77 capacitor banks to improve the voltage power factor and reduce distribution system losses.

Table 9

Proposed Total Loss Factor	
	Proposed May 1, 2010
Supply Facility Loss Factor	1.0053
Distribution Loss Factor	
Distribution Loss Factor - Secondary Metered Customer < 5,000kW	0.0000
Distribution Loss Factor - Primary Metered Customer < 5,000kW	0.0000
Distribution Loss Factor - Secondary Metered Customer > 5,000kW	1.0100
Distribution Loss Factor - Primary Metered Customer > 5,000kW	1.0000
Total Loss Factor	
Total Loss Factor - Secondary Metered Customer < 5,000kW	0.0000
Distribution Loss Factor - Primary Metered Customer < 5,000kW	0.0000
Distribution Loss Factor - Secondary Metered Customer > 5,000kW	1.0154
Distribution Loss Factor - Primary Metered Customer > 5,000kW	1.0053

Table 10
Loss Factors

		2004	2005	2006	2007	2008	5 Year Average
	Losses in Distributor's System						
A1	"Wholesale" kWh delivered to distributor (higher value)	2,009,932,333	2,085,131,141	1,983,321,474	1,978,989,948	1,939,064,404	1,999,287,860
A2	"Wholesale" kWh delivered to distributor (lower value)	1,999,279,692	2,074,079,946	1,972,809,870	1,968,501,301	1,928,787,363	1,988,691,634
B	Portion of "Wholesale" kWh delivered to distributor for Large Use Customer(s)	238,337,760	234,378,988	183,795,557	159,257,585	148,398,065	192,833,591
C	Net "Wholesale" kWh delivered to distributor (A2)-(B)	1,771,594,573	1,850,752,153	1,799,525,917	1,819,732,363	1,790,666,339	1,806,454,269
D	"Retail" kWh delivered by distributor	1,947,739,693	2,040,872,519	1,917,735,011	1,918,190,357	1,877,404,166	1,940,388,349
E	Portion of "Retail" kWh delivered by distributor for Large Use Customer(s)	235,977,980	232,058,404	181,975,799	157,680,777	146,928,777	190,924,347
F	Net "Retail" kWh delivered by distributor (D)-(E)	1,711,761,713	1,808,814,115	1,735,759,212	1,760,509,580	1,730,475,389	1,749,464,002
G	Loss Factor in distributor's system [(C)/(F)]	1.0350	1.0232	1.0367	1.0336	1.0348	1.0327
	Losses Upstream of Distributor's System						
H	Supply Facility Loss Factor	1.0053	1.0053	1.0053	1.0053	1.0053	1.0053
	Total Losses						
I	Total Loss Factor [(G)x(H)]	1.0404	1.0286	1.0422	1.0391	1.0403	1.0381

RATE SCHEDULES AND BILL IMPACTS:

Rate Schedules

From the 2010 Cost Allocation Study (see Exhibit 7), the revenue to cost ratios for Street Lighting and USL classes are the only ones outside the Board's approved range (see Table 9). To bring all the revenue to cost ratios closer to 100%, KW Hydro proposes to decrease the revenue allocation to the GS>50, Large User, Street Lighting and USL classes and to increase the revenue allocation to the Residential class. After these adjustments, the revenue to cost ratios for all six major rate classes are within the range approved by the Board.

Monthly fixed charges for all the rate classes except for Residential and USL remain unchanged as 2009 Board Approved fixed rates and variable charges are calculated based on the Distribution Revenue allocation and load forecast. The Embedded Distributor rate class does not have a monthly fixed charge.

A Smart Meter Funding Adder of $1.00 per customer per month has been applied to all six major classes except for the Street Lighting and USL rate classes. Additionally, Deferral and Variance Account Recovery rate riders from Exhibit 9 are included in the rates of all six of the major rate classes.

LRAM and SSM rate riders from Exhibit 10 are included in the rates of all the classes except for the Embedded Distributor, Large User and Street Lighting rate classes.

A Transformer Allowance credit of $0.70 per kW is applied to only those customers in the GS>50 class who own their own transformer under 1,350 kW (see Exhibit 3). Three Specific Service Charges are introduced in this Application (see Exhibit 3).

Table 11 presents the 2010 Test Year proposed Class Revenue Design before and after Cost Allocation.

Table 12 shows the detailed calculation of proposed fixed and variable rates.
Table 13 summarizes the 2010 proposed distribution rates and related charges with the exception of the Embedded Distributor (see Exhibit 3).

Table 14 presents the comparison of throughput revenue under current rates and proposed rates.

Table 11

2010 Test Year Class Revenue Design

Customer Class	Existing Rates	Rate Application	Existing Rates	Rate Application	Miscellaneous Revenue	Cost Allocation incl Misc Rev	Existing Rates incl Misc Rev	Rate Application inc Misc Rev	Resulting Rev Cost Ratio	Rev Cost Ratio from Cost Allocation Study	Board Target Low	Board Target High	Revenue to Cost Ratio after Adjustments
Residential	51.20%	55.54%	20,102,779	21,806,772	1,047,403	1,047,403	21,150,182	22,854,175	95.68%	88.55%	85%	115%	95.75%
GS<50 kW	13.23%	13.23%	5,194,190	5,194,190	232,730	232,730	5,426,920	5,426,920	102.23%	102.23%	80%	120%	102.23%
GS>50 kW	32.19%	28.29%	12,637,538	11,106,300	466,505	466,505	13,104,043	11,572,805	107.82%	122.09%	80%	180%	107.65%
Large Use	1.64%	1.55%	643,343	608,007	25,632	25,632	668,975	633,639	106.33%	112.26%	85%	115%	106.24%
Street Lighting	1.28%	1.08%	502,648	424,123	18,009	18,009	520,657	442,132	108.08%	127.28%	70%	120%	107.80%
USL	0.46%	0.31%	182,016	123,123	5,162	5,162	187,178	128,285	108.60%	158.46%	80%	120%	108.03%
TOTAL	**100.00%**	**100.00%**	**39,262,515**	**39,262,515**	**1,795,440**	**1,795,440**	**41,057,955**	**41,057,955**					

Table 12

Distribution Rate Allocation Between Fixed & Variable Rates For 2010 Test Year

Customer Class	Total Net Rev. Requirement	Revenue Requirement %	Proposed Fixed Rate	Resulting Variable Rate	Total Fixed Revenue	Total Variable Revenue	Transformer Allowance	Gross Distribution Revenue	Total
Residential	21,806,772	55.54%	12.05	$0.0162	$ 11,298,899	$ 10,507,872	$ -	21,806,772	21,806,772
GS<50 kW	5,194,190	13.23%	25.17	$0.0125	$ 2,260,467	$ 2,933,723	$ -	5,194,190	5,194,190
GS>50 kW	11,106,300	28.29%	232.71	$3.7221	$ 2,800,898	$ 8,305,403	$ -	11,106,300	11,106,300
Large Use	608,007	1.55%	14,195.83	$1.8968	$ 340,700	$ 267,307	$ -	608,007	608,007
Street Lighting	424,123	1.08%	0.78	$4.4012	$ 218,079	$ 206,044	$ -	424,123	424,123
USL	123,123	0.31%	8.34	$0.0125	$ 82,066	$ 41,057	$ -	123,123	123,123
TOTAL	**39,262,515**	**100.00%**			**$ 17,001,108**	**$ 22,261,407**	**$ -**	**$ 39,262,515**	**$ 39,262,515**
			Forecast Fixed/Variable Ratios		**43.301%**	**56.699%**	**0.000%**	**100.000%**	

Table 13

Schedule of Distribution Rates and Charges

Effective May 1, 2010

Customer Class	Item Description	Unit	Rate ($)
Residential	Monthly Service Charge	per month	12.05
	Distribution Volumetric Rate	per kWh	0.0162
	LRAM and SSM Rate Rider	per kWh	0.0002
	Smart Meter Funding Adder	per month	1.00
	Deferral & Variance Account Recovery Rate Rider	per kWh	(0.0009)
GS<50 kW	Monthly Service Charge	per month	25.17
	Distribution Volumetric Rate	per kWh	0.0125
	Smart Meter Funding Adder	per month	1.00
	Deferral & Variance Account Recovery Rate Rider	per kWh	(0.0010)
GS>50 kW	Monthly Service Charge	per month	232.71
	Distribution Volumetric Rate	per kW	3.7221
	LRAM and SSM Rate Rider	per kW	0.0155
	Smart Meter Funding Adder	per month	1.00
	Deferral & Variance Account Recovery Rate Rider	per kW	(0.2603)
Large Use	Monthly Service Charge	per month	14,195.83
	Distribution Volumetric Rate	per kW	1.8968
	Smart Meter Funding Adder	per month	1.00
	Deferral & Variance Account Recovery Rate Rider	per kW	(0.1650)
Street Lighting	Monthly Service Charge	per month	0.78
	Distribution Volumetric Rate	per kW	4.4012
	Deferral & Variance Account Recovery Rate Rider	per kW	(0.3350)
USL	Monthly Service Charge	per month	8.34
	Distribution Volumetric Rate	per kWh	0.0125
	LRAM and SSM Rate Rider	per kWh	0.0043
	Deferral & Variance Account Recovery Rate Rider	per kWh	(0.0010)

Table 14

Comparison of Throughput Revenue under Current and Proposed Rates

Class	Throughput Revenue under Current Rates	Throughput Revenue under Proposed Rates	Increase or (Decrease) ($)	Increase or (Decrease) (%)
Residential	16,950,201	21,806,772	4,856,571	28.7%
GS<50 kW	4,379,622	5,194,190	814,568	18.6%
GS>50 kW	10,655,682	11,106,300	450,618	4.2%
Large Use	542,452	608,007	65,555	12.1%
Street Lighting	423,821	424,123	302	0.1%
USL	153,472	123,123	(30,349)	-19.8%
Total	**33,105,250**	**39,262,515**	**6,157,265**	**18.6%**

Bill Impacts

Tables 15 ~ 18 present the results of the assessment of customer total bill impacts by customer rate class for the six major rate classes. Appendix A illustrates the detailed bill impacts for Residential at 800 kWh and GS<50kW at 2,000 kWh.

Impacts are derived using the applicable May 1, 2010 rates and the Proposed 2010 Distribution Rates, the proposed new Deferral and Variance Account Recovery Rate Rider, the Smart Meter Funding Rate Rider, the LRAM & SSM Rate Rider, and the proposed revised Loss Factors.

The total bill impacts are calculated for each of the six major rate class at various levels of consumption (Embedded Distributor is excluded). The rate impacts are assessed on the basis of moving to the proposed distribution rates.

Table 15

Residential Bill Impact Table

Residential at **800 kWh**

Loss Factor **Current** **1.0329** **Proposed** **1.0320**

	Current			Proposed			Impact	
	Volume	**Rate $**	**Charge $**	**Volume**	**Rate $**	**Charge $**	**Change $**	**Change %**
Monthly Service Charge		9.55	9.55		12.05	12.05	2.50	26.2%
Distribution	800	0.0123	9.84	800	0.0162	12.96	3.12	31.7%
Smart Meter Funding Adder		1.00	1.00		1.00	1.00	0.00	0.0%
LRAM & SSM Rate Rider	800	0	0	800	0.0002	0.16	0.16	
Deferral & Variance Account Recovery Rate Rider	800	0.0000	0.00	800	(0.0009)	(0.72)	(0.72)	
Sub-Total A - Distribution			**20.39**			**25.45**	**5.06**	**24.8%**
RTSR - Network	826.32	0.0047	3.88	825.6	0.0045	3.72	-0.17	-4.3%
RTSR - Connection	826.32	0.0018	1.49	825.6	0.0014	1.16	-0.33	-22.3%
Sub-Total B (including Sub-			**5.37**			**4.87**	**(0.50)**	**-9.3%**
Wholesale Market Rate	826.32	0.0052	4.30	825.6	0.0052	4.29	0.00	-0.1%
RRRP	826.32	0.0013	1.07	825.6	0.0013	1.07	0.00	-0.1%
DRC	800	0.0070	5.60	800	0.0070	5.60	0.00	0.0%
Cost of Power Commodity - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.0%
Cost of Power Commodity - Block 2	226.32	0.0660	14.94	225.6	0.0660	14.89	(0.05)	-0.3%
Total Bill (including Sub-			**85.87**			**90.38**	**4.51**	**5.2%**

Table 16
GS<50 Bill Impact Table

GS < 50 kW at **2000 kWh**

Loss Factor **Current** **1.0329** **Proposed** **1.0320**

	Current			Proposed			Impact	
	Volume	**Rate $**	**Charge $**	**Volume**	**Rate $**	**Charge $**	**Change $**	**Change %**
Monthly Service Charge		25.17	25.17		25.17	25.17	0.00	0.0%
Distribution	2,000	0.0090	18	2,000	0.0125	25.00	7.00	38.9%
Smart Meter Funding Adder		1.0000	1.00		1.00	1.00	0.00	0.0%
LRAM & SSM Rate Rider	2,000	0.0000	0	2,000	0	0	0	
Deferral & Variance Account Recovery Rate Rider	2,000	0.0000	0.00	2,000	(0.0010)	(2.00)	(2.00)	
Sub-Total A - Distribution			**44.17**			**49.17**	**5**	**11.3%**
RTSR - Network	2,065.8	0.0041	8.47	2,064.0	0.0039	8.05	(0.42)	-5.0%
RTSR - Connection	2,065.8	0.0017	3.51	2,064.0	0.0013	2.68	(0.83)	-23.6%
Sub-Total B (including Sub-			**11.98**			**10.73**	**(1.25)**	**-10.4%**
Wholesale Market Rate	2,065.8	0.0052	10.74	2,064.0	0.0052	10.73	(0.01)	-0.1%
RRRP	2,065.8	0.0013	2.69	2,064.0	0.0013	2.68	(0.00)	-0.1%
DRC	2,000.0	0.0070	14.00	2,000.0	0.0070	14.00	0.00	0.0%
Cost of Power Commodity - Block 1	750.0	0.0570	42.75	750.0	0.0570	42.75	0.00	0.0%
Cost of Power Commodity - Block 2	1,315.8	0.0660	86.84	1,314.0	0.0660	86.72	(0.12)	-0.1%
Total Bill (including Sub-			**213.17**			**216.79**	**3.62**	**1.7%**

Table 17

GS>50 Bill Impact Table

GS > 50 kW at	800,000 kWh			1000 kW				
Loss Factor	Current	1.0329		Proposed	1.0320			
	Current			Proposed			Impact	
	Volume	Rate $	Charge $	Volume	Rate $	Charge $	Change $	Change %
Monthly Service Charge		232.71	232.71		232.71	232.71	0.00	0.0%
Distribution	1,000	3.5202	3,520.20	1,000	3.7221	3,722.10	201.90	5.7%
Smart Meter Funding Adder		1.00	1.00		1.00	1.00	0.00	0.0%
LRAM & SSM Rate Rider	1,000	0.00	0.00	1,000	0.0155	15.50	15.5	
Deferral & Variance Account Recovery Rate Rider	1,000	0.00	0.00	1,000	(0.2603)	(260.30)	-260.3	
Sub-Total A - Distribution			**3,753.91**			**3,711.01**	**-42.9**	**-1.1%**
RTSR - Network	1,000	2.1384	2,138.40	1,000	2.0315	2,031.50	-106.90	-5.0%
RTSR - Connection	1,000	0.8869	886.90	1,000	0.6918	691.80	-195.10	-22.0%
Sub-Total B (including Sub-			**3,025.30**			**2,723.30**	**-302**	**-10.0%**
Wholesale Market Rate	826,320	0.0052	4,296.86	825,600	0.0052	4,293.12	-3.74	-0.1%
RRRP	826,320	0.0013	1,074.22	825,600	0.0013	1,073.28	-0.94	-0.1%
DRC	800,000	0.0070	5,600.00	800,000	0.0070	5,600.00	0.00	0.0%
Cost of Power Commodity	826,320	0.0672	55,528.70	825,600	0.0672	55,480.32	-48.38	-0.1%
Total Bill (including Sub-			**73,278.99**			**72,881.03**	**(397.96)**	**-0.5%**

Table 18

Large User Bill Impact Table

Large User at **3,100,000 kWh** **8000 kW**
Loss Factor **Current** **1.0053** **Proposed** **1.0053**

	Current			Proposed			Impact	
	Volume	**Rate $**	**Charge $**	**Volume**	**Rate $**	**Charge $**	**Change $**	**Change %**
Monthly Service Charge		14,195.83	14,195.83		14,195.83	14,195.83	0.00	0.0%
Distribution	8,000	1.4316	11,452.80	8,000	1.8968	15,174.40	3721.60	32.5%
Smart Meter Funding Adder		1.00	1.00		1.00	1.00	0.00	0.0%
LRAM & SSM Rate Rider	8,000	0.00	0.00	8,000	0.0000	0.00	0	
Deferral & Variance Account Recovery Rate Rider	8,000	0.00	0.00	8,000	(0.1650)	(1,320.00)	-1320	
Sub-Total A - Distribution			**25,649.63**			**28,051.23**	**2401.6**	**9.4%**
RTSR - Network	8,000	2.0099	16,079.20	8,000	1.9094	15,275.20	-804.00	-5.0%
RTSR - Connection	8,000	0.8336	6,668.80	8,000	0.6502	5,201.60	-1467.20	-22.0%
Sub-Total B (including Sub-			**22,748.00**			**20,476.80**	**-2271.2**	**-10.0%**
Wholesale Market Rate	3,116,430	0.0052	16,205.44	3,116,430	0.0052	16,205.44	0.00	0.0%
RRRP	3,116,430	0.0013	4,051.36	3,116,430	0.0013	4,051.36	0.00	0.0%
DRC	3,100,000	0.0070	21,700.00	3,100,000	0.0070	21,700.00	0.00	0.0%
Cost of Power Commodity	3,116,430	0.0672	209,424.10	3,116,430	0.0672	209,424.10	0.00	0.0%
Total Bill (including Sub-			**299,778.52**			**299,908.92**	**130.40**	**0.0%**

EXISTING RATE SCHEDULE

MONTHLY RATES AND CHARGES

Residential		
Service Charge	$	9.55
Smart Meter Funding Adder	$	1.00
Distribution Volumetric Rate	$/kWh	0.0123
Retail Transmission Rate – Network Service Rate	$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0018
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25
General Service Less than 50 kW		
Service Charge	$	25.17
Smart Meter Funding Adder	$	1.00
Distribution Volumetric Rate	$/kWh	0.0090
Retail Transmission Rate – Network Service Rate	$/kWh	0.0041
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0017
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25
General Service 50 to 4,999 kW		
Service Charge	$	232.71
Smart Meter Funding Adder	$	1.00
Distribution Volumetric Rate	$/kW	3.5202
Retail Transmission Rate – Network Service Rate	$/kW	2.1384
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.8869
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25
Large Use		
Service Charge	$	14,195.83
Smart Meter Funding Adder	$	1.00
Distribution Volumetric Rate	$/kW	1.4316
Retail Transmission Rate – Network Service Rate	$/kW	2.0099
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.8336
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25
Unmetered Scattered Load		
Service Charge (per connection)	$	12.59
Distribution Volumetric Rate	$/kWh	0.0090
Retail Transmission Rate – Network Service Rate	$/kWh	0.0041
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0017
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Standby Power – INTERIM APPROVAL

Monthly Rate – Applicable Customer Class Distribution Volumetric Rate - $/kW of contracted amount

Street Lighting		
Service Charge (per connection)	$	0.78
Distribution Volumetric Rate	$/kW	4.3948
Retail Transmission Rate – Network Service Rate	$/kW	1.3004
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.5394
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25
Embedded Distributor		
Monthly Distribution Wheeling Service Rate – Dedicated LV Line	$/kW	1.1290
Monthly Distribution Wheeling Service Rate – Shared LV Line	$/kW	0.0999
Retail Transmission Rate – Network Service Rate	$/kW	2.0162
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.8362

Specific Service Charges

Customer Administration		
Returned Cheque (plus bank charges)	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	10.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter - during Regular Hours	$	45.00
Disconnect/Reconnect at meter - after regular hours	$	75.00
Disconnect/Reconnect at pole – during regular hours	$	95.00
Service call – after regular hours	$	105.00
Specific Charge for Access to the Power Poles – per pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Request (STR)		
Request fee, per request, applied to the requesting party	$	0.25

SCHEDULE OF PROPOSED RATES AND CHARGES

MONTHLY RATES AND CHARGES

Residential

Service Charge	$	12.05
Distribution Volumetric Rate	$/kWh	0.0162
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0009)
LRAM and SSM Rate Rider	$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0014
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service Less than 50 kW

Service Charge	$	25.17
Distribution Volumetric Rate	$/kWh	0.0125
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0010)
Retail Transmission Rate – Network Service Rate	$/kWh	0.0039
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0013
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

General Service 50 to 4,999 kW

Service Charge	$	232.71
Distribution Volumetric Rate	$/kW	3.7221
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.2603)
LRAM and SSM Rate Rider	$/kW	0.0155
Retail Transmission Rate – Network Service Rate	$/kW	2.0315
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6918
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Large Use

Service Charge	$	14,195.83
Distribution Volumetric Rate	$/kW	1.8968
Smart Meter Funding Adder	$	1.00
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.1650)
Retail Transmission Rate – Network Service Rate	$/kW	1.9094
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6502
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Unmetered Scattered Load

Service Charge (per connection)	$	8.34
Distribution Volumetric Rate	$/kWh	0.0125
Deferral and Variance Account Recovery Rate Rider	$/kWh	(0.0010)
LRAM and SSM Rate Rider	$/kW	0.0043
Retail Transmission Rate – Network Service Rate	$/kWh	0.0039
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kWh	0.0013
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Standby Power – INTERIM APPROVAL

Monthly Rate – Applicable Customer Class Distribution Volumetric Rate - $/kW of contracted amount

Street Lighting

Service Charge (per connection)	$	0.78
Distribution Volumetric Rate	$/kW	4.4012
Deferral and Variance Account Recovery Rate Rider	$/kW	(0.3350)
Retail Transmission Rate – Network Service Rate	$/kW	1.2354
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.4207
Wholesale Market Service Rate	$/kWh	0.0052
Rural Rate Protection Charge	$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	$	0.25

Embedded Distributor

Monthly Distribution Wheeling Service Rate – Dedicated LV Line	$/kW	1.2900
Monthly Distribution Wheeling Service Rate – Shared LV Line	$/kW	0.1400
Retail Transmission Rate – Network Service Rate	$/kW	1.9154
Retail Transmission Rate – Line and Transformation Connection Service Rate	$/kW	0.6522

Specific Service Charges

Customer Administration		
Returned Cheque (plus bank charges)	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	10.00
Collection of Account Charge – No Disconnection	$	30.00
Meter Dispute Charge Plus Measurement Canada Fees (if meter found correct)	$	30.00
Meter Removal Without Authorization	$	60.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter - during Regular Hours	$	45.00
Disconnect/Reconnect at meter - after regular hours	$	75.0
Disconnect/Reconnect at pole – during regular hours	$	95.00
Service call – after regular hours	$	105.00
Specific Charge for Access to the Power Poles – per pole/year	$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.70)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	100.00
Monthly Fixed Charge, per retailer	$	20.00
Monthly Variable Charge, per customer, per retailer	$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	$/cust.	(0.30)
Service Transaction Request (STR)		
Request fee, per request, applied to the requesting party	$	0.25
Processing fee, peer request, applied to the requesting party	$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	no charge	
More than twice a year, per request (plus incremental delivery costs)	$	2.00

Loss Factor

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0154
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0217
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0053

