CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

1500 Bishop Street, P.O. Box 1060, Cambridge, ON N1R 5X6

November 30, 2009

Mr. John De Vellis
Barrister & Solicitor
SHIBLEY RIGHTON LLP
250 University Avenue, Suite 700
Toronto, ON M5H 3E5

Re: Cambridge and North Dumfries Hydro Inc.
Response to School Energy Coalition Interrogatories
2010 Electricity Distribution Rates, Board File EB-2009–0260.

Dear Mr. De Vellis:

In accordance with Procedural Order No. 1 received from the Ontario Energy Board on October 23, 2009, please find attached Cambridge and North Dumfries Hydro Inc.'s responses to School Energy Coalition Interrogatories in the above proceedings.

Sincerely,

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

John W. Grotheer
President and CEO

c.c. All Intervenors
Board Secretary, Ontario Energy Board

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

AND IN THE MATTER OF a review of an application filed by Cambridge and North Dumfries Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution commencing May 1, 2010.

INTERROGATORIES
OF THE
SCHOOL ENERGY COALITION

General

1. Ex. 1, p. 24: please elaborate on what "opportunities" CNHD is investigating. Is CNHD contemplating a merger, purchase and/or sale of another utility?

Response:

The Green Energy Act provides opportunities for our organization that could involve participation in renewable generation projects.

As noted in the Application, there are no planned changes to our corporate structure which includes mergers, purchases or sale of the company.

2. CNHHI projects a revenue deficiency in 2010 of $2.4 million. Please provide a table summarising the main drivers of the deficiency.

Response:

The main drivers of the $2.4 Million deficiency can be summarized as follows:

Increased staffing costs relating to annual wage increase and new staff	$ 395,000
Increased benefit costs	$ 166,000
Incremental Operating Costs associated with new CIS system	$ 111,000
Switching to monthly billing	$ 255,000
Increased bad debts	$ 90,000
Increased costs associated with non labour items	$ 164,000
Reduced interest income based on lower balances and much lower rates	$ 700,000
Increased amount relating to deemed interest expense	$ 505,000
	$ 2,386,000

Rate Base and Capital Expenditures

3. Ex. 2, p. 98: Asset Management Strategy

(a) Please provide a copy of the October 2008 document produced by the Company that is said to have provided "guidance for 2009 concerning the major areas of emphasis as well as defining specific tactical deliverables."

(b) Please explain what is meant by paragraph 3.) on p. 98 "Exploring Business Opportunities" What new business opportunities are being referred to? Please list all 2009 or 2010 capital projects that are related to exploring new business opportunities.

Response:

a) See attached Exhibit A – Strategic Action Plan 2009.

b) Within the framework of the regulated utility, there is an evolving definition of what is possible in services offered. A few examples of these would be:

- As part of the meter reading service for water, the utility could finance/lease the remote water meter devices if the City or Regional government could not finance the cost.
- With the advent of time of use rates, customers may have an interest in in-home display/home gateways and possibly a remote load management service.

We as a utility continue to monitor new services that may be part of the regulated company so that we can provide relevant services and provide customer satisfaction.

There are no capital projects in 2009 or 2010 relating to exploring new business opportunities.

4. Ex. 2, p. 81-82: Rebuilds

(a) What is the total budget for the Rebuild projects across all years?

(b) Have the Rebuild projects been precipitated by an asset management or asset condition report? If so, please produce it.

(c) Please produce any other document that sets out the need for and/or potential benefits of, the Rebuild projects. If none exists, please explain in greater detail the justification for the Rebuild projects;

(d) The evidence states, at p. 82, that there are "multiple benefits" from the Rebuild project, including improved reliability, removal of transformers containing PCBs, increased capacity and improved facilities for renewable generation.

(i) Has CNDHI identified any OM&A cost saving resulting from the Rebuild project in 2010? In 2011 or beyond?

(ii) Have any of these cost savings been incorporated into the test year budget?

Response:

a) The total estimated cost for the Township rebuild that will span 4 – 6 years is $18,000.000.

b) The Township rebuild has not been initiated by the issuance of any particular report.

c) The facilities in the Township are rural and have been in service for 50 – 70 years. This time period is beyond the normal length of utilization. The average age of the poles in the 2010 rebuild area is 47.1 years. We delayed the work in the Township so that the City rebuild could be completed. To ensure the delay was prudent, we did the pole testing throughout the system (i.e. rural and urban) in 2003 and replaced those with an immediate need. We have been experiencing a higher level of conductor failure in the past few years. Each of the components of the facilities (poles, conductor, cross arms, transformer and line hardware) are near the end of their useful life. The business operation in a rural area continues to have a greater need for improved reliability. The potential for extreme weather conditions are always present and these rebuilds cannot be delayed. We will prioritize the staging of the rebuild to ensure the variables are maximized.

d) As areas are rebuilt, there is a reduced cost going forward for OM&A costs, especially in the first 10 years. These reduced costs for the rebuild areas have not been identified. Generally, the OM&A costs are examined on the overall system basis. Each day, the facilities all get another day older, including the newly rebuilt areas. The dynamics that one area that has not had an unplanned outage and the related costs for 20 years is balanced by the fact an area we rebuild this year may have had numerous unplanned outages in the past five years.

The Rebuild process will always be there as part of our capital requirements but to a varied degree based on new requirements and the level of new installation in prior decades. The OM&A costs will be managed and evaluated, both on the need for preventive and emergency expenditures to provide for the needs of the customer.

The test year budget therefore reflects both savings in newly rebuilt areas offset by higher costs in areas with older facilities that are being evaluated for rebuild in future years.

