

May 17, 2010

**EMAIL, COURIER & RESS**

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

Attention: Board Secretary

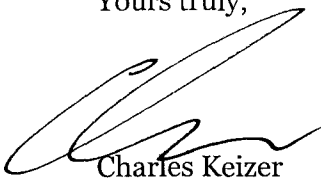
Dear Ms. Walli:

**Re: Great Lakes Power Transmission LP - Application for 2010 Transmission Rates (EB-2009-0408) - Proposed Settlement Agreement**

We are counsel for the Applicant in respect of the above noted matter. Pursuant to Procedural Order No. 5, please find attached a proposed Settlement Agreement concluded between the parties noted therein. Each of the parties to the proposed Settlement Agreement has reviewed and approved the proposed agreement as described therein.

Should you have any questions or concerns, please contact the undersigned.

Yours truly,



Charles Keizer

Tel 416.865.7512  
Fax 416.865.7380  
ckeizer@torys.com

**cc:** All Intervenors  
N. Mikhail, Board Staff  
J. Rosenthal, GLPT LP  
A. McPhee, GLPT LP  
D. Fecteau, GLPT LP  
J. Myers, Torys LLP

# **SETTLEMENT AGREEMENT**

**MAY 17, 2010**

**GREAT LAKES POWER TRANSMISSION LP  
2010 RATES APPLICATION  
(EB-2009-0408)**

**TABLE OF CONTENTS**

<b>ISSUE</b>	<b>DESCRIPTION</b>	<b>PAGE</b>
<b>Preamble</b>		
<b>1</b>	<b>Rate Base</b>	
1.1	Rate Base for the Test Year <sup>1</sup>	8
1.2	Capital Expenditures 2010	9
1.3	Capital Expenditures 2009	10
1.4	Capital Expenditures 2008	11
1.5	Capital Expenditures 2007	12
1.6	Working Cash Allowance	13
<b>2</b>	<b>Cost of Capital for the Test Year</b>	
2.1	Cost of Debt	14
2.2	Cost of Equity	15
2.3	Capital Structure	16
<b>3</b>	<b>Cost of Service for the Test Year</b>	
3.1	Operations, Maintenance & Administration	17
3.2	Depreciation and Amortization	20
3.3	Capital, Property and Income Taxes	21
<b>4</b>	<b>Revenues and Charge Determinant Forecast</b>	
4.1	Revenues and Charge Determinant Forecast	23
<b>5</b>	<b>Rate Recovery of Revenue Requirement</b>	

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<sup>1</sup> In this Settlement Agreement, "Test Year" refers to the period from January 1 to December 31 of 2010.

5.1	Rate Implementation Date	24
5.2	Cost Allocation	25
5.3	Revenue Deficiency Deferral Account	26
<b>6</b>	<b>Variance and Deferral Accounts</b>	
6.1	Existing Variance and Deferral Accounts	27
6.2	New Variance and Deferral Accounts	30
6.3	Disbursal of Existing Variance and Deferral Accounts	32
	<b>Appendix “A” – Issues List</b>	<b>33</b>
	<b>Appendix “B” - Revenue Requirement Work Form - Revised to Reflect Settlement Agreement</b>	<b>34</b>

## **PREAMBLE**

This Settlement Agreement is filed with the Ontario Energy Board (the "Board") in connection with an application by Great Lakes Power Transmission ("GLPT") pursuant to section 78 of the *Ontario Energy Board Act, 1998* for an order or orders approving or fixing just and reasonable rates for the transmission of electricity (EB-2009-0408).

Pursuant to Procedural Order No. 5 in this proceeding, a Settlement Conference was held from May 3-4, 2010 in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (the "Rules") and the Board's *Settlement Conference Guidelines* (the "Settlement Guidelines"). This Settlement Agreement arises from the Settlement Conference and is for the consideration of the Board in its determination of GLPT's 2010 electricity transmission rates.

## **The Parties**

GLPT and the following intervenors (collectively the "Participating Intervenors"), as well as Ontario Energy Board technical staff ("Board Staff"), participated in the Settlement Conference in respect of all issues contained in this proposal:

- Energy Probe Research Foundation ("Energy Probe")
- School Energy Coalition ("SEC")
- Vulnerable Energy Consumers Coalition ("VECC")

The following intervenors did not participate in the Settlement Conference:

- Canadian Niagara Power Inc. ("CNPI")
- Independent Electricity System Operator ("IESO")
- Hydro One Networks Inc. ("HONI")

The Applicant and the Participating Intervenors are collectively referred to herein as the "Parties". In accordance with page 5 of the Settlement Guidelines, Board Staff is neither a Party nor a signatory to this Settlement Agreement. Although Board Staff is not a party to this Settlement Agreement, the Board Staff who did participate in the Settlement Conference are bound by the same confidentiality standards that apply to the Parties to the proceeding.

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.

### **Summary of the Proposed Settlement**

There is no approved issues list for this proceeding. However, for the purposes of organizing this Settlement Agreement, and without prejudice to the positions of the Parties with respect to the issues that might otherwise be considered in this proceeding should a hearing be required, the Parties have followed the issues list set out at **Appendix 'A'** to this Settlement Agreement.

We are pleased to inform the Board as follows:

- Subject to one exception the Parties have reached a comprehensive agreement on all issues.
- The Parties further agree that one particular issue remains unsettled and that, rather than forming part of this Settlement Agreement, this issue should be the subject of a hearing before the Board. This issue relates to the question of whether GLPT is entitled to recover an amount of \$1,729,806 for the 2010 Test Year, which is the income tax allowance sought by GLPT after this Settlement Agreement is taken into account.

For greater certainty, this comprehensive agreement shall not be affected by the Board's determination of the one unsettled issue.

Through this Settlement Agreement, GLPT agrees to certain changes from its initial application for 2010 electricity transmission rates, as filed with the Board on November 30, 2009 and updated on December 7, 2009. The most significant matters arising from this Settlement Agreement are as follows:

- OM&A Expense: GLPT initially forecasted its 2010 OM&A expense at \$11,105,600. The Parties have agreed that GLPT's 2010 OM&A expense should be \$9,000,000. In addition, the Parties have agreed that for purposes of GLPT's anticipated applications for 2011 and 2012 rates, GLPT will not propose OM&A expense increases in excess of 2.5% in each year.
- Calculation of Capital Cost Allowance ("CCA"): CCA is deducted from income in calculating income tax for recovery. GLPT's initially proposed methodology for calculating CCA resulted in a CCA deduction of approximately \$9.7 million. This did not include the increase in rate base that resulted from a revaluation of assets in 1996. The Parties have agreed

that the calculation of CCA for regulatory purposes commencing in 2010 should be derived from the UCC balances that resulted from the March 12, 2008 asset transfer (which carry forward to the 2010 test year), which GLPT advises effectively includes in the opening UCC post-2008 the upward revaluation of assets from 1996. This is to the benefit of the ratepayer and equates UCC values for tax and regulatory purposes. As a result, the CCA deduction to be used in calculating GLPT's income tax provision for recovery in the 2010 Test Year will be approximately \$11.7 million. The impact of this change on the income tax provision that GLPT seeks to recover for the Test Year is a reduction of \$872,275.