BILL IMPACTS *(Monthly Consumptions)*

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	51.09%
Distribution (kWh)	100	0.0123	1.23	100	0.0162	1.62	0.39	31.71%	6.87%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	4.24%
LRAM & SSM Rider (kWh)	100			100	0.0002	0.02	0.02	0.00%	0.08%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	100	0.0000	0.00	100	(0.0009)	(0.09)	(0.09)	100.00%	(0.38%)
Sub-Total			**11.78**			**14.60**	**2.82**	**23.94%**	**61.90%**
Other Charges (kWh)	103	0.0130	1.34	103	0.0124	1.28	(0.06)	(4.70%)	5.43%
Debt Retirement Charge (kWh)	100	0.0070	0.70	100	0.0070	0.70	0.00	0.00%	2.97%
Cost of Power Commodity (kWh)	103	0.0570	5.89	103	0.0570	5.88	(0.01)	(0.09%)	24.94%
Total Bill Before Taxes			**19.71**			**22.46**	**2.75**	**13.96%**	**95.24%**
GST		5.00%	0.99		5.00%	1.12	0.14	13.96%	4.76%
Total Bill			**20.70**			**23.59**	**2.89**	**13.96%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	31.37%
Distribution (kWh)	250	0.0123	3.08	250	0.0162	4.05	0.98	31.71%	10.54%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	2.60%
LRAM & SSM Rider (kWh)	250			250	0.0002	0.05	0.05	0.00%	0.13%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	250	0.0000	0.00	250	(0.0009)	(0.23)	(0.23)	100.00%	(0.59%)
Sub-Total			**13.63**			**16.93**	**3.30**	**24.22%**	**44.06%**
Other Charges (kWh)	258	0.0130	3.36	258	0.0124	3.20	(0.16)	(4.70%)	8.33%
Debt Retirement Charge (kWh)	250	0.0070	1.75	250	0.0070	1.75	0.00	0.00%	4.56%
Cost of Power Commodity (kWh)	258	0.0570	14.72	258	0.0570	14.71	(0.01)	(0.09%)	38.29%
Total Bill Before Taxes			**33.45**			**36.58**	**3.13**	**9.36%**	**95.24%**
GST		5.00%	1.67		5.00%	1.83	0.16	9.36%	4.76%
Total Bill			**35.12**			**38.41**	**3.29**	**9.36%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	19.09%
Distribution (kWh)	500	0.0123	6.15	500	0.0162	8.10	1.95	31.71%	12.83%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.58%
LRAM & SSM Rider (kWh)	500			500	0.0002	0.10	0.10	0.00%	0.16%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	500	0.0000	0.00	500	(0.0009)	(0.45)	(0.45)	100.00%	(0.71%)
Sub-Total			**16.70**			**20.80**	**4.10**	**24.55%**	**32.96%**
Other Charges (kWh)	516	0.0130	6.71	516	0.0124	6.40	(0.32)	(4.70%)	10.14%
Debt Retirement Charge (kWh)	500	0.0070	3.50	500	0.0070	3.50	0.00	0.00%	5.55%
Cost of Power Commodity (kWh)	516	0.0570	29.44	516	0.0570	29.41	(0.03)	(0.09%)	46.60%
Total Bill Before Taxes			**56.35**			**60.11**	**3.76**	**6.67%**	**95.24%**
GST		5.00%	2.82		5.00%	3.01	0.19	6.67%	4.76%
Total Bill			**59.17**			**63.12**	**3.95**	**6.67%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	13.47%
Distribution (kWh)	750	0.0123	9.23	750	0.0162	12.15	2.93	31.71%	13.58%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.12%
LRAM & SSM Rider (kWh)	750			750	0.0002	0.15	0.15	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	750	0.0000	0.00	750	(0.0009)	(0.68)	(0.68)	100.00%	(0.75%)
Sub-Total			**19.78**			**24.68**	**4.90**	**24.78%**	**27.58%**
Other Charges (kWh)	775	0.0130	10.07	774	0.0124	9.60	(0.47)	(4.70%)	10.73%
Debt Retirement Charge (kWh)	750	0.0070	5.25	750	0.0070	5.25	0.00	0.00%	5.87%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	38.23%
Cost of Power Commodity (kWh) - Block 2	175	0.0660	11.53	174	0.0660	11.48	(0.04)	(0.39%)	12.84%
Total Bill Before Taxes			**80.82**			**85.21**	**4.38**	**5.42%**	**95.24%**
GST		5.00%	4.04		5.00%	4.26	0.22	5.42%	4.76%
Total Bill			**84.87**			**89.47**	**4.60**	**5.42%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	12.70%
Distribution (kWh)	800	0.0123	9.84	800	0.0162	12.96	3.12	31.71%	13.66%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.05%
LRAM & SSM Rider (kWh)	800			800	0.0002	0.16	0.16	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	800	0.0000	0.00	800	(0.0009)	(0.72)	(0.72)	100.00%	(0.76%)
Sub-Total			**20.39**			**25.45**	**5.06**	**24.82%**	**26.82%**
Other Charges (kWh)	826	0.0130	10.74	826	0.0124	10.24	(0.50)	(4.70%)	10.79%
Debt Retirement Charge (kWh)	800	0.0070	5.60	800	0.0070	5.60	0.00	0.00%	5.90%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	36.04%
Cost of Power Commodity (kWh) - Block 2	226	0.0660	14.94	226	0.0660	14.89	(0.05)	(0.32%)	15.69%
Total Bill Before Taxes			**85.87**			**90.38**	**4.51**	**5.25%**	**95.24%**
GST		5.00%	4.29		5.00%	4.52	0.23	5.25%	4.76%
Total Bill			**90.16**			**94.90**	**4.73**	**5.25%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	10.33%
Distribution (kWh)	1,000	0.0123	12.30	1,000	0.0162	16.20	3.90	31.71%	13.89%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.86%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0002	0.20	0.20	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.0009)	(0.90)	(0.90)	100.00%	(0.77%)
Sub-Total			**22.85**			**28.55**	**5.70**	**24.95%**	**24.48%**
Other Charges (kWh)	1,033	0.0130	13.43	1,032	0.0124	12.80	(0.63)	(4.70%)	10.97%
Debt Retirement Charge (kWh)	1,000	0.0070	7.00	1,000	0.0070	7.00	0.00	0.00%	6.00%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	29.33%
Cost of Power Commodity (kWh) - Block 2	433	0.0660	28.57	432	0.0660	28.51	(0.06)	(0.21%)	24.45%
Total Bill Before Taxes			**106.05**			**111.06**	**5.01**	**4.72%**	**95.24%**
GST		5.00%	5.30		5.00%	5.55	0.25	4.72%	4.76%
Total Bill			**111.35**			**116.61**	**5.26**	**4.72%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	7.05%
Distribution (kWh)	1,500	0.0123	18.45	1,500	0.0162	24.30	5.85	31.71%	14.22%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.59%
LRAM & SSM Rider (kWh)	1,500			1,500	0.0002	0.30	0.30	0.00%	0.18%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,500	0.0000	0.00	1,500	(0.0009)	(1.35)	(1.35)	100.00%	(0.79%)
Sub-Total			**29.00**			**36.30**	**7.30**	**25.17%**	**21.24%**
Other Charges (kWh)	1,549	0.0130	20.14	1,548	0.0124	19.20	(0.95)	(4.70%)	11.23%
Debt Retirement Charge (kWh)	1,500	0.0070	10.50	1,500	0.0070	10.50	0.00	0.00%	6.14%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	20.01%
Cost of Power Commodity (kWh) - Block 2	949	0.0660	62.66	948	0.0660	62.57	(0.09)	(0.14%)	36.61%
Total Bill Before Taxes			**156.50**			**162.76**	**6.26**	**4.00%**	**95.24%**
GST		5.00%	7.82		5.00%	8.14	0.31	4.00%	4.76%
Total Bill			**164.32**			**170.90**	**6.58**	**4.00%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	24.37%
Distribution (kWh)	800	0.0090	7.20	800	0.0125	10.00	2.80	38.89%	9.68%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.97%
LRAM & SSM Rider (kWh)	800			800	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	800	0.0000	0.00	800	(0.0010)	(0.80)	(0.80)	100.00%	(0.77%)
Sub-Total			**33.37**			**35.37**	**2.00**	**5.99%**	**34.24%**
Other Charges (kWh)	826	0.0123	10.16	826	0.0117	9.66	(0.50)	(4.96%)	9.35%
Debt Retirement Charge (kWh)	800	0.0070	5.60	800	0.0070	5.60	0.00	0.00%	5.42%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	41.39%
Cost of Power Commodity (kWh) - Block 2	76	0.0660	5.04	76	0.0660	4.99	(0.05)	(0.94%)	4.83%
Total Bill Before Taxes			**96.92**			**98.37**	**1.45**	**1.49%**	**95.24%**
GST		5.00%	4.85		5.00%	4.92	0.07	1.49%	4.76%
Total Bill			**101.77**			**103.29**	**1.52**	**1.49%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	20.30%
Distribution (kWh)	1,000	0.0090	9.00	1,000	0.0125	12.50	3.50	38.89%	10.08%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.81%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.0010)	(1.00)	(1.00)	100.00%	(0.81%)
Sub-Total			**35.17**			**37.67**	**2.50**	**7.11%**	**30.38%**
Other Charges (kWh)	1,033	0.0123	12.70	1,032	0.0117	12.07	(0.63)	(4.96%)	9.74%
Debt Retirement Charge (kWh)	1,000	0.0070	7.00	1,000	0.0070	7.00	0.00	0.00%	5.64%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	34.47%
Cost of Power Commodity (kWh) - Block 2	283	0.0660	18.67	282	0.0660	18.61	(0.06)	(0.32%)	15.01%
Total Bill Before Taxes			**116.30**			**118.11**	**1.81**	**1.56%**	**95.24%**
GST		5.00%	5.81		5.00%	5.91	0.09	1.56%	4.76%
Total Bill			**122.11**			**124.01**	**1.90**	**1.56%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	11.06%
Distribution (kWh)	2,000	0.0090	18.00	2,000	0.0125	25.00	7.00	38.89%	10.98%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.44%
LRAM & SSM Rider (kWh)	2,000			2,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	2,000	0.0000	0.00	2,000	(0.0010)	(2.00)	(2.00)	100.00%	(0.88%)
Sub-Total			**44.17**			**49.17**	**5.00**	**11.32%**	**21.60%**
Other Charges (kWh)	2,066	0.0123	25.41	2,064	0.0117	24.15	(1.26)	(4.96%)	10.61%
Debt Retirement Charge (kWh)	2,000	0.0070	14.00	2,000	0.0070	14.00	0.00	0.00%	6.15%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	18.78%
Cost of Power Commodity (kWh) - Block 2	1,316	0.0660	86.84	1,314	0.0660	86.72	(0.12)	(0.14%)	38.10%
Total Bill Before Taxes			**213.17**			**216.79**	**3.62**	**1.70%**	**95.24%**
GST		5.00%	10.66		5.00%	10.84	0.18	1.70%	4.76%
Total Bill			**223.83**			**227.63**	**3.80**	**1.70%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	4.67%
Distribution (kWh)	5,000	0.0090	45.00	5,000	0.0125	62.50	17.50	38.89%	11.61%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.19%
LRAM & SSM Rider (kWh)	5,000			5,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	5,000	0.0000	0.00	5,000	(0.0010)	(5.00)	(5.00)	100.00%	(0.93%)
Sub-Total			**71.17**			**83.67**	**12.50**	**17.56%**	**15.54%**
Other Charges (kWh)	5,165	0.0123	63.52	5,160	0.0117	60.37	(3.15)	(4.96%)	11.21%
Debt Retirement Charge (kWh)	5,000	0.0070	35.00	5,000	0.0070	35.00	0.00	0.00%	6.50%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	7.94%
Cost of Power Commodity (kWh) - Block 2	4,415	0.0660	291.36	4,410	0.0660	291.06	(0.30)	(0.10%)	54.05%
Total Bill Before Taxes			**503.80**			**512.85**	**9.05**	**1.80%**	**95.24%**
GST		5.00%	25.19		5.00%	25.64	0.45	1.80%	4.76%
Total Bill			**528.99**			**538.49**	**9.50**	**1.80%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	2.38%
Distribution (kWh)	10,000	0.0090	90.00	10,000	0.0125	125.00	35.00	38.89%	11.83%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.09%
LRAM & SSM Rider (kWh)	10,000			10,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	10,000	0.0000	0.00	10,000	(0.0010)	-10.00	-10.00	100.00%	(0.95%)
Sub-Total			**116.17**			**141.17**	**25.00**	**21.52%**	**13.36%**
Other Charges (kWh)	10,329	0.0123	127.05	10,320	0.0117	120.74	-6.30	(4.96%)	11.43%
Debt Retirement Charge (kWh)	10,000	0.0070	70.00	10,000	0.0070	70.00	0.00	0.00%	6.63%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	4.05%
Cost of Power Commodity (kWh) - Block 2	9,579	0.0660	632.21	9,570	0.0660	631.62	-0.59	(0.09%)	59.78%
Total Bill Before Taxes			**988.18**			**1,006.28**	**18.10**	**1.83%**	**95.24%**
GST		5.00%	49.41		5.00%	50.31	0.91	1.83%	4.76%
Total Bill			**1,037.59**			**1,056.60**	**19.01**	**1.83%**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	7.16%
Distribution (kWh)	30,000	0.0000	0.00	30,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	60	3.5202	211.21	60	3.7221	223.33	12.11	5.74%	6.87%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.03%
LRAM & SSM Rider (kWh)	60			60	0.0155	0.93	0.93	0.00%	0.03%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	60	0.0000	0.00	60	(0.2603)	(15.62)	(15.62)	100.00%	(0.48%)
Sub-Total			**444.92**			**442.35**	**(2.57)**	**(0.58%)**	**13.60%**
Other Charges (kWh)	30,987	0.0065	201.42	30,960	0.0065	201.24	(0.18)	(0.09%)	6.19%
Other Charges (kW)	60	3.0253	181.52	60	2.7233	163.40	(18.12)	(9.98%)	5.02%
Debt Retirement Charge (kWh)	30,000	0.0070	210.00	30,000	0.0070	210.00	0.00	0.00%	6.46%
Cost of Power Commodity (kWh)	30,987	0.0672	2,082.33	30,960	0.0672	2,080.51	(1.81)	(0.09%)	63.97%
Total Bill Before Taxes			**3,120.18**			**3,097.50**	**(22.68)**	**(0.73%)**	**95.24%**
GST		5.00%	156.01		5.00%	154.87	(1.13)	(0.73%)	4.76%
Total Bill			**3,276.19**			**3,252.37**	**(23.82)**	**(0.73%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	3.13%
Distribution (kWh)	75,000	0.0000	0.00	75,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	100	3.5202	352.02	100	3.7221	372.21	20.19	5.74%	5.00%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.01%
LRAM & SSM Rider (kWh)	100			100	0.0155	1.55	1.55	0.00%	0.02%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	100	0.0000	0.00	100	(0.2603)	(26.03)	(26.03)	100.00%	(0.35%)
Sub-Total			**585.73**			**581.44**	**(4.29)**	**(0.73%)**	**7.82%**
Other Charges (kWh)	77,468	0.0065	503.54	77,400	0.0065	503.10	(0.44)	(0.09%)	6.76%
Other Charges (kW)	100	3.0253	302.53	100	2.7233	272.33	(30.20)	(9.98%)	3.66%
Debt Retirement Charge (kWh)	75,000	0.0070	525.00	75,000	0.0070	525.00	0.00	0.00%	7.06%
Cost of Power Commodity (kWh)	77,468	0.0672	5,205.82	77,400	0.0672	5,201.28	(4.54)	(0.09%)	69.93%
Total Bill Before Taxes			**7,122.61**			**7,083.15**	**(39.46)**	**(0.55%)**	**95.24%**
GST		5.00%	356.13		5.00%	354.16	(1.97)	(0.55%)	4.76%
Total Bill			**7,478.75**			**7,437.31**	**(41.44)**	**(0.55%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	1.11%
Distribution (kWh)	200,000	0.0000	0.00	200,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	500	3.5202	1,760.10	500	3.7221	1,861.05	100.95	5.74%	8.89%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	500			500	0.0155	7.75	7.75	0.00%	0.04%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	500	0.0000	0.00	500	(0.2603)	(130.15)	(130.15)	100.00%	(0.62%)
Sub-Total			**1,993.81**			**1,972.36**	**(21.45)**	**(1.08%)**	**9.42%**
Other Charges (kWh)	206,580	0.0065	1,342.77	206,400	0.0065	1,341.60	(1.17)	(0.09%)	6.41%
Other Charges (kW)	500	3.0253	1,512.65	500	2.7233	1,361.65	(151.00)	(9.98%)	6.50%
Debt Retirement Charge (kWh)	200,000	0.0070	1,400.00	200,000	0.0070	1,400.00	0.00	0.00%	6.68%
Cost of Power Commodity (kWh)	206,580	0.0672	13,882.18	206,400	0.0672	13,870.08	(12.10)	(0.09%)	66.23%
Total Bill Before Taxes			**20,131.41**			**19,945.69**	**(185.72)**	**(0.92%)**	**95.24%**
GST		5.00%	1,006.57		5.00%	997.28	(9.29)	(0.92%)	4.76%
Total Bill			**21,137.98**			**20,942.97**	**(195.00)**	**(0.92%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	0.30%
Distribution (kWh)	800,000	0.0000	0.00	800,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	1,000	3.5202	3,520.20	1,000	3.7221	3,722.10	201.90	5.74%	4.86%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0155	15.50	15.50	0.00%	0.02%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.2603)	(260.30)	(260.30)	100.00%	(0.34%)
Sub-Total			**3,753.91**			**3,711.01**	**(42.90)**	**(1.14%)**	**4.85%**
Other Charges (kWh)	826,320	0.0065	5,371.08	825,600	0.0065	5,366.40	(4.68)	(0.09%)	7.01%
Other Charges (kW)	1,000	3.0253	3,025.30	1,000	2.7233	2,723.30	(302.00)	(9.98%)	3.56%
Debt Retirement Charge (kWh)	800,000	0.0070	5,600.00	800,000	0.0070	5,600.00	0.00	0.00%	7.32%
Cost of Power Commodity (kWh)	826,320	0.0672	55,528.70	825,600	0.0672	55,480.32	(48.38)	(0.09%)	72.50%
Total Bill Before Taxes			**73,278.99**			**72,881.03**	**(397.96)**	**(0.54%)**	**95.24%**
GST		5.00%	3,663.95		5.00%	3,644.05	(19.90)	(0.54%)	4.76%
Total Bill			**76,942.94**			**76,525.08**	**(417.86)**	**(0.54%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	0.14%
Distribution (kWh)	1,600,000	0.0000	0.00	1,600,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	4,000	3.5202	14,080.80	4,000	3.7221	14,888.40	807.60	5.74%	8.98%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	4,000			4,000	0.0155	62.00	62.00	0.00%	0.79%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	4,000	0.0000	0.00	4,000	(0.2603)	(1,041.20)	(1,041.20)	100.00%	(0.63%)
Sub-Total			**14,314.51**			**14,142.91**	**(171.60)**	**(1.20%)**	**9.28%**
Other Charges (kWh)	1,652,640	0.0065	10,742.16	1,651,200	0.0065	10,732.80	(9.36)	(0.09%)	6.47%
Other Charges (kW)	4,000	3.0253	12,101.20	4,000	2.7233	10,893.20	(1,208.00)	(9.98%)	6.57%
Debt Retirement Charge (kWh)	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00	0.00	0.00%	6.75%
Cost of Power Commodity (kWh)	1,652,640	0.0672	111,057.41	1,651,200	0.0672	110,960.64	(96.77)	(0.09%)	66.91%
Total Bill Before Taxes			**159,415.28**			**157,929.55**	**(1,485.73)**	**(0.93%)**	**95.24%**
GST		5.00%	7,970.76		5.00%	7,896.48	(74.29)	(0.93%)	4.76%
Total Bill			**167,386.04**			**165,826.03**	**(1,560.01)**	**(0.93%)**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	5.87%
Distribution (kWh)	2,400,000	0.0000	0.00	2,400,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	5,000	1.4316	7,158.00	5,000	1.8968	9,484.00	2,326.00	32.50%	3.92%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	5,000	0.0000	0.00	5,000	(0.1650)	(825.00)	(825.00)	100.00%	(0.34%)
Sub-Total			**21,354.83**			**22,855.83**	**1,501.00**	**7.03%**	**9.45%**
Other Charges (kWh)	2,412,720	0.0065	15,682.68	2,412,720	0.0065	15,682.68	0.00	0.00%	6.49%
Other Charges (kW)	5,000	2.8435	14,217.50	5,000	2.5596	12,798.00	(1,419.50)	(9.98%)	5.29%
Debt Retirement Charge (kWh)	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00	0.00	0.00%	6.95%
Cost of Power Commodity (kWh)	2,412,720	0.0672	162,134.78	2,412,720	0.0672	162,134.78	0.00	0.00%	67.06%
Total Bill Before Taxes			**230,189.79**			**230,271.29**	**81.50**	**0.04%**	**95.24%**
GST		5.00%	11,509.49		5.00%	11,513.56	4.08	0.04%	4.76%
Total Bill			**241,699.28**			**241,784.86**	**85.58**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	4.51%
Distribution (kWh)	3,100,000	0.0000	0.00	3,100,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	8,000	1.4316	11,452.80	8,000	1.8968	15,174.40	3,721.60	32.50%	4.82%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	8,000	0.0000	0.00	8,000	(0.1650)	(1,320.00)	(1,320.00)	100.00%	(0.42%)
Sub-Total			**25,649.63**			**28,051.23**	**2,401.60**	**9.36%**	**8.91%**
Other Charges (kWh)	3,116,430	0.0065	20,256.80	3,116,430	0.0065	20,256.80	0.00	0.00%	6.43%
Other Charges (kW)	8,000	2.8435	22,748.00	8,000	2.5596	20,476.80	(2,271.20)	(9.98%)	6.50%
Debt Retirement Charge (kWh)	3,100,000	0.0070	21,700.00	3,100,000	0.0070	21,700.00	0.00	0.00%	6.89%
Cost of Power Commodity (kWh)	3,116,430	0.0672	209,424.10	3,116,430	0.0672	209,424.10	0.00	0.00%	66.50%
Total Bill Before Taxes			**299,778.52**			**299,908.92**	**130.40**	**0.04%**	**95.24%**
GST		5.00%	14,988.93		5.00%	14,995.45	6.52	0.04%	4.76%
Total Bill			**314,767.45**			**314,904.37**	**136.92**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	3.40%
Distribution (kWh)	4,200,000	0.0000	0.00	4,200,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	10,000	1.4316	14,316.00	10,000	1.8968	18,968.00	4,652.00	32.50%	4.54%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	10,000	0.0000	0.00	10,000	(0.1650)	(1,650.00)	(1,650.00)	100.00%	(0.40%)
Sub-Total			**28,512.83**			**31,514.83**	**3,002.00**	**10.53%**	**7.55%**
Other Charges (kWh)	4,222,260	0.0065	27,444.69	4,222,260	0.0065	27,444.69	0.00	0.00%	6.57%
Other Charges (kW)	10,000	2.8435	28,435.00	10,000	2.5596	25,596.00	(2,839.00)	(9.98%)	6.13%
Debt Retirement Charge (kWh)	4,200,000	0.0070	29,400.00	4,200,000	0.0070	29,400.00	0.00	0.00%	7.04%
Cost of Power Commodity (kWh)	4,222,260	0.0672	283,735.87	4,222,260	0.0672	283,735.87	0.00	0.00%	67.95%
Total Bill Before Taxes			**397,528.39**			**397,691.39**	**163.00**	**0.04%**	**95.24%**
GST		5.00%	19,876.42		5.00%	19,884.57	8.15	0.04%	4.76%
Total Bill			**417,404.81**			**417,575.96**	**171.15**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	2.94%
Distribution (kWh)	4,700,000	0.0000	0.00	4,700,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	15,000	1.4316	21,474.00	15,000	1.8968	28,452.00	6,978.00	32.50%	5.89%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	15,000	0.0000	0.00	15,000	(0.1650)	(2,475.00)	(2,475.00)	100.00%	(0.51%)
Sub-Total			**35,670.83**			**40,173.83**	**4,503.00**	**12.62%**	**8.32%**
Other Charges (kWh)	4,724,910	0.0065	30,711.92	4,724,910	0.0065	30,711.92	0.00	0.00%	6.36%
Other Charges (kW)	15,000	2.8435	42,652.50	15,000	2.5596	38,394.00	(4,258.50)	(9.98%)	7.95%
Debt Retirement Charge (kWh)	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00	0.00	0.00%	6.82%
Cost of Power Commodity (kWh)	4,724,910	0.0672	317,513.95	4,724,910	0.0672	317,513.95	0.00	0.00%	65.78%
Total Bill Before Taxes			**459,449.20**			**459,693.70**	**244.50**	**0.05%**	**95.24%**
GST		5.00%	22,972.46		5.00%	22,984.68	12.23	0.05%	4.76%
Total Bill			**482,421.66**			**482,678.38**	**256.73**	**0.05%**	**100.00%**

STREET LIGHTING

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	23,299	0.7800	18,173.22	23,299	0.7800	18,173.22	0.00	0.00%	1.03%
Distribution (kWh)	16,689,726	0.0000	0.00	16,689,726	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	46,815	4.3948	205,742.56	46,815	4.4012	206,042.18	299.62	0.15%	11.73%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	46,815	0.0000	0.00	46,815	(0.3350)	(15,683.03)	(15,683.03)	100.00%	(0.89%)
Sub-Total			**223,915.78**			**208,532.37**	**(15,383.41)**	**(6.87%)**	**11.88%**
Other Charges (kWh)	17,238,818	0.0065	112,052.32	17,223,797	0.0065	111,954.68	(97.63)	(0.09%)	6.38%
Other Charges (kW)	46,815	1.8398	86,130.24	46,815	1.6561	77,530.32	(8,599.92)	(9.98%)	4.42%
Debt Retirement Charge (kWh)	16,689,726	0.0070	116,828.08	16,689,726	0.0070	116,828.08	0.00	0.00%	6.65%
Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	17,238,068	0.0672	1,158,398.17	17,223,047	0.0672	1,157,388.77	(1,009.39)	(0.09%)	65.91%
Total Bill Before Taxes			**1,697,367.34**			**1,672,276.98**	**(25,090.35)**	**(1.48%)**	**95.24%**
GST		5.00%	84,868.37		5.00%	83,613.85	(1,254.52)	(1.48%)	4.76%
Total Bill			**1,782,235.70**			**1,755,890.83**	**(26,344.87)**	**(1.48%)**	**100.00%**

STREET LIGHTING

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	1	0.7800	0.78	1	0.7800	0.78	0.00	0.00%	1.03%
Distribution (kWh)	720	0.0000	0.00	720	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	2.00	4.3948	8.79	2.00	4.4012	8.80	0.01	0.15%	11.64%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	2.00	0.0000	0.00	2.00	(0.3350)	(0.67)	(0.67)	100.00%	(0.89%)
Sub-Total			**9.57**			**8.91**	**(0.66)**	**(6.87%)**	**11.78%**
Other Charges (kWh)	744	0.0065	4.83	743	0.0065	4.83	(0.00)	(0.09%)	6.39%
Other Charges (kW)	2.00	1.8398	3.68	2.00	1.6561	3.31	(0.37)	(9.98%)	4.38%
Debt Retirement Charge (kWh)	720	0.0070	5.04	720	0.0070	5.04	0.00	0.00%	6.66%
Cost of Power Commodity (kWh)	744	0.0672	49.98	743	0.0672	49.93	(0.04)	(0.09%)	66.02%
Total Bill Before Taxes			**73.10**			**72.03**	**(1.07)**	**(1.47%)**	**95.24%**
GST		5.00%	3.65		5.00%	3.60	(0.05)	(1.47%)	4.76%
Total Bill			**76.75**			**75.63**	**(1.13)**	**(1.47%)**	**100.00%**

