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February 16, 2010

Delivered by RESS and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Orangeville Hydro 2010 EDR Application
EB-2009-0272**

We are counsel to Orangeville Hydro Limited (“Orangeville Hydro”) in the above captioned matter. Please find attached a copy of the settlement proposal in relation to this matter.

Yours truly,

BORDEN LADNER GERVAIS LLP

Original Signed by John A.D. Vellone

John A.D. Vellone

copy to:

Chris Haussmann, Facilitator
George Dick and Jan Howard, Orangeville Hydro
Board Staff and Intervenors of Record

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EB-2009-0272
ORANGEVILLE HYDRO LIMITED
SETTLEMENT AGREEMENT
February 16, 2010

Orangeville Hydro Limited

EB-2009-0272

Settlement Agreement

Filed with OEB: February 16, 2010

This settlement agreement is filed with the Ontario Energy Board (“the Board”) in connection with an application by Orangeville Hydro Limited (“Orangeville Hydro” or “OHL”) for an Order or Orders fixing just and reasonable distribution rates and other charges, effective May 1, 2010 (Board Docket Number EB-2009-0272) (the “Application”).

Further to the Board’s Procedural Order No. 3 dated January 14, 2010, a settlement conference was held on January 25, 2010 in accordance with the Board’s *Rules of Practice and Procedure* (the “Rules”) and the Board’s *Settlement Conference Guidelines* (the “Guidelines”). Mr. Chris Haussmann acted as facilitator for the settlement conference which lasted for one day.

Orangeville Hydro and the following intervenors (the “intervenors”, and collectively including Orangeville Hydro, the “parties”) participated in the settlement conference and are parties to this settlement agreement:

School Energy Coalition (“SEC”)
Vulnerable Energy Consumers Coalition (“VECC”)

Ontario Energy Board staff also participated in the settlement conference but are not a party to this settlement agreement.

These settlement proceedings are subject to the rules relating to confidentiality and privilege contained in the Guidelines. The parties understand this to mean that the documents and other information provided, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the settlement conference are strictly confidential and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception: the need to resolve a subsequent dispute over the interpretation of any provision of this settlement agreement.

Outlined below are the final positions of the parties following the settlement conference. For ease of reference, this settlement agreement follows the format of an issues list that was created and proposed by Board staff for use during the settlement conference. The following table describes how the issues have been characterized for the purposes of this settlement proposal and provides a summary of the status of the issues at the outcome of the settlement conference:

Complete Settlement: An issue for which complete settlement was reached by all parties. If this settlement proposal is accepted by the Board, the parties will not adduce any evidence or	# issues settled:
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argument during the oral hearing in respect of these issues.	All
Partial Settlement: An issue for which there is partial settlement, as Orangeville Hydro and the intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this settlement proposal is accepted by the Board, the parties who take any position on the issue will only adduce evidence and argument during the hearing on those portions of the issues not addressed in this settlement proposal.	# issues partially settled: None
No Settlement: An issue for which no settlement was reached. Orangeville Hydro and the intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.	# issues not settled: None

A party who is noted as taking no position on an issue may or may not have participated in the discussion on that particular issue and takes no position on the settlement or partial settlement reached or on the sufficiency of the evidence filed to date.

This settlement agreement provides a brief description of each of the settled and partially settled issues, together with references to the evidence filed to-date. The supporting parties for each settled or partially settled issue agree that the evidence filed to-date in respect of that settled or partially settled issue, as supplemented in some instances by additional information recorded in this settlement proposal, is sufficient in the context of the overall settlement to support the proposed settlement or partial settlement. There are Appendices to this settlement agreement which provide further support for the proposed settlement. The parties acknowledge that the Appendices were prepared by OHL, and that the intervenors are relying on their accuracy in entering into this settlement agreement.

According to the *Guidelines* (p. 3), the parties must consider whether a settlement proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. Orangeville Hydro and the other parties consider that no settled issue requires a specific adjustment mechanism.

The parties have settled the issues as a package and none of the parts of this settlement proposal is severable. If the Board does not accept this settlement proposal, in its entirety, then there is no settlement (unless the parties agree in writing that any part(s) of this settlement proposal that the Board does accept may continue as a valid settlement without inclusion of any part(s) that the Board does not accept).

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the parties in this settlement proposal are without prejudice to the rights of parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not Orangeville Hydro is a party to such proceeding.

1. ADMINISTRATION

(a) Has the Board given any direction to OHL in previous proceedings, and if so has OHL responded appropriately to all relevant Board directions?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties accept the evidence of Orangeville Hydro that it has responded appropriately to any relevant Board directions from previous proceedings.

Evidence: Exhibit 1, Tab 1, Schedule 16

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Is it appropriate to receive OHL's Green Energy Plan as background supporting its 2010 capital program and operating cost forecast (and to forego consideration of its compliance with the evolving requirements for future Green Energy Plans)?

Complete Settlement: Based on advice received from Board staff at the time of the Application, Orangeville Hydro filed as an addendum to its Application its proposed Green Energy Plan and sought general approval of the Board to carry out its plan.

On December 18, 2009, during the course of this proceeding, the Board released draft filing requirements for distribution system plans under the Green Energy Act. In light of the draft filing requirements, and based on advice received from Board staff during the course of the settlement proceeding, Orangeville Hydro has agreed to withdraw its request for approval of its Green Energy Plan in accordance with Section 70(2.1) of the *Ontario Energy Board Act, 1998*.

However, Orangeville Hydro will continue to rely on the evidence included in its Green Energy Plan as background to support its 2010 capital programs and operating cost forecasts. For example the costs associated with installing the SCADA System and the costs associated with in-home controls shall be deemed to be incorporated into OHL's requested rate base. For the purposes of settlement of the issues in this proceeding, and in consideration of the specific changes to the capital and operations budgets noted herein, the parties agree that this change to the requested relief achieves settlement of this issue.

Evidence: Exhibit 1, Tab 1, Schedule 5

IR Responses: Board Staff 48; VECC 2 (i) (ii)

Supporting parties: Orangeville Hydro, SEC and VECC.

2. RATE BASE

(a) Is OHL's 2010 capital program appropriate for the on-going needs of its customers' consumption?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the six specific adjustments noted below, the parties agree that OHL's 2010 capital program is appropriate for the on-going needs of its customers.

As part of the interrogatory process, Orangeville Hydro agreed that since its implementation of the File Nexus software originally planned for 2009 is being deferred until 2011, the File Nexus project amount should be removed from the 2009 forecast.

In addition, as part of the settlement of this issue, Orangeville Hydro has agreed to five specific adjustments to its 2009 base year and 2010 test year capital budget.

First, Orangeville Hydro has agreed that it is appropriate to defer the costs associated with the Rolling Hills Refurbishment from the 2009 bridge year to the 2010 test year in light of OHL's decision not to proceed with this project in 2009. Orangeville Hydro expects that work will resume on this project in 2010.

Second, Orangeville Hydro has agreed that it is appropriate to defer the costs associated with Hydro One Rebuild in Grand Valley from the 2009 bridge year to the 2010 test year to reflect that this project has been delayed. Orangeville Hydro expects that work will resume on this project in 2010.

Third, Orangeville Hydro has agreed to remove the MicroFIT Enablement Costs from its test year capital budget provided that the Board approves a new deferral account to instead track these costs and any related capital contributions. The purpose of this deferral account is to address the current regulatory uncertainty surrounding whether these MicroFIT enablement costs will be offset, in whole or in part, by capital contributions from MicroFIT generators. The deferral account would be subject to the Board's standard prudence review prior to disposition.

