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December 7, 2009

RESS & COURIER

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli:

Re: Great Lakes Power Transmission LP - Application for 2010 Transmission Rates - Amendments and Additions to Pre-Filed Evidence (EB-2009-0408)

We are counsel to Great Lakes Power Transmission LP ("GLPT") in the above-noted proceeding. GLPT filed its application and pre-filed evidence for 2010 transmission rates on November 30, 2009. GLPT would like to update its pre-filed evidence with the addition of certain new information that was not available at the time of filing, as well as with related amendments to certain materials that have already been filed, as follows:

1. Addition of Exhibit 4, Tab 2, Schedule 3 (Employee Compensation Breakdown) **(See Schedule "A")**;

2. Addition of Appendix "A" (*Great Lakes Power Transmission Operation Cost Analysis*, Prepared by First Quartile Consulting, LLC, December 7, 2009) to Exhibit 4, Tab 2, Schedule 1 (OM&A Overview) **(See Schedule "B")**;

3. Amendments to:

   (a) Exhibit 1, Tab 2, Schedule 1 (Summary of the Application) **(See Schedule "C")**;

   (b) Exhibit 4, Tab 2, Schedule 1 (OM&A Overview) **(See Schedule "D")**; and

   (c) Exhibit 4, Tab 2, Schedule 2 (OM&A Variance Analysis) **(See Schedule "E")**.

A copy of each of the additional items of pre-filed evidence are provided in Schedules "A" and "B". Clean and blackline copies for each amended schedule to the pre-filed evidence are provided in Schedules "C" through "E". In addition, GLPT has filed through RESS and enclosed on CD-ROM a complete version of the updated pre-filed evidence.

Yours truly,

Charles Keizer

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SCHEDULE "A"

Exhibit 4, Tab 2, Schedule 3 - Employee Compensation Breakdown

EMPLOYEE COMPENSATION

In accordance with the Filing Requirements, GLPT has provided the following table outlining employee compensation for the period of 2006 actual to the 2010 test year. **Appendix "A"** of this schedule outlines GLPT's approach to employee incentive pay.

Table 4-2-3 A – Employee Compensation

	2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Test Year
Number of FTE's (Incl. Part Time)					
Union	13.0	11.1	11.9	20.8	28.9
Non-Union	13.5	12.3	13.3	19.1	25.8
Total	**26.5**	**23.4**	**25.2**	**39.9**	**54.7**
Number of Part Time Employees					
Union	0.8	0.7	0.9	0.6	1.5
Non-Union	2.7	2.4	2.4	4.3	0.8
Total	**3.5**	**3.1**	**3.3**	**4.9**	**2.2**
Total Salary & Wages ($000's)					
Union	$964.5	$776.1	$905.6	$1,508.9	$2,275.8
Non-Union (Excludes Incentive Pay)	$848.2	$773.3	$877.0	$1,392.7	$2,080.1
Total	**$1,812.7**	**$1,549.5**	**$1,782.6**	**$2,901.7**	**$4,355.9**
Total Benefits ($000's)					
Union	$292.5	$307.8	$340.4	$752.1	$778.4
Non-Union	$259.6	$262.9	$287.1	$450.7	$691.2
Total	**$552.1**	**$570.7**	**$627.5**	**$1,202.8**	**$1,469.5**
Total Compensation ($000's) (Salary, Wages & Benefits)					
Union	$1,257.0	$1,084.0	$1,246.0	$2,261.1	$3,054.2
Non-Union (Includes Incentive Pay)	$1,247.0	$1,115.4	$1,246.6	$1,981.5	$3,024.1
Total	**$2,504.0**	**$2,199.4**	**$2,492.7**	**$4,242.5**	**$6,078.3**
Compensation - Average Yearly Base Wages ($000's)					
Union	$53.0	$56.5	$59.3	$63.8	$67.8
Non-Union (Excludes Incentive Pay)	$62.8	$62.7	$65.9	$72.9	$80.5
Total	**$115.8**	**$119.2**	**$125.2**	**$136.8**	**$148.4**
Compensation - Average Yearly Overtime ($000's)					
Union	$21.2	$13.6	$17.1	$8.7	$10.9
Non-Union	$0.0	$0.0	$0.0	$0.0	$0.0
Total	**$21.2**	**$13.6**	**$17.1**	**$8.7**	**$10.9**
Compensation - Average Incentive Pay ($000's)					
Union	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Union	$12.9	$8.0	$7.6	$9.3	$10.1
Total	**$12.9**	**$8.0**	**$7.6**	**$9.3**	**$10.1**
Compensation - Average Yearly Benefits ($000's)					
Union	$22.5	$27.8	$28.7	$36.2	$26.9
Non-Union	$19.2	$21.3	$21.6	$23.6	$26.8
Total	**$41.7**	**$49.1**	**$50.3**	**$59.8**	**$53.7**
Grand Total					
Total Compensation	**$2,504.0**	**$2,199.4**	**$2,492.7**	**$4,242.5**	**$6,078.3**
Total Compensation charged to OM&A	**$1,500.5**	**$1,642.9**	**$2,092.8**	**$3,892.1**	**$4,910.2**
Total Compensation Capitalized	**$1,003.5**	**$556.5**	**$399.9**	**$350.4**	**$1,168.1**

APPENDIX "A"

EMPLOYEE INCENTIVE PLAN EXPENSE

EMPLOYEE INCENTIVE PLAN EXPENSE

1.0 Description

All permanent, non-union employees with at least three months of service participate in GLPT's variable pay program. The target incentive compensation ranges from 5% to 25% of base salary. Depending on performance results, the incentive compensation paid out can range from zero to two times the target incentive compensation.

2.0 Performance Measures

The employee incentive plan is based on three key performance criteria: (a) GLPT corporate performance, (b) working group performance, and (c) individual performance.

2.1 GLPT Corporate Performance

GLPT corporate performance objectives are determined at the beginning of the year based on the annual operating plan and focus on specific financial drivers, such as Net Operating Income (NOI) or Return on Equity (ROE). The extent to which GLPT meets its corporate objectives determines the incentive to be paid under the GLPT corporate performance criterion.

2.2 Working Group Performance

Working group performance objectives are based on specific goals that are relevant to each working group. Working groups are determined based on duties and functions within the company and the duties and functions of the company as a whole. Common working group performance objectives include:

Safety

- Zero high-risk incidents and zero lost time injuries related to gravity, electrical and mechanical;
- Maintain an effective health & safety management system. Achieve a score in respect of a third party audit of health and safety management and implementation of at least 85%; and
- Achieve third party audit score increase in specific elements of safety planning, contractor safety, work observations and safety training.

Providing incentives for the types of behaviour associated with these objectives is to the benefit of ratepayers as accidents affect productivity and work completion and also can be costly in respect of work stoppage, investigation, legal review and rehabilitation.

Environment

- Maintain an effective environmental management system. Achieve a score in respect of a third party audit of environmental management and implementation of at least 80% or achieve a positive delta from previous annual score;

- Develop an action plan and implement all priority 1 recommendations from previous audit to ensure improvement;

- Zero high risk incidents (i.e. no spills, species endangerment); and

- Achieve third party audit score increase in public safety specific system element.

This benefits ratepayers by avoiding costs from spills and other environmental issues.

<u>Operations, Maintenance and Administration Costs</u>

- All planned work accomplished within established OM&A budget.

<u>Capital Budget</u>

- Ensure at least 75% of projects less than $250k are completed as per plan with respect to budget, and scope; and

- Ensure that all projects greater than $250k are completed as per plan with respect to budget and scope. Project actual spending not to exceed + or – 10% variance to budget.

This benefits ratepayers by increasing the reliability and performance of the transmission system.

2.3 Individual Performance

Individual performance measures an individual's contribution to the achievement of the objectives of their working group and GLPT. The individual's contribution is assessed in terms of results achieved by the employee against individual goals, as well as competencies demonstrated in meeting these deliverables. Key competencies include: creating value, fostering teamwork, delivering results, making a difference, and providing leadership.

SCHEDULE "B"

Appendix "A" (*Great Lakes Power Transmission Operation Cost Analysis*, Prepared by First Quartile Consulting, LLC, December 7, 2009) to Exhibit 4, Tab 2, Schedule 1 (OM&A Overview)

Great Lakes Power Transmission operation Cost Analysis

Prepared by:
First Quartile Consulting, LLC

December 7, 2009

Introduction

Great Lakes Power Transmission LP (GLPT) is a transmission owner and operator serving a portion of northern Ontario, Canada. GLPT was established as part of a series of reorganizations of Great Lakes Power Limited (GLPL) in which GLPT became the owner and operator of GLPL's transmission business. Prior to these reorganizations GLPL ran the transmission business financially separate from its generation and distribution businesses and operationally in conjunction with the distribution business. Previously the transmission business of GLPL has been through a full cost of service review. This is the first application of GLPT as a stand-alone transmitter, i.e., both financially and operationally.

First Quartile Consulting (1QC) was engaged to analyze the costs of operation of the GLPT transmission system, in comparison with those of other transmission providers in North America. There are very few true "peers" for comparison, since GLPT is somewhat unique in terms of its size, rural geographic location, and dense vegetation. Nevertheless, it is important to gain some understanding of the relative costs of operation of the system in comparison to other transmission providers, in order to determine reasonable rates for operating the company. 1QC used the data from a panel of companies who have provided that data during detailed annual benchmark studies of North American transmission utilities as a basis for comparison against GLPT.

Analysis Approach

1QC performed a set of analyses to determine how GLPT compared against a panel of companies with regard to Transmission Line, Transmission Substation and related Administrative and General (A&G) expenses. The primary basis for the comparison was a data set of Transmission Lines & Substations O&M expenses which is gathered during the annual 1QC transmission and distribution benchmark study. That study doesn't collect A&G costs as part of the standard comparisons.

The definitions used for separation of direct O&M costs versus A&G costs in the 1QC study are those used in the FERC uniform system of accounts. Canadian utilities (some of whom are included in the comparison panel) typically capture the A&G costs together with the O&M costs, and report them as OM&A. The experience from the annual 1QC benchmark studies is that the Canadian utilities are able to separate out the A&G costs effectively, by following the definitions provided in the uniform system of accounts, so their results are directly comparable,

To address the need to include A&G costs in the comparison, we gathered 2 years of A&G expenses from available FERC reports. These A&G expenses as reported to FERC are for the whole generation, transmission and distribution operation. Therefore, it was necessary to make an allocation of A&G expenses for just transmission lines & substations. A rudimentary calculation was used to allocate A&G to transmission: (transmission O&M expense / (transmission + generation + distribution O&M expense)) * total A&G expense = transmission portion of A&G expense. While this is a very simple approach to allocating the costs, it has been tested in previous years through annual benchmark studies, and has proven accurate in determining allocations that are very close to the actual allocations for each company.

GLPT's Transmission lines & substations O&M expenses and its O&M + A&G expenses were compared against the 1QC panel. To perform a valid comparison, it was necessary to normalize the data to account for the different sizes of the companies. For the primary normalizing factor we chose total transmission lines & substations assets. Through analysis over the years, we have determined that total assets is the appropriate normalization factor for transmission spending and that it is possible to accurately predict a company's O&M expenses based upon the value of the assets they have.

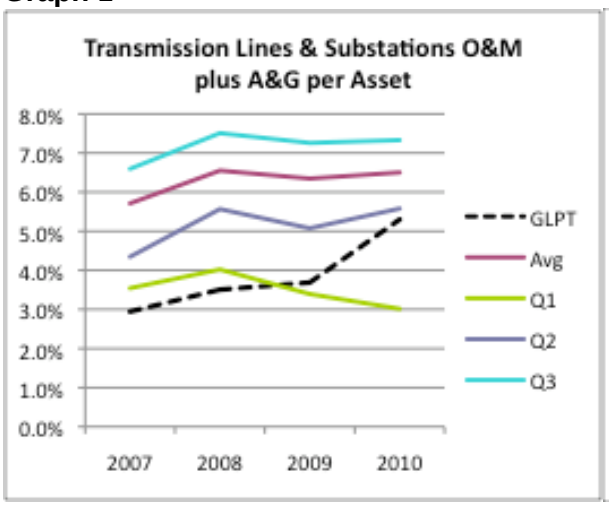
Results and Conclusions

Based upon our primary comparison, GLPT generally falls below average on a cost per asset basis. In the graphs below, the mean and quartiles are calculated without GLPT's data. They are based solely on our panel of companies, so that GLPT is being compared against a data set without influencing it.

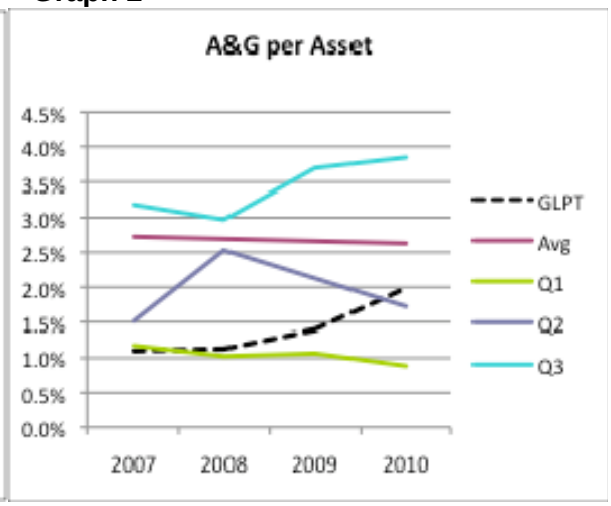
Note that in graphs 1, 2, 3, and 4, years 2009 and 2010 are projected based upon 2005 to 2008 actual data for all companies other than GLPT.

For graphs 1 and 2 below, only companies for which A&G data was available were used. GLPT compares favorably against this panel. Graph 2 shows just the A&G per asset. Clearly, while GLPT shows increasing A&G costs, the result is still very close to the median cost within the panel

Graph 1



Graph 2



Graph 3 below shows the O&M costs without the A&G costs. Despite the expected increases in costs for GLPT, the overall result in the projected period is still below average.

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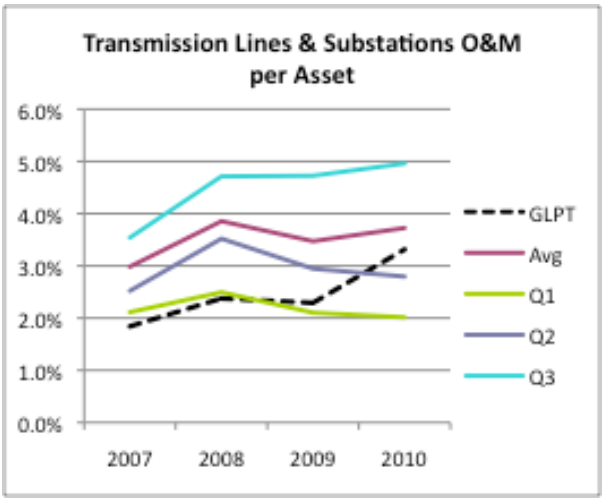
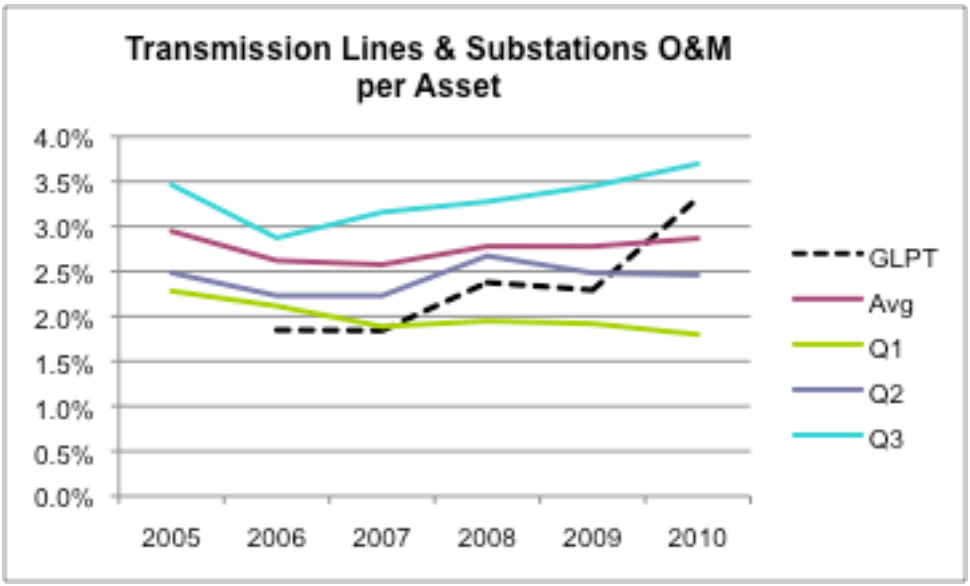
Graph 3



In Graph 4, GLPT was compared to our largest data set, which includes transmission lines and substations operations & maintenance costs and excludes A&G costs.

Graph 4:



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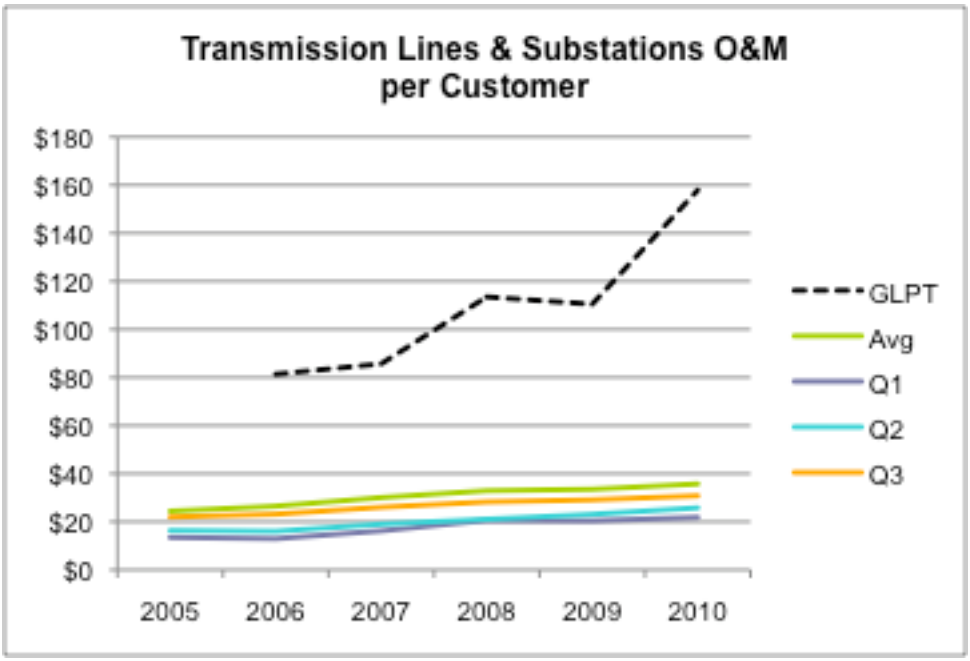
Two points of importance about the GLPT costs for 2009 and 2010 should be noted. First, GLPT is in the midst of a multi-year construction program, so the asset base will be growing. These expenditures won't be reflected in the denominator of the ratio charted until 2011, because a large portion of the expenditures will be in CWIP for the forecast period, rather than in the in-service asset base. At the same time, the new assets (primarily substation assets) will require less maintenance than the assets they are replacing. The implication is that once the new assets are placed in service after 2010, there will be a dampening effect on the increasing cost/asset shown in graph 1 above.

The second point is that the GLPT O&M costs are forecast to increase in 2010. The largest portion of the increase (33%) is focused on vegetation management improvements. The heavily-forested service territory covered by the GLPT system means that GLPT experiences greater exposure to tree-related outages than most companies, and therefore requires significant expenditures in that area.

For other comparisons, we also normalized spending based upon customers and circuit kilometers. Neither of these comparisons is recommended (see appendix) and the results are about as expected for GLPT, which is a small transmission operator.