UNMETERED SCATTERED

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			12.59			8.34	(4.25)	(33.76%)	23.09%
Distribution (kWh)	250	0.0090	2.25	250	0.0125	3.13	0.88	38.89%	8.65%
LRAM & SSM Rider (kWh)	250	0.0000		250	0.0043	1.08	1.08		2.98%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	250	0.0000	0.00	250	(0.0010)	(0.25)	(0.25)		(0.69%)
Sub-Total			**14.84**			**12.29**	**(2.55)**	**(17.18%)**	**34.03%**
Other Charges (kWh)	258	0.0123	3.18	258	0.0117	3.02	(0.16)	(4.96%)	8.36%
Debt Retirement Charge (kWh)	250	0.0070	1.75	250	0.0070	1.75	0.00	0.00%	4.85%
Cost of Power Commodity (kWh)	258	0.0672	17.35	258	0.0672	17.34	(0.02)	(0.09%)	48.01%
Total Bill Before Taxes			**37.12**			**34.40**	**(2.72)**	**(7.34%)**	**95.24%**
GST		5.00%	1.86		5.00%	1.72	(0.14)	(7.34%)	4.76%
Total Bill			**38.97**			**36.12**	**(2.86)**	**(7.34%)**	**100.00%**

UNMETERED SCATTERED

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			12.59			8.34	(4.25)	(33.76%)	17.72%
Distribution (kWh)	350	0.0090	3.15	350	0.0125	4.38	1.23	38.89%	9.30%
LRAM & SSM Rider (kWh)	350	0.0000		350	0.0043	1.51	1.51		3.20%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	350	0.0000	0.00	350	(0.0010)	(0.35)	(0.35)		(0.74%)
Sub-Total			**15.74**			**13.87**	**(1.87)**	**(11.88%)**	**29.47%**
Other Charges (kWh)	362	0.0123	4.45	361	0.0117	4.23	(0.22)	(4.96%)	8.98%
Debt Retirement Charge (kWh)	350	0.0070	2.45	350	0.0070	2.45	0.00	0.00%	5.21%
Cost of Power Commodity (kWh)	362	0.0672	24.29	361	0.0672	24.27	(0.02)	(0.09%)	51.58%
Total Bill Before Taxes			**46.93**			**44.82**	**(2.11)**	**(4.50%)**	**95.24%**
GST		5.00%	2.35		5.00%	2.24	(0.11)	(4.50%)	4.76%
Total Bill			**49.28**			**47.06**	**(2.22)**	**(4.50%)**	**100.00%**

BILL IMPACTS *(Monthly Consumptions)*
DELIVERY LINE INCLUDED

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	51.09%
Distribution (kWh)	100	0.0123	1.23	100	0.0162	1.62	0.39	31.71%	6.87%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	4.24%
LRAM & SSM Rider (kWh)	100			100	0.0002	0.02	0.02	0.00%	0.08%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	100	0.0000	0.00	100	(0.0009)	(0.09)	(0.09)	100.00%	(0.38%)
Sub-Total - Distribution			**11.78**			**14.60**	**2.82**	**23.94%**	**61.90%**
RTSR-Network (kWh)	103	0.0047	0.49	103	0.0045	0.46	(0.02)	(4.34%)	1.97%
RTSR-Connection (kWh)	103	0.0018	0.19	103	0.0014	0.14	(0.04)	(22.29%)	0.61%
Sub-Total - Delivery			**12.45**			**15.21**	**2.76**	**22.15%**	**64.48%**
Wholesale Market Services (kWh)	103	0.0052	0.54	103	0.0052	0.54	(0.00)	(0.09%)	2.28%
RRRP (kWh)	103	0.0013	0.13	103	0.0013	0.13	(0.00)	(0.09%)	0.57%
Debt Retirement Charge (kWh)	100	0.0070	0.70	100	0.0070	0.70	0.00	0.00%	2.97%
Cost of Power Commodity (kWh)	103	0.0570	5.89	103	0.0570	5.88	(0.01)	(0.09%)	24.94%
Total Bill Before Taxes			**19.71**			**22.46**	**2.75**	**13.96%**	**95.24%**
GST		5.00%	0.99		5.00%	1.12	0.14	13.96%	4.76%
Total Bill			**20.70**			**23.59**	**2.89**	**13.96%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	31.37%
Distribution (kWh)	250	0.0123	3.08	250	0.0162	4.05	0.98	31.71%	10.54%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	2.60%
LRAM & SSM Rider (kWh)	250			250	0.0002	0.05	0.05	0.00%	0.13%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	250	0.0000	0.00	250	(0.0009)	(0.23)	(0.23)	100.00%	(0.59%)
Sub-Total - Distribution			**13.63**			**16.93**	**3.30**	**24.22%**	**44.06%**
RTSR-Network (kWh)	258	0.0047	1.21	258	0.0045	1.16	(0.05)	(4.34%)	3.02%
RTSR-Connection (kWh)	258	0.0018	0.46	258	0.0014	0.36	(0.10)	(22.29%)	0.94%
Sub-Total - Delivery			**15.30**			**18.45**	**3.14**	**20.54%**	**48.03%**
Wholesale Market Services (kWh)	258	0.0052	1.34	258	0.0052	1.34	(0.00)	(0.09%)	3.49%
RRRP (kWh)	258	0.0013	0.34	258	0.0013	0.34	(0.00)	(0.09%)	0.87%
Debt Retirement Charge (kWh)	250	0.0070	1.75	250	0.0070	1.75	0.00	0.00%	4.56%
Cost of Power Commodity (kWh)	258	0.0570	14.72	258	0.0570	14.71	(0.01)	(0.09%)	38.29%
Total Bill Before Taxes			**33.45**			**36.58**	**3.13**	**9.36%**	**95.24%**
GST		5.00%	1.67		5.00%	1.83	0.16	9.36%	4.76%
Total Bill			**35.12**			**38.41**	**3.29**	**9.36%**	**100.00%**

RESIDENTIAL

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	19.09%
Distribution (kWh)	500	0.0123	6.15	500	0.0162	8.10	1.95	31.71%	12.83%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.58%
LRAM & SSM Rider (kWh)	500			500	0.0002	0.10	0.10	0.00%	0.16%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	500	0.0000	0.00	500	(0.0009)	(0.45)	(0.45)	100.00%	(0.71%)
Sub-Total - Distribution			**16.70**			**20.80**	**4.10**	**24.55%**	**32.96%**
RTSR-Network (kWh)	516	0.0047	2.43	516	0.0045	2.32	(0.11)	(4.34%)	3.68%
RTSR-Connection (kWh)	516	0.0018	0.93	516	0.0014	0.72	(0.21)	(22.29%)	1.14%
Sub-Total - Delivery			**20.06**			**23.84**	**3.79**	**18.88%**	**37.78%**
Wholesale Market Services (kWh)	516	0.0052	2.69	516	0.0052	2.68	(0.00)	(0.09%)	4.25%
RRRP (kWh)	516	0.0013	0.67	516	0.0013	0.67	(0.00)	(0.09%)	1.06%
Debt Retirement Charge (kWh)	500	0.0070	3.50	500	0.0070	3.50	0.00	0.00%	5.55%
Cost of Power Commodity (kWh)	516	0.0570	29.44	516	0.0570	29.41	(0.03)	(0.09%)	46.60%
Total Bill Before Taxes			**56.35**			**60.11**	**3.76**	**6.67%**	**95.24%**
GST		5.00%	2.82		5.00%	3.01	0.19	6.67%	4.76%
Total Bill			**59.17**			**63.12**	**3.95**	**6.67%**	**100.00%**

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	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	13.47%
Distribution (kWh)	750	0.0123	9.23	750	0.0162	12.15	2.93	31.71%	13.58%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.12%
LRAM & SSM Rider (kWh)	750			750	0.0002	0.15	0.15	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	750	0.0000	0.00	750	(0.0009)	(0.68)	(0.68)	100.00%	(0.75%)
Sub-Total - Distribution			**19.78**			**24.68**	**4.90**	**24.78%**	**27.58%**
RTSR-Network (kWh)	775	0.0047	3.64	774	0.0045	3.48	(0.16)	(4.34%)	3.89%
RTSR-Connection (kWh)	775	0.0018	1.39	774	0.0014	1.08	(0.31)	(22.29%)	1.21%
Sub-Total - Delivery			**24.81**			**29.24**	**4.43**	**17.86%**	**32.68%**
Wholesale Market Services (kWh)	775	0.0052	4.03	774	0.0052	4.02	(0.00)	(0.09%)	4.50%
RRRP (kWh)	775	0.0013	1.01	774	0.0013	1.01	(0.00)	(0.09%)	1.12%
Debt Retirement Charge (kWh)	750	0.0070	5.25	750	0.0070	5.25	0.00	0.00%	5.87%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	38.23%
Cost of Power Commodity (kWh) - Block 2	175	0.0660	11.53	174	0.0660	11.48	(0.04)	(0.39%)	12.84%
Total Bill Before Taxes			**80.82**			**85.21**	**4.38**	**5.42%**	**95.24%**
GST		5.00%	4.04		5.00%	4.26	0.22	5.42%	4.76%
Total Bill			**84.87**			**89.47**	**4.60**	**5.42%**	**100.00%**

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	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	12.70%
Distribution (kWh)	800	0.0123	9.84	800	0.0162	12.96	3.12	31.71%	13.66%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	1.05%
LRAM & SSM Rider (kWh)	800			800	0.0002	0.16	0.16	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	800	0.0000	0.00	800	(0.0009)	(0.72)	(0.72)	100.00%	(0.76%)
Sub-Total - Distribution			**20.39**			**25.45**	**5.06**	**24.82%**	**26.82%**
RTSR-Network (kWh)	826	0.0047	3.8837	826	0.0045	3.72	(0.17)	(4.34%)	3.92%
RTSR-Connection (kWh)	826	0.0018	1.49	826	0.0014	1.16	(0.33)	(22.29%)	1.22%
Sub-Total - Delivery			**25.76**			**30.32**	**4.56**	**17.70%**	**31.95%**
Wholesale Market Services (kWh)	826	0.0052	4.30	826	0.0052	4.29	(0.00)	(0.09%)	4.52%
RRRP (kWh)	826	0.0013	1.07	826	0.0013	1.07	(0.00)	(0.09%)	1.13%
Debt Retirement Charge (kWh)	800	0.0070	5.60	800	0.0070	5.60	0.00	0.00%	5.90%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	36.04%
Cost of Power Commodity (kWh) - Block 2	226	0.0660	14.94	226	0.0660	14.89	(0.05)	(0.32%)	15.69%
Total Bill Before Taxes			**85.87**			**90.38**	**4.51**	**5.25%**	**95.24%**
GST		5.00%	4.29		5.00%	4.52	0.23	5.25%	4.76%
Total Bill			**90.16**			**94.90**	**4.73**	**5.25%**	**100.00%**

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	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	10.33%
Distribution (kWh)	1,000	0.0123	12.30	1,000	0.0162	16.20	3.90	31.71%	13.89%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.86%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0002	0.20	0.20	0.00%	0.17%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.0009)	(0.90)	(0.90)	100.00%	(0.77%)
Sub-Total - Distribution			**22.85**			**28.55**	**5.70**	**24.95%**	**24.48%**
RTSR-Network (kWh)	1,033	0.0047	4.85	1,032	0.0045	4.64	(0.21)	(4.34%)	3.98%
RTSR-Connection (kWh)	1,033	0.0018	1.86	1,032	0.0014	1.44	(0.41)	(22.29%)	1.24%
Sub-Total - Delivery			**29.56**			**34.64**	**5.07**	**17.17%**	**29.70%**
Wholesale Market Services (kWh)	1,033	0.0052	5.37	1,032	0.0052	5.37	(0.00)	(0.09%)	4.60%
RRRP (kWh)	1,033	0.0013	1.34	1,032	0.0013	1.34	(0.00)	(0.09%)	1.15%
Debt Retirement Charge (kWh)	1,000	0.0070	7.00	1,000	0.0070	7.00	0.00	0.00%	6.00%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	29.33%
Cost of Power Commodity (kWh) - Block 2	433	0.0660	28.57	432	0.0660	28.51	(0.06)	(0.21%)	24.45%
Total Bill Before Taxes			**106.05**			**111.06**	**5.01**	**4.72%**	**95.24%**
GST		5.00%	5.30		5.00%	5.55	0.25	4.72%	4.76%
Total Bill			**111.35**			**116.61**	**5.26**	**4.72%**	**100.00%**

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	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			9.55			12.05	2.50	26.18%	7.05%
Distribution (kWh)	1,500	0.0123	18.45	1,500	0.0162	24.30	5.85	31.71%	14.22%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.59%
LRAM & SSM Rider (kWh)	1,500			1,500	0.0002	0.30	0.30	0.00%	0.18%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,500	0.0000	0.00	1,500	(0.0009)	(1.35)	(1.35)	100.00%	(0.79%)
Sub-Total - Distribution			**29.00**			**36.30**	**7.30**	**25.17%**	**21.24%**
RTSR-Network (kWh)	1,549	0.0047	7.28	1,548	0.0045	6.97	(0.32)	(4.34%)	4.08%
RTSR-Connection (kWh)	1,549	0.0018	2.79	1,548	0.0014	2.17	(0.62)	(22.29%)	1.27%
Sub-Total - Delivery			**39.07**			**45.43**	**6.36**	**16.28%**	**26.58%**
Wholesale Market Services (kWh)	1,549	0.0052	8.06	1,548	0.0052	8.05	(0.01)	(0.09%)	4.71%
RRRP (kWh)	1,549	0.0013	2.01	1,548	0.0013	2.01	(0.00)	(0.09%)	1.18%
Debt Retirement Charge (kWh)	1,500	0.0070	10.50	1,500	0.0070	10.50	0.00	0.00%	6.14%
Cost of Power Commodity (kWh) - Block 1	600	0.0570	34.20	600	0.0570	34.20	0.00	0.00%	20.01%
Cost of Power Commodity (kWh) - Block 2	949	0.0660	62.66	948	0.0660	62.57	(0.09)	(0.14%)	36.61%
Total Bill Before Taxes			**156.50**			**162.76**	**6.26**	**4.00%**	**95.24%**
GST		5.00%	7.82		5.00%	8.14	0.31	4.00%	4.76%
Total Bill			**164.32**			**170.90**	**6.58**	**4.00%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	24.37%
Distribution (kWh)	800	0.0090	7.20	800	0.0125	10.00	2.80	38.89%	9.68%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.97%
LRAM & SSM Rider (kWh)	800			800	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	800	0.0000	0.00	800	(0.0010)	(0.80)	(0.80)	100.00%	(0.77%)
Sub-Total - Distribution			**33.37**			**35.37**	**2.00**	**5.99%**	**34.24%**
RTSR-Network (kWh)	826	0.0041	3.39	826	0.0039	3.22	(0.17)	(4.96%)	3.12%
RTSR-Connection (kWh)	826	0.0017	1.40	826	0.0013	1.07	(0.33)	(23.60%)	1.04%
Sub-Total - Delivery			**38.16**			**39.66**	**1.50**	**3.93%**	**38.40%**
Wholesale Market Services (kWh)	826	0.0052	4.30	826	0.0052	4.29	(0.00)	(0.09%)	4.16%
RRRP (kWh)	826	0.0013	1.07	826	0.0013	1.07	(0.00)	(0.09%)	1.04%
Debt Retirement Charge (kWh)	800	0.0070	5.60	800	0.0070	5.60	0.00	0.00%	5.42%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	41.39%
Cost of Power Commodity (kWh) - Block 2	76	0.0660	5.04	76	0.0660	4.99	(0.05)	(0.94%)	4.83%
Total Bill Before Taxes			**96.92**			**98.37**	**1.45**	**1.49%**	**95.24%**
GST		5.00%	4.85		5.00%	4.92	0.07	1.49%	4.76%
Total Bill			**101.77**			**103.29**	**1.52**	**1.49%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	20.30%
Distribution (kWh)	1,000	0.0090	9.00	1,000	0.0125	12.50	3.50	38.89%	10.08%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.81%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.0010)	(1.00)	(1.00)	100.00%	(0.81%)
Sub-Total - Distribution			**35.17**			**37.67**	**2.50**	**7.11%**	**30.38%**
RTSR-Network (kWh)	1,033	0.0041	4.23	1,032	0.0039	4.02	(0.21)	(4.96%)	3.25%
RTSR-Connection (kWh)	1,033	0.0017	1.76	1,032	0.0013	1.34	(0.41)	(23.60%)	1.08%
Sub-Total - Delivery			**41.16**			**43.04**	**1.88**	**4.56%**	**34.70%**
Wholesale Market Services (kWh)	1,033	0.0052	5.37	1,032	0.0052	5.37	(0.00)	(0.09%)	4.33%
RRRP (kWh)	1,033	0.0013	1.34	1,032	0.0013	1.34	(0.00)	(0.09%)	1.08%
Debt Retirement Charge (kWh)	1,000	0.0070	7.00	1,000	0.0070	7.00	0.00	0.00%	5.64%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	34.47%
Cost of Power Commodity (kWh) - Block 2	283	0.0660	18.67	282	0.0660	18.61	(0.06)	(0.32%)	15.01%
Total Bill Before Taxes			**116.30**			**118.11**	**1.81**	**1.56%**	**95.24%**
GST		5.00%	5.81		5.00%	5.91	0.09	1.56%	4.76%
Total Bill			**122.11**			**124.01**	**1.90**	**1.56%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	11.06%
Distribution (kWh)	2,000	0.0090	18.00	2,000	0.0125	25.00	7.00	38.89%	10.98%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.44%
LRAM & SSM Rider (kWh)	2,000			2,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	2,000	0.0000	0.00	2,000	(0.0010)	(2.00)	(2.00)	100.00%	(0.88%)
Sub-Total - Distribution			**44.17**			**49.17**	**5.00**	**11.32%**	**21.60%**
RTSR-Network (kWh)	2,066	0.0041	8.47	2,064	0.0039	8.05	(0.42)	(4.96%)	3.54%
RTSR-Connection (kWh)	2,066	0.0017	3.51	2,064	0.0013	2.68	(0.83)	(23.60%)	1.18%
Sub-Total - Delivery			**56.15**			**59.90**	**3.75**	**6.68%**	**26.32%**
Wholesale Market Services (kWh)	2,066	0.0052	10.74	2,064	0.0052	10.73	(0.01)	(0.09%)	4.71%
RRRP (kWh)	2,066	0.0013	2.69	2,064	0.0013	2.68	(0.00)	(0.09%)	1.18%
Debt Retirement Charge (kWh)	2,000	0.0070	14.00	2,000	0.0070	14.00	0.00	0.00%	6.15%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	18.78%
Cost of Power Commodity (kWh) - Block 2	1,316	0.0660	86.84	1,314	0.0660	86.72	(0.12)	(0.14%)	38.10%
Total Bill Before Taxes			**213.17**			**216.79**	**3.62**	**1.70%**	**95.24%**
GST		5.00%	10.66		5.00%	10.84	0.18	1.70%	4.76%
Total Bill			**223.83**			**227.63**	**3.80**	**1.70%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	4.67%
Distribution (kWh)	5,000	0.0090	45.00	5,000	0.0125	62.50	17.50	38.89%	11.61%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.19%
LRAM & SSM Rider (kWh)	5,000			5,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	5,000	0.0000	0.00	5,000	(0.0010)	(5.00)	(5.00)	100.00%	(0.93%)
Sub-Total - Distribution			**71.17**			**83.67**	**12.50**	**17.56%**	**15.54%**
RTSR-Network (kWh)	5,165	0.0041	21.17	5,160	0.0039	20.12	(1.05)	(4.96%)	3.74%
RTSR-Connection (kWh)	5,165	0.0017	8.78	5,160	0.0013	6.71	(2.07)	(23.60%)	1.25%
Sub-Total - Delivery			**101.12**			**110.50**	**9.38**	**9.27%**	**20.52%**
Wholesale Market Services (kWh)	5,165	0.0052	26.86	5,160	0.0052	26.83	(0.02)	(0.09%)	4.98%
RRRP (kWh)	5,165	0.0013	6.71	5,160	0.0013	6.71	(0.01)	(0.09%)	1.25%
Debt Retirement Charge (kWh)	5,000	0.0070	35.00	5,000	0.0070	35.00	0.00	0.00%	6.50%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	7.94%
Cost of Power Commodity (kWh) - Block 2	4,415	0.0660	291.36	4,410	0.0660	291.06	(0.30)	(0.10%)	54.05%
Total Bill Before Taxes			**503.80**			**512.85**	**9.05**	**1.80%**	**95.24%**
GST		5.00%	25.19		5.00%	25.64	0.45	1.80%	4.76%
Total Bill			**528.99**			**538.49**	**9.50**	**1.80%**	**100.00%**

GENERAL SERVICE < 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			25.17			25.17	0.00	0.00%	2.38%
Distribution (kWh)	10,000	0.0090	90.00	10,000	0.0125	125.00	35.00	38.89%	11.83%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.09%
LRAM & SSM Rider (kWh)	10,000			10,000	0.0000	0.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	10,000	0.0000	0.00	10,000	(0.0010)	(10.00)	(10.00)	100.00%	(0.95%)
Sub-Total - Distribution			**116.17**			**141.17**	**25.00**	**21.52%**	**13.36%**
RTSR-Network (kWh)	10,329	0.0041	42.35	10,320	0.0039	40.25	(2.10)	(4.96%)	3.81%
RTSR-Connection (kWh)	10,329	0.0017	17.56	10,320	0.0013	13.42	(4.14)	(23.60%)	1.27%
Sub-Total - Delivery			**176.08**			**194.83**	**18.76**	**10.65%**	**18.44%**
Wholesale Market Services (kWh)	10,329	0.0052	53.71	10,320	0.0052	53.66	(0.05)	(0.09%)	5.08%
RRRP (kWh)	10,329	0.0013	13.43	10,320	0.0013	13.42	(0.01)	(0.09%)	1.27%
Debt Retirement Charge (kWh)	10,000	0.0070	70.00	10,000	0.0070	70.00	0.00	0.00%	6.63%
Cost of Power Commodity (kWh) - Block 1	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	4.05%
Cost of Power Commodity (kWh) - Block 2	9,579	0.0660	632.21	9,570	0.0660	631.62	(0.59)	(0.09%)	59.78%
Total Bill Before Taxes			**988.18**			**1,006.28**	**18.10**	**1.83%**	**95.24%**
GST		5.00%	49.41		5.00%	50.31	0.91	1.83%	4.76%
Total Bill			**1,037.59**			**1,056.60**	**19.01**	**1.83%**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	7.16%
Distribution (kWh)	30,000	0.0000	0.00	30,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	60	3.5202	211.21	60	3.7221	223.33	12.11	5.74%	6.87%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.03%
LRAM & SSM Rider (kWh)	60			60	0.0155	0.93	0.93	0.00%	0.03%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	60	0.0000	0.00	60	(0.2603)	(15.62)	(15.62)	100.00%	(0.48%)
Sub-Total - Distribution			**444.92**			**442.35**	**(2.57)**	**(0.58%)**	**13.60%**
RTSR-Network (kW)	60	2.1384	128.30	60	2.0315	121.89	(6.41)	(5.00%)	3.75%
RTSR-Connection (kW)	60	0.8869	53.21	60	0.6918	41.51	(11.71)	(22.00%)	1.28%
Sub-Total - Delivery			**626.44**			**605.75**	**(20.69)**	**(3.30%)**	**18.62%**
Wholesale Market Services (kWh)	30,987	0.0052	161.13	30,960	0.0052	160.99	(0.14)	(0.09%)	4.95%
RRRP (kWh)	30,987	0.0013	40.28	30,960	0.0013	40.25	(0.04)	(0.09%)	1.24%
Debt Retirement Charge (kWh)	30,000	0.0070	210.00	30,000	0.0070	210.00	0.00	0.00%	6.46%
Cost of Power Commodity (kWh)	30,987	0.0672	2,082.33	30,960	0.0672	2,080.51	(1.81)	(0.09%)	63.97%
Total Bill Before Taxes			**3,120.18**			**3,097.50**	**(22.68)**	**(0.73%)**	**95.24%**
GST		5.00%	156.01		5.00%	154.87	(1.13)	(0.73%)	4.76%
Total Bill			**3,276.19**			**3,252.37**	**(23.82)**	**(0.73%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	3.13%
Distribution (kWh)	75,000	0.0000	0.00	75,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	100	3.5202	352.02	100	3.7221	372.21	20.19	5.74%	5.00%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.01%
LRAM & SSM Rider (kWh)	100			100	0.0155	1.55	1.55	0.00%	0.02%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	100	0.0000	0.00	100	(0.2603)	(26.03)	(26.03)	100.00%	(0.35%)
Sub-Total - Distribution			**585.73**			**581.44**	**(4.29)**	**(0.73%)**	**7.82%**
RTSR-Network (kW)	100	2.1384	213.84	100	2.0315	203.15	(10.69)	(5.00%)	2.73%
RTSR-Connection (kW)	100	0.8869	88.69	100	0.6918	69.18	(19.51)	(22.00%)	0.93%
Sub-Total - Delivery			**888.26**			**853.77**	**(34.49)**	**(3.88%)**	**11.48%**
Wholesale Market Services (kWh)	77,468	0.0052	402.83	77,400	0.0052	402.48	(0.35)	(0.09%)	5.41%
RRRP (kWh)	77,468	0.0013	100.71	77,400	0.0013	100.62	(0.09)	(0.09%)	1.35%
Debt Retirement Charge (kWh)	75,000	0.0070	525.00	75,000	0.0070	525.00	0.00	0.00%	7.06%
Cost of Power Commodity (kWh)	77,468	0.0672	5,205.82	77,400	0.0672	5,201.28	(4.54)	(0.09%)	69.93%
Total Bill Before Taxes			**7,122.61**			**7,083.15**	**(39.46)**	**(0.55%)**	**95.24%**
GST		5.00%	356.13		5.00%	354.16	(1.97)	(0.55%)	4.76%
Total Bill			**7,478.75**			**7,437.31**	**(41.44)**	**(0.55%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	1.11%
Distribution (kWh)	200,000	0.0000	0.00	200,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	500	3.5202	1,760.10	500	3.7221	1,861.05	100.95	5.74%	8.89%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	500			500	0.0155	7.75	7.75	0.00%	0.04%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	500	0.0000	0.00	500	(0.2603)	(130.15)	(130.15)	100.00%	(0.62%)
Sub-Total - Distribution			**1,993.81**			**1,972.36**	**(21.45)**	**(1.08%)**	**9.42%**
RTSR-Network (kW)	500	2.1384	1,069.20	500	2.0315	1,015.75	(53.45)	(5.00%)	4.85%
RTSR-Connection (kW)	500	0.8869	443.45	500	0.6918	345.90	(97.55)	(22.00%)	1.65%
Sub-Total - Delivery			**3,506.46**			**3,334.01**	**(172.45)**	**(4.92%)**	**15.92%**
Wholesale Market Services (kWh)	206,580	0.0052	1,074.22	206,400	0.0052	1,073.28	(0.94)	(0.09%)	5.12%
RRRP (kWh)	206,580	0.0013	268.55	206,400	0.0013	268.32	(0.23)	(0.09%)	1.28%
Debt Retirement Charge (kWh)	200,000	0.0070	1,400.00	200,000	0.0070	1,400.00	0.00	0.00%	6.68%
Cost of Power Commodity (kWh)	206,580	0.0672	13,882.18	206,400	0.0672	13,870.08	(12.10)	(0.09%)	66.23%
Total Bill Before Taxes			**20,131.41**			**19,945.69**	**(185.72)**	**(0.92%)**	**95.24%**
GST		5.00%	1,006.57		5.00%	997.28	(9.29)	(0.92%)	4.76%
Total Bill			**21,137.98**			**20,942.97**	**(195.00)**	**(0.92%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	0.30%
Distribution (kWh)	800,000	0.0000	0.00	800,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	1,000	3.5202	3,520.20	1,000	3.7221	3,722.10	201.90	5.74%	4.86%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	1,000			1,000	0.0155	15.50	15.50	0.00%	0.02%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	1,000	0.0000	0.00	1,000	(0.2603)	(260.30)	(260.30)	100.00%	(0.34%)
Sub-Total - Distribution			**3,753.91**			**3,711.01**	**(42.90)**	**(1.14%)**	**4.85%**
RTSR-Network (kW)	1,000	2.1384	2,138.40	1,000	2.0315	2,031.50	(106.90)	(5.00%)	2.65%
RTSR-Connection (kW)	1,000	0.8869	886.90	1,000	0.6918	691.80	(195.10)	(22.00%)	0.90%
Sub-Total - Delivery			**6,779.21**			**6,434.31**	**(344.90)**	**(5.09%)**	**8.41%**
Wholesale Market Services (kWh)	826,320	0.0052	4,296.86	825,600	0.0052	4,293.12	(3.74)	(0.09%)	5.61%
RRRP (kWh)	826,320	0.0013	1,074.22	825,600	0.0013	1,073.28	(0.94)	(0.09%)	1.40%
Debt Retirement Charge (kWh)	800,000	0.0070	5,600.00	800,000	0.0070	5,600.00	0.00	0.00%	7.32%
Cost of Power Commodity (kWh)	826,320	0.0672	55,528.70	825,600	0.0672	55,480.32	(48.38)	(0.09%)	72.50%
Total Bill Before Taxes			**73,278.99**			**72,881.03**	**(397.96)**	**(0.54%)**	**95.24%**
GST		5.00%	3,663.95		5.00%	3,644.05	(19.90)	(0.54%)	4.76%
Total Bill			**76,942.94**			**76,525.08**	**(417.86)**	**(0.54%)**	**100.00%**