Fourth, Orangeville Hydro has agreed to remove the Large Renewable Connection costs associated with upstream system improvements from its test year capital budget provided that the Board approves a new deferral account to instead track these costs for future disposition, subject to the Board's standard prudence review. The purpose of this deferral account is to address the current regulatory uncertainty surrounding the proper allocation of upstream costs incurred to facilitate new renewable generation as between local ratepayers (costs incurred provide direct benefits to ratepayers) and the global adjustment (costs that should properly be socialized across the province).

Fifth, Orangeville Hydro has agreed to remove its proposed CIS Upgrades to enable new FIT connections (as identified in the Green Energy Plan) from its test year capital budget provided that the Board approves a new deferral account to instead track these costs for future disposition, subject to the Board's standard prudence review. The purpose of this deferral account is to track the incremental costs incurred by Orangeville Hydro to update its CIS system to allow new renewable connections and to address the current regulatory uncertainty surrounding the proper allocation of costs incurred to facilitate new renewable generation as between local ratepayers (costs incurred provide direct benefits

to ratepayers) and the global adjustment (costs that should properly be socialized across the province).

These six adjustments are illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 2, Tab 3, Schedule 2

IR Responses: Board Staff 2-4 and 7; VECC 12,14-15, 38 and 45; SEC 13 (a)

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Are OHL's planning assumptions and 2010 capital program appropriate for the needs arising from the Green Energy Act?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted under issue 2(a) above, the parties agree that OHL's 2010 capital program is appropriate for the needs arising from the Green Energy Act.

Evidence: Exhibit 2, Tab 3, Schedule 2

Supporting parties: Orangeville Hydro, SEC and VECC.

(c) Has the Working Capital Allowance been determined appropriately?

Complete Settlement: Orangeville has agreed to update its working capital allowance calculation to use October 2009 RPP Report forecast values (the Application relied on an April forecast) and to distinguish in its cost of power forecast between the costs applicable to RPP and non-RPP customers by using the October forecast of RPP prices for RPP customers and using the Navigant forecast for HOEP plus the global adjustment for non-RPP customers. In addition, Orangeville will update its cost of power calculation to reflect the settlement of issues 8(c) and 8(d) as noted below. For the purposes of settlement of the issues in this proceeding, and subject to the aforementioned adjustments, the parties agree that Orangeville Hydro has determined its working capital allowance appropriately.

These adjustments are illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 2, Tab 4, Schedule 1

IR Responses: Board Staff 8-10, 54-55

Supporting parties: Orangeville Hydro, SEC and VECC.

(d) Is the amount proposed for the Rate Base appropriate (subject to issue 4c)?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted under issues 2(a)-2(c) above, the parties agree that the amount proposed by Orangeville Hydro for its rate base is appropriate.

Evidence: Exhibit 2, Tab 3, Schedule 2

Supporting parties: Orangeville Hydro, SEC and VECC.

3. OPERATING REVENUE

(a) Is the load forecast and methodology (including weather normalization) appropriate?

Complete Settlement: Orangeville Hydro has agreed to correct an error in the billed energy numbers included in response to VECC Supplemental IR#51(b) at Table 16. The error was due to the uplift of 1.0343 being multiplied instead of divided for the manual adjustments that were made to CDM and loss of load. The error was corrected by dividing the adjustments. For the purposes of settlement of the issues in this proceeding, and subject to the correction to Table 16, the parties agree that the load forecast and methodology (including weather normalization) proposed by Orangeville Hydro is appropriate for purposes of setting 2010 rates.

The correction to Table 16 is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 3, Tab 2, Schedule 1

IR Responses: Board Staff 12-13,56,59-60,62; VECC 22 (e)

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Has the impact of CDM initiatives been suitably reflected in the load forecast?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the impact of CDM initiatives have been suitably reflected in the load forecasts.

Evidence: Exhibit 3, Tab 2, Schedule 1

IR Responses: Board Staff 18 (a), 62-63; VECC 22 (e) (i)

Supporting parties: Orangeville Hydro, SEC and VECC.

(c) Are the proposed Loss Factors appropriate for conversion from purchased power to billed power?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the loss factors proposed by Orangeville Hydro are appropriate for conversion from purchased power to billed power.

Evidence: Exhibit 3, Tab 2, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(d) Is the calculation of the proposed Revenue Requirement appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments contained herein and other formulaic adjustments in accordance with the Board's policies, the parties agree that the proposed revenue requirement is appropriate.

Evidence: Exhibit 3, Tab 1, Schedule 1; Exhibit 6, Tab 1, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(e) Is the proposed amount for Other Revenue appropriate?

Complete Settlement: Orangeville Hydro has agreed to include as an additional revenue offset all revenues earned by Orangeville Hydro in relation to providing water/sewer billing services to the Town of Orangeville and Village of Grand Valley. For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted above, the parties agree that the proposed amount for other revenue is appropriate.

The adjustment to other revenues is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 3, Tab 3/4, Schedule 1

IR Responses: Board Staff 35

Supporting parties: Orangeville Hydro, SEC and VECC.

(f) Is the revenue from the Specific Service Charges appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the revenue from the Specific Service Charges is appropriate.

Evidence: Exhibit 3, Tab 3, Schedule 1

IR Responses: Board Staff 42

Supporting parties: Orangeville Hydro, SEC and VECC.

4. OPERATING COSTS

(a) Are the overall levels of OM&A budgets appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, Orangeville Hydro has agreed to an envelope reduction in its OM&A budget of \$75,000. In addition, Orangeville Hydro has agreed to remove \$25,000 in IFRS expenses and \$10,000 in MicroFIT/FIT Settlement expenses from its OM&A budget, provided the Board approves Orangeville's use of two distinct deferral accounts to track these incremental expenses and any associated incremental revenue offsets for future disposition, subject to the Board's standard prudence review. Subject to the foregoing,

and for the purposes of settlement of the issues in this proceeding, the parties agree that the overall levels of the revised OM&A budgets are appropriate.

The adjusted OM&A budget is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 4, Tab 2, Schedule 2

IR Responses: Board Staff 22,24,69; VECC 25; SEC 13 (b)

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Are the staffing resources and related costs appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments detailed under 4(a) above, the parties agree that the staffing resources and related costs are appropriate.

Evidence: Exhibit 4, Tab 2, Schedule 6

IR Responses: Board Staff 25, 26; VECC 7, 25(a), 28; SEC 18

Supporting parties: Orangeville Hydro, SEC and VECC.

(c) Is OHL's depreciation policy and depreciation expense appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted herein, the parties agree that the OHL's depreciation policy and depreciation expense is appropriate.

Evidence: Exhibit 4, Tab 2, Schedule 7

IR Responses: VECC 29

Supporting parties: Orangeville Hydro, SEC and VECC.

(d) Is the methodology for forecasting PILs appropriate, and (subject to issue 5c) is the forecast of PILs appropriate?

Complete Settlement: Orangeville Hydro has agreed to revise its tax forecast to (i) reflect a change from a 14% to 12% in the Ontario corporate tax rate effective July 1, 2010; and (ii) reflect the applicable small business deduction credit. For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted herein, the parties agree that the OHL's methodology and forecast of PILs are appropriate.

