Whitby Hydro Electric Corporation

June 11, 2010

BY COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

RE: Whitby Hydro Electric Corporation
Application for Approval of 2010 Electricity Distribution Rates
EB- 2009-0274

As directed by the Board's Procedural Order No. 3, Whitby Hydro Electric Corporation (Whitby Hydro) has provided responses to the School Energy Coalition's (SEC) supplementary interrogatories (dated May 24, 2010) for this rate proceeding. Two paper copies and an electronic copy (CD) will follow via courier. A copy has also been filed electronically through the Board's RESS system.

Confidential Filings - Whitby Hydro has referenced documents in specific interrogatory responses which contain confidential information. These documents include sensitive information with regards to customer information and third party contractors including competitive pricing. Copies of the following confidential documents have been filed with the Board in accordance with the Board's confidential filing procedures:

- #25 Pole Inspection Contract
- #28 Private Underground System - Acquisition Agreement

Please note that a redacted copy of both items have been included with the interrogatory responses filed.

Should you require any further information or clarification, please contact me directly.

Respectfully submitted,

Original signed by

Ramona Abi-Rashed
Treasurer

Cc: Neil Mather (email)
All Intervenors (email)

EB-2009-0274

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

AND IN THE MATTER OF an Application by Whitby Hydro Electric Corporation for an order or orders approving just and reasonable distribution rates commencing May 1, 2010.

SECOND ROUND INTERROGATORIES

OF THE

SCHOOL ENERGY COALITION

1. **[SEC #1] Please provide details on the "unplanned resource shortages" experienced.**

Response:
The reference to unplanned resource shortages relates to the unexpected employee absences that affected the time available for key individuals assigned to prepare the rate application, either directly or indirectly, as they had to devote more time to the day to day operations while backstopping for absent staff. Whitby Hydro has some flexibility through its shared service arrangements, but it does not contract for excess staff to cover these types of unplanned absences as it is not always practical and in order to keep costs manageable.

In general, the absences included addressing health issues and medical concerns as well as medical procedures for staff and/or their immediate family members; and the loss of staff's immediate family members. The absences were atypical of the normal patterns of sick days, leaves, and time away from the office for the individuals and the impacted departments and consequently, the impacts were not built into the rate application schedule. The unplanned resource shortages equated to four person months of backfill time.

2. [SEC #4] Please identify the legal employer of each of the senior personnel listed, i.e. the person who actually pays the person's paycheque.

Response:

JIM LAVELLE – President & Chief Executive Officer – Whitby Hydro Electric Corporation (Officer)

RAMONA ABI-RASHED – Treasurer, Whitby Hydro Electric Corporation (Officer)

MARION WATT – Corporate Secretary, Whitby Hydro Electric Corporation (Officer)

JOHN SANDERSON – Vice-President, Whitby Hydro Electric Corporation

The four personnel listed above are paid through one payroll system administered under the affiliate Whitby Hydro Energy Services Corporation (WHES).

3. [SEC #4] Please provide the document or documents under which those allocations and payments are made, or refer to same if already filed. Please provide the invoices for 2009 from one company to another that charge the amounts recovered for the officers to the Applicant and to any other affiliates.

Response:

Please refer to VECC IRR # 57(b) and 57(h).

As indicated in the response to SEC interrogatory 34(e), Whitby Hydro pays WHES on a monthly basis, and at the end of the year WHES provides an accounting of all its actual costs from the year for the purpose of a true up/down. That accounting does not break out the costs individually for the one management and three executive personnel, since that information could be used to determine their individual salaries. Further, according to the May 27, 2009 Filing Requirements:

"Where there are three or fewer employees in any category, the applicant may aggregate this category with the category to which it is most closely related."

Since there are only three employees in the executive category, it would be inappropriate to provide the aggregate cost for these employees.

4. [SEC #6] Please provide the "presentations and supporting materials" requested.

Response:

Whitby declines to provide the requested materials for the reasons set out in its response to SEC's interrogatory #6.

5. **[SEC #6] Please provide the two historical capital and operating budgets requested, so that the parties and the Board can:**

   a. **compare budgets to actuals for the historical periods to see the history of actual spending relative to budget,**

Response:
Whitby Hydro declines to provide the requested materials for the reasons set out in its response to SEC's interrogatory #6. Further, Whitby Hydro questions the usefulness of trying to establish a correlation between budgeted and actual expenditures given: (i) the size of the sample (only 3 years); and (ii) the fact that there are a number of extraneous factors that could affect the correlation. The Board can determine the prudence of Whitby Hydro's expenditures without this questionable analysis.

   b. **compare the evolution of the budgets for the current Test Year 2010 from one year to the next, and**

Response:
Please refer to the response to (a) above.

   c. **assess the extent, if any, that expenditures for years prior to the Test Year have been deferred and included in the Test Year.**

Response:
Whitby Hydro declines to provide the requested materials for the reasons set out in its response to SEC's interrogatory #6. Further, Whitby Hydro has justified the need for and the timing of the projects included in the Test Year.

6. **[SEC #10] Please provide the actual document, whether resolution, shareholder direction, or otherwise, that sets out the current dividend policy.**

Response:
The Applicant has not been able to locate an approving resolution.
However, the dividend policy was approved by its Board of Directors.

7. **[SEC #11] Please provide a "status report" as requested.**

Response:
Whitby Hydro has had discussions with consultants and internal staff however, has put further work on hold until the results of the OEB depreciation study were released. The depreciation study was released on April 20, 2010 and has been reviewed by internal staff. Whitby Hydro provided comments (through the EDA) on the depreciation study and awaits the release of further information from the Board on this initiative. Based on the initial study, Whitby Hydro is in the process of undertaking field studies of its distribution system

and is currently starting work to extract data from the GIS system to assist with the grouping of assets and other requirements of IFRS.

8. [SEC #12] Please explain:

a. how the Applicant can have legally binding debt without approving resolutions of its Board of Directors;

Response:
The Applicant has not been able to locate an approving resolution.
However, the Applicant's debt obligations were approved by its Board of Directors.

b. how the Applicant can justify prudence with respect to the promissory notes if it made no effort to determine what a fair rate of interest would be.

Response:
The interest rates on the promissory notes were based on the long-term interest rate determined by the OEB as representing the market-based cost of long-term debt at the time the notes were issued and the rates confirmed.

9. [SEC #14] Please provide details on the new borrowing, including the lender, the rate of interest, and other key terms, and including the term sheet, letter of commitment, or other documentation relating to the borrowing.

Response:
Whitby Hydro has not yet negotiated details of the third party debt. Please see EP IRR #58 for details of the assumptions that were used for the application updates provided in Board Staff IRR #30.

10. [SEC #17] Please provide a summary of all distribution system spending, if any, required in order to accommodate the 14 listed projects on the Applicant's system.

Response:
There is no spending required on the Whitby Hydro's distribution system as a result of the proposed renewable generation projects that are currently known.

11. [SEC #25] Please advise who "exempted" the Region of Durham from pole rental fees, and provide the document that granted that exemption. Please estimate the value of the "access fees for use of Regional Roads" that have been waived for the Applicant, by reference to access fees paid by others for the use of those roads.

Response:
The joint-use pole agreement with the Region of Durham has been in place since November 13, 1996 (copy attached) and sets out the requirements for licensed occupancy of Whitby Hydro's poles. It was signed by the General Manager of Whitby Hydro Electric Commission. Similar to the verbal arrangements with other road authorities, Whitby Hydro waived the pole rental fees in consideration of other benefits received in kind. The annual pole rental fees represent revenue of approximately $1,250.

Because the net value of the agreement reached with the Region is expected to be less than what it would cost administratively to keep detailed records of the foregone transactions, the arrangements are managed informally by operations staff and information related to the value of the access fees has not been recorded or benchmarked against other utilities.

Please see response to EP IR # 59 for additional comments.

12. [SEC #27] Please provide the table requested.

Response:
The employees of Whitby Hydro Electric Corporation have been identified in Exhibit 1, Chart 1-2 and additional information has been provided in SEC supplementary IRR #2 with regards to these employees and the allocation of their costs. More detailed cost information for the one management and three executive positions cannot be provided as this information could be used to determine individual salaries. In addition, Whitby Hydro questions the relevance of providing position specific information regarding costs allocated to all affiliated companies/entities as the costs of non-regulated entities are not part of this proceeding.

13. [SEC #28] Please explain how the current shared services model was developed without any analysis or any review of alternatives, and please provide whatever documents are in the Applicant's possession justifying the prudence of the current shared services arrangements.

Response:
When Whitby Hydro initially responded to SEC IR #28, it did so assuming that the question related strictly to the current shared services arrangement (service agreement). On the

basis of this supplementary interrogatory which clarifies the request, Whitby Hydro acknowledges that at the time that the company and organizational structure was developed, there were analyses and discussions involved to ensure appropriate alternatives were considered. At the time (1998-1999), Whitby Hydro worked with its Shareholder as well as a consultant to develop a business structure that would best serve a small to medium sized high growth utility and maximize the benefits of sharing limited resources with the intent to serve its utility customers in a cost effective manner, while not limiting the ability for the service provider to generate revenue through other entrepreneurial businesses. While other utilities have structured themselves using a variation of different models, Whitby Hydro's decision to adopt a model where the utility obtains services from its affiliate is by no means unique. In fact, this approach has been accepted and approved by the Board since those utilities incorporated and it continues to be used by a number of distributors in Ontario.

Given that these historic discussions and analyses were completed more than ten years ago, Whitby Hydro is unable to locate and provide the documents requested. In any event, Whitby Hydro does not believe that a prudence evaluation of its structure is within the scope of this proceeding. Whitby Hydro notes that the Board is fully aware of its current structure and it is not aware of any concerns the Board has in this regard. The Chief Compliance Officer fully understood Whitby Hydro's structure during his Affiliate Relationship Code (ARC) Compliance review in 2006/2007 during which full compliance was obtained.

14. [SEC #31] Please provide the actual "departmental review" documents requested. If there are no such documents, please so state.

Response:
Whitby Hydro has provided the Transfer Pricing Report prepared for the Chief Compliance Officer (CCO) as an attachment referenced in SEC IRR #3 which groups the departmental work into cost categories and provides information with respect to the transfer pricing review. Whitby Hydro notes that this report adequately summarizes the discussions/meetings with the CCO, and questions the relevance of further questions in this area given that it pertains to 2006 cost information, ARC compliance was obtained by the CCO at the time of the review, and this proceeding is not intended to further address ARC compliance issues.

15. [SEC #31] Please provide the WHES capital and operating budget for the Test Year as requested, with the costs allocated to the Applicant identified as requested, so that the appropriateness of the allocation in the context of the overall budget can be assessed by the parties and the Board. (Please see the decisions with respect to the Enbridge Gas Distribution corporate allocation

methodology, starting with the 2003 case, and moving forward until 2007, for the reason the full source company budgets are required by the Board.)

Response:
Whitby Hydro declines to provide the information requested for the reason set out in its response to SEC interrogatory #31. Further, Whitby Hydro is filing a transfer pricing report that is consistent with the 2006 transfer pricing review of the Board's Chief Compliance Officer. With this information, the Board can assess the reasonableness of the costs charged by WHES to Whitby Hydro.

Please see attachment to VECC #57(d).

16. [SEC #34] Please provide the "accounting of all its actual costs" referred to in part (e) of the response.

Response:
Please refer to VECC IRR # 57(b) and 57(h).

17. [SEC #39] Please provide any directions or suggestions made by the Applicant or its staff with respect to the report, including any edits or comments on drafts, and including copies of those edited or draft documents, so that the parties and the Board can assess the independence of BECGI in preparing the report.

Response:
Whitby Hydro has addressed this request in SEC IRR #39 b) and the response stands.

18. [SEC Attach #2, p. 10] Please provide

a. the resolution or other approval by the Town of Whitby of this rate application as required by 5.2(u) of the Shareholder Direction

Response:
There are no resolutions or other approvals from the Shareholder specific to this application. Section 5.2 (u) of the Shareholder Direction is intended to address "decisions that would materially adversely affect the tax or regulatory status of the Corporation or any Subsidiary". There was not any expectation that the 2010 rate application would have any materially adverse impact on the tax or regulatory status of Whitby Hydro. The references to "rate or other applications" in 5.2 (u) was only intended to be applied within the context of decisions which would affect the tax or regulatory status in a materially adverse manner.

b. **the quarterly report required by section 6.2 of the Shareholder Direction to be provided to the Shareholder relating to the quarters ended December 31, 2009 and March 31, 2010.**

Response:
The December 31, 2009 quarterly report to the Shareholder is in form of the audited 2009 financial statements. (See attached). Whitby Hydro declines to provide the information requested for March 31, 2010 for the reason that these are internal documents intended for internal use only and are unaudited.

c. **the last three "major business developments or materially adverse results" reports provided to the Shareholder pursuant to section 6.8 of the Shareholder Direction.**

Response:
Separate reports regarding major business developments or materially adverse results are not provided to the Shareholder. Rather, this information is conveyed to the Shareholder through meetings and presentations. Attached are the last three presentations provided at a meeting with the Shareholder held in May 2010 updating the Shareholder on major business developments and other general business related items.

19. [Staff #3] Please provide the calculation of the $203,590 from the "expected four year average", including any normalization adjustments used.

Response:
Whitby Hydro has updated the LV costs based on Hydro One Network's recently approved rates. Board Staff IRR #34 identifies the most current rates and LV cost forecast update of $229,531. Details of the calculation are provided below:

LV Forecast - Updated for Board Staff IRR #34

		2010	2011	2012	2013
Jan		35,789	35,789	35,789	35,789
Feb		35,715	35,715	35,715	35,715
Mar		33,225	33,225	33,225	33,225
Apr		33,015	33,015	33,015	33,015
May		24,884	24,884	24,884	24,884
Jun		28,649	28,649	28,649	28,649
Jul		29,170	29,170	29,170	29,170
Aug		56,077	56,077	56,077	56,077
Sep		28,041	28,041	28,041	28,041
Oct		34,374	34,374	34,374	34,374
Nov		25,276	25,276	25,276	25,276
Dec		25,906	25,906	25,906	25,906
kW Fcst before losses		390,121	390,121	390,121	390,121
MSC	Rates				
Jan-Apr/10	118.27	1,892			
May1/10 -Apr 30/11	211.47	6,767	3,384		
May1/11 - Dec 31/11	277.25		8,872		
Jan1/12+	274.12			13,158	13,158
		8,659	12,256	13,158	13,158
Common ST Lines					
Jan-Apr/10	0.3500	48,211			
May1/10 -Apr 30/11	0.4420	111,550	60,883		
May 1/11-Dec 31/11	0.6370		160,764		
Jan1/12+	0.6300			245,776	245,776
		159,761	221,647	245,776	245,776
RAR#6A					
May1/10 -Dec31/11	0.0050	1,262	1,951		
RAR3a					
Jan 1/10 -Apr 30/11	-0.0100	(3,901)	(1,377)		
		(2,639)	573	0	0
Total Costs		**165,781**	**234,476**	**258,934**	**258,934**
4 year average					**229,531**

20. [Staff #8] Please advise

a. The details of the "management team restructuring" referred to, including the net improvement in the revenue requirement in the Test Year resulting from that initiative;

Response:
Management team restructuring occurred early in the rate period with the reduction of management personnel who were not replaced. The position functionality requirements were dispersed amongst existing management staff. While there is no direct net improvement in the revenue requirement in the Test Year as a result of the earlier restructuring, the initiative allowed for more cost efficient position leading up to the Test Year.

b. The evidence reference for the "55 reduction in management salary", or details if they are not currently in the evidence;

Response:
The 5% reduction in management salary did not include all management staff and the resulting savings was well below the materiality level.

c. Savings associated with the reduction in seminar and conference spending in the Test Year;

Response:
A cost estimate of the reduction in seminar and conference spending in the Test Year is well below the materiality level.

d. The impact on the revenue requirement in the Test year of "reduced capital costs resulting from non-capitalization of interest costs".