GENERAL SERVICE > 50 kW

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			232.71			232.71	0.00	0.00%	0.14%
Distribution (kWh)	1,600,000	0.0000	0.00	1,600,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	4,000	3.5202	14,080.80	4,000	3.7221	14,888.40	807.60	5.74%	8.98%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM & SSM Rider (kWh)	4,000			4,000	0.0155	62.00	62.00	0.00%	0.79%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	4,000	0.0000	0.00	4,000	(0.2603)	(1,041.20)	(1,041.20)	100.00%	(0.63%)
Sub-Total - Distribution			**14,314.51**			**14,142.91**	**(171.60)**	**(1.20%)**	**9.28%**
RTSR-Network (kW)	4,000	2.1384	8,553.60	4,000	2.0315	8,126.00	(427.60)	(5.00%)	4.90%
RTSR-Connection (kW)	4,000	0.8869	3,547.60	4,000	0.6918	2,767.20	(780.40)	(22.00%)	1.67%
Sub-Total - Delivery			**26,415.71**			**25,036.11**	**(1,379.60)**	**(5.22%)**	**15.10%**
Wholesale Market Services (kWh)	1,652,640	0.0052	8,593.73	1,651,200	0.0052	8,586.24	(7.49)	(0.09%)	5.18%
RRRP (kWh)	1,652,640	0.0013	2,148.43	1,651,200	0.0013	2,146.56	(1.87)	(0.09%)	1.29%
Debt Retirement Charge (kWh)	1,600,000	0.0070	11,200.00	1,600,000	0.0070	11,200.00	0.00	0.00%	6.75%
Cost of Power Commodity (kWh)	1,652,640	0.0672	111,057.41	1,651,200	0.0672	110,960.64	(96.77)	(0.09%)	66.91%
Total Bill Before Taxes			**159,415.28**			**157,929.55**	**(1,485.73)**	**(0.93%)**	**95.24%**
GST		5.00%	7,970.76		5.00%	7,896.48	(74.29)	(0.93%)	4.76%
Total Bill			**167,386.04**			**165,826.03**	**(1,560.01)**	**(0.93%)**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	5.87%
Distribution (kWh)	2,400,000	0.0000	0.00	2,400,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	5,000	1.4316	7,158.00	5,000	1.8968	9,484.00	2,326.00	32.50%	3.92%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	5,000	0.0000	0.00	5,000	(0.1650)	(825.00)	(825.00)	100.00%	(0.34%)
Sub-Total - Distribution			**21,354.83**			**22,855.83**	**1,501.00**	**7.03%**	**9.45%**
RTSR-Network (kW)	5,000	2.0099	10,049.50	5,000	1.9094	9,547.00	(502.50)	(5.00%)	3.95%
RTSR-Connection (kW)	5,000	0.8336	4,168.00	5,000	0.6502	3,251.00	(917.00)	(22.00%)	1.34%
Sub-Total - Delivery			**35,572.33**			**35,653.83**	**81.50**	**0.23%**	**14.75%**
Wholesale Market Services (kWh)	2,412,720	0.0052	12,546.14	2,412,720	0.0052	12,546.14	0.00	0.00%	5.19%
RRRP (kWh)	2,412,720	0.0013	3,136.54	2,412,720	0.0013	3,136.54	0.00	0.00%	1.30%
Debt Retirement Charge (kWh)	2,400,000	0.0070	16,800.00	2,400,000	0.0070	16,800.00	0.00	0.00%	6.95%
Cost of Power Commodity (kWh)	2,412,720	0.0672	162,134.78	2,412,720	0.0672	162,134.78	0.00	0.00%	67.06%
Total Bill Before Taxes			**230,189.79**			**230,271.29**	**81.50**	**0.04%**	**95.24%**
GST		5.00%	11,509.49		5.00%	11,513.56	4.08	0.04%	4.76%
Total Bill			**241,699.28**			**241,784.86**	**85.58**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	4.51%
Distribution (kWh)	3,100,000	0.0000	0.00	3,100,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	8,000	1.4316	11,452.80	8,000	1.8968	15,174.40	3,721.60	32.50%	4.82%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	8,000	0.0000	0.00	8,000	(0.1650)	(1,320.00)	(1,320.00)	100.00%	(0.42%)
Sub-Total - Distribution			**25,649.63**			**28,051.23**	**2,401.60**	**9.36%**	**8.91%**
RTSR-Network (kW)	8,000	2.0099	16,079.20	8,000	1.9094	15,275.20	(804.00)	(5.00%)	4.85%
RTSR-Connection (kW)	8,000	0.8336	6,668.80	8,000	0.6502	5,201.60	(1,467.20)	(22.00%)	1.65%
Sub-Total - Delivery			**48,397.63**			**48,528.03**	**130.40**	**0.27%**	**15.41%**
Wholesale Market Services (kWh)	3,116,430	0.0052	16,205.44	3,116,430	0.0052	16,205.44	0.00	0.00%	5.15%
RRRP (kWh)	3,116,430	0.0013	4,051.36	3,116,430	0.0013	4,051.36	0.00	0.00%	1.29%
Debt Retirement Charge (kWh)	3,100,000	0.0070	21,700.00	3,100,000	0.0070	21,700.00	0.00	0.00%	6.89%
Cost of Power Commodity (kWh)	3,116,430	0.0672	209,424.10	3,116,430	0.0672	209,424.10	0.00	0.00%	66.50%
Total Bill Before Taxes			**299,778.52**			**299,908.92**	**130.40**	**0.04%**	**95.24%**
GST		5.00%	14,988.93		5.00%	14,995.45	6.52	0.04%	4.76%
Total Bill			**314,767.45**			**314,904.37**	**136.92**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	3.40%
Distribution (kWh)	4,200,000	0.0000	0.00	4,200,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	10,000	1.4316	14,316.00	10,000	1.8968	18,968.00	4,652.00	32.50%	4.54%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	10,000	0.0000	0.00	10,000	(0.1650)	(1,650.00)	(1,650.00)	100.00%	(0.40%)
Sub-Total - Distribution			**28,512.83**			**31,514.83**	**3,002.00**	**10.53%**	**7.55%**
RTSR-Network (kW)	10,000	2.0099	20,099.00	10,000	1.9094	19,094.00	(1,005.00)	(5.00%)	4.57%
RTSR-Connection (kW)	10,000	0.8336	8,336.00	10,000	0.6502	6,502.00	(1,834.00)	(22.00%)	1.56%
Sub-Total - Delivery			**56,947.83**			**57,110.83**	**163.00**	**0.29%**	**13.68%**
Wholesale Market Services (kWh)	4,222,260	0.0052	21,955.75	4,222,260	0.0052	21,955.75	0.00	0.00%	5.26%
RRRP (kWh)	4,222,260	0.0013	5,488.94	4,222,260	0.0013	5,488.94	0.00	0.00%	1.31%
Debt Retirement Charge (kWh)	4,200,000	0.0070	29,400.00	4,200,000	0.0070	29,400.00	0.00	0.00%	7.04%
Cost of Power Commodity (kWh)	4,222,260	0.0672	283,735.87	4,222,260	0.0672	283,735.87	0.00	0.00%	67.95%
Total Bill Before Taxes			**397,528.39**			**397,691.39**	**163.00**	**0.04%**	**95.24%**
GST		5.00%	19,876.42		5.00%	19,884.57	8.15	0.04%	4.76%
Total Bill			**417,404.81**			**417,575.96**	**171.15**	**0.04%**	**100.00%**

LARGE USER (> 5000 kW)

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			14,195.83			14,195.83	0.00	0.00%	2.94%
Distribution (kWh)	4,700,000	0.0000	0.00	4,700,000	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	15,000	1.4316	21,474.00	15,000	1.8968	28,452.00	6,978.00	32.50%	5.89%
Smart Meter Rider (per month)			1.00		1.0000	1.00	0.00	0.00%	0.00%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	15,000	0.0000	0.00	15,000	(0.1650)	(2,475.00)	(2,475.00)	100.00%	(0.51%)
Sub-Total - Distribution			**35,670.83**			**40,173.83**	**4,503.00**	**12.62%**	**8.32%**
RTSR-Network (kW)	15,000	2.0099	30,148.50	15,000	1.9094	28,641.00	(1,507.50)	(5.00%)	5.93%
RTSR-Connection (kW)	15,000	0.8336	12,504.00	15,000	0.6502	9,753.00	(2,751.00)	(22.00%)	2.02%
Sub-Total - Delivery			**78,323.33**			**78,567.83**	**244.50**	**0.31%**	**16.28%**
Wholesale Market Services (kWh)	4,724,910	0.0052	24,569.53	4,724,910	0.0052	24,569.53	0.00	0.00%	5.09%
RRRP (kWh)	4,724,910	0.0013	6,142.38	4,724,910	0.0013	6,142.38	0.00	0.00%	1.27%
Debt Retirement Charge (kWh)	4,700,000	0.0070	32,900.00	4,700,000	0.0070	32,900.00	0.00	0.00%	6.82%
Cost of Power Commodity (kWh)	4,724,910	0.0672	317,513.95	4,724,910	0.0672	317,513.95	0.00	0.00%	65.78%
Total Bill Before Taxes			**459,449.20**			**459,693.70**	**244.50**	**0.05%**	**95.24%**
GST		5.00%	22,972.46		5.00%	22,984.68	12.23	0.05%	4.76%
Total Bill			**482,421.66**			**482,678.38**	**256.73**	**0.05%**	**100.00%**

STREET LIGHTING

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	23,299	0.7800	18,173.22	23,299	0.7800	18,173.22	0.00	0.00%	1.03%
Distribution (kWh)	16,689,726	0.0000	0.00	16,689,726	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	46,815	4.3948	205,742.56	46,815	4.4012	206,042.18	299.62	0.15%	11.73%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	46,815	0.0000	0.00	46,815	(0.3350)	(15,683.03)	(15,683.03)	100.00%	(0.89%)
Sub-Total - Distribution			**223,915.78**			**208,532.37**	**(15,383.41)**	**(6.87%)**	**11.88%**
RTSR-Network (kW)	46,815	1.3004	60,878.23	46,815	1.2354	57,835.25	(3,042.98)	(5.00%)	3.29%
RTSR-Connection (kW)	46,815	0.5394	25,252.01	46,815	0.4207	19,695.07	(5,556.94)	(22.01%)	1.12%
Sub-Total - Delivery			**310,046.02**			**286,062.69**	**(23,983.32)**	**(7.74%)**	**16.29%**
Wholesale Market Services (kWh)	17,238,818	0.0052	89,641.85	17,223,797	0.0052	89,563.75	(78.11)	(0.09%)	5.10%
RRRP (kWh)	17,238,818	0.0013	22,410.46	17,223,797	0.0013	22,390.94	(19.53)	(0.09%)	1.28%
Debt Retirement Charge (kWh)	16,689,726	0.0070	116,828.08	16,689,726	0.0070	116,828.08	0.00	0.00%	6.65%
Cost of Power Commodity (kWh)	750	0.0570	42.75	750	0.0570	42.75	0.00	0.00%	0.00%
Cost of Power Commodity (kWh)	17,238,068	0.0672	1,158,398.17	17,223,047	0.0672	1,157,388.77	(1,009.39)	(0.09%)	65.91%
Total Bill Before Taxes			**1,697,367.34**			**1,672,276.98**	**(25,090.35)**	**(1.48%)**	**95.24%**
GST		5.00%	84,868.37		5.00%	83,613.85	(1,254.52)	(1.48%)	4.76%
Total Bill			**1,782,235.70**			**1,755,890.83**	**(26,344.87)**	**(1.48%)**	**100.00%**

STREET LIGHTING

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge	1	0.7800	0.78	1	0.7800	0.78	0.00	0.00%	1.03%
Distribution (kWh)	720	0.0000	0.00	720	0.0000	0.00	0.00	0.00%	0.00%
Distribution (kW)	2.00	4.3948	8.79	2.00	4.4012	8.80	0.01	0.15%	11.64%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	2.00	0.0000	0.00	2.00	(0.3350)	(0.67)	(0.67)	100.00%	(0.89%)
Sub-Total - Distribution			**9.57**			**8.91**	**(0.66)**	**(6.87%)**	**11.78%**
RTSR-Network (kW)	2	1.3004	2.60	2	1.2354	2.47	(0.13)	(5.00%)	3.27%
RTSR-Connection (kW)	2	0.5394	1.08	2	0.4207	0.84	(0.24)	(22.01%)	1.11%
Sub-Total - Delivery			**13.25**			**12.22**	**(1.02)**	**(7.73%)**	**16.16%**
Wholesale Market Services (kWh)	744	0.0052	3.87	743	0.0052	3.86	(0.00)	(0.09%)	5.11%
RRRP (kWh)	744	0.0013	0.97	743	0.0013	0.97	(0.00)	(0.09%)	1.28%
Debt Retirement Charge (kWh)	720	0.0070	5.04	720	0.0070	5.04	0.00	0.00%	6.66%
Cost of Power Commodity (kWh)	744	0.0672	49.98	743	0.0672	49.93	(0.04)	(0.09%)	66.02%
Total Bill Before Taxes			**73.10**			**72.03**	**(1.07)**	**(1.47%)**	**95.24%**
GST		5.00%	3.65		5.00%	3.60	(0.05)	(1.47%)	4.76%
Total Bill			**76.75**			**75.63**	**(1.13)**	**(1.47%)**	**100.00%**

UNMETERED SCATTERED

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			12.59			8.34	(4.25)	(33.76%)	23.09%
Distribution (kWh)	250	0.0090	2.25	250	0.0125	3.13	0.88	38.89%	8.65%
LRAM & SSM Rider (kWh)	250	0.0000		250	0.0043	1.08	1.08		2.98%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	250	0.0000	0.00	250	(0.0010)	(0.25)	(0.25)		(0.69%)
Sub-Total - Distribution			**14.84**			**12.29**	**(2.55)**	**(17.18%)**	**34.03%**
RTSR-Network (kWh)	258	0.0041	1.06	258	0.0039	1.01	(0.05)	(4.96%)	2.79%
RTSR-Connection (kWh)	258	0.0017	0.44	258	0.0013	0.34	(0.10)	(23.60%)	0.93%
Sub-Total - Delivery			**16.34**			**13.63**	**(2.71)**	**(16.56%)**	**37.74%**
Wholesale Market Services (kWh)	258	0.0052	1.34	258	0.0052	1.34	(0.00)	(0.09%)	3.71%
RRRP (kWh)	258	0.0013	0.34	258	0.0013	0.34	(0.00)	(0.09%)	0.93%
Debt Retirement Charge (kWh)	250	0.0070	1.75	250	0.0070	1.75	0.00	0.00%	4.85%
Cost of Power Commodity (kWh)	258	0.0672	17.35	258	0.0672	17.34	(0.02)	(0.09%)	48.01%
Total Bill Before Taxes			**37.12**			**34.40**	**(2.72)**	**(7.34%)**	**95.24%**
GST		5.00%	1.86		5.00%	1.72	(0.14)	(7.34%)	4.76%
Total Bill			**38.97**			**36.12**	**(2.86)**	**(7.34%)**	**100.00%**

UNMETERED SCATTERED

	2009 BILL			2010 BILL			IMPACT		
	Volume	RATE $	CHARGE $	Volume	RATE $	CHARGE $	Change $	Change %	% of Total Bill
Monthly Service Charge			12.59			8.34	(4.25)	(33.76%)	17.72%
Distribution (kWh)	350	0.0090	3.15	350	0.0125	4.38	1.23	38.89%	9.30%
LRAM & SSM Rider (kWh)	350	0.0000		350	0.0043	1.51	1.51		3.20%
Deferral & Variance Accounts Recovery Rate Rider (kWh)	350	0.0000	0.00	350	(0.0010)	(0.35)	(0.35)		(0.74%)
Sub-Total - Distribution			**15.74**			**13.87**	**(1.87)**	**(11.88%)**	**29.47%**
RTSR-Network (kWh)	362	0.0041	1.48	361	0.0039	1.41	(0.07)	(4.96%)	2.99%
RTSR-Connection (kWh)	362	0.0017	0.61	361	0.0013	0.47	(0.15)	(23.60%)	1.00%
Sub-Total - Delivery			**17.84**			**15.75**	**(2.09)**	**(11.71%)**	**33.46%**
Wholesale Market Services (kWh)	362	0.0052	1.88	361	0.0052	1.88	(0.00)	(0.09%)	3.99%
RRRP (kWh)	362	0.0013	0.47	361	0.0013	0.47	(0.00)	(0.09%)	1.00%
Debt Retirement Charge (kWh)	350	0.0070	2.45	350	0.0070	2.45	0.00	0.00%	5.21%
Cost of Power Commodity (kWh)	362	0.0672	24.29	361	0.0672	24.27	(0.02)	(0.09%)	51.58%
Total Bill Before Taxes			**46.93**			**44.82**	**(2.11)**	**(4.50%)**	**95.24%**
GST		5.00%	2.35		5.00%	2.24	(0.11)	(4.50%)	4.76%
Total Bill			**49.28**			**47.06**	**(2.22)**	**(4.50%)**	**100.00%**

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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STATUS OF DEFERRAL AND VARIANCE ACCOUNTS:

This Schedule contains descriptions of Deferral and Variance Accounts ("DVAs") currently used by KW Hydro and their audited balances as at December 31, 2008.

Based on "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)", KW Hydro reports the Deferral and Variance accounts according to the two prescribed groupings.

Group 1 Accounts

1580 Retail Settlement Variance Account - Wholesale Market Service Charges

This account is used to record the net of the amount charged by the IESO based on the settlement invoice for the operation of the IESO-administered markets and the operation of the IESO-controlled grid, and the amount billed to customers using the OEB-approved Wholesale Market Service Rate.

1584 Retail Settlement Variance Account - Retail Transmission Network Charges

This account is used to record the net of the amount charged by the IESO, based on the settlement invoice for transmission network services, and the amount billed to customers using the OEB-approved Transmission Network Charge.

1586 Retail Settlement Variance Account - Retail Transmission Connection Charges

This account is used to record the net of the amount charged by the IESO, based on the settlement invoice for transmission connection services, and the amount billed to customers using the OEB-approved Transmission Connection Charge.

1588 Retail Settlement Variance Account – Power

This account is used to record the net difference between the energy amount billed to customers and the energy charged to KW Hydro using the settlement invoice from the Independent Electricity System Operator ("IESO"). KW Hydro tracks the Global Adjustment amounts in a sub- account of 1588 as outlined below.

1588 Retail Settlement Variance Account - Power, Sub-account Global Adjustments

This account is used to record the net difference between the provincial benefit amount billed/credited to customers and the global adjustment charged/credited to KW Hydro using the settlement invoice from the IESO.

1590 Recovery of Regulatory Asset Balances

This account records the net of amounts collected from or refunded to customers from balances stemming from Regulatory Assets. KW Hydro has been without a Regulatory Asset rate rider since it was removed from its Distribution Rates effective May 1, 2008. KW Hydro has calculated its final account balance for this account and would like to refund the over-recovery to its customers.

Group 2 Accounts

1508 Other Regulatory Assets

This account includes amounts of regulatory-created assets, not included in other accounts, resulting from the ratemaking actions of the OEB. KW Hydro currently has balances in two sub-accounts of 1508.

1508 Other Regulatory Assets - Sub-account OEB Cost Assessments

This account includes amounts paid for OEB Cost Assessment for the period January 1, 2004 to April 30, 2006 in excess of amounts previously included in rates (1999 OEB costs).

1508 Other Regulatory Assets - Sub-account Pension Contributions

This account includes amounts paid for OMERS pension expense for the period January 1, 2004 to April 30, 2006 not included in rates.

1518 Retail Cost Variance Account - Retail Service Charges

This account is used to record the difference between the amount billed and the incremental costs of providing retail services other than those related to a Service Transaction Request (STR).

1525 Miscellaneous Deferred Debits

This account includes costs for cheques issued for the Ontario Price Credit issued between December 2005 and April 2006.

1548 Retail Cost Variance Account – Service Transaction Request Charges

This account is used to record the difference between the amount billed in relation to a STR and the incremental costs of providing the initial screening and actual processing services for the STR.

1555 Smart Meter Capital Account

This account records the net of the amounts paid for capitalized direct costs related to the smart meter program and the amounts charged to customers using the OEB- approved smart meter rate rider.

1556 Smart Meter OM&A Account

This account records the incremental operating, maintenance, amortization and administrative expenses directly related to smart meters.

1562 Deferred Payments in Lieu of Taxes

This account records the amount resulting from the OEB-approved PILs methodology for determining the 2001 deferral account allowance and the PILs proxy amount determined for 2002 and subsequent periods ending April 30, 2006.

1563 Contra Account — Deferred PILs

Amounts recorded in this account are applicable to a distributor using the third accounting method approved for recording entries in account 1562 in accordance with the Board's accounting instructions for PILs as set out in the April 2003 Frequently Asked Questions on the Accounting Procedures Handbooks. The offsetting entry of each entry in account 1562 is made to this contra account.

1565 Conservation and Demand Management Expenditures and Recoveries

This account records the costs incurred for conservation and demand management (CDM) activities and expenditures, and the revenue proxy amount equivalent to the distributor's (first generation) third tranche of MARR (market adjusted revenue requirement) or an amount otherwise approved by the Board.