The tax adjustments are illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 4, Tab 3, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(e) In the event that PST and GST are harmonized effective July 1, 2010, would OHL agree to the establishment of a variance account to capture the expected reductions in OM&A and capital expenditures?

Complete Settlement: As a result of the pending changes to Provincial Sales Tax regulations, and the introduction of the Harmonized Sales Tax (HST) as of July 1, 2010, Orangeville Hydro agrees to record in a deferral account the difference between any PST on forecast capital expenditures and expenses to be incurred, and any HST (8% Ontario share) on similar capital and expense actual amounts for which it will be eligible for an HST Input Tax Credit (“ITC”).

Beginning July 1, 2010 and until Orangeville Hydro’s next cost-of-service rebasing application, Orangeville Hydro will track in a deferral account the incremental Input Tax Credit it receives on non-pass-through items (the “subject items”) that were previously subject to PST and become subject to HST. For example, Cost of Power and all other upstream charges applied to Orangeville Hydro by the IESO and/or Hydro One are excluded from this calculation. The intention of this account is to track the incremental change due to the shift from Provincial Sales Tax to the Harmonized Sales Tax and the amounts Orangeville Hydro receives through the incremental Input Tax Credit. Tracking of these amounts will continue in the deferral account until Orangeville Hydro’s next cost of service application is determined by the Board or until the Board provides guidance on this matter, whichever occurs first.

For the purposes of settlement of the issues in this proceeding, the parties agree that the establishment of a deferral account as noted above is appropriate to settle this issue.

Evidence: None applicable.

Supporting parties: Orangeville Hydro, SEC and VECC.

5. CAPITAL STRUCTURE AND COST OF CAPITAL

(a) Is the proposed Capital Structure appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the OHL’s proposed capital structure is appropriate.

The capital structure is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 5, Tab 1, Schedule 2

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Is the proposed Cost of Debt appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to adjustments made during the interrogatory process, the parties agree that the OHL’s proposed cost of debt is appropriate.

The updated cost of debt is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 5, Tab 1, Schedule 3

IR Responses: Board Staff 32

Supporting parties: Orangeville Hydro, SEC and VECC.

(c) Is the proposed Rate of Return on Equity appropriate, and if not what rate would be appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the OHL's proposed rate of return on equity (as updated to reflect Appendix B of the Board's December 2009 cost of capital report) is appropriate.

An updated return on equity of 9.75% is illustrated in Appendix A to this settlement agreement. The parties acknowledge that this will be updated in accordance with Appendix B of the Board's December 2009 cost of capital report.

Evidence: Exhibit 5, Tab 1, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

6. CALCULATION OF REVENUE DEFICIENCY

(a) Is the forecast amount of PILs appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments under issue 4(d) above, the parties agree that the forecast amount of PILs is appropriate.

Evidence: Exhibit 4, Tab 1, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Is the calculation of Revenue Deficiency appropriate (as revised in the response to SEC supplemental interrogatory # 19)?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the adjustments noted herein, the parties agree that the calculated revenue deficiency is appropriate.

The revised revenue deficiency is illustrated in Appendix B to this settlement agreement.

Evidence: Exhibit 6, Tab 1, Schedule 1

IR Responses: SEC 19

Supporting parties: Orangeville Hydro, SEC and VECC.

7. COST ALLOCATION

(a) Is OHL's cost allocation appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that OHL's cost allocation is appropriate for setting 2010 rates.

Evidence: Exhibit 7, Tab 1, Schedule 2

IR Responses: Board Staff 36, 37

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Are the proposed revenue-to-cost ratios appropriate?

Complete Settlement: Orangeville Hydro confirms that (as noted at E1/T2/S1/P5) although the Street Lighting and Sentinel Lighting classes are being increased by approximately 50% of the difference between their current levels and the bottom of the OEB's ranges, OHL will further adjust the revenue-to-cost ratios in 2011 to bring them to the bottom of the approved ranges. For the purposes of settlement of the issues in this proceeding, the parties agree that the proposed revenue-to-cost ratios are appropriate.

Evidence: Exhibit 1, Tab 2, Schedule 1, Page 5; Exhibit 7, Tab 1, Schedule 2

IR Responses: VECC 35

Supporting parties: Orangeville Hydro, SEC and VECC.

8. RATE DESIGN

(a) Is the proposal to harmonize distribution rates in Orangeville and Grand Valley in 2010 appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that OHL's proposal to harmonize distribution rates in the Town of Orangeville and the Village of Grand Valley in 2010 is appropriate.

Evidence: Exhibit 8, Tab 1, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Are the fixed-variable splits and the customer charges for each class appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, Orangeville Hydro has agreed to adjust its fixed-variable split for the Residential class by reducing the fixed charge to \$16.18 (reflecting the cap allowed for this class) and adjusting the variable charge accordingly and for the GS>50kW class by reducing the fixed charge to \$183.39 (reflecting the lowest fixed charge component for this class prior to harmonization) and adjusting the variable charge accordingly, and subject to these

adjustments the parties agree that OHL's fixed-variable splits and the customer charges for each class are appropriate.

This adjustment is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 8, Tab 1, Schedule 1

IR Responses: Board Staff 41; VECC 36

Supporting parties: Orangeville Hydro, SEC and VECC.

(c) Are OHL's proposed volumetric rates and LV rate adders appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, Orangeville Hydro has agreed to adjust its LV charges to reflect the load forecast using 2008 billing determinates, and subject to this adjustment and the change to volumetric rates noted under item 8(b) above, the parties agree that OHL's proposed volumetric rates and LV rate adders are appropriate.

This adjustment is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 8, Tab 1, Schedule 1

IR Responses: Board Staff 9, 54, 55

Supporting parties: Orangeville Hydro, SEC and VECC.

(d) Are the proposed Retail Transmission Service Rates, Wholesale Market Service Rates, and Rural and Remote Rate Protection Rates appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, Orangeville Hydro has agreed to adjust its Retail Transmission Service Rates to reflect the fact that Orangeville Hydro is only charged for the Transformation Connection Service rate from Hydro One, and subject to this adjustment, the parties agree that the proposed Retail Transmission Service Rates, Wholesale Market Service Rates, and Rural and Remote Rate Protection Rates are appropriate.

This adjustment is illustrated in Appendix A to this settlement agreement.

Evidence: Exhibit 8, Tab 1, Schedule 3

IR Responses: Board Staff 8-9; VECC 38

Supporting parties: Orangeville Hydro, SEC and VECC.

(e) Is the Smart Meter funding adder appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the Smart Meter funding adder is appropriate.

Evidence: Exhibit 8, Tab 1, Schedule 6

Supporting parties: Orangeville Hydro, SEC and VECC.

(f) Are the proposed Deferral and Variance Account rate riders appropriate (subject to issue 9b)

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the proposed deferral and variance account rate riders are appropriate.

Evidence: Exhibit 8, Tab 1, Schedule 9

Supporting parties: Orangeville Hydro, SEC and VECC.

(g) Are the customer bill impacts appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the customer bill impacts appropriate.

Evidence: Exhibit 8, Tab 1, Schedule 9

Supporting parties: Orangeville Hydro, SEC and VECC.

(h) Are the proposed Specific Service Charges and Transformer Ownership Allowance appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the proposed Specific Service Charges and Transformer Ownership Allowance are appropriate.

Evidence: Exhibit 8, Tab 1, Schedule 1

IR Responses: Board Staff 42

Supporting parties: Orangeville Hydro, SEC and VECC.