- Capital Structure: GLPT initially proposed a transition over a two year period from its current capital structure of 55% debt and 45% equity to a structure of 60% debt and 40% equity, with a 2010 Test Year structure of 57.5% debt and 42.5% equity and no short term debt component in either year. During the course of the proceeding GLPT revised its proposal so as to seek no change from its current capital structure. The Parties have agreed on a transition over a two year period whereby GLPT's capital structure for the 2010 Test Year will be 53.5% long-term debt, 4% short-term debt and 42.5% equity. For 2011 GLPT will adopt a structure comprised of 56% long-term debt, 4% short-term debt and 40% equity.
- Implementation Date: GLPT's existing rates have been declared by the Board to be interim as of January 1, 2010. The Parties have agreed on a January 1, 2010 effective date for GLPT's revised 2010 electricity transmission rates.
- Deferral Account for Unrecovered Plant: In addition to a small balance in Account 1505 that GLPT initially proposed to disburse to the credit of ratepayers, arising from the recovery of costs related to asset retirement, for purposes of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT will return \$3,063,900 from Account 1505 to ratepayers in consideration of settlement. This represents the costs recovered in respect of asset retirement that relate to the revaluation of assets in 1996. This amount will be disbursed to ratepayers over a 5-year period beginning in the 2010 Test year, with interest as normally calculated.
- Revenue Requirement: As a result of the changes described above, GLPT's overall proposed revenue requirement for the 2010 Test Year has changed

from its proposal of \$38,915,026<sup>2</sup> to the currently agreed upon proposal of \$35,148,818.

The Settlement Agreement describes the agreements reached on the settled issues and identifies the parties who agree, or alternatively who take no position on each issue. The Settlement Agreement provides a direct link between each issue and the supporting evidence in the record to date. In this regard, the parties who agree with the individual settlements are of the view that the evidence provided is sufficient to support the Settlement Agreement in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings on the settled issues.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format. For example, Exhibit 2, Tab 1, Schedule 1, Page 3 (commencing page) is referred to as 2-1-1-3. A concise description of the content of each exhibit is also provided. In this regard, GLPT's response to an interrogatory (IR) or supplemental interrogatory (SIR) is described by citing the name of the Party and the number of the interrogatory or supplemental interrogatory (e.g., Board Staff IR #1 or SEC SIR #2). The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each settled issue is not intended to limit any party who wishes to assert that other evidence is relevant to a particular settled issue.

According to the Settlement Guidelines (p.3), the Parties must consider whether a Settlement Agreement should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. GLPT and the other Parties who participated in the Settlement Conference agree that no settled issue requires an adjustment mechanism other than those expressly set forth herein.

Except with respect to the one unsettled issue described above, all of the issues contained in this proposal have been settled by GLPT and the Parties as a package (the "package") and none of the provisions of these issues are severable. Numerous compromises were made by the Parties with respect to various matters to arrive at this comprehensive Settlement Agreement. The distinct issues addressed in this proposal are intricately interrelated, and reductions or

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<sup>2</sup> GLPT's original application filed November 30, 2009 proposed a revenue requirement of \$39,365,100. As explained in response to Board Staff IR #92, GLPT subsequently adopted the cost of capital parameters set out in the Board's December 9, 2009 Cost of Capital Report. This change is reflected in the updated Revenue Requirement Work Form filed in response to Board Staff IR #95, which shows an updated proposed revenue requirement of \$38,915,026.



increases to the agreed-upon amounts may have financial consequences in other areas of this proposal which may be unacceptable to one or more of the Parties. If the Board does not, prior to the commencement of the hearing of the evidence, accept the package in its entirety, then there is no settlement (unless GLPT and the Parties agree that any portion of the package that the Board does accept may continue as part of a valid Settlement Agreement). None of the Parties can withdraw from this proposal except in accordance with Rule 32.05 of the Rules. Moreover, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Agreement are without prejudice to the rights of the Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not GLPT is a party to such proceeding.

Attached at **Appendix 'B'** is a copy of the Revenue Requirement Work Form updated to reflect the impacts of the proposed settlement as herein described for the 2010 Test Year. While this document is typically used only for distributors, it is provided here for ease of reference.

The Parties agree that this Settlement Agreement and the Appendices form part of the record in EB-2009-0408. The Revenue Requirement Work Form was prepared by the Applicant. The intervenors are relying on the accuracy and completeness of the Revenue Requirement Work Form in entering into this Agreement.

## **ISSUES**

### **1 Rate Base**

#### **1.1 Rate Base for the Test Year**

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application and evidence, GLPT forecasted its 2010 rate base to be \$208,999,200 as presented in Table 2-1-1A of the pre-filed evidence.

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that the Board should accept GLPT's forecasted rate base for the 2010 Test Year of \$208,999,200.

#### ***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

2-1-1-1 Rate Base Overview - Summary of Rate Base  
2-2-1 Summary and Continuity Statements

## 1.2 Capital Expenditures 2010

**Complete Settlement:** There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's proposed capital additions for 2010, being \$5,045,900 , should be included in GLPT's rate base for the Test Year.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

1-4-1	Materiality Threshold
2-1-1-3	Descriptions of 2010 Capital Expenditures in Service
2-1-2-1	Capital Expenditures Table
2-1-3	Appendices B and D of Confidential Filing #1
2-2-1-6	2010 Forecasted Asset Continuity
10-1-1-3	Board Staff IR #2 - Services Provided by Others
10-1-1-122	Board Staff IR #62 - Classification of 2010 Capital Investments
10-1-1-124	Board Staff IR #63 - Redevelopment Project
10-1-1-125	Board Staff IR #64 - Redevelopment Project
10-1-1-127	Board Staff IR #65 - Redevelopment Project
10-1-1-129	Board Staff IR #66 - Steelton Ground Grid Refurbishment
10-1-1-167	Board Staff IR #87 - Summary of Capital Investments
10-1-1-169	Board Staff IR #88 - Redevelopment Project
10-2-1-3	VECC IR #3 - Capital Projects in Service 2007-2010
10-2-1-4	VECC IR #4 - Actual v. Forecast CapEx
10-3-1-15	SEC IR #11(a)-(e) - Redevelopment Project
11-1-1-40	Board Staff Supplemental IR #20 to #22, inclusive
11-3-1-23	SEC Supplemental IR #19 - Infrared Scanning
JT1.2	Undertaking Response re Redevelopment Project

### 1.3 Capital Expenditures 2009

**Complete Settlement:** There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's capital additions for 2009, being \$8,939,700 as described herein, should be included in GLPT's rate base for the Test Year.

**Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 1-4-1 Materiality Threshold
- 2-1-1-35 Descriptions of 2009 Capital Expenditures in Service
- 2-1-2-1 Capital Expenditures Table
- 2-1-3 Appendices A, C and D of Confidential Filing #1
- 2-2-1-5 2009 Asset Continuity
- 10-1-1-3 Board Staff IR #2 - Services Provided by Others
- 10-1-1-130 Board Staff IR #67 - Classification of 2009 Capital Investments
- 10-1-1-133 Board Staff IR #68 - Echo River Protections Upgrades
- 10-1-1-134 Board Staff IR #69 - Cyber Security Requirements
- 10-1-1-136 Board Staff IR #70 - Batchewana TS Ground Refurbishments
- 10-1-1-137 Board Staff IR #71 - Vegetation Management Mapping Development
- 10-1-1-140 Board Staff IR #72 - Algoma 115 kV Structure Reinforcement
- 10-1-1-141 Board Staff IR #73 - Centralized Information Retrieval System
- 10-1-1-142 Board Staff IR #74 - Fleet, IT Infrastructure, Office Furniture & Equipment
- 10-1-1-144 Board Staff IR #75 - Transmission Reinforcement Project
- 10-1-1-167 Board Staff IR #87 - Summary of Capital Investments
- 10-2-1-3 VECC IR #3 - Capital Projects in Service 2007-2010
- 10-2-1-4 VECC IR #4 - Actual v. Forecast CapEx

## 1.4 Capital Expenditures 2008

**Complete Settlement:** There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's capital additions for 2008, being \$10,379,600, should be included in GLPT's rate base for the Test Year.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 1-4-1 Materiality Threshold
- 2-1-1-51 Descriptions of 2008 Capital Expenditures in Service
- 2-1-2-1 Capital Expenditures Table
- 2-1-3 Appendices E, F, G and H of Confidential Filing #1
- 2-2-1-4 2008 Asset Continuity
- 10-1-1-3 Board Staff IR #2 - Services Provided by Others
- 10-1-1-145 Board Staff IR #76 - Classification of 2008 Capital Investments
- 10-1-1-148 Board Staff IR #77 - MacKay TS Refurbishment
- 10-1-1-150 Board Staff IR #78 - Third Line TS Miscellaneous Projects
- 10-1-1-151 Board Staff IR #79 - Magpie TS Line Protection Upgrades, Clergue TS Protection Upgrades and Magpie Structure/Component Replacement
- 10-1-1-154 Board Staff IR #80 - Power Potential Transformer at Magpie TS, Third Line TS Temporary Bus Installation and Third Line TS Transformer Refurbishment
- 10-1-1-156 Board Staff IR #81 - Variance for Previously Approved 2008 Capital Investments
- 10-1-1-167 Board Staff IR #87 - Summary of Capital Investments
- 10-2-1-3 VECC IR #3 - Capital Projects in Service 2007-2010
- 10-2-1-4 VECC IR #4 - Actual v. Forecast CapEx

## 1.5 Capital Expenditures 2007

**Complete Settlement:** There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's capital additions for 2007, being \$9,470,500, should be included in GLPT's rate base for the Test Year.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 1-4-1 Materiality Threshold
- 2-1-1-67 Descriptions of 2007 Capital Expenditures in Service
- 2-1-2-1 Capital Expenditures Table
- 2-1-3 Appendices I and J of Confidential Filing #1
- 2-2-1-3 2007 Asset Continuity
- 10-1-1-3 Board Staff IR #2 - Services Provided by Others
- 10-1-1-158 Board Staff IR #82 - Classification of 2007 Capital Investments
- 10-1-1-160 Board Staff IR #83 - Third Line TS T1 250 MVA Autotransformer Replacement
- 10-1-1-161 Board Staff IR #84 - Revision re Previously Approved - Transmission Reinforcement Project
- 10-1-1-164 Board Staff IR #85 - Revision re Previously Approved - Third Line Tie Breaker
- 10-1-1-166 Board Staff IR #86 - Revision re Previously Approved - MacKay Line and Bus Protections
- 10-1-1-167 Board Staff IR #87 - Summary of Capital Investments
- 10-2-1-3 VECC IR #3 - Capital Projects in Service 2007-2010
- 10-2-1-4 VECC IR #4 - Actual v. Forecast CapEx

## 1.6 Working Cash Allowance

**Complete Settlement:** There is an agreement to settle this issue as follows:

The working cash allowance for the Test Year has been calculated by GLPT using the results of the working cash study accepted by the Board in GLPL Transmission Division's 2005 transmission rate application (EB-2005-0241), subject to adjustments arising from the Settlement Agreement in that proceeding.

For the purpose of obtaining a complete settlement of all issues but one, the parties agree that GLPT's working cash allowance calculation is appropriate and that the total working cash requirement of \$401,200 is therefore accepted for inclusion in rate base.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

2-1-1-79	Working Capital Allowance
2-4-1-1	Working Capital Allowance
10-1-1-173	Board Staff IR #90 - Working Capital
10-2-1-5	VECC IR #5 - Working Capital Allowance
11-2-1-5	VECC Supplemental IR #21 - HST and Working Capital Allowance

## **2 Cost of Capital for the Test Year**

### **2.1 Cost of Debt**

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application, GLPT proposed a rate of interest on debt equal to the effective interest rate on its debt, which is 6.874%. Although GLPT does not actually use short-term debt to finance its operations and, consequently, had initially proposed a cost of debt that did not include a short-term debt component, the Parties have agreed that GLPT's cost of debt should include a short-term debt component, as described further in the discussion of capital structure under section 2.3 of this Settlement Agreement.

The Parties agree that a 6.874% rate of interest on long-term debt and the Board-prescribed rate of interest on short-term debt currently in effect (2.07%) should be adopted by the Board for the purpose of determining the cost of debt component of GLPT's revenue requirement for the Test Year.

#### ***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

5-1-1-2	Cost of Debt
4-3-5-1	Interest Expense
10-1-1-177	Board Staff IR #93 - Capital Structure and Short-term Debt
10-1-1-180	Board Staff IR #94 - Capital Structure and Short-term Debt
10-3-1-32	SEC IR #19 - Interest Expense
11-1-1-51	Board Staff Supplemental IR #24



## 2.2 Cost of Equity

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application, GLPT initially proposed a return on equity of 10.5% for the Test Year. Subsequent to the release of the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* ("Cost of Capital Report"), in response to Board Staff IR #92(i), GLPT indicated that it was no longer proposing an ROE of 10.5%. Rather, GLPT expressed its view that the Board should apply the methodology as set out in the Board's Cost of Capital Report as this will provide a fair return. As shown in response to Board Staff IR #92(ii), the current deemed equity rate, based on the Cost of Capital Parameter Update letter published by the Board on February 24, 2010, is 9.85%.

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that a return on equity of 9.85% should be adopted by the Board for purposes of determining GLPT's rates for the 2010 Test Year.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

5-1-1-6 Cost of Equity  
10-1-1-175 Board Staff IR #92 - Cost of Capital

## 2.3 Capital Structure

**Complete Settlement:** There is an agreement to settle this issue as follows:

GLPT's most recently approved capital structure is 55% debt and 45% equity. In the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors*, the Board allowed a transition period for utilities moving from any structure that was not 60% debt and 40% equity. Based on this approach, in its application GLPT initially proposed a two year transition period under which it proposed a capital structure of 57.5% debt and 42.5% equity for the Test Year with a target of implementing a structure of 60% debt and 40% equity in 2011.

Following the release of the Board's Cost of Capital Report in December 2009, GLPT indicated in response to Board Staff IR #94 that it was revising its proposal with respect to capital structure so as to reflect the direction set out in the Cost of Capital Report. In particular, GLPT stated that it proposed to maintain its existing structure of 55% debt and 45% equity. GLPT further explained its revised proposal in response to Board Staff Supplemental IR #23.