1566 Conservation and Demand Management Contra Account

Amounts recorded in this account are applicable to a distributor using the method approved for recording entries in account 1565 in accordance with the Board's accounting instructions for CDM as set out in the December 2005 Frequently Asked Questions on the Accounting Procedures Handbooks. The offsetting entry of each entry in account 1565 is made to this contra account.

1582 Retail Settlement Variance Account - One-time Wholesale Market Service

This account is used to record the net of non-recurring amounts not included in the Wholesale Market Service Rate charged by the IESO based on the settlement invoice, and the amount charged to customers for the same services using the OEB-approved rate.

PILs and Tax Variances for 2006 and Subsequent Years

For the period starting May 1, 2006, this account records the tax impact of any of the following differences:

1. Any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the 2006 OEB Tax Model.
2. Any differences that result from a change in, or a disclosure of, a new assessing or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.
3. Any differences in 2006 PILs that result in changes in a distributor's "opening" 2006 balances for tax accounts due to changes in debits and credits to those accounts arising from a tax re-assessment:
    - Received by the distributor after its 2006 rate application is filed, and before May 1, 2007; or
    - Relating to any tax year ending prior to May 1, 2006.

2425 Other Deferred Credits

This account includes retailer prudential cash deposits on hand in accordance with the Board's accounting instructions as set out in the December 2003 Frequently Asked Questions on the Accounting Procedures Handbooks.

ACCOUNT BALANCES:

The following Table 1 and Table 1-1 contain account balances from the 2008 Audited Financial Statements as at December 31, 2008. Table 1-2 shows the interest rates that have been used in the calculation of carrying charges on the accounts in accordance with the methodology approved by the Board in EB-2006-0117 on November 28, 2006. The OEB Deferral and Variance Account Continuity Statement is attached as Appendix A.

Table 1

Deferral and Variance Account Balances (December 31, 2008)

Account Description	Account Number	Principal Amounts as of Dec 31, 2008	Interest to Dec 31, 2008	Total Principal & Interest
RSVA				
RSVA - Wholesale Market Service Charge	1580	($4,915,629.95)	($213,016.09)	($5,128,646.04)
RSVA - One-time Wholesale Market Service Charge	1582	$107,335.78	$17,767.25	$125,103.03
RSVA - Retail Transmission Network Charge	1584	($2,529,128.07)	($326,927.13)	($2,856,055.20)
RSVA - Retail Transmission Connection Charge	1586	($1,770,742.91)	($174,492.08)	($1,945,234.99)
RSVA - Power (**including** Global Adjustment)	1588	$3,032,090.63	$60,684.53	$3,092,775.16
RSVA - Power Global Adjustment	1588-1	$1,956,049.80	$79,478.35	$2,035,528.15
Total for RSVA		**($6,076,074.52)**	**($635,983.52)**	**($6,712,058.04)**
NON RSVA				
Other Regulatory Assets - OEB Cost Assessments	1508-1	$187,866.00	$27,024.88	$214,890.88
Other Regulatory Assets - Pensions	1508-2	$925,984.04	$130,393.50	$1,056,377.54
RCVA - Retail Cost Variance	1518	($100,944.51)	($7,140.42)	($108,084.93)
RCVA - STR	1548	$51,062.76	$5,090.33	$56,153.09
Miscellaneous Deferred Debits	1525	$14,492.97		$14,492.97
Smart Meter Revenue and Capital	1555	($390,339.14)	($36,446.90)	($426,786.04)
Smart Meter OM&A	1556	$15,403.01		$15,403.01
Deferred Payment in Lieu of Taxes	1562	($2,085,920.51)	$22,182.84	($2,063,737.67)
PILs Contra Account	1563	$2,305,251.73	($10,361.12)	$2,294,890.61
Conservation & Demand Management	1565	$0.00	$269.13	$269.13
Recovery of Regulatory Asset Balances	1590	($628,662.11)	$374,384.48	($254,277.63)
PILs and Tax Variance	1592	($219,331.22)	($11,821.72)	($231,152.94)
Other Deferred Credits	2425	($50,779.08)		($50,779.08)
Total for NON RSVA		**$24,083.94**	**$493,575.00**	**$517,658.94**
Total Deferral and Variance Account Balances		($6,051,990.58)	($142,408.52)	($6,194,399.10)

Table 1-1

Deferral and Variance Account Balances by Group (December 31, 2008)

Account Description	Account Number	Principal Amounts as of Dec 31, 2008	Interest to Dec 31, 2008	Total Principal & Interest
Group 1				
RSVA - Wholesale Market Service Charge	1580	($4,915,629.95)	($213,016.09)	($5,128,646.04)
RSVA - Retail Transmission Network Charge	1584	($2,529,128.07)	($326,927.13)	($2,856,055.20)
RSVA - Retail Transmission Connection Charge	1586	($1,770,742.91)	($174,492.08)	($1,945,234.99)
RSVA - Power (**including** Global Adjustment)	1588	$3,032,090.63	$60,684.53	$3,092,775.16
RSVA - Power Global Adjustment	1588-1	$1,956,049.80	$79,478.35	$2,035,528.15
Recovery of Regulatory Asset Balances	1590	($628,662.11)	$374,384.48	($254,277.63)
Total for Group 1		**($6,812,072.41)**	**($279,366.29)**	**($7,091,438.70)**
Group 2				
Other Regulatory Assets - OEB Cost Assessments	1508-1	$187,866.00	$27,024.88	$214,890.88
Other Regulatory Assets - Pensions	1508-2	$925,984.04	$130,393.50	$1,056,377.54
RCVA - Retail Cost Variance	1518	($100,944.51)	($7,140.42)	($108,084.93)
RCVA - STR	1548	$51,062.76	$5,090.33	$56,153.09
Miscellaneous Deferred Debits	1525	$14,492.97		$14,492.97
Smart Meter Revenue and Capital	1555	($390,339.14)	($36,446.90)	($426,786.04)
Smart Meter OM&A	1556	$15,403.01		$15,403.01
Deferred Payment in Lieu of Taxes	1562	($2,085,920.51)	$22,182.84	($2,063,737.67)
PILs Contra Account	1563	$2,305,251.73	($10,361.12)	$2,294,890.61
Conservation & Demand Management	1565	$0.00	$269.13	$269.13
RSVA - One-time Wholesale Market Service Charge	1582	$107,335.78	$17,767.25	$125,103.03
PILs and Tax Variance	1592	($219,331.22)	($11,821.72)	($231,152.94)
Other Deferred Credits	2425	($50,779.08)		($50,779.08)
Total for Group 2		**$760,081.83**	**$136,957.77**	**$897,039.60**
Total Deferral and Variance Account Balances		($6,051,990.58)	($142,408.52)	($6,194,399.10)

Table 1-2

Interest Rates Applied to Deferral and Variance Accounts

	Account 1508	All Other Accounts
Q1 2005	3.88%	7.00%
Q2 2005	3.88%	7.00%
Q3 2005	3.88%	7.00%
Q4 2005	3.88%	7.00%
Q1 2006	3.88%	7.00%
Q2 2006	4.14%	4.14%
Q3 2006	4.59%	4.59%
Q4 2006	4.59%	4.59%
Q1 2007	4.59%	4.59%
Q2 2007	4.59%	4.59%
Q3 2007	4.59%	4.59%
Q4 2007	5.14%	5.14%
Q1 2008	5.14%	5.14%
Q2 2008	4.08%	4.08%
Q3 2008	3.35%	3.35%
Q4 2008	3.35%	3.35%

The following accounts will be discontinued:

Group 1

1590 Recovery of Regulatory Asset Balances

Group 2

1508 Other Regulatory Assets - Sub-account OEB Cost Assessments
1508 Other Regulatory Assets - Sub-account Pension Contributions
1565 Conservation and Demand Management Expenditures and Recoveries
1566 Conservation and Demand Management Contra Account

All of the remaining Regulatory Asset accounts will continue on a going forward basis.

Upon receiving approval to recover (or refund) account balances in distribution rates as part of this rate application, KW Hydro will use the Board Approved 1595 account – Disposition and Recovery of Regulatory Balances and sub-accounts to record the disposition and recoveries of Deferral and Variance account balances.

Sub-Account 1588 – Global Adjustments

The audited balance of Account 1588 Power — Global Adjustments (GA), inclusive of carrying charges, at December 31, 2008 was $2,035,528.15. The drivers generating this variance are as follows:

1. The difference between the estimated GA rates (IESO charges to KW Hydro) and the fixed GA rates (KW Hydro charges to its customers). As an example, the fixed GA rate for distributor billing for May 2009 was a charge of $39.8 / MWh. KW Hydro would have used this figure to calculate the Provincial Benefit for those customers who are not on the Regulated Price Plan (RPP). However, the estimated GA rate for the month of May 2009 was a charge of $31.04/ MWh. The difference between these two rates multiplied by the consumption billed generates the GA variance for non RPP customers

2. For those customers who are on the Regulated Price Plan, the GA is embedded in the IESO Form 1598 rebate, which is calculated based on the estimated consumption in the current month and then "trued up" every six months, based on actual consumption for each month within the period. The variance between estimated consumption and actual consumption results in the GA variance for RPP customers. This is only a timing difference; however, and once the true-up process is completed, there will be no variance for RPP customers.

The amount of the GA variance, net of carrying charges, attributable to each rate class (non-RPP customers only) is shown in Table 1-3 below.

Table 1-3

Global Adjustment Attributable to Each Class (December 31, 2008)

Class	2005 Consumption (kWh)	2005 GA Allocation ($)	2006 Consumption (kWh)	2006 GA Allocation ($)	2007 Consumption (kWh)	2007 GA Allocation ($)	2008 Consumption (kWh)	2008 GA Allocation ($)	Total GA Allocation ($) (Principal Amount)
Residential	69,445	(86)	14,717,989	41,579	44,873,310	(8,482)	66,321,050	48,138	81,149
GS < 50	4,396,036	(5,472)	11,112,687	31,394	22,873,493	(4,323)	27,890,243	20,244	41,842
GS > 50	641,913,715	(799,043)	683,713,387	1,931,519	703,341,206	(132,943)	682,092,959	495,085	1,494,619
Large User	222,537,234	(277,011)	187,509,882	529,723	157,521,213	(29,774)	149,523,624	108,529	331,468
Street Lighting	1,267,118	(1,577)	1,413,286	3,993	1,366,855	(258)	6,634,249	4,815	6,972
Total	**870,183,549**	**(1,083,190)**	**898,467,231**	**2,538,208**	**929,976,076**	**(175,781)**	**932,462,125**	**676,812**	**1,956,050**

CLEARANCE OF DEFERRAL AND VARIANCE ACCOUNTS:

In the Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), the Board states that "at the time of rebasing, all Account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline" (EB-2008-0046).

Further, in its report, the Board stated that the default disposition period used to clear the Account balances through a rate rider should be one year. However, a distributor could propose a different disposition period to mitigate rate impacts or address any other considerations, where appropriate.

KW Hydro is therefore requesting the disposition of all Group 1 and Group 2 Accounts with the exception of:

- 1555 - Smart Meter Capital,
- 1556 - Smart Meter OM&A,
- 1562 - Deferred PILs,
- 1563 - PILs Contra Account,
- 1592 - PILs & Tax Variance,
- 2425 - Other Deferred Credits

The amount to be disposed of is the audited principal balances as of December 31, 2008 plus interest forecasted to April 30, 2010. The proposed method of recovery is allocated to rate classes on the basis of the applicable cost drivers over a four-year period.

The audited balances as of December 31, 2008 and the forecasted interest through April 30, 2010 are presented in Table 2. The Annual Interest Rate of 0.55% is based on the most recent Board Approved carrying charge rate. The total amount requested for disposition is ($5,773,603) and, consistent with the 2006 EDR, is allocated to the six major rate classes only. KW Hydro has one Embedded Distributor customer. Due to the non-traditional method of billing this customer, regulatory asset rate riders have never been applied to their monthly bill and thus; this customer is excluded here as well.

The rationale behind four-year recovery period instead of one year as preferred by the Board (EB-2008-0046) is that a one year disposition of the total credit owing to customers ($5,773,603) would create significant rate shock for customers both at the onset of the rate rider and upon its discontinuance.

Tables 3 and 4 show the allocations to the rate classes.

Table 5 illustrates the details and calculation of the proposed regulatory asset rate rider by customer rate class.

Proposed Rate Riders (if assuming recovery of all Deferral and Variance accounts)

If assuming recovery of all Deferral and Variance accounts as of the date of the last Audited Financial Statements (December 31, 2008) with a recommended recovery period of four years, the rate riders would be as calculated in Table 6A.

Proposed Rate Riders (if assuming recovery of all non-RSVA accounts only)

If assuming recovery of all non-RSVA accounts only as of the date of the last Audited Financial Statements (December 31, 2008) with a recommended recovery period of four years, the rate riders would be as calculated in Table 6B.

Proposed Rates and Bill Impacts

The proposed rates and bill impacts (net of GST) that result from the disposal of the balances, as requested, are set out in Table 7. For a Residential customer at monthly consumption of 800 kWh, the bill impact only accounts for (0.83)% of the total bill.

Table 2

Interest Calculation to April 30, 2010 on Deferral and Variance Account Balances

Account Description	Account Number	Principal Amounts as of Dec-31 2008	Interest to Dec31-08	Interest Jan-1 to Dec31-09	Interest Jan1-10 to Apr30-10	Total
RSVA - Wholesale Market Service Charge	1580	$ (4,915,630)	$ (213,016)	$ (27,036)	$ (9,012)	$ (5,164,694)
RSVA - One-time Wholesale Market Service	1582	$ 107,336	$ 17,767	$ 590	$ 197	$ 125,890
RSVA - Retail Transmission Network Charge	1584	$ (2,529,128)	$ (326,927)	$ (13,910)	$ (4,637)	$ (2,874,602)
RSVA - Retail Transmission Connection Charge	1586	$ (1,770,743)	$ (174,492)	$ (9,739)	$ (3,246)	$ (1,958,220)
RSVA - Power	1588	$ 3,032,091	$ 60,685	$ 16,676	$ 5,559	$ 3,115,010
Sub-Totals		$ (6,076,075)	$ (635,984)	$ (33,418)	$ (11,139)	$ (6,756,616)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 187,866	$ 27,025	$ 1,033	$ 344	$ 216,269
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 925,984	$ 130,394	$ 5,093	$ 1,698	$ 1,063,168
Retail Cost Variance Account - Retail	1518	$ (100,945)	$ (7,140)	$ (555)	$ (185)	$ (108,825)
Retail Cost Variance Account - STR	1548	$ 51,063	$ 5,090	$ 281	$ 94	$ 56,528
Misc. Deferred Debits	1525	$ 14,493				$ 14,493
Conservation and Demand Management Expenditures and Recoveries	1565	$ -	$ 269	$ -	$ -	$ 269
Recovery of Regulatory Asset Balances	1590	$ (628,662)	$ 374,384	$ (3,458)	$ (1,153)	$ (258,888)
Sub-Totals		$ 449,799	$ 530,022	$ 2,394	$ 798	$ 983,013
Totals per column		**$ (5,626,275)**	**$ (105,962)**	**$ (31,024)**	**$ (10,341)**	**$ (5,773,603)**
Accounts Excluded from Disposition						
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	$ (390,339)	$ (36,447)	$ (2,147)	$ (716)	$ (429,649)
Smart Meter OM&A Variance	1556	$ 15,403				$ 15,403
Deferred Payments in Lieu of Taxes	1562	$ (2,085,921)	$ 22,183	$ (11,473)	$ (3,824)	$ (2,079,034)
PILs Contra Account	1563	$ 2,305,252	$ (10,361)	$ 12,679	$ 4,226	$ 2,311,796
2006 PILs & Taxes Variance	1592	$ (219,331)	$ (11,822)	$ (1,206)	$ (402)	$ (232,761)
Other Deferred Credits	2425	$ (50,779)				$ (50,779)
Sub-Totals		(425,715.21)	$ (36,447)	$ (2,147)	$ (716)	$ (465,025)
Totals per column		**$ (6,051,991)**	**$ (142,409)**	**$ (33,171)**	**$ (11,057)**	**$ (6,238,627)**
Annual interest rate:		0.55%				

Table 3

2010 Allocates by Class

2010 Data By Class	kW	kWhs	Cust. Num.'s	# of Metered Customers		Dx Revenue	kWh for non-RPP customers (2008)	# of Customers with rebate	% of CDM Expenditures
RESIDENTIAL		650,038,341	78,139	78,139	$	20,102,779	66,321,050	8,333	16.68%
GENERAL SERVICE <50 KW		235,461,608	7,484	7,484	$	5,194,190	27,890,243	752	14.96%
GENERAL SERVICE >50 KW	2,231,346	884,051,506	1,003	1,003	$	12,637,538	682,092,959	58	58.16%
LARGE USER	140,928	71,682,604	2	2	$	643,343	149,523,624	0	0.00%
UNMETERED & SCATTERED LOADS		3,287,380	21	21	$	182,016	0	0	10.20%
STREET LIGHTING	46,815	16,689,726	6	6	$	502,648	6,634,249	0	0.00%
Totals	2,419,089	1,861,211,165	86,655	86,655	$	39,262,515	932,462,125	9,143	100.00%

Table 4

2010 Allocates by Class on % Basis

Allocators	kW	kWhs	Cust. Num.'s	# of Metered Customers	Dx Revenue	kWh for non-RPP Customers (2008)	# of Customers with rebate cheques	Recovery Share
RESIDENTIAL	0.0%	34.9%	90.2%	90.2%	51.2%	7.1%	91.1%	21.84%
GENERAL SERVICE <50 KW	0.0%	12.7%	8.6%	8.6%	13.2%	3.0%	8.2%	11.26%
GENERAL SERVICE >50 KW	92.2%	47.5%	1.2%	1.2%	32.2%	73.1%	0.6%	19.84%
LARGE USER	5.8%	3.9%	0.0%	0.0%	1.6%	16.0%	0.0%	39.99%
UNMETERED & SCATTERED LOADS	0.0%	0.2%	0.0%	0.0%	0.5%	0.0%	0.0%	1.38%
STREET LIGHTING	1.9%	0.9%	0.0%	0.0%	1.3%	0.7%	0.0%	5.69%
Totals	100%	100%	100%	100%	100%	100.0%	100.0%	100.0%

Table 5

Rate Rider Calculation

Deferral and Variance Accounts:	Account Number	Amount	ALLOCATOR	Residential	GS < 50	GS > 50	Large Users	Unmetered Scattered Load	Street Lighting	Total
RSVA - Wholesale Market Service Charge	1580	$ (5,164,694)	kWh	$ (1,803,798)	$ (653,385)	$ (2,453,164)	$ (198,913)	$ (9,122)	$ (46,312)	$ (5,164,694)
RSVA - Retail Transmission Network Charge	1584	$ (2,874,602)	kWh	$ (1,003,971)	$ (363,666)	$ (1,365,399)	$ (110,712)	$ (5,077)	$ (25,777)	$ (2,874,602)
RSVA - Retail Transmission Connection Charge	1586	$ (1,958,220)	kWh	$ (683,919)	$ (247,734)	$ (930,130)	$ (75,419)	$ (3,459)	$ (17,560)	$ (1,958,220)
RSVA - Power (excluding the GA)	1588	$ 1,065,138	kWh	$ 372,005	$ 134,750	$ 505,927	$ 41,023	$ 1,881	$ 9,551	$ 1,065,138
RSVA - Power (GA)	1588	$ 2,049,873	kWh for non-RPP customers	$ 145,796	$ 61,312	$ 1,499,475	$ 328,704	$ -	$ 14,584	$ 2,049,873
Recovery of Regulatory Asset Balances	1590	$ (258,888)	Recovery Share	$ (56,541)	$ (29,151)	$ (51,363)	$ (103,529)	$ (3,573)	$ (14,731)	$ (258,888)
Subtotal - Group 1		$ (7,141,394)		$ (3,030,427)	$ (1,097,873)	$ (2,794,654)	$ (118,846)	$ (19,350)	$ (80,244)	$ (7,141,394)
Other Regulatory Assets	1508	$ 1,279,437	Dx Revenue	$ 655,084	$ 169,262	$ 411,816	$ 20,964	$ 5,931	$ 16,380	$ 1,279,437
Retail Cost Variance Account - Retail	1518	$ (108,825)	# of Customers	$ (98,130)	$ (9,399)	$ (1,260)	$ (3)	$ (26)	$ (8)	$ (108,825)
CDM Expenditures & Recovery	1565	$ 269	% of CDM Expenditures	$ 45	$ 40	$ 157	$ -	$ 27	$ -	$ 269
Retail Cost Variance Account - STR	1548	$ 56,528	# of Customers	$ 50,972	$ 4,882	$ 654	$ 1	$ 14	$ 4	$ 56,528
Misc. Deferred Debits	1525	$ 14,493	# of Customers with rebate cheques	$ 13,209	$ 1,192	$ 92	$ -	$ -	$ -	$ 14,493
RSVA - One-time Wholesale Market Service	1582	$ 125,890	kWh	$ 43,968	$ 15,926	$ 59,796	$ 4,849	$ 222	$ 1,129	$ 125,890
Subtotal - Group 2		$ 1,367,791		$ 665,147	$ 181,904	$ 471,255	$ 25,812	$ 6,168	$ 17,505	$ 1,367,791
Total to be Recovered		$ (5,773,603)		$ (2,365,280)	$ (915,969)	$ (2,323,399)	$ (93,034)	$ (13,181)	$ (62,739)	$ (5,773,603)
Balance to be collected or refunded, Variable		$ (5,773,603)		$ (2,365,280)	$ (915,969)	$ (2,323,399)	$ (93,034)	$ (13,181)	$ (62,739)	$ (5,773,603)
Number of years for Variable	4									
Balance to be collected or refunded per year, Variable		$ (1,443,401)		$ (591,320)	$ (228,992)	$ (580,850)	$ (23,259)	$ (3,295)	$ (15,685)	$ (1,443,401)

Class	Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Unmetered Scattered Load	Street Lighting
Deferral and Variance Account Rate Riders, Variable	$ (0.0009)	$ (0.0010)	$ (0.2603)	$ (0.1650)	$ (0.0010)	$ (0.3350)
Billing Determinants	kWh	kWh	kW	kW	kWh	kW

Table 6A

Rate Rider Calculation (Recovery of All the Accounts)

Deferral and Variance Accounts	Balances at Dec. 31, 2008	ALLOCATOR	Residential	GS < 50	GS > 50	Large Users	Unmetered Scattered Load	Street Lighting	Total
RSVA - Wholesale Market Service Charge	$ (5,128,646)	kWh	$ (1,791,208)	$ (648,824)	$ (2,436,041)	$ (197,524)	$ (9,059)	$ (45,989)	$ (5,128,646)
RSVA - One-time Wholesale Market Service	$ 125,103	kWh	$ 43,693	$ 15,827	$ 59,422	$ 4,818	$ 221	$ 1,122	$ 125,103
RSVA - Retail Transmission Network Charge	$ (2,856,055)	kWh	$ (997,493)	$ (361,319)	$ (1,356,590)	$ (109,998)	$ (5,045)	$ (25,611)	$ (2,856,055)
RSVA - Retail Transmission Connection Charge	$ (1,945,235)	kWh	$ (679,384)	$ (246,091)	$ (923,962)	$ (74,919)	$ (3,436)	$ (17,443)	$ (1,945,235)
RSVA - Power (excluding the GA)	$ 1,057,247	kWh	$ 369,249	$ 133,752	$ 502,179	$ 40,719	$ 1,867	$ 9,480	$ 1,057,247
RSVA - Power (GA)	$ 2,035,528	kWh for non-RPP customers	$ 144,776	$ 60,883	$ 1,488,982	$ 326,404	$ -	$ 14,482	$ 2,035,528
Subtotal - RSVA	**$ (6,712,058)**		**$ (2,910,367)**	**$ (1,045,773)**	**$ (2,666,009)**	**$ (10,500)**	**$ (15,450)**	**$ (63,958)**	**$ (6,712,058)**
Other Regulatory Assets	$ 1,271,268	Dx Revenue	$ 650,901	$ 168,181	$ 409,187	$ 20,831	$ 5,893	$ 16,275	$ 1,271,268
Retail Cost Variance Account - Retail	$ (108,085)	# of Customers	$ (97,463)	$ (9,335)	$ (1,251)	$ (2)	$ (26)	$ (7)	$ (108,085)
Retail Cost Variance Account - STR	$ 56,153	# of Customers	$ 50,635	$ 4,850	$ 650	$ 1	$ 14	$ 4	$ 56,153
Misc. Deferred Debits	$ 14,493	# of Customers with rebate cheques	$ 13,209	$ 1,192	$ 92	$ -	$ -	$ -	$ 14,493
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	$ (426,786)	# of Metered Customers	$ (384,844)	$ (36,860)	$ (4,940)	$ (10)	$ (103)	$ (30)	$ (426,786)
Smart Meter OM&A Variance	$ 15,403	# of Metered Customers	$ 13,889	$ 1,330	$ 178	$ 0	$ 4	$ 1	$ 15,403
Conservation and Demand Management Expenditures and Recoveries	$ 269	% of CDM Expenditures	$ 45	$ 40	$ 157	$ -	$ 27	$ -	$ 269
Deferred Payments in Lieu of Taxes	$ (2,063,738)	Dx Revenue	$ (1,056,653)	$ (273,020)	$ (664,261)	$ (33,816)	$ (9,567)	$ (26,420)	$ (2,063,738)
PILs Contra Account	$ 2,294,891	Dx Revenue	$ 1,175,006	$ 303,600	$ 738,663	$ 37,603	$ 10,639	$ 29,380	$ 2,294,891
Recovery of Regulatory Asset Balances	$ (254,278)	Recovery Share	$ (55,534)	$ (28,632)	$ (50,449)	$ (101,686)	$ (3,509)	$ (14,468)	$ (254,278)
2006 PILs & Taxes Variance	$ (231,153)	Dx Revenue	$ (118,352)	$ (30,580)	$ (74,402)	$ (3,788)	$ (1,072)	$ (2,959)	$ (231,153)
Other Deferred Credits	$ (50,779)	Dx Revenue	$ (25,999)	$ (6,718)	$ (16,344)	$ (832)	$ (235)	$ (650)	$ (50,779)
Subtotal - Non RSVA, Variable	**$ 517,659**		**$ 164,839**	**$ 94,049**	**$ 337,279**	**$ (81,698)**	**$ 2,064**	**$ 1,125**	**$ 517,659**
Total to be Recovered	**$ (6,194,399)**		**$ (2,745,528)**	**$ (951,723)**	**$ (2,328,730)**	**$ (92,198)**	**$ (13,386)**	**$ (62,834)**	**$ (6,194,399)**
Balance to be collected or refunded, Variable	$ (6,194,399)		$ (2,745,528)	$ (951,723)	$ (2,328,730)	$ (92,198)	$ (13,386)	$ (62,834)	$ (6,194,399)
Number of years for Variable	**4**								
Balance to be collected or refunded per year, Variable	$ (1,548,600)		$ (686,382)	$ (237,931)	$ (582,183)	$ (23,049)	$ (3,347)	$ (15,708)	$ (1,548,600)