Response:
The information requested can not be provided in a timely manner and would take approximately one month to complete.

21. [Staff #8] Please confirm that the ability to control OM&A costs of the Applicant is not under the Applicant's control because almost all operating decisions affecting costs are made by an unregulated affiliate.

Response:
The assumption that OM&A costs are not under the control of Whitby Hydro Electric Corporation is incorrect.

Whitby Hydro Energy Services Corporation (WHES) is contracted to provide distribution services, both capital and maintenance, to Whitby Hydro Electric Corporation (WHEC).

Given the close relationship that WHEC has with WHES, there is daily interaction between the utility and the service provider to ensure that that WHES decisions related to daily utility operations are undertaken in the most efficient and cost-effective manner.

The bimonthly meeting of the Asset Management and Planning (AMP) Committee does not only focus on the review of the capital projects to ensure that capital budgets are completed within the year, it also reviews the operation and maintenance projects for best practices and low cost solutions. In addition, ongoing guidance is provided to WHES by WHEC to obtain the appropriate input and feed back from WHES to allow WHEC to make timely informed decisions affecting the efficiency and cost of its utility operations.

22. [Staff #15] Please assess the extent to which the prepayment of the debt to the Town of Whitby would be in the best interests of the Applicant. Please describe the current status of the Applicant's review of "its current financing requirements" in light of the February 2010 Cost of Capital Parameter Updates.

Response:
As noted in response to Board Staff IR #15, prepayment of the outstanding debt is not possible without the approval of the Town and like any other lender the Town cannot be expected to renegotiate or cancel an active debt instrument that is paying more interest than the current market rate, particularly when the existing notes cannot be replaced. The promissory notes were issued as part of the incorporating transfer bylaw to provide long-term financial stability to the utility in funding its 25 to 40 year life distribution assets.

The interest rates paid on all three of the notes were set to return 7.25% based on the long-term interest rate determined by the OEB as representing the market-based cost of long-term debt at the time the notes were issued and the rates confirmed. With the exception of Note 3, where the rates were varied to reduce the initial impact on ratepayers, the rates have not changed since they were initially set. The rates applied to Note 3 were set to average 7.25% over the transition period.

Current interests rates are abnormally low due to the recent financial crisis and are not a reasonable comparator to previous market rates set ten years ago by the Board or to the interest rate that Whitby Hydro could obtain for long-term debt replacement in the current market. While Infrastructure Ontario debt can be used to fund new capital expenditures, it cannot be used to refinance existing debt.

Whitby Hydro continues to review its financing options. The cost of the new debt will be incorporated in the cost of capital along with the weighted cost of the existing debt.

23. [Staff #17] Please provide a full updated Revenue Requirement Work Form including all pages.

Response:

The following sheets from the Revenue Requirement Work Form as they relate to Board Staff IRR #17 have been included:

A. Data_Input_Sheet
1. Rate_Base
2. Utility Income
3. Taxes_PILs
4. Cost_of_Capital
5. Rev_Suff_Def
6. Rev_Reqt

As noted in Board Staff IRR #17, the Per Board Decision column reflects only the impact of the change requested in the interrogatory.

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
File Number: EB-2009-0274
Rate Year: 2010

		Data Input					(1)
		Application		Adjustments		Per Board Decision	
1	**Rate Base**						
	Gross Fixed Assets (average)	$130,674,768	(4)			$130,674,768	
	Accumulated Depreciation (average)	($66,557,712)	(5)			($66,557,712)	
	Allowance for Working Capital:						
	Controllable Expenses	$8,919,421	(6)			$8,919,421	
	Cost of Power	$68,963,116				$68,963,116	
	Working Capital Rate (%)	15.00%				15.00%	
2	**Utility Income**						
	Operating Revenues:						
	Distribution Revenue at Current Rates	$17,847,514				$17,847,514	
	Distribution Revenue at Proposed Rates	$19,856,446				$20,664,974	
	Other Revenue:						
	Specific Service Charges	$157,835				$157,835	
	Late Payment Charges	$321,000				$321,000	
	Other Distribution Revenue	$333,909				$333,909	
	Other Income and Deductions	$78,000				$78,000	
	Operating Expenses:						
	OM+A Expenses	$8,919,421				$8,919,421	
	Depreciation/Amortization	$4,929,391				$4,929,391	
	Property taxes						
	Capital taxes	$45,600				$45,600	
	Other expenses						
3	**Taxes/PILs**						
	Taxable Income:						
	Adjustments required to arrive at taxable income	$129,559	(3)			$129,553	
	Utility Income Taxes and Rates:						
	Income taxes (not grossed up)	$793,034				$965,978	
	Income taxes (grossed up)	$1,149,325				$1,399,968	
	Capital Taxes	$45,600				$45,600	
	Federal tax (%)	13.00%				13.00%	
	Provincial tax (%)	18.00%				18.00%	
	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%	
	Prefered Shares Capitalization Ratio (%)						
	Cost of Capital						
	Long-term debt Cost Rate (%)	7.62%				7.62%	
	Short-term debt Cost Rate (%)	1.33%				1.33%	
	Common Equity Cost Rate (%)	8.01%				9.85%	
	Prefered Shares Cost Rate (%)						

Notes:

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

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)
(2) 4.0% unless an Applicant has proposed or been approved for another amount.
(3) Net of addbacks and deductions to arrive at taxable income.
(4) Average of Gross Fixed Assets at beginning and end of the Test Year
(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
(6) This file reflects the specific change/s outlined in Board Staff IR#17

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
File Number: EB-2009-0274
Rate Year: 2010

Rate Base

Line No.	Particulars		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	$130,674,768	$ -	$130,674,768
2	Accumulated Depreciation (average)	(3)	($66,557,712)	$ -	($66,557,712)
3	Net Fixed Assets (average)	(3)	$64,117,057	$ -	$64,117,057
4	Allowance for Working Capital	(1)	$11,682,381	$ -	$11,682,381
5	**Total Rate Base**		$75,799,437	$ -	$75,799,437

(1) Allowance for Working Capital - Derivation

Line No.	Particulars		Application	Adjustments	Per Board Decision
6	Controllable Expenses		$8,919,421	$ -	$8,919,421
7	Cost of Power		$68,963,116	$ -	$68,963,116
8	Working Capital Base		$77,882,537	$ -	$77,882,537
9	Working Capital Rate %	(2)	15.00%		15.00%
10	Working Capital Allowance		$11,682,381	$ -	$11,682,381

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.

This file reflects the specific change/s outlined in Board Staff IR#17

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
File Number: EB-2009-0274
Rate Year: 2010

Utility income

Line No.	Particulars		Application	Adjustments	Per Board Decision
	Operating Revenues:				
1	Distribution Revenue (at Proposed Rates)		$19,856,446	$808,528	$20,664,974
2	Other Revenue	(1)	$890,743	$ -	$890,743
3	Total Operating Revenues		$20,747,189	$808,528	$21,555,717
	Operating Expenses:				
4	OM+A Expenses		$8,919,421	$ -	$8,919,421
5	Depreciation/Amortization		$4,929,391	$ -	$4,929,391
6	Property taxes		$ -	$ -	$ -
7	Capital taxes		$45,600	$ -	$45,600
8	Other expense		$ -	$ -	$ -
9	Subtotal		$13,894,412	$ -	$13,894,412
10	Deemed Interest Expense		$3,274,839	$ -	$3,274,839
11	Total Expenses (lines 4 to 10)		$17,169,251	$ -	$17,169,251
12	**Utility income before income taxes**		$3,577,938	$808,528	$4,386,466
13	Income taxes (grossed-up)		$1,149,325	$250,643	$1,399,968
14	**Utility net income**		$2,428,614	$557,885	$2,986,498

Notes

		Application	Per Board Decision
(1)	**Other Revenues / Revenue Offsets**		
	Specific Service Charges	$157,835	$157,835
	Late Payment Charges	$321,000	$321,000
	Other Distribution Revenue	$333,909	$333,909
	Other Income and Deductions	$78,000	$78,000
	Total Revenue Offsets	$890,743	$890,743

This file reflects the specific change/s outlined in Board Staff IR#17

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
	Determination of Taxable Income		
1	Utility net income	$2,428,614	$2,986,498
2	Adjustments required to arrive at taxable utility income	$129,559	$129,553
3	Taxable income	$2,558,173	$3,116,051
	Calculation of Utility income Taxes		
4	Income taxes	$793,034	$965,978
5	Capital taxes	$45,600	$45,600
6	Total taxes	$838,634	$1,011,578
7	Gross-up of Income Taxes	$356,291	$433,990
8	Grossed-up Income Taxes	$1,149,325	$1,399,968
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$1,194,925	$1,445,568
10	Other tax Credits	$ -	$ -
	Tax Rates		
11	Federal tax (%)	13.00%	13.00%
12	Provincial tax (%)	18.00%	18.00%
13	Total tax rate (%)	31.00%	31.00%

Notes

This file reflects the specific change/s outlined in Board Staff IR#17

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
File Number: EB-2009-0274
Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio (%)	Capitalization Ratio ($)	Cost Rate (%)	Return ($)
	Application				
	Debt				
1	Long-term Debt	56.00%	$42,447,685	7.62%	$3,234,514
2	Short-term Debt	4.00%	$3,031,977	1.33%	$40,325
3	**Total Debt**	60.00%	$45,479,662	7.20%	$3,274,839
	Equity				
4	Common Equity	40.00%	$30,319,775	8.01%	$2,428,614
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$30,319,775	8.01%	$2,428,614
7	**Total**	100%	$75,799,437	7.52%	$5,703,453
	Per Board Decision				
	Debt				
8	Long-term Debt	56.00%	$42,447,685	7.62%	$3,234,514
9	Short-term Debt	4.00%	$3,031,977	1.33%	$40,325
10	**Total Debt**	60.00%	$45,479,662	7.20%	$3,274,839
	Equity				
11	Common Equity	40.0%	$30,319,775	9.85%	$2,986,498
12	Preferred Shares	0.0%	$ -	0.00%	$ -
13	**Total Equity**	40.0%	$30,319,775	9.85%	$2,986,498
14	**Total**	100%	$75,799,437	8.26%	$6,261,337

Notes

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

This file reflects the specific change/s outlined in Board Staff IR#17

REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation
File Number: EB-2009-0274
Rate Year: 2010

		Revenue Sufficiency/Deficiency			
		Per Application		Per Board Decision	
Line No.	Particulars	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		$2,008,932		$2,817,456
2	Distribution Revenue	$17,847,514	$17,847,514	$17,847,514	$17,847,518
3	Other Operating Revenue Offsets - net	$890,743	$890,743	$890,743	$890,743
4	**Total Revenue**	$18,738,257	$20,747,189	$18,738,257	$21,555,717
5	Operating Expenses	$13,894,412	$13,894,412	$13,894,412	$13,894,412
6	Deemed Interest Expense	$3,274,839	$3,274,839	$3,274,839	$3,274,839
	Total Cost and Expenses	$17,169,251	$17,169,251	$17,169,251	$17,169,251
7	**Utility Income Before Income Taxes**	$1,569,006	$3,577,938	$1,569,006	$4,386,466
8	Tax Adjustments to Accounting Income per 2009 PILs	$129,559	$129,559	$129,553	$129,553
9	**Taxable Income**	$1,698,565	$3,707,497	$1,698,559	$4,516,019
10	Income Tax Rate	31.00%	31.00%	31.00%	31.00%
11	**Income Tax on Taxable Income**	$526,555	$1,149,324	$526,553	$1,399,966
12	**Income Tax Credits**	$ -	$ -	$ -	$ -
13	**Utility Net Income**	$1,042,451	$2,428,614	$1,042,453	$2,986,498
14	**Utility Rate Base**	$75,799,437	$75,799,437	$75,799,437	$75,799,437
	Deemed Equity Portion of Rate Base	$30,319,775	$30,319,775	$30,319,775	$30,319,775
15	Income/Equity Rate Base (%)	3.44%	8.01%	3.44%	9.85%
16	Target Return - Equity on Rate Base	8.01%	8.01%	9.85%	9.85%
	Sufficiency/Deficiency in Return on Equity	-4.57%	0.00%	-6.41%	0.00%
17	Indicated Rate of Return	5.70%	7.52%	5.70%	8.26%
18	Requested Rate of Return on Rate Base	7.52%	7.52%	8.26%	8.26%
19	Sufficiency/Deficiency in Rate of Return	-1.83%	0.00%	-2.56%	0.00%
20	Target Return on Equity	$2,428,614	$2,428,614	$2,986,498	$2,986,498
21	Revenue Sufficiency/Deficiency	$1,386,163	($0)	$1,944,045	$0
22	**Gross Revenue Sufficiency/Deficiency**	$2,008,932 **(1)**		$2,817,456 **(1)**	

Notes:

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

This file reflects the specific change/s outlined in Board Staff IR#17

24. [Staff #29] Please advise whether the "CDM programs which were funded by the shareholder" were third tranche funded, or were approved by the Board in some other manner. If neither was the case, please advise the Board policy that says those programs qualify for LRAM treatment.

Response:
"CDM programs which were funded by the shareholder" are separate from those CDM programs which were third tranche funded or approved by the Board in some other manner. While Whitby Hydro has identified and addressed this distinction and provided support for the inclusion of these shareholder funded programs in LRAM in several areas of the application and interrogatory responses, the evidence has been reiterated below in the quotes and references to assist in clarifying.

> *Throughout the third tranche program initiative, Whitby Hydro developed a strong presence in the community with respect to creating a culture of conservation and educating its customers on energy efficient technologies as well as guiding them on consumption changes which could lead to energy savings. Once the third tranche programs were completed in 2007, Whitby Hydro wanted to ensure that those programs which were developed to assist some of the more vulnerable customers in the community (i.e. low income and seniors) were not abandoned. Funding for this type of community based CDM program was not readily available from the OPA or through the Board so in order to continue to offer these services, Whitby Hydro self-funded a subset of CDM programs for low income, seniors and community based CDM activities in 2008. The cost of these programs was paid by the shareholder.* (Exhibit 10, page 443 lines 20-29)

While the shareholder funded programs have not been specifically approved by the Board they were designed to provide ongoing continuity of community based third tranche programs.