For the purpose of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT should transition toward a capital structure of 60% debt (comprised of 4% short-term and 56% long-term) and 40% equity. To make this transition, the Parties agree that for the 2010 Test Year GLPT should adopt a capital structure of 57.5% debt (comprised of 4% short-term debt and 53.5% long-term debt) and 42.5% equity. GLPT has indicated that it intends to file an application for 2011 and 2012 rates. As such, GLPT agrees that in its 2011 application it will adopt the target capital structure of 60% debt (comprised of 4% short-term debt and 56% long-term debt) and 40% equity.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

5-1-1-1 Capital Structure  
10-1-1-180 Board Staff IR #94  
11-1-1-49 Board Staff Supplemental IR #23

### **3 Cost of Service for the Test Year**

In its application, GLPT initially proposed total Test Year Operating costs of \$21,777,700. As shown in Table 4-1-1A, this was comprised of the following components:

- Operations, Maintenance and Administration (\$11,105,600)
- Depreciation and Amortization (\$7,406,900)
- Income Taxes (\$2,861,500)
- Capital and Property Taxes (\$403,700)

Operations, Maintenance & Administration expenses (OM&A) are considered in 3.1 of this Settlement Agreement, below.

Depreciation and Amortization expenses are considered in 3.2 of this Settlement Agreement.

Income Taxes, as well as Capital and Property Taxes, are considered together in 3.3 of this Settlement Agreement.

#### **3.1 Operations, Maintenance & Administration**

**Complete Settlement:** There is an agreement to settle this issue as follows:

As indicated above, GLPT initially proposed Test Year Operating costs that included OM&A costs of \$11,105,600.

For the purpose of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT's OM&A expenses for the Test Year, as described herein, should be reduced to \$9,000,000. The Parties further agree that the Board should approve the recovery of this amount by GLPT in rates for 2010.

As noted, GLPT has indicated that it intends to file an application for 2011 and 2012 rates. GLPT agrees that in doing so GLPT will not seek OM&A increases in excess of 2.5% per year for each of 2011 and 2012.

GLPT has accepted the challenge of reducing its forecasted OM&A in light of this settlement. GLPT has undertaken a preliminary review of its forecasted OM&A expenditures and is confident that it will be able to reduce its forecasted expenditures without putting the safety, reliability or sufficiency of its service at risk and without affecting its ability to maintain compliance with applicable regulatory requirements now in effect. In addition, GLPT will consider whether certain of its forecasted OM&A expenditures may be appropriately transferred to

the Renewable Energy Deferral Account established pursuant to EB-2009-0409. The Parties have agreed that any OM&A expenditures that GLPT transfers to such deferral account will be subject to the Board's determinations with respect to that account, and will be recoverable from ratepayers if and only if the Board determines that the expenditures were appropriate included in the account.

**Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 4-1-1 Summary of Operating Costs
- 4-2-1 OM&A Overview
- 4-2-1-38 OM&A Overview - Appendix 'A' - GLPT Operations Cost Analysis by First Quartile Consulting
- 4-2-2 OM&A Variance Analysis
- 4-2-4 Shared Services and Corporate Cost Allocation
- 10-1-1-5 Board Staff IR #3 - OSCC Staff Reduction
- 10-1-1-7 Board Staff IR #4 - NERC training for OSCC staff
- 10-1-1-9 Board Staff IR #5 to #7 - FQC Benchmarking Report
- 10-1-1-13 Board Staff IR #8 and #9 - Vegetation Management
- 10-1-1-20 Board Staff IR #10 - Corporate Cost Allocation re Executive Management Team
- 10-1-1-23 Board Staff IR #12 - Natural Business Growth
- 10-1-1-28 Board Staff IR #13 - Green Energy and Green Economy Act
- 10-1-1-29 Board Staff IR #14 - Contracted Staff Increase 2007-2008
- 10-1-1-31 Board Staff IR #15 - Variance Analysis
- 10-1-1-33 Board Staff IR #16 - Time Spent on Operations and Maintenance
- 10-1-1-34 Board Staff IR #17 - Old Share assigned to OSCC
- 10-1-1-35 Board Staff IR #18 - Account 4815/4910
- 10-1-1-38 Board Staff IR #19 - Account 4916 and 4830/4930/4935
- 10-1-1-67 Board Staff IR #34 - OSCC Usage
- 10-1-1-68 Board Staff IR #35 - Office Complex Use and Cost Allocation
- 10-1-1-69 Board Staff IR #36 - Cost Sharing with Affiliates
- 10-1-1-70 Board Staff IR #37 - Allocation of COO Costs
- 10-1-1-72 Board Staff IR #38 - Allocation of SCADA Equipment
- 10-1-1-74 Board Staff IR #39 - Corporate Cost Allocation from Parent of \$298,571
- 10-1-1-78 Board Staff IR #41 - OSCC Operational Prudence and Cost Responsibility

10-1-1-83	Board Staff IR #42 - OSCC Transmission and Distribution Cost Allocation
10-3-1-22	SEC IR #14 - OM&A Variance Analysis
10-3-1-26	SEC IR #17 - Shared Services and Corporate Cost Allocation
11-1-1-1	Board Staff Supplemental IR #1 - Executive Costs
11-1-1-2	Board Staff Supplemental IR #2 - Natural Business Growth
11-1-1-4	Board Staff Supplemental IR #3 - Office Complex
11-1-1-14	Board Staff Supplemental IR #8 - OSCC
11-3-1-11	SEC Supplemental IR #11 - Corporate Cost Allocation
11-3-1-12	SEC Supplemental IR #12 - Fibre Optic Network
11-3-1-27	SEC Supplemental IR #23 - SCADA Lease
11-3-1-38	SEC Supplemental IR #33 - SCADA Agreement
JT1.6	Undertaking Response re OSCC
JT1.10	Undertaking Response re SCADA Lease Agreement

### 3.2 Depreciation and Amortization

**Complete Settlement:** There is an agreement to settle this issue as follows:

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that the Board should accept GLPT's proposed calculation of the depreciation expense for the Test Year of \$7,406,900.

***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

2-1-1-78	Amortization Policy
2-3-1	Accumulated Depreciation
4-2-6	Depreciation and Amortization
10-1-1-85	Board Staff IR #43 - Depreciation and Amortization Expense
11-3-1-30	SEC Supplemental IR #26

### **3.3 Capital, Property and Income Taxes**

**Partial Settlement:** There is an agreement to settle this issue as follows:

In its initial application, GLPT:

- Calculates its capital tax expense for the Test Year as \$145,500. The calculation of this amount is described in 4-3-3;
- Calculates its property tax expense for the Test Year as \$258,200. The calculation of this amount is described in 4-3-4; and
- Calculates its income tax expense for the Test Year as \$2,861,500. The calculation of this amount is described in 4-3-2.

#### Capital and Property Tax

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's calculations of capital and property taxes described herein, which total \$403,700, are appropriate and should be included as part of its cost of service for the Test Year.

#### Income Tax

In its application, GLPT initially calculated its income tax allowance as \$2,861,500 as set out in 4-3-2. An important component of this calculation is the Capital Cost Allowance ("CCA"), which is deducted from income in calculating the income tax provision for recovery.