Graph 5



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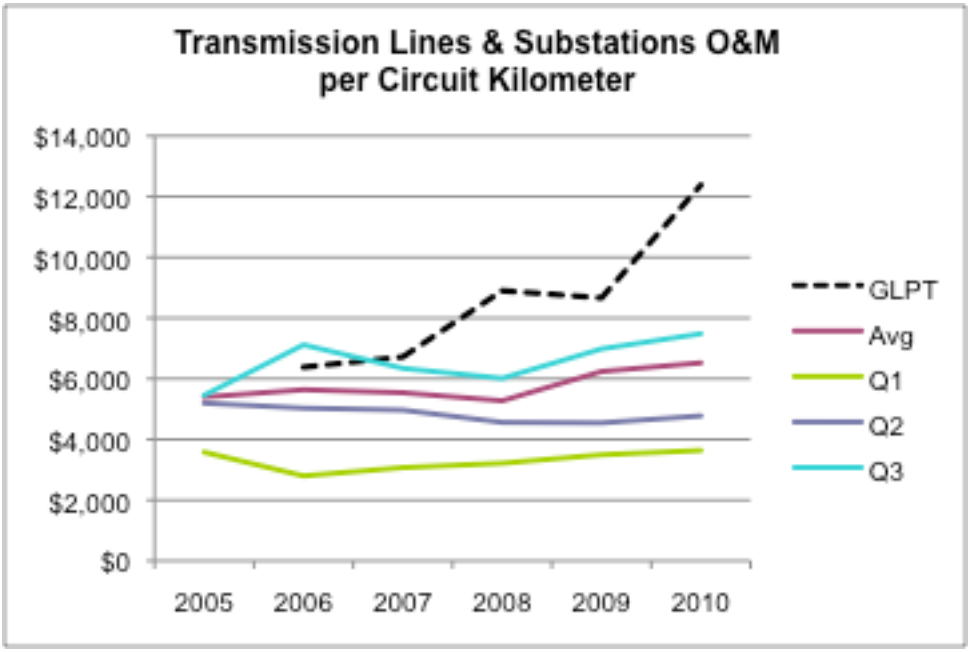
Graph 6



Two other possible normalizing factors (denominators) (kWh transmitted and megawatt miles) were excluded because of lack of data, but neither has been demonstrated to be better than assets at predicting transmission & substation O&M spending.

Appendix: Why "Assets" is the Appropriate Denominator.

Over a span of more than 20 years of executing benchmark studies of electric transmission and distribution operations in North American utilities, the consultants at 1QC have performed a variety of analyses of the resulting data. One question of enduring interest is how to normalize the data from different companies in order to make both fair and understandable comparisons. Through a number of different analyses and reporting efforts, it has become clear that with an appropriate normalizing factor, it is possible to make fair comparisons, and that it is also possible to explain the results in ways that make them useful to regulators and companies.

For many years, the studies have been consistent in terms of identifying the normalizing factor that produces the best predictor of operating costs in transmission and distribution. Given the difference in the functions of transmission and distribution, separate studies have been performed for transmission and distribution (and indeed for substation operations). The exact regression results change from year to year, but are generally the same direction.
In order to re-validate the results from previous years, the project team performed an analysis of the data from the most recently completed annual benchmark dataset. The results of that analysis are presented below.

To determine the appropriate denominators (normalizing factors) to use for analysis, we compare the dependent variable, in this case O&M spending, to various independent variables: customers, circuit kilometers, and assets. We look for a strong correlation between the two variables. For transmission lines and substations O&M spending, the strongest correlation exists between spending and assets. The relationship between spending and customers or circuit km is much weaker. The table below shows R^2 correlation coefficient values for the dependent and independent variables. The table was generated without A&G expenses because of the method used for estimating A&G expenses. It was necessary to determine the correct normalizing factor from our most current valid data set.

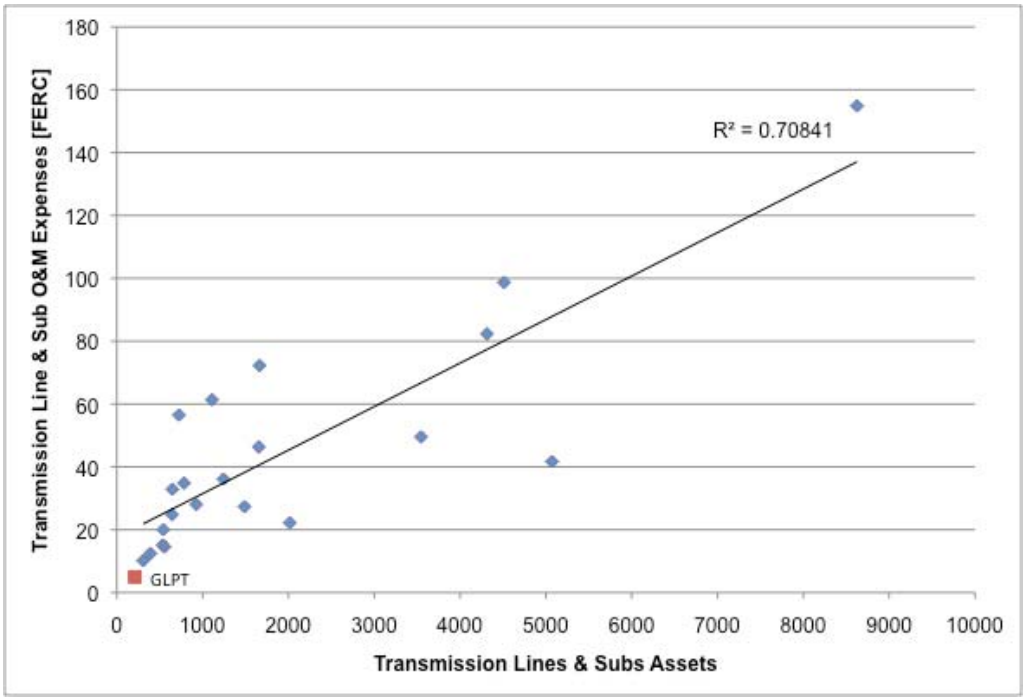
	Transmission Lines & Subs Assets	Transmission Circuit Kilometers	Customers
Transmission Line & Sub O&M Expenses (FERC)	0.708	0.502	0.257

In summary, we have found assets to be the appropriate denominator because it appears to have a higher predictive value when there are big differences in customer density among the panel.

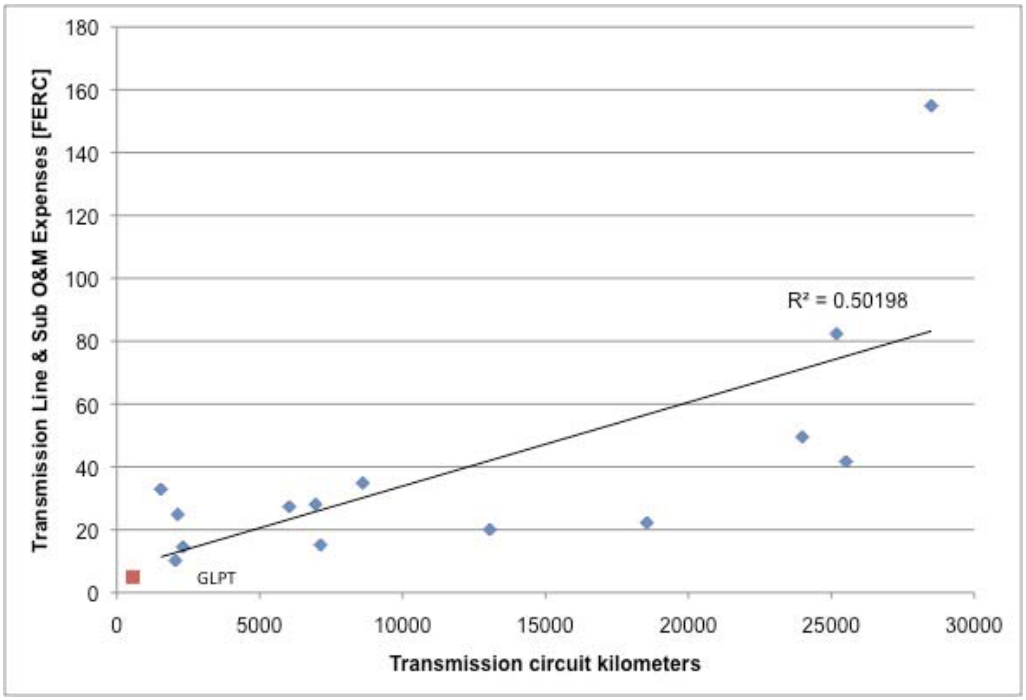
Transmission operators do not really have end-use customers, which is one reason customers is such a weak normalizing factor. Kilometers is also weak because the costs of operating substations are included in the dependent variable and substations are not accounted for when kilometers is used as a normalizing factor.

Shown below are the individual graphs from which the R^2 values are derived. In each graph, GLPT has been added to the graph to show where they fall compared to the other companies,

but they are not included in the calculation of the correlation coefficient. 1QC decided that it was appropriate to determine the correlation coefficients independently of GLPT's data. By performing the analysis this way, GLPT's data isn't influencing the findings.

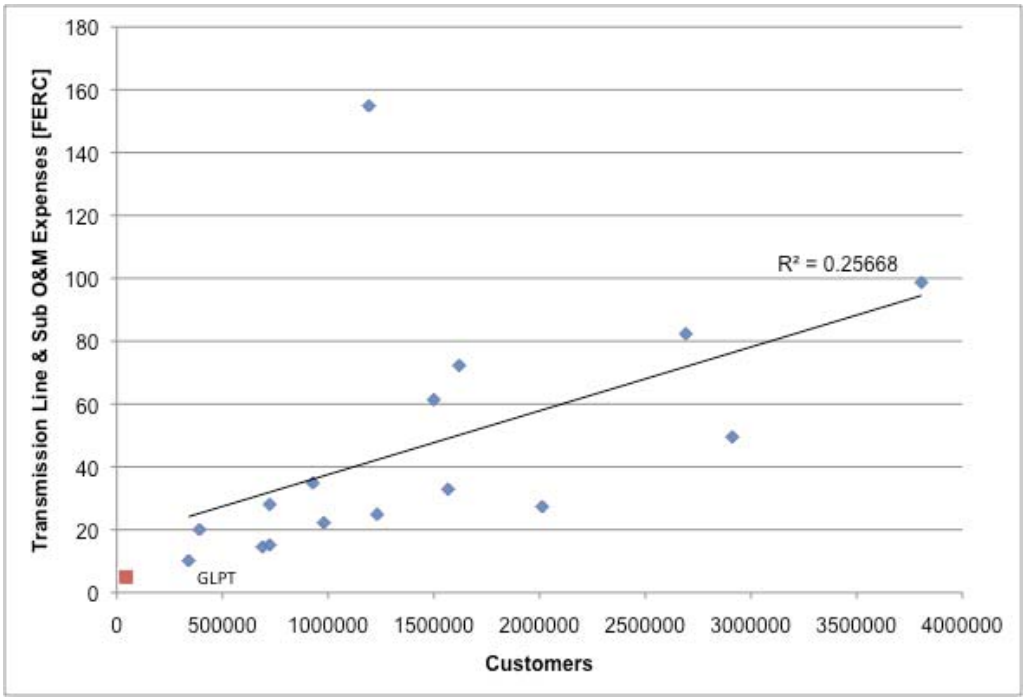


Other correlation charts between expenses and normalizing factors:



Note that the outlier on the circuit kilometers graph is on the regression line when assets are used. This is particularly noteworthy because this company has some of the same

characteristics of GLPT, namely low customer density. The density issue is also illustrated on the graph below.



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SCHEDULE "C"

Exhibit 1, Tab 2, Schedule 1 - Summary of the Application

(Amended December 7, 2009)

SUMMARY OF THE APPLICATION

1.0 Introduction

This transmission rate application (the "Application") filed by Great Lakes Power Transmission LP ("GLPT") is based on a 2010 test year. GLPT requests that the existing transmission rates be made interim, with proposed rates effective as of January 1, 2010 and implementation at a later date. Among other things, GLPT is applying for rates that will allow GLPT to recover its forecast 2010 revenue requirement in the amount of $39.365 million. The approval of GLPT's revenue requirement, less the balances of certain deferral and variance accounts payable to ratepayers, will result in a 0.30% change in the overall revenue requirement used in the calculation of Uniform Transmission Rates. The rate in the Network pool will increase by $0.01 per kW from $2.66 per kW to $2.67 per kW. The rate in the Line Connection pool will remain the same at $0.70 per kW. The rate in the Transformation Connection pool will increase by $0.02 per kW from $1.57 per kW to $1.59 per kW.[1] This change in the Uniform Transmission Rate results in a 0.015 % change to a typical residential customer's total bill, or approximately $0.01 per month.

GLPT is a limited partnership duly registered in the Province of Ontario, the partners of which are Great Lakes Power Transmission Inc., as general partner, and Brookfield Infrastructure Holdings (Canada) Inc., as limited partner. GLPT is a licensed transmitter under licence number

[1] Change arising partly to revenue requirement increase and partly to past acquisition of transformation equipment by large industrial customer.

ET-2007-0649. This is the first transmission rate application by GLPT. As result of required compliance with Section 71 of the *Ontario Energy Board Act, 1998* (the "OEB Act"), GLPT became the owner and operator of the transmission system through the reorganization of Great Lakes Power Limited ("GLPL"). An overview of GLPT's corporate origins is set out at Appendix "A" to this Schedule.

GLPT has organized and filed its materials in accordance with Chapter 2 of the Board's *Filing Requirements for Transmission and Distribution Applications* dated May 27, 2009.

In the summary that follows, GLPT has identified key aspects of the Application that the Board should be mindful of in its consideration of the Application. The summary also sets out a general overview of the Application.

2.0 Key Aspects

In considering this Application, GLPT believes that it is important for the Board to consider the following key aspects:

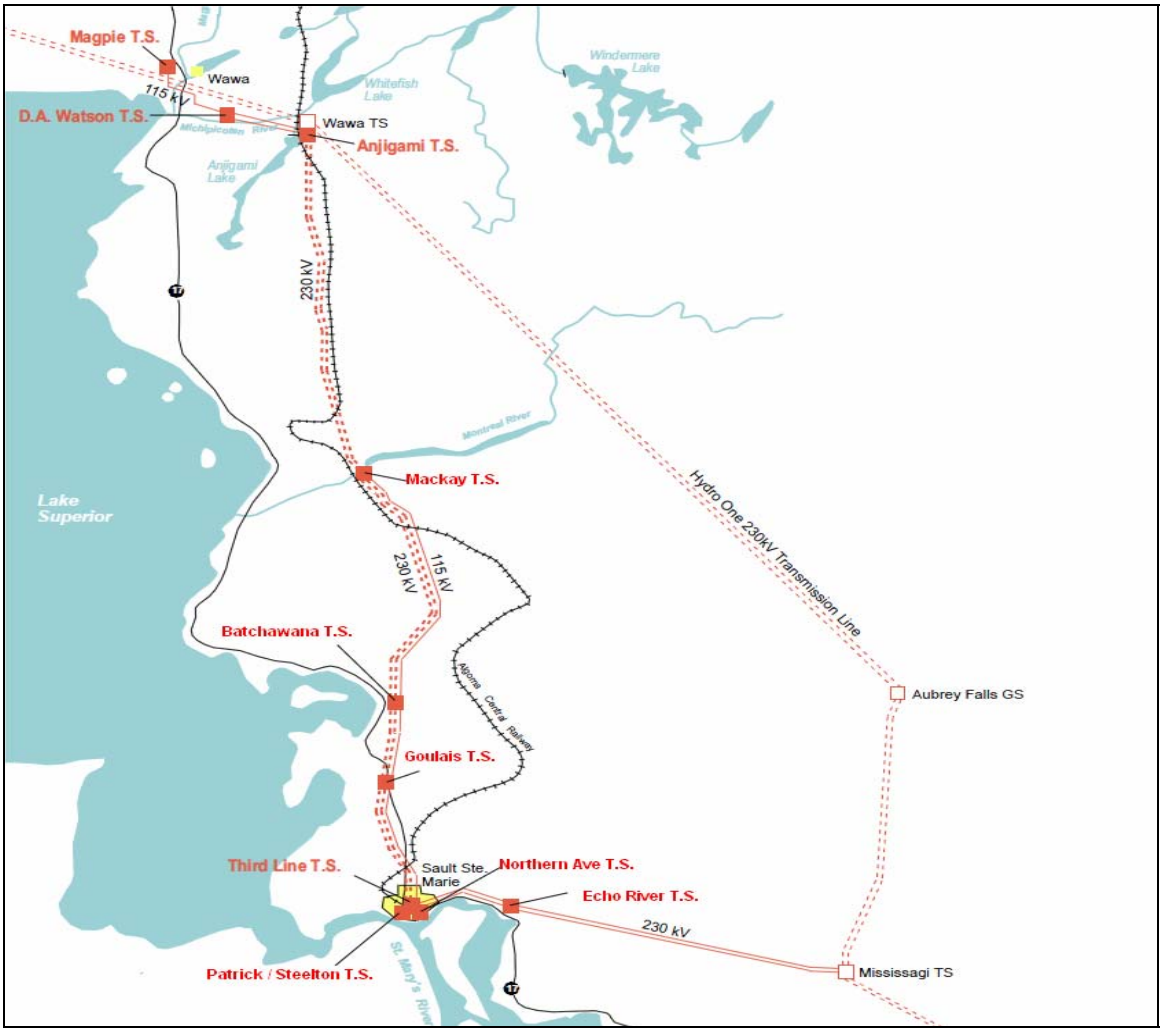
- GLPT's transmission system is located entirely in an area of dense vegetation and rugged terrain of the Canadian Shield;
- GLPT's transmission system is critical to the reliability of the Ontario bulk power system; and
- The aforementioned aspect, coupled with the fact that there is up to 630 MW of wind resource in and around GLPT's transmission system, results in GLPT having to consider and plan for various development activities related to the *Green Energy and Green Economy Act* and the Ontario Power Authority's Feed in Tariff Program, as well as, potentially, a future Integrated Power System Plan.

All of these aspects impact the revenue requirement for which GLPT is seeking approval, either in respect of GLPT's rate base additions or its cost of service.

2.1 Physical Location

GLPT's transmission system is located in the Algoma district of Ontario with its system extending from in and around Sault Ste. Marie, north to Wawa, and east from Sault Ste. Marie to a remote area at which Hydro One Networks Inc.'s ("HONI") Mississagi TS is located. A map of GLPT's system is shown in *Figure 1-2-1 A*, below.

Figure 1-2-1 A - GLPT System Map



This area is located in the Canadian Shield and is predominantly located in forest zones with dense vegetation and steep elevations in places. GLPT's transmission system extends through two forest zones. The southern portion of the system is in the Great Lakes-St. Lawrence forest zone, which is characterized by red and sugar maple, yellow birch, red oak, hemlock, red and white pine. The northern part is in the Boreal forest zone, characterized by black and white spruce, tamarack, aspen, white birch, balsam fir and jack pine. The terrain and vegetation present challenges to GLPT with respect to its vegetation management programs, as well as various aspects of its operations and maintenance.

Vegetation management in rights of ways ("ROWs") is an essential component of maintaining the reliability of GLPT's transmission system because contact between vegetation and transmission lines can result in outages. Moreover, properly maintained ROWs allow for access to transmission facilities, which is needed to carry out inspections and maintenance activities, as well as to facilitate emergency response. GLPT relies on the use of specialized, outside contractors for the performance of the various components of vegetation management. GLPT targets a six-year cycle for completion of all brush removal, tree trimming and tree removal activities needed on its system's ROW including ROW floors and edges, as well as buffer zones, which are areas in which standard methods of vegetation management cannot be used due to terrain or environmentally sensitive features.