In addition, the application speaks to the eligibility of distributor (shareholder) funded programs in the following paragraph:

> *The CDM Guidelines do not specifically reference distributor funded programs, however they do acknowledge the eligibility of programs that are undertaken in partnership with other entities. Paramount to the determination of eligibility is the distributor's involvement in the program. Whitby Hydro programs are described more fully in the Evaluation Report and while there is some partnering with community agencies, the costs associated with the energy efficient technologies included in this LRAM have been fully funded by Whitby Hydro. Given its key role in these programs, Whitby Hydro proposes that these programs meet the eligibility requirements identified in the CDM Guidelines for inclusion in LRAM claims.* (Exhibit 10, page 446 lines 7-14)

Whitby Hydro also addressed this topic in Board Staff IRR #29 which provides rationale and references to support the inclusion of these types of programs in LRAM. As part of their third party review, Burman Energy Consultants Group Inc. also assessed all CDM programs for eligibility and based on their assessment, provided an opinion on the shareholder funded programs (Exhibit 10 page 476). On the basis of this review, Whitby Hydro included the 2008 shareholder funded CDM programs in the LRAM application.

25. [VECC #9] Please identify the "inspection and maintenance contractor". If it is an affiliate or other related entity, please provide its full capital and operating budgets for 2010. If it is an arms-length entity, please provide the most recent contract between the Applicant and the contractor.

Response:
The inspection and maintenance contractor selected for 2009 pole testing based on lowest quoted price was Polecare International Inc. The inspection of 1,000 poles on an annual basis representing a 7 year testing and inspection cycle is consistent with Whitby Hydro's standard maintenance practice as validated by the contractor and is acknowledged as good utility practice.

A redacted version of the contract with Polecare International Inc. has been attached, with the pricing information removed. Whitby Hydro will file an unredacted confidential copy separately with the Board.

26. [VECC #10] Please advise what techniques the Applicant uses to ensure that all projects are completed and fully operational within the calendar year, when most electric utilities find it inevitable that some projects carry over from one year to another.

Response:
As indicated in our pre-filed evidence, there has been the occasion where a capital project has been carried over into the next year to be completed. As well, occasionally road authorities request that hydro plant be relocated due to road relocation works late in the calendar year that could result in the project being carried over into the next year. When revisions are required due to changes outside Whitby Hydro's control, the capital and operating plans are adjusted to maintain efficient use of financial and operating resources. This is prudent resource management and accepted practice in the distribution industry.

As outlined in responses to VECC IR #10 and EP IR #9, Whitby Hydro manages its capital projects to the best of its abilities to ensure that budgeted projects are carried out within the budget year.

27. [VECC #15] Please provide the three year plan referred to.

Response:
A three year plan document does not exist. The three year plan referred to in the response to VECC IR #15 is simply an annual budgeting approach which Whitby Hydro used to spread the total amount to have operations diagrams and electric system maps digitized over a three year period to soften the cost impact of the work rather than having the total project being completed in one year.

28. [VECC #26] Please estimate the costs and revenues associated with the private underground system acquired, and provide a copy of the acquisition agreement.

Response:
The customers serviced from the acquired distribution system have always been customers of Whitby Hydro and consequently they will continue to pay the same distribution rates that they always have, so there is no incremental distribution revenue as a result of a change in ownership. There is no impact on rate base or depreciation expense.

The plant was installed in three phases, the last phase being in 2006. Prior to taking ownership of the plant, Whitby Hydro performed a detailed inspection of the underground system and given its age found the plant to be in very good condition. We estimate that maintenance costs related to the underground plant will negligible in the Test Year.

The $80,000 contribution was received in 2008. The price was based on the maintenance and replacement cost of the facility over a 25-year horizon. A redacted version of the agreement is attached with the customer's name removed. A full version of the agreement will be filed separately in confidence with the Board.

29. [VECC #30] Please provide the table of accounting costs without netting out inflation.

Response:

		(000's)		
USoA (net of inflation)	**2007**	**2008**	**2009**	**2010**
5630 Auditor costs-external (subset)	65	64	70	100
5610 Management Salaries & Expenses	667	793	859	914
5615 General Adminstrative Salaries & Exp	418	379	411	479
	732	857	929	1014

30. [VECC #32] Please explain the line "$ adjustment" in each of the two service agreement reconciliation tables in section (d).

Response:
Please refer to VECC IRR # 55(a), 57(b) and 57(h).

31. [VECC #33] Please provide, for each of 2008 through 2010:

a. The overall capital employed by WHES in providing services to the Applicant, excluding any assets or categories of assets that are included in rate base in this Application; and

Response:
Whitby Hydro has provided information in VECC #33(a) with respect to the adjustment for the weighted average cost of capital and the work that was done with the Chief Compliance Officer in 2005/2006 and re-affirmed in July 2008 to validate transfer pricing arrangements.

b. The calculation of each markup included in the costs allocated to the Applicant.

Response:
Please refer to VECC IRR # 57 (b) and 57 (h).

32. [VECC #36] Please provide an answer to section (a) that describes the rationale for the distinction, rather than the source.

Response:
As indicated in VECC IRR #36 a), the determination of costs that have a "rate of return" were based on discussions with the CCO during the 2005/2006 ARC compliance review. The review process was highlighted in Exhibit 4 page 234, line 9-23 and was laid out in the November 7, 2006 Transfer Pricing Report (provided as an attachment to SEC #2).

At the time of the ARC review, costs were broken down to determine the appropriate treatment and testing for compliance. In the case of the shared services identified in Exhibit 4, tables 4-11 to 4-14, the items that include a "rate of return" were those which were not considered direct expenses to Whitby Hydro. Direct expenses would not include a "rate of return". There were some instances where direct costs were still considered "shared" between Whitby Hydro and the affiliate (ie. Information Services (IT), Building, Insurance) and as a result, they were managed for administrative ease, through the service agreement, but did not include a "rate of return". For other costs a "price adjustment" was allowed as long as it could be supported by market testing (where required/feasible) or where the costs were determined to be exempt (ie. corporate services) or market testing was not feasible, a pricing adjustment for the “rate of return” was deemed appropriate. It should be noted that some IT costs were considered direct costs and some were considered exempt (ie. corporate services for network/system support) however, for ease of administration (and to the benefit of ratepayer), both costs were processed with no price adjustment applied.

33. [EP #2] Please explain why the late filing of the Application should, in the Applicant’s view, result in parties working faster and at lower cost to “review and test the evidence”.

Response:
Whitby Hydro believes that the quality and thoroughness of its evidence will assist the parties and the Board in assessing the proposed rates. Whitby Hydro spent considerable time in preparing its 2010 cost of service application to ensure the Board’s filing guidelines were closely followed and that the pre-flied evidence was clear, complete and concise so that the Board any other interested parties could process the application in a timely manner. Having a thorough application to process would allow all parties to work efficiently and co-operatively in a timely manner to complete the necessary review without undue delay while minimizing costs.

34. [EP #4] Please provide the “copy” of the actual documents referred to, i.e. the three year capital and operating budgets approved by the Board of Directors.

Response:
Whitby Hydro provided the three year capital and operating budgets approved by the Board of Directors in its response to Energy Probe interrogatory #4. The budgets provided to Energy Probe were the same as those approved by the Board of Directors, so Whitby Hydro questions the usefulness of providing copies of the actual documents provided to the Board of Directors.

35. [EP #7] Please confirm that the proposed capital additions for the Test Year are greater than the actuals for any previous year in the Applicant’s history, and greater than any future year currently forecast.

Response:
The proposed capital additions for the Test Year are greater than historic and forecast additions due to the need to accommodate a large relocation project undertaken by the Ministry of Transportation in the widening of Hwy 7 from Lakeridge Road easterly to Hwy#12. The net cost of this project represents $1.7M which must be completed as

scheduled in addition to the normal annual level of road relocation project costs as indicated in the pre filed evidence. In order to ensure that these relocation projects would be completed on time and on budget, external resources were contracted. Like all distributors in Ontario, Whitby Hydro is required to relocate plant located on road allowances if and when requested by the governing road authority. Based on prudent planning and active coordination with the MTO, Whitby Hydro expects to complete the forecasted work for this large project within the test year.

36. [EP #20] Please explain the big jump in non-utility operations from 2008 to 2009. Please identify the components of regulatory OM&A expense in 2008 that were reduced as a result of the increased non-utility expenses in 2009, and quantify and explain each such reduction.

Response:

The large jump in non-utility operations from 2008 and 2009 was solely due to OPA CDM programs. As programs were further developed and marketed by Whitby Hydro and the OPA, participation levels rose. The 2009 non-utility operations were primarily influenced by costs required to fund the Power Savings Blitz (PSB) program as work was completed on PSB customer projects.

There were no components of regulatory costs reduced as a result of the increase in non-utility expenses in 2009. As indicated, the majority of the increase in costs resulted from the PSB program. These costs are largely incurred by third parties who are contracted to perform work at a customer site on an approved PSB project. The costs are charged to Whitby Hydro for payment and subsequently submitted by Whitby Hydro to the OPA for recovery. In addition, the task of implementing OPA CDM programs is the responsibility of the Conservation Officer (through the Services Agreement) and their staff who are employees of the affiliate Whitby Hydro Energy Services (WHES). While there is a cost savings for the utility associated with sharing these individuals with the affiliate (as Whitby Hydro is able to utilizes resources only as required to manage and execute CDM programs versus maintaining fully dedicated staff), there is no additional reduction of utility costs for Whitby Hydro's regulatory or other OM&A expenses, since the non-CDM work performed by these individuals is primarily associated with unregulated affiliate work.

37. [EP #41] Please provide the information requested. If WHES does not provide such services to non-affiliates (including the Applicant and the Town) for more than 10% of its gross revenue, please provide such percentage, and break down the percentage allocated to affiliated entities between a) the Applicant and b) all other affiliated entities.

Response:

WHES does provide services to non-affiliates however Whitby Hydro suggests that the breakdown of WHES' revenues is not relevant given that WHES is a non-regulated entity and the review of its revenues are not part of this proceeding.

School Energy Coalition

Supplemental Interrogatory Response Attachment

IRR #11 Region of Durham – Joint-Use Pole Agreement

AGREEMENT FOR LICENSED OCCUPANCY OF POWER UTILITY DISTRIBUTION POLES

This Agreement made this 13th day of NOV., 1996, but effective on OCT. 1, 1996

Between **Whitby Hydro Electric Commission**

hereinafter called "the Owner"
of the First Part

and **The Regional Municipality of Durham**

hereinafter called "the Licensee"
of the Second Part

Whereas the Licensee wishes to affix its materials, apparatus, equipment or facilities to poles of the Owner and the Owner is agreeable thereto upon the terms and conditions as contained herein.

Now therefore this Indenture witnesses that in consideration of the premises and the agreements and other considerations herein contained the parties hereto agree as follows:

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ARTICLE 1 - DEFINITIONS

The terms defined in this Article for the purpose of this Agreement shall have the following meanings unless the context expressly or by necessary implication otherwise requires.

1.01 "Affix" means fastening the Licensee's equipment, by the Licensee, to the pole of the Owner.

1.02 "Approval" means the permission granted by the Owner to the Licensee for it to affix its Attachments, as specified in the Permit, to the poles of the Owner.

1.03 "Attachments" means any material, apparatus, equipment or facility owned by the Licensee and approved by the Owner to be carried on, or supported by, the poles of the Owner, including, but without limiting the generality of the foregoing:

- traffic signal, coaxial, communications and power supply cable;
- mast arms, traffic signal heads, traffic signal controllers, amplifiers, power supplies and passive devices necessary to relay television, traffic monitoring data and commands via a closed-circuit communications system;
- junction and splice boxes, and any other equipment and/or devices normally required for the operation of traffic signals.

1.04 "Licensee" means the party seeking Approval to affix its Attachments to a pole owned by the Owner.

1.05 "Owner" means the party having the sole ownership or control of a pole to which the Licensee wishes to affix its Attachment.

1.06 "Permit" means the form entitled "Request for Licensed Occupancy of Poles", found at Exhibit "A" hereto, the format of which may be revised from time to time by the Owner.

1.07 "Standard" means Canadian Standards Association Standard C22.3 No.1-M87 "Overhead Systems" and Owner Distribution Standards, plus any other matters which the Owner may deem relevant and provide notice thereof to the Licensee, together with any amendments to the foregoing from time to time hereafter.

ARTICLE 2 - TERRITORY

2.01 This Agreement shall cover the affixing of the Attachments of the Licensee to the poles of the Owner within the area in Ontario where their respective service territories overlap.

ARTICLE 3 - AUTHORIZATION, PERMISSION AND RIGHT OF WAY

3.01 The Licensee shall be responsible for, and satisfy the Owner that it has obtained, any and all authorizations, permissions, easements and rights of way from others, including authorization or permission to locate on municipal or provincial road allowances or any other applicable authorization or permission required from any municipal, provincial or federal government or any agency, body or board having jurisdiction with respect to the placing, operating and maintaining of the Attachments provided for in a Permit.

3.02 No Attachments shall be made by the Licensee to the poles or equipment of the Owner located on private property until the consent in writing of the registered owner of the property upon which such poles or equipment are located shall have been obtained in writing and until such written consent shall have been delivered to the Owner.

ARTICLE 4 - TAXES

4.01 The Licensee shall pay all taxes, rates, assessments, or fees of every nature and kind which are applicable, or related to the Attachments designated in an approved Permit or resulting from the privileges granted to the Licensee by this Agreement.

ARTICLE 5 - COMPLIANCE WITH STATUTES

5.01 The Licensee shall be responsible for complying with the requirements of all relevant:

- statutes;
- regulations;
- directions, guidelines or policies; and
- governmental or regulatory agencies

with respect to the affixing and maintaining of its Attachments to the Owner's poles, both at the time of affixing and thereafter, including the qualification of the Licensee's employees to carry out the work and the use of safe working practices in carrying out the work.

ARTICLE 6 - GRANT

6.01 The Owner will receive and consider each Permit submitted by the Licensee, and in the sole discretion of the Owner, will decide whether to approve any such submitted Permit.

6.02 For each approved Permit, the Owner hereby grants to the Licensee the privilege to affix such of its Attachments to such Poles of the Owner as may be designated on each approved Permit.

6.03 Each Permit approved by the Owner shall be deemed to have been approved pursuant to this Agreement and shall be read and construed in accordance with this Agreement.

6.04 The permission to affix Attachments as requested in a Permit shall be deemed to be effective as of the date of the Approval of the Permit by the Owner. The Licensee must exercise this permission within 180 days of the date of Approval, failing which the Approval is of no force and effect and the Licensee must submit a new Permit requesting permission to affix its Attachments.

6.05 While the Owner has the sole discretion to approve Permits, it agrees that it will not withhold its approval unreasonably where all of the requirements specified by this Agreement have been met by the Licensee. Nevertheless, it is expressly understood that any Permit application for Approval, or use thereunder, will be denied, if in the sole judgement of the Owner, the Attachments, or use derived therefrom, could be:

- detrimental to the Owner's service; or
- detrimental to the Owner's use of the said poles; or
- is inconsistent in any fashion with any obligations of the Owner.

Any such denial shall be communicated to the Licensee upon the notice set out in Article 8.