Class	Residential	GS < 50 KW	GS > 50 Non TOU	Large Users	Unmetered Scattered Load	Street Lighting
Deferral and Variance Account Rate Rider, Variable	$ (0.0011)	$ (0.0010)	$ (0.2609)	$ (0.1636)	$ (0.0010)	$ (0.3355)
Billing Determinants	kWh	kWh	kW	kW	kWh	kW

Table 6B

Rate Rider Calculation (Recovery of All non-RSVA Accounts)

Deferral and Variance Accounts	Balances at Dec. 31, 2008	ALLOCATOR	Residential	GS < 50	GS > 50	Large Users	Unmetered Scattered Load	Street Lighting	Total
Other Regulatory Assets	$ 1,271,268	Dx Revenue	$ 650,901	$ 168,181	$ 409,187	$ 20,831	$ 5,893	$ 16,275	$ 1,271,268
Retail Cost Variance Account - Retail	$ (108,085)	# of Customers	$ (97,463)	$ (9,335)	$ (1,251)	$ (2)	$ (26)	$ (7)	$ (108,085)
Retail Cost Variance Account - STR	$ 56,153	# of Customers	$ 50,635	$ 4,850	$ 650	$ 1	$ 14	$ 4	$ 56,153
Misc. Deferred Debits	$ 14,493	# of Customers with rebate cheques	$ 13,209	$ 1,192	$ 92	$ -	$ -	$ -	$ 14,493
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	$ (426,786)	# of Metered Customers	$ (384,844)	$ (36,860)	$ (4,940)	$ (10)	$ (103)	$ (30)	$ (426,786)
Smart Meter OM&A Variance	$ 15,403	# of Metered Customers	$ 13,889	$ 1,330	$ 178	$ 0	$ 4	$ 1	$ 15,403
Conservation and Demand Management Expenditures and Recoveries	$ 269	% of CDM Expenditures	$ 45	$ 40	$ 157	$ -	$ 27	$ -	$ 269
Deferred Payments in Lieu of Taxes	$ (2,063,738)	Dx Revenue	$ (1,056,653)	$ (273,020)	$ (664,261)	$ (33,816)	$ (9,567)	$ (26,420)	$ (2,063,738)
PILs Contra Account	$ 2,294,891	Dx Revenue	$ 1,175,006	$ 303,600	$ 738,663	$ 37,603	$ 10,639	$ 29,380	$ 2,294,891
Recovery of Regulatory Asset Balances	$ (254,278)	Recovery Share	$ (55,534)	$ (28,632)	$ (50,449)	$ (101,686)	$ (3,509)	$ (14,468)	$ (254,278)
2006 PILs & Taxes Variance	$ (231,153)	Dx Revenue	$ (118,352)	$ (30,580)	$ (74,402)	$ (3,788)	$ (1,072)	$ (2,959)	$ (231,153)
Other Deferred Credits	$ (50,779)	Dx Revenue	$ (25,999)	$ (6,718)	$ (16,344)	$ (832)	$ (235)	$ (650)	$ (50,779)
Subtotal - Non RSVA, Variable	**$ 517,659**		**$ 164,839**	**$ 94,049**	**$ 337,279**	**$ (81,698)**	**$ 2,064**	**$ 1,125**	**$ 517,659**
Total to be Recovered	**$ 517,659**		**$ 164,839**	**$ 94,049**	**$ 337,279**	**$ (81,698)**	**$ 2,064**	**$ 1,125**	**$ 517,659**
Balance to be collected or refunded, Variable	$ 517,659		$ 164,839	$ 94,049	$ 337,279	$ (81,698)	$ 2,064	$ 1,125	$ 517,659
Number of years for Variable	**4**								
Balance to be collected or refunded per year, Variable	$ 129,415		$ 41,210	$ 23,512	$ 84,320	$ (20,424)	$ 516	$ 281	$ 129,415

Class	**Residential**	**GS < 50 KW**	**GS > 50 Non TOU**	**Large Users**	**Unmetered Scattered Load**	**Street Lighting**
Deferral and Variance Account Rate Rider, Variable	$ 0.0001	$ 0.0001	$ 0.0378	$ (0.1449)	$ 0.0002	$ 0.0060
Billing Determinants	kWh	kWh	kW	kW	kWh	kW

Table 7
PROPOSED RATES AND BILL IMPACTS

Rate Class	Billing Determinant	Proposed Rate Rider	Bill Impact on Total Bill (%)
Residential, 800 kWh	kWh	(0.0009)	-0.83%
GS < 50, 2,000 kWh	kWh	(0.0010)	-0.96%
GS > 50, 800,000 kWh, 1000 kW	kW	(0.2603)	-0.38%
Large User, 3,100,000 kWh, 8,000 kW	kW	(0.1650)	-0.47%
Streetlighting, 62 kWh, 0.17 kW	kW	(0.3350)	-0.98%
Unmetered Scattered Load, 150 kWh	kWh	(0.0010)	-0.79%

SMART METERS STANDARD $1.00 FUNDING ADDER REQUEST

KW Hydro requests continuation of the standard Smart Meter Funding Adder that it currently has as part of its distribution rates. KW Hydro received Board Approval to increase its Smart Meter Funding Adder to $1.00 (from $0.27) per metered customer per month through the 2009 electricity distribution rate application process.

In 2008, KW Hydro became authorized by regulation (O. Reg. 427/06) to conduct Smart Meter activities, conditional on its meters being acquired pursuant to and in compliance with the Request for Proposal issued by London Hydro Inc. KW Hydro is now an active distributor for the purposes of Smart Meter installations and has plans to deploy and install all of its Smart Meters by August 2010 (for additional detail, see the next section). KW Hydro is therefore requesting that the Board approve the standard $1.00 smart meter funding adder in its 2009 electricity distribution rates.

SMART METER VARIANCE ACCOUNTS

On January 29, 2007, the Ontario Energy Board (the "Board") issued its Report of the Board on 2nd Generation Incentive Regulation for Ontario Electricity Distributors – Addendum for Smart Metering Rates. In Chapter 5 – Rate Adders for Electricity Distribution Rates, the Board defined three (3) categories of distributors for the purposes of considering its treatment of smart metering rate adders. The categories were as follows:

- ✓ Named distributors – distributors who, by way of Ontario Regulation 427/06, were authorized to actively pursue discretionary metering activities.

- ✓ Active distributors – distributors who, at the time of filings their Smart Metering Investment Plan with the Board in December 2006, were planning to pursue smart metering activities in 2007.

- ✓ Inactive distributors – distributors who indicated to the Board they would not be undertaking any smart metering activities until at least 2008.

In 2008, KW Hydro became authorized by regulation (O. Reg. 427/06) to conduct Smart Meter activities, conditional on its meters being acquired pursuant to and in compliance with the Request for Proposal issued by London Hydro Inc. KW Hydro is now an active distributor for the purposes of Smart Meter installations and has plans to deploy and install all of its Smart Meters by August 2010.

Due to the material nature of the Smart Meter Initiative, KW Hydro must estimate the balance of its Smart Meter Capital and Operating deferral accounts for 2010 (1555 & 1556). The following procedure was followed for the estimation:

On July 9, 2009, KW Hydro filed its Baseline filing of Appendix B & C as per the Board's New Reporting Requirements Related to Smart Meter Deployment and the Application of Time-of-Use Pricing. This filing outlines KW Hydro's plans for its Smart Meter Initiative, including the projected number of installs by month. The filing sent to the Board is attached as Appendix B & C.

KW Hydro's Smart Meter Budget estimates capital expenditures for 2009 and 2010 to be $9,780,000 and $4,430,000 respectively. This budget includes all required capital expenditures for the Smart Meter Initiative.

Amortization is assumed as follows:

- Smart meters - 15 years and amortization is charged from installation date
- Hardware & Software – 3 years beginning January 2010
- Radio Towers – 25 years beginning January 2010

Based on estimated number of monthly installs from Appendix B, monthly capital expenditures were estimated on the same proportional basis. Actual expenditures were used up to and including May 2009. Carrying charges were applied on the previous month's ending balance at an interest rate of 1% (the current rate mandated by the Board).

In 2008, a full year of amortization was applied to the Smart Meter deferral accounts (1555 & 1556). The amortization was corrected in 2009; however, RRR reporting for 2008 reflected 2008 audited balances. This difference has resulted in a discrepancy of $12,777 for Smart Meter Capital 1555 and $9,738 for Smart Meter Operating 1556 accounts between this report and the RRRs.

All incremental capital expenditures were assumed to be booked to the Smart Meter deferral account 1555.

Projected balances of the Smart Meter Deferral accounts are as follows in Table 8 and are booked in the 2009 and 2010 forecast trial balances:

A breakdown of the forecast balance of 1555 is presented in Table 9:

The forecast capital expenditures from Table 9 are detailed below in Table 10:

The balance of the Smart Meter Operating deferral account with detailed forecasted operating expenditures is detailed below in Table 11:

Table 8
Projected Balances - Smart Meter Deferral Account

	1555			1556		
	Principle	Interest	Total	Principle	Interest	Total
Balance at December 31, 2009	8,604,846.59	(15,628.34)	8,589,218.25	784,116.83	2,088.44	786,205.27
	-	-	-	-	-	-
Balance at December 31, 2010	11,315,290.91	89,282.46	11,404,573.37	2,496,350.41	18,303.02	2,514,653.43

Table 9
Forecast Balance of Account 1555

Detail	Capital			
	Actual	Forecast		Total
	2008	2009	2010	
Smart Meter Funding Adder	(704,908)	(599,100)	(730,822)	(2,034,831)
Capital/Operating $$ Spent	329,972	9,780,000	4,430,000	14,539,972
Depreciation	(5,636)	(195,481)	(988,734)	(1,189,850)
Carrying Charges	(33,437)	17,808	104,911	89,282
	(414,009)	**9,003,227**	**2,815,355**	**11,404,573**

Table 10
Forecast Capital Expenditures

Capital Details	Actual	Forecast		Total
	2008	2009	2010	
Meters (installed)	231,046	8,905,000	4,360,000	13,496,046
Communication Equipment	-	540,000	-	540,000
Computer Hardware & Software	98,926	335,000	70,000	503,926
	329,972	**9,780,000**	**4,430,000**	**14,539,972**

Table 11
Balance of Smart Meter Operating Deferral Account

Operating Details	Actual	Forecast		Total
	2008	2009	2010	
ODS Costs	-	40,000	220,000	260,000
AMI Monitoring Fees	-	150,000	440,000	590,000
Meterbase Failure Repairs	-	360,000	39,500	399,500
Customer Service/Advertising	-	33,000	24,000	57,000
Amortization	5,636	195,481	988,734	1,189,850
Carrying Charges	29	2,059	16,215	18,303
	5,665	**780,541**	**1,728,448**	**2,514,653**

Appendix A - OEB Deferral and Variance Account Continuity Statement

Account Description	Account Number	2005								
		Opening Principal Amounts as of Jan-1-05 [1]	Transactions (additions) during 2005, excluding interest and adjustments [6]	Transactions (reductions) during 2005, excluding interest and adjustments [6]	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
RSVA - Wholesale Market Service Charge	1580	$ 2,325,332	$ 1,195,930				$ 3,521,262	$ 385,824	$ 184,437	$ 570,262
RSVA - One-time Wholesale Market Service	1582	$ 153,996	$ 107,336				$ 261,332	$ 12,621	$ 13,535	$ 26,156
RSVA - Retail Transmission Network Charge	1584	$ (3,396,192)	$ (1,433,566)				$ (4,829,758)	$ (287,940)	$ (294,829)	$ (582,769)
RSVA - Retail Transmission Connection Charge	1586	$ (1,529,832)	$ (644,926)				$ (2,174,758)	$ (133,842)	$ (130,282)	$ (264,123)
RSVA - Power (including Global Adjustment)	1588	$ (490,892)	$ (241,257)				$ (732,149)	$ (13,390)	$ (53,554)	$ (66,943)
Sub-Totals		$ (2,937,588)	$ (1,016,483)		$ -	$ -	$ (3,954,071)	$ (36,726)	$ (280,693)	$ (317,419)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 93,564	$ 139,565				$ 233,129	$ 1,499	$ 9,035	$ 10,534
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ -	$ 678,442				$ 678,442	$ 451	$ 11,653	$ 12,104
Retail Cost Variance Account - Retail	1518	$ (2,021)		$ (11,120)			$ (13,141)	$ 566	$ (650)	$ (85)
Retail Cost Variance Account - STR	1548	$ 65,059	$ 18,089				$ 83,148	$ 4,144	$ 5,112	$ 9,256
Misc. Deferred Debits	1525	$ 99,708	$ 28,155				$ 127,863	$ 13,961	$ 6,978	$ 20,939
Conservation and Demand Management Expenditures and Recoveries	1565	$ 19,000		$ (1,834,143)			$ (1,815,143)	$ -	$ 269	$ 269
CDM Contra	1566		$ 1,815,143				$ 1,815,143			$ -
Qualifying Transition Costs [5]	1570	$ 353,547	n/a	n/a			$ 353,547	$ 66,108	$ 22,646	$ 88,755
Pre-Market Opening Energy Variances Total [5]	1571	$ 3,033,474	n/a	n/a			$ 3,033,474	$ 595,555	$ 212,294	$ 807,849
Extra-Ordinary Event Costs	1572						$ -			$ -
Deferred Rate Impact Amounts	1574						$ -			$ -
Recovery of Regulatory Asset Balances	1590	$ (1,253,414)		$ (828,817)			$ (2,082,231)	$ (26,051)	$ (127,385)	$ (153,436)
Sub-Totals		$ 2,408,916	$ 2,679,393	$ (2,674,080)	$ -	$ -	$ 2,414,229	$ 656,234	$ 139,952	$ 796,186
The following is not included in the total claim but is included on a memo basis:										
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555						$ -			$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555						$ -			$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555						$ -			$ -
Smart Meter OM&A Variance	1556						$ -			$ -
Deferred Payments in Lieu of Taxes	1562	$ 809,211	$ (672,106)				$ 137,105	$ 91,677	$ 192,346	$ 284,023
Deferred PILs Contra Account [8]	1563	$ (809,211)	$ 672,106				$ (137,105)	$ (91,677)	$ (192,346)	$ (284,023)
PILs & Taxes Variance	1592						$ -			$ -
Other Deferred Credits	2425	$ (168,098)	$ 219,612				$ 51,513	$ -	$ 1,148	$ 1,148
Sub-Totals		$ (168,098)	$ 219,612	$ -	$ -	$ -	$ 51,513	$ -	$ 1,148	$ 1,148
Total		$ (696,769)	$ 1,882,521	$ (2,674,080)	$ -	$ -	$ (1,488,328)	$ 619,508	$ (139,593)	$ 479,915

Appendix A - OEB Deferral and Variance Account Continuity Statement

Account Description	Account Number	2006										
		Opening Principal Amounts as of Jan-1-06	Transactions (additions) during 2006, excluding interest and adjustments [6]	Transactions (reductions) during 2006, excluding interest and adjustments [6]	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
RSVA - Wholesale Market Service Charge	1580	$ 3,521,262	$ (2,460,023)				$ (2,325,332)	$ (1,264,093)	$ 570,262	$ 63,388	$ (594,922)	$ 38,728
RSVA - One-time Wholesale Market Service	1582	$ 261,332	$ (0)				$ (153,996)	$ 107,336	$ 26,156	$ 9,191	$ (26,975)	$ 8,373
RSVA - Retail Transmission Network Charge	1584	$ (4,829,758)	$ (302,192)				$ 3,396,192	$ (1,735,758)	$ (582,769)	$ (166,449)	$ 604,484	$ (144,735)
RSVA - Retail Transmission Connection Charge	1586	$ (2,174,758)	$ (443,739)				$ 1,529,832	$ (1,088,665)	$ (264,123)	$ (75,113)	$ 276,430	$ (62,806)
RSVA - Power (including Global Adjustment)	1588	$ (732,149)	$ (1,122,752)				$ 490,892	$ (1,364,009)	$ (66,943)	$ 23,238	$ 59,144	$ 15,439
Sub-Totals		$ (3,954,071)	$ (4,328,707)	$ -	$ -	$ -	$ 2,937,588	$ (5,345,190)	$ (317,419)	$ (145,744)	$ 318,161	$ (145,001)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 233,129	$ 48,301				$ (93,564)	$ 187,866	$ 10,534	$ 8,793	$ (8,657)	$ 10,671
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 678,442	$ 247,542					$ 925,984	$ 12,104	$ 37,022		$ 49,126
Retail Cost Variance Account - Retail	1518	$ (13,141)		$ (21,004)			$ 2,021	$ (32,125)	$ (85)	$ (1,089)	$ (377)	$ (1,551)
Retail Cost Variance Account - STR	1548	$ 83,148	$ 12,488				$ (65,059)	$ 30,577	$ 9,256	$ 2,737	$ (10,207)	$ 1,786
Misc. Deferred Debits	1525	$ 127,863	$ 12,795				$ (99,708)	$ 40,950	$ 20,939	$ (20,939)		$ -
Conservation and Demand Management Expenditures and Recoveries	1565	$ (1,815,143)	$ 762,100					$ (1,053,043)	$ 269			$ 269
CDM Contra	1566	$ 1,815,143		$ (762,100)				$ 1,053,043	$ -	$ -		$ -
Qualifying Transition Costs [5]	1570	$ 353,547	n/a	n/a			$ (353,547)	$ -	$ 88,755		$ (88,755)	$ -
Pre-Market Opening Energy Variances Total [5]	1571	$ 3,033,474	n/a	n/a			$ (3,033,474)	$ -	$ 807,849		$ (807,849)	$ -
Extra-Ordinary Event Costs	1572	$ -						$ -	$ -			$ -
Deferred Rate Impact Amounts	1574	$ -						$ -	$ -			$ -
Recovery of Regulatory Asset Balances	1590	$ (2,082,231)	$ 69,705				$ 705,743	$ (1,306,783)	$ (153,436)	$ 629,839	$ (23,253)	$ 453,151
Sub-Totals		$ 2,414,229	$ 1,152,932	$ (783,104)	$ -	$ -	$ (2,937,588)	$ (153,531)	$ 796,186	$ 656,363	$ (939,097)	$ 513,452
The following is not included in the total claim but is included on a memo basis:												
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	$ -						$ -	$ -			$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	$ -		$ (171,914)				$ (171,914)	$ -	$ (575)		$ (575)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	$ -						$ -	$ -			$ -
Smart Meter OM&A Variance	1556	$ -						$ -	$ -			$ -
Deferred Payments in Lieu of Taxes	1562	$ 137,105	$ (783,049)					$ (645,943)	$ 284,023	$ (25,485)		$ 258,538
Deferred PILs Contra Account [8]	1563	$ (137,105)	$ 783,049					$ 645,943	$ (284,023)	$ 25,485		$ (258,538)
PILs & Taxes Variance	1592	$ -						$ -	$ -			$ -
Other Deferred Credits	2425	$ 51,513		$ (160,736)			$ -	$ (109,223)	$ 1,148	$ (1,148)		$ -
Sub-Totals		$ 51,513	$ -	$ (332,650)	$ -	$ -	$ -	$ (281,136)	$ 1,148	$ (1,722)	$ -	$ (575)
Total		$ (1,488,328)	$ (3,175,775)	$ (1,115,754)	$ -	$ -	$ 0	$ (5,779,858)	$ 479,915	$ 508,897	$ (620,936)	$ 367,876

Appendix A - OEB Deferral and Variance Account Continuity Statement

Account Description	Account Number	2007 Opening Principal Amounts as of Jan-1-07	Transactions (additions) during 2007, excluding interest and adjustments [6]	Transactions (reductions) during 2007, excluding interest and adjustments [6]	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
RSVA - Wholesale Market Service Charge	1580	$ (1,264,093)	$ (2,509,483)				$ (3,773,576)	$ 38,728	$ (76,137)	$ (37,409)
RSVA - One-time Wholesale Market Service	1582	$ 107,336	$ -				$ 107,336	$ 8,373	$ 5,115	$ 13,487
RSVA - Retail Transmission Network Charge	1584	$ (1,735,758)	$ (70,927)				$ (1,806,685)	$ (144,735)	$ (88,836)	$ (233,571)
RSVA - Retail Transmission Connection Charge	1586	$ (1,088,665)	$ (7,243)				$ (1,095,909)	$ (62,806)	$ (55,861)	$ (118,667)
RSVA - Power (including Global Adjustment)	1588	$ (1,364,009)	$ 3,141,082				$ 1,777,072	$ 15,439	$ (13,536)	$ 1,903
Sub-Totals		$ (5,345,190)	$ 553,429	$ -	$ -	$ -	$ (4,791,761)	$ (145,001)	$ (229,256)	$ (374,257)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 187,866					$ 187,866	$ 10,671	$ 8,883	$ 19,554
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 925,984					$ 925,984	$ 49,126	$ 43,770	$ 92,896
Retail Cost Variance Account - Retail	1518	$ (32,125)		$ (33,722)			$ (65,847)	$ (1,551)	$ (2,394)	$ (3,945)
Retail Cost Variance Account - STR	1548	$ 30,577	$ 9,952				$ 40,529	$ 1,786	$ 1,591	$ 3,378
Misc. Deferred Debits	1525	$ 40,950		$ (26,457)			$ 14,493	$ -	$ -	$ -
Conservation and Demand Management Expenditures and Recoveries	1565	$ (1,053,043)	$ 1,053,043				$ -	$ 269	$ -	$ 269
CDM Contra	1566	$ 1,053,043		$ (1,053,043)			$ 0	$ -		$ -
Qualifying Transition Costs [5]	1570	$ -	n/a	n/a			$ -	$ -		$ -
Pre-Market Opening Energy Variances Total [5]	1571	$ -	n/a	n/a			$ -	$ -		$ -
Extra-Ordinary Event Costs	1572	$ -					$ -	$ -		$ -
Deferred Rate Impact Amounts	1574	$ -					$ -	$ -		$ -
Recovery of Regulatory Asset Balances	1590	$ (1,306,783)	$ 474,528				$ (832,255)	$ 453,151	$ (51,163)	$ 401,988
Sub-Totals		$ (153,531)	$ 1,537,523	$ (1,113,222)	$ -	$ -	$ 270,771	$ 513,452	$ 687	$ 514,139
The following is not included in the total claim but is included on a memo basis:										
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	$ -					$ -	$ -		$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	$ (171,914)		$ (263,418)			$ (435,332)	$ (575)	$ (14,061)	$ (14,635)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	$ -					$ -	$ -		$ -
Smart Meter OM&A Variance	1556	$ -					$ -	$ -		$ -
Deferred Payments in Lieu of Taxes	1562	$ (645,943)	$ (1,439,977)				$ (2,085,921)	$ 258,538	$ (153,180)	$ 105,358
Deferred PILs Contra Account [8]	1563	$ 645,943	$ 1,557,930				$ 2,203,874	$ (258,538)	$ 159,442	$ (99,096)
PILs & Taxes Variance	1592	$ -		$ (117,953)			$ (117,953)	$ -	$ (6,262)	$ (6,262)
Other Deferred Credits	2425	$ (109,223)	$ 58,444				$ (50,779)	$ -	$ -	$ -
Sub-Totals		$ (281,136)	$ 176,397	$ (381,371)	$ -	$ -	$ (486,111)	$ (575)	$ (14,061)	$ (14,635)
Total		$ (5,779,858)	$ 2,267,349	$ (1,494,593)	$ -	$ -	$ (5,007,102)	$ 367,876	$ (242,629)	$ 125,247