OM&A

5. Ex. 4, p. 6 and 28: With respect to benefits costs increases, please:

(a) explain what, if anything, the company has done to contain health benefit increases?

(b) What accounts for the 37% increase ($248,170) in 'Other Benefits' (stat holidays, vacations, sick time, etc.). If the increase is due to the new statutory holiday in Ontario, please explain whether there is a corresponding decrease recorded for the fact that some employees will simply not work on that day and therefore receive a "benefit" instead of their regular salary on that day.

Response:

a) The company has introduced a number of programs to contain health benefit increases. Some of these are as follows:

- We use union negotiations as an opportunity to contain our exposure to increased cost.
- In the last five years, we have put our coverage out to tender.
- We have a healthy lifestyle program to encourage our employees to live healthier and safer.
- We have conducted employee information sessions on how to manage utilization of the health plans.

b) Additional breakdown of the totals shown on page 6 is included in Exhibit 4, Table 20, page 60. Many of the items under the other category are impacted by payroll increases and union contract changes. The cost of statutory holidays, vacation, floater, sick time, training time, safety meetings, etc. increase on a yearly basis as the hourly rates increase. The safety area includes costs associated with trades training. In 2004, we only had one linesperson apprentice with a training cost of $5,000. In 2010, we will have five linesperson apprentices.

Based on how costs are reported, the new statutory holiday is shown as a "benefit" instead of a wage for Family Day.

6. With respect to bad debt expense, after a large increase in 2008, the 2009 projection ($210,000) is substantially lower. The 2010 forecast, however, is $300,000 or 43% greater than 2010. In addition, in 2010 the company will be on monthly billing for the entire year, which the company says should lead to lower bad debt expense. Please explain, therefore, what assumptions the company has made in arriving at its 2010 bad debt forecast.

Response:

Based on our recent review of the bad debts for 2009, it is now projected that the bad debt expense will be $265,000.

The bad debt expense forecast for 2010 included consideration of the fact that residential would be on monthly billing and would potentially reduce bad debt in the area of average balances written off.

The bad debt expense forecast for 2010 included consideration of the negative impact of the LEAP program and now the new OEB code amendments announced October 1, 2009. The longer time periods allowed will create larger balances to be written off, especially in the skip circumstances. This negative impact far outweighs the benefits associated with the move to monthly billing.

At the time of filing the application, we took the approach that a reasonable bad debt amount should reflect the economic realities of the slow economic growth going forward and also reflect the bad debt costs that have occurred in the past few years. We therefore calculated an average ($281,000) of the three years (2007 – 2009) and rounded up to $300,000 for the net impact of the monthly billing impact, LEAP impact and our sense that 2009 would be higher than $210,000.

With the revised 2009 amount, and the update code change impact considered, we consider the $300,000 to be fair and reasonable.

7. Has the increase in maintenance costs relating to copper thefts passed through to 2010? If so, what assumptions has the company made regarding 2010 thefts and on what basis?

Response:

Please see response to OEB Board Staff Interrogatory 16 (c) and (d).

8. Ex. 4, p. 7: Regarding the move to monthly billing:

(a) has the company made any changes to its bad debt expense or its working capital calculation in view of the fact that billing will now be made twice as often?

(b) If not, why not?

(c) Does the company have a projection of what impact the move to a monthly billing cycle will have on bad debt expenses?

(d) If there are no identifiable savings arising out of the move to monthly billing then why was the decision made to move to monthly billing?

(e) Has the company considered an e-billing system to reduce monthly billing costs?

Response:

a) We made adjustments in the bad debt estimates and the interest earned balance relating to the working fund based on the move to monthly billing. We still consider the 15% allowance approach to be valid.

b) See (a).

c) We do not have any projection of number of accounts or total dollar value of reduction in bad debt expense relating to the move to monthly billing. The average amounts written off, especially in skip situations (i.e. customer who moves out without any notice to the utility), should be lower.

d) The identifiable savings arising out of the move to monthly billing are small compared to the increased costs.

The decision to move to monthly billing is driven by many factors, including the following:

- Customers currently receive monthly billing for most other services (natural gas, telephone, cable).
- Monthly billing provides a better opportunity for customers to manage their cash flow.
- The OEB and Ministry continue to promote the need for monthly payments.
- Monthly billing provides customers with more timely information of how much power they have used and the potential impact on their conservation efforts.
- The switch to monthly at this time is a lead into the switch to Time of Use. Time of Use impacts and associated education will be much more relevant with monthly billing.
- High bill complaint calls should be easier to handle based on shorter time span.
- Customers have been asking for monthly billing.
- It provides consistency for small business customers. Currently some are monthly and others are bi-monthly.
- The new CIS template is designed for monthly only. Extra costs of modifications were high.

e) The company had a cumbersome e-billing system in place a few years ago that was discontinued because of some technology changes at our bank. We periodically research what is available in the marketplace but have yet to select a vendor.

9. Ex. 4: performance-based compensation- please provide a copy of the company's performance- or incentive-based compensation plan or policy.

Response:

See attached Exhibits:

- Exhibit B – President & CEO Performance Bonus Plan
- Exhibit C – Senior Executive Performance Bonus Policy
- Exhibit D – Supervisor Performance Bonus Program

10. Ex. 4, p. 24: please provide a break down of the $100,000 estimate for IFRS conversion costs.

Response:

Please see the Vulnerable Energy Consumers Coalition (VECC) interrogatory 20 (a) and b).

11. Ex. 4, p. 32: new software maintenance costs:

(a) Please provide a more detailed explanation/breakdown of the various new software maintenance charges (CMIC, AUS, GIS, CIS) described on p. 32.