The clearing of ROWs is a highly regulated activity as GLPT is required to comply with the IESO's reliability compliance program, which is generally aligned with NERC's transmission

vegetation management program. In addition, GLPT must comply with the highly prescriptive licensing and approval requirements under the *Pesticides Act* and relevant regulations. There are also restrictions under the provincial species protection legislation in respect of certain at-risk species that inhabit areas within GLPT's network of ROWs. The highly-regulated nature of this activity is a factor in driving GLPT's ROW maintenance cost.

In 2006, GLPT elevated its vegetation management program by introducing a fully integrated vegetation management program. As a fully integrated program, brush removal from ROW floors, tree trimming and tree removal along ROW edges and vegetation management in buffer zones are all carried out in a systematic and coordinated manner, within the six-year cycle. As part of this program, beginning in 2006, particular focus has been given to tree trimming and tree removal to address encroachment on the sides of the ROWs and to re-establish the edges of GLPT's active ROWs. As part of this effort, and beginning in 2007, GLPT incurred additional costs associated with identifying and defining the sizes and location of buffer zones situated within the ROWs. The location of GLPT's transmission system, combined with regulatory changes that increased the operating restrictions around buffer zones have had a particularly significant impact on GLPT. In such buffer zones, GLPT must employ slower, more labour intensive and more costly techniques using different equipment and sometimes different work crews in order to perform necessary vegetation management activities. Spot spraying, hand cutting and the use of alternative herbicides are required.

In 2009, GLPT maintained its six-year cycle, but as part of a cost-cutting measure reduced its activities associated with encroachments and buffer zones. However, for reliability purposes, GLPT needs to restore the prior level of activities in these areas for 2010 and beyond.

2.2 GLPT's Significance to the IESO-Controlled Grid

GLPT's transmission system is a fundamental part of the bulk power system and the IESO-controlled grid. GLPT's transmission system is a critical link in that part of the IESO-controlled grid which extends from the Manitoba border to Sudbury, Ontario (Algoma TS, Hanmer TS) which, for the purpose of this evidence, is defined and referred to as the "Northwest Transmission System". As such, the condition and operation of GLPT's transmission system has a fundamental impact on the Northwest Transmission System.

The Northwest Transmission System can be divided into three sections:

- Manitoba to Wawa TS;
- Wawa TS to Mississagi TS; and
- Mississagi TS to Algoma TS (Sudbury).

(a) *Manitoba to Wawa TS*

This section of the Northwest Transmission System evacuates generation comprised of a mix of hydraulic and thermal units.

The generation in excess of load in the Northwest section combined with any imports from Manitoba, is evacuated predominantly to the east through the HONI double circuit lines from Thunder Bay (Mackenzie TS, Lakehead TS) to Marathon (Marathon TS) to Wawa (Wawa TS). The interface between Marathon TS and Wawa TS is defined by the IESO as the East-West Tie ("EWT"). The

east-to-west or west-to-east power flows along this interface are limited by post-contingency voltage stability considerations at Wawa TS. Power flow across the EWT is predominantly eastbound, delivering excess power from northwestern Ontario to Wawa TS.

(b) ***Wawa TS to Mississagi TS***

GLPT's and HONI's transmission systems run in parallel between Wawa TS and Mississagi TS (as shown in *Figure 1-2-1 A*). They affect each other's capability, operation and transmission system limits.

GLPT's transmission system runs 73 km north-south from Wawa TS to MacKay TS, 91 km from MacKay TS to Third Line TS and 76 km east-west from Third Line TS to Mississagi TS. It is comprised of a 230 kV line running from Third Line TS to MacKay TS denoted as K24G and a 230 kV line running from MacKay TS to Wawa TS denoted as W23K. There are two 230 kV lines running east-west from Third Line TS to Mississagi TS ("P21G and P22G").

Third Line TS is GLPT's largest station. The station has two sections, a 230 kV section and a 115 kV section. As part of the IESO-controlled grid, if either of the 115 kV or the 230 kV sections of Third Line TS were to be degraded, destroyed, or otherwise made unavailable, the reliability and operability of the Ontario bulk power system could be adversely affected and thereby threaten the supply of power to numerous customers throughout the province. The station is also a connection point that facilitates a parallel circuit with the HONI transmission system, as shown in *Figure 1-2-1 A* above.

Emanating from Third Line TS are three 230 kV circuits and nine 115 kV circuits, which connect various loads and generation facilities. The station serves the largest loads in the GLPT system, as it supplies power to the City of Sault Ste. Marie and to large industrial loads that include ESSAR Steel Inc., St. Marys Paper Inc. and Flakeboard Inc.

The HONI transmission system runs east-west for 204 km from Wawa TS to Mississagi TS. It is comprised of one double-circuit 230 kV line.

For the most part, the load directly connected to GLPT's transmission system is supplied via 115 kV circuits off of Third Line TS. The GLPT system's peak load is approximately 315 MW in summer and 445 MW in winter. Installed generation capacity connected to GLPT's transmission system is 674 MW. Therefore, during peak periods, the generation in excess of the GLPT load is evacuated predominantly to the east to Mississagi TS and added to the peak generation of 335 MW connected to the HONI transmission system in the Wawa-Mississagi Section.

(c) ***The Mississagi – Sudbury Section***

Mississagi TS is connected to Algoma TS (Sudbury) via HONI's double-circuit 230 kV line and to Hanmer TS (Sudbury) via HONI's single-circuit 230 kV line.

In provincial peak periods, the predominantly eastbound power flow across the EWT interface into Wawa TS, the excess generation out of GLPT's network and the generation from Aubrey Falls GS and Wells GS on HONI's transmission system converge at Mississagi TS to be transferred east to Sudbury and on to southern Ontario. As a result of the amount of energy deliverable to Mississagi TS through the GLPT transmission system, GLPT's system is critical with respect to the transmission of power from the Northwest Transmission System to southern Ontario.

In March 2004, the transmission division of GLPL obtained approval for the construction of the Transmission Reinforcement Project, which included, among other things, the construction of the 230 kV transmission lines running between Third Line TS and Wawa TS (K24G and W23K) and the refurbishment of the east-west line P21G running from Third Line TS to Mississagi TS.

This project provided a number of benefits. In particular, the IESO-controlled grid benefited by:

- eliminating transmission constraints and thereby increasing transfer limits to permit the full evacuation of generation from GLPT's system during system peak;
- eliminating the weakest link in the east-west system between Wawa TS and Mississagi TS;
- improving voltage stability at Wawa TS to increase the EWT east limit for specific generation collections and voltage stability at Mississagi TS to increase the Mississagi limit;
- eliminating the possibility of severing GLPT's system because of a double circuit outage on HONI's system, which in turn would result in severing the EWT; and
- allowing for future reinforcement of the EWT and Mississagi TS limits.

As noted above, the Third Line TS is a key component of GLPT's transmission system. As part of this Application, GLPT has proposed a redevelopment project which involves the construction of a new 115 kV section for Third Line TS. The new section will be constructed in part on the existing station site and in part on undeveloped GLPT lands immediately to the west of the existing station. The work is strictly in relation to the 115 kV section of the station and no changes are planned for the 230 kV section.

GLPT proposes that the redevelopment project be carried out in three phases at a total estimated cost of $23,500,000. Of this, the estimated cost of Phase I, which is to be completed during 2010, is $10,230,000. The estimated cost of Phase II, to be completed during 2011 is $12,000,000 and the estimated cost of Phase III, to be completed during 2012, is $1,270,000. In this Application, GLPT seeks approval from the Board for all phases of the redevelopment project. GLPT further seeks the Board's approval for the addition of $1,230,000 into rate base in 2010. This amount reflects the portion of the Phase I project costs that are associated with the elements of the redevelopment project that will go into service during 2010. In particular, this amount is associated with the development and construction of fencing and ground grid, which would be tied into the existing fencing and ground grid. The redevelopment project, which carries an estimated cost that is in excess of 10% of GLPT's current rate base, is a very significant undertaking for GLPT. As such, although the fencing and ground grid will become part of the existing station and be in service in 2010, this rate base addition is conditional upon the Board determining the need for all phases of the redevelopment project in this proceeding. Upon receiving approval in this proceeding for all phases, GLPT would seek to bring the cost of

the Project into rate base as part of a future application for 2011 and 2012 rates, which it intends to file in 2010.

2.3 Green Energy and Green Economy Act

The *Green Energy and Green Economy Act* (the "GEA") has prompted significant changes for transmission and its planning and development. In addition to GLPT's current role in respect of the Ontario Power System, GLPT's role has been enhanced by the GEA and the initiatives arising from Ontario's green energy policy. Pursuant to section 25.36 of the *Electricity Act, 1998* (as amended), a transmitter is obliged to connect a renewable generator facility to its transmission system if the generator requests the connection in writing and meets the applicable technical, economic and other requirements prescribed by regulation, the Market Rules or by an order or code of the Board. Under section 26(1.1), a transmitter is obliged to provide priority access to its system to a renewable generation facility that meets the requirements prescribed by regulation.

In addition, section 70(2.1) of the *Ontario Energy Board Act* deems as part of the transmitter's license the requirement to provide priority connection access to its transmission system for renewable energy generation facilities. Furthermore, section 70(2.1)(2) requires transmitters to prepare plans for the expansion or reinforcement of the transmission system to accommodate the connection of renewable energy generation facilities.

It is estimated that there is up to 630 MW of new wind resources in and around the GLPT transmission system. Preliminary conclusions suggest that any connection of wind resources

above 40-60 MW would trigger the need for an upgrade on GLPT's system, including the construction of new network 230 kV lines.

In addition, based on September 2009 announcements by the Minister of Energy and Infrastructure (the "Minister"), HONI has been asked to pursue certain transmission projects, including "East-West Tie: Nipigon by Wawa" and "Sudbury Area by Algoma Area". Both of these projects will affect GLPT's transmission system. The Minister has encouraged HONI to pursue partnerships in respect of various projects. It is GLPT's intention to seek to partner with HONI in respect to these and other projects, including projects that may not necessarily be located in close proximity to GLPT's transmission system.

It is also GLPT's intention to pursue designated transmitter status under the Transmission System Code in respect of various enabler transmission line projects and projects that could arise from an amended IPSP.

As a result of the forgoing, GLPT presently and throughout 2010 will incur expenditures relating to green energy initiatives and a future IPSP that could ultimately be capitalized as part of future capital projects or be treated as OM&A expenses. As a result, GLPT has sought from the Board by way of letter dated November 27, 2009 permission to establish a deferral account on the same basis as HONI in EB-2008-0272.

GLPT has made the same request in this Application for establishing a deferral account relating to infrastructure investment, the GEA and planning at Exhibit 9, Tab 2, Schedule 1.

The work that may be undertaken in respect of these activities will be comprised primarily of preliminary engineering, data collection, options assessments, cost estimating, stakeholder and other consultations, as well as other related activities required to prepare project submissions for environmental assessment and leave to construct approvals. Planned expenditures are material.

At this time, GLPT has no assurance that capital assets will in fact materialize as a result of such expenditures. Accordingly, GLPT faces the risk of not recovering its investment. GLPT believes that it satisfies the criteria of causation, materiality, management inability to control and prudence, which have been articulated by the Board as the bases for establishing such an account. GLPT's activities are clearly driven by current Ontario energy policy as set out in the amended *Electricity Act*, OEB Act and the OPA's Feed-in Tariff Program. Any amended IPSP may also be a factor. As an integral part of Ontario's bulk power system, GLPT will have to respond to the statutory and regulatory directives established as part of Ontario's energy policy.

3.0 General Overview

3.1 Rate Base

GLPT's rate base for 2010 has been forecasted to be $208.999 million, being the total of the average of the forecasted opening and closing net fixed assets ($208.598 million) and allowance for working capital ($0.401 million). This represents an increase in rate base over the 2006 approved rate base of approximately $12.265 million. Descriptions for the capital expenditures in the years 2007 through to 2010 are set out at Exhibit 2, Tab 1, Schedule 1 of this Application.

As noted above, a key capital expenditure program in 2010 is the Third Line TS redevelopment project (the "Redevelopment Project").

3.2 OM&A Expenses

GLPT's OM&A expenses are estimated to be $11.106 million for 2010. This is an increase over the $7.99 million forecasted for the 2009 bridge year and the $5.927 million approved in EB-2005-0241.

To provide the Board with context for GLPT's OM&A expenses, GLPT retained First Quartile Consulting, LLC ("FQC") to perform a benchmarking study. In performing its study, FQC performed analysis to determine how GLPT compares against a panel of utility companies with respect to transmission line, transmission substation and administrative and general expenses. Normalized on a cost per asset basis, GLPT generally falls below the average of the comparison panel, reflecting lower costs on average on per asset basis.

In considering combined administration expenses and operation and maintenance expenses, FQC found that GLPT remains below the average of the comparison panel, reflecting lower costs on average, and is within the second quartile. The second quartile is the second lowest cost tier. With only administration expenses on a per asset basis, GLPT is well below the average of the comparison panel and is primarily in the second quartile.

GLPT is also generally within the second quartile with respect to transmission lines and substation operation and maintenance costs, excluding administration costs. GLPT's costs per

asset trend upwards in 2009 and 2010. This relates primarily to vegetation management expenses by GLPT, as well as GLPT expenditures that are recorded in CWIP and not yet in the asset base. As a result of the expected lower maintenance costs arising from capital expenditures in 2010 and the increment in the asset base in 2011, this upward trend is expected to lessen in 2011.

The FQC study is consistent with the view that GLPT's operation and maintenance expenditures are reasonable and that GLPT has established a corporate structure with an executive and management team that is reasonably sized. FQC's report is set out at Appendix "A" of Exhibit 4, Tab 2, Schedule 1.

Operations

From an operations perspective, OM&A expenses are primarily driven by costs incurred under Account 4810 - Load Dispatching, Account 4815 - Station Buildings and Fixtures, and Account 4805 - Operation Supervision and Engineering. With respect to load dispatching, these costs are driven by the Ontario System Control Centre ("OSCC"), which allows for the operation of the GLPT transmission system. The OSCC was jointly used by the generation, transmission and distribution businesses of GLPL. The generation business no longer uses the OSCC. As a result, costs that were formerly shared between the generation and transmission businesses of GLPL (and minimally with the distribution business) are now fully funded by GLPT as the OSCC is fully dedicated to transmission. Further particulars relating to this expense are set out at Exhibit 4, Tab 2, Schedule 1.

In addition, cost changes were driven by changes to GLPT's premises. The office complex which houses GLPT in Sault Ste. Marie is configured as two separate structures separated by a breezeway. The complex is owned by GLPL and leased to GLPT at market rates. GLPT is responsible for approximately 55% of the office complex costs (being one of the two structures) and subleases the remaining portion to Algoma Power Inc. Up to and including 2008, approximately 12% of the costs related to the office complex were allocated to GLPL's transmission business. The difference between this allocation of 12% of costs and the current allocation of 55% of costs is attributable to a more accurate allocation of space than previously used. In addition, the transmission business was not previously responsible for any portion of the capital cost related to the office complex. GLPT is now responsible for the lease cost, which is incremental to the cost previously assumed by the transmission business. All lease rates are based on square footage occupied and are charged at the median rates determined by a third party appraiser who prepared a report specifically for the complex.

Maintenance

As noted above, because of the significance of GLPT's ROW vegetation management program, the maintenance expense is driven primarily by activities that are under Account 4940 - Maintenance of Overhead Lines (Right of Way) and Account 4916 - Maintenance of Transformer Station Equipment. The maintenance of Right of Ways ("ROWs") is an ongoing challenge that is of particular importance to GLPT because of the unique character of its transmission system.

Administration

With respect to administration, costs are driven primarily by activities accounted for in Account 5605 - Executive Salaries and Expenses, Account 5615 - General Administrative Salaries, and Account 5630 - Outside Services Employed.

GLPT has established a corporate structure with an executive and management team that is reasonably sized, reflective of the overall company needs and structure, and which includes the appropriate level of experience and expertise for a transmission utility of the size and nature of GLPT. GLPT has a wide range of needs, some of which are basic business needs and some of which are driven by GLPT's business as an electricity transmitter in Ontario. As a result, some new positions were added part way through 2009. The full impact of these staff additions, together with partial offsets, are reflected in the 2010 forecast. Previously, the transmission business of GLPL was partially sheltered from these costs as the costs were shared with the generation business and distribution business of GLPL.

3.3 Operating Revenue

GLPT is forecasting operating revenue of $34.696 million for 2010. Variances in operating revenue are driven primarily by variations in the provincial peak loads from year to year. GLPT's operating revenue forecast is set out at Exhibit 3, Tab 1, Schedule 1 and GLPT's charge determinant forecast is set out at Exhibit 8, Tab 1, Schedule 1 of this Application. GLPT is forecasting a slight decline in the network annual charge determinants and a marginal increase in the line connection charge determinants. However, due to a sale of transformation equipment to

a large industrial customer within GLPT's service territory in late 2006, the transformation connection pool has decreased significantly and GLPT's transformation charge determinants reflect a significant decline for 2010.

3.4 Cost of Capital

GLPT is proposing a capital structure of 57.5% debt and 42.5% equity for the 2010 test year. This capital structure reflects a two year phase-in from GLPT's most recently approved capital structure of 55% debt and 45% equity to the Board's deemed structure of 60% debt and 40% equity.

GLPT currently holds $120 million in long term debt in the form of third party, series one bonds, with interest payable at a rate of 6.6%. GLPT proposes a rate of interest on debt equal to the effective interest rate on its debt, which incorporates both interest payments and recovery of financing fees related to the issuance of additional debt and the establishment of a new deed of trust. GLPT's actual effective rate of interest is 6.874%, which is approximately 0.746% lower than the current deemed rate for a long term debt of 7.62%.

GLPT has used a rate of return on equity ("ROE") of 10.5% for its 2010 test year. At the time of filing this Application, the Board is conducting its consultation process on the cost of capital. It is GLPT's position and the position of others that the current formulaic approach to calculate ROE is flawed. As a result, GLPT proposes to use 10.5%, which is consistent with reports filed by GLPT's expert, Power Advisory LLC and others participating in the Board's consultation on cost of capital.

GLPT's total cost of capital, described in detail at Exhibit 5, Tab 1, Schedule 1 is $17.587 million.

GLPT notes that the ROE sought above relates to the carrying on of the transmission business in the ordinary course. This request is without prejudice to GLPT's submissions (attached in Appendix "B" of Exhibit 5, Tab 1, Schedule 1) in the Board's consultation process on the regulatory treatment of infrastructure investments (EB-2009-0152), in which GLPT requested the Board move expeditiously to establish incentive cost recovery mechanisms and adders to ROE in respect of infrastructure investments. This is essential to attaining the infrastructure investments necessary for Ontario to achieve its transmission goals.

3.5 Deferral and Variance Accounts

GLPT is seeking to disburse its December 31, 2008 audited balances in its existing deferral and variance accounts, along with forecasted accruals and carrying charges to the date of disbursal on December 31, 2009. GLPT proposes to disburse the aggregate balance of these accounts over a three-year period. The accounts and the circumstances that gave rise to them are described at Exhibit 9, Tab 1, Schedules 2 through 6. The proposed methodology for their disbursal is set out at Exhibit 9, Tab 3, Schedule 1.

GLPT is also seeking a series of new variance and deferral accounts as described at Exhibit 9, Tab 2, Schedule 1. These accounts relate to the following:

- pension cost variances;

- OEB cost assessment variances;
- infrastructure investments, the GEA and planning costs;
- property taxes and use and occupation fee variances; and
- IFRS transition costs.