Appendix A - OEB Deferral and Variance Account Continuity Statement

Account Description	Account Number	2008 Opening Principal Amounts as of Jan-1-08	Transactions (additions) during 2008, excluding interest and adjustments [6]	Transactions (reductions) during 2008, excluding interest and adjustments [6]	Adjustments during 2008 - instructed by Board [2]	Adjustments during 2008 - other [3]	Closing Principal Balance as of Dec-31-08	Opening Interest Amounts as of Jan-1-08	Interest Jan-1 to Dec31-08	Closing Interest Amounts as of Dec-31-08
RSVA - Wholesale Market Service Charge	1580	$ (3,773,576)	$ (1,142,054)				$ (4,915,630)	$ (37,409)	$ (175,607)	$ (213,016)
RSVA - One-time Wholesale Market Service	1582	$ 107,336	$ -				$ 107,336	$ 13,487	$ 4,280	$ 17,767
RSVA - Retail Transmission Network Charge	1584	$ (1,806,685)	$ (722,443)				$ (2,529,128)	$ (233,571)	$ (93,356)	$ (326,927)
RSVA - Retail Transmission Connection Charge	1586	$ (1,095,909)	$ (674,834)				$ (1,770,743)	$ (118,667)	$ (55,825)	$ (174,492)
RSVA - Power (including Global Adjustment)	1588	$ 1,777,072	$ 1,255,018				$ 3,032,091	$ 1,903	$ 58,782	$ 60,685
Sub-Totals		$ (4,791,761)	$ (1,284,313)	$ -	$ -	$ -	$ (6,076,075)	$ (374,257)	$ (261,727)	$ (635,984)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 187,866	$ -				$ 187,866	$ 19,554	$ 7,471	$ 27,024.88
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 925,984	$ -				$ 925,984	$ 92,896	$ 37,498	$ 130,393.50
Retail Cost Variance Account - Retail	1518	$ (65,847)	$ (35,097)				$ (100,945)	$ (3,945)	$ (3,195)	$ (7,140)
Retail Cost Variance Account - STR	1548	$ 40,529	$ 10,533				$ 51,063	$ 3,378	$ 1,713	$ 5,090
Misc. Deferred Debits	1525	$ 14,493	$ -				$ 14,493	$ -		$ -
Conservation and Demand Management Expenditures and Recoveries	1565	$ -	$ -				$ -	$ 269	$ -	$ 269
CDM Contra	1566	$ 0					$ 0	$ -		$ -
Qualifying Transition Costs [5]	1570	$ -	n/a	n/a			$ -	$ -		$ -
Pre-Market Opening Energy Variances Total [5]	1571	$ -	n/a	n/a			$ -	$ -		$ -
Extra-Ordinary Event Costs	1572	$ -					$ -	$ -		$ -
Deferred Rate Impact Amounts	1574	$ -					$ -	$ -		$ -
Recovery of Regulatory Asset Balances	1590	$ (832,255)	$ 203,593				$ (628,662)	$ 401,988	$ (27,603)	$ 374,384
Sub-Totals		$ 270,771	$ 179,029	$ -	$ -	$ -	$ 449,799	$ 514,139	$ 15,883	$ 530,022
The following is not included in the total claim but is included on a memo basis:										
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	$ -					$ -	$ -		$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	$ (435,332)	$ 44,993				$ (390,339)	$ (14,635)	$ (21,811)	$ (36,447)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	$ -					$ -	$ -		$ -
Smart Meter OM&A Variance	1556	$ -	$ 15,403				$ 15,403	$ -		$ -
Deferred Payments in Lieu of Taxes	1562	$ (2,085,921)					$ (2,085,921)	$ 105,358	$ (83,175)	$ 22,183
Deferred PILs Contra Account [8]	1563	$ 2,203,874	$ 101,378				$ 2,305,252	$ (99,096)	$ 88,734	$ (10,361)
PILs & Taxes Variance	1592	$ (117,953)	$ (101,378)				$ (219,331)	$ (6,262)	$ (5,559)	$ (11,822)
Other Deferred Credits	2425	$ (50,779)					$ (50,779)	$ -	$ -	$ -
Sub-Totals		$ (486,111)	$ 60,396	$ -	$ -	$ -	$ (425,715)	$ (14,635)	$ (21,811)	$ (36,447)
Total		$ (5,007,102)	$ (1,044,889)	$ -	$ -	$ -	$ (6,051,991)	$ 125,247	$ (267,656)	$ (142,409)

Appendix A - OEB Deferral and Variance Account Continuity Statement

Account Description	Account Number	Projected Interest on Dec 31 -08 balance from Jan 1, 2009 to Dec 31, 2009 [9]	Projected Interest on Dec 31 -08 balance from Jan 1, 2010 to April 30, 2010 [9]	Claim before Forecasted Transactions	Forecasted Transactions, Excluding Interest from Jan 1, 2009 to Dec 31, 2009	Forecasted Transactions, Excluding Interest from Jan 1, 2010 to April 30, 2010	Projected Interest from Jan 1, 2009 to April 30, 2010 on Forecasted Transx (Excl Interest) from Jan 1, 2009 to December 31, 2009	Projected Interest from Jan 1, 2010 to April 30, 2010 on Forecasted Transx (Excl Interest) from Jan 1, 2010 to April 30, 2010	Total Claim
RSVA - Wholesale Market Service Charge	1580	$ (27,036)	$ (9,012)	$ (5,164,694)					$ (5,164,694)
RSVA - One-time Wholesale Market Service	1582	$ 590	$ 197	$ 125,890					$ 125,890
RSVA - Retail Transmission Network Charge	1584	$ (13,910)	$ (4,637)	$ (2,874,602)					$ (2,874,602)
RSVA - Retail Transmission Connection Charge	1586	$ (9,739)	$ (3,246)	$ (1,958,220)					$ (1,958,220)
RSVA - Power (including Global Adjustment)	1588	$ 16,676	$ 5,559	$ 3,115,010					$ 3,115,010
Sub-Totals		$ (33,418)	$ (11,139)	$ (6,756,616)	$ -	$ -	$ -	$ -	$ (6,756,616)
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508	$ 1,033	$ 344	$ 216,269					$ 216,269
Other Regulatory Assets - Sub-Account - Pension Contributions	1508	$ 5,093	$ 1,698	$ 1,063,168					$ 1,063,168
Retail Cost Variance Account - Retail	1518	$ (555)	$ (185)	$ (108,825)					$ (108,825)
Retail Cost Variance Account - STR	1548	$ 281	$ 94	$ 56,528					$ 56,528
Misc. Deferred Debits	1525	$ -	$ -	$ 14,493					$ 14,493
Conservation and Demand Management Expenditures and Recoveries	1565	$ -	$ -	$ 269					$ 269
CDM Contra	1566	$ 0	$ 0	$ 0					$ 0
Qualifying Transition Costs [5]	1570	$ -	$ -	$ -					$ -
Pre-Market Opening Energy Variances Total [5]	1571	$ -	$ -	$ -					$ -
Extra-Ordinary Event Costs	1572	$ -	$ -	$ -					$ -
Deferred Rate Impact Amounts	1574	$ -	$ -	$ -					$ -
Recovery of Regulatory Asset Balances	1590	$ (3,458)	$ (1,153)	$ (258,888)					$ (258,888)
Sub-Totals		$ 2,394	$ 798	$ 983,013	$ -	$ -	$ -	$ -	$ 983,013

The following is not included in the total claim but is included on a memo basis:

Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital	1555	$ -	$ -	$ -					$ -
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries	1555	$ (2,147)	$ (716)	$ (429,649)					$ (429,649)
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	$ -	$ -	$ -					$ -
Smart Meter OM&A Variance	1556	$ -	$ -	$ 15,403					$ 15,403
Deferred Payments in Lieu of Taxes	1562	$ (11,473)	$ (3,824)	$ (2,079,034)					$ (2,079,034)
Deferred PILs Contra Account [8]	1563	$ 12,679	$ 4,226	$ 2,311,796					$ 2,311,796
PILs & Taxes Variance	1592	$ (1,206)	$ (402)	$ (232,761)					$ (232,761)
Other Deferred Credits	2425	$ -	$ -	$ (50,779)					$ (50,779)
Sub-Totals		$ (2,147)	$ (716)	$ (465,025)	$ -	$ -	$ -	$ -	$ (465,025)
Total		$ (33,171)	$ (11,057)	$ (6,238,627)	$ -	$ -	$ -	$ -	$ (6,238,627)

Appendix B

Baseline Report: Part I

The following information must be provided to the Board by **July 10, 2009**. The information should be current to July 1, 2009.

1. Please indicate whether you have entered into any contracts with an advanced metering infrastructure ("AMI") system vendor. If so, please provide the name of the vendor, the date of the contract, and the percentage of your total number of smart meters that will be acquired from the vendor. If you have entered into contracts with multiple vendors, please provide the requested information for each vendor.

   Response:
   Kitchener-Wilmot Hydro Inc. has entered in an AMI procurement and services contract with Sensus Metering Systems Inc. The effective date of the contract is June 23, 2009. One Hundred percent (100%) of Kitchener-Wilmot Hydro's total number of smart meters will be acquired from Sensus for the initial mass deployment of smart meters.

2. Please indicate whether you have started to install smart meters for RPP-eligible consumers in your service area. If so, please indicate the following: (a) the date on which you started that deployment; (b) the total number of RPP-eligible consumers, by customer class; (c) the number of smart meters that have been installed for RPP-eligible consumers, by customer class; and (d) the percentage of each such customer class for which smart meters have been installed.

   Response:
   a) Kitchener-Wilmot Hydro commenced the installation of smart meters with our own staff in June of 2008. We will begin the mass deployment of smart meters by contractor on July 27, 2009.

   b) Total number of RPP-eligible consumers, by customer class:
      - 67,268 Residential RPP-eligible customers.
      - 6,250 General Service <50kW RPP-eligible customers.

   c) Number of smart meters that have been installed for RPP-eligible consumers, by customer class:
      - 6, 975 smart meters installed for Residential RPP-eligible customers.
      - 551 smart meters installed for General Service<50kW RPP-eligible customers.

d) The percentage of each such customer class for which smart meters have been installed:
   - 10% of Residential RPP-eligible customers have smart meters installed
   - 9 % of General Service<50kW RPP-eligible customers have smart meters installed.

3. Please indicate if you have started to deploy any AMI systems or structures? If so, please indicate the status of your AMI system and when it will be fully operational. If not, please indicate when you plan to start to deploy AMI systems or structures, and the date by which you plan to have the AMI system fully operational.

Response:
Kitchener-Wilmot Hydro has commenced the installation of its AMI infrastructure/network. Our AMCC (Sensus RNI) is installed and operational and 3 of 4 AMRC's (Sensus TGB's) are operational. The 3 installed AMRC's are within the City of Kitchener and allow us to commence full smart meter deployment in the City. We anticipate that the remaining AMRC, to be installed in the rural portion of our service area, will be operational in September of 2009.

4. Please indicate whether you have started to integrate your meters and systems with the provincial MDM/R. If so, please identify: (a) the status of that integration, based on the following four steps of the MDM/R integration process: testing, meter registration, meter data, billing data acquisition; and (b) the date on which you plan to have the integration completed. If not, please indicate when you plan to start to integrate your meters and systems with the provincial MDM/R and the date on which you plan to have the integration completed.

Response:
Kitchener-Wilmot Hydro has NOT begun to integrate with the provincial MDM/R but is in the process of enrolling. It is our goal to have integration completed by September of 2010.

5. Please indicate whether you have started to make changes to your business processes and systems related to MDM/R and TOU implementation, including your Customer Information Systems ("CIS") that may be required to implement TOU billing. If so, please provide the current status of those changes and the date on which the necessary changes are planned to be completed. If not, please indicate when you plan to start making any necessary changes and when those changes are planned to be completed.

Response:
Kitchener-Wilmot Hydro has commenced modifications to its CIS and business processes related to the MDM/R and TOU implementation, though we are still in the early stages of this work. It is our goal to be complete the bulk of our work by June 2010.

6. Please indicate whether you have developed a plan for the implementation of web presentment of TOU data to each RPP-eligible consumer requesting the data. If so, please describe that plan. If not, please indicate when you expect to develop that plan.

Response:
Kitchener-Wilmot Hydro is interested in learning more about the IESO web presentment options that will be available to utilities and await further information before developing a more detailed plan.

7. Please indicate whether you have started to implement a consumer education program with respect to the implementation of TOU pricing and billing for RPP-eligible consumers. If so, please provide the date on which the first consumer education material was provided to RPP-eligible consumers. If not, please indicate the date(s) on which you plan to commence the delivery of consumer education materials.

Response:
While our Smart Meter Information Booklet that is left with customers at the time of Smart Meter installation does provide education on TOU, our intent is to focus more on TOU education closer to the implementation of TOU rates.

Appendix C

Baseline Report: Part II

Please complete the following form using actual (to July 1, 2009) and planned (July 1, 2009 to June 30, 2011) information, based on the last day of the month.

	Residential				GS<50kW			
Month	Meters Installed	Meters Enrolled	TOU Notice Sent	TOU Billing	Meters Installed	Meters Enrolled	TOU Notice Sent	TOU Billing
May 09								
June 09	8222				587			
July 09	9122				1087			
Aug 09	15622				1587			
Sept 09	22122				2087			
Oct 09	28622				2587			
Nov 09	35122				3087			
Dec 09	41622				3587			
Jan 10	48122				4087			
Feb 10	54622				4587			
Mar 10	61122				5087			
Apr 10	67622				5587			
May10	74122	1000			6087			
June 10	75022	6000			6587			
July 10	75922	30000			7087	3000		
Aug 10	77000	77000			7600	7600		
Sep 10			30000				3000	
Oct 10			68000				7000	
Nov 10				30000				3000
Dec 10				68000				7000
Jan 11								
Feb 11								
Mar 11								
Apr 11								
May 11								
June 11								

Notes:

1. Meters Installed and Meters Enrolled include both RPP-eligible and Non-RPP-eligible customers.
2. TOU Notice Sent and TOU Billing include RPP-eligible customers only.

KITCHENER-WILMOT HYDRO INC.

APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES

EFFECTIVE MAY 1, 2010

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RECOVERY OF LRAM AND SSM AMOUNTS:

Overview

On May 31, 2004, the Minister of Energy granted approval to all electricity distributors in Ontario to apply to the OEB for adjustments to their 2005 electricity distribution rates that would enable them to recover the third tranche of their incremental market adjusted revenue requirements ("MARR"). The Minister's approval was conditional on a commitment to reinvest an equivalent amount in Conservation and Demand Management ("CDM") initiatives. The CDM Plans of KW Hydro were approved by the OEB in December 2004 (with a Final Order issued in February 2005) and February 2005, respectively.

KW Hydro's CDM efforts have been successful, but as a result, with decreases in kWh consumption and kW demand, KW Hydro has experienced distribution revenue losses. The OEB has authorized distributors to apply for Lost Revenue Adjustment Mechanism ("LRAM") and Shared Savings Mechanism ("SSM") adjustments. The authorization to apply for LRAM and SSM adjustments for 2005 and 2006 is derived from the OEB's December 2004 decision on the Pollution Probe motion in file No. RP-2004-0203; and the OEB's May 2005 Report on the 2006 Electricity Distribution Rate Handbook (the "Report", OEB File No. RP-2004-0188). KW Hydro is also requesting LRAM adjustments for 2005 to 2007.

At page 107 of the Report, the OEB addressed LRAM recoveries, stating:

> "In its December 2004 Decision RP-2004-0203, the Board concluded that an LRAM was appropriate and that it should apply to 3rd tranche expenditures. The Board indicated, at that time, that the LRAM formula would be established as part of the 2006 proceeding.
>
> The Board continues to believe that an LRAM is appropriate and concludes that it will be retrospective, not prospective. At this time, greater accuracy will be achieved if the LRAM is calculated after-the-fact, based on actual results.
>
> Accordingly, a distributor will be expected to calculate the energy savings by customer class and to value those energy savings by the board-approved distribution charge appropriate to that class.
>
> The resulting amount may be claimed in a subsequent rate year as compensation for lost revenue".

With respect to SSM, at page 110 of its Report, the OEB wrote:

> "The Board, in its RP-2004-0203 Decision, found that a distributor shareholder incentive was an appropriate way to encourage distributors to pursue CDM programs. The Board continues to be of this view. Distributors should be rewarded with 5 percent of the net savings established by the TRC test. The Board recognizes that it will be essential to establish certain inputs and to define avoided costs. Accordingly, the Board's Conservation Manual will address these matters. This will allow parties to screen CDM programs and calculate the relevant incentives."

At page 111 of the Report, the OEB wrote:

> "The SSM will apply to TRC benefits achieved by 3rd tranche expenditures as well as any incremental expenditures that are approved in 2006. However, as in the case of the Board's Decision with respect to 2005, the incentive will not apply to utility-side activities. Because the SSM will be retrospective, no claims for a shareholder incentive should be made in the 2006 rate applications.
>
> There has been considerable discussion in this proceeding as to whether CDM expenditures on the utility side should be differentiated from customer-side expenditures. The Board recognizes that conservation programs should have a balance between the two. It is important to recall however, the Board's earlier finding that the SSM incentive does not apply to utility-side investments. The Board previously ruled with respect to the 2005 SSM that the inclusion of capitalised assets into rate base provides sufficient incentives. The Board continues to hold that view."

In accordance with the Report, KW Hydro's LRAM/SSM request includes only customer-side activities. KW Hydro has calculated energy savings by customer class and valued those savings by the OEB-approved distribution charge appropriate to each class, as required by the Report.

In its April 28, 2005 "Guidelines for Electricity Distributors Wishing to Apply for SSM Incentive for 2005 Implementation of CDM Plans" (referred to here as the "SSM Guidelines"), the OEB stated (at page 2):

> "Inputs and assumptions of the TRC Test have to be clearly stated in the pre-filed evidence. Applicants may use the standard inputs for TRC calculation which are contained in the Board's Conservation Manual (available late June 2005). Where an applicant wishes to use other inputs, the applicant must provide supporting evidence, an explanation of its choice and, for comparison, the TRC Test results using the inputs contained in the Conservation Manual."

On September 8, 2005 the OEB issued its Conservation Manual, under the name of the Total Resource Cost Guide (the "TRC Guide"). The TRC Guide set out an OEB-approved methodology and associated parameters for the financial evaluation of CDM programs. The TRC Guide was revised October 2, 2006 to reflect the OEB's Decision in the EB-2005-0523 proceeding concerning the attribution of benefits between utilities and non-rate-regulated third parties.

In addition to the requirements with respect to this Application, the Filing Requirements contain provisions relating to applications for LRAM and SSM adjustments, and KW Hydro submits that it has relied on and complied with the LRAM/SSM provisions of the Report, the OEB's TRC Guide and the Filing Requirements in preparing this request for LRAM/SSM adjustments for the years 2005 to 2007.

SUMMARY OF LRAM/SSM REQUEST:

KW Hydro seeks approval for the recovery of 2005 to 2007 LRAM and SSM amounts as part of this Application. Recovery is to be based on a volumetric rate rider commencing May 1, 2010. KW Hydro is proposing a four year recovery period in order to mitigate customer rate impacts, therefore the rate rider would remain in effect until April 30, 2014.

In accordance with the *Report of the Board on the Regulatory Framework for Conservation and Demand Management by Ontario Electricity Distributors in 2007 and Beyond* dated March 2, 2007 where the Board concluded:

> "The Board has determined that distributors will be expected to undertake program evaluations, and to provide results to the Board that have been reviewed by a third party."

KW Hydro contracted Enerspectrum Group to conduct an independent review of its third-tranche CDM and OPA-sponsored programs. A summary of the business activities undertaken by Enerspectrum Group is below:

EnerSpectrum Group serves a primary market of local distribution utilities with services in CDM program evaluation, distribution system analysis, regulatory support, utility management, and operations. EnerSpectrum Group tailors its products and services to provide an appropriate level of "bench strength" support that complements a client's existing resources. EnerSpectrum Group has managed both the complete year-end CDM reporting process for LDCs on a turnkey basis, and specialized support in preparation of requisite reporting schedules and supporting TRC analysis. The

firm holds its Certification of Authorization from the Professional Engineers of Ontario, and is a commercial steering committee member of the Electricity Distributors Association. More information about EnerSpectrum Group is available at www.enerspectrum.com.

EnerSpectrum Group has a breadth and depth of experience in the evaluation of CDM program performance and regulatory reporting:

- Prepared LRAM and SSM business cases or third party evaluations for five LDCs since 2007

- Originator of the TRC Calculator tool that automates TRC calculations based on OEB assumptions and tables. This tool, and/or TRC support services, are used by more than 25 LDCs. (The TRC Calculator was upgraded in 2008 to automate LRAM and SSM calculations based on TRC values)

- Currently the largest third-party evaluator of Electricity Retrofit Incentive Program (ERIP) project evaluation serving some 23 utilities, and evaluating more than 750 individual projects

- Now implementing the Power Savings Blitz program for 16 LDCs in 39 communities, including project evaluation and audits.

Enerspectrum Group's review of KW Hydro's third-tranche and OPA-sponsored CDM activities concluded that the CDM results reported through KW Hydro's annual reports to the OEB were understated and thus, Enerspectrum Group revised the results of KW Hydro's third-tranche CDM programs. A copy of Enerspectrum Group's final report is attached as Appendix A.

KW Hydro has prepared its LRAM and SSM rate rider request using the results of Enerspectrum Group's analysis.

Enerspectrum Group's has calculated KW Hydro's LRAM claim to be $674,100 ($157,778 for third-tranche expenditures and $516,322 for OPA programs) and the SSM claim to be $158,074 (applies only to third-tranche expenditures) for a total of the two claims of $832,174.

The total combined LRAM and SSM amount for recovery is $832,174. The LRAM and SSM amounts and corresponding rate riders are set out by rate class in Table 1 below. KW Hydro proposes a single

rate rider for recovery of the total LRAM and SSM. To minimize monthly bill impacts over the period when the riders are in effect, a four year recovery period is proposed, as shown in Table 1.

Table 1

2010 Test Year - LRAM and SSM Rider

Rate Class	Amounts (2005 ~ 2007)		Billing Units (2008)		Rate Riders			Four Year Rate Rider
	LRAM	SSM			LRAM	SSM	Total	Total
	$	$	kWh	kW	$/unit (kWh or kW)	$/unit (kWh or kW)	$/unit (kWh or kW)	$/unit (kWh or kW)
Residential	560,784.88	47,444.49	638,167,356		0.0009	0.0001	0.0010	0.0002
GS < 50	13,924.85	15,332.76	233,464,130		0.0001	0.0001	0.0001	0.0000
GS > 50	70,612.44	67,415.72		2,227,288	0.0317	0.0303	0.0620	0.0155
USL	28,777.83	27,881.40	3,287,782		0.0088	0.0085	0.0172	0.0043
Total	**674,100.00**	**158,074.37**						

RELIEF REQUESTED:

KW Hydro proposes that the LRAM and SSM rate riders be combined into, and recovered through a single distribution rate rider as provided in Table 1 of the preceding Schedule 2, and that the total LRAM and SSM rate rider be implemented effective May 1, 2010 for a period of four years ending April 30, 2014.

BILL IMPACTS:

KW Hydro proposes that the LRAM and SSM amounts be recovered over four years through rate riders effective May 1, 2010 until April 30, 2014. Table 2 below provides a summary of the impacts of the proposed LRAM and SSM adjustments, net of GST, on the variable distribution rate, the percent change in distribution charge, and the percent change in total bill, for the average customer in each affected rate class.

KW Hydro submits that the recovery of the LRAM and SSM adjustments over four years satisfactorily mitigates the rate impact to customers, and that further mitigation is not required.

Table 2

LRAM & SSM Rate Impacts by Class

Standard Consumption per Month	Estimated Charge	Total Distribution Charges	% Change Distribution Charge	Total Bill (net of GST)	% Change Total Bill
Residential **800 kWh**	$ 0.16	$ 25.45	0.6%	$ 94.90	0.17%
GS < 50 **2,000 kWh**	$ -	$ 49.17	0.0%	$ 227.63	0.00%
GS > 50 **800,000 kWh, 1000kW**	$ 15.50	$ 3,711.01	0.4%	$ 76,525.08	0.02%
USL **250 kWh**	$ 1.08	$ 12.29	8.7%	$ 36.12	2.98%

Kitchener-Wilmot Hydro Inc.

LRAM and SSM Support

August 19, 2009

Prepared by: Bart Burman, MBA, BA.Sc. P.Eng., Managing Partner

1. Introduction

Kitchener-Wilmot Hydro Inc. (KWHI) serves more than 84,000 homes and businesses in the City of Kitchener and the Township of Wilmot, and has maintained active Conservation and Demand Management (CDM) programming since 2005. By the end of 2008, KWHI had delivered 20 CDM programs in the residential, commercial/industrial and infrastructure segments from its Third Tranche funding. This commitment to CDM benefitted both customers and the community by delivering a combined energy savings of 59.5 million kWh and reduced load on the distribution system by more than 22,000 kW.

With success in its CDM activities, KWHI has lost revenues that need to be addressed as part of its 2010 rates submission to the Ontario Energy Board (OEB). This process will ensure that future CDM investments are sustainable in the long term by becoming a standard element in future rate filings. The LDC also seeks to realize shared savings for its investments in CDM.

The Ontario Energy Board (OEB) introduced a process outlined in the March 28, 2008 Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037) ("CDM Guidelines") for rate-based applications to recover revenues lost to customer energy conservation, and to share in gains from effective CDM programs prior to the completion of Third Tranche CDM programs. The mechanisms developed by the OEB to calculate lost revenue or savings are the Lost Revenue Adjustment Mechanism (LRAM) and the Shared Savings Mechanism (SSM).

SSM is calculated as 5% of the net present value of the future net benefits from CDM investments. LRAM calculations are made from the energy savings data from measured CDM program results, or other documented results as applied to the affected rate class. OPA sponsored programs, such as Every Kilowatt Counts, are not eligible for SSM because the OPA compensates LDCs through a contractual arrangement rather than the LDC recovering SSM amounts through rate riders. However OPA programs do represent the potential for lost revenue to the LDC, and may be claimed under LRAM.

The application for LRAM and SSM compensation that KWHI is considering as part of its 2010 rates filing is based on its 2006 to 2009 inclusive CDM results, and represents a significant milestone in the LDC's CDM record.