(b) Please provide a breakdown of the capital vs. OM&A costs for the various software conversions. The CIS system, for example, has a capital cost of $1.072 million (Ex. 2, p. 75). What is the OM&A cost?

(c) Please explain also what criteria was used to decide whether to capitalize or expense the relevant costs.

Response:

(a) The ERP CMIC software was upgraded in 2006 for a capital cost of $111,383. Software maintenance charges are as follows:

October 2005 – September 2006	$ 43,801
October 2006 – September 2007	$ 50,044
October 2007 – September 2008	$ 55,119
October 2008 – September 2009	$ 60,197

The existing CIS AUS software had minor upgrades in the period 2006 – 2008 of $20,580. Software maintenance charges are as follows:

March 2006 – February 2007	$ 68,227
March 2007 – February 2008	$ 97,198
March 2008 – February 2009	$106,670
March 2009 – December 2009	$ 92,912

The new SAP CIS software that is currently being installed has the following charges:

SAP

April – December 2008	$ 41,748
January – December 2009	$ 57,606

Applications Management (Vendor Not Yet Selected)

Estimated cost of $12,000/month
Four months included in 2009

The GIS software was upgraded in 2008 with a cost of $299,133. The software maintenance fees are: $26,964 in 2009.

(b) The OM&A costs for each system and the capital cost for ERP, Existing CIS and GIS are shown in (a).

The capital costs for the new CIS are now estimated to be $537,403 in 2008 and $1,800,000 in 2009 (previously $1,072,000). See OEB Board Staff Interrogatory #5.

(c) The criteria for capital vs. operating as per the CICA Handbook guidelines.

12. Ex. 4, p. 33: In 2010 OM&A increases by $457,00 due to "Inflation on Non-Labour Items and All Other Charges" Of this amount, the company identifies $86,000 arising out of rebasing costs ($40,000 in 2010), IFRS conversion ($25,000 in 2010) and LEAP ($21,000). Please provide a breakdown of the other $371,000.

Response:

The increased amount of $457,000 is not the 2010 OM&A increase but the cumulative total as per Exhibit 4, Table 11, page 27. As noted in Exhibit 4, Page 33, it is estimated that the price increase based on inflation totals $267,000 of the total. Additional information can be found in the response to the OEB Board Staff Interrogatory #19.

13. Ex. 4: Shared Services Costs: Water and Sewer Billing/Collections charges to the City of Cambridge have increased consistently by approximately 4-4.5% per year:

(a) Will the new CIS system also be used to provide water and sewer billing/collection services for the City of Cambridge?

(b) If so, has the cost of the new system been incorporated into the 2010 charges to the City of Cambridge? If it has, please explain how much and how the amount was determined. If not, why not?

(c) Please provide CNHDI's estimate of what the incremental charge to the City of Cambridge would be if the City were to be allocated a share of the cost of the new CIS system.

Response:

a) We have recently given notice to the City of Cambridge and the Region of Waterloo that we will cease to provide water and sewer billing/collection services beyond October 1, 2010. Prior to that date, we will be using our new CIS system.

b) When the rate application was being prepared, it was uncertain if water and sewer billing/collection services would be an on-going service that would be provided. The recovery of costs for the new system was therefore deferred until 2011.

c) Based on the notice given, there will be no allocation of costs to the City of Cambridge.

Cost Allocation and Rate Design

14. Ex. 7, p. 3:

(a) SEC would like a better understanding how the $2,461,873 revenue deficiency is being recovered from each rate class. Therefore, with respect to table 2 on p. 3, using existing cost allocation, please add a column showing the 2009 revenue $22,927,104, and how it is allocated by rate class under the existing cost allocation method.

(b) Please explain why the totals of the columns on Table 2 on pg. 3 entitled "Total Revenue Before

(c) Please explain why virtually no effort has been made to reduce the over-payment of the GS>50kW rate class or to reduce the subsidy enjoyed by the GS>1,000kW rate class. As a result, the GS>50kW rate class will see a distribution rate increase (excluding the impact of regulatory asset rate riders, which are temporary) of 11% in 2010.

Response:

a) The updated table requested showing how the 2009 revenue of $22,927,104 is allocated by rate class under the existing cost allocation method is presented below.

Customer Class	Revenue Requirment from 2010 Cost Allocation Study	2010 Serv Rev Requirement Allocated as per Distrubtion @ Existing Rates	2010 EDR Miscellaneous Rev Allocation - Cost Allocation	Total Revenue Before Adjsutment for Rev/Cost Ratio	2010 Revenue Assuming Proposed Revenue to Cost Ratios	Revenue Cost Ratios	2009 Revenue	Percentage Per Rate Class Based on Cost Allocation Model
Residential	$12,756,732	$11,791,929	$999,552	$12,791,481	$11,783,482	100.27%	11,718,246	51.11%
General Service < 50 kW	$2,762,076	$3,340,798	$205,096	$3,545,894	$2,977,093	128.38%	2,537,224	11.07%
General Service > 50 to 999 kW	$5,345,011	$5,944,130	$242,164	$6,186,294	$5,915,827	115.74%	4,909,890	21.42%
General Service > 1000 to 4999 kW	$1,639,816	$1,485,458	$82,232	$1,567,690	$1,485,458	95.60%	1,506,323	6.57%
General Service > 5000 kW	$990,307	$526,989	$29,396	$556,386	$669,488	56.18%	909,689	3.97%
Street Lights	$916,886	$93,382	$32,458	$125,840	$351,339	13.72%	842,245	3.67%
Unmetered Loads	$84,181	$68,764	$7,304	$76,068	$68,764	90.36%	77,328	0.34%
Embedded Distribution	$463,926	$94,473	$14,808	$109,281	$94,473	23.56%	-	
Total	**$24,958,934**	**$23,345,924**	**$1,613,010**	**$24,958,934**	**$23,345,924**		**$22,927,104**	

b) As per email from John DeVellis dated November 19, 2009, this Interrogatory can be disregarded.