6.06 The Licensee agrees that any Approval to affix its Attachments, previously granted by the Owner in any Permit, may be revoked, in the sole discretion of the Owner, if the Owner determines that the Attachments affixed pursuant to the Permit could be:

- detrimental to the Owner's service; or
- detrimental to its own use of the said poles; or

- is inconsistent in any fashion with any obligations of the Owner.

Any such revocation as it relates to the existing Attachments shall be communicated to the Licensee upon the notice set out in Article 8.

6.07 The Licensee agrees that this Agreement does not restrict the Owner in entering into agreements with other parties respecting the use of the Owner's poles.

ARTICLE 7 - INSTALLATION AND MAINTENANCE

7.01 The Licensee agrees that it will not affix any of its Attachments to a pole or poles of the Owner unless and until the Owner approves the Permit designating such Attachment and notifies the Licensee in writing. The Licensee agrees that it is solely responsible for affixing its Attachments to the poles of the Owner.

7.02 The Licensee covenants and agrees with the Owner to affix, maintain and operate the Attachments in a safe and serviceable manner satisfactory to the Owner and in accordance with the Standards, and in such a way as not to interfere, alter or disrupt the lines, works or equipment of the Owner or the electrical supply carried by the Owner's equipment. Similarly, the Licensee agrees that its Attachments will not interfere with other permitted users of the pole. The Licensee agrees that the Owner is not responsible for any damage, harm or problems of any kind caused to the Licensee's Attachments or the signals or supply carried by the Attachments which may arise from the Owner's equipment or the supply carried by its equipment.

7.03 The Owner and Licensee recognize that existing Standards may be amended or new Standards may be enacted and that these amendments or enactments may affect both of the parties to this agreement. Where either party feels that it has been substantially prejudiced by such an amendment or enactment, it will advise the other party. The parties will engage in discussions with a view to addressing the alleged prejudice. During these discussions, this Agreement will continue in full force and effect.

7.04 The Licensee agrees that upon the Attachments being affixed in accordance with the provisions of this Agreement, it will not alter the affixing of such Attachments or change the type of Attachment without written notice and permission from the Owner for such change.

7.05 The Licensee is solely responsible for all of the costs associated with affixing and maintaining the Attachments of the Licensee to the pole or poles of the Owner. Without limiting the generality of the foregoing, the Licensee is responsible for:

- the costs of having an employee of the Owner attend at the location of the Owner's poles (as designated on the Permit) to determine what, if any, changes, alterations or rearrangements to the Owner's poles or equipment may be required to accommodate the Attachment;

- the cost of preparing an estimate of such changes, alterations or rearrangements and submitting it to the Licensee;

- the cost of effecting such changes, alterations or rearrangements to the Owner's poles;

- the cost of affixing the Attachments;

- the cost of cleaning up the site around each pole where it has affixed its Attachments and thereafter arranging for safe disposition of all unwanted materials;

- the cost of reviewing and approving the Permit; and

- the cost of any other reasonable expenses associated with this Agreement.

7.06 The Licensee shall notify the Owner when the installation or connection of its Attachments to a pole or poles of the Owner is complete so that the Owner may verify the proper installation or connection of such Attachments.

7.07 The Owner may in its discretion require that an employee of the Owner be present when the Licensee is placing, rearranging, maintaining or removing its Attachments so as to ensure that the work is carried out in accordance with the terms of this Agreement. The Licensee agrees to provide seven (7) days notice prior to the start of any such work and agrees to pay to the Owner the costs of such employee that may be reasonably necessary for the carrying out of the provisions of this clause.

7.08 The Owner shall submit an invoice or invoices to the Licensee for the costs provided for in this Article and the Licensee shall pay the amount thereof within thirty (30) days of the date of such invoice or invoices.

7.09 The trimming or removing of trees, underbrush or any other items as required to establish clearance or visibility for the Licensee's Attachments shall be the sole responsibility of the Licensee.

7.10 The Licensee agrees to provide the Owner with a report, on December 31 of each year, for which it has attachments affixed to the Owner's poles, detailing all of the Licensee's Attachments, their locations and their condition.

7.11 The Licensee is responsible for all of its own costs regarding any aspect of this Agreement.

ARTICLE 8 - REMOVAL, REPLACEMENT OR RELOCATION OF POLES OR ATTACHMENTS

8.01 The Licensee agrees that if at any time the Owner deems it necessary or is required to remove a pole, replace a pole, or change the location of any pole supporting Attachments of the Licensee, the Owner shall notify the Licensee of the requirement to remove or relocate its Attachments, whereupon the Licensee at the time specified in the notice shall, at the cost and expense of the Licensee, remove its Attachments from that pole. Except when the notice specifies to the contrary, the Licensee may transfer the Attachments to the pole in the new location or to the new pole, as the case may be, and in either case this Agreement and the associated Permits shall continue to apply to the Attachments so transferred. The Licensee acknowledges that in certain situations the Owner may remove a pole and not replace it, so that there would no longer be a pole upon which to affix the attachments. In such a situation, the Approval associated with the applicable Permit would cease and the termination provisions of this Agreement would apply. The Owner will endeavour to give the Licensee at least thirty (30) days prior written notice of any such removal, replacement or change in location of a pole, but in case of emergency, as defined by the Owner, the Owner may give no notice, or such shorter notice as the Owner deems expedient and the notice, if any, may be given verbally. In emergency situations where no notice is given by the Owner, the Owner, or its designate, may remove or relocate the Attachments and the Licensee is responsible for the reasonable costs of the Owner in so removing or relocating the Attachments.

8.02 The Licensee agrees that it will, at its own cost, rearrange or remove temporarily any of its Attachments placed on poles of the Owner, whenever notified to do so by the Owner, so as to facilitate the placement, rearrangement, maintenance or removal of the Attachments of the Owner, or for any other reason provided by the Owner. Such rearrangement or temporary removal of the Licensee's Attachments is to be carried out within seven (7) days of the date of the notice from the Owner, provided, however, that in case of an emergency, as defined by the Owner, the Owner may give no notice, or such shorter notice as the Owner deems expedient; the notice, if any, may be given verbally. In emergency situations where no notice is given by the Owner, the Owner, or its designate, may remove or relocate the Attachments and the Licensee is responsible for the reasonable costs of the Owner in so removing or relocating the Attachments.

8.03 Where the space occupied by the Attachments of the Licensee causes the Owner to replace an existing pole with a higher pole to accommodate additional equipment or Attachments of the Owner or other entities, then the Licensee shall pay the Owner a sum equal to all of the costs associated with such a replacement, including the value in place, as determined by the Owner, of the removed pole, together with the cost of transferring the Owner's existing Attachments to the new pole.

8.04 Where the presence of the Attachments of the Licensee is a sole or contributing factor relating to the Owner relocating or modifying its plant for its own purposes, then the Licensee shall pay the Owner the cost of such relocation or modification.

8.05 All costs charged to the Licensee for carrying out the work referenced in this Article shall be as determined by the Owner.

ARTICLE 9 - PAYMENT FOR WORK

9.01 The Licensee shall pay to the Owner, the Owner's costs of changes or additions to, or rearrangement of, the Owner's pole line and the Attachments of the Owner and others to such pole line where the change, addition or rearrangement is necessary to accommodate the Licensee's Attachments.

9.02 Upon completion of:

- any work provided for in clause 9.01 or
- any other work as may be required by the Owner and contemplated by this Agreement,

the Owner will render an invoice or invoices to the Licensee for the cost of performing such work and the licensee shall pay the amount of the invoice within thirty

(30) days of its date.

9.03 All invoices that are outstanding for longer than thirty (30) days will be subject to interest at the prime rate of interest charged by the financial institution utilized by the Owner plus one percent. The interest shall run from the due date of payment of the invoice until the date payment should be received by the Owner in the ordinary course of post, following mailing of the payment.

ARTICLE 10 - LIABILITY, DAMAGES AND INSURANCE

10.01 The Licensee does hereby assume all risk of loss or damage whatsoever, including damage to, or loss of, its Attachments or those of the Owner, loss of its service or that of the Owner, howsoever caused, and does hereby release the Owner from all claims and demands with respect thereto, save and except for such loss or damage caused solely by the gross negligence of the Owner. The Licensee does hereby indemnify and save harmless the Owner from all claims and demands for or in respect to any loss, damage, or injury (including loss of life) to property or persons, including a third party, arising out of, or attributable to, the exercise by the Licensee of the permission herein granted, save and except for such loss or damage caused solely by the gross negligence of the Owner. Such indemnification shall include, but not be limited to, compensation to the Owner for time required to prepare for and attend hearings, for all legal fees and costs, for fees and costs of expert witnesses and for the financial ramifications of any decision made by a Court, tribunal or decision maker.

10.02 The Licensee shall, during the term of this Agreement and any renewals thereof, maintain a policy or policies of insurance in which the Owner is named as co-insured, which policy or policies shall contain a cross liability clause in the amount of two million dollars ($2,000,000) or as otherwise may be agreed between the Licensee and the Owner, against liability due to damage to the property of the Owner or any other person or persons including a third party, and against liability due to injury to, or death of, any person or persons, including a third party in any one instance. Prior to the approval of any Permit and as a condition of any Permit approval or renewal, the Licensee shall furnish to the Owner a certificate of such insurance, and for any renewal thereof, so long as this Agreement remains in force.

10.03 During the term of the Agreement, the Licensee will immediately notify the Owner of any damage whatsoever to the Owner's equipment arising as a result of the Licensee affixing any of its Attachments to the Owner's poles. The Licensee will also immediately notify the Owner of any claims or notices of claim received by the Licensee related in any way to its Attachments.

10.04 Any work undertaken by the Owner as a result of this Agreement is at the sole risk and expense of the Licensee.

10.05 The Licensee agrees that the Owner may change the nature or configuration of its equipment or change the characteristics, such as voltage, frequency or power levels, of the electrical supply carried by its equipment at any time without notice to the Licensee. The Owner is not responsible for any adverse effects on the Licensee's Attachments, or the product carried by such Attachments, as a result of any changes made by the Owner.

ARTICLE 11 - TERM OF AGREEMENT

11.01 Subject to earlier termination as provided by Article 12, the term of this Agreement shall commence on the effective date and shall remain in force until (1998) and thereafter from year to year, terminable by either Party, on the first day of January in any year, by one Party providing to the other at least ninety (90) days written notice, and in the case of such notice, the Licensee will, without delay after the effective date of such notice, remove its Attachments from the pole of the Owner at its own cost and expense.

11.02 Subject to earlier termination as provided by Article 12, the permission granted by each Permit approved by the Owner pursuant to the provisions of this Agreement shall remain in full force from the date of the Approval until the earlier of:

i) the date upon which the Attachment associated with the approved Permit is removed by the Licensee, the Owner or its designate, at which time the previously approved Permit shall no longer afford any privileges to the Licensee respecting the Attachment; or

ii) the termination date of this Agreement, as the same may be renewed from time to time.

In any situation of termination, the outstanding obligations of the Licensee remain in force until resolved to the satisfaction of the Owner.

ARTICLE 12 - TERMINATION

12.01 The Approval granted by any Permit may be terminated by either Party at any time upon thirty (30) days notice served in writing upon the other.

12.02 If the Licensee fails or neglects at any time to fully perform, observe and keep all the covenants, terms and conditions herein contained, the Owner will notify the Licensee in writing of such default and the Licensee shall correct such default within thirty (30) days, failing which the Owner may forthwith terminate this Agreement, the privileges hereby granted, and the Approvals accompanying each Approved Permit.

12.03 The termination of a Permit approved pursuant to this Agreement shall not be deemed a termination of this Agreement unless such Permit is the last remaining or only Permit approved pursuant to this Agreement, in which case the termination of the Permit will be deemed a termination of this Agreement.

12.04 Upon the termination of this Agreement, or of a Permit approved pursuant to this Agreement, the Licensee shall forthwith at the request of the Owner, but at the expense of the Licensee, remove from the poles of the Owner its Attachments covered by this Agreement, or the terminated Permit, and ensure that the site where the removal occurred is left in a clean and safe condition.

12.05 The Licensee agrees that its obligations flowing from this Agreement, or a Permit Approved pursuant to this Agreement, will continue beyond the date of termination of the Agreement or Permit, until the obligations are satisfied in full.

ARTICLE 13 - NOTICES

13.01 Unless otherwise provided herein, any notice or other communication to a party under this Agreement shall be given or served by registered mail, postage prepaid, or by telegram or by facsimile transmission (fax) addressed as follows:

TO: (OWNER)	Whitby Hydro Electric Commission 100 Taunton Road East Whitby, Ontario L1N 5R8
TO: (LICENSEE)	Regional Municipality of Durham 105 Consumers Drive Whitby, Ontario L1N 6A3

Any notice or other communication so mailed shall be deemed to have been given or served on the fifth day after it is deposited in any post office in Canada. Any form of notice may be employed, and in the event that mail delivery is impeded for any reason, notice shall be served by telegram or by fax, and any notice so served shall be deemed to have been served on the day following the day after it is sent. Any such notice or other communication to a party may also be served in person by delivering the same to a responsible person in the offices of the party to be served at the above address. Either party may change its address for service at any time by notice in writing to the other.

ARTICLE 14 - VESTED RIGHTS

14.01 It is understood and agreed that neither this Agreement, nor the Approval granted by the Owner to use its poles, shall confer upon the Licensee any vested rights, or franchise, by implication or otherwise, to use the said poles and no further or additional privileges, or rights, if any, than are expressly provided for by this Agreement shall be acquired and all such privileges and rights, if any, shall come to an end if and when a notice to terminate this Agreement has been given or served by the Owner. However, the obligations of the Licensee will continue until completed to the satisfaction of the Owner.

ARTICLE 15 - ASSIGNMENT

15.01 The Licensee agrees that it will not assign its interest in this Agreement, the privileges herein granted or any approved Permit without the written consent of the Owner first being obtained and, subject to the preceding, this Agreement shall extend to, be binding upon, and enure to the benefit of the Owner, its successors and assigns, and the Licensee, its successors or permitted assigns.

15.02 This Agreement hereby supersedes and replaces, as of its effective date, any prior Agreement between the Owner and Licensee relating to the Licensee's Attachments on the Owner's poles but any Permit approved under any prior Agreement shall, notwithstanding anything in such prior Agreement, remain in force and effect as if such Permit had been approved pursuant to this Agreement.

ARTICLE 16 - INTERPRETATION

16.01 The terms of this agreement shall be governed by the laws of the Province of Ontario. In the event that any court declares any portion of this Agreement invalid, the remainder of this Agreement shall remain in full force and effect.

ARTICLE 17 - ENTIRE AGREEMENT

17.01 This Agreement and any approved Permits constitute the entire Agreement between the Parties and supersedes all previous Agreements and understandings relating to the affixing of the Licensee's Attachments.

ARTICLE 18 - HEADINGS

18.01 The division of this Agreement into Articles and sections, and the Headings of those Articles are for convenience of reference only and shall not affect the interpretation of this Agreement.

ARTICLE 19 - LEGISLATIVE REFERENCES

19.01 Any references in this Agreement to any statute, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.

ARTICLE 20 - WAIVER

20.01 The failure of any party to this Agreement to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a general waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the day and year first above written.