9. DEFERRAL AND VARIANCE ACCOUNTS

(a) Is the proposal to post costs to continuing and new deferral accounts appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, and subject to the additional deferral accounts noted herein, the parties agree that the proposal to post costs to continuing and new deferral accounts is appropriate.

For greater clarity, the parties agree that the following constitute the new deferral and variance accounts proposed under this settlement agreement:

Account #	Description	Cross-Reference to this settlement agreement
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1531	Renewable Connection Capital Deferral Account	2(a)
1532	Renewable Connection OM&A Deferral Account	4(a)
1508	IFRS Deferral Account	4(a)
To be set by the Board	HST Deferral Account	4(e)

Evidence: Exhibit 9, Tab 1, Schedule 1

Supporting parties: Orangeville Hydro, SEC and VECC.

(b) Is the proposal for the amounts and disposition of OHL's Deferral and Variance accounts appropriate?

Complete Settlement: For the purposes of settlement of the issues in this proceeding, the parties agree that the proposal for the amounts and disposition of OHL's Deferral and Variance accounts is appropriate.

Evidence: Exhibit 9, Tab 1, Schedule 3

IR Responses: Board Staff 68

Supporting parties: Orangeville Hydro, SEC and VECC.

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APPENDIX “A”

Specific Adjustments Arising from this Settlement Agreement

2. RATE BASE

Orangeville Hydro has removed the capital projects as stated in 2 (a) as demonstrated on the chart below.

Project in Rate Application	2009 Work Completed	Total Project	1830	1835	1840	1845	1850	1855	1860	1995	1925	Total Project	
Removal of 2009 Capital Projects													
1st Round Irs													
File Nexus - Irs-Bd Staff #7, VECC #45		(43,969)									(43,969)	(43,969)	
Settlement Conference													
Rolling Hills-Remaining Amount	(92,876)	33,854	(59,022)		(14,673)	(16,610)	(27,740)			15,000		(44,022)	
Hydro One Rebuild	(162,522)		(162,522)	(69,276)	(58,782)	(3,762)	(30,702)			42,315		(120,207)	
Sub-Total Settlement			(221,544)	(69,276)	(58,782)	(14,673)	(20,372)	(58,442)	-	-	57,315	-	(164,229)
Net Adjustment for 2009	(255,398)	33,854	(265,513)	(69,276)	(58,782)	(14,673)	(20,372)	(58,442)	-	-	57,315	(43,969)	(208,198)

Project in Rate Application	2009 Work Completed	Total Project	1830	1835	1840	1845	1850	1855	1860	1995	1925	Total Project	
2009 Project Moved to 2010													
Settlement Conference													
Rolling Hills	92,876	(33,854)	59,022		14,673	16,610	27,740			(15,000)		44,022	
Hydro One Rebuild	162,522		162,522	69,276	58,782	3,762	30,702			(42,315)		120,207	
2010 Green Energy Projects Removed - Request to Use Deferral Account													
MicroFIT Enablement	(52,404)		(52,404)					(27,404)	(25,000)			(52,404)	
Large Renewable	(136,202)		(136,202)		(50,601)	(85,601)						(136,202)	
Net Adjustment for 2010	66,792	(33,854)	32,938	69,276	8,181	14,673	(65,229)	58,442	(27,404)	(25,000)	(57,315)	-	(24,377)

The changes to the Rate Base and working capital allowance are illustrated in the table below.

	Original Application	Settlement Agreement	Difference
Gross Fixed Assets	32,914,799	32,682,225	(232,574)
Accumulated Amortization	(18,114,388)	(18,083,174)	31,214
Net Fixed Assets	14,800,411	14,599,051	(201,360)
Average Net Book Value	14,433,794	14,236,696	(197,098)
Working Capital	22,435,528	22,599,323	163,795
Working Capital Allowance	3,365,329	3,389,898	24,569
Rate Base	17,799,123	17,626,594	(172,529)

Working Capital Allowance

As stated in 2 (c), 8 (c) and 8 (d), Orangeville Hydro has agreed to update the calculation to our working capital allowance based on the cost of power adjustments, rate base adjustments and OM & A adjustments.

	Original Application	Settlement Agreement	Difference
Electricity - Commodity	15,828,613	16,044,544	215,931
Tranmission Network	1,235,637	1,240,780	5,143
Tranmission Connection	702,316	698,131	(4,185)
Wholesale Market Service/RRA	1,694,433	1,701,121	6,688
Low Voltage	205,513	255,732	50,219
Total Cost of Power	19,666,513	19,940,308	273,795
Total OM&A	2,769,015	2,659,015	(110,000)
Total Working Capital Expenses	22,435,528	22,599,323	163,795
Total Working Capital @ 15%	3,365,329	3,389,898	24,569

The table below sets out how the commodity forecast has been updated using the October Navigant report using the RPP prices for RPP customers and the global adjustment for non-RPP customers.

<i>Electricity - Commodity</i>	2010 Forecasted Metered kWhs	2010 Loss Factor	Total Load with Losses	Non_RPP kWh	RPP kWh	Non RPP Rate	RPP Rate	Total COP
Class per Load Forecast						0.0606	0.0622	
Residential	85,739,256	1.0468	89,751,276	17,065,488	72,685,788	1,034,510	4,517,422	5,551,932
Street Lighting	1,787,017	1.0468	1,870,637	1,870,637	-	113,398	-	113,398
Sentinel Lighting	129,053	1.0468	135,092	21,096	113,995	1,279	7,085	8,364
GS<50kW	38,644,867	1.0468	40,453,186	5,143,892	35,309,294	311,823	2,194,473	2,506,295
GS>50kW	123,337,329	1.0468	129,108,687	120,204,107	8,904,579	7,286,773	553,420	7,840,193
Unmetered Scattered Load	374,473	1.0468	391,996	(0)	391,996	(0)	24,363	24,363
TOTAL	250,011,995		261,710,875	144,305,221	117,405,653	8,747,783	7,296,761	16,044,544

3. OPERATING REVENUE

Orangeville Hydro has corrected Table 16 as mentioned in 3 (a) and has demonstrated the correction has been made to the manual adjustments.

Table 16							
Alignment of Non-Normal to Weather Normal Forecast							
Year	Residential	General Service < 50kW	General Service > 50kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
Non-normalized Weather Billed Energy Forecast (kWh)							
2009	85,897,414	38,713,237	126,863,515	1,766,075	129,305	367,676	253,737,222
2010	86,631,984	39,295,151	128,396,441	1,798,732	129,899	376,928	256,629,135
Adjustment for Weather (kWh)							
2009	264,760	118,558	389,369	5,465	400	1,138	779,689
2010	-562,070	-253,339	-808,547	-11,715	-846	-2,455	-1,638,971
Manual Adjustment to Billed Energy Forecast for Loss of Load							
2009	-330,658	-396,945	-1,024,848	0	0	0	-1,752,451
2010	-330,658	-396,945	-4,250,566	0	0	0	-4,978,169
Weather Normalized Billed Energy Forecast (kWh)							
2009	85,831,515	38,434,850	126,228,036	1,771,540	129,705	368,814	252,764,460
2010	85,739,256	38,644,867	123,337,329	1,787,017	129,053	374,473	250,011,995

Please see table below to note the changes to the load forecast based on the above adjustment.