c) Cambridge and North Dumfries Hydro Inc. reduced the revenue to cost ratio to the GS>50 – 999 kW rate class by 0.45% to be in line with the proposed revenue to cost ratio of the GS<50 kW rate class even though the revenue to cost ratio for the GS>50 to 999 kW rate class was within the Board's acceptable range. The revenue to cost ratio to the GS>1,000 to 4,999 kW rate class essentially did not change since it was also within the Board's acceptable range. As a result, the GS>50 to 999 kW and GS>1,000 to 4,999 kW rate classes both see an increase in their distribution rates of around 11% in 2010. However, both classes are seeing an decrease in their total bill in 2010.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
RESPONSE TO SCHOOL ENERGY COALITION
INTERROGATORIES
EXHIBIT A

Energy+
CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Strategic Action Plan
2009

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

MISSION:

We deliver safe, reliable, quality electricity and customer service to meet the needs of our communities.

VISION:

Cambridge and North Dumfries Hydro Inc. will exceed customer and other stakeholder expectations through operational excellence.

Strategic & Tactical Statements

Strategic & Tactical Statement #1: Team Development and Performance

As an organization we seek to enhance team member engagement and organization effectiveness. We will strive to have shared team member expectations and to meet those common expectations to achieve operational excellence.

Strategic & Tactical Statement #2: Operational Efficiency

The organization must operate in a continuous improvement mode. We will therefore identify and act on opportunities to improve process efficiencies with emphasis to exceed stakeholder expectations. Success in achieving this vision will be determined through stakeholder surveys and based on select industry criteria and best practices benchmarking.

Strategic & Tactical Statement #3: Exploring Business Opportunities

The organization's knowledge base and financial strength should be utilized to capitalize on opportunities for possible new or expanded business opportunities.

Strategic & Tactical Statement #4: Supply, Reliability and Quality

The organization must be focused on improvements in reliability/quality and the long term adequacy of supply and respond to the impact of renewable generation.

Strategic & Tactical Statement #5: Health, Safety, Environment and Regulatory

The organization is committed to continuous improvement in our health and safety culture, environmental stewardship and regulatory compliance.

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Strategic & Tactical Statement #1: Team Development and Performance
As an organization we seek to enhance team member engagement and organization effectiveness. We will strive to have shared team member expectations and to meet those common expectations to achieve operational excellence.
Imperatives:
Worthwhile and Beneficial Tasks: 1. Reinforce the core values of the organization. - At least one employee information meeting per year will include: o A topic on our Corporate Guiding Principles. o Provide an overview of measurement systems/benchmarks and share the scorecard results. 2. All performance reviews will include individual objectives aligned to overall corporate goals. 3. Optimize the impact of the key performance indicators program. - Review need for formal staff meetings for sharing of goals and measures. - Department and company wide measures posted on a timely basis – 15 days after month end. 4. Analyze overtime by department and identify areas of vulnerability 5. Based on introduction of new program (benchmarking), formally reevaluate communication side of sharing of goals and impact of measures in the last half of the year. 6. Expand orientation to include expanded time in the field. 7. Identify key positions to determine risk to the organization should they become vacant. Determine plan to backfill, including lateral moves.

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Strategic & Tactical Statement #2: Operational Efficiency

The organization must operate in a continuous improvement mode. We will therefore identify and act on opportunities to improve process efficiencies with emphasis to exceed stakeholder expectations. Success in achieving this vision will be determined through stakeholder surveys and based on select industry criteria and best practices benchmarking.

Imperatives:

1. Implement new CIS system with a target "go live" date of no later than May 2009.
    - Evaluate realignment of workload impacted by system template.
    - Ensure customer impact of transition is properly co-ordinated.
    - Establish timelines for switch to monthly billing.
    - Ensure complete and timely staff training on new system and user processes.
2. Implement Smart Meters with commencement of mass deployment in late 2009.
    - Start the study of operational efficiency that can come with the AMI/Smart Grid.
    - Connection to SAP/MDMR.

Worthwhile and Beneficial Tasks:

1. Develop strategies to improve financial performance.
    - Analyze inventory turns.
    - Examine accounting issues with evaluation of items returned to inventory.
    - Review process to improve accurate job costing.
    - Study cost/benefits with cash receipts handling.
2. Study cost/benefit to bring data up to date and keep it up to date for GIS. Based on study, potentially complete during 2009.
3. As part of the updating of the telephone technology, examine and/or implement call Management, IVR options (voice recognition) and outage management interface.
4. Continue the evaluation of various tasks/processes for "one point of contact" for customer interfaces.
5. Initiate a process/action plan to ensure a smooth transition to IFRS International Financial Reporting Standard.

Strategic & Tactical Statement #3: Exploring Business Opportunities
The organization's knowledge base and financial strength should be utilized to capitalize on opportunities for possible new or expanded business opportunities.
Imperatives: Finalize the strategy for dealing with water meter reads and the issue of who will own and maintain the remote read hardware.
Worthwhile and Beneficial Tasks: 1. Develop plan of how to enhance the position of our utility in anticipation of future mergers and/or acquisitions. 2. Initiate a report on possible new services that could be of interest to residential customers as smart meter billing variables become relevant (i.e. load control, in home display). 3. Actively support SAP in encouraging an increase in the number of utilities in CIS Group. 4. Examine opportunities for offering of related services, i.e. underground burnoff repairs, locates, rural pole lines). 5. Examine concept of selling materials to third parties with adequate mark up and controls.

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Strategic & Tactical Statement #4: Supply, Reliability and Quality
The organization must be focused on improvements in reliability/quality and the long term adequacy of supply and respond to the impact of renewable generation.
Imperatives: Finalize 4KV rebuild and de-energize last 3 distribution stations.
Worthwhile and Beneficial Tasks: 1. Submit at least one application for OPA custom funding. 2. Design community based conservation initiatives to ensure we utilize 100% of CDM Community Fund. 3. Monitor Galt T.S. issue and actively lobby Hydro One to get higher level of response.

Strategic & Tactical Statement #5: Health, Safety, Environment and Regulatory

The organization is committed to continuous improvement in our health and safety culture, environmental stewardship and regulatory compliance.

Imperatives:

1. Continue the multi year program for the implementation of a Safety Management System based on CSA Z1000-6 standard.
   - Evaluate effectiveness of OHS standards and recommend improvements.
   - Communicate audit results for shared learning with the goal of preventing similar occurrences.

2. Develop safe work practices/procedures to meet E&USA requirements.
   - Prioritize requirements and complete areas of highest risk.
   - Ensure safe work practices/procedures are shared with those impacted.

3. Complete Rate application for rebasing in 2010.
   - Develop data to support Asset management requirement for rate application amounts for capital and OEM.

Worthwhile and Beneficial Tasks:

1. Enhance environmental stewardship
   - Enhance waste management programs, eg. need for telephone books.

2. Audit the Environmental Management System to correct and enhance environmental programs.

3. Ensure compliance with PCB regulations, changes.

4. Promote a healthy lifestyle in our organization.
   - Continue the Healthy Lifestyle program and delivery of regular Munch and Learn presentations.
   - Establish partnership with Project Health (Region of Waterloo Public Health) to promote healthy workplace.
   - Poll staff for interest in smoking cessation

Cambridge and North Dumfries Hydro Inc.
President & CEO Performance Bonus Plan

General Principles

Cambridge and North Dumfries Hydro Inc. believes that its President & CEO should have the opportunity to earn bonuses for achievement of near-term corporate goals and financial measures and both near-term and longer-term individual objectives. These achievements should enhance the Strategic Plan and the other performance bonus programs (Supervisory and Senior Executive). The targets to earn a bonus should be a stretch but attainable.

This revised bonus policy will be implemented effective January 1, 2008 and replace the plan dated August 30, 2007.

Participation

An Individual who joins the company during the year is only eligible to participate in the individual objectives section.

Structure

The Performance Bonus Plan is comprised of two components:

1. Achieving Individual Objectives
2. Exceeding near-term corporate financial goals.

The potential bonus of 30% of annual base salary (December 31) is allocated as follows: 15% allocated to individual objectives and 15% to exceeding corporate financial goals.

Annual Cycle

The Performance Bonus Program will be a 12-month cycle, beginning in January 1st and completing December 31st.

1. Achieving Objectives Bonus Calculations

The majority of the individual objectives should be identified in the Strategic Plan so as to achieve maximum corporate alignment.

The objectives should be categorized into five topics (themes) and have multiple action plans for each. These action plans will outline and provide the framework for achievement of the objectives.

Prior to February 15th of each year, the President will provide a draft of the objectives to the Chair. The President and Chair will review the draft and establish agreement on the content and agree upon the weighting of each topic. The document will then be forwarded to the Human Resources/ Nominating/ Governance Committee for review and recommendation to the Board of Directors.

The completed accomplishments/progress will be jointly reviewed by the Chair and Human Resources/Nominating/Governance Committee. In each of the five topic areas, an evaluation will be completed to establish an overall percentage completed. The percentages of the five topics will be averaged based on the predetermined weighting to calculate an average. The weighting will be multiplied by the 15% to determine the multiplier for the bonus amount payable.

Example:

Topics	% Achieved (A)	Weighting (B)	Factor (A X B)
1	80	15/100	12.00
2	85	25/100	21.25
3	90	20/100	18.00
4	100	15/100	15.00
5	95	25/100	23.75

Weighted Average of % Achieved 90.00

Bonus Multiplier 90% X 15% = 13.5%

Due to changing circumstances, certain objectives/action plans may become inappropriate as the year progresses. Should this occur, an individual would have the opportunity to replace an existing objective/action plan with one which is more appropriate. Any change requested requires the approval of the Chair. Note that changes will be considered the exception and not the norm.

2. Exceeding Near-Term Corporate Financial Goals

The bonus calculations will use the budget approved by the Board of Directors as the reference point.

The calculation base for the plan will be EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to reflect controllable factors. To ensure there is appropriate stretch, no bonus is payable simply for achieving the budget. Bonus calculations would be as follows:

% Improvement in EBITDA (1) Over Budget	**% Applied to Base Salary For Bonus Calculation**
0.0% - 2.4%	.0%
2.5% - 4.9%	7.4%
5.0% - 7.4%	12.4%
7.5%+	15.0%

(1) A base amount of $1 MILLION is required.

No portion of the bonus will be paid if there has been no net income after tax made by the company.

The draft financial goal component will be reviewed by the external Auditor and feedback provided to the Audit Committee. The Audit Committee will provide input to the Human Resources/Nominating/Governance Committee and Chair.

The President and Audit Committee may mutually agree to include unusual items (positive and negative) at the time of the annual review of the corporate financial goal component of the President & CEO Performance Bonus Plan.

Conditions, Amendments and Termination

Bonus payments are conditional on the corporation achieving profitability and under certain circumstances no bonus payments (financial performance or objective) will be made. The Board of Directors have the authority to amend bonus plan terms at any time. This includes the authority to amend the terms of the bonus plan to recognize extraordinary events, which have affected bonus payments.

The Chair and the Human Resources/Nominating/Governance Committee will provide a recommendation for approval by the Board so that the bonus can be paid no later than April 30th each year.

A participant who leaves the employ of the organization prior to December 31st will forfeit their membership in the program and will not receive any payments. A participant who leaves the employ of the organization following December 31st shall be paid their bonus payment, unless such individual was terminated with just cause.

A participant who retires prior to December 31st shall receive an evaluation of the status of their objective portion and a bonus payment will be made equivalent to the achievement at date of retirement.

Cambridge and North Dumfries Hydro Inc.
Senior Executive Performance Bonus Policy

General Principles

Cambridge and North Dumfries Hydro Inc. believes that its Senior Executives should have the opportunity to earn bonuses for achievement of near-term financial results and both near-term and longer-term individual objectives. These achievements should enhance the Strategic Plan and the Supervisory Performance Bonus Program. The targets to earn a bonus should be a stretch but attainable.

This revised bonus policy will be implemented effective January 1, 2008.

Participation

Participation in the Senior Executive Performance Bonus Plan is limited to the executive team: ie: positions reporting directly to the President & CEO.

Executives who join Cambridge and North Dumfries Hydro Inc. during the year are only eligible to participate in the individual milestone section on a pro-rata basis.

Structure

The Senior Executive Performance Bonus Plan is comprised of two components:

1. Financial Performance Based on Actual Compared to Budget For Operating Expenditures and EBITDA
2. Achieving Individual Milestone Objectives

Annual Cycle

The Senior Executive Performance Bonus Program will be a 12-month cycle, beginning in January and completing in December. Objectives (Milestones) will be prepared and signed off by March 15th. Evaluations will be completed and signed off by December 20th.

1. Financial Performance Based Bonus Calculation

These bonus calculations use the budget approved by the Board of Directors as the reference point.

No portion of these bonuses will be paid if there has been no profit made by the company.

Individual Department Focus

Each individual has responsibility for certain controllable budgeted costs. The applicable portion of the approved budget would be allocated to each individual. At the discretion of the President &CEO and in collaboration with the individual, some items totally beyond the control of the individual may be removed from the final calculations.

The bonus would be calculated based on overall improvement in spending, in a tiered structure as follows:

No bonus would be payable for any savings less than 1% as a percentage (%) of budget.

If the savings were 1% or greater a bonus of 10% of the total savings up to a maximum of 10% of annual base salary (December 31). Effective January 1, 2009, the bonus will be up to a maximum of 7% of annual base salary.

Exceeding Near-Term Corporate Financial Goals (Effective January 1, 2009)
The calculation base for the plan will be EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to reflect controllable factors. To ensure there is appropriate stretch, no bonus is payable simply for achieving the budget. Bonus calculations would be as follows:

% Improvement in EBITDA (1) **Over Budget**	**% Applied to Base Salary For Bonus Calculation**
0.0% - 2.4%	.0%
2.5% - 4.9%	1.0%
5.0% - 7.4%	2.0%
7.5%+	3.0%

(1) A base amount of $1 MILLION is required.

The President and Audit Committee may mutually agree to include unusual items (positive and negative) at the time of the annual review of the corporate financial goal component.

2. Achieving Milestones Bonus Calculations

The individual milestone bonus is based on the achievement of specific individual objectives that have been agreed to by the individual and the President & CEO. Each participant is eligible for individual milestone bonus payments up to a maximum of 10% of their annual base salary (December 31).

There will be six milestone objectives set at the beginning of the year, all focused on the medium to long term development of the corporation or individual. It is desirable that one milestone be focused on the personal development of the individual. The objectives will be identified by the participant and approved by the President & CEO.

Each of the six (6) goals will be rated out of a potential three (3) points. Therefore the potential maximum points to be earned will be eighteen (18) points.

Ratings (points) will be defined as follows:

0 did not attempt any significant effort in initiating or accomplishing the goal

1 attempted the goal but did not complete the goal to a satisfactory level

3 completed goal

The final ratings will then be transferred to the chart described below for calculation of the payment.

Ratings/Payment Scale:

Ratings scale	Percentage of base salary payment
0 - 2	**0%**
3 - 4	**1%**
5 - 6	**2%**
6 - 7	**3%**
8 - 9	**4%**
10 - 11	**5%**
12	**6%**
13	**7%**
14 – 15	**8%**
16	**9%**
17 - 18	**10%**

Due to changing circumstances, certain milestones may become inappropriate as the year progresses. Should this occur, an individual would have the opportunity to replace an existing milestone with one, which is more appropriate. Any change requested requires the approval of the President & CEO. Note that changes will be considered the exception and not the norm.

Conditions, Amendments and Termination

Bonus payments are conditional on the corporation achieving a certain level of profitability and under certain circumstances no bonus payments (financial performance or milestone) will be made. The Board of Directors and President & CEO have the authority to amend bonus plan terms at any time. This includes the authority to amend the terms of the bonus plan to recognize extraordinary events, which have affected bonus payments.