To calculate its income tax expense, GLPT initially proposed that the calculation of CCA for regulatory purposes should disregard the income tax effect of the 2008 non-arm's length sale of the transmission assets by GLPL to GLPT, and treat CCA for regulatory purposes as though the assets were acquired by GLPT at "tax book value" (i.e. historic undepreciated capital cost or "UCC"). This did not include the increase in rate base that resulted from a revaluation of assets in 1996. This approach results in a CCA deduction of approximately \$9.7 million.

The Parties have agreed that the calculation of CCA for regulatory purposes commencing in 2010 should incorporate the income tax effect of the 2008 sale, which increases the UCC available for deduction as of March 12, 2008 and effectively includes in the opening UCC post-2008 the upward revaluation of assets from 1996. As a result, the Parties agree that the CCA deduction to be used

in calculating GLPT's income tax provision for recovery in the 2010 Test Year is approximately \$11.7 million.

Due to the aforementioned change in the method to be used for calculating CCA, and the changes in the cost of capital set out elsewhere in this Agreement, GLPT's revised proposed income tax allowance for the Test Year is \$1,729,806.

As noted in the preamble to this Settlement Agreement, the one issue that remains unsettled and which the Parties have agreed should be the subject of a hearing before the Board is the issue of whether GLPT is entitled to recover an amount in respect of income tax expense for the 2010 Test Year. The amount at issue for this hearing is the revised income tax allowance for the Test Year described above, being \$1,729,806.

***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

4-3-1	Tax Overview
4-3-2	Income Tax
4-3-3	Capital Tax
4-3-4	Property Tax
10-1-1-92	Board Staff IRs #45 to #61, inclusive
10-2-1-8	VECC IR #8 - Income Tax
10-3-1-30	SEC IR #18 - Income Tax
11-1-1-15	Board Staff Supplemental IR #9 to #19, inclusive
11-3-1-5	SEC Supplemental IR #5 to 7, inclusive
11-3-1-32	SEC Supplemental IR #28



**4 Revenues and Charge Determinant Forecast**

**4.1 Revenues and Charge Determinant Forecast**

**Complete Settlement:** There is an agreement to settle this issue as follows:

As described in 8-1-1, GLPT employed a methodology for developing a charge determinant forecast for its directly connected customers. As described in 8-2-1, this forecasting methodology was then combined with the approved charge determinants for Ontario’s other three electricity transmitters in order to derive the Uniform Transmission Rate in Ontario (the “UTR”). GLPT’s proposed annual charge determinants, which have been updated in accordance with Hydro One’s 2010 charge determinant forecast in EB-2008-0272, are as follows:

	<b>Proposed Annual Charge Determinants (MW)</b>		
	<b>Network</b>	<b>Line Connection</b>	<b>Transformation Connection</b>
<b>GLPT</b>	4,019.797	2,939.425	1,057.605
<b>All Transmitters</b>	247,035.950	238,309.948 Per Board Staff Calculation	204,631.610

The Parties agree that the proposed charge determinants presented in the above table, are appropriate and should be accepted by the Board.

**Approval:**

Parties in Support: N/A

Parties Taking No Position: SEC, VECC, Energy Probe

**Evidence:** The evidence in relation to this issue includes the following:

- 3-1-1 Operating Revenue
- 3-1-2 Other Revenue
- 8-1-1 Charge Determinant Forecast
- 10-1-1-183 Board Staff IR #96 - Charge Determinants
- 10-1-1-186 Board Staff IR #97 - Transmitter Reconciliation Final Data
- 10-1-1-190 Board Staff IR #98 - Transmission Revenue Streams
- 11-1-1-54 Board Staff Supplemental IR #25 (response at Appendix 25)
- JT1.3 Undertaking Response re Seasonality Effect of Load Forecast

## 5 Rate Recovery of Revenue Requirement

### 5.1 Rate Implementation Date

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application, GLPT requested that its existing rates be made interim effective January 1, 2010 and that its proposed rates be made effective as of January 1, 2010. On January 29, 2010 the Board issued Procedural Order #1, which included a decision declaring GLPT's rates interim as of January 1, 2010.

For the purpose of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT's revised 2010 rates should be made effective as of January 1, 2010.

***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

1-1-2 Application

## 5.2 Cost Allocation

**Complete Settlement:** There is an agreement to settle this issue as follows:

GLPT proposes to allocate its incremental revenue requirement to the asset pools by applying the same proportions as set out in the current Ontario Transmission Rate Schedules, which were issued on July 3, 2009 as part of the Board's Decision and Order in EB-2008-0272.

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that GLPT's allocation of its incremental revenue requirement to the asset pools should be adopted by the Board.

***Approval:***

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

***Evidence:*** The evidence in relation to this issue includes the following:

8-2-1 Calculation of Uniform Transmission Rates

### 5.3 Revenue Deficiency Deferral Account

**Complete Settlement:** There is an agreement to settle this issue as follows:

As noted in section 5.1 of this Settlement Agreement, GLPT in its application requested that its existing rates be made interim effective January 1, 2010 and that its proposed rates be made effective as of January 1, 2010. GLPT further requested authorization to establish a deferral account to record revenue requirement deficiencies incurred from January 1, 2010 until the date that GLPT's proposed 2010 rates are implemented. Also as noted in section 5.1 of this Settlement Agreement, on January 29, 2010 the Board issued Procedural Order #1, which included a decision declaring GLPT's rates interim as of January 1, 2010. For the purpose of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT should recover its proposed revenue requirement effective as of January 1, 2010.

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that a deferral account should be established to record any deficiency or sufficiency for the period commencing January 1, 2010 to the date that the revised 2010 rates (reflecting GLPT's proposed new revenue requirement) are implemented, together with carrying costs, such carrying costs being based upon the applicable Board prescribed interest rate.

As explained in section 6.3 of this Settlement Agreement, GLPT proposes to recover or pay, as the case may be, the balance of the Revenue Deficiency/Sufficiency Deferral Account, as at the date of implementation, through an offset or addition to the amounts GLPT proposes to credit to ratepayers over a three-year period based on the aggregate balance of GLPT's existing deferral and variance accounts.

**Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

See Appendix 'A' of this Settlement Agreement at Lines 1 and 22 of the Revenue Sufficiency/Deficiency Table.

## **6 Variance and Deferral Accounts**

### **6.1 Existing Variance and Deferral Accounts**

**Complete Settlement:** There is an agreement to settle this issue as follows:

GLPT proposes to disburse its December 31, 2008 audited balances in its existing variance and deferral accounts, along with forecasted accruals and carrying charges to December 31, 2009. The aggregate balance of the accounts is \$2,962,700 to the credit of ratepayers, as set out below. The proposed methodology for disbursement is considered under issue 6.3 of this Settlement Agreement.

#### Account 1505 - Unrecovered Plant

This account has been used to record costs associated with readily identifiable assets that were used and useful, but which were retired in 2005 as a result of the Reinforcement Project and recovered over a 5-year period. GLPT explains in 9-1-2 that the closing balance as at December 31, 2009 which GLPT proposes to disburse, as shown in Table 9-1-2B, is a credit of \$71,368 to the benefit of ratepayers. In addition, for the purpose of obtaining a complete settlement of all issues but one, the Parties agree that in consideration of settlement GLPT will credit to ratepayers under this Account 1505 a further amount of \$3,063,900. This represents the costs recovered in respect of asset retirement that relate to the revaluation of assets in 1996.