	Original Application	Settlement Agreement	Difference
Load Forecast Billed kWh	249,029,139	250,011,995	982,856
Load Forecast Billed kW	298,640	299,818	1,178
Customer/Connection Count	14,303	14,303	-

In the Table below Orangeville Hydro has changed the revenue offsets to include the revenue earned in relation to providing the water/sewer billing service to the Town of Orangeville and Village of Grand Valley as stated in 3 (e).

OEB	Account Description	Orginal Application	Settlement Agreement	Difference
4080	4080-Distribution Services Revenue	26,087	26,087	-
4082	4082-RS Rev	19,546	19,546	-
4084	4084-Serv Tx Requests	443	443	-
4210	4210-Rent from Electric Property	54,516	54,516	-
4225	4225-Late Payment Charges	37,522	37,522	-
4235	4235-Miscellaneous Service Revenues	159,163	159,163	-
4355	4355-Gain on Disposition of Utility& Other Property	800	800	-
4375	4375-Revenues from Non-Utility Operations	15,272	113,952	98,680
4390	4390-Miscellaneous Non-Operating Income	500	500	-
4405	4405-Interest and Dividend Income	42,423	42,423	-
Total Revenue Offsets		356,272	454,952	98,680

The Table below updates the revenue requirement.

Distribution Revenue	Orginal Application	Settlement Agreement	Difference
Residential	3,239,709	3,143,833	(95,876)
GS < 50 kW	834,494	809,798	(24,696)
GS > 50 kW	861,026	835,544	(25,482)
Streetlight	49,159	47,704	(1,455)
Sentinel Light	6,558	6,364	(194)
Unmetered Scattered Load	15,018	14,573	(445)
Total Base Revenue Requirement	5,005,962	4,857,816	(148,146)
Revenue Offsets	356,272	454,952	98,680
Total Service Revenue Requirment	5,362,234	5,312,768	(49,466)

4. OPERATING COSTS

As indicated in 4 (a), Orangeville Hydro has made the reductions to the OM&A budget of \$75,000 with an additional removal of the IFRS expenses of \$25,000 and the MicroFIT expenses of \$10,000 and placement of these latter two expenses into deferral accounts. These adjustments have been made to the following OM&A accounts.

OM & A Expenses	OM&A Expenses in Application	OM&A Expenses Settlement Agreement	Difference
5017 Distribution Station Equipment	66,355	56,355	(10,000)
5065 Meter Expense	103,931	83,931	(20,000)
5315 Billing	238,412	228,412	(10,000)
5410 Community Relations - Sundry	28,862	20,862	(8,000)
5630 Outside Services Employed	123,329	71,329	(52,000)
5655 Regulatory Expenses	77,072	67,072	(10,000)
Total Reduction			(110,000)

Please see Table below that reflects the changes to the overall OM&A expenses. The table also entails the settlement of other issues that changed the depreciation expense.

OM & A Expenses	OM&A Expenses in Application	OM&A Expenses Settlement Agreement	Difference
Operation	408,946	378,946	(30,000)
Maintenance	492,423	492,423	0
Billing and Collections	559,953	549,953	(10,000)
Community Relations	28,862	20,862	(8,000)
Administrative and General Expenses	1,278,832	1,216,832	(62,000)
Total Controllables	2,769,015	2,659,015	(110,000)
Depreciation/Amorization Expense	1,119,762	1,103,911	(15,851)
	3,888,777	3,762,927	(125,851)

Orangeville Hydro has provided a revision to our tax forecast to reflect the change in the Ontario corporation tax rate effective July 1, 2010.

Description	Taxes in Application	Taxes Settlement Agreement	Difference
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Determination of Taxable Income

Utility Income Before Taxes	818,422	982,555	164,133
Additions to Accounting Income:			
Amortization of tangible assets	1,201,701	1,185,850	(15,851)
Post Employment Expenses	26,409	26,409	(0)
Total Additions	1,228,110	1,212,259	(15,851)

Deductions from Accounting Income:

Capital cost allowance from Schedule 8	1,177,400	1,141,828	(35,572)
Cumulative eligible capital deduction from	8,750	8,750	0
Total Deductions	1,186,150	1,150,578	(35,572)
Regulatory Taxable Income	860,382	1,044,236	183,854
Combined Income Tax Rate	28.84%	28.26%	-0.58%
Regulatory Income Tax	248,138	295,118	46,979

Calculation of Utility Income Taxes

Income Taxes	248,138	295,118	46,979
Large Corporation Tax	0	0	-
Ontario Capital Tax	2,099	1,970	(129)
Total Taxes	250,237	297,088	46,850

Orangeville Hydro has demonstrated how the taxes have been calculated to arrive at the combined tax rate of 28.26% in the following table.

Taxable Income

\$ 1,044,236

Provincial (Ontario) Corporate Tax Rate:

January 1, to June 30, 2010:

General Rate	14.00%	x	\$ 1,044,236	181	365	\$ 72,496
Small Business Deduction credit	8.50%	x	\$ 500,000	181	365	(21,075)
Surtax	4.25%		\$ 544,236	181	365	11,470
Subtotal						<u>62,890</u>

July 1, 2010 to December 31, 2010:

General Rate	12.00%	x	\$ 1,044,236	184	365	63,169
Small Business Deduction credit	7.50%	x	\$ 500,000	184	365	(18,904)
Surtax	0.00%					-
Subtotal						<u>44,265</u>

Annualized Annualized provincial tax	107,155
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Federal Corporate Tax Rate	18.00%	x	\$ 1,044,236	365	365	187,962
	7.00%	x	-	365	365	-

Federal Tax Total	187,962
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Combined provincial and federal tax \$ 295,118

Combined provincial and federal tax rate 28.26%

5. CAPITAL STRUCTURE AND COST OF CAPITAL

Orangeville Hydro has provided in the table below, illustrating the changes to our Cost of Capital and the Rate of Return on equity using 9.75% as a placeholder in accordance with the Board's December 2009 cost of capital report, recognizing this will be further updated in accordance with the Board's policy.

Description	% of Rate Base	Rate of Return in Application	Rate of Return Settlement Agreement	Return in Application	Return Settlement Agreement
Long Term Debt	56.00%	6.46%	5.63%	643,467	555,939
Unfunded Short Term Debt	4.00%	1.33%	1.33%	9,469	9,377
Total Debt	60.00%			652,936	565,316
Common Share Equity	40.00%	8.01%	9.75%	570,284	687,437
Total equity	40.00%			570,284	687,437
Total Rate Base		17,799,123	17,626,594		
Total Rate Base %	100%	6.87%	7.11%	1,223,220	1,252,753

8. RATE DESIGN

In 8 (b) Orangeville Hydro has agreed to move the Fixed Charge to the limit for the Residential class and maintain the Fixed Charge for GS>50 Class as per the Orangeville 2009 Rate Order.

Monthly Service Charges	Proposed in Rate Application	Settlement Agreement
Residential	17.46	16.18
>50 General Service	264.94	183.39

The Low Voltage charges are revised to reflect the load forecast using 2008 billing determinants and the use of the Hydro One proposed 2010 rates including Rate Rider #4. We have provided an updated table below.