The President & CEO will approve and initiate payment of the bonus, payable by April 30th of the following year and payable on an annual basis.

A participant who leaves the employ of the organization prior to December 31st will forfeit their membership in the program and will not receive any payments. A participant who leaves the employ of the organization following December 31st shall be paid their bonus payment, unless such individual was terminated with just cause.

A participant who retires prior to December 31st shall receive an evaluation of the status of their milestone portion and a bonus payment will be made equivalent to the achievement at date of retirement.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
RESPONSE TO SCHOOL ENERGY COALITION
INTERROGATORIES
EXHIBIT D

Cambridge and North Dumfries Hydro Inc.
Supervisor Performance Bonus Program

General Principles

Cambridge and North Dumfries Inc. believes that its Supervisor Team should have the opportunity to earn performance bonuses for achievement in the areas of management effectiveness and strategic initiatives that contribute to the growth and enhancement of the organization.

Participation

Participation is limited to those positions reporting directly to a member of the Senior Management Team.

Participants who join the Supervisor Team in the first six months of the calendar year will be eligible to participate in the Supervisor Performance Bonus Program. A supervisor joining the Supervisor Team in the last six months of the year will be eligible for the program in the following year.

Program Structure

Annual Cycle:

The Supervisor Performance Bonus Program will be a 12-month cycle, beginning in January and completing in December. Goal templates will be completed and signed off by February 15th. The Senior Management Team will provide final approval in February[1]. Progress reviews will be completed in June. Evaluations will be completed and signed off by December 20th.

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[1] This is due to the implications that may arise when two or more supervisors' goals are connected and/or integrated, therefore having implications for other supervisor's achievement.

Components:

There are two (2) components to the Management Performance Bonus Program.

1. Management Effectiveness
2. Management Initiatives

A template will be provided for each component.

Each component will be comprised of three (3) goal sections. There are six (6) goal sections in total.

The supervisor will be required to write five goals. A supervisor can select the sections in which they want to write their goals. Only one section may have a maximum of two goals. Therefore a minimum of four (4) sections will be completed with goals.

The person the supervisor reports to will meet with the Supervisor to discuss and approve all goals.

1. Management Effectiveness

Management Effectiveness will be comprised of the following areas and follow the template provided:

<u>Goal Section #1: Project Management</u>

This section will encompass goals relating to performance required to complete and accomplish projects. Project management includes the following types of skills:

Setting goals and objectives and identifying measurable targets
Identifying problems and resolving issues
Planning effectively and producing results on a timely basis
Organizing resources for maximum achievement
Making decisions based on sound analysis and judgment
Managing time effectively and efficiently

Goal Section #2: People Management

This section will encompass goals relating to the ability of the supervisor to manage and motivate people under their direct responsibility. People management includes the following types of skills:

Delegating appropriately with assigned accountability
Team building
Completing performance appraisals in a timely and responsive manner
Developing people and providing opportunities for challenging work assignments
Facilitating change and managing conflict in a positive and fair manner

Goal Section #3: -Professional and Personal Development

This section will encompass goals relating to the supervisor's personal training and development in their current position and in preparation for future career plans. Professional and personal development includes the following types of skills:

Making a commitment to take on challenging assignments
Identifying training and development objectives
Attending courses and workshops both internally and externally

2. Management Initiatives:

Management Initiatives will be comprised of the following areas and follow the template provided:

Goal Section #4: Strategic Initiatives:

Goals will be based on objectives relating to growth, opportunities, new ideas, leadership roles and customer relations within the supervisor's department. The Cambridge and North Dumfries Hydro Inc. Strategic Business Plan will be a source for ideas in developing goals for this section.

Goal Section #5: Quality and Continuous Improvement Initiatives

Goals will be based on objectives relating to improvements in processes, efficiencies and effectiveness within the supervisor's department. Quality and continuous improvement projects should relate to the overall performance of the corporation and may involve creating project teams for a specified period of time.

Goal Section #6: Costs

Goals will be based on objectives relating to financial projects, plans and programs within the control of the supervisor's department. This section refers to goals that are within the control of the supervisor to change, reduce or modify.

Mid-Cycle Goal Changes and Revisions:

Throughout the cycle of the program there may arise circumstances that may cause a goal to be revised or changed. The person whom the supervisor reports to shall approve any changes or revisions to a supervisor's goals. The amended goals shall then be reviewed and approved by the Senior Management Team.

This is due to the implications that may arise when two or more supervisor's, goals are connected and/or integrated, therefore having implications for other supervisor's achievement. Any mid-cycle goal changes should be considered the exception and not the norm.

Templates:

There will be two templates:
1. Management Effectiveness
2. Management Initiatives.

The templates provided for the two components described above will incorporate sections for documenting goals, progress reviews, evaluations, ratings, and sign-offs by the supervisor and respective Director.

Definitions for ratings will also be provided on the templates.

Payment

The performance bonus will be calculated at eight percent (8%) of the supervisor's base salary as of December 31st of the current performance cycle.

<u>Performance Bonus Payout Calculation Formula</u>

Each of the five (5) goals will be rated out of a potential three (3) points. Therefore the potential maximum points to be earned will be fifteen (15) points.

Ratings will be defined as follows:

0	did not attempt any significant effort in initiating or accomplishing the goal
1	attempted the goal but did not complete the goal to a satisfactory level
3	completed goal

The final ratings will then be transferred to the chart described below for calculation of the payment.

Ratings/Payment Scale:

Ratings scale	**Percentage of base salary payment**
0	**0%**
1 – 2	**1%**
3	**2%**
4 - 5	**3%**
6 – 7	**4%**
8	**5%**
9 - 10	**6%**
11 – 13	**7%**
14 – 15	**8%**

Example:

The following chart shows a ratings and payment scale based on an average supervisor's salary of $80,000; therefore at full payment of eight percent (8%) the recipient would receive $6400.

Points	% Payout	Goal Completion examples	Payment
0	0%	no goals worthy of rating	$ 0
1 – 2	1%	1 or 2 attempted	$ 800
3	2%	1 goal completed or 3 attempted	$1600
4 - 5	3%	1 goal completed and 1 or 2 attempted	$2400
6 - 7	4%	2 goals completed or combination of completed and attempted	$3200
8	5%	2 goals completed and 2 attempted	$4000
9 - 10	6%	3 goals completed or 2 completed and 3 attempted	$4800
11 - 13	7%	4 goals completed and 1 attempted 3 goals completed and 2 attempted	$5600
14 – 15	8%	5 goals completed	$6400

<u>Conditions and Amendments</u>

Performance Bonus payments are conditional on the corporation achieving a certain level of profitability and under certain circumstance no bonus payments (management effectiveness or management initiatives) will be made.

The Board of Directors and the President & CEO has the authority to amend the terms of the Supervisor Performance Bonus Program at any time. This includes the authority to amend the program to recognize extraordinary events, which affect the corporation or the bonus program.

The Senior Management Team will approve and initiate the payment of Bonuses, payable by April 30th of the following year. The payments will be deemed final at the point of payout.

A participant who leaves the employ of the organization prior to December 31st will forfeit their membership in the program and will not receive any payments. A participant who leaves the employ of the organization following December 31st shall be paid their bonus payment.

A participant who retires prior to December 31st shall receive an evaluation of the status of their goals and a bonus payment will be made equivalent to the achievement at date of retirement.

Cambridge and North Dumfries Hydro Inc.
Supervisor Performance Bonus Program

Instructional Sheet

Key Dates:

Performance Cycle:	January to December
Goal Writing and Sign Offs:	February 15th
Senior Management Team Final Approval:	February
Progress Reviews:	June
Final Evaluation:	December 20th

Definitions:

Management Effectiveness:

In this section of the Supervisor Performance Bonus Program goals will be written to reflect project management, people management and personal development. Documents, which will assist in writing stretch goals, will be the most recent performance evaluation and development plan, department meetings, committee and project plans and other such sources which provide an environment for the manager to demonstrate their effectiveness as a supervisor.

Management Initiatives:

In this section of the Supervisor Performance Bonus Program goals will be written to reflect the supervisor’s contributions and participation in the organization’s overall performance goals. Documents which will assist in writing stretch goals will be the Strategic Plan, the Senior Management Team’s milestone goals, Departmental goals and objectives, and any organizational reports relating to strategies, quality and financial performance.

Approval Process:

The supervisor should write their goals first, present them to their Director and then schedule a meeting to discuss and finalize the goals. All goals will be presented and reviewed by the Senior Management Team and given final approval by February each year.

Appeal Process:

Any concerns should be discussed between the supervisor and their Director first. If the problem or issue cannot be resolved it will be directed to the President & CEO for final resolution.

Goal Writing:

An effective goal will have answered the six (6) critical questions for the reader: Who, What, Where, When, Why and How.

Goals should also follow the SMART principle:
S – simple, M- measurable, A –attainable, R – results-focused, T – timely.

Examples:

Management Effectiveness:

Goal Section # 1: Project Management

Example 1:
Initiate a project to evaluate the process to handle a new connection. Identify areas of improvement, streamline and implement changes. Completion by September.

Example 2:
Participate in a team that examines and makes recommendations on ways to increase level of customer satisfaction on customer moves.

Example 3:
Research, select, and implement a “Secondary” system to reduce the volume of SPAM email messages CNDHI receives by 50% per day. Project plan by March.

Goal Section # 2: People Management:

Example 1:
Initiate, design and implement three team-building events every few months during the year. The events will address three key issues as identified by staff in a survey conducted at the beginning of the year. Evaluations will follow each event and the data collected will be used to improve future events. All events to be completed by December.

Goal Section #3: Personal Development

Example 1:
Register and attend two key training programs as identified in my performance appraisal action plan relating to one of the following:

1. ________________________________
2. ________________________________
3. ________________________________

eg. cost reduction best practices, inventory control, performance appraisals and developing people.

Programs to be completed by December.

Management Initiatives:

Goal Section #4: Strategic

Example 1
Work to enhance environmental stewardship in our community, in our operations and with our employees. Evaluate the Environmental Management System Program. Review and revamp the Program to accommodate our internal processes for implementation by July. This will require documenting the Plan to implement, the communication channels and the timing for review by June. Revisions and final changes to be completed by July. Full project evaluation to be completed by October.

Goal Section #5: Quality and Continuous Improvement

Example 1
Actively monitor the administrative work load for completing meter related service orders that the secretarial support normally processes to ensure all service orders are completed within five working days of the meters being changed or installed. Provide regular status updates to Operations. The focus will become more imperative as work is shifted from the Sub foreperson to clerical and the overtime is reduced for the Sub.

Example 2
Based on telephone answering stats for year, improve following year results up to November 30th by 8%.

Goal Section #6: Costs

Example 1
Establish the framework for written feedback on actual financial results versus budget on quarterly expense data. Draft in first quarter, preliminary usage in second quarter, refinement and implementation in third quarter.

Please note that it is required for all supervisors to discuss their goals with their Director prior to initiating any work. The goals will be given approval by the Supervisor's Director and a final review by the Senior Management Team.