For the Owner (Signature and Seal):

REGISTERED PROFESSIONAL ENGINEER
B. T. MAY, Jr.
PROVINCE OF ONTARIO

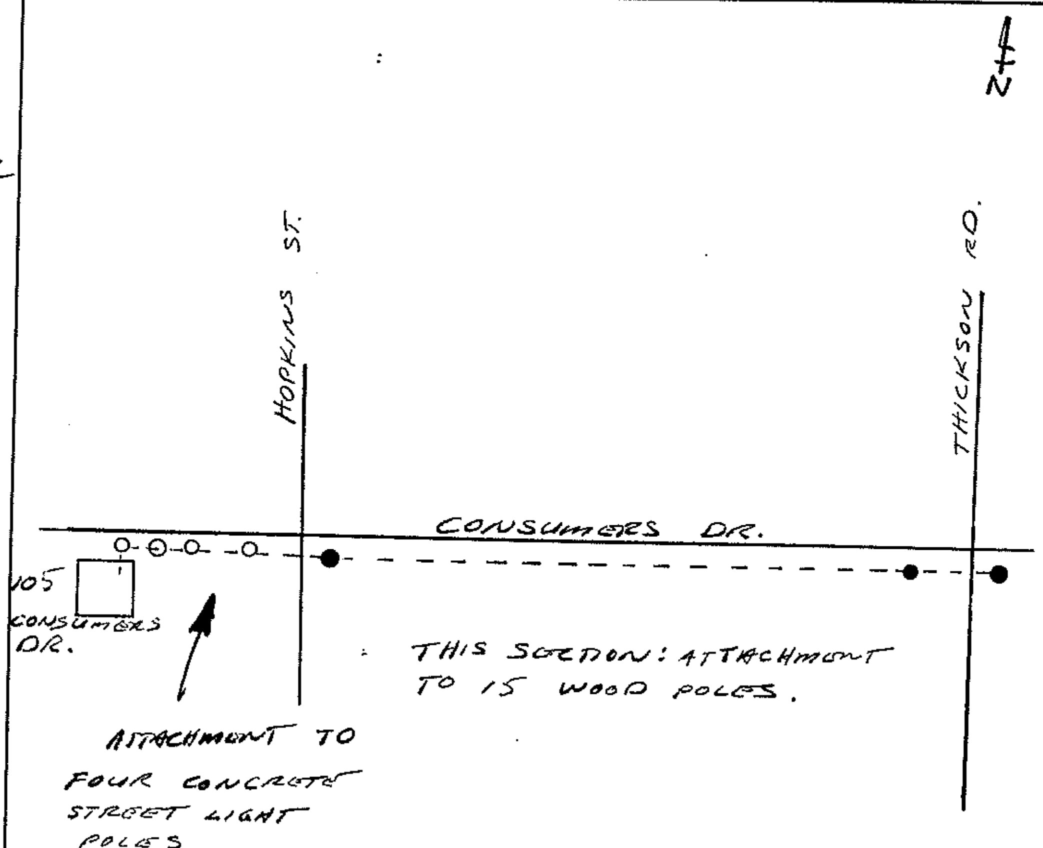
For the Licensee (Signature and Seal):

PROVINCE OF ONTARIO

EXHIBIT 'A' -
THE HYDRO-ELECTRIC/PUBLIC UTILITY COMMISSION
OF THE CORPORATION OF THE MUNICIPALITY OF

REQUEST FOR LICENSED OCCUPANCY OF POLES

TO: REGIONAL MUNICIPALITY OF DURHAM	PERMIT NUMBER
PERMISSION IS REQUESTED BY GREG BORCHUK TO PLACE ATTACHMENTS AS FOLLOWS:	SUPERSEDES/CANCELS PERMIT NUMBER

NO. OF POLES	LOCATION	TYPE OF ATTACHMENT
19 TOTAL		

LICENSEE REGIONAL MUNICIPALITY OF DURHAM	OWNER WHITBY HYDRO ELE. COMM.
APPLICANT [signature] P.ENG TRAFFIC ENGINEERING ANALYST	APPROVED [signature] ENG. TECH
SIGNATURE & TITLE	SIGNATURE & TITLE
DATE NOV 13, 1996	DATE NOV 18TH/96.

School Energy Coalition

Supplemental Interrogatory Response Attachment

IRR #18b) **Quarter End Reports for December 2009**
(2009 Audited Financial Statements)

Financial statements of

Whitby Hydro Electric Corporation

December 31, 2009

Whitby Hydro Electric Corporation
December 31, 2009

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Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Shareholder of
Whitby Hydro Electric Corporation

We have audited the balance sheet of Whitby Hydro Electric Corporation as at December 31, 2009 and the statements of earnings and comprehensive income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Whitby Hydro Electric Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 5, 2010

Whitby Hydro Electric Corporation

Balance sheet

as at December 31, 2009

	2009	2008
	$	$
Assets		
Current		
Cash	3,634,634	5,508,729
Accounts receivable, net of allowance (Note 9(b)(i))	5,295,500	5,336,915
Unbilled revenue	10,597,085	10,543,956
Inventories	907,556	941,686
Due from the Town of Whitby	134,397	223,476
Due from Whitby Hydro Energy Service Corporation	52,767	-
Prepaid expenses and deposits	50,500	75,565
Income taxes receivable	409,043	195,172
	21,081,482	22,825,499
Property, plant and equipment (Note 4)	63,186,828	61,899,215
Intangible assets	387,493	298,552
Future income tax assets (Note 7)	2,300,548	-
Deferred charges	-	9,169
	86,956,351	85,032,435
Liabilities		
Current		
Accounts payable and accrued liabilities	9,239,359	9,742,665
Due to Whitby Hydro Energy Service Corporation	-	373,841
Consumer and other deposits	859,000	754,000
	10,098,359	10,870,506
Other liabilities		
Deferred Revenue	-	339,160
Consumer and other deposits, less amount included under current liabilities	1,122,828	1,146,201
Long-term debt (Note 5)	28,337,942	28,337,942
	29,460,770	29,823,303
	39,559,129	40,693,809
Commitments and contingencies (Notes 11 and 12)		
Equity		
Share capital		
Authorized - unlimited number of common shares		
Issued - 165 common shares	29,494,042	29,494,042
Retained earnings	17,903,180	14,844,584
	47,397,222	44,338,626
	86,956,351	85,032,435

Approved by the Board

______________________________ Director

______________________________ Director

Whitby Hydro Electric Corporation

Statement of earnings and comprehensive income and retained earnings
year ended December 31, 2009

	2009	2008
	$	$
Revenue (Note 8)	86,355,438	88,152,276
Energy cost	67,696,074	66,879,863
	18,659,364	21,272,413
Other income		
Interest	45,297	277,097
Late payment penalties	403,494	321,056
Miscellaneous	464,829	519,078
Rentals	167,860	124,391
	1,081,480	1,241,622
Expenses (Note 8)		
Operation and maintenance	3,491,390	3,313,906
Administration	5,227,825	5,060,072
Financial expense		
Interest on long-term debt (Note 5)	2,000,000	2,000,000
Other	12,142	81,542
Amortization of property, plant and equipment, intangibles and deferred charges	4,768,848	4,401,237
	15,500,205	14,856,757
Earnings before income taxes	4,240,639	7,657,278
Income tax expense (Note 7)	1,461,296	2,659,137
Net earnings and comprehensive income for the year	2,779,343	4,998,141
Retained earnings, beginning of year	14,844,584	11,590,443
Future income tax assets, beginning of year (Note 3(a))	2,679,253	-
Retained earnings, beginning of year, as adjusted	17,523,837	11,590,443
Dividends	(2,400,000)	(1,744,000)
Retained earnings, end of year	17,903,180	14,844,584

Whitby Hydro Electric Corporation

Statement of cash flows
year ended December 31, 2009

	2009	2008
	$	$
Operating activities		
Net earnings for the year	**2,779,343**	4,998,141
Items not affecting cash		
Future income taxes	**378,705**	-
Loss on disposal of property, plant and equipment	**5,721**	8,657
Amortization of property, plant and equipment	**5,570,569**	5,209,574
Amortization of contributions in aid of construction	**(900,701)**	(835,795)
Amortization of intangible assets	**89,811**	18,290
Amortization of deferred charges	**9,169**	9,168
	7,932,617	9,408,035
Changes in non-cash working capital components		
Accounts receivable	**41,415**	1,012,604
Unbilled revenue	**(53,129)**	(1,912,708)
Inventories	**34,130**	(948,384)
Due from the Town of Whitby	**89,079**	15,186
Due from Whitby Hydro Energy Services Corporation	**(52,767)**	-
Prepaid expenses and deposits	**25,065**	1,748
Income taxes receivable	**(213,871)**	(195,172)
Accounts payable and accrued liabilities	**(503,306)**	439,588
Due to Whitby Hydro Energy Services Corporation	**(373,841)**	(8,292)
Income taxes payable	**-**	(636,447)
	6,925,392	7,176,158
Investing activities		
Additions to property, plant and equipment, net of property, plant and equipment contributed by third parties	**(5,963,202)**	(8,075,933)
Additions to intangible assets	**(178,752)**	(34,752)
	(6,141,954)	(8,110,685)
Financing activities		
(Decrease) increase in deferred revenue	**(339,160)**	206,324
Increase in consumer and other deposits	**81,627**	202,731
Dividends paid	**(2,400,000)**	(1,744,000)
	(2,657,533)	(1,334,945)
Net cash outflow	**(1,874,095)**	(1,415,472)
Cash position, beginning of year	**5,508,729**	6,924,201
Cash position, end of year	**3,634,634**	5,508,729
Supplementary cash flow information		
Interest paid	**2,007,528**	2,081,542
Income taxes paid	**1,436,933**	3,490,756
Non-cash transactions		
Property, plant and equipment contributed by third parties	**1,522,662**	3,238,879

1. Nature of operation

Whitby Hydro Electric Corporation (the "Corporation") was incorporated November 1, 2000 under the laws of the Province of Ontario. The Corporation is indirectly, wholly-owned by the Town of Whitby. The principal activity of the Corporation is to distribute electricity to the Town of Whitby, under the license issued by the Ontario Energy Board ("OEB").

2. Significant accounting policies

The Corporation's financial statements are the representations of management, prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies.

Regulation

The Corporation is regulated by the OEB under authority of the Ontario Energy Board Act, 1998. The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

Inventories

Inventories, which consists of parts and supplies acquired for internal construction or consumption, is stated at the lower of cost and net realizable value. Cost is determined based on average cost. Any impairment losses taken on inventories are reversed if and when net realizable value subsequently recovers. Major spare parts and standby equipment are recorded as part of property, plant and equipment and amortized once they are put into use.

Property, plant and equipment and amortization

Property, plant and equipment are recorded at cost and include contracted services, materials, labour, engineering costs and overheads. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers and may be refunded by the Corporation based on economic evaluation (discounted cash flow), in accordance with the OEB Distribution System Code. Such contributions in aid of construction, whether in cash or in-kind, are offset against the related asset cost. Contributions in-kind are valued at their fair value at the date of their contribution.

When identifiable assets, such as buildings, distribution station equipment and furniture are retired or otherwise disposed of, their original cost and related accumulated amortization are removed from the accounts and the related gain or loss is included in the operating results for the related fiscal period. The cost and related accumulated amortization of grouped assets such as transmission and distribution facilities is removed from the accounts at the end of their estimated service life.

Amortization of property, plant and equipment is provided for on the straight-line basis over the estimated service life of the assets. Amortization of contributions in aid of construction is amortized at the rates corresponding with the useful lives of the related property, plant and equipment. The estimated useful lives of the various assets used in calculating amortization are summarized below:

Buildings	25-50 years
Plant and equipment	3-10 years
Transmission and distribution systems	15-35 years
Other equipment	5-10 years

Impairment of long-lived assets

The Corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

2. Significant accounting policies (continued)

Intangible assets

Intangibles are comprised of software which is stated at cost and amortized on a straight-line basis over five years.

Deferred charges

Deferred charges pertain to roadway access to right-of-way and are amortized on a straight-line basis over the term of the benefit.

Regulatory assets/liabilities

Expenditures/revenues qualifying as regulatory assets/liabilities (as defined by the OEB) and later recovered/refunded through the rate base are expensed/recorded as revenue in the year incurred/billed. Regulatory assets and liabilities are not recorded but are disclosed in the notes to the financial statements.

Revenue recognition

Energy and distribution revenue is recorded on an accrual basis which includes regular cyclical meter readings plus estimates of customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power consumed. Actual results could differ from estimates made of actual electricity usage.

Financial instruments

Financial assets and liabilities are initially recorded at fair value. The fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Subsequent measurement depends on how each financial instrument is classified on the balance sheet.

The Corporation has made the following balance sheet classifications in connection with its financial assets and financial liabilities:

- Cash is classified as financial assets "Held-for-Trading" and is measured at fair value.
- Accounts receivable, due from the Town of Whitby, and due from Whitby Hydro Energy Service Corporation are classified as "Loans and Receivables" and are measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities, consumer and other deposits, and long-term debt are classified as "Other Financial Liabilities" and measured at amortized cost using the effective interest method.

In accordance with the amendments to CICA Handbook Section 3862, the Corporation has classified fair value measurements using a fair value hierarchy that reflects the three levels of the inputs used in making the fair value measurements. The fair value hierarchy has the following levels:

(i) Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

(ii) Level 2: Observable inputs other than quoted prices included in Level 1, such as derived prices for similar assets and liabilities; or quoted prices in inactive markets; and

(iii) Level 3: Unobservable inputs for the assets or liabilities that are not based on observable market data.

2. Significant accounting policies (continued)

Consumer deposits

Consumer deposits are cash collected from customers to guarantee the payment of energy bills and fulfillment of construction obligations. Deposits estimated to be refundable to customers within the next fiscal year are classified as a current liability. Interest is paid on consumer balances at rates established from time to time by the Corporation.

Payments-in-lieu of corporate income taxes

In accordance with Ontario Regulation 162/01 made under the Electricity Act, 1998, the Corporation provides for payments-in-lieu of corporate taxes ("PILs") to the Ontario Electricity Financial Corporation (OEFC), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The Corporation accounts for payments-in-lieu of corporate taxes using the future income taxes method. Under the future income taxes method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Effective January 1, 2009, the Corporation adopted amendments to the Canadian Institute of Chartered Accountants (CICA) Handbook section 3465, Income Taxes and CICA Handbook Section 1100, Generally Accepted Accounting Principles. These amendments established new standards for the recognition, measurement, presentation and disclosure of future income tax assets and liabilities for the Corporation's rate regulated business. (see also Note 3(a))

Payments-in-lieu of corporate income taxes are referred to as income taxes in these financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, as well as disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Accounts receivable, unbilled revenue, inventories and income taxes receivable are reported based on amounts expected to be recovered and an appropriate allowance has been provided based on management's best estimates of unrecoverable amounts. Due to the inherent uncertainty involved in making such estimates, actual results could differ from amounts recorded in these financial statements, including changes as a result of future decisions made by the OEB.

Current changes

(a) Rate-regulated operations

Effective January 1, 2009, the Corporation adopted amended Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1100, "Generally Accepted Accounting Principles", Section 3465 "Income Taxes", and Accounting Guideline 19 "Disclosures by Entities Subject to Rate Regulation" ("AcG-19"). These amended standards remove the temporary exemption in CICA Handbook Section 1100 pertaining to the recognition and measurement of assets and liabilities arising from rate regulation and require the recognition of future income tax liabilities and assets in accordance with CICA Handbook Section 3465. The revised standards are effective for interim and annual financial statements for the fiscal years beginning on or after January 1, 2009.

3. Changes in accounting policies

Current changes (continued)

(a) Rate-regulated operations (continued)

The removal of the temporary exemption had no effect on the Corporation's results of operations for the year ended December 31, 2009 as expenses and revenues qualifying as assets and liabilities arising from rate regulated activities are expensed/recorded as revenue in the year incurred/billed.

On January 1, 2009, the Corporation began to account for the differences between its financial statement carrying value and tax basis of assets and liabilities in accordance with CICA Handbook Section 3465. The impact of the amendment to CICA Handbook Section 3465 requires the recognition of future income tax assets and liabilities for the amount of future income taxes expected to be refunded to, or recovered from, customers in future electricity rates, applied on a retroactive basis without prior period restatement.

As at January 1, 2009, the Corporation has recorded a future income tax asset of $2,679,253, and a corresponding adjustment to retained earnings of $2,679,253 as the Corporation does not recognize regulatory assets or regulatory liabilities in its financial statements (Note 7). The income tax provision increased by $378,705 for the year ended December 31, 2009 as a result of the above noted change.

(b) Goodwill and intangible assets

Effective January 1, 2009, the Corporation adopted Section 3064 "Goodwill and Intangible Assets". Section 3064 replaces Section 3062, "Goodwill and other Intangible Assets" and established standards for the recognition, measurement, presentation and disclosure of intangible assets.

As a result of adopting this new accounting standard, the Corporation reclassified software at its net book value from property plant and equipment to intangible assets.

(c) Financial instruments recognition, measurement and disclosure

In July 2009, the CICA amended Handbook Section 3855 on financial instruments recognition and measurement to incorporate certain changes to Canadian GAAP in order to reduce differences with International Financial Reporting Standards (IFRSs) and to ease the requirements regarding impairment of certain investment in debt instruments. The application of these amendments did not have any impact on the Corporation's financial statements since there are no investments in debt instruments for reclassification nor impairment losses to report on other than the allowance for doubtful accounts.

(i) Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued an Emerging Issues Committee Abstract (EIC) 173 on credit risk and fair value of financial assets and financial liabilities which is applicable to all entities that have adopted Section 3855 on financial instruments recognition and measurement. It reached a consensus that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities including derivative instruments.

(ii) Financial Instrument Disclosures

CICA Handbook Section 3862 on Financial Instrument Disclosures was amended and effective from fiscal years ending after September 30, 2009. These amendments include additional disclosure requirements in respect of fair valuation measurement and liquidity risk management disclosures. The amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The adoption of CICA Handbook Sections 3855, 3862 and EIC 173 resulted in additional disclosures of the fair value of Financial Instruments as described in Note 9.

3. Changes in accounting policies (continued)

Future accounting changes

(d) International Financial Reporting Standards ("IFRSs")

The Corporation is required to prepare its financial statements effective January 1, 2011 in accordance with IFRSs requirements.

The Corporation has an internal initiative to govern the conversion process to IFRSs and is currently in the process of evaluating the potential impact of IFRSs on its financial statements. The Corporation will continue to monitor the progress made by the International Accounting Standards Board (IASB) on the rate-regulated activities standard in consultation with other LDCs and its professional advisors.

(e) Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601 – "Consolidated Financial Statements" (Section 1601). This section along with the new Handbook Section 1602 – "Non-controlling Interests" (Section 1602) replaces Handbook Section 1600 – "Consolidated Financial Statements" and establish standards for the preparation of consolidated financial statements. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier application is permitted as of the beginning of a fiscal year. The Corporation does not believe that these standards will have an impact on the financial statements.

4. Property, plant and equipment

			2009	2008
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Land	**438,972**	**-**	**438,972**	438,972
Buildings, plant and equipment	**22,956,110**	**8,334,250**	**14,621,860**	13,562,132
Transmission and distribution systems	**120,395,548**	**55,915,935**	**64,479,613**	63,840,775
Other equipment	**5,902,029**	**4,487,284**	**1,414,745**	1,203,736
	149,692,659	**68,737,469**	**80,955,190**	79,045,615
Contributions in aid of construction	**(22,417,547)**	**(4,649,185)**	**(17,768,362)**	(17,146,400)
	127,275,112	**64,088,284**	**63,186,828**	61,899,215

Net amortization provided for in the current year totalled $4,669,868 (2008 - $4,373,779).

5. Long-term debt

	2009	2008
	$	$
7-1/4% promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with sixty days notice. The Town of Whitby will not be calling this note before January 1, 2011	**1,460,300**	1,460,300
7-1/4% promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with sixty days notice. The Town of Whitby will not be calling this note before January 1, 2011	**5,061,000**	5,061,000
7 % promissory note issued to the Town of Whitby. The Town has the option of calling the principal amount in whole or in part with twelve months notice. The Town of Whitby will not be calling this note before January 1, 2011	**21,816,642**	21,816,642
	28,337,942	28,337,942

Interest on long-term debt is $2,000,000 (2008 - $2,000,000).

6. Credit facility

The Corporation requested and received an unsecured credit facility with a Canadian chartered bank and the related agreement was executed on April 8, 2002. This facility is uncommitted and repayment is due on demand. This credit facility agreement allows for Letters of Credit up to $6.9 million and provides a revolving credit facility of $2 million. As at December 31, 2009, the Corporation had utilized $5,393,461 of the credit facility to provide IESO with a letter of credit for prudential support. With the opening of Ontario's electricity market to wholesale and retail competition on May 1, 2002 ("Open Access"), the IESO requires all purchasers of electricity in Ontario to provide security to mitigate the risk of their default based on their expected purchases from the IESO administered spot market. The IESO could draw on the letter of credit if the Corporation defaults on its payment. The existing credit facility can be drawn upon by either direct advances bearing interest at prime or by way of letter of credit with a fee of 50 basis points per annum.

7. Income taxes

The Corporation became obligated to make payments-in-lieu of corporate taxes on October 1, 2001.

On January 1, 2009, the Corporation adopted the future income taxes method for accounting for income taxes. For the year ended December 31, 2008, the taxes payable method was previously being used. The provision for income taxes under the taxes payable method for the year ended December 31, 2008 was $2,659,137.

Reconciliation between the statutory and the effective rate of income tax is as follows:

	2009
	$
Net earnings before income taxes	**4,240,639**
Combined Canadian federal and provincial statutory income tax rates, including surtaxes	33.00%
Statutory income tax rates applied to accounting income	1,399,411
Increase (decrease) in income taxes resulting from	
Permanent differences	(111,923)
Other adjustments	173,808
	61,885
Income tax provision	1,461,296
The provision for (recovery of) income taxes consists of:	
Current	1,082,591
Future	378,705
Provision for income taxes	1,461,296
Effective rate of income taxes	**34.46%**

Significant components of the Corporation's future taxes at December 31 relate to the following:

	2009
	$
Property, plant and equipment	2,217,567
Land rights	179,855
Operation and maintenance expenses	(96,874)
	2,300,548

8. Related party transactions

The Corporation's related party transactions with the Town of Whitby for the year ended December 31 are as follows:

	2009	2008
	$	$
Revenue		
Energy and distribution	**2,452,829**	2,475,842
Expenses		
Interest expense	**2,000,000**	2,000,000
Property taxes	**231,627**	235,622

The above noted transactions are recorded at the exchange amount.

The Corporation's related party transactions with associated companies (companies under common control) for the year ended December 31 are as follows:

	2009	2008
	$	$
Conservation Demand Management	**315,787**	212,691
Vehicle replacement	**504,634**	493,898
Capital services	**4,588,546**	6,210,285
Operation and maintenance and administrative services	**6,443,590**	6,199,933

The above noted charges are pursuant to an annual agreement with Whitby Hydro Energy Service Corporation and are recorded at the exchange amount.

The amounts due to/from related parties are non-interest bearing with no specific terms of repayment.

9. Financial instruments and risk management

(a) Recognition and measurement

CICA Handbook Section 3855 established the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. The Corporation's accounting policies relating to the recognition and measurement of financial instruments are disclosed in Note 2.

The review of all existing contracts substantiates that the Corporation does not currently have any contracts containing embedded derivatives that need to be accounted for separately at fair value.

The fair value of the Corporation's cash, accounts receivable, accounts payable and accrued liabilities and consumer and other deposits approximate their carrying amount because of the short term maturity of these instruments.

The fair value of the Corporation's promissory notes payable to the Corporation of the Town of Whitby and amounts due to/from related parties is not determinable due to their related party nature and variable terms.

9. Financial instruments and risk management (continued)

(b) Risk management

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related risk management strategies have been discussed below. However, the risks described below are not exhaustive of all the risks nor will the risk management strategies eliminate the Corporation's exposure to all risks listed.

(i) Credit risk

The Corporation's primary source of credit risk to its accounts receivable result from customer's failing to discharge their dues for electricity consumed and billed. The Corporation has approximately 39,300 residential and commercial customers. In order to mitigate such potential credit risks, the Corporation has taken various measures in respect of its energy customers such as collecting security deposits in accordance with OEB guidelines, in-house collection department as well as external collection agencies. Thus, the Corporation monitors and limits its exposure to such credit risks on an ongoing basis.

Pursuant to their respective terms, accounts receivable are aged as follows at December 31:

	2009		2008	
	Total	**%**	Total	%
	$		$	
Less than 30 days	**4,961,184**	**83**	5,074,910	86
30 - 60 days	**240,488**	**5**	276,213	5
61 - 90 days	**79,275**	**1**	97,219	1
Greater than 91 days	**681,888**	**11**	480,108	8
Outstanding	**5,962,835**	**100**	5,928,450	100
Less: Allowance for doubtful accounts	**(667,335)**		(591,535)	
	5,295,500		5,336,915	

As at December 31, 2009, there was no significant concentration of credit risk with respect to any class of financial assets.

(ii) Interest rate risk

The Corporation has limited exposure to interest rate risk as its long-term debt consists entirely of fixed rate debt in the form of promissory notes with its ultimate shareholder, the Town of Whitby. The Corporation ensures that all payment obligations are met by adopting proper capital planning.

The Corporation has an unsecured credit facility with a Canadian chartered bank for the purpose of providing the IESO with a letter of credit for prudential support as well as providing a revolving credit facility, details of which are disclosed in Note 6.

Cash balances that are not required for day to day obligations earn an interest of Prime minus 1.75% per annum. These interest rate fluctuations could impact the level of interest income earned by the Corporation.

9. Financial instruments and risk management (continued)

(b) Risk management (continued)

(iii) Hedging and derivatives risk

The Corporation has not entered into hedging and derivative financial instruments and hence the Corporation is not exposed to risks of this nature. The Corporation does not have commodity price risk.

(iv) Foreign exchange risk

The Corporation has minimal exposure to fluctuations in foreign currencies. The Corporation purchases goods and services from the US which are payable in US dollars, however the impact of these transactions to the financial statements are minimal.

In addition to the above, the Corporation maintains appropriate types and levels of insurance with major insurers. With respect to liability insurance, the Corporation is a member of the Municipal Electricity Association Reciprocal Insurance Exchange (“MEARIE”). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other. MEARIE is licensed to provide general liability insurance to its members. Insurance premiums charged to each member consist of a levy per thousands of dollars of service revenue subject to a credit or surcharge based on each member’s claims experience. Coverage is provided to a level of $24 million per incident.

10. Interest in limited partnership

The Corporation sold its shares in EnerConnect, a power procurement partnership under a three year staged cash payout with a $4,760 payment for 2008 and $4,760 for 2009 and a post closing payment of $2,383 in 2009. In 2007, Whitby Hydro Electric Corporation had a 1.587% interest in this partnership. The investment of $46,389 was expensed in the years in which it was made.

11. Future commitments

The Corporation has entered into agreements with service providers and is committed to making the following payments:

	$
2010	412,503
2011	338,124
2012	292,222
	1,042,849

12. Contingencies

Class action of late payment charges

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

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

In 2007, Enbridge filed an application to the OEB to recover the Court-approved amount and related amounts from ratepayers. On February 4, 2008 the OEB approved recovery of the said amounts from ratepayers over a five year period.

After the release by the Supreme Court of Canada of its 2004 decision in the Consumers Gas case, the plaintiffs in the LDC late payment penalties class action indicated their intention to proceed with their litigation against the LDCs. The parties are in settlement discussions but no settlement has been finalized at this time.

Whitby Hydro Electric Corporation

Notes to the financial statements

December 31, 2009

13. Regulatory accounts

	2009	2008
	$	$
Regulatory accounts (including carrying charges)		
Regulatory accounts - Post 2004		
Government cheques rebate program	**1,344**	1,330
Other Regulatory	**27,745**	-
Retail costs variance		
Retail services	**281,842**	232,500
STR requests and processing	**1,182**	(1,144)
Retail settlement variance		
Transmission network charge	**(1,331,308)**	(1,300,935)
Transmission connection charge	**(1,803,048)**	(1,367,707)
Wholesale market service	**(2,433,386)**	(2,096,175)
Power energy cost	**(1,469,197)**	(971,102)
Global adjustment	**1,752,717**	460,408
Low voltage variance	**(414,646)**	(69,407)
Smart Meters	**595,872**	255,323
	(4,790,883)	(4,856,909)
Regulatory accounts and approved recoveries		
Recovery of regulatory accounts	**(6,569,641)**	(6,501,671)
Unrecovered regulatory accounts prior years	**5,657,811**	5,609,704
Regulatory Accounts Hydro One charges	**416,505**	412,607
	(495,325)	(479,360)
Deferred payments-in-lieu of corporate income taxes	**(1,648,609)**	(1,633,297)
	(6,934,817)	(6,969,566)

The Corporation does not record regulatory assets or regulatory liabilities on its balance sheet but provides disclosure of these regulatory accounts as noted above.

14. Guarantees

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee. The Corporation's primary guarantees subject to disclosure requirements are as follows:

(a) Indemnity has been provided to all directors and or officers of the Corporation for various items including, but not limited to, all costs to settle suits or actions due to association with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Corporation. The maximum amount of any potential future payment cannot be reasonably estimated.

14. Guarantees (continued)

(b) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The term of these indemnities are not explicitly defined and the maximum amount of any potential reimbursements cannot be estimated.

The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Corporation has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

15. Capital disclosures

The Corporation's main objectives in the management of capital are to:

(i) Consistently maintain a high credit rating for the Corporation.

(ii) Deliver appropriate financial returns to the shareholders.

(iii) Maintain a split of 60% debt, 40% equity as recommended by the OEB.

The Corporation considers equity and long-term debt as its Capital. The capital structure as at December 31, 2009 in comparison to December 31, 2008 is as follows:

	2009	2008
	$	$
Equity		
Share capital	**29,494,042**	29,494,042
Retained earnings	**17,903,180**	14,844,584
Total	**47,397,222**	44,338,626
Long-term debt (Note 5)	**28,337,942**	28,337,942
Total capital	**75,735,164**	72,676,568

16. Comparative figures

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

School Energy Coalition

Supplemental Interrogatory Response Attachment

IRR #18c) Reports per Shareholder Direction (Section 6.8):

- **Bill 150**
- **FIT/MicroFIT**
- **Smart Meter Project**

Bill 150
Green Energy And Green Economy Act

Green Energy Act

- Main thrust is two fold
  - Promote renewable energy
  - Foster a culture of conservation
- Fundamental changes to roles and responsibilities of electrical distributors
- Enabling legislation requiring regulations and Ministerial directives

Key Measures to Expand Renewable Energy

- Create attractive feed-in-tariff regime
- Establish right to connect to the electricity grid for renewable energy projects
- Establish a streamlined approval process
- Set Province wide standards for renewable energy projects with domestic content requirements

Key Measures to Expand Renewable Energy

- Permit local communities and LDC’s to own and operate renewable generation
- Implement a smart power grid in Ontario
- Provides for Ministerial directives to the OEB and OPA to ensure implementation

Key Measures to Foster Conservation Culture

- Energy efficiency to be a key purpose of the Ontario Building Code
- Requiring the development of energy efficiency plans in broader public sector
- Set energy efficiency standards for household appliances

Key Measures to Foster Conservation Culture

- Establish mandatory electricity conservation targets for electricity distributors – condition of license
- Increase productivity in the Ontario manufacturing sector through energy efficiency programs
- Greening of Ontario Gov and broader public sector establishing LEED Silver as the standard

FIT / Micro FIT

May 2010

Prepared By:
Kevin Whitehead

What is the FIT?

- Ontario's feed-in tariff or FIT Program is North America's first comprehensive guaranteed pricing structure for renewable electricity production. It offers stable prices under long-term contracts for energy generated from renewable sources, including:
- biomass
- biogas
- landfill gas
- on-shore and off-shore wind
- solar photovoltaic (PV)
- waterpower.

Purpose

- By encouraging the development of renewable energy in Ontario, the FIT Program will:
  - help Ontario phase out coal-fired electricity generation by 2014 - the largest climate change initiative in Canada
  - boost economic activity and the development of renewable energy technologies
  - create new green industries and jobs.

Two Streams – FIT and Micro FIT

- FIT – renewable energy projects generating more than 10 kW of electricity
  - Water projects must not be greater than 50 MW
  - Solar PV projects must not be larger than 10 MW
- Micro FIT – renewable energy projects generating 10 kW or less

How to Apply

Ontario Power Authority

Planning | Generation | Conservation | Initiat

Renewable energy
Feed-in tariff program

FIT Program

Projects over 10 kilowatts

Information for renewable energy developers

Click here to learn more

microFIT Program

Projects 10 kilowatts or less

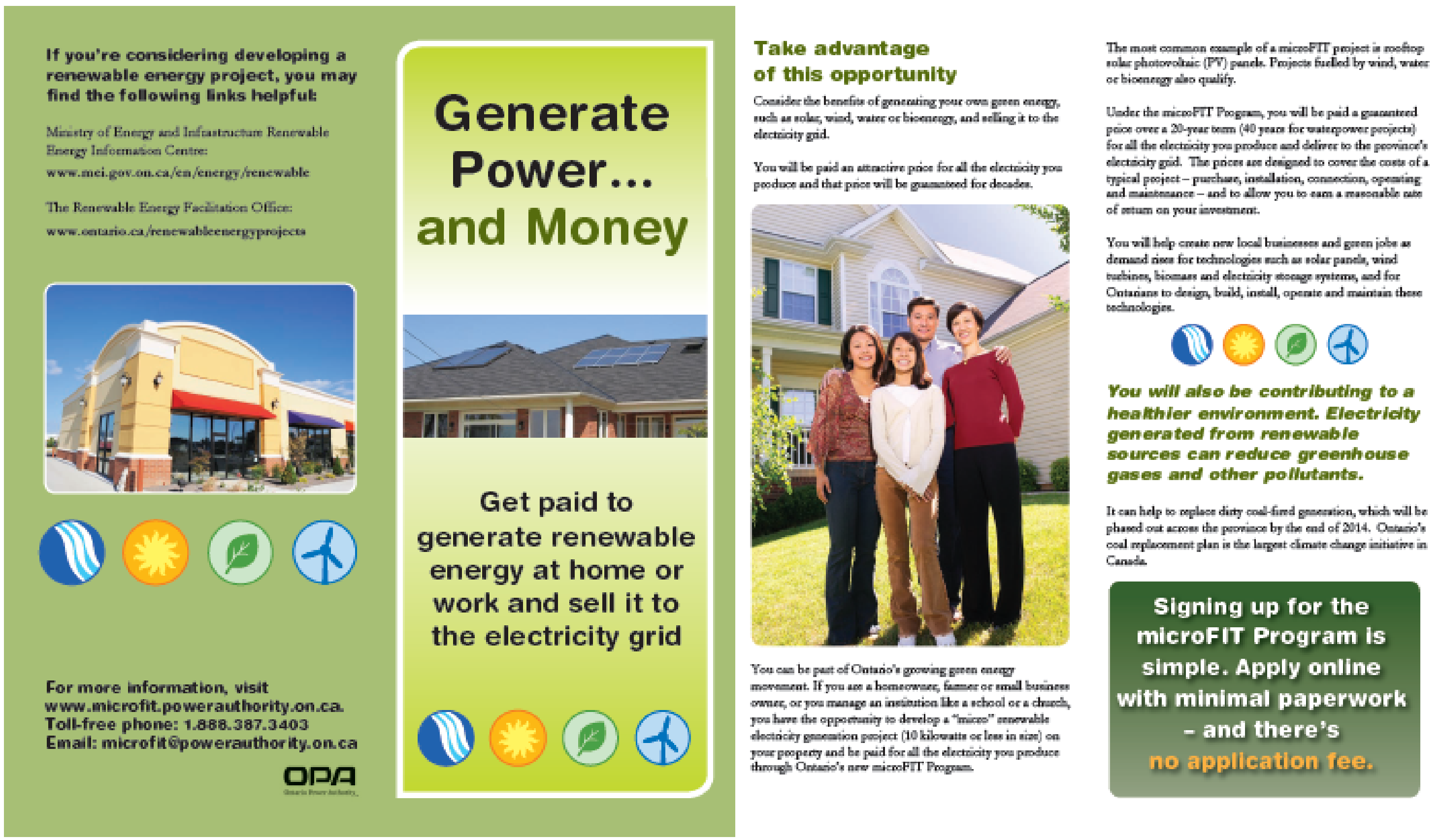
Information for homeowners, small businesses and others

Click here to learn more

Ontario Content

- Applies only to solar and wind projects
  - For solar
    - 50% with commercial operation by Dec 31, 2010
    - 60% with commercial operation Jan 1, 2011 and later
  - For wind
    - 25% with commercial operation by Dec 31, 2011
    - 50% with commercial operation Jan 1, 2012 and later

Micro FIT Brochure



If you're considering developing a renewable energy project, you may find the following links helpful:

Ministry of Energy and Infrastructure Renewable Energy Information Centre:
www.mei.gov.on.ca/en/energy/renewable

The Renewable Energy Facilitation Office:
www.ontario.ca/renewableenergyprojects

For more information, visit www.microfit.powerauthority.on.ca.
Toll-free phone: 1.888.387.3403
Email: microfit@powerauthority.on.ca

OPA

Generate Power… and Money

Get paid to generate renewable energy at home or work and sell it to the electricity grid

Take advantage of this opportunity

Consider the benefits of generating your own green energy, such as solar, wind, water or bioenergy, and selling it to the electricity grid.

You will be paid an attractive price for all the electricity you produce and that price will be guaranteed for decades.

You can be part of Ontario's growing green energy movement. If you are a homeowner, farmer or small business owner, or you manage an institution like a school or a church, you have the opportunity to develop a "micro" renewable electricity generation project (10 kilowatts or less in size) on your property and be paid for all the electricity you produce through Ontario's new microFIT Program.

The most common example of a microFIT project is rooftop solar photovoltaic (PV) panels. Projects fuelled by wind, water or bioenergy also qualify.

Under the microFIT Program, you will be paid a guaranteed price over a 20-year term (40 years for waterpower projects) for all the electricity you produce and deliver to the province's electricity grid. The prices are designed to cover the costs of a typical project – purchase, installation, connection, operating and maintenance – and to allow you to earn a reasonable rate of return on your investment.

You will help create new local businesses and green jobs as demand rises for technologies such as solar panels, wind turbines, biomass and electricity storage systems, and for Ontarians to design, build, install, operate and maintain these technologies.

You will also be contributing to a healthier environment. Electricity generated from renewable sources can reduce greenhouse gases and other pollutants.

It can help to replace dirty coal-fired generation, which will be phased out across the province by the end of 2014. Ontario's coal replacement plan is the largest climate change initiative in Canada.

Signing up for the microFIT Program is simple. Apply online with minimal paperwork – and there's no application fee.

Rates Payable to Participant

Renewable Fuel	Size tranches	Contract Price ¢/kWh	Escalation Percentage[4]
Biomass[1,2]			
	≤ 10 MW	13.8	20%
	> 10 MW	13.0	20%
Biogas[1,2]			
On-Farm	≤ 100 kW	19.5	20%
On-Farm	> 100 kW ≤ 250 kW	18.5	20%
Biogas	≤ 500 kW	16.0	20%
Biogas	>500 kW ≤ 10 MW	14.7	20%
Biogas	> 10 MW	10.4	20%
Waterpower[1,2,3]			
	≤ 10 MW	13.1	20%
	> 10 MW ≤ 50 MW	12.2	20%
Landfill gas[1,2]			
	≤ 10MW	11.1	20%
	> 10 MW	10.3	20%
Solar PV			
Any type	≤10 kW	80.2	0%
Rooftop	> 10 ≤ 250 kW	71.3	0%
Rooftop	> 250 ≤ 500 kW	63.5	0%
Rooftop	> 500 kW	53.9	0%
Ground Mounted[2]	≤ 10 MW	44.3	0%
Wind[2]			
Onshore	Any size	13.5	20%
Offshore	Any size	19.0	20%

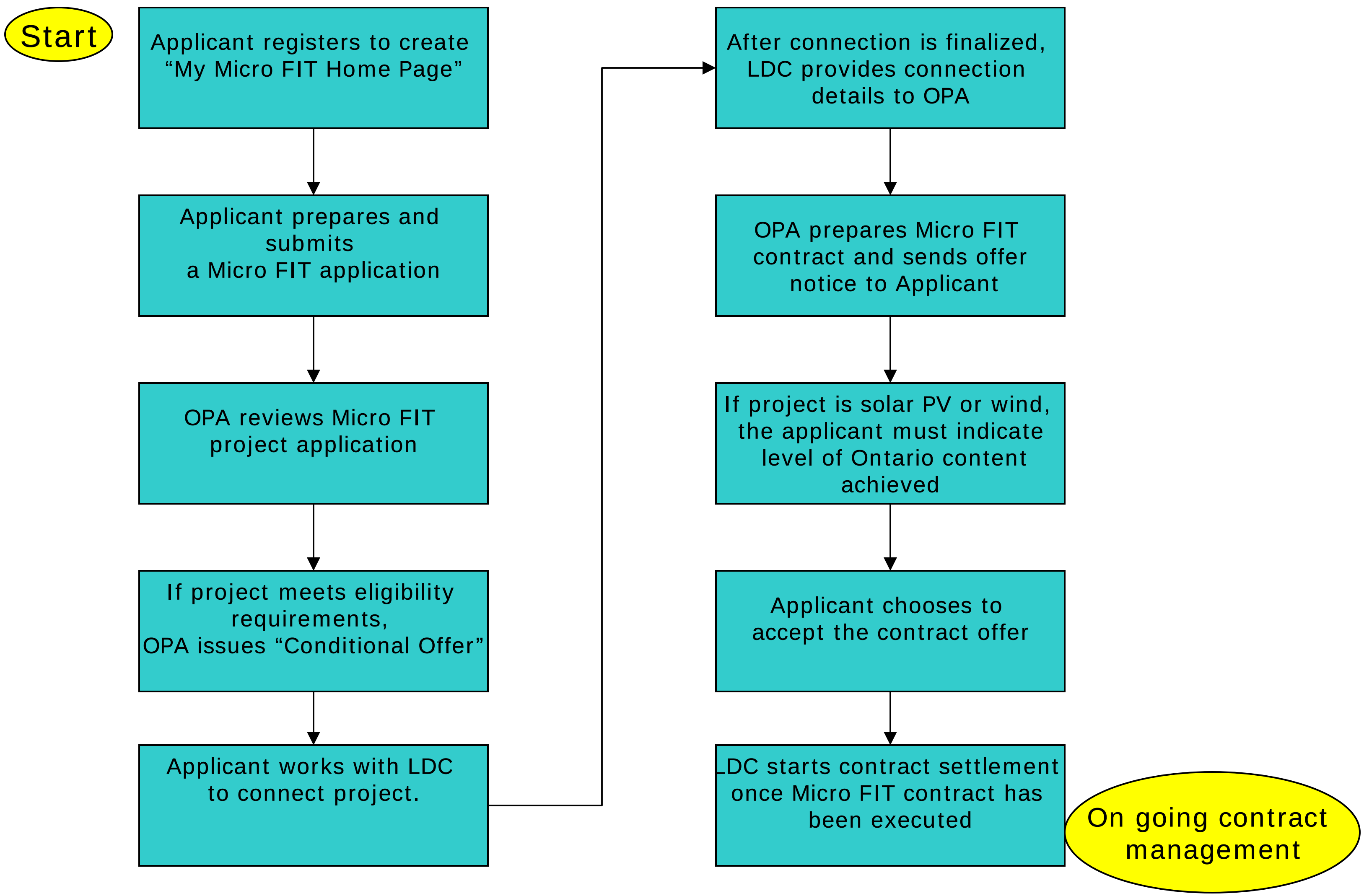
Contract Details

- Contracts are 20 years in length, except for water which is for 40 years
- Pricing is set for the duration of the contract and cannot be changed (even if prices for new contracts decrease)

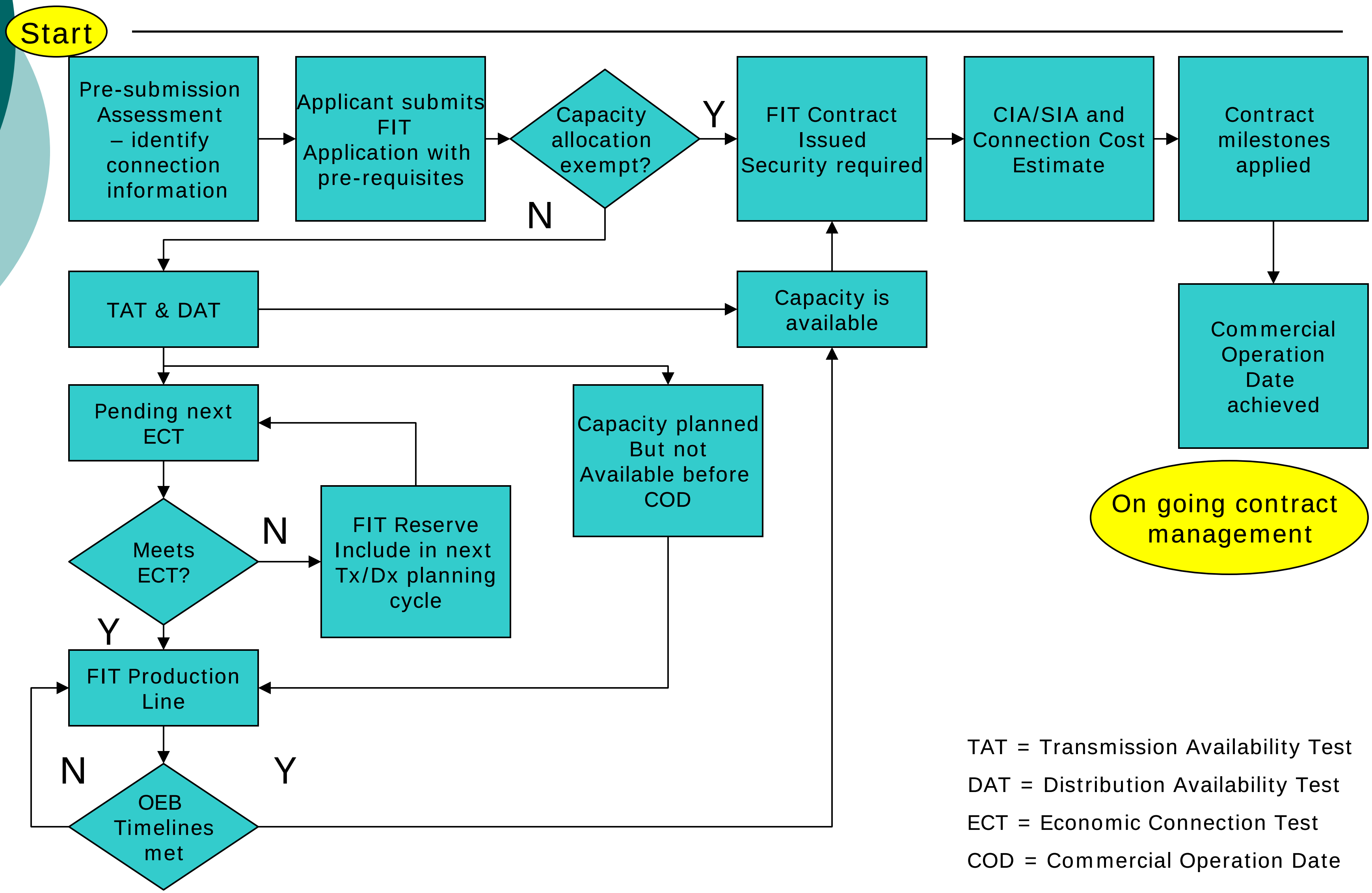
Capacity Allocation Exempt

- Smaller projects known as "capacity allocation except" have a streamlined review process
  - 250 kW or less on lines less than 15 kV
  - 500 kW or less on lines greater than 15 kV
- Proceed directly to FIT contract
- Not required to submit application security, however, completion and performance security are required.

Micro FIT Process



FIT Process



TAT = Transmission Availability Test

DAT = Distribution Availability Test

ECT = Economic Connection Test

COD = Commercial Operation Date

LDC Responsibilities

- Manage the Micro Fit and FIT applications
- Manage/perform the Connection Impact assessments
- Manage / prepare the Connection Cost Recovery Agreements
- Manage / prepare the Connection Agreements
- Installation of metering equipment
- Set up generator account

SMART METER PROJECT UPDATE

May 2010

Smart Metering

- Government initiative to have all residential and small commercial customer with a smart meter by the end of 2010
- Smart metering will assist with the governments goal of creating a conservation culture in Ontario

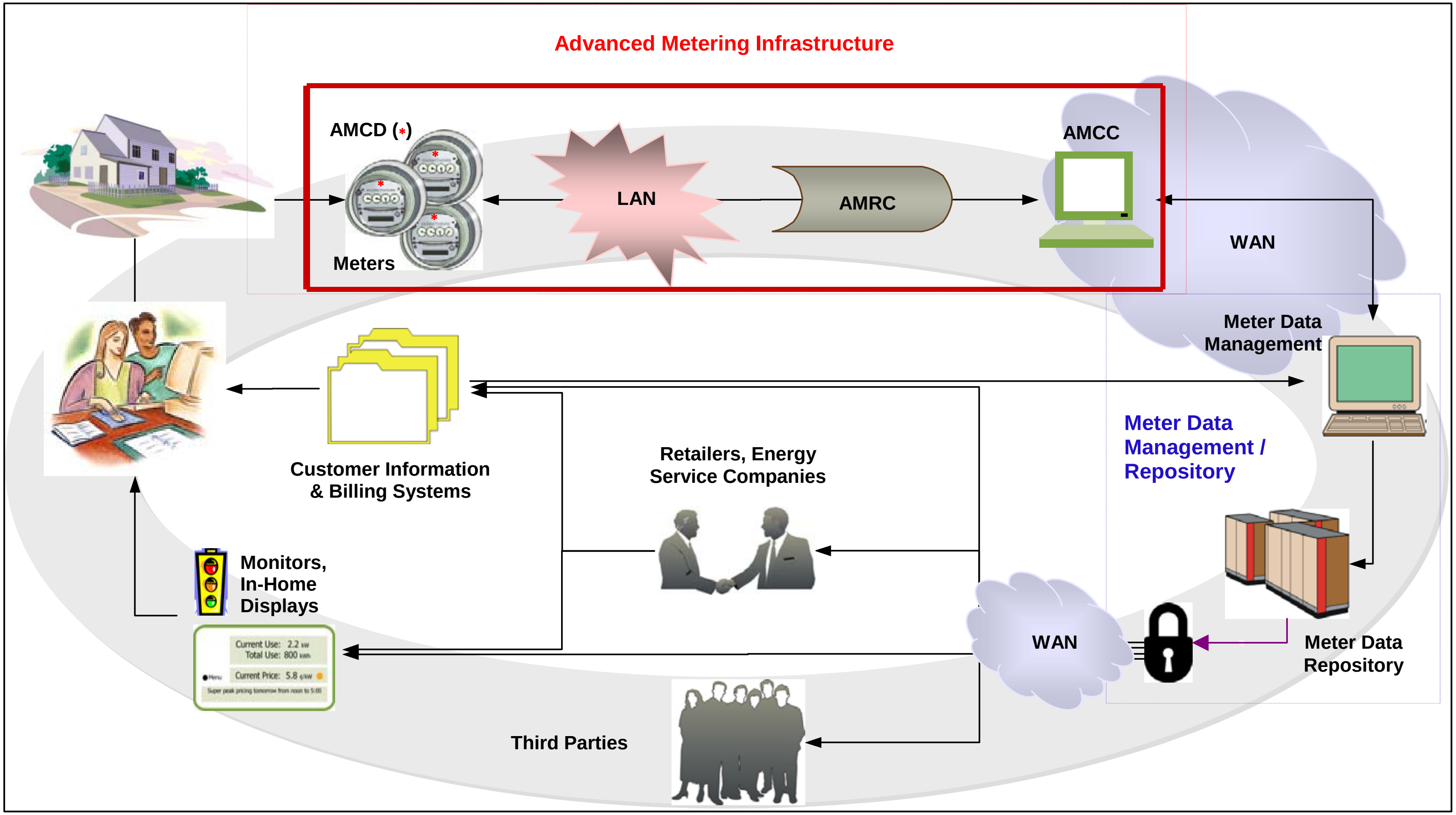
Current Metering

- Conventional meters measure kwh's from one reading to the next time the meter is read
- The customer bill is calculated based on the customers consumption over the period, times the $/kwh of the rate blocks

Smart Meters

- Smart Meters will record hourly kwh measurements
- Interval data is sent via radio waves and secure bell lines to a central control computer on a daily basis
- The customer bill will be calculated by combining interval data into consumption time blocks and applying TOU rates
- Billing processes will need to be redesigned

Smart Meter System

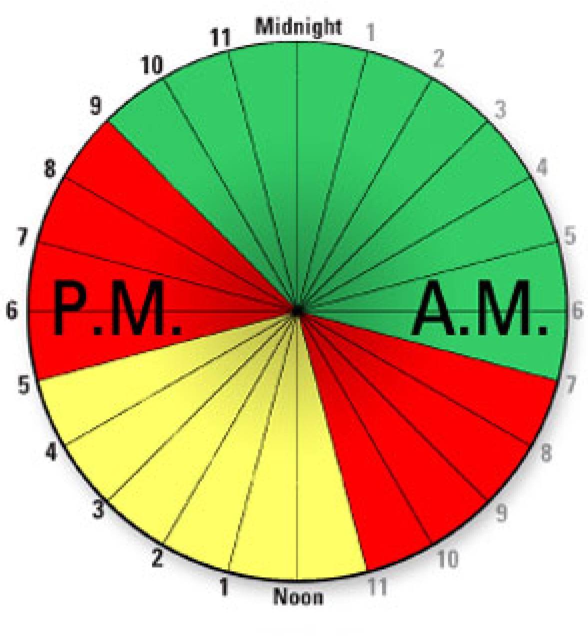


May 2010

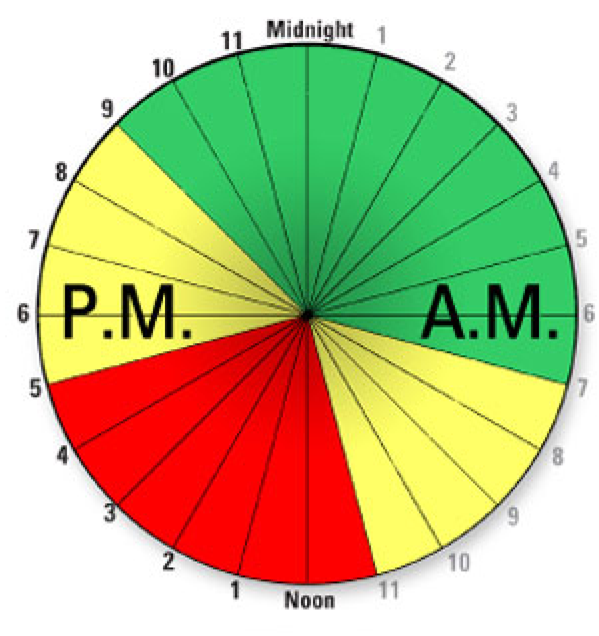
Time-of-Use Rates

Off-Peak **Mid-Peak** **On-Peak**

Winter (Nov 1-Apr 30) - Weekdays



Summer (May 1-Oct 31) - Weekdays



May 2010

Project Plan

- 2600 smart meters installed to date
- Commence full deployment in July 2010
- Majority of meter installations will be done by an outside contractor
- Completion date for meter installations December 2010

Project Plan

- Billing process re-engineering to be complete by end of 2010 – 45 processes
- Staff education and training on processes and systems
- Significant testing of systems to be undertaken through fall 2010 to spring 2011
- Enrollment with MDMR to be completed in April 2011

Project Plan

- Apply to OEB for TOU billing in April 2011
- TOU Billing Pilot on MDMR mid June 2011
- Rollout of TOU billing to all customers commencing in Oct 2011

Customer Education

- Two communication pieces are available to customers
  - Your Smart Meter is Coming Soon – billing insert
  - Smart Meter Answer Book - Information is available on our web site and at the front counter

Customer Education

- At the time the meter is installed a door hanger will inform the customer that a smart meter has been installed
- No changes in hydro billing

Customer Education

- Starting in May 2011, additional material will be sent to customers outlining when TOU rates will commence and to explain how the bill is calculated.
- Energy saving tips will also be included.

School Energy Coalition

Supplemental Interrogatory Response Attachment

IRR #25 Redacted version Polecare International Inc. contract

PoleCare International Inc

Quotation for

Wood Pole Testing for Whitby Hydro

2009

Billing Address
PoleCare International Inc.
10 Ilsley Avenue, Unit 3
Dartmouth, Nova Scotia
B3B 1L5

2009 Quotation

1. Equipment to be used:

- **EDM Poletest** to assess individual pole strength at ground line and at other weak locations, which are reachable from the ground.
- **Resistograph** to detect internal decay below and at ground line (use wherever necessary)

2. Work to be carried out:

- Carry out strength test and collect other relevant information required to determine pole condition
- Determine the remaining life from the information gathered, including below-ground-line decay

3. End products:

- A set of information for each pole tested
- A **list of poles to be replaced** on the basis of their structural condition
- A list of poles recommended for **remedial treatment** – to extend serviceable life
- A suitable **digital database in MS Access** format with all the relevant information
- A set of tables listing poles with potentially damaging defects such as extensive surface rot, extensive mechanical damage, extensive feathering, woodpecker damage and carpenter ants damage.
- **Remaining lives of poles**

4. Cost of testing:

[redacted] per pole

5. Other Related information:

The work will take about 2 weeks to complete from the starting date.

Signed

Samy Krishnasamy
Consultant, PoleCare International Inc.

School Energy Coalition

Supplemental Interrogatory Response Attachment

IRR #28 Redacted version of acquistion agreement

Thursday, July 03, 2008

[redacted]

Attn: [redacted]

RE: [redacted]
Town of Whitby

Dear [redacted].

Further to your letter of June 18, 2008 pertaining to Whitby Hydro assuming ownership of the primary (13.8 kV) distribution system, we respond to your listed items as follows:

1. **Inspection of the Primary Distribution Installation**. Whitby Hydro will inspect the primary distribution system at 100% of our cost. [redacted] will pay 100% of the cost to correct all deficiencies required to bring the system up to Whitby Hydro standards.
2. **Easements**. Whitby Hydro will have an Easement Agreement or equivalent prepared that will grant access to the Primary Distribution System to permit operation, repair, replacement and maintenance. [redacted] will pay 100% of the costs to prepare this Agreement. This Agreement must be executed prior to the transfer of ownership.
3. **ESA Acceptance to Transfer of Ownership**. Whitby Hydro will contact the Electrical Safety Authority (ESA) and review the implications to transfer ownership for the primary distribution system **ONLY** from [redacted] to Whitby Hydro. To be clear, all components of the secondary system (i.e. the streetlight system, the secondary system, etc) will remain the property and responsibility of [redacted] All ESA issues must be resolved before Whitby Hydro will accept ownership of the system.
4. [redacted] **Payment to Whitby Hydro**. Whitby Hydro will accept a one time payment of $80,000 from [redacted] to transfer ownership of the primary distribution system (as outlined on the attached drawing [redacted] and inclusive of all costs associated with items 1, 2 and 3 above.

On receipt of full payment ($80,000 + GST) on or before July 31, 2008, we anticipate we will be in a position to complete the ownership transfer on or before August 31, 2008. If you have any questions or concerns, please do not hesitate to call me.

Yours truly,

WHITBY HYDRO ELECTRIC CORPORATION

J. E. Lavelle

Jim Lavelle, P. Eng.
President/CEO