Customer Class	LV Adj. Allocated	Calculated kWh	Calculated kW	LV Rates/kWh in Application	LV Rates/ kW in Application	LV Rates/kWh Settlement Agreement	LV Rates/ kW Settlement Agreement
Residential	96,607	85,739,256	0	0.0009		0.0011	
GS < 50 kW	39,329	38,644,867	0	0.0008		0.0010	
GS >50 kW	117,734	123,337,329	294,391		0.3149		0.3999
Sentinel Lights	113	129,053	357		0.2485		0.3156
Street Lighting	1,567	1,787,017	5,069		0.2434		0.3091
USL	381	374,473	0	0.0008		0.0010	
TOTALS	255,732	250,011,995	299,818				

The transmission charges have been updated based on the agreement in 8 (c) and 8 (d) to note the fact that Orangeville Hydro is not subject to the Line Connection charge.

	Tranmission Rates in Application	Tranmission Rates Settlement Agreement	Difference
Transmission Network			
Residential	0.0052	0.0052	0.0000
< 50 kW GS	0.0048	0.0048	0.0000
>50 kW GS	1.9365	1.9365	0.0000
Street Lighting	1.4605	1.4605	0.0000
Sentinel Lighting	1.4678	1.4678	0.0000
Unmetered Scattered Load	0.0048	0.0048	0.0000
Transmission Connection			
Residential	0.0030	0.0030	0.0000
< 50 kW GS	0.0027	0.0027	0.0000
>50 kW GS	1.0761	1.0652	-0.0109
Street Lighting	0.8318	0.8234	-0.0084
Sentinel Lighting	0.8493	0.8407	-0.0086
Unmetered Scattered Load	0.0027	0.0027	0.0000

Please see updated table for the calculation of the Base Revenue Requirement.

Calculation of Base Revenue Requirement	Orginal Application	Settlement Agreement	Difference
OM&A Expenses	2,769,015	2,659,015	(110,000)
Amortization Expenses	1,119,762	1,103,911	(15,851)
Total Distribution Expenses	3,890,877	3,762,927	(127,950)
Regulated Return On Capital	1,223,220	1,252,753	29,534
PILs (with gross-up)	249,138	297,088	47,950
Service Revenue Requirement	5,362,234	5,312,768	(49,466)
Less: Revenue Offsets	(356,272)	-454,952	(98,680)
Base Revenue Requirement	5,005,962	4,857,816	(148,146)

Orangeville Hydro has presented revised Distribution Rate Table below.

Customer Class	Item Description	Unit	Rate (\$) Application	Rate (\$) Settlement Agreement
Residential				
	Monthly Service Charge	per month	17.46	16.18
	Distribution Volumetric Rate	per kWh	0.0134	0.0139
	LV Charges	per kWh	0.0009	0.0011
	Smart Meter Rate Rider	per month	1.0000	1.0000
	Regulatory Assets Rate Rider	per kWh	(0.0013)	(0.0013)
GS < 50 kW				
	Monthly Service Charge	per month	33.52	32.61
	Distribution Volumetric Rate	per kWh	0.0103	0.0100
	LV Charges	per kWh	0.0008	0.0010
	Smart Meter Rate Rider	per month	1.0000	1.0000
	Regulatory Assets Rate Rider	per kWh	(0.0013)	(0.0013)
GS >50 kW				
	Monthly Service Charge	per month	264.94	183.39
	Distribution Volumetric Rate	per kW	1.8345	2.1691
	LV Charges	per kW	0.3149	0.3999
	Smart Meter Rate Rider	per month	1.0000	1.0000
	Regulatory Assets Rate Rider	per kW	(0.5080)	(0.5054)
Sentinel Lights				
	Monthly Service Charge	per connection	1.91	1.85
	Distribution Volumetric Rate	per kW	7.4165	7.2075
	LV Charges	per kW	0.2485	0.3156
	Regulatory Assets Rate Rider	per kW	(0.4868)	(0.4833)
Street Lighting				
	Monthly Service Charge	per connection	0.81	0.79
	Distribution Volumetric Rate	per kW	4.4557	4.3317
	LV Charges	per kW	0.2434	0.3091
	Regulatory Assets Rate Rider	per kW	(0.4520)	(0.4492)
USL				
	Monthly Service Charge	per connection	6.40	6.21
	Distribution Volumetric Rate	per kWh	0.0091	0.0088
	LV Charges	per kWh	0.0008	0.0010
	Regulatory Assets Rate Rider	per kWh	(0.0010)	(0.0010)

The revised bill impact table is set out below for both service areas:

Orangeville Service Area Average Monthly Total Bill Impact - Percentage & Dollar Comparison 2009		
Class Average Monthly Total Bill Impact	Average Total Bill Impact	Average Dollar Impact
Residential		
100 kWh	0.64%	\$ 0.18
250 kWh	0.61%	\$ 0.26
500 kWh	0.64%	\$ 0.43
600 kWh	1.26%	\$ 0.53
800 kWh	0.67%	\$ 0.67
1,000 kWh	0.66%	\$ 0.81
1,500 kWh	0.65%	\$ 1.16
General Service < 50 kW		
2,000 kWh	1.28%	\$ 3.04
4,000 kWh	0.68%	\$ 3.07
10,000 kWh	0.29%	\$ 3.15
12,500 kWh	0.24%	\$ 3.19
15,000 kWh	0.20%	\$ 3.22
General Service > 50 kW		
11,000 kWh, 50 kW	0.94%	\$ 12.64
100,000 kWh, 250 kW	1.11%	\$ 106.36
210,000 kWh, 360 kW	0.97%	\$ 184.82
400,000 kWh, 800 kW	1.03%	\$ 378.73
855,000 kWh, 1755 kW	1.08%	\$ 820.04
Street Lighting		
141,912 kWh, 379 kW	25.83%	\$ 3,523.73
54 kWh, .15 kW	27.67%	\$ 1.37
Sentinal Lighting		
12,062 kWh, 32 kW	37.33%	\$ 447.49
68 kWh, .18 kW	37.28%	\$ 2.52
Unmetered Scattered Load		
32,685 kWh	9.46%	\$ 312.20
214 kWh	-47.59%	\$ (25.07)

Grand Valley Service Area Average Monthly Total Bill Impact - Percentage & Dollar Comparison 2009		
Class Average Monthly Total Bill Impact	Average Total Bill Impact	Average Dollar Impact
Residential		
100 kWh	9.75%	\$ 2.58
250 kWh	4.61%	\$ 1.90
500 kWh	1.43%	\$ 0.97
600 kWh	1.12%	\$ 0.48
800 kWh	-0.37%	\$ (0.37)
1,000 kWh	-0.98%	\$ (1.22)
1,500 kWh	-1.84%	\$ (3.35)
General Service < 50 kW		
2,000 kWh	1.47%	\$ 3.48
4,000 kWh	-1.07%	\$ (4.89)
10,000 kWh	-2.69%	\$ (30.00)
12,500 kWh	-2.91%	\$ (40.47)
15,000 kWh	-3.06%	\$ (50.93)
General Service > 50 kW		
2,175 kWh, 60 kW	-19.80%	\$ (170.47)
6,450 kWh, 65 kW	-14.79%	\$ (184.92)
15,280 kWh, 60 kW	-9.52%	\$ (185.14)
40,000 kWh, 125 kW	-7.59%	\$ (338.42)
47,000 kWh, 100 kW	-12.74%	\$ (297.94)
Street Lighting		
8,863 kWh, 24 kW	-7.99%	\$ (91.67)
58 kWh, .46 kW	-13.59%	\$ (1.33)
Unmetered Scattered Load		
1,496 kWh	-26.29%	\$ (57.70)
499 kWh	-26.78%	\$ (19.59)

APPENDIX “B”

Updated Revenue Requirement Workform

See attached.



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

Rate Year: 2010

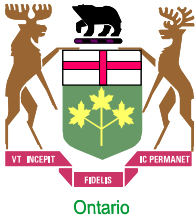
Ontario

Data Input (1)					
	Application		Adjustments		Per Board Decision
1 Rate Base					
Gross Fixed Assets (average)	\$31,947,331	(4)	(\$220,386)		\$31,726,945
Accumulated Depreciation (average)	(\$17,513,537)	(5)	\$23,288		(\$17,490,249)
Allowance for Working Capital:					
Controllable Expenses	\$2,769,015	(6)	(\$110,000)		\$2,659,015
Cost of Power	\$19,666,513		\$273,795		\$19,940,308
Working Capital Rate (%)	15.00%				15.00%
2 Utility Income					
Operating Revenues:					
Distribution Revenue at Current Rates	\$4,374,574				\$4,374,574
Distribution Revenue at Proposed Rates	\$5,005,962				\$4,857,816
Other Revenue:					
Specific Service Charges	\$159,163				\$159,163
Late Payment Charges	\$37,522				\$37,522
Other Distribution Revenue	\$100,592				\$100,592
Other Income and Deductions	\$58,995				\$157,674
Operating Expenses:					
OM+A Expenses	\$2,769,015		(\$110,000)		\$2,659,015
Depreciation/Amortization	\$1,119,762		(\$15,851)		\$1,103,911
Property taxes					
Capital taxes	\$2,099				\$1,970
Other expenses					
3 Taxes/PILs					
Taxable Income:					
Adjustments required to arrive at taxable income	\$41,959	(3)			\$61,681
Utility Income Taxes and Rates:					
Income taxes (not grossed up)	\$176,574	cir			\$211,713
Income taxes (grossed up)	\$248,137				\$295,118
Capital Taxes	\$2,099	cir			\$1,970
Federal tax (%)	18.00%				18.00%
Provincial tax (%)	10.84%				10.26%
Income Tax Credits					
4 Capitalization/Cost of Capital					
Capital Structure:					
Long-term debt Capitalization Ratio (%)	56.0%				56.0%
Short-term debt Capitalization Ratio (%)	4.0%	(2)			4.0% (2)
Common Equity Capitalization Ratio (%)	40.0%				40.0%
Preferred Shares Capitalization Ratio (%)					
Cost of Capital					
Long-term debt Cost Rate (%)	6.5%				5.63%
Short-term debt Cost Rate (%)	1.3%				1.33%
Common Equity Cost Rate (%)	8.0%				9.75%
Preferred Shares Cost Rate (%)					

Notes:

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

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



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

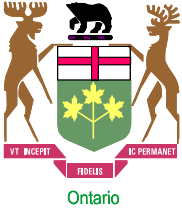
Rate Year: 2010

Line No.	Particulars	Rate Base		
		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)	\$31,947,331	(\$220,386)	\$31,726,945
2	Accumulated Depreciation (average) (3)	(\$17,513,537)	\$23,288	(\$17,490,249)
3	Net Fixed Assets (average) (3)	\$14,433,794	(\$197,098)	\$14,236,696
4	Allowance for Working Capital (1)	\$3,365,329	\$24,569	\$3,389,898
5	Total Rate Base	\$17,799,123	(\$172,529)	\$17,626,594

(1) Allowance for Working Capital - Derivation				
6	Controllable Expenses	\$2,769,015	(\$110,000)	\$2,659,015
7	Cost of Power	\$19,666,513	\$273,795	\$19,940,308
8	Working Capital Base	\$22,435,528	\$163,795	\$22,599,323
9	Working Capital Rate % (2)	15.00%		15.00%
10	Working Capital Allowance	\$3,365,329	\$24,569	\$3,389,898

Notes

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



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

Rate Year: 2010

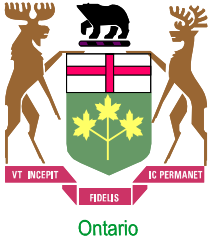
Utility income

Line No.	Particulars	Application	Adjustments	Per Board Decision
Operating Revenues:				
1	Distribution Revenue (at Proposed Rates)	\$5,005,962	(\$148,146)	\$4,857,816
2	Other Revenue	(1) \$356,272	\$98,680	\$454,952
3	Total Operating Revenues	\$5,362,234	(\$49,467)	\$5,312,767
Operating Expenses:				
4	OM+A Expenses	\$2,769,015	(\$110,000)	\$2,659,015
5	Depreciation/Amortization	\$1,119,762	(\$15,851)	\$1,103,911
6	Property taxes	\$ -	\$ -	\$ -
7	Capital taxes	\$2,099	(\$129)	\$1,970
8	Other expense	\$ -	\$ -	\$ -
9	Subtotal	\$3,890,876	(\$125,979)	\$3,764,897
10	Deemed Interest Expense	\$652,936	(\$87,620)	\$565,316
11	Total Expenses (lines 4 to 10)	\$4,543,812	(\$213,599)	\$4,330,213
12	Utility income before income taxes	\$818,422	\$164,132	\$982,554
13	Income taxes (grossed-up)	\$248,137	\$46,981	\$295,118
14	Utility net income	\$570,286	\$117,151	\$687,437

Notes

(1)	Other Revenues / Revenue Offsets		
	Specific Service Charges	\$159,163	\$159,163
	Late Payment Charges	\$37,522	\$37,522
	Other Distribution Revenue	\$100,592	\$100,592
	Other Income and Deductions	\$58,995	\$157,674
	Total Revenue Offsets	\$356,272	\$454,952

Other Income and Deductions does not include
50% of Gain on Disposal of Asset of \$800 (\$1600*50%) for the forecasted gain in 2010



Revenue Requirement Work Form

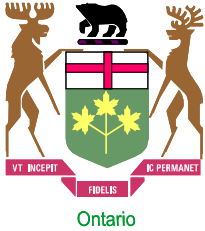
Name of LDC: Orangeville Hydro Limited
 File Number: EB-2009-0272
 Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income	\$570,284	\$687,437
2	Adjustments required to arrive at taxable utility income	\$41,959	\$61,681
3	Taxable income	<u>\$612,243</u>	<u>\$749,118</u>
<u>Calculation of Utility income Taxes</u>			
4	Income taxes	\$176,574	\$211,713
5	Capital taxes	\$2,099	\$1,970
6	Total taxes	<u>\$178,673</u>	<u>\$213,683</u>
7	Gross-up of Income Taxes	<u>\$71,563</u>	<u>\$83,405</u>
8	Grossed-up Income Taxes	<u>\$248,137</u>	<u>\$295,118</u>
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	<u>\$250,236</u>	<u>\$297,088</u>
10	Other tax Credits	\$ -	\$ -
<u>Tax Rates</u>			
11	Federal tax (%)	18.00%	18.00%
12	Provincial tax (%)	10.84%	10.26%
13	Total tax rate (%)	<u>28.84%</u>	<u>28.26%</u>

Notes

Table income is below 1.5 million and tax is calculated on the first \$500,000 at 5.5% and the remaining at 18.25% to result in an effective tax rate of 28.84%



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
Application					
Debt					
1	Long-term Debt	56.00%	\$9,967,509	6.46%	\$643,467
2	Short-term Debt	4.00%	\$711,965	1.33%	\$9,469
3	Total Debt	60.00%	\$10,679,474	6.11%	\$652,936
Equity					
4	Common Equity	40.00%	\$7,119,649	8.01%	\$570,284
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$7,119,649	8.01%	\$570,284
7	Total	100%	\$17,799,123	6.87%	\$1,223,220
Per Board Decision					
Debt					
8	Long-term Debt	56.00%	\$9,870,893	5.63%	\$555,939
9	Short-term Debt	4.00%	\$705,064	1.33%	\$9,377
10	Total Debt	60.00%	\$10,575,957	5.35%	\$565,316
Equity					
11	Common Equity	40.0%	\$7,050,638	9.75%	\$687,437
12	Preferred Shares	0.0%	\$ -	0.00%	\$ -
13	Total Equity	40.0%	\$7,050,638	9.75%	\$687,437
14	Total	100%	\$17,626,594	7.11%	\$1,252,753

Notes

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





Revenue Requirement Work Form

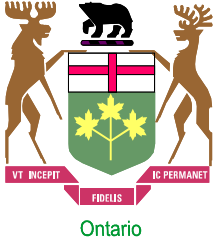
Name of LDC: Orangeville Hydro Limited
 File Number: EB-2009-0272
 Rate Year: 2010

Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$631,382		\$483,242
2	Distribution Revenue	\$4,374,574	\$4,374,580	\$4,374,574	\$4,374,574
3	Other Operating Revenue Offsets - net	\$356,272	\$356,272	\$454,952	\$454,952
4	Total Revenue	\$4,730,846	\$5,362,234	\$4,829,526	\$5,312,767
5	Operating Expenses	\$3,890,876	\$3,890,876	\$3,764,897	\$3,764,897
6	Deemed Interest Expense	\$652,936	\$652,936	\$565,316	\$565,316
	Total Cost and Expenses	\$4,543,812	\$4,543,812	\$4,330,213	\$4,330,213
7	Utility Income Before Income Taxes	\$187,034	\$818,422	\$499,313	\$982,554
	Tax Adjustments to Accounting				
8	Income per 2009 PILs	\$41,959	\$41,959	\$61,681	\$61,681
9	Taxable Income	\$228,993	\$860,381	\$560,993	\$1,044,235
10	Income Tax Rate	28.84%	28.84%	28.26%	28.26%
11	Income Tax on Taxable Income	\$66,042	\$248,134	\$158,546	\$295,118
12	Income Tax Credits	\$ -	\$ -	\$ -	\$ -
13	Utility Net Income	\$120,993	\$570,286	\$340,767	\$687,437
14	Utility Rate Base	\$17,799,123	\$17,799,123	\$17,626,594	\$17,626,594
	Deemed Equity Portion of Rate Base	\$7,119,649	\$7,119,649	\$7,050,638	\$7,050,638
15	Income/Equity Rate Base (%)	1.70%	8.01%	4.83%	9.75%
16	Target Return - Equity on Rate Base	8.01%	8.01%	9.75%	9.75%
	Sufficiency/Deficiency in Return on Equity	-6.31%	0.00%	-4.92%	0.00%
17	Indicated Rate of Return	4.35%	6.87%	5.14%	7.11%
18	Requested Rate of Return on Rate Base	6.87%	6.87%	7.11%	7.11%
19	Sufficiency/Deficiency in Rate of Return	-2.52%	0.00%	-1.97%	0.00%
20	Target Return on Equity	\$570,284	\$570,284	\$687,437	\$687,437
21	Revenue Sufficiency/Deficiency	\$449,291	\$2	\$346,670	(\$0)
22	Gross Revenue Sufficiency/Deficiency	\$631,382 (1)		\$483,242 (1)	

Notes:

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



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

Rate Year: 2010

Revenue Requirement

Line No.	Particulars	Application	Per Board Decision
1	OM&A Expenses	\$2,769,015	\$2,659,015
2	Amortization/Depreciation	\$1,119,762	\$1,103,911
3	Property Taxes	\$ -	\$ -
4	Capital Taxes	\$2,099	\$1,970
5	Income Taxes (Grossed up)	\$248,137	\$295,118
6	Other Expenses	\$ -	\$ -
7	Return		
	Deemed Interest Expense	\$652,936	\$565,316
	Return on Deemed Equity	\$570,284	\$687,437
8	Distribution Revenue Requirement before Revenues	<u>\$5,362,232</u>	<u>\$5,312,768</u>
9	Distribution revenue	\$5,005,962	\$4,857,816
10	Other revenue	<u>\$356,272</u>	<u>\$454,952</u>
11	Total revenue	<u>\$5,362,234</u>	<u>\$5,312,767</u>
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$2 (1)</u>	<u>(\$0) (1)</u>

Notes

(1) Line 11 - Line 8



Revenue Requirement Work Form

Name of LDC: Orangeville Hydro Limited

File Number: EB-2009-0272

Rate Year: 2010

Selected Delivery Charge and Bill Impacts Per Draft Rate Order									
		Monthly Delivery Charge				Total Bill			
		Current	Per Draft Rate Order	Change		Current	Per Draft Rate Order	Change	
				\$	%			\$	%
Residential	1000 kWh/month	\$ 39.21	\$ 39.49	\$ 0.28	0.7%	\$ 116.54	\$ 117.31	\$ 0.77	0.7%
GS < 50kW	2000 kWh/month	\$ 66.80	\$ 68.72	\$ 1.92	2.9%	\$ 225.51	\$ 228.41	\$ 2.90	1.3%

Notes:

OHL could not include the bill impacts for the Grand Valley service area so we used Orangeville Hydro rate to calculate impact.
 Monthly Delivery includes distribution service charge, volumetric and rate riders.
 Total Bill includes, the monthly delivery charge, Commodity, Transmission, WMS, debt retirement and taxes

APPENDIX “C”

Revenue Requirement Impacts

At the request of Board staff, OHL has created the following table which is included for information purposes only to illustrate the revenue requirement impact of this Settlement Agreement including and excluding an estimate of the effect of the Board’s December 2009 cost of capital report.

REVENUE REQUIREMENT

	As Filed (Aug 2009)	As per Settlement Agreement (Before CoC Impact)	As per Settlement Agreement (Including CoC Impact)
Net Fixed Assets	\$ 14,433,794	\$ 14,236,696	\$ 14,236,696
Working Capital	3,365,329	3,389,898	3,389,898
Rate Base	17,799,123	17,626,594	17,626,594
Deemed Long-Term Debt Component %	56.00%	56.00%	56.00%
Deemed Short-Term Debt Component %	4.00%	4.00%	4.00%
Deemed Equity Component %	40.00%	40.00%	40.00%
Long-Term Debt Rate	6.46%	5.63%	5.63%
Short-Term Debt Rate	1.33%	1.33%	1.33%
Return on Equity	8.01%	8.01%	9.75%
Weighted Average Cost of Capital	6.87%	6.41%	7.11%
Cost of Capital (Return on Rate Base)	1,223,220	1,130,072	1,252,753
OM&A	2,769,015	2,659,015	2,659,015
Municipal and Property Taxes			
Depreciation and Amortization	1,119,762	1,103,911	1,103,911
PILs	250,236	236,287	297,088
Service Revenue Requirement	5,362,234	5,129,389	5,312,768
Revenue Offset	356,272	454,952	454,952
Base Revenue Requirement	\$ 5,005,962	\$ 4,674,437	\$ 4,857,816