#### Account 1508 - Other Regulatory Assets

This Account 1508 includes two sub-accounts. The Wholesale Meter Services Rebates sub-account was established to enable GLPT to provide rebates to certain metered market participants that were subject to duplicate charges for wholesale metering as a result of transitional provisions under the Market Rules following market opening. The Stakeholder Related Costs sub-account was established to cover costs of retaining a third-party consultant to review and report on cost allocation and transfer pricing, as agreed upon in the Settlement Agreement in EB-2005-0241. GLPT explains in 9-1-3 that the closing balance as at December 31, 2009 which GLPT proposes to disburse, as shown in Table 5-1-3C, is a credit of \$105,401 to the benefit of ratepayers. This is the net balance comprised of \$122,102 payable to ratepayers under the Wholesale Meter Services Rebates sub-account and \$16,701 receivable by GLPT under the Stakeholder Related Costs sub-account.

Account 1574 - Deferred Rate Impact Amounts

This account was established to record the revenue deficiency incurred by GLPT, plus carrying charges, under currently approved transmission rates beginning January 1, 2005. GLPT explains in 9-1-4 that the closing balance as at December 31, 2009 which GLPT proposes to disburse, as shown in Table 9-1-4A, is a credit of \$2,577,664 to the benefit of ratepayers.

Accounts 1562 and 1592 - Changes in Large Corporations Tax

The Board created these accounts to deal with changes in tax legislation and tax rules with respect to PILs and taxes. Account 1562 applies to entries up to and including April 30, 2006, while Account 1592 relates to tax changes that affect the period after April 30, 2006. GLPT explains in 9-1-5 that the closing balances as at December 31, 2009 which GLPT proposes to disburse, as shown in Tables 9-1-5C and 9-1-5D, are \$30,360 to the credit of GLPT for Account 1562 and \$1,280,078 to the credit of ratepayers for Account 1592, resulting in a net balance to the credit of ratepayers of \$1,249,718.

Account 1572 - Extraordinary Event Costs

As part of acquiring the transmission assets, GLPT incurred costs, which are recorded in Account 1572. These costs arose because of the unique circumstance of Section 71 of the *Ontario Energy Board Act* and the expiration of a legislative exemption to it that had previously been available. GLPT explains in 9-1-6 that the closing balance as at December 31, 2009 which GLPT proposes to disburse, as shown in Table 9-1-6A, is \$1,041,454 recoverable by GLPT from ratepayers.

For the purpose of obtaining a complete settlement of all issues but one, the Parties agree that the Board should accept and approve such amounts for disbursement.

**Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 9-1-1 Deferral and Variance Accounts - Overview
- 9-1-2 Account 1505 - Unrecovered Plant
- 9-1-3 Account 1508 - Other Regulatory Assets

- 9-1-4 Account 1574 - Deferred Rate Impact Amounts
- 9-1-5 Accounts 1562 & 1592 - Changes in Large Corporations Tax
- 9-1-6 Account 1572 - Extraordinary Event Costs
- 10-1-1-197 Board Staff IR #101 - Authority re Use of Accounts 1562 and 1592
- 10-1-1-198 Board Staff IR #102 - Disposition of Deferral and Variance  
Accounts
- 10-1-1-203 Board Staff IR #106 - Disposition of Account 1572

## 6.2 New Variance and Deferral Accounts

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application, GLPT requests approval to establish the following five new deferral or variance accounts:

- Pension Cost Variance Account
- OEB Cost Assessment Variance Account
- Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Deferral Account
- Property Taxes and Use and Occupation Fee Variance Account
- IFRS Transition Deferral Account

In its application, GLPT further requested an accounting order to establish a deferral account to record revenue requirement deficiencies incurred from January 1, 2010 until GLPT's proposed 2010 rates are implemented. This is discussed in section 5.2 of this Settlement Agreement.

The Parties agree that GLPT should not establish the proposed Pension Cost Variance Account.

On March 25, 2010, in EB-2009-0409, the Board issued its Decision and Order authorizing GLPT to establish a "Renewable Energy Deferral Account" with sub-accounts to record capital expenditures as well as OM&A expenses related to renewable generation connection, system planning, and infrastructure investment arising from the *Green Energy and Green Economy Act, 2009*.

With respect to the remaining accounts that have been requested, for the purpose of obtaining a complete settlement of all issues but one, the Parties agree that the Board should authorize GLPT to establish and record costs in these proposed new accounts as described in the evidence filed by GLPT in support of these requests.

### **Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 9-1-1 Deferral and Variance Accounts - Overview
- 9-2-1 Proposed Deferral and variance Accounts and Request for Direction



10-1-1-199 Board Staff IR #103 - New Deferral Accounts

### 6.3 Disbursal of Existing Variance and Deferral Accounts

**Complete Settlement:** There is an agreement to settle this issue as follows:

In its application, GLPT proposed to disburse the aggregate balance of the existing deferral and variance accounts over a three-year period, with the appropriate interest. The aggregate balance to which this applies (exclusive of the additional amount in Account 1505 of \$3,063,900, described below) is \$2,962,700. GLPT further proposes to partially offset or add to this amount so as to recover its revenue deficiency, or credit its revenue sufficiency, for the period between January 1, 2010 and the date that the revised Uniform Transmission Rates reflecting GLPT's new revenue requirement are implemented, as discussed in section 5.3 of this Settlement Agreement.

GLPT proposes that, in each of the three years following the implementation date, GLPT will reduce its revenue required from Uniform Transmission Rates by one third of the aggregate balance net of GLPT's revenue deficiency of sufficiency as discussed above.

In addition, as discussed in section 6.1 of this Settlement Agreement, the Parties agree that GLPT will credit to ratepayers an amount of \$3,063,900 under Account 1505. This will be disbursed to ratepayers over a period of five years with appropriate interest.

The Parties agree that GLPT's proposed methodology for disbursing the balances of existing variance and deferral accounts, as herein described, is appropriate and should be accepted and approved by the Board.