2. Required

KWHI requested that EnerSpectrum Group review the LDC's preliminary LRAM and SSM assessment and supporting information and assist in producing finalized calculations and report suitable to support an LRAM and SSM claim as part of its 2010 rates submission. In completing the scope of work related to LRAM and SSM, EnerSpectrum Group committed to:

1. Review LRAM, SSM and Third Tranche Total Resource Cost (TRC) calculations and underlying data prepared by KWHI for annual year end CDM reports, and assess compliance with the CDM Guidelines, identifying variances and reconciliations.
2. Finalize SSM and LRAM calculations and assumptions consistent with CDM Guidelines and suitable for inclusion in KWHI's rates application, with supporting details.
3. Produce a report and recommendations related to SSM and LRAM findings.

3. About SSM/LRAM

LRAM/SSM application is governed by the OEB issued GUIDELINES FOR ELECTRICITY DISTRIBUTOR CONSERVATION AND DEMAND MANAGEMENT, EB-2008-0037.

For SSM, a distributor may seek to recover 5% of the net benefits (TRC) created by CDM portfolio investments. An SSM claim applies only to customer focused initiatives that reduce the demand for electricity and/or the amount of energy used. Programs designed to improve Distribution System efficiency (eg. loss reduction) and OPA sponsored programs (eg., Every Kilowatt Counts) are excluded from SSM considerations.

LRAM is calculated as the product of the demand/energy savings by customer class and the Board-approved variable distribution charge appropriate to each respective class (net of Regulatory Asset Recovery rate riders). OPA sponsored program kW/kWhs are eligible for LRAM.

4. Methodology

To optimize the calculation of LRAM and SSM amounts, EnerSpectrum Group:

1. Reviewed existing LRAM and SSM CDM Guidelines and precedents set through LDC submissions to the OEB, to identify the most prudent course for KWHI to complete its LRAM and SSM applications.

2. Sought counsel within OEB staff to validate assumptions and processes to complete LRAM and SSM submissions consistent with other LDC submissions. Validation by each specific technology employed is included in the accompanying documentation.

3. Reviewed KWHI CDM program results and TRC calculations, verified assumptions and calculations, identified variances with reported values, and recommended adjustments as appropriate to maintain consistency with the CDM Guidelines. Actual program results were provided by KWHI, including CDM Annual Reports, OPA program results reports, and supplemental information relevant to LRAM and SSM calculations

4. Prepared report and recommendations related to LRAM and SSM calculations consistent with OEB CDM Guidelines which are in the accompanying documentation.

5. Results

In assessing and applying results from CDM programming to TRC, LRAM or SSM calculations, program results are assumed to begin after the program has been implemented. For this reason, the results of specific programs have been staggered into subsequent months or years to more accurately reflect the timing of the impacts from CDM programs. Where the results from a CDM program are reasonably expected to begin flowing in the same year, LRAM calculations are prorated to the end of that year.

The timing of results used in LRAM calculations for OPA sponsored programs are contained in the accompanying documentation under OPA Conservation Results, issued July 14, 2009.

The accompanying table below sets out the calculated amounts for LRAM and SSM for KWHI's Third Tranche and OPA CDM programming. The calculation of the results, by program and customer class as applicable, are explained in the text below, and detailed in the appended attachments.

Rate Class	* Amounts based on ESG TRCs		
	LRAM $	SSM $	Total
Third Tranche			
RESIDENTIAL	$110,462.94	$47,444.49	$157,907.43
GENERAL SERVICE (< 50 kW Demand)	$4,046.56	$15,332.76	$19,379.33
GENERAL SERVICE (> 50 kW Demand)	$14,645.54	$67,415.72	$82,061.26
LARGE USER (> 5000 kW Demand)			$0.00
UNMETERED SCATTERED LOAD	$28,622.67	$27,881.40	$56,504.08
STREET LIGHTING			
Residential OPA Conservation Programs	$450,321.94		$450,321.94
General Service<50kW OPA Conservation Programs	$9,878.29		$9,878.29
General Service>50kW to 4,999kW OPA Conservation Programs	$55,966.90		$55,966.90
Unmetered Scattered Load OPA Conservation Programs	$155.16		$155.16
TOTALS	$674,100.01	$158,074.38	$832,174.39

6. Determination of SSM Amount

For SSM, a distributor may recover 5% of the net benefits (TRC) created by CDM portfolio investments. As set out in the CDM Guidelines, program net benefits are determined by the present value of the avoided electricity costs over the technology's/program's life minus the present value of program costs. All results are net of free ridership. Incentive payments identified by KWHI are excluded from these calculations. For all programs/projects, the most recently published OPA assumptions and measures list were used in TRC calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009.

EnerSpectrum Group has validated applied TRC methodology against the CDM Guidelines (included in documentation) and calculated net TRC benefits for each CDM program. CDM incremental general administrative costs were included as part of overall portfolio TRC costs.

EnerSpectrum Group's TRC Calculator © was used to ensure appropriate application of avoided costs, free ridership, discounted future benefits, and energy efficiency technology life.

Utility-side programs, such as KWHI's Capacitor Bank program are not eligible for SSM treatment and was excluded from these calculations. Also excluded were results from OPA sponsored programs (e.g., Every Kilowatt Counts).

Programs considered for this application are described in annually submitted year-end CDM reports for 2006, 2007 and 2008. For each eligible program, net load reductions were calculated (net of free ridership) for both SSM and LRAM calculations. Attachment A summarizes these load reductions.

For the purpose of TRC calculation to derive SSM, the applied discount rates for KWHI (approved Weighted Average Cost of Capital) were 7.52%, (2005) 7.55 % (2006) and 7.61 (2007) The sum of all program NPVs, is $3,161,487.61, resulting in the SSM claim of $158,074.38 Attachment C summarizes the calculation of the SSM amounts by program and in total. Attachment E summarizes individual technology TRC (NPV) values by program. The supporting source data and TRC calculations are set out in detail in the documentation accompanying this report.

7. Determination of LRAM Amount

LRAM amounts were identified by rate class consistent with the CDM Guidelines for programs that impacted revenues from 2006 to 2009. No forecast or other adjustment for the effects of CDM programs was made to the load quantities used in the preparation of KWHI's rate cases in prior years. The entire actual load reduction achieved by the eligible Third Tranche CDM programs is subject to LRAM treatment. In addition, OPA sponsored programs, although ineligible for additional SSM incentives, represent lost revenue through their successful implementation and are included in LRAM calculations.

For KWHI programs, load impacts were derived based on the same per unit energy savings (OPA approved Assumptions and Measures) as used in SSM calculations, augmented by OPA results (Attachment A).

The sum of all program LRAM calculations, including OPA sponsored programs is $674,100.01

Attachment B summarizes the CDM load impacts by program and rate class and the resultant revenue impacts.

8. Allocation and Manner of Recovery for SSM/LRAM Amounts

The SSM/LRAM amounts arising from CDM programs in each respective rate class are allocated to that class for recovery.

LRAM and SSM rate riders should be combined and expressed as a single rate rider for each class, based on approaches taken by other LDCs.

9. Recommendations

EnerSpectrum Group recommends the following:

1. SSM/LRAM amounts arising from CDM programs in each rate class be allocated to that class for recovery.
2. Incorporate impacts of CDM programming which occurred during the period 2005 to 2008 In future Cost of Service rate applications inclusive. This recognizes CDM as an established customer service element in the years ahead, with identifiable costs and benefits.
3. Use SSM calculation as one of the methods to assess the potential value of CDM programs considered for implementation.
4. Monitor OPA information and reports pursuant to its email of July 14, 2009 to all LDC conservation officers and program managers. The OPA stated that "2008 results are still preliminary and are subject to change" If final program results for KWHI subsequently change for any OPA program, updates or adjustments may need to be considered for the LRAM and SSM amounts calculated in this report. This report did not consider any OPA programs implemented or operated during 2009, as the results for these programs will not be available until sometime in 2010. Any savings attributed to 2009 for LRAM purposes are based on assumed results carried over from OPA programs implemented in previous years only.

Attachment A

CDM Load Impacts by Class and Program - OPA Programs

Class / Program	Year Implemented	2005 kWh	2005 kW	2006 kWh	2006 kW	2007 kWh	2007 kW	2008 kWh	2008 kW	2009 kWh	2009 kW	Total kWh	Total kW
Residential													
OPA Conservation Programs													
Every Kilowatt Counts (spring)	2006			2,186,425.92	14.25	2,186,425.92	14.25	2,186,425.92	14.25	2,186,425.92	14.25	**8,745,703.69**	**57.00**
Cool Savings Rebate Program	2006, 2007, 2008			166,647.55	170.69	651,877.70	489.25	939,013.77	721.11	939,013.77	721.11	**2,696,552.79**	**2,102.16**
Secondary Fridge Retirement Pilot	2006			89,510.23	20.29	89,510.23	20.29	89,510.23	20.29	89,510.23	20.29	**358,040.92**	**81.16**
Every Kilowatt Counts (fall)	2006			3,547,045.20	53.37	3,547,045.20	53.37	3,547,045.20	53.37	3,547,045.20	53.37	**14,188,180.81**	**213.48**
Great Refrigerator Roundup	2007, 2008					154,921.29	16.73	425,933.57	42.96	425,933.57	42.96	**1,006,788.42**	**102.66**
Aboriginal – Pilot	2007					0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	**0.00**
Every Kilowatt Counts	2007					2,122,200.82	81.48	2,096,464.64	73.84	2,096,464.64	73.84	**6,315,130.11**	**229.16**
peaksaver®	2007, 2008					0.00	0.00	0.00	167.27	0.00	167.27	**0.00**	**334.53**
Summer Savings	2007					902,659.12	501.48	902,659.12	501.48	0.00	0.00	**1,805,318.23**	**1,002.95**
Every Kilowatt Counts Power Savings Event	2008							718,039.00	48.01	712,136.53	46.26	**1,430,175.53**	**94.26**
Aboriginal	2008							0.00	0.00	0.00	0.00	**0.00**	**0.00**
General Service<50kW													
OPA Conservation Programs													
Affordable Housing – Pilot	2007					13,965.00	3.56	13,965.00	3.56	13,965.00	3.56	**41,895.00**	**10.68**
Social Housing – Pilot	2007					191,259.68	22.50	191,259.68	22.50	191,259.68	22.50	**573,779.05**	**67.50**
Energy Efficiency Assistance for Houses – Pilot	2007					155,809.25	32.35	155,809.25	32.35	155,809.25	32.35	**467,427.75**	**97.05**
Summer Sweepstakes	2008							0.00	2.82	0.00	0.00	**0.00**	**2.82**
Toronto Comprehensive	2007, 2008					0.00	0.00	0.00	0.00	0.00	0.00	**0.00**	**0.00**
High Performance New Construction	2008							4,560.43	2.00	4,560.43	2.00	**9,120.87**	**4.00**
Power Savings Blitz	2008							0.00	0.00	0.00	0.00	**0.00**	**0.00**
Chiller Plant Re-Commissioning	2008							0.00	0.00	0.00	0.00	**0.00**	**0.00**
General Service>50kW to 4,999kW													
OPA Conservation Programs													
Demand Response 1	2006, 2007, 2008			0.00	3,041.18	0.00	5,043.49	0.00	5,043.97	0.00	0.00	**0.00**	**13,128.63**
Demand Response 3	2008							0.00	1,268.66	0.00	0.00	**0.00**	**1,268.66**
Other Demand Response	2007, 2008					0.00	419.50	0.00	464.15	0.00	0.00	**0.00**	**883.64**
Electricity Retrofit Incentive Program	2007, 2008					8,059.79	2.90	680,055.96	297.64	680,055.96	297.64	**1,368,171.70**	**598.17**
Unmetered Scattered Load													
OPA Conservation Programs													
LDC Custom	2008							0.00	0.00	0.00	0.00	**0.00**	**0.00**
Other Customer Based Generation	2008							0.00	0.00	0.00	0.00	**0.00**	**0.00**
Renewable Energy Standard Offer Program (RESOP)	2007, 2008					5,718.53	5.44	5,718.53	5.44	5,718.53	5.44	**17,155.58**	**16.32**
TOTALS				5,989,628.91	3,299.78	10,029,452.53	6,706.59	11,956,460.30	8,785.65	11,047,898.72	1,502.83	39,023,440.46	20,294.85

Attachment B

Foregone Revenue by Class and Program - OPA Programs

Class / Program	Year Implemented	2005 Load Unit (kWh)	2005 kWh or kW	2005 Rate per Unit	2005 Revenue	2006 Load Unit	2006 kWh or kW	2006 Rate per Unit	2006 Revenue	2007 Load Unit (kWh)	2007 kWh or kW	2007 Rate per Unit	2007 Revenue	2008 Load Unit (kWh)	2008 kWh or kW	2008 Rate per Unit	2008 Revenue	2009 Load Unit (kWh)	2009 kWh or kW	2009 Rate per Unit	2009 Revenue	Total Revenue
Residential																						
OPA Conservation Programs																						
Every Kilowatt Counts (spring)	2006					2,186,425.92	kWh	0.0123	$26,820.16	2,186,425.92	kWh	0.0124	$27,038.80	2,186,426	kWh	0.0123	$26,965.92	2,186,426	kWh	0.0123	$26,893.04	**$107,717.92**
Cool Savings Rebate Program	2006, 2007, 2008					166,647.55	kWh	0.0123	$2,044.21	651,877.70	kWh	0.0124	$8,061.55	939,014	kWh	0.0123	$11,581.17	939,014	kWh	0.0123	$11,549.87	**$33,236.80**
Secondary Fridge Retirement Pilot	2006					89,510.23	kWh	0.0123	$1,097.99	89,510.23	kWh	0.0124	$1,106.94	89,510.23	kWh	0.0123	$1,103.96	89,510.23	kWh	0.0123	$1,100.98	**$4,409.87**
Every Kilowatt Counts (fall)	2006					3,547,045.20	kWh	0.0123	$43,510.42	3,547,045.20	kWh	0.0124	$43,865.13	3,547,045.20	kWh	0.0123	$43,746.89	3,547,045.20	kWh	0.0123	$43,628.66	**$174,751.09**
Great Refrigerator Roundup	2007, 2008									154,921.29	kWh	0.0124	$1,915.86	425,933.57	kWh	0.0123	$5,253.18	425,933.57	kWh	0.0123	$5,238.98	**$12,408.02**
Aboriginal – Pilot	2007									0.00	kWh	0.0124	$0.00	0.00	kWh	0.0123	$0.00	0.00	kWh	0.0123	$0.00	**$0.00**
Every Kilowatt Counts	2007									2,122,200.82	kWh	0.0124	$26,244.55	2,096,464.64	kWh	0.0123	$25,856.40	2,096,464.64	kWh	0.0123	$25,786.52	**$77,887.46**
peaksaver®	2007, 2008									0.00	kWh	0.0124	$0.00	0.00	kWh	0.0123	$0.00	0.00	kWh	0.0123	$0.00	**$0.00**
Summer Savings	2007									902,659.12	kWh	0.0124	$11,162.88	902,659.12	kWh	0.0123	$11,132.80	0.00	kWh	0.0123	$0.00	**$22,295.68**
Every Kilowatt Counts Power Savings Event	2008													718,039.00	kWh	0.0123	$8,855.81	712,136.53	kWh	0.0123	$8,759.28	**$17,615.09**
Aboriginal	2008													0.00	kWh	0.0123	$0.00	0.00	kWh	0.0123	$0.00	**$0.00**
General Service<50kW																						
OPA Conservation Programs																						
Affordable Housing – Pilot	2007									13,965.00	kWh	0.0091	$127.08	13,965.00	kWh	0.0090	$126.15	13,965.00	kWh	0.0090	$125.69	**$378.92**
Social Housing – Pilot	2007									191,259.68	kWh	0.0091	$1,740.46	191,259.68	kWh	0.0090	$1,727.71	191,259.68	kWh	0.0090	$1,721.34	**$5,189.51**
Energy Efficiency Assistance for Houses – Pilot	2007									155,809.25	kWh	0.0091	$1,417.86	155,809.25	kWh	0.0090	$1,407.48	155,809.25	kWh	0.0090	$1,402.28	**$4,227.62**
Summer Sweepstakes	2008													0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
Toronto Comprehensive	2007, 2008									0.00	kWh	0.0091	$0.00	0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
High Performance New Construction	2008													4,560.43	kWh	0.0090	$41.20	4,560.43	kWh	0.0090	$41.04	**$82.24**
Power Savings Blitz	2008													0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
Chiller Plant Re-Commissioning	2008													0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
General Service>50kW to 4,999kW																						
OPA Conservation Programs																						
Demand Response 1	2006, 2007, 2008					3,041.18	kW	3.5257	$10,652.94	5,043.49	kW	3.5423	$17,832.44	5,043.97	kW	3.5172	$17,782.33	0.00	kW	3.5202	$0.00	**$46,267.71**
Demand Response 3	2008													1,268.66	kW	3.5172	$4,472.61	0.00	kW	3.5202	$0.00	**$4,472.61**
Other Demand Response	2007, 2008									419.50	kW	3.5423	$1,483.23	464.15	kW	3.5172	$1,636.34	0.00	kW	3.5202	$0.00	**$3,119.56**
Electricity Retrofit Incentive Program	2007, 2008									2.90	kW	3.5423	$10.26	297.64	kW	3.5172	$1,049.31	297.64	kW	3.5202	$1,047.44	**$2,107.01**
Unmetered Scattered Load																						
OPA Conservation Programs																						
LDC Custom	2008													0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
Other Customer Based Generation	2008													0.00	kWh	0.0090	$0.00	0.00	kWh	0.0090	$0.00	**$0.00**
Renewable Energy Standard Offer Program (RESOP)	2007, 2008									5,718.53	kWh	0.0091	$52.04	5,718.53	kWh	0.0090	$51.66	5,718.53	kWh	0.0090	$51.47	**$155.16**
TOTALS																						**$516,322.30**

Attachment B

Foregone Revenue by Class and Program

Kitchner-Wilmot Hydro Programs

****BASED ON ESG TRCs**

Class / Program	Year Implemented	2005 Load Unit (kWh)	2005 kWh or kW	2005 Rate per Unit	2005 Revenue	2006 Load Unit	2006 kWh or kW	2006 Rate per Unit	2006 Revenue	2007 Load Unit (kWh)	2007 kWh or kW	2007 Rate per Unit	2007 Revenue	2008 Load Unit (kWh)	2008 kWh or kW	2008 Rate per Unit	2008 Revenue	2009 Load Unit (kWh)	2009 kWh or kW	2009 Rate per Unit	2009 Revenue	Total Revenue	
RESIDENTIAL																							
Fuel Switching (Residential)	2006		kWh				kWh	0.0123	$0.00	1,212,920.00	kWh	0.0124	$14,999.78	1,212,920.00	kWh	0.0123	$14,959.35	1,212,920.00	kWh	0.0123	$14,918.92	**$44,878.04**	
Fall Coupon	2005		kWh			210,795.44	kWh	0.0123	$2,585.76	210,795.44	kWh	0.0124	$2,606.84	210,795.44	kWh	0.0123	$2,599.81	210,795.44	kWh	0.0123	$2,592.78	**$10,385.19**	
Residential Education	2006																						
Energy Conservation Kits	2005		kWh			1,120,427.10	kWh	0.0123	$13,743.91	1,120,427.10	kWh	0.0124	$13,855.95	1,120,427.10	kWh	0.0123	$13,818.60	1,120,427.10	kWh	0.0123	$13,781.25	**$55,199.71**	
EnerGuide for Houses (REEP)	2006																						$110,462.94
Low Income Residential Education (WWOW)																							
School Energy Conservation Kits	2007																						
GENERAL SERVICE (< 50 kW Demand)																							
Social Housing Lighting Upgrade	2006		kWh				kWh	0.0091	$0.00	92,439.00	kWh	0.0091	$841.19	92,439	kWh	0.0090	$835.03	92,439	kWh	0.0090	$831.95	**$2,508.18**	
Refigerator Replacement	2007		kWh				kWh	0.0091	$0.00		kWh	0.0091	$0.00	18,576	kWh	0.0090	$167.80	18,576	kWh	0.0090	$167.18	**$334.99**	
SHSC Energy Management	2005		kWh			33,176.38	kWh	0.0091	$299.69	33,176.38	kWh	0.0091	$301.91	33,176	kWh	0.0090	$299.69	33,176	kWh	0.0090	$298.59	**$1,199.88**	
Cool Shops	2006		kW				kW	0.0091	$0.00	129.60	kW	0.0091	$1.18	130	kW	0.0090	$1.17	130	kW	0.0090	$1.17	**$3.52**	$4,046.56
GENERAL SERVICE (> 50 kW Demand)																							
Key Account Seminars & Education	2005																						
Energy Management Workshops	2006																						
Lighting Retrofit	2006		kW				kW	3.5232	$0.00	727.86	kW	3.5423	$2,573.52	728	kW	3.5172	$2,566.05	728	kW	3.5202	$2,561.48	**$7,701.05**	
Windows Replacement	2006		kWh				kW	3.5232	$0.00	0.00	kW	3.5423	$0.00	0	kW	3.5172	$0.00	0	kWh	3.5202	$0.00	**$0.00**	
Main Office Lighting	2007		kWh				kW	3.5232	$0.00		kW	3.5423	$0.00	18	kW	3.5172	$63.33	18	kWh	3.5202	$63.21	**$126.54**	
Garage Heating	2007		kWh				kW	3.5232	$0.00		kW	3.5423	$0.00	439	kW	3.5172	$1,547.68	439	kWh	3.5202	$1,544.93	**$3,092.61**	
Fuel Switching (LDC System Programs)	2006		kWh				kW	3.5232	$0.00	300	kW	3.5423	$1,060.72	300	kW	3.5172	$1,057.64	300	kWh	3.5202	$1,055.76	**$3,174.12**	
Municipal Building Lighting	2005		kW			39.14	kW	3.5232	$137.10	39.14	kW	3.5423	$138.39	39.14	kW	3.5172	$137.99	39.14	kW	3.5202	$137.74	**$551.22**	$14,645.54
LARGE USER (> 5000 kW Demand)																							
UNMETERED SCATTERED LOAD																							
LED Traffic Lights	2006		kW				kWh	0.0091	$0.00		kWh	0.0091		1587209.29	kWh	0.0090	$14,337.79	1587209.29	kWh	0.0090	$14,284.88	**$28,622.67**	
STREET LIGHTING																							$28,622.67
																							$157,777.71

SSM Amounts by Class and Program ***Amounts based on ESG TRCs**

Class Program	Admin Costs / Other Program Costs $	Total Costs $	Total Benefits $	Net Benefits $ NPV	Benefits/Cost Ratio	SSM Amount $	
RESIDENTIAL							
Third Tranche							
Fuel Switching (Residential)							
Fall Coupon	$19,795.00	$35,596.70	$190,067.68	$134,675.98	5.34	$6,733.80	
Residential Education							
Energy Conservation Kits		$34,650.00	$848,863.91	$814,213.91	24.50	$40,710.70	
EnerGuide for Houses (REEP)							$47,444.49
Low Income Residential Education (WWOW)							
School Energy Conservation Kits							
GENERAL SERVICE (< 50 kW Demand)							
Social Housing Lighting Upgrade		$10,260.00	$21,811.87	$11,551.87	2.13	$577.59	
Refigerator Replacement		$18,900.00	$13,404.08	-$5,495.92	0.71	-$274.80	
SHSC Energy Management		$8,599.50	$28,944.21	$20,344.71	3.37	$1,017.24	
Cool Shops		$119,592.90	$399,847.53	$280,254.63	3.34	$14,012.73	
							$15,332.76
GENERAL SERVICE (> 50 kW Demand)							
Key Account Seminars & Education							
Energy Management Workshops							
Lighting Retrofit		$1,284,683.00	$1,597,520.79	$312,837.79	1.24	$15,641.89	
Windows Replacement		$41,725.00	$124,554.61	$82,829.61	2.99	$4,141.48	
Main Office Lighting		$59,720.00	$59,887.68	$167.68	1.00	$8.38	
Garage Heating		$130,866.79	$726,696.60	$595,829.81	5.55	$29,791.49	
Fuel Switching (LDC System Programs)		$137,640.00	$449,240.80	$311,600.80	3.26	$15,580.04	
Municipal Building Lighting		$52,848.00	$97,896.70	$45,048.70	1.85	$2,252.44	
							$67,415.72
LARGE USER (> 5000 kW Demand)							
UNMETERED SCATTERED LOAD							
LED Traffic Lights		$561,600.00	$1,119,228.03	$557,628.03	1.99	$27,881.40	
							$27,881.40
STREET LIGHTING							
TOTALS	$19,795.00	$2,496,681.89	$5,677,964.50	$3,161,487.61		$158,074.38	
							$158,074.38

Attachment D

LRAM and SSM Totals and Rate Riders by Class

Rate Class *** Amounts based on ESG TRCs**

	LRAM $	SSM $	Total
Third Tranche			
RESIDENTIAL	$110,462.94	$47,444.49	$157,907.43
GENERAL SERVICE (< 50 kW Demand)	$4,046.56	$15,332.76	$19,379.33
GENERAL SERVICE (> 50 kW Demand)	$14,645.54	$67,415.72	$82,061.26
LARGE USER (> 5000 kW Demand)			$0.00
UNMETERED SCATTERED LOAD	$28,622.67	$27,881.40	$56,504.08
STREET LIGHTING			
Residential			
OPA Conservation Programs	$450,321.94		$450,321.94
General Service<50kW			
OPA Conservation Programs	$9,878.29		$9,878.29
General Service>50kW to 4,999kW			
OPA Conservation Programs	$55,966.90		$55,966.90
Unmetered Scattered Load			
OPA Conservation Programs	$155.16		$155.16
TOTALS	$674,100.01	$158,074.38	$832,174.39