3.6 Rate Design and Rates

Aspects related to rate design, including the charge determinant forecast, calculation of the Uniform Transmission Rates, variances in those rates and rate reconciliation are set out at Exhibit 8, Tab 2, Schedules 1 through 3. In calculating the Uniform Transmission Rates, GLPT has used the revenue requirement sought in this Application of $39.365 million, less the forecasted annual disbursal related to regulatory liabilities of $0.988 million, for a total of $38.370 million. As shown in these schedules, the resulting Uniform Transmission Rates arising from this Application are as follows:

- Network Rate: $2.67 per kW
- Line Connection Rate: $0.70 per kW
- Transformation Connection Rate: $1.59 per kW

As indicated above, this 2010 forward test year Application by GLPT results in a minimal change to the Uniform Transmission Rate and a negligible impact on a typical residential customer.

APPENDIX "A"

Evolution of the Transmission Business

EVOLUTION OF THE TRANSMISSION BUSINESS

GLPT is an electricity transmission company that is solely in the business of owning and operating its electricity transmission system in accordance with Section 71 of the OEB Act. GLPT became the owner and operator of the transmission system through a reorganization of GLPL. Up to and including March 2008, GLPL operated the transmission system as a division, financially separate from its distribution and generation businesses. Under Section 5(4) of Ontario Regulation 161/99, GLPL was exempt from Section 71 of the OEB Act until December 31, 2008 and, as a result, was permitted to carry on the activities of transmission and distribution, together with generation, within the same corporation until such date.

GLPL was controlled by Brookfield Power Inc. (later "Brookfield Renewable Power Inc." or "BRPI"), which in turn was controlled by Brookfield Asset Management Inc. ("BAM").

In anticipation of the expiry of the Section 71 exemption regulation and subsequent to market opening in May 2002, GLPL began taking steps to fully separate the businesses of generation, transmission and distribution. Between 2002 and 2007, GLPL financially and, for the most part, operationally separated its generation, transmission and distribution businesses within the same legal entity. However, by the end of the 2002 to 2007 period, there remained five areas that were not operationally separate: (1) the Ontario System Control Centre, (2) the integrated communications network, (3) the meter service provider, (4) Ontario Operations Administration, and (5) the services provided by distribution employees to the transmission business.

In early 2007, in anticipation of the expiry of the Section 71 exemption regulation, a reorganization was initiated that culminated in the transmission assets of GLPL being transferred to GLPT in March 2008. This was approved by a Decision and Order of the Board issued on December 24, 2007 (EB-2007-0647). At this time, GLPT became a licensed transmitter (ET-2007-0649) in respect of ownership only, and GLPL remained a licensed transmitter as the operator of the GLPT-owned transmission system. This completed the first phase of moving toward compliance with Section 71.

After March 2008, the full scope of operational services provided by GLPL to GLPT was captured in an OM&A Agreement between the parties. Pursuant to the OM&A Agreement, services were provided at cost, with no additional fees and based upon the cost allocation and transfer pricing established in the Board's Order in EB-2005-0241. In effect, GLPL was the agent of GLPT with respect to the operation of the transmission facilities.

As part of the movement towards full Section 71 compliance, to eliminate the need for two licensed transmitters for the one transmission system, as well as to provide greater transparency of costs, a full internal operational split of employees, fleet assets, building, office and information technology equipment was undertaken. The objective was to create two regulated standalone operating utilities within GLPL - one for distribution and one for transmission. Employees that were shared between the transmission and distribution businesses were instead dedicated to one of either the transmission or the distribution business. Some limited sharing

remained, but only in respect of some corporate services, premises, IT licenses and the Ontario System Control Centre.

A further operational split from the generation business of GLPL occurred in 2008 when GLPL's generation business vacated the premises housing the transmission and distribution businesses in Sault Ste. Marie, at which time the Ontario System Control Centre became dedicated to the transmission and distribution businesses only.

As noted, GLPL's exemption from Section 71 of the OEB Act expired on December 31, 2008. Because GLPL has continued to operate as a licensed generator, compliance could not be maintained as licensed transmission and distribution activity would have been carried on in conjunction with licensed generation activity. Consequently, GLPL and GLPT filed applications with the Board in March 2009 to further reorganize to permit compliance with Section 71 of the OEB Act. To comply, GLPL transferred the distribution assets and the employees responsible for distribution to a newly formed entity, Great Lakes Power Distribution Inc. ("GLPDI"), and the employees responsible for transmission were transferred to GLPT. GLPL then became solely responsible for generation and GLPT and GLPDI became a standalone transmitter and a standalone distributor, respectively. In a Decision and Order dated May 5, 2009, the Board approved the transfer of the distribution assets, cancelled GLPL's electricity transmission licence (ET-2008-0342) and amended GLPT's electricity transmission licence (ET-2007-0649) to permit GLPT to own *and operate* its transmission system. These changes became effective as of the closing of the commercial transaction which transferred the distribution assets to GLPDI.

That transaction closed on July 1, 2009. Full compliance with Section 71 was realized when the distribution business was transferred to GLPDI and the transmission and distribution activity was carried on in two stand alone entities - GLPT and GLPDI, respectively. Subsequently, on October 8, 2009, the shares of GLPDI were sold to FortisOntario Inc. and GLPDI was renamed Algoma Power Inc.

SCHEDULE "D"

Exhibit 4, Tab 2, Schedule 1 - OM&A Overview

(Amended December 7, 2009)

OM&A OVERVIEW

1.0 Summary

This evidence provides an overview of GLPT's operations, maintenance and administration (OM&A) expenditures and the factors that have affected these expenditure levels during the period from 2006 up to and including the 2010 test year. GLPT's proposed OM&A expenditures for the 2010 test year will allow for the continued safe, reliable and cost-efficient operation of the transmission system. GLPT has determined these expenditure levels through implementation of its OM&A budgeting process and asset management program, which are described below. GLPT's OM&A budgeting process is further discussed at Exhibit 1, Tab 2, Schedule 2 and its approach to asset management is further discussed at Exhibit 2, Tab 5, Schedule 1.

GLPT's OM&A activities involve the following:

- *Operations* includes activities relating to inspection, general engineering, testing, system control and work planning.

- *Maintenance* relates to preventative maintenance activities and corrective maintenance. Preventative maintenance includes maintenance carried out on a cyclical basis for structures and devices to avoid failure. Corrective maintenance is activity relating to the repair and replacement of equipment that either has failed or is about to fail.

- *Administration* relates to activities which include accounting, general administration, information technology and regulatory activities.

A summary of GLPT's OM&A expenses is presented in Table 4-2-1 A, below.

Table 4-2-1 A - Summary of OM&A Expenses

($000's)	2006 Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Total OM&A	$5,927.0	$5,661.1	$6,089.6	$7,201.9	$7,994.1	$11,105.6
Variance		($266.0)	$428.5	$1,112.3	$792.1	$3,111.5

GLPT's OM&A expenses are summarized, by functional area, in Table 4-2-1 B, below:

Table 4-2-1 B – OM&A Expenses by Functional Areas

($000's)	2006 Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Operations	$1,930.5	$1,996.9	$2,167.4	$2,634.6	$3,174.8	$4,136.2
Maintenance	1,494.2	1,493.7	1,607.0	2,194.4	1,685.3	2,810.5
Administration	2,502.4	2,170.5	2,315.2	2,372.9	3,134.0	4,159.0
Total OM&A	**$5,927.0**	**$5,661.1**	**$6,089.6**	**$7,201.9**	**$7,994.1**	**$11,105.6**

2.0 GLPT's OM&A Budgeting Process

GLPT's budgeting process is described at Exhibit 1, Tab 2, Schedule 2. As noted in that section, GLPT uses a bottom up approach that considers the needs of the organization for the upcoming year in order to arrive at an OM&A budget that addresses those needs. In

addition, GLPT utilizes information gathered from a number of sources to implement an effective maintenance program that is expected to maximize the operational life of assets in service and meet all reliability requirements.

For operations costs, all planned human resources, purchased services, materials, and other costs are identified and accounted for. GLPT forecasts the operations portion of its OM&A budget based on a review of its historic operations costs and with consideration to available resources (internal and external) and the planned operations program. GLPT seeks to maximize its use of internal resources before relying on external resources. Where external resources are required, GLPT typically utilizes them on a temporary or contract basis to minimize overall costs.

With respect to maintenance costs, GLPT applies good utility practice in setting its maintenance program, while considering its legal and license obligations, the safety of its employees and the public, as well as environmental commitments. GLPT undertakes two distinct types of maintenance activities – preventative and corrective. Preventative activities (including inspections, work and test maintenance, overhauls and diagnostic activities) follow a routine, scheduled program (see Exhibit 2, Tab 5, Schedule 1), while corrective activities (including minor repairs, part and component replacements, etc.) are identified from the results of the preventative activities. Due to the interdependent nature of these activities, GLPT does not distinguish between preventative and corrective maintenance activities in its budgeting process.

Administration expenses are generally categorized as either variable or non-variable. Non-variable administration costs include items such as property insurance, regulatory expenses and Electrical Safety Authority fees. These costs remain relatively stable from year-to-year, subject primarily to inflationary increases. Variable administration costs relate to items such as human resources and outside services employed, as well as other costs that can fluctuate on a year-over-year basis. As with operations expenses, GLPT forecasts the administration portion of its OM&A budget based on a review of its historic administration expenses and consideration of work needs and available resources, both internal and external. For administration costs, GLPT seeks to maximize the use of its internal resources before relying on external resources. When external resources are required, GLPT typically utilizes them on a temporary or contract basis to minimize overall costs.

3.0 Cost Management

GLPT strives to keep its OM&A costs down by achieving efficiencies that minimize costs, while allowing effective operation of the business. Some examples of GLPT's cost efficiencies are set out below.

3.1 Temporary Resources

In order to deal with requirements that are only short term in nature, GLPT may employ temporary or contract resources rather than full-time employees. This allows GLPT to reduce its payroll burden and to reduce other expenses that are associated with employing

individuals on a full-time basis. If circumstances result in a short-term need becoming a longer-term need, then a temporary or contract employee or employees may be employed on a full-time basis in order to retain the benefits to the organization of the individual having received training and having accumulated operational experience. GLPT has found this manner of employing human resources to be effective in minimizing costs, and will continue to implement this approach.

3.2 Lease of Building & Communication Equipment

As described in Exhibit 4, Tab 2, Schedule 5, GLPT leases the office complex in which it resides, as well as a large portion of the communications equipment used by the company.

3.2.1 Office Complex

In the case of the office complex, GLPT leases the entire complex at 2 Sackville Road in Sault Ste. Marie from Great Lakes Power Limited ("GLPL"), and subleases a portion of the complex to Algoma Power Inc. (which is the owner of the distribution business formerly known as Great Lakes Power Distribution Inc.). GLPT is responsible for its proportion of a per-square-foot lease cost that is based on an appraisal prepared by an independent third party. When GLPT's total annual lease costs are considered against the potential cost consequences of GLPT owning the complex and including it in rate base, GLPT is reducing its overall costs by approximately $114,000 in the test year. This is presented in the table below.

Table 4-2-1 C – Savings on Office Complex

	GLPT Share
NBV of Building at June 30, 2009 (Rate Base)	$2,600,000
Annual Depreciation (2.5%)	65,000
Annual Return (blended rate of 8.42%)	218,920
Total Annual Cost of Capital for Building	283,920
GLPT's Annual Lease Cost in OM&A	169,755
Estimated Rate-Payer Savings	**$114,165**

3.2.2 Communications Equipment

GLPT licences its Supervisory Control and Data Acquisition ("SCADA") equipment and its fibre optic equipment from GLPL. The annual licensing fee for the SCADA equipment is approximately $294,000. The annual licensing fee for the fibre optic equipment is approximately $63,200. Together, these costs are equal to less than half of the depreciation expense on the equipment. If GLPT were to own this equipment outright, the minimum incremental cost to ratepayers would be the additional depreciation expenses of $294,000 and approximately $91,000, plus the return on investment required as a result of the capital costs residing in rate base.

As described in Exhibit 4, Tab 2, Schedule 5, there is no alternative fibre optic system provider in the area of GLPT's system. If GLPT had to purchase or recreate the existing network, very significant investments would be needed. It is estimated that such a system would require an investment of several million dollars.

3.2.3 Outage Restoration

Through the development and implementation of GLPT's integrated vegetation management program for maintaining its transmission system rights-of-way (See section 5(a) of this schedule), GLPT has reduced the frequency and size of vegetation-related outages. By reducing the number and extent of such outages, GLPT is able to avoid costs associated with outage restoration, including the costs of dispatching work crews to often remote locations to carry out emergency work activities. As a result, GLPT's outage restoration expenses have decreased by $40,000 on an annual basis as of 2010, as compared to at the time of GLPT's last Board approved transmission rates. GLPT anticipates that its outage restoration expenses will continue to decrease as it continues with the integrated vegetation management program.

3.2.4 Energy Audit

In May 2009, GLPT retained an engineering firm to prepare an energy audit on behalf of the transmission and distribution businesses and to evaluate and assess opportunities for improving electrical systems at the office complex located at 2 Sackville Road in Sault Ste. Marie. While the resulting Energy Audit Report applies to the entire building, GLPT will be implementing the recommendations contained in the report in respect of its portion of the complex only. The energy audit considered the building's perimeter and electrical heating, ventilation and air conditioning systems, lighting, and the cost benefits of alternatives. Recommendations included upgrading aging HVAC systems with natural

gas-based heating and higher efficiency cooling systems, upgrading lights and improving the building envelope. For the entire office complex, the resulting energy savings were estimated to be approximately $70,000 per year with an estimated payback period for the necessary up front investments of just over 3 years.

3.2.5 Vegetation Management

As part of its vegetation management program, GLPT has introduced the use of mechanical tree removal techniques along its rights-of-way (ROWs). This approach has particularly been used for purposes of re-establishing ROW edges so as to restore ROWs to their required widths. This new approach has reduced the cost of removal per tree significantly and has increased the efficiency of tree removal so as to provide increased coverage in a given year.

3.2.6 Health, Safety and Environment

While the health and safety function has historically been staffed separately from the environmental function, GLPT carries out both of these functions for the company through only one dedicated position. In addition to providing opportunities for synergies in delivering and administering the programs, this allows GLPT to reduce staffing costs for these programs by $80,000 per year while maintaining its high standards for health and safety and environmental performance.

4.0 OM&A Cost Drivers

An account-by-account summary of GLPT's OM&A costs for 2006 to the 2010 test year is provided in Table 4-2-1 C. The key drivers that give rise to the costs within the accounts for operations, maintenance and administration are discussed below.

Table 4-2-1 C – OM&A Costs by Uniform System of Accounts

($000's) USofA	Description	2006 Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
	Transmission Expenses - Operation						
4805	Operation Supervision and Engineering	$47.0	$405.0	$383.1	$641.5	$384.1	$475.5
4810	Load Dispatching	1,048.8	1,019.1	1,024.0	945.9	1,165.9	1,600.2
4815	Station Buildings and Fixtures Expense	355.4	238.6	247.9	258.9	582.3	886.7
4820	Transformer Station Equipment - Labour	36.4	52.5	81.6	294.8	434.8	396.1
4825	Transformer Station Equipment - Supplies and Exp.	69.6	29.9	68.0	83.4	194.9	82.2
4830	Overhead Line Expenses	59.9	100.8	124.4	153.9	118.9	177.1
4845	Miscellaneous Transmission Expenses	265.5	97.8	177.9	166.9	223.3	437.5
4850	Rents	48.0	53.2	60.5	89.2	70.7	80.9
	Transmission Expenses - Maintenance						
4910	Mtce of Transformer Station Buildings and Fixtures	87.3	10.7	23.2	17.5	69.9	91.8
4916	Mtce of Transformer Station Equipment	621.3	554.7	556.8	377.2	302.8	582.3
4930	Mtce of Poles, Towers, and Fixtures	40.8	16.5	18.7	24.5	10.3	18.5
4935	Mtce of Overhead Conductors and Devices	144.9	116.9	157.2	271.1	95.7	207.8
4940	Mtce of Overhead Lines - Right of Way	600.0	794.9	851.1	1,400.8	1,102.7	1,800.0
4945	Mtce of Overhead Lines - Roads and Trails Repairs	-	-	-	103.2	103.8	110.0
	Administrative and General Expenses						
5605	Executive Salaries and Expenses	486.5	427.8	401.3	403.4	499.7	1,102.7
5615	General Administrative Salaries and Expenses	1,471.7	1,019.4	1,056.6	988.6	1,230.8	1,286.0
5620	Office Supplies and Expenses	-	-	-	-	-	280.2
5630	Outside Services Employed	234.6	438.8	553.4	675.6	1,010.0	1,062.1
5635	Property Insurance	142.4	116.4	116.4	115.1	177.2	211.5
5655	Regulatory Expenses	148.1	148.6	167.4	153.6	163.3	157.0
5665	Miscellaneous General Expenses	-	-	-	15.3	30.0	36.5
5680	Electrical Safety Authority Fees	19.0	19.5	20.1	21.4	23.0	23.0
	Subtotal Operations	1,930.5	1,996.9	2,167.4	2,634.6	3,174.8	4,136.2
	Subtotal Maintenance	1,494.2	1,493.7	1,607.0	2,194.4	1,685.3	2,810.5
	Subtotal A&G	2,502.4	2,170.5	2,315.2	2,372.9	3,134.0	4,159.0
	Total OM&A	**$5,927.0**	**$5,661.1**	**$6,089.6**	**$7,201.9**	**$7,994.1**	**$11,105.6**

To provide the Board with context for GLPT's OM&A expenses, GLPT retained First Quartile Consulting, LLC ("FQC") to perform a benchmarking study. In performing its study, FQC performed analysis to determine how GLPT compares against a panel of

utility companies with respect to transmission line, transmission substation and administrative and general expenses. Normalized on a cost per asset basis, GLPT generally falls below the average of the comparison panel, reflecting lower costs on average on per asset basis.

In considering combined administration expenses and operation and maintenance expenses, FQC found that GLPT remains below the average of the comparison panel, reflecting lower costs on average, and is within the second quartile. The second quartile is the second lowest cost tier. With only administration expenses on a per asset basis, GLPT is well below the average of the comparison panel and is primarily in the second quartile.

GLPT is also generally within the second quartile with respect to transmission lines and substation operation and maintenance costs, excluding administration costs. GLPT's costs per asset trend upwards in 2009 and 2010. This relates primarily to vegetation management expenses by GLPT, as well as GLPT expenditures that are recorded in CWIP and not yet in the asset base. As a result of the expected lower maintenance costs arising from capital expenditures in 2010 and the increment in the asset base in 2011, this upward trend is expected to lessen in 2011.

The FQC study is consistent with the view that GLPT's operation and maintenance expenditures are reasonable and that GLPT has established a corporate structure with an executive and management team that is reasonably sized. FQC's report is set out at **Appendix "A"** of this schedule.

4.1 Operations

GLPT's operating costs are driven largely by a few areas of activity, which together comprise the majority of total costs. Operating costs are made up primarily of costs incurred under Account 4810 - Load Dispatching, Account 4815 – Station Buildings and Fixtures Expenses, Account 4805 – Operation Supervision and Engineering, and from general operations activities.

Load Dispatching is the most significant cost in the operations category for GLPT. These costs are driven by the Ontario System Control Centre ("OSCC") and include costs associated with direct switching, controlling system voltages, communications services, as well as system records and report generation. The costs associated with leasing SCADA equipment are included in this account as well.

Station Buildings and Fixtures includes the costs of labour, material used and expenses incurred in operating transmission station buildings and fixtures, and in operating the office complex in which GLPT resides. Specifically, some of the expenses include lease payments, lighting, heating, telephone, and other building service expenses.

Supervision and Engineering costs are provided primarily by internal staff, with assistance provided by external consultants as needed. This includes labour costs and other expenses incurred in association with the general supervision and direction of operations for the transmission system as a whole, including engineering. More specifically, these activities include testing to determine the efficiency of equipment

operation, the preparation and review of budgets, the preparation of estimates and drawings related to operations or maintenance activities, and the review and analysis of operating results.

Other general operating activity costs include labour, supplies and expenses related to transformer station equipment, overhead lines, stations and buildings, and rents. These activities and their associated costs are required to operate the business. They include testing, inspections, patrolling, switching, equipment adjustments, record keeping, compliance reporting, as well as related transportation, supplies, tools, and incidental expenses.

4.2 Maintenance

GLPT's maintenance costs are driven primarily by activities, the costs of which are under Account 4940 - Maintenance of Overhead Lines (Right of Way), and Account 4916 - Maintenance of Transformer Station Equipment.

Right of Way (ROW) maintenance costs include expenses relating to vegetation management, including the trimming of trees, clearing of brush and the maintenance of edges and buffer zones associated with ROWs. Vegetation management in ROWs is an essential component of maintaining the reliability of GLPT's transmission system. A detailed discussion of ROW maintenance can be found in section 5(a) of this schedule.

GLPT's station maintenance costs are comprised of the cost of labour with payroll burden, material, trucking and other expenses incurred in the maintenance of station equipment included in Account 1715 - Station Equipment. The majority of this maintenance is completed by internal staff. However, given the nature of corrective maintenance, GLPT may use external contractors as needed.

4.3 Administration

GLPT's administrative costs are driven primarily by activities for which costs are included under Account 5605 – Executive Salaries and Expenses, Account 5615 - General Administrative Salaries, and Account 5630 - Outside Services Employed.

Historically, General Administrative Salaries were comprised largely of salaries associated with the provision of common services shared with GLPL's distribution division. These included salaries for such areas as accounting, information technology, health and safety, and environmental. The methodology used for allocating costs up to June 30, 2009 remained consistent with GLPL's 2005 filing, EB-2005-0241. Given the development of GLPT as a stand-alone transmission business as of July 1, 2009, the cost sharing and allocation arrangements that previously existed between transmission and distribution are no longer applied.

However, although costs are no longer shared between the former divisions of GLPL, account 5615 still reflects the salaries and benefits of the employees in the administrative

programs listed above. Also included in this account is GLPT's corporate cost allocation, which is described in Exhibit 4, Tab 2, Schedule 5.

Account 5605 - Executive Salaries and Expenses includes the salaries and associated expenses of GLPT's Vice President and General Manager, its Vice-President of Project Development, its Director of Legal and Regulatory, and its Director of Administration. This account also includes an allocated cost of 50% of the salary and expenses for the parent company's Chief Operating Officer responsible for North American Transmission.

With respect to Account 5630, GLPT employs external services to provide professional administrative support in a number of areas. External audit fees, as well as legal and regulatory support costs make up the bulk of the external administration support utilized by GLPT.

5.0 Variance Analysis

This section describes and discusses the key factors that have driven GLPT's OM&A cost variances over the period from 2006 up to and including the 2010 test year. These key drivers are as follows:

(a) Right-of-Way Maintenance;

(b) General Management and Executive Costs;

(c) System Control and Communications;

(d) Other Administrative Programs;

(e) GLPT's Office Complex; and

(f) Transmission Development.

The variances described in this section comprise over 80% of the total OM&A increase between 2006 and 2010. A summary of these variances is presented in *Table 4-2-1 D*, below. These drivers are further discussed and referenced, as appropriate, in the detailed year-over-year variance analyses, provided in Exhibit 4, Tab 2, Schedule 3.

Table 4-2-1 D – Variance Analysis Summary

	USofA**	($000's)	Percentage
2006 Approved OM&A	All OM&A	$5,927.0	
2010 Test Year OM&A	All OM&A	11,105.6	
Overall Variance from 2006 Approved to 2010 Test Year		**$5,178.6**	
Described in Section 5.0			
Section (a) - Right of Way Maintenance	4940 / 4945	$1,310.0	25.3%
Section (b) - Management & Executive Costs	5605 / 5615	816.9	15.8%
Section (c) - System Control & Communications	4810 / 4845	723.4	14.0%
Section (d) - Administrative Support Programs	5615 / 5620 / 5630	488.3	9.4%
Section (e) - Office Complex	4815 / 4910	475.6	9.2%
Section (f) - Transmission Development	5605 / 5620 / 5630	412.0	8.0%
Total OM&A Variance Described in this Section		**$4,226.3**	**81.6%**

**For detailed account by account variance analyses, please refer to Exhibit 4, Tab 2, Schedule 3

(a) ***Right-of-Way Maintenance (Accounts 4940 / 4945)***

The maintenance of ROWs is an ongoing challenge that is of particular importance to GLPT because of the unique character of its transmission system. As described in Exhibit 1, Tab 2, Schedule 1, GLPT's transmission system extends through two forest zones in northern Ontario that have dense vegetation throughout, and which are situated amidst the difficult terrain of the Canadian Shield. Effective ROW maintenance is required to ensure that appropriate clearances between vegetation and electrical equipment are maintained in order to mitigate risks to the reliability of GLPT's system and to the bulk electricity system in Ontario. GLPT's program is also challenged by environmental, social, ecological and economic factors that may influence the method or approach applied by GLPT.

Vegetation management in ROWs is an essential component of maintaining the reliability of GLPT's transmission system because contact between vegetation and transmission lines, such as due to weather events or growth, can result in outages. Moreover, properly maintained ROWs allow for access to transmission facilities, which is needed to carry out inspections and maintenance activities.

GLPT's vegetation management activities include brush removal along the floors of ROWs through the ground application of herbicides by work crews in accordance with applicable regulatory requirements. Brush removal is generally carried out during the summer growing season. Vegetation management also includes brush removal, tree trimming and tree removal along the edges of ROWs to prevent the encroachment of

vegetation into the ROWs. This work is typically carried out during the winter and is performed by different work crews with different skills and equipment than those who do brush removal. More specifically, the work involves the trimming of branches and the removal of trees which pose a potential risk to adjacent transmission lines.

Along certain areas of GLPT's ROWs, known as buffer zones, standard methods of vegetation management are not possible for a variety of reasons. These include the presence or proximity of rivers, creeks, waterways, wetlands and lakes where, pursuant to requirements under the Pesticides Act, there may be restrictions on the use of particular herbicides or their manner of application. Other areas where standard methods of vegetation management are not possible include areas such as areas of higher elevation, areas of difficult terrain and areas where property issues restrict GLPT's ability to use standard methods. In all such buffer zones, GLPT must resort to more labour- and time-intensive processes such as hand cutting, spot spraying and the use of alternative herbicides.

GLPT relies on the use of specialized, outside contractors for the performance of the various components of this work. GLPT targets a 6-year cycle for completion of all brush removal, tree trimming and tree removal activities needed on its system's ROWs, including ROW floors and edges, as well as buffer zones.

The clearing of ROWs is a highly regulated activity as GLPT is required to comply with the IESO's reliability compliance program, which is generally aligned with NERC

Reliability Standard FAC-003-1 (Transmission Vegetation Management Program). These requirements reflect a generally greater focus on vegetation management across the electricity sector in the wake of the 2003 blackout. Moreover, GLPT must comply with the highly prescriptive licensing and approvals requirements under the *Pesticides Act* and relevant regulations. GLPT's ROW maintenance activities are also subject to requirements and restrictions under the provincial species protection legislation in respect of certain at-risk species that inhabit areas within GLPT's network of ROWs. The highly-regulated nature of this activity is a factor in driving GLPT's ROW maintenance costs.

Scope

To meet its ROW vegetation management challenges with greater effectiveness, GLPT has steadily improved its vegetation management program between 2005 and 2009. Consistent with the approach taken in the 2005 application, GLPT's ROW maintenance program operates on the basis of a 6-year cycle whereby a portion of the system's ROWs is inspected and maintained each year so that, over the course of the entire cycle, all ROWs on GLPT's system are maintained. To follow this cycle, GLPT divides its ROWs up for maintenance over 5 years and allows for 1 additional year to provide flexibility in completing the cycle.

The reasonableness of having an ROW maintenance cycle that is 6 years in duration is supported by a recent Vegetation Management Benchmarking Study prepared by an

independent consultant for Hydro One Networks Inc. ("HONI") and filed in support of HONI's 2010/11 distribution rate application (EB-2009-0096).[1] This report explains at page 29 that "long cycles between treatments push the workload on an upwardly exponential curve each time it is managed. When stump re-sprouts and new trees are allowed to grow higher than the shrubs, herbs and grasses, the trees will extend their height rapidly to the height of the wire causing a need for remediation and unplanned maintenance . . . the work is the lightest and moves the quickest when it is performed before new vegetation begins the juvenile phase of growth, exponentially accumulating biomass." The report found that HONI's peer group typically used cycles of 3-5 years and that HONI made a prudent choice in seeking to reduce the length of its 10-year cycle. GLPT is therefore confident that its cycle of 5 years, plus one additional year each cycle for flexibility, is appropriate and provides a sustainable level of reliability at a reasonable cost relative to the vegetation growth.

When GLPL's transmission division submitted its EB-2005-0241 transmission rate application, GLPT's ROW maintenance activities primarily included herbicide application on the floors of the ROWs and vegetation management in buffer zones. On an as needed basis, GLPL removed danger trees. In response to (1) the significantly greater focus on vegetation management across the electricity transmission industry arising from the 2003 blackout, (2) the IESO requiring compliance with reliability standards for vegetation management and vegetation-caused outages, adopted from

[1] See Exhibit A, Tab 15, Schedule 2, Attachment 1 of HONI's pre-filed evidence in EB-2009-0096.

NERC reliability standards (Vegetation Management Standard FAC-003-01), and (3) the occurrence of vegetation-related events affecting its transmission system in 2006, GLPL's transmission business determined that a change in its approach to vegetation management was required.

In 2006, GLPT transitioned to a fully integrated vegetation management program. As a fully integrated program, brush removal on ROW floors, tree trimming and removal along ROW edges and vegetation management in buffer zones are all carried out in a systematic and coordinated manner, within the 6-year cycle. As part of this program, beginning in 2006 a particular focus has been given to tree trimming and tree removal to address encroachment on the sides of the ROWs and to re-establish the edges of GLPT's active ROWs. While most of the system's lines require ROWs with a width of 30 meters, GPS mapping activities determined that in many places vegetation encroachment had reduced these ROWs to 20 or 25 meters in width. To mitigate the risk to its system, GLPT has been working to re-establish the appropriate ROW widths through tree trimming and removal, as well as brush removal.

Beginning in 2007, GLPT has also incurred additional costs associated with to its efforts to properly identify and define the sizes and locations of buffer zones situated within the ROWs, as well as to manage vegetation in those buffer zones. As indicated, buffer zones are areas near waterways where, in accordance with requirements under the *Pesticides Act* and due to the environmentally sensitive nature of these areas, traditional herbicide

application cannot take place. GLPT also regards as buffer zones any areas where, due to terrain or property issues for example, standard methods of herbicide application, tree trimming and tree removal cannot be used. Because of the location of GLPT's transmission system, regulatory changes that increase the operating restrictions around buffer zones have a particularly significant impact on GLPT. In such buffer zones, GLPT must employ slower, more labour-intensive and more costly techniques using different equipment and sometimes different work crews in order to perform necessary vegetation management activities. These methods include spot-spraying, hand cutting and the use of alternative herbicides.

As part of the costs associated with the regulatory need to better manage vegetation in buffer zones, GLPL incurred expenses relating to its efforts to identify, map, define and better understand the buffer zones along its ROWs. A significant portion of this work involved crews using GPS instrumentation in the field to map buffer zone locations and characteristics. These work activities have contributed to certain efficiencies such that, while GLPT previously had difficulties in maintaining buffer zones within the 6-year cycle, it is now better able to achieve this. This is due to the enhanced ability to describe work requirements to contracted work crews, who are then better able to plan their work activities and vegetation treatment strategies. It also allows for the more efficient dispatching of crews due to reduced mobilization and demobilization time and costs. As a corollary benefit, GLPT also expects to receive better cost estimates for ROW maintenance services.

Given the success of the enhanced focus on tree trimming and tree removal activities associated with restoring and maintaining ROW edges in 2006 and 2007, GLPT expanded this part of its program so as to improve a greater portion of its ROWs in 2008. GLPT has also continued its efforts to identify, map and define buffer zones. As a result, GLPT experienced a further increase in its ROW maintenance costs in 2008. Together, these efforts will result in a more integrated, systematic, efficient and effective ROW maintenance program which will use less chemical herbicides and achieve better reliability for the GLPT transmission system.

For 2009, while GLPT maintained its level of managing vegetation on the ROW floors in accordance with its 6-year cycle, as a cost cutting measure GLPT reduced its activities associated with encroachments and buffer zones relative to 2008. It was decided that, for reliability purposes, GLPT needs to restore its prior levels of activity in these areas for 2010 and beyond.

Other Factors

In addition to the scope changes described above, there have been several other factors that have driven increases in GLPT's ROW maintenance expenses.

With respect to reliability requirements, as noted above, the IESO requires compliance with reliability standards for vegetation management and vegetation-caused outages, adopted from NERC standards. NERC's Vegetation Management Standard (FAC-003-01) came into effect in 2006, and the requirements of the standard demand more rigorous

vegetation management to avoid risk to the system. Associated with the NERC standard are increased reporting and administrative requirements. Given the limited staff at GLPT, it was impossible to simply absorb the additional burden. As part of the Bulk Electricity System, this and other standards are applicable and are of particular importance for reliability. As a result, reliability requirements, and particularly this standard, have driven GLPT to incur greater costs to ensure compliance.

The additional factors driving the increase in GLPT's ROW maintenance expense also include new regulatory requirements. In particular, Ontario introduced Regulation 63/09 under the *Pesticides Act*, effective April 22, 2009. This regulation bans the cosmetic use of pesticides in Ontario. Though GLPT as a utility is exempt from the outright ban, the regulation instead requires GLPT to develop and implement an integrated pesticide management plan. GLPT has required the assistance of a contractor with the specialized expertise needed to prepare its plan, which requires approval from the Ministry of the Environment. The plan must identify the specific herbicides to be used and their manner of application with a view to minimizing the quantity and intensity of application, particularly in more environmentally sensitive areas. Once prepared, the plan must be reviewed and approved by a certified pesticide professional before submission to the Ministry. The plan must also address extensive reporting requirements, such as the preparation and maintenance of daily pesticide application logs and the preparation and filing of an annual report. In addition, the regulation establishes further restrictions on pesticide exposure for employees and the environment. This results in the requirement

for additional employee training and personal protective equipment, and the potential that GLPT will no longer be able to use some otherwise valuable and cost-effective tools when applying herbicides.

The last factor driving cost fluctuations in vegetation management is species at risk legislation. On May 16, 2007, Ontario enacted the new *Endangered Species Act, 2007*, which replaced the former species protection legislation in the province. The new legislation is more comprehensive and provides broader protection for species at risk and their habitats. Some of GLPT's ROWs provide habitat for recognized species at risk. GLPT effectively treats these areas like buffer zones, where specialized vegetation management methods are required. However, there are additional constraints because GLPT must schedule its work around the "active seasons" of various species, thereby giving rise to the need to redeploy work crews to deal with the affected areas, resulting in inefficiencies. Moreover, GLPT must ensure that its work crews are appropriately trained so as to identify the species at risk and their habitats when encountered.

(b) ***General Management, Executive Costs and Corporate Allocation (Accounts 5605 / 5615)***

There are several key drivers of cost increases associated with GLPT's general management and executive services, particularly from 2008 to the 2010 test year.

<u>General Management and Executive Costs</u>

GLPT has established a corporate structure with an executive and management team that is reasonably sized, reflective of the overall company needs and structure, and which includes the appropriate level of experience and expertise for a stand-alone transmission utility of the size and nature of GLPT. As a stand-alone transmission company, GLPT has a wide range of needs, some of which are basic business needs and some of which are driven by GLPT's business as an electricity transmitter in Ontario, but all of which GLPT believes to be typical for any transmission utility. These include needs with respect to operations, maintenance, capital investment, regulatory, environment, health and safety, information technology, as well as management and administration, which includes such functions as legal, finance, accounting, treasury and human resources. GLPT also has obligations to its outside stakeholders which require attention. These functions require appropriate staffing, external support where needed, as well as appropriate oversight, management and leadership.

To address these wide-ranging needs, GLPT has established a relatively flat organizational structure, which is depicted by the organizational chart in Exhibit 1, Tab 1, Schedule 12. Leading the organization, on behalf of the parent company, is a Chief Operating Officer responsible for North American Transmission. This individual's duties and functions are to develop and approve GLPT's strategic plan, approve GLPT's annual budget and capital expenditure program, hire and oversee and monitor performance of GLPT's senior management team, provide executive support for regulatory initiatives including in respect of rate setting and key policy issues, provide leadership for

transmission development activities, as well as to provide partner oversight over GLPT operations and quarterly reporting to the partners of GLPT. 50% of the parent company's costs associated with the Chief Operating Officer responsible for North American Transmission is allocated to GLPT to reflect these contributions.

Reporting to the parent company's Chief Operating Officer responsible for North American Transmission are GLPT's Vice President and General Manager, its Vice President of Project Development and its Director of Legal and Regulatory. Reporting to the Vice President and General Manager is GLPT's Director of Administration. The duties and functions associated with each of these positions are as follows:

- The Vice President and General Manager is responsible and accountable for planning, directing, managing and overseeing all activities and operations of GLPT. More specifically, this individual's duties include, but are not limited to, ensuring the safe, environmentally responsible and efficient operation and management of the transmission system, overseeing the management of safety and environmental performance, administration, engineering and system control, ensuring the business is organized and staffed for efficiency and effectiveness, overseeing the work of the Director of Administration and the rest of the senior management team, aligning operations with corporate goals and objectives, reviewing financial plans and budgets and recommending such plans and budgets for approval by the Chief Operating Officer, remaining informed of legislative, regulatory and policy developments that may affect the business, ensuring compliance by the business with regulatory licences, permits, codes and other requirements, and negotiating and managing collective bargaining processes.

- The functions carried out by the Vice President of Project Development arise from the circumstances discussed in section 5(f) of this schedule. The duties of this Vice President are to guide and manage GLPT's focus on transmission development needs and opportunities arising from the *Green Energy and Green Economy Act*, lead and guide GLPT in its efforts to support the province's transmission development objectives, including the development and implementation of its expansion and reinforcement plan that will require strategic

decision-making and relationship-building, contribute to the planning process that will give rise to potential First Nation and Métis consultations, and pursue partnerships for transmission development with HONI;

- The Director of Legal and Regulatory provides general legal counsel, advises the company in the area of Aboriginal law (including with respect to First Nation and Métis consultations and participation in the development of transmission facilities to support renewable generation development, as further discussed under Transmission Development in section 5(f) of this schedule, below), supports the company in developing and maintaining strong relationships with relevant Aboriginal groups, as well as advises and provides legal services associated with regulatory matters, including rate applications and Board consultation processes of strategic interest to GLPT; and

- The Director of Administration is responsible and accountable for directing the finance, accounting, treasury, tax, regulatory, IT and human resource functions of the business. In particular, this individual's duties include establishing and maintaining accounting procedures and overseeing maintenance of accounting and internal controls, overseeing the preparation of forecasts, budgets and financial reports, overseeing project accounting, debt compliance reporting, preparation of management reports, working with external auditors, cash management, responsibility for tax filings and compliance, responsibility for all energy regulatory matters including overseeing applications and ensuring compliance, oversight of the IT department, and involvement in the collective bargaining process.

In addition to providing the necessary leadership, management and oversight for all areas of the business described above, as their job descriptions indicate, members of the executive team are also involved in performing many of these core business functions directly. This allows GLPT to maintain its flat and cost-effective organizational structure. GLPT believes that the functions served by each of these executive positions are essential to the effective management, operation and administration of its business.

Historically, GLPT's direct executive support was provided by a Vice President responsible for Ontario Operations, which included generation, transmission and

distribution operations for a number of Ontario-based entities. By contrast, the appointment by the parent company of a Chief Operating Officer responsible for North American Transmission provides GLPT with transmission-focused leadership, oversight and executive support. While the Chief Operating Officer will have responsibility for different transmission entities across North America, GLPT believes that the focus on transmission will more effectively serve GLPT's interests in respect of its relationship with its parent company and with the industry, key stakeholders and the community at large. The incremental cost associated with the allocation of Chief Operating Officer costs to GLPT is offset, in part, by the elimination of costs related to the Vice President of Ontario Operations approved as part of EB-2005-0241.

The costs of GLPT's executive team are no longer shared with the generation business of GLPL or the distribution business now owned by Algoma Power Inc. Rather, GLPT now supports its own stand-alone executive team to provide appropriate leadership and management services.

Corporate Allocation

In 2010, GLPT will share certain corporate functions with its parent. As a result of this sharing, GLPT will pay a portion of the costs for certain corporate functions. These corporate costs are associated with senior executive support, tax filing preparation, as well as treasury, accounting and finance and are incremental to the functions carried out by the executive positions described above. GLPT's costs for these services and

functions are determined based on the time spent by the relevant executives and the relevant staff in the finance, accounting, treasury and taxation departments of the parent company. The costs associated with these individuals are then multiplied by the relative portion of the working year that these individuals dedicate to providing support to GLPT. These costs were not budgeted in EB-2005-0241. Although these costs are now reflected as an increase in GLPT's revenue requirement, the increase is less than the expense that GLPT would have incurred if it were required to externally source these services.

(c) ***System Control and Communications (Accounts 4810 / 4845)***

The Ontario System Control Centre ("OSCC"), located at GLPT's office complex in Sault Ste. Marie, is an essential component of GLPT's business as it allows GLPT to operate its business, facilitates emergency response, allows for 24-hour contact as required by the IESO pursuant to the Market Rules, as well as serves important work protection purposes. As part of the separation of GLPL's transmission business from its generation business, the OSCC has transitioned from being a resource for which costs were shared among three business units (GLPL's transmission, distribution and generation divisions) to being a resource for which GLPT is entirely responsible.

GLPT believes that it is essential for it to have full responsibility for the operation of the OSCC. In particular, having control over its system operations enables GLPT to directly ensure its ongoing compliance with the terms and conditions of its Operating Agreement with the IESO and its Connection Facilities Agreement with HONI. Under each of these

important agreements, GLPT has obligations and operational responsibilities that can only be fulfilled through the operation of the OSCC by GLPT. As such, GLPT regards system control as being strategically and operationally essential to the business.

In taking on the full responsibility for the OSCC, GLPT also felt that a stand-alone control centre fully under its control would be beneficial as it would not only relieve GLPT of any Affiliate Relationships Code issues that may have arisen as a result of the sharing, but that it would allow GLPT to retain complete control over services. This is important because it allows GLPT to be fully diligent in managing and controlling its assets. Therefore, for the benefit of its directly connected customers, and for the benefit of the reliability of the Ontario transmission grid, GLPT continues to operate the OSCC on a stand-alone basis. In GLPT's opinion, to do otherwise would not provide the utility with the level of due diligence necessary to support an operation of this type and magnitude.

In the MAAD Application submitted to the Board on March 5, 2009[2], the applicant indicated that the transmission company would experience a cost increase as a result of the transition to a stand-alone control room. This application was approved by the Board in the Decision and Order dated May 5, 2009.

In making the transition to full control and responsibility over the OSCC, GLPT has been able to reduce staffing associated with the OSCC from 16 to 9. However, as GLPT is

[2] EB-2009-0072 / EB-2009-0073 / EB-2009-0075

now responsible for the full cost of operating the OSCC, the transition to a stand-alone control room is nevertheless a significant cost driver for GLPT. Another factor driving costs has been the need for NERC certification training by all operators to enhance their skills and competency. With the OSCC employees now being focused on transmission, the activities they carry out include outage scheduling, outage documentation, as well as providing support to other GLPT departments by collecting and providing data and information that plays an important role in the operation and maintenance of GLPT's transmission system.

(d) ***Other Administrative Programs (Accounts 5615 / 5620 / 5630)***

GLPT undertakes a number of important administrative programs that are essential in supporting its core transmission operations. These programs include health and safety, environmental, as well as information technology (IT).

With respect to its health and safety program, while GLPT has been able to downsize its staffing such that the health and safety program and the environment program are now administered by a single person, rather than by two staff members, it still incurs core program costs. These core program costs include health and safety training costs, the cost of an annual safety audit to ensure that GLPT is meeting applicable legislative and regulatory requirements for health and safety, as well as internal health and safety standards.

With respect to its environmental program, as noted, while GLPT has downsized its staffing associated with the environmental program, it still incurs core program costs. These core program costs include the cost of an annual environmental audit to ensure GLPT is meeting applicable legislative and regulatory environmental protection requirements, as well as internal environmental standards. Environmental training is another significant cost associated with the environment program.

With respect to its IT program, GLPT is now responsible for the full costs of items such as licence fees, IT infrastructure costs, software costs and applicable salaries. For many of these items, because of their nature, as noted below, GLPT is responsible for the same level of costs as GLPL was when it provided IT services for the generation, transmission and distribution businesses. In addition, GLPT is experiencing incremental IT costs related to increasing cyber security requirements. The cyber security requirements are described in detail in the confidential filing at Exhibit 2, Tab 1, Schedule 3.

These important administrative programs were formerly delivered jointly for the distribution and transmission businesses. As a result of the separation of the transmission and distribution businesses, certain of these programs and their attendant costs can no longer be shared between the two businesses. Because these are programs that require the same level of program services and program costs as were incurred previously, it is not possible to simply continue with half of the resources for each of these programs at half the cost. As noted above, GLPT has taken steps to mitigate costs. However, GLPT

has incurred incremental costs for purposes of supporting, as a stand-alone entity, the full costs of its health and safety program, environmental program and its information technology (IT) program.

(e) ***Office Complex (Accounts 4815 / 4910)***

The space available to the transmission-dedicated personnel of GLPL was insufficient for its needs. GLPT, as part of creating a separate transmission utility, had started to move to additional space within the office complex. To achieve this, staff were relocated within the office complex to a space that is more functional and more appropriately sized for its current and future needs. To provide improved functionality, the relocation within the complex was also needed to better reflect the distinction between GLPT and the distribution business. As a result of these changes, GLPT is now responsible for approximately 55% of the office complex costs.

Of the space now occupied by GLPT, approximately 25% is comprised of the OSCC space, which is located entirely within the portion of the building occupied by GLPT. The remainder of the space is used for GLPT's other business functions with a small proportion of space remaining available to accommodate future growth.

While the methodology of allocating building operation and maintenance costs based on square footage has been maintained, it has been determined that GLPL had previously under-allocated costs to the transmission business. This was due largely to the cost responsibility for office space used by staff performing work for both distribution and

transmission generally being allocated to distribution, rather than being split between the two businesses based on hours of work done for each respective division.

Furthermore, as a division of GLPL, the business was previously not allocated any portion of the capital cost (i.e. depreciation and return on investment) of maintaining the office complex. Under the current circumstances, whereby GLPT is a stand-alone entity subleasing the office complex to Algoma Power Inc., the allocation of the cost of capital has also been revisited. As described in Exhibit 4, Tab 2, Schedule 5, GLPT pays the cost of capital in the form of an annual lease. GLPT leases the entire complex, and subleases a portion of the complex to Algoma Power Inc. All lease rates are based on square footage occupied and are charged at the median rates determined by a third party appraiser who prepared a report specifically for the complex. As a result, GLPT is now responsible for an incremental lease cost. However, as demonstrated in *Table 4-2-1 C*, the incremental cost of leasing the complex that is borne by GLPT is far lower than the incremental cost that GLPT would have borne if the relevant portion of the building were owned by GLPT and included in its rate base.

Up to and including 2008, approximately 12% of the costs related to the office complex were allocated to the transmission business. The difference between this allocation of 12% of costs and the current allocation of 55% of costs is attributable to the more accurate allocation of space as between transmission and distribution, the provision of

additional space to meet GLPT's current and reasonable future needs, as well as the inclusion of the OSCC within GLPT's portion of the office complex.

In the MAAD Application submitted to the Board on March 5, 2009[3], the applicant indicated that the transmission company would experience a cost increase as a result of the cost of capital related to the office complex. Historically, none of the cost of capital was borne by transmission, and therefore the entire lease cost is incremental to GLPT. This application was approved by the Board in the Decision and Order dated May 5, 2009.

(f) ***Transmission Development (Accounts 5605 / 5620 / 5630)***

As a result of the recent amendments to the *Electricity Act* under the *Green Energy and Green Economy Act,* as well as the focused efforts by the Minister of Energy and Infrastructure to facilitate transmission development, GLPT has recognized an important need to ensure that it adequately focuses on certain aspects of transmission development.

Pursuant to section 25.36 of the *Electricity Act, 1998* (as amended) a transmitter is obliged to connect a renewable generation facility to its transmission system if the generator requests the connection in writing and meets the applicable technical, economic and other requirements prescribed by regulation, the Market Rules or by an order or code of the Board. Under section 26(1.1) a transmitter is now obliged to provide priority

[3] EB-2009-0072 / EB-2009-0073 / EB-2009-0075

access to its system to a renewable generation facility that meets the requirements prescribed by regulation.

In addition, section 70(2.1) of the *Ontario Energy Board Act* now deems, as part of each transmitter's license, that there is a condition for such transmitter to provide priority connection access to its transmission system for renewable energy generation facilities. Furthermore, section 70(2.1)(2) requires transmitters to prepare plans for the expansion or reinforcement of the transmission system to accommodate the connection of renewable energy generation facilities.

It is estimated that there is up to 1500 MW of new wind development in and around the GLPT transmission system. Preliminary conclusions suggest that any connection of wind resources above 100 MW would trigger the need for an upgrade on GLPT's system, including the construction of new network 230 kV lines. Because of this, GLPT will be focused on developing its expansion and reinforcement plan for filing anticipated to be in 2010. This plan could include plans for one or more enabler facilities. Any expansion and reinforcement plan would be expected to require consultation with First Nation and Métis communities.

In addition, based on September 2009 announcements by the Minister of Energy and Infrastructure, HONI has been asked to pursue certain transmission projects, including "East-West Tie: Nipigon by Wawa" and "Sudbury Area by Algoma Area". Both of these projects would include and would have an impact on the GLPT transmission

system. The Minister has asked HONI to identify opportunities for entering into partnerships in respect of various projects, to use best efforts to enter into such partnerships, as well as to identify projects more suitably planned, developed and implemented by parties other than HONI. It is GLPT's intention to seek to partner with HONI in respect to these and other projects, including those that may not necessarily be located in close proximity to GLPT's existing transmission system.

It is also GLPT's intention to pursue designated transmitter status under the Transmission System Code in respect of various enabler transmission line projects. Such opportunities may be identified either by the OPA, the Minister or by GLPT though its expansion and reinforcement plan.

As a result of these obligations and initiatives, GLPT has identified the need to incur expenses, such as consulting and travel expenses, related to the *Green Energy and Green Economy Act* and related green energy initiatives.

APPENDIX "A"

First Quartile Consulting, LLC

Great Lakes Power Transmission Operation Cost Analysis (December 7, 2009)

SCHEDULE "E"

Exhibit 4, Tab 2, Schedule 2 - OM&A Variance Analysis

(Amended December 7, 2009)

OM&A VARIANCE ANALYSIS

This section provides year-over-year, quantitative and qualitative analyses of GLPT's OM&A cost variances and applicable cost drivers. This analysis is provided on an account-by-account basis for the period from 2006 (approved and actual) up to and including the 2010 test year.

1.0 Key Drivers

This section highlights the key factors that are driving GLPT's OM&A cost variances from 2009 to the 2010 test year. These drivers are further discussed and referenced, as appropriate, in the detailed year-over-year variance analyses, provided throughout the remainder of this schedule. A numerical summary of these key drivers is presented in **Appendix "A"**.

GLPT will experience an increase in OM&A of $3,111,500 from 2009 to 2010. The increase in OM&A is driven by some 2010 business initiatives and, to a significant extent, by the full year impact of various 2009 initiatives. During 2009, GLPT implemented several initiatives, the financial impact of which were not fully experienced in 2009. This is because a number of the initiatives were implemented throughout the year, resulting in the 2009 OM&A reflecting only a portion of the annual impact. As a result, $1,674,800 (53.84%) of the increase in OM&A from 2009 to 2010 relates directly to items that were initiated in 2009. The remaining $1,436,700 relates to items that will be initiated in 2010. This is presented in columns 1 and 2 of Appendix "A".

Another way of considering the factors giving rise to GLPT's OM&A increase from 2009 to 2010 is to identify the respective portions of the increase that are attributable to (a) natural business growth, (b) the appropriate allocation of costs to GLPT, and (c) costs that are directly related to the separation of the transmission and distribution businesses.

Of the $3,111,500 increase in 2010 OM&A, 82% is directly attributable to the natural business growth of GLPT. This is presented in column 3 of Appendix "A".

With respect to the appropriate allocation of costs to GLPT, in 2010 GLPT will experience an increased allocation percentage relating to the office complex. The increase in the office complex cost allocation is described in Exhibit 4, Tab 2, Schedule 1. The allocation percentage increased from approximately 12% to approximately 55%. As a result, 5% of the $3,111,500 increase in 2010 OM&A relates directly to the increase in cost allocation. This is presented in column 4 of Appendix "A".

With respect to the separation of the transmission and distribution businesses associated with achieving s. 71 compliance, the reorganization eliminated the ability for GLPT to share expenses with the distribution business in respect of General Management and Executive Costs. The increase in General Management and Executive Costs is described in Exhibit 4, Tab 2, Schedule 1. GLPT's organizational structure is appropriate for an organization of its size and all personnel are fully utilized. However, the inability to share General Management and Executive Costs represents 13% of the $3,111,500 increase in 2010 OM&A. This is presented in column 5 of Appendix "A".

Account 4805 – Operations Supervision & Engineering

Table 4-2-2 A - Variance Analysis for Account 4805

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$47.000	$47.000	$404.976	$383.072	$641.536	$384.109
Cost Driver 1		357.976				
Cost Driver 2			(21.904)		(91.675)	122.592
Cost Driver 3				163.813	(201.904)	(6.660)
Cost Driver 4				109.556	11.958	
Other Minor Variances				(14.905)	24.194	(24.517)
Current Year Total	**$47.000**	**$404.976**	**$383.072**	**$641.536**	**$384.109**	**$475.524**

Cost Driver #1 – Reclassification of Costs from Account 5615

The increase in this account between 2006 Approved and 2006 Actual relates to a reclassification of costs. GLPT now classifies all asset management and engineering OM&A costs within this account instead of sharing the costs with account 5615 – General Administrative Salaries. As a result, $357,976 was reclassified from account 5615 to account 4805.

Although there is a cost increase in this account, it is offset by a cost decrease in another account and therefore does not result in incremental OM&A costs for GLPT. The offsetting decrease is reflected in Cost Driver #3 for account 5615.

GLPT believes this classification is more appropriate than the classification used in the 2006 Approved figures.

Cost Driver #2 – Staff

In 2007, GLPT lost one staff member from the engineering department in the latter part of the year, resulting in a reduction in staff costs when compared to 2006 Actual.

In 2009, GLPT lost another employee from its engineering department. Notwithstanding its recruitment efforts, GLPT has had difficulty re-filling the position. This has resulted in further cost reductions from prior historical years.

It is anticipated that, in 2010, GLPT will fill two vacant positions related to the engineering department. This will result in an increase in costs beginning in the test year. The incremental costs demonstrated in the table reflect the impact on GLPT's OM&A costs only.

Cost Driver #3 – Consulting Costs

In 2008, GLPT was forced to retain contractors and consultants for its engineering department in response to the difficulties and delays in replacing staff. These contractors were retained to deal with various day-to-day engineering requirements. In addition, GLPT incurred consulting costs in connection with the formalization of GLPT's use and occupation of First Nation reserve lands.

In 2009, these costs declined for the following reasons:

- Consulting costs related to the *Green Energy Act* and green energy initiatives are now being captured in account 5630; and

- Legal and consulting support related to GLPT's use and occupation of First Nation reserve lands has been reduced by GLPT having filled the position of Director, Legal and Regulatory. The offsetting incremental costs are found in account 5605 – Executive Salaries and Expenses.

Cost Driver #4 – Internal Engineering

In 2008, GLPT's engineering staff spent more time on operations and maintenance activities than capital activity when compared to prior years. It is anticipated that, with the addition of two engineering staff, GLPT will experience the same level of OM&A costs related to internal engineering in the 2010 test year.

Account 4810 – Load Dispatching, and

Account 4845 – Miscellaneous Transmission Expense

Table 4-2-2 B - Variance Analysis for Accounts 4810 and 4845

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$1,314.255	$1,314.255	$1,116.920	$1,201.841	$1,112.819	$1,389.173
Cost Driver 1		(197.335)	84.921	(89.022)		
Cost Driver 2					146.875	421.048
Cost Driver 3					(49.000)	49.000
Cost Driver 4					178.479	178.479
Current Year Total	**$1,314.255**	**$1,116.920**	**$1,201.841**	**$1,112.819**	**$1,389.173**	**$2,037.700**

In EB-2005-0241, GLPL divided its system control and communications costs into these two accounts. The nature of these two activities is quite similar and, therefore, in order to assist the Board in understanding the variances in these accounts, GLPT has combined them and described the variances as though they were derived in a single account.

Cost Driver #1 – Historical Variances

As described in Exhibit 4, Tab 2, Schedule 5, prior to 2009, GLPT shared the Ontario System Control Centre ("OSCC") with all divisions of GLPL. The OSCC was operated outside of the regulated divisions within GLPL and, therefore, the cost borne by the transmission division was an allocation of the overall cost of the OSCC. The

methodology for allocating the costs among the divisions did not change between the time of the 2006 Approved and the 2008 Actual figures. The 2006 Approved figure of $1,314,255 was based on the transmission division's share of the 2005 budget for the OSCC. Actual costs in 2006 through 2008 were in fact lower than the budget figure and, as a result, the transmission division was allocated a smaller portion of costs than originally expected.

Cost Driver #2 – Transition to Stand-Alone

The OSCC, as discussed more fully in section 5(c) of Exhibit 4, Tab 2, Schedule 1, is an essential component of GLPT's business as it allows GLPT to operate its business, facilitates emergency response, allows for 24-hour contact as required by the IESO pursuant to the Market Rules, as well as serves important work protection purposes. As part of the separation of GLPL's transmission business from its generation business, the OSCC has transitioned from being a resource for which costs were shared among three business units (GLPL's transmission, distribution and generation divisions) to being a resource for which GLPT is entirely responsible.

GLPT believes that it is essential for it to have full responsibility for the operation of the OSCC. In particular, having control over its system operations enables GLPT to directly ensure its ongoing compliance with the terms and conditions of its Operating Agreement with the IESO and its Connection Facilities Agreement with HONI. Under each of these important agreements, GLPT has obligations and operational responsibilities that can

only be fulfilled through the operation of the OSCC by GLPT. As such, GLPT regards system control as being strategically and operationally essential to the business.

In taking on the full responsibility for the OSCC, GLPT also felt that a stand-alone control centre fully under its control would be beneficial as it would not only relieve GLPT of any Affiliate Relationships Code issues that may have arisen as a result of the sharing, but that it would allow GLPT to retain complete control over services. This is important because it allows GLPT to be fully diligent in managing and controlling its assets. Therefore, for the benefit of its directly connected customers, and for the benefit of the reliability of the Ontario transmission grid, GLPT continues to operate the OSCC on a stand-alone basis. In GLPT's opinion, to do otherwise would not provide the utility with the level of due diligence necessary to support an operation of this type and magnitude.

The incremental cost of $421,000 is related to:

- Labour and labour related costs of $328,800; and
- Equipment maintenance and software licensing fees for SCADA of $92,300.

Cost Driver #3 – Staff Replacement

In 2009, an employee of the OSCC retired and the position was not filled for part of 2009. It is anticipated that the position will be filled by the start of 2010, resulting in the costs returning to their historical level.

Cost Driver #4 – Licensing Fees

As described in Exhibit 4, Tab 2, Schedule 1 and Exhibit 4, Tab 2, Schedule 5, GLPT licenses its SCADA equipment and fibre optic equipment from GLPL. Pursuant to a June 30, 2009 agreement, GLPT licenses the SCADA equipment from GLPL at a cost of 50% of the total depreciation cost of the existing equipment, with no return on capital investment. The annual depreciation cost charged to GLPT is approximately $24,500 per month ($294,000 annually). Pursuant to a June 30, 2009 agreement, GLPT licenses the use of a fibre optic network from GLPL at a cost of approximately $5,300 per month ($63,600 annually). As each of these costs are being incurred for the six months of 2009 beginning July 1 with the full twelve month cost being borne in 2010, the increases appear in a staged increment between 2009 and the 2010 test year.

The cost savings arising from licensing this equipment are described in section 3.2.2 of Exhibit 4, Tab 2, Schedule 1. As noted there, if GLPT were to own the equipment, it would bear the full depreciation cost of the equipment, plus the cost of capital. Therefore, GLPT is mitigating its costs in these accounts by licensing the equipment instead of owning it.

Account 4815 – Station Buildings and Fixtures Expense, and

Account 4910 – Maintenance of Transformer Station Buildings and Fixtures

Table 4-2-2 C - Variance Analysis for Accounts 4815 and 4910

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$442.653	$442.653	$249.262	$271.087	$276.411	$652.182
Cost Driver 1		(68.610)	(41.352)	(40.038)		50.000
Cost Driver 2		(123.771)	26.334	72.650	(0.990)	30.686
Cost Driver 3			37.975	(22.423)	42.414	96.822
Cost Driver 4		(1.710)	(1.132)	2.502	250.711	54.671
Cost Driver 5					84.878	85.726
Other Minor Variances		0.700		(7.367)	(1.241)	8.452
Current Year Total	**$442.653**	**$249.262**	**$271.087**	**$276.411**	**$652.182**	**$978.539**

The nature of the activities in these two accounts is quite similar and, therefore, in order to assist the Board in understanding the variances in these accounts, GLPT has combined them and described the variances as though they were derived in a single account.

Cost Driver #1 – Land Remediation Costs

The 2006 Board Approved figure included $150,000 related to land remediation projects at various transmission stations in GLPT's service territory. Actual land remediation expenditures in 2006 through 2009 were lower than this. In 2010, GLPT will spend $50,000 on land remediation projects.

Cost Driver #2 – Labour & Expenses

The 2006 Actual expenditures in these accounts were lower than the approved amount due to delayed staff replacements, decreases in snow removal and road maintenance, as well as a decrease in utility costs and fence and building repairs. However, as staff was added and stabilized through 2007 and 2008, the level of costs increased towards the approved level. In 2010, GLPT expects the costs to return to the level they were approved at for 2006.

Cost Driver #3 – MacKay Road Maintenance

In order to access MacKay TS, GLPT must travel approximately 14 kilometers off of Highway 17N, north of Sault Ste. Marie. The road is used only by GLPT to access the transmission station and by GLPL to access various generating stations in the area. All costs related to maintaining this road, including during both summer and winter, are shared between GLPL and GLPT.

The cost of the road maintenance contract is allocated between GLPT and GLPL based on the length of road used by each company. As a result of this means of allocation, GLPT bears 30% of the total contract costs. In 2009, the contract for maintenance of this road was re-tendered, and the cost of the maintenance has increased for 2009 (partial year impact) and 2010 (full-year impact) as a result..

Cost Driver #4 – Allocation of Building Operational Costs at 2 Sackville Rd.

Beginning in 2009, GLPT is bearing additional costs related to the office complex occupied by GLPT. Up to and including 2008, GLPT assumed approximately 12% of the costs related to the office building. GLPT has determined that this allocation was not an accurate allocation because the costs associated with the use of office space by staff who performed functions for transmission and distribution was generally allocated to the distribution business. As such, there was an historical under-allocation of building costs to the transmission business. Moreover, GLPT has required additional space to provide a functional work environment for its staff, as well as to accommodate modest staff increases in future. With the split of GLPT from GLPL's distribution division, GLPT's employees have relocated within the complex to a more appropriately sized area. GLPT occupies this space on a stand-alone basis. All employees, equipment and assets in GLPT's space are dedicated 100% to transmission. As a result of the more accurate allocation of costs, the need for increased space and the relocation of GLPT within the complex, the allocation of office complex costs to GLPT increased by 30.4%.

In addition, GLPT is responsible for the space occupied by the Ontario System Control Centre at 2 Sackville Rd. Historically, this portion of the cost was allocated to GLPL's Generation division, as they occupied the portion of the building with the Control Centre and operated the Control Centre. As a result of GLPT becoming the main operator of the

Ontario System Control Centre, the office space allocation to GLPT increased by an additional 12.6%.

As a result of these changes, GLPT is now responsible for approximately 55% of the costs of the complex, resulting in incremental costs in both 2009 and 2010.

Cost Driver #5 – Building Lease Costs at 2 Sackville Road

As described in Exhibit 4, Tab 2, Schedule 5, GLPT is now assuming costs related to leasing the office complex at 2 Sackville Road. The office complex and yard are owned by GLPL and, pursuant to a lease dated July 1, 2009, GLPT leases it in its entirety from GLPL. The lease amount was established based on the middle of the range of fair market rentals for triple net leases as assessed by an independent real estate appraiser that had been retained. Pursuant to a sublease dated July 1, 2009, GLPT subleases one of the two separately defined structures in the office complex, along with various common areas and half of the industrial space, to Algoma Power Inc. through a triple net lease at an annual rent based on the same cost per square foot as paid by GLPT. The net rental cost of the building and property to GLPT is equal to $169,755 per year, adjusted annually by increases in CPI. As the lease was effective on July 1, 2009, half the incremental amount is reflected in 2009, and the other half is reflected in 2010.

Account 4820 – Transformer Station Equipment – Operation Labour,

Account 4825 – Transformer Station Equipment – Operations Supplies & Expenses,

Account 4916 – Maintenance of Transformer Station Equipment

Table 4-2-2 D - Variance Analysis for Accounts 4820, 4825 and 4916

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$727.208	$727.208	$637.080	$706.498	$755.423	$932.451
Cost Driver 1		(90.128)	69.418	48.925	177.028	53.187
Cost Driver 2						75.000
Current Year Total	**$727.208**	**$637.080**	**$706.498**	**$755.423**	**$932.451**	**$1,060.638**

The nature of the activities in these three accounts is quite similar and, therefore, in order to assist the Board in understanding the variances in these accounts, GLPT has combined them and described the variances as though they were derived in a single account.

Cost Driver #1 – Program Implementation

Over the last few years, GLPT has developed a broader and more comprehensive maintenance program which enhances its ability to properly maintain its assets so as to maximize their useful life and meet all reliability requirements. As a result of completing its 2009 maintenance plan, together with the expected completion of its 2010

maintenance plan, GLPT has spent additional time and resources on operating and maintaining its transmission station equipment.

The incremental costs related to the implementation of this program are reflected in these three accounts, which relate to labour, contracts, materials and other costs.

For additional information on maintenance activities and their frequencies, please refer to Exhibit 2, Tab 5, Schedule 1.

Cost Driver #2 – Major Maintenance Project

GLPT plans to repair a leak on a transformer at Northern Avenue TS in 2010. Spill containment is currently in place at the station, mitigating any potential environmental impact in the short term. However, the repair needs to take place to avoid risks of future impacts. The cost of this repair is estimated to be $75,000 in 2010.

Account 4830 – Overhead Line Expense,

Account 4930 – Maintenance of Poles, Towers & Fixtures, and

Account 4935 – Maintenance of Overhead Conductors and Devices

Table 4-2-2 E - Variance Analysis for Accounts 4830, 4930 and 4935

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$245.565	$245.565	$234.233	$300.340	$449.525	$224.909
Cost Driver 1		(27.813)	(7.080)	35.610	(48.515)	5.717
Cost Driver 2		16.481	73.187	28.749	(91.275)	112.744
Cost Driver 3				84.826	(84.826)	60.000
Current Year Total	**$245.565**	**$234.233**	**$300.340**	**$449.525**	**$224.909**	**$403.370**

The nature of the activities in these three accounts is quite similar and, therefore, in order to assist the Board in understanding the variances in these accounts, GLPT has combined them and described the variances as though they were derived in a single account.

Cost Driver #1 – Outage Restoration

Outage restoration is a cost that fluctuates based on various factors that are beyond GLPT's control, such as weather conditions. Over the period of 2006 to 2010, GLPT's outage restoration costs have decreased by over $40,000 on an annual basis as of 2010 as a result of Right of Way maintenance and other maintenance activities, demonstrating the

positive reliability impacts of such proactive maintenance measures.

Cost Driver #2 – Regular Operations and Maintenance

Regular line maintenance has progressively increased over the period of 2006 to 2010, with the exception of 2009. A reduction in spending for this program was made in response to the significant decline in actual revenues for 2009 as compared to anticipated revenues. This was a one-time reduction made in response to unique circumstances. As a result of this one-time reduction, a portion of the 2009 line maintenance work and the associated expenses have been moved forward and will be completed over the next 2-3 years. GLPT is confident that it has been able to make this one-time reduction in spending without significant impacts to the system in future years.

Cost Driver #3 – Major Maintenance Projects

The increase in 2008 is related to an insulator replacement project. In 2009, GLPT performed fewer major maintenance projects. GLPT plans to complete an infrared scan project in 2010 at a cost of $60,000.

Account 4850 – Rents

Table 4-2-2 F - Variance Analysis for Account 4850

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$48.000	$48.000	$53.209	$60.507	$89.249	$70.716
Cost Driver 1		5.209	7.298	(3.743)	(2.547)	1.672
Cost Driver 2				32.485	(15.986)	8.500
Current Year Total	**$48.000**	**$53.209**	**$60.507**	**$89.249**	**$70.716**	**$80.888**

Cost Driver #1 – Variances in Land Lease Payments

Over the past several years, GLPT's land lease costs have fluctuated. This has resulted in minor variations in this account.

Cost Driver #2 – Lease Reviews

GLPT has incurred incremental expenses in this account related to the management of its existing land leases. Also included in this cost driver are the costs associated with administering GLPT's use and occupation permits on First Nation reserve lands.

Account 4940 – Maintenance of Overhead Lines – Right of Way

Table 4-2-2 G - Variance Analysis for Account 4940

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$600.000	$600.000	$794.905	$851.053	$1,400.829	$1,102.717
Cost Driver 1		194.905	56.148	549.776	99.171	300.000
Cost Driver 2					(397.283)	397.283
Current Year Total	**$600.000**	**$794.905**	**$851.053**	**$1,400.829**	**$1,102.717**	**$1,800.000**

Cost Driver #1 – Various Drivers

The variances in this account are described in section 5(a) of the OM&A Overview section (Exhibit 4, Tab 2, Schedule 1). As noted in that section, the cost increases are driven primarily by the following:

- New and more stringent reliability requirements from IESO and NERC, including expectations with respect to vegetation management;
- Increased program scope, including greater efforts to complete all right-of-way maintenance activities on a 6-year cycle through enhanced processes for brush removal on right-of-way floors, increased efforts to re-establish and maintain right-of-way edges and improved strategies for vegetation management in buffer zones along the rights-of way;

- New pesticide regulations affecting the spraying of the rights-of-way; and

- New species at risk legislation affecting GLPT's vegetation management activities in its rights-of-way, parts of which provide habitat for species at risk.

Cost Driver #2 – Scope Reduction

As noted in the variance analysis of the line operations and maintenance expenses, GLPT is experiencing a deficiency in revenue in 2009 and, as a result, the company has adjusted spending on various major maintenance projects. GLPT reduced spending on ROW maintenance by $397,283 in 2009 as a one-time reduction in response to this decrease. As indicated, it was decided that, for reliability purposes, GLPT needs to restore its prior level of activity in the area of ROW maintenance for 2010 and beyond.

Account 4945 – Maintenance of Overhead Lines – Roads and Trails Repairs

Table 4-2-2 H - Variance Analysis for Account 4945

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$0.000	$0.000	$0.000	$0.000	$103.243	$103.800
Cost Driver 1				103.243		
Other Minor Variances					0.557	6.200
Current Year Total	**$0.000**	**$0.000**	**$0.000**	**$103.243**	**$103.800**	**$110.000**

Cost Driver #1 – Introduction of Program

As noted in Exhibit 1, Tab 2, Schedule 1, GLPT's transmission lines run through rugged terrain in northern Ontario and many of its lines are in areas where accessibility is extremely difficult. Many of these areas are isolated and far from public roads or highways. As a result, when preparing its 2008 budget, GLPT determined that it would be beneficial and appropriate to dedicate a certain level of funding to the maintenance of access roads and trails.[1] Proper maintenance of such access routes allows GLPT more efficient access to its lines for vegetation management, visual inspections, as well as for emergency response.

GLPT has determined that dedicating funding specifically to this activity has been productive and useful, and in all respects has proven to be a worthwhile venture. As a

[1] Access roads and trails are the means by which GLPT accesses its Rights of Way and transmission lines.

result, GLPT has included a provision for this maintenance in the 2010 test year.

Account 5605 – Executive Salaries and Expenses

Table 4-2-2 I - Variance Analysis for Account 5605

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$486.513	$486.513	$427.788	$401.311	$403.361	$499.711
Cost Driver 1		(154.400)	(19.000)	(79.700)	(133.400)	-
Cost Driver 2		68.000	(12.309)	44.992	146.593	346.584
Cost Driver 3		6.500	8.920	24.028	58.778	(55.919)
Cost Driver 4		21.175	(4.088)	12.730	24.379	(24.419)
Cost Driver 5						436.713
Cost Driver 6						(100.000)
Current Year Total	**$486.513**	**$427.788**	**$401.311**	**$403.361**	**$499.711**	**$1,102.670**

Cost Driver #1 – Ontario Operations

Ontario Operations represents costs related to corporate health, safety and environmental support, corporate pension and human resource management, and costs related to the Vice President responsible for Ontario Operations. All of these costs were collected at the corporate level and allocated to the transmission division of GLPL. As a stand-alone entity, GLPT no longer receives the benefit of these services from Brookfield Renewable Power's corporate level and, therefore, beginning in 2009, GLPT is no longer responsible for a share of the cost of these services.

The elimination of Ontario Operations required GLPT to add resources in other areas of the company. Specifically, some of the offsets are:

- An increase in pension administration costs described in Cost Driver #4 of account 5630;
- An increase in health and safety costs, which are now provided in-house, as described in Cost Driver #1 of account 5615 (2009-2010);
- An increase in senior management costs with the addition of a cost allocation for part of the costs associated with the parent company's Chief Operating Officer responsible for North American Transmission, as described in Cost Driver #2 of this account; and
- An increase in other labour costs with the addition of a Director of Administration and a Director of Legal and Regulatory, as described in Cost Driver #2 of this account.

Cost Driver #2 – Labour & Related Costs

This account increased in 2008 as a result of the hiring of a Director of Administration. In 2009, the costs increased as a result of the full year impact of the Director of Administration, as well as the addition of a Director of Legal and Regulatory. The incremental costs related to the addition of a Director of Legal and Regulatory are offset

in part by a decrease in costs experienced in account 4805 (Cost Driver #3), and a decrease in costs experienced in account 5630 (Cost Driver #1).

As part of its management team, GLPT's Director of Administration's duties include directing the finance, accounting, treasury, tax, regulatory, IT and human resource functions of the business. GLPT's Director of Legal and Regulatory has been hired to advise the company in the area of Aboriginal law, support the company in developing and maintaining strong relationships with relevant Aboriginal groups, as well as to advise and provide legal services associated with regulatory matters, including rate applications and Board consultation processes of strategic interest to GLPT. The specific responsibilities for each of these positions are more fully described in section 5(b) of Exhibit 4, Tab 2, Schedule 1.

GLPT's 2010 costs in this account will increase due to several changes at its senior management level. The account will, in 2010, reflect 50% of the cost of the parent company's Chief Operating Officer responsible for North American Transmission. This position will generally take the place of the role formerly played by the Vice President responsible for Ontario Operations (see Cost Driver #1 for this account). The responsibilities of the Chief Operating Officer are to develop and approve GLPT's strategic plan, approve the annual budget and capital expenditure program, hire and oversee and monitor performance of GLPT's senior management team, provide executive support for regulatory initiatives, provide leadership for transmission development

activities, as well as to provide partner oversight over GLPT. The duties and responsibilities of the Chief Operating Officer are more fully described in section 5(b) of Exhibit 4, Tab 2, Schedule 1.

In 2010, the costs in this account will also increase as a result of GLPT reflecting the cost of a Vice President, Project Development. Primarily as a result of the introduction of the *Green Energy and Green Economy Act* ("GEGEA") and related initiatives, GLPT has identified an important need for the business to focus on transmission development needs and opportunities. To guide GLPT in its efforts to support the province's transmission development objectives, GLPT's management team now includes a Vice President responsible for Project Development. The responsibilities associated with this position are to lead GLPT's focus on transmission development needs and opportunities arising from the *Green Energy and Green Economy Act*, to lead and guide GLPT in its efforts to support the province's transmission development objectives, including the development and implementation of its expansion and reinforcement plan, contribute to the planning process that will give rise to potential First Nation and Métis consultations, lead First Nation and Métis consultations, and pursue partnerships for transmission development with HONI. The duties associated with this position are more fully described in sections 5(b) and (f) of Exhibit 4, Tab 2, Schedule 1.

Cost Driver #3 – Travel & Conference Fees

GLPT incurred an increase in travel costs between 2007 and 2009 related primarily to the transfer of transmission assets to GLPT and the activity related to GLPT becoming a stand-alone entity. It is anticipated that these costs will decline in 2010 as the need for travel will decrease.

Cost Driver #4 – Miscellaneous Costs

Miscellaneous costs include, but are not limited to, consulting, office supplies, telephone expenses, employee recognition expenses and vehicle expenses. The increase from 2007 to 2009 relates primarily to Human Resource consulting, as well as additional telephone and supply expenses for added employees. The decrease between 2009 and 2010 relates primarily to a reduction in consulting costs that are no longer required due to the addition of the Director of Administration and the Director of Legal and Regulatory.

Cost Driver #5 – Cost Re-Allocation

As described more fully in section 5(b) of Exhibit 4, Tab 2, Schedule 1, GLPT has established a corporate structure with an executive and management team that is reasonably sized, reflective of the overall company needs and structure, and which includes the appropriate level of experience and expertise for a stand-alone transmission utility of the size and nature of GLPT. GLPT has a wide range of business needs, including obligations to outside stakeholders, operations, maintenance, capital investment, regulatory responsibilities, human resources, financial management, legal, environmental, health and safety and IT. The management team that will be in place for

2010 is appropriately structured to provide effective and efficient management for this wide range of business activities that are necessary for running an Ontario-based transmission utility that is responsible for a system that forms part of the bulk electricity system in the province.

Establishing GLPT as an owner and operator of its transmission system has resulted in a reallocation of existing costs, different from what was established in EB-2005-0241. GLPT is now responsible for the full cost of the management team related to the transmission business. This includes a management team with positions historically existing within the corporate structure, as well as with the new positions referred to in Cost Driver #2. Having a management team fully dedicated to transmission will enable GLPT on a go-forward basis to find efficiencies and synergies in addressing the foregoing needs.

Cost Driver #6 – Office Supplies and Expenses Reclassification

These executive costs were classified as a lump sum in account 5605. GLPT incurs office supplies expenses directly and therefore allocates those costs to account 5620. The costs in this account reflect a decrease. The offsetting increase is reflected in Cost Driver #1 of account 5620.

Account 5615 – General Administrative Salaries and Expenses

Table 4-2-2 J - Variance Analysis for Account 5615

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$1,471.695	$1,471.695	$1,019.374	$1,056.608	$988.574	$1,230.753
Cost Driver 1		(147.557)	19.249	73.100	258.921	43.277
Cost Driver 2		116.681				
Cost Driver 3		(357.976)				
Cost Driver 4		(63.469)	3.693	(173.544)	(1.180)	
Cost Driver 5						(105.725)
Cost Driver 6						(199.115)
Cost Driver 7						298.587
Other Minor Variances			14.292	32.410	(15.562)	18.201
Current Year Total	**$1,471.695**	**$1,019.374**	**$1,056.608**	**$988.574**	**$1,230.753**	**$1,285.978**

Cost Driver #1 – Administrative Support Programs

When discussing administrative support programs, GLPT is referring to the following programs:

- Accounting;
- Environment;
- Information Technology ("IT");

- Planning and Maintenance Services; and
- Health and Safety.

2006 Approved to 2006 Actual:

The decrease in costs in 2006 Actual compared to 2006 Approved relates primarily to organizational changes in the planning and maintenance program, and in the environmental program.

2006 Actual to 2007 Actual:

The increase between 2006 and 2007 is related primarily to consulting services in the planning and maintenance program, and an increase in IT consulting contracts. As noted below, these IT costs were one-time costs that were not experienced in 2008.

2007 Actual to 2008 Actual:

In 2008, the primary driver for the increase in costs was in the accounting department. Prior to 2008 the department was operating with a number of temporary staff. Given the increasing reporting and record keeping requirements (both regulatory and financial) driven by *Sarbanes–Oxley* driven reforms and internal reporting requirements, GLPT was required to bring in additional staff to get the department to the level it needed to be at to operate efficiently.

In addition to the change in the accounting department, costs related to health and safety increased slightly as a result of the hiring of a Health and Safety Specialist to be shared between transmission and distribution. The company required this position as it was no longer receiving support from the Ontario Operations division of GLPL. The offsetting decrease in costs is reflected in account 5605.

Another minor increase was experienced in 2008 as a result of GLPT requiring a letter of credit. The letter of credit is related to GLPT's interest payable on the outstanding third party debt, and resulted in an increase of approximately $14,000 in 2008.

These increases were offset in part by a decrease in IT consulting contract costs compared to 2007.

2008 Actual to 2009 Bridge:

In 2009, GLPT will experience a slight increase as a result of the full year impact of the staffing changes in the accounting department and in the health and safety department. This increase is fully offset by a decrease in the planning and maintenance department, which is operated on a much smaller scale in the stand-alone transmission business.

A minor increase was experienced in 2009 as a result of the full year impact of the letter of credit required by GLPT with respect to interest payable. The impact in 2009 will be approximately $15,000.

The overall increase between the 2008 actual costs and the 2009 bridge year costs relates to IT costs. As explained in section 5(d) of Exhibit 4, Tab 2, Schedule 1, there are a number of fixed costs associated with IT for which GLPT must now bear full responsibility. These include licence fees, IT infrastructure costs, software costs, as well as some employee costs. These costs are necessary to support GLPT's IT systems, which are an essential component of the business. Some of these additional IT costs are associated with the implementation of system wide cyber security requirements, the details of which are described in the confidential filing at Exhibit 2, Tab 1, Schedule 3.

2009 Bridge to 2010 Test Year:

In 2010, GLPT will experience an increase in costs related to its health and safety program as a result of the organizational changes which caused GLPT to take responsibility for all costs of the health and safety program. As an efficiency measure, this position will hold responsibility for GLPT's environmental program as well. This increase is partially offset by a decrease in costs expected in Cost Driver #1 of Account 5605.

GLPT's IT costs will also increase in 2010 as a result of the full year impact of the organizational changes that have taken place. In addition, as noted above, GLPT is subject to cyber security requirements that require additional training, software security and labour to address. The cyber security requirements are described in greater detail in the confidential filing at Exhibit 2, Tab 1, Schedule 3.

Cost Driver #2 – Consulting & Contract Costs

GLPT's 2006 Approved figure includes costs related to supervision and engineering. As a result of staffing adjustments in 2006, GLPT experienced an increase in consulting and contract costs. These costs related primarily to the engineering costs that were approved in this account.

As noted for Cost Driver #3 below, these costs were ultimately re-classified to account 4805 and any further variances in operational supervision and engineering costs are described in the analysis of that account.

Cost Driver #3 – Reclassification to Account 4805

The reason for the decrease in this account between 2006 Approved and 2006 Actual relates to the reclassification of costs by GLPL. Rather than sharing asset management and engineering OM&A costs with Account 5615, GLPL reclassified these cossts to be entirely within Account 4805. As a result, $357,976 has been reclassified from account 5615 to account 4805.

Although there was a cost decrease in this account, it was offset by a cost increase in another account and therefore did not result in a change in overall OM&A. The offsetting driver is reflected in Cost Driver #1 for Account 4805. This classification is more appropriate than the classification used in the 2006 Approved figures.

Cost Driver #4 – Meter Service Provider Costs

Costs fluctuated between 2006 Approved and 2008 as a result of variances in costs related to being a meter service provider. As of 2008, GLPL no longer acted as a meter service provider for any customer meter points and, as such, the costs related to this activity reduced to $0. Exhibit 9, Tab 1, Schedule 3 discusses the true-up of historical costs related to GLPL acting as a meter service provider.

Cost Driver #5 – Office Supplies and Expenses Reclassification

These costs were classified as a lump sum in account 5615. GLPT incurs office supplies expenses directly and, as such, allocates these costs to account 5620. The cost decrease in this account is entirely offset by a cost increase in account 5620 (Cost Driver #1).

Cost Driver #6 – Outside Services Reclassification

These costs were classified as a lump sum in account 5615. GLPT incurs outside services costs for administrative support programs directly and, as such, allocates these costs in account 5630. The cost decrease in this account is therefore offset by a cost increase in account 5630.

Cost Driver #7 – Corporate Cost Allocation

As described in section 5(b) of Exhibit 4, Tab 2, Schedule 1, beginning in 2010 GLPT will bear a corporate allocation cost. This corporate cost allocation is for the costs of certain corporate functions that GLPT's parent will share with GLPT. These functions include senior executive support, tax filing preparation, as well as treasury and financing

services. These functions, it should be noted, are incremental to any such functions carried out by members of GLPT's own executive team. GLPT did not seek recovery of these costs in EB-2005-0241. The costs for these services are reasonable. The allocations reflect direct costs for shared corporate services. For services that could be sourced externally, these functions are provided at a cost that is less than if these services were sourced externally.

Account 5620 – Office Supplies and Expenses

Table 4-2-2 K - Variance Analysis for Account 5620

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000
Cost Driver 1						105.725
Cost Driver 2						100.000
Cost Driver 3						74.465
Current Year Total	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$280.190**

Cost Driver #1 – Reclassification of General Administration Expenses

These costs were classified as a lump sum in account 5615. GLPT incurs office supplies expenses and other expenses directly and, therefore, allocates those costs to account 5620. The offsetting decrease in costs is discussed in Cost Driver #5 of account 5615.

Cost Driver #2 – Reclassification of Management & Executive Expenses

These costs were classified as a lump sum in account 5605. GLPT incurs office supplies and other expenses directly and, as such, allocates those costs to account 5620. The offsetting decrease in costs is discussed in Cost Driver #6 of account 5605.

Cost Driver #3 – Industry Relations

Travel and other costs are incurred in dealing with OPA initiatives, OEB proceedings and consultations, Canadian Electricity Association matters and government relations, First Nation and Métis community relations, as well as other industry and stakeholder relations. These costs are expected to increase in 2010 as a result of the various developments ongoing in the electricity industry in Ontario. This level of regulatory activity, relevant to GLPL's transmission business, was not present in 2005 when GLPL filed its most recent transmission rate application.

Account 5630 – Outside Services Employed

Table 4-2-2 L - Variance Analysis for Account 5630

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$234.640	$234.640	$438.762	$553.362	$675.588	$1,010.000
Cost Driver 1		204.122	(333.843)	210.786	218.598	(70.000)
Cost Driver 2			352.626	(63.763)	(128.166)	5.000
Cost Driver 3			72.154	(41.390)	174.236	(47.000)
Cost Driver 4					100.000	(50.000)
Cost Driver 5						199.115
Other Minor Variances			23.663	16.593	(30.256)	15.000
Current Year Total	**$234.640**	**$438.762**	**$553.362**	**$675.588**	**$1,010.000**	**$1,062.115**

Cost Driver #1 – Legal Fees

Legal fees in 2006 were higher than the approved amount as a result of legal work related to amendments to the Transmission System Code, wrap-up of the GLPL 2005 transmission rate proceeding, as well as the development of a MAAD application filed for the purpose of selling transformer assets to Algoma Steel Inc. In 2007, legal fees decreased as GLPL transmission was engaged in fewer activities requiring legal support. In 2008 and 2009 however, legal fees have increased primarily due to the following items:

- Preparation of this rate application;

- Filing of a licence application as a result of the expiry of GLPL's transmission licence; and

- Interpretation of Ontario legislation.

Legal fees are expected to decrease in 2010 as a result of having a Director of Legal and Regulatory on staff for the full year.

Cost Driver #2 – Audit Fees

Audit fees are the basis for the majority of the increase from 2006 Approved to 2007 Actual. GLPL's allocation of the total corporate audit fees was artificially low prior to 2007. Upon review of the allocation, it was determined that the allocation to the transmission business should be increased to reflect the actual cost incurred on behalf of the transmission business.

Audit fees during 2007 and 2008 were higher as a result of quarterly reviews completed in preparation for the transmission asset transfer on March 12, 2008. In 2009, the audit fee expense has decreased to the appropriate level.

Cost Driver #3 – OEB Proceedings & Smart Grid Development

This cost driver relates to the costs of consultants retained to assist GLPT in its participation in various OEB proceedings and consultation processes, such as the Connection Cost Responsibility Review (EB-2008-0003), the Integrated Power System

Plan ("IPSP") review (EB-2007-0707), the consultation process on the regulatory treatment of infrastructure investments (EB-2009-0152) and the consultation process on the regulatory treatment of infrastructure investments (EB-2009-0152) and the Cost of Capital proceeding (EB-2009-0084). Other 2009 costs relate to external support in investigating impacts of the *Green Energy Act* and related green energy initiatives in Ontario. The increases in 2009 are partially offset by a decrease described in Cost Driver #3 of Account 4805.

As a prudent, licenced transmitter in Ontario, GLPT has a responsibility and an obligation to participate in certain consultations and proceedings initiated by the Board. In addition, it is GLPT's responsibility to be prepared for the development of renewable generation and to allow for the timely connection of such projects as they are developed. In order to fulfill this responsibility, GLPT needs to stay abreast of relevant developments in the industry and with the plans of potential developers of renewable generation facilities. By establishing and filling the positions of Vice President for Project Development and Director of Legal and Regulatory, as well as through the transmission-focused executive management provided by the Chief Operating Officer responsible for North American Transmission, GLPT is fulfilling this obligation, and at the same time has been able to reduce external consulting costs.

Cost Driver #4 – Pension Administration

This cost driver relates to the cost of retaining Mercer Human Resources Ltd. to act as an actuary for GLPL's and GLPT's pension plan. In 2009, GLPT's costs related to the plan were higher as a result of splitting the GLPL plan into three distinct plans, one for the generation business, one for the distribution business and one for the transmission business. A new actuarial report was prepared for this purpose and there was an increase in general consulting costs as well. In 2010, it is anticipated these costs will decrease. The overall cost increase in this account is offset in part by a decrease in Ontario Operations costs as described in Cost Driver #1 of account 5605.

Cost Driver #5 – Reclassification of General Administration Contracts

These costs for outside services, to support general administrative programs, such as accounting, IT, health and safety and environmental, were classified as a lump sum in account 5615. GLPT incurs these costs directly and, therefore, allocates these costs to account 5630. The 2010 increase in this account is offset by the decrease in account 5615 (Cost Driver #6).

Account 5635 – Property Insurance

Table 4-2-2 M - Variance Analysis for Account 5635

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$142.400	$142.400	$116.430	$116.353	$115.105	$177.248
Cost Driver 1		(25.970)	(0.077)			
Cost Driver 2					50.170	13.699
Cost Driver 3					11.973	20.553
Other Minor Variances				(1.248)		
Current Year Total	**$142.400**	**$116.430**	**$116.353**	**$115.105**	**$177.248**	**$211.500**

Cost Driver #1 – Comprehensive General and Umbrella Liability

The 2006 Board Approved insurance expense was based upon the 2004 actual expense adjusted for a small increase for inflation. However, the actual insurance costs in 2006 were significantly less as a result of comprehensive general liability and umbrella liability premiums decreasing. This was offset in part by a small increase in property insurance premiums.

Cost Driver #2 – Property Insurance

In 2009, GLPT's assets were re-assessed from an insurance perspective and, as a result, GLPT's premiums increased. This was experienced for most of 2009 and all of 2010.

Cost Driver #3 – Fleet and Professional Services Insurance

GLPT acquired a fleet of transportation and work vehicles from GLPL in 2009. The total vehicle insurance premiums are expected to be approximately $20,000 in 2010, with the incremental costs experienced in both 2009 (half year) and 2010 (full year).

In addition, the total Errors and Omissions insurance premiums with respect to GLPT's professional engineering staff are expected to be approximately $12,000 in 2010.

Account 5655 – Regulatory Expenses

Table 4-2-2 N - Variance Analysis for Account 5655

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$148.120	$148.120	$148.599	$167.426	$153.595	$163.295
Cost Driver 1			18.827	(13.831)	9.700	
Other Minor Variances		0.479				(6.295)
Current Year Total	**$148.120**	**$148.599**	**$167.426**	**$153.595**	**$163.295**	**$157.000**

Cost Driver #1 – OEB Fees

Regulatory expenses include OEB fees, as well as Canadian Electricity Association fees. GLPT has experienced minor variations in OEB fees over the past several years. However, it is not anticipated that the 2010 regulatory expenses will vary significantly from the 2006 Approved expenses.

Account 5665 – Miscellaneous General Expense

Table 4-2-2 O - Variance Analysis for Account 5665

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$0.000	$0.000	$0.000	$0.000	$15.301	$30.000
Cost Driver 1				15.301	14.699	6.500
Current Year Total	**$0.000**	**$0.000**	**$0.000**	**$15.301**	**$30.000**	**$36.500**

Cost Driver #1 – Treasury Costs

The costs in this account are treasury costs related to GLPT's outstanding third party debt. Prior to the creation of GLPT, GLPL's non-regulated division bore the full cost related to the third party debt, thereby providing a benefit that ratepayers would not have otherwise received. On March 12, 2008, GLPT became wholly responsible for its own debt covenants and treasury costs. Although GLPT's debt comes at a small incremental cost to rate-payers, there are many benefits to having its own Deed of Trust. These benefits include, but are not limited to:

- GLPT no longer being tied to an unregulated (and therefore higher risk) entity when considering debt ratings, which affects the interest rate that GLPT is able to borrow at;

- Since GLPT is no longer tied to the unregulated entity, the company is not exposed to any potential defaults in bond covenants resulting from the unregulated business; and

- As a result of becoming wholly responsible for its own debt covenants and treasury bonds, GLPT was able to negotiate a Deed of Trust, having some covenants in the favour of GLPT.

Account 5680 – Electrical Safety Authority Fees

Table 4-2-2 P - Variance Analysis for Account 5680

OM&A	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Bridge	2010 Test Year
Previous Year Total	$19.000	$19.000	$19.550	$20.136	$21.363	$23.000
Other Minor Variances		0.550	0.586	1.227	1.637	-
Current Year Total	**$19.000**	**$19.550**	**$20.136**	**$21.363**	**$23.000**	**$23.000**

GLPT is only anticipating an increase of $4,000 from the 2006 Approved amount of $19,000. This increase is outside of GLPT's control.

APPENDIX "A"

Numerical Summary of Key Drivers of 2009-2010 Variance

OM&A	2010 Test Year	2009 Decision	Natural Growth	Allocation	Split	Total
4805 - Operation Supervision & Engineering						
Cost Driver 2	122.59		122.59			122.59
Cost Driver 3	(6.66)		(6.66)			(6.66)
Other Minor Variances	(24.52)		(24.52)			(24.52)
4810 & 4845 - Load Dispatching & Communications						
Cost Driver 2	421.05	421.05	421.05			421.05
Cost Driver 3	49.00		49.00			49.00
Cost Driver 4	178.48	178.48	178.48			178.48
4815 & 4910 - Station Buildings and Fixtures Expenses and Maintenance						
Cost Driver 1	50.00		50.00			50.00
Cost Driver 2	30.69		30.69			30.69
Cost Driver 3	96.82	96.82	96.82			96.82
Cost Driver 4	54.67	54.67		54.67		54.67
Cost Driver 5	85.73	85.73		85.73		85.73
Other Minor Variances	8.45		8.45			8.45
4820 & 4825 & 4916 - Transformer Station Equipment O & M						
Cost Driver 1	53.19	53.19	53.19			53.19
Cost Driver 2	75.00		75.00			75.00
4830 & 4930 & 4935 - Overhead Line Maintenance and Expenses						
Cost Driver 1	5.72		5.72			5.72
Cost Driver 2	112.74		112.74			112.74
Cost Driver 3	60.00		60.00			60.00
4850 - Rents						
Cost Driver 1	1.67		1.67			1.67
Cost Driver 2	8.50		8.50			8.50
4940 - Maintenance of Overhead Lines - Right of Way						
Cost Driver 1	300.00	300.00	300.00			300.00
Cost Driver 2	397.28	397.28	397.28			397.28
4945 - Maintenance of Overhead Lines - Roads and Trails Repairs						
Other Minor Variances	6.20		6.20			6.20
5605 - Executive Salaries and Expenses						
Cost Driver 2	346.58	17.58	346.58			346.58
Cost Driver 3	(55.92)		(55.92)			(55.92)
Cost Driver 4	(24.42)		(24.42)			(24.42)
Cost Driver 5	436.71	70.00	70.00		366.71	436.71
Cost Driver 6	(100.00)		(100.00)			(100.00)
5615 - General Administrative Salaries and Expenses						
Cost Driver 1	43.28				43.28	43.28
Cost Driver 5	(105.73)		(105.73)			(105.73)
Cost Driver 6	(199.12)		(199.12)			(199.12)
Cost Driver 7	298.59		298.59			298.59
Other Minor Variances	18.21		18.21			18.21
5620 - Office Supplies and Expenses						
Cost Driver 1	105.73		105.73			105.73
Cost Driver 2	100.00		100.00			100.00
Cost Driver 3	74.47		74.47			74.47
5630 - Outside Services Employed						
Cost Driver 1	(70.00)		(70.00)			(70.00)
Cost Driver 2	5.00		5.00			5.00
Cost Driver 3	(47.00)		(47.00)			(47.00)
Cost Driver 4	(50.00)		(50.00)			(50.00)
Cost Driver 5	199.12		199.12			199.12
Other Minor Variances	15.00		15.00			15.00
5635 - Property Insurance						
Cost Driver 2	13.70		13.70			13.70
Cost Driver 3	20.55			20.55		20.55
5655 - Regulatory Expenses						
Other Minor Variances	(6.29)		(6.29)			(6.29)
5665 - Miscellaneous General Expense						
Cost Driver 1	6.50		6.50			6.50
	3,111.56	**1,674.80**	**2,540.62**	**160.95**	**409.99**	**3,111.56**

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