**Approval:**

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

**Evidence:** The evidence in relation to this issue includes the following:

- 9-1-1 Deferral and Variance Accounts - Overview
- 9-3-1 Disbursal of Existing Deferral and Variance Accounts
- 10-1-1-198 Board Staff IR #102 - Disposition of Deferral and Variance Accounts
- 10-1-1-202 Board Staff IR #105 - Rate Rider Determinations
- 10-1-1-203 Board Staff IR #106 - Disposition of Account 1572

**APPENDIX 'A'**

**ISSUES LIST**

ISSUES LIST

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1. Calculation of Rate Base for the Test Year
  - (a) Capital Expenditures 2010
  - (b) Capital Expenditures 2009
  - (c) Capital Expenditures 2008
  - (d) Capital Expenditures 2007
  - (e) Working Cash Allowance
2. Cost of Capital For the Test Years
  - (a) Cost of Debt
  - (b) Cost of Equity
  - (c) Capital Structure
3. Cost of Service For the Test Years
  - (a) Operations, Maintenance & Administration
  - (b) Depreciation and Amortization
  - (c) Capital, Property and Income Taxes
4. Revenues and Charge Determinant Forecast
  - (a) Revenues and Charge Determinant Forecast
5. Rate Recovery of Revenue Requirement
  - (a) Rate Implementation Date
  - (b) Cost Allocation
  - (c) Revenue Deficiency Deferral Account
6. Variance and Deferral Accounts
  - (a) Existing Variance and Deferral Accounts
  - (b) New Variance and Deferral Accounts
  - (c) Disbursal of Existing Variance and Deferral Accounts

**APPENDIX 'B'**

**REVENUE REQUIREMENT WORK FORM -  
REVISED TO REFLECT SETTLEMENT AGREEMENT**



## REVENUE REQUIREMENT WORK FORM

Name of LDC:  (1)  
File Number:   
Rate Year:  Version: 1.0

### Table of Content

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

#### Notes:

- (1) Pale green cells represent inputs
- (2) Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.

#### **Copyright**

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**REVENUE REQUIREMENT WORK FORM**

Name of LDC: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

**Data Input** (1)

	Application	Adjustments	Per Board Decision
<b>1 Rate Base</b>			
Gross Fixed Assets (average)	\$285,382,423 (4)	\$ -	\$285,382,423
Accumulated Depreciation (average)	(\$76,784,441) (5)	\$ -	(\$76,784,441)
Allowance for Working Capital:			
Controllable Expenses	\$11,105,600 (6)	(\$2,105,600)	\$9,000,000
Cost of Power	\$ -	\$ -	\$0
Working Capital Rate (%)	3.61%		4.46%
<b>2 Utility Income</b>			
Operating Revenues:			
Distribution Revenue at Current Rates	\$34,696,200		\$34,785,000
Distribution Revenue at Proposed Rates	\$38,907,826		\$35,141,618
Other Revenue:			
Specific Service Charges	\$ -		\$ -
Late Payment Charges	\$ -		\$ -
Other Distribution Revenue	\$ -		\$ -
Other Income and Deductions	\$7,200		\$7,200
Operating Expenses:			
OM+A Expenses	\$11,105,600	(\$2,105,600)	\$9,000,000
Depreciation/Amortization	\$7,406,900	\$ -	\$7,406,900
Property taxes	\$258,200	\$ -	\$258,200
Capital taxes	\$145,500		\$145,500
Other expenses	\$ -	\$ -	\$0
<b>3 Taxes/PILs</b>			
Taxable Income:			
Adjustments required to arrive at taxable income	(\$2,957,500) (3)		(\$4,899,016) (6)
Utility Income Taxes and Rates:			
Income taxes (not grossed up)	\$1,954,981		\$1,193,566
Income taxes (grossed up)	\$2,833,305		\$1,729,806
Capital Taxes	\$145,500		\$145,500
Federal tax (%)	18.00%		18.00%
Provincial tax (%)	13.00%		13.00%
Income Tax Credits	\$ -		\$ -
<b>4 Capitalization/Cost of Capital</b>			
Capital Structure:			
Long-term debt Capitalization Ratio (%)	55.0%		53.5%
Short-term debt Capitalization Ratio (%)	0.0% (2)		4.0% (2)
Common Equity Capitalization Ratio (%)	45.0%		42.5%
Preferred Shares Capitalization Ratio (%)	0.0%		0.0%
Cost of Capital			
Long-term debt Cost Rate (%)	6.87%		6.87%
Short-term debt Cost Rate (%)	2.07%		2.07%
Common Equity Cost Rate (%)	9.85%		9.85%
Preferred Shares Cost Rate (%)	0.00%		0.00%

**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.
- (6) Updated CCA is \$11,667,316 instead of \$9,725,800, an increase of \$1,941,516 in CCA deduction available



## REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

### Rate Base

Line No.	Particulars	Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average) (3)	\$285,382,423	\$ -	\$285,382,423
2	Accumulated Depreciation (average) (3)	(\$76,784,441)	\$ -	(\$76,784,441)
3	Net Fixed Assets (average) (3)	\$208,597,982	\$ -	\$208,597,982
4	Allowance for Working Capital (1)	\$401,200	\$ -	\$401,200
5	<b>Total Rate Base</b>	<b>\$208,999,182</b>	<b>\$ -</b>	<b>\$208,999,182</b>

(1) Allowance for Working Capital - Derivation				
6	Controllable Expenses	\$11,105,600	(\$2,105,600)	\$9,000,000
7	Cost of Power	\$ -	\$ -	\$ -
8	Working Capital Base	\$11,105,600	(\$2,105,600)	\$9,000,000
9	Working Capital Rate % (2)	3.61%		4.46%
10	Working Capital Allowance	\$401,200	\$ -	\$401,200

#### 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: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

**Utility Income**

Line No.	Particulars	Application	Adjustments	Per Board Decision
<b>Operating Revenues:</b>				
1	Distribution Revenue (at Proposed Rates)	\$38,907,826	(\$3,766,208)	\$35,141,618
2	Other Revenue (1)	\$7,200	\$ -	\$7,200
3	Total Operating Revenues	\$38,915,026	(\$3,766,208)	\$35,148,818
<b>Operating Expenses:</b>				
4	OM+A Expenses	\$11,105,600	(\$2,105,600)	\$9,000,000
5	Depreciation/Amortization	\$7,406,900	\$ -	\$7,406,900
6	Property taxes	\$258,200	\$ -	\$258,200
7	Capital taxes	\$145,500	\$ -	\$145,500
8	Other expense	\$ -	\$ -	\$ -
9	Subtotal	\$18,916,200	(\$2,105,600)	\$16,810,600
10	Deemed Interest Expense	\$7,901,632	(\$42,448)	\$7,859,184
11	Total Expenses (lines 4 to 10)	\$26,817,832	(\$2,148,048)	\$24,669,784
12	Utility income before income taxes	\$12,097,194	(\$1,618,160)	\$10,479,034
13	Income taxes (grossed-up)	\$2,833,305	(\$1,103,500)	\$1,729,806
14	Utility net income	\$9,263,889	(\$514,660)	\$8,749,228

**Notes**

(1)	<b>Other Revenues / Revenue Offsets</b>		
	Specific Service Charges	\$ -	\$ -
	Late Payment Charges	\$ -	\$ -
	Other Distribution Revenue	\$ -	\$ -
	Other Income and Deductions	\$7,200	\$7,200
	<b>Total Revenue Offsets</b>	<b>\$7,200</b>	<b>\$7,200</b>



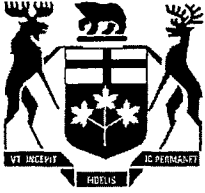
# REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP  
 File Number: EB-2009-0408  
 Rate Year: 2010

## Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<b><u>Determination of Taxable Income</u></b>			
1	Utility net income	\$9,263,889	\$8,749,228
2	Adjustments required to arrive at taxable utility income	(\$2,957,500)	(\$4,899,016)
3	Taxable income	\$6,306,389	\$3,850,212
<b><u>Calculation of Utility income Taxes</u></b>			
4	Income taxes	\$1,954,981	\$1,193,566
5	Capital taxes	\$145,500	\$145,500
6	Total taxes	\$2,100,481	\$1,339,066
7	Gross-up of Income Taxes	\$878,325	\$536,240
8	Grossed-up Income Taxes	\$2,833,305	\$1,729,806
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$2,978,805	\$1,875,306
10	Other tax Credits	\$ -	\$ -
<b><u>Tax Rates</u></b>			
11	Federal tax (%)	18.00%	18.00%
12	Provincial tax (%)	13.00%	13.00%
13	Total tax rate (%)	31.00%	31.00%

**Notes**



Ontario

## REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

### Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
<b>Application</b>					
<b>Debt</b>					
1	Long-term Debt	55.00%	\$114,949,550	6.87%	\$7,901,632
2	Short-term Debt	0.00%	\$ -	2.07%	\$ -
3	<b>Total Debt</b>	<b>55.00%</b>	<b>\$114,949,550</b>	<b>6.87%</b>	<b>\$7,901,632</b>
<b>Equity</b>					
4	Common Equity	45.00%	\$94,049,632	9.85%	\$9,263,889
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	<b>Total Equity</b>	<b>45.00%</b>	<b>\$94,049,632</b>	<b>9.85%</b>	<b>\$9,263,889</b>
7	<b>Total</b>	<b>100%</b>	<b>\$208,999,182</b>	<b>8.21%</b>	<b>\$17,165,521</b>
<b>Per Board Decision</b>					
<b>Debt</b>					
8	Long-term Debt	53.50%	\$111,814,562	6.87%	\$7,686,133
9	Short-term Debt	4.00%	\$8,359,967	2.07%	\$173,051
10	<b>Total Debt</b>	<b>57.50%</b>	<b>\$120,174,530</b>	<b>6.54%</b>	<b>\$7,859,184</b>
<b>Equity</b>					
11	Common Equity	42.5%	\$88,824,652	9.85%	\$8,749,228
12	Preferred Shares	0.0%	\$ -	0.00%	\$ -
13	<b>Total Equity</b>	<b>42.5%</b>	<b>\$88,824,652</b>	<b>9.85%</b>	<b>\$8,749,228</b>
14	<b>Total</b>	<b>100%</b>	<b>\$208,999,182</b>	<b>7.95%</b>	<b>\$16,608,413</b>

#### Notes

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



# REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP  
 File Number: EB-2009-0408  
 Rate Year: 2010

Ontario

## Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application		Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$4,211,626		\$356,618
2	Distribution Revenue	\$34,696,200	\$34,696,200	\$34,785,000	\$34,785,000
3	Other Operating Revenue Offsets - net	\$7,200	\$7,200	\$7,200	\$7,200
4	<b>Total Revenue</b>	<b>\$34,703,400</b>	<b>\$38,915,026</b>	<b>\$34,792,200</b>	<b>\$35,148,818</b>
5	Operating Expenses	\$18,916,200	\$18,916,200	\$16,810,600	\$16,810,600
6	Deemed Interest Expense	\$7,901,632	\$7,901,632	\$7,859,184	\$7,859,184
	<b>Total Cost and Expenses</b>	<b>\$26,817,832</b>	<b>\$26,817,832</b>	<b>\$24,669,784</b>	<b>\$24,669,784</b>
7	<b>Utility Income Before Income Taxes</b>	<b>\$7,885,568</b>	<b>\$12,097,194</b>	<b>\$10,122,416</b>	<b>\$10,479,034</b>
8	Tax Adjustments to Accounting Income per 2009 PILs	(\$2,957,500)	(\$2,957,500)	(\$4,899,016)	(\$4,899,016)
9	<b>Taxable Income</b>	<b>\$4,928,068</b>	<b>\$9,139,694</b>	<b>\$5,223,400</b>	<b>\$5,580,018</b>
10	Income Tax Rate	31.00%	31.00%	31.00%	31.00%
11	<b>Income Tax on Taxable Income</b>	<b>\$1,527,701</b>	<b>\$2,833,305</b>	<b>\$1,619,254</b>	<b>\$1,729,806</b>
12	<b>Income Tax Credits</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
13	<b>Utility Net Income</b>	<b>\$6,357,867</b>	<b>\$9,263,889</b>	<b>\$8,503,162</b>	<b>\$8,749,228</b>
14	<b>Utility Rate Base</b>	<b>\$208,999,182</b>	<b>\$208,999,182</b>	<b>\$208,999,182</b>	<b>\$208,999,182</b>
	Deemed Equity Portion of Rate Base	\$94,049,632	\$94,049,632	\$88,824,652	\$88,824,652
15	Income/Equity Rate Base (%)	6.76%	9.85%	9.57%	9.85%
16	Target Return - Equity on Rate Base	9.85%	9.85%	9.85%	9.85%
	Sufficiency/Deficiency in Return on Equity	-3.09%	0.00%	-0.28%	0.00%
17	Indicated Rate of Return	6.82%	8.21%	7.83%	7.95%
18	Requested Rate of Return on Rate Base	8.21%	8.21%	7.95%	7.95%
19	Sufficiency/Deficiency in Rate of Return	-1.39%	0.00%	-0.12%	0.00%
20	<b>Target Return on Equity</b>	<b>\$9,263,889</b>	<b>\$9,263,889</b>	<b>\$8,749,228</b>	<b>\$8,749,228</b>
21	<b>Revenue Sufficiency/Deficiency</b>	<b>\$2,906,022</b>	<b>\$ -</b>	<b>\$246,066</b>	<b>\$ -</b>
22	<b>Gross Revenue Sufficiency/Deficiency</b>	<b>\$4,211,626 (1)</b>		<b>\$356,618 (1)</b>	

**Notes:**

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)  
 The deficiency reflected in the table above does not reflect collection or repayment of any regulatory assets or liabilities



Ontario

## REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

### Revenue Requirement

Line No.	Particulars	Application	Per Board Decision
1	OM&A Expenses	\$11,105,600	\$9,000,000
2	Amortization/Depreciation	\$7,406,900	\$7,406,900
3	Property Taxes	\$258,200	\$258,200
4	Capital Taxes	\$145,500	\$145,500
5	Income Taxes (Grossed up)	\$2,833,305	\$1,729,806
6	Other Expenses	\$ -	\$ -
7	Return		
	Deemed Interest Expense	\$7,901,632	\$7,859,184
	Return on Deemed Equity	\$9,263,889	\$8,749,228
8	Distribution Revenue Requirement before Revenues	<u>\$38,915,026</u>	<u>\$35,148,818</u>
9	Distribution revenue	\$38,907,826	\$35,141,618
10	Other revenue	<u>\$7,200</u>	<u>\$7,200</u>
11	Total revenue	<u>\$38,915,026</u>	<u>\$35,148,818</u>
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	<u>\$ - (1)</u>	<u>\$ - (1)</u>

#### Notes

(1) Line 11 - Line 8



**REVENUE REQUIREMENT WORK FORM**

Name of LDC: Great Lakes Power Transmission LP  
 File Number: EB-2009-0408  
 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	800 kWh/month			\$ -				\$ -	
GS < 50kW	2000 kWh/month			\$ -				\$ -	

Notes: