Ontario Energy Board

Commission de l'énergie de l'Ontario

EB-2009-0408

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

AND IN THE MATTER OF an Application by Great Lakes Power Transmission Inc. on behalf of Great Lakes Power Transmission LP seeking changes to the uniform provincial transmission rates for 2010.

BEFORE: Cynthia Chaplin
Vice Chair and Presiding Member

Ken Quesnelle
Member

DECISION WITH REASONS

July 21, 2010

INTRODUCTION

THE APPLICATION

Great Lakes Power Transmission Inc. on behalf of Great Lakes Power Transmission LP ("GLPT" or the "Applicant") filed an Application with the Ontario Energy Board (the "Board") on November 30, 2009 under section 78 of the *Ontario Energy Board Act, 1998*, 1998 S.O. c.15, (Schedule B). GLPT sought approval for changes to the Uniform Transmission Rates (UTR) that GLPT and other transmitters charge for electricity transmission, to be effective January 1, 2010. The Board assigned Board file number EB-2009-0408 to the Rate Application.

GLPT also filed an application with the Board on November 27, 2009 requesting that a deferral account be granted for the purposes of recording capital expenditures as well as operation, maintenance and administration expenses related to renewable generation connection, system planning, and infrastructure investment arising from the *Green Energy and Green Economy Act , 2009* (the "Deferral Account Application"). The Board assigned Board file number EB-2009-0409 to the Deferral Account Application.

The Board issued a Notice of Applications and Combined Hearing dated December 31, 2009 for both applications, and directed GLPT to commence service and publication of the Notice on Monday, January 4, 2010. A decision on the Deferral Account Application was issued on March 25, 2010.

THE PROCEEDING

On January 29, 2010 the Board issued Procedural Order No. 1 and Interim Rate Decision, which included a schedule for procedural steps for the rate application (the "Procedural Schedule") and determined that the current Uniform Transmission Rates as they relate to GLPT would be made interim as of January 1, 2010. The Board's approval of the settlement agreement filed in this proceeding renders the new rates effective January 1, 2010.

In Procedural Order No.1 the Board granted intervenor status to Energy Probe Research Foundation ("Energy Probe"), the Vulnerable Energy Consumers Coalition ("VECC"), Canadian Niagara Power Inc. ("CNPI") and the Independent Electricity System Operator.

The Board subsequently granted late requests for intervenor status to the School Energy Coalition ("SEC") and Hydro One.

According to the Procedural Schedule, the applicant filed its interrogatory responses on March 3, 2010 accompanied by a request for confidential treatment of certain information included in GLPT's response to two Board staff interrogatories (the "Requested Confidential Information"). The Board subsequently issued a Decision and Order on March 31, 2010, in which it ordered that the Requested Confidential Information would remain confidential.

On March 18, 2010 the Board issued Procedural Order No. 3 to allow parties an opportunity to file supplemental interrogatories to address responses which were unclear or which required further explanation. The Board also made provision for a technical conference, to be held on April 14, 2010.

On April 9, 2010 GLPT filed responses to the supplemental interrogatories and requested confidential treatment for some of the information. On April 30, 2010 the Board issued a Decision and Order on Confidentiality of Additional Information and Procedural Order No. 6 in which it ordered that the additional information would remain confidential.

On May 3, 2010 GLPT and three intervenors, SEC, VECC and Energy Probe participated in a Settlement Conference with the assistance of a facilitator. As a result of the Settlement Conference, the parties prepared a Settlement Proposal and agreed to present it to the Board.

THE SETTLEMENT AGREEMENT

GLPT's original application included a revenue requirement of $38,915,026. The Proposed Settlement Agreement sets the revenue requirement at $35,148,818. The reduction is largely based on reductions in projected OM&A costs and adjustments to the calculation of capital cost allowance.

In the Decision and Order Proposed Settlement Agreement (the “Settlement Decision”) issued May 21, 2010, the Board accepted the Proposed Settlement Agreement, as submitted (the “Accepted Settlement Agreement”). The Accepted Settlement Agreement is attached as Appendix “A” to this Decision.

The Board made one caveat in its Settlement Decision in respect of section 3.1 of the Accepted Settlement Agreement dealing with Operations, Maintenance & Administration (“OM&A”) for future GLPT applications.[1] The Accepted Settlement Agreement is binding on the parties to the agreement, but it cannot fetter the discretion of another Board panel considering a future application by GLPT.

The Board confirmed that the Accepted Settlement Agreement covers all aspects related to the Board approved revenue requirement for year 2010, except for one unsettled issue. The Board recognizes the parties’ agreement that the Accepted Settlement Agreement shall not be affected by the Board's determination in regard to the one unsettled issue.

THE TAX ALLOWANCE

THE UNSETTLED ISSUE

The unsettled issue relates to the question of whether GLPT is entitled to recover an income tax allowance in the amount of $1,729,806 for the 2010 Test Year.

Parties took issue with the request to recover the tax allowance for a number of reasons and argued that the tax allowance should either be denied or reduced as a result of some of the following arguments, summarized here in brief:

(a) that the “stand alone” principle had been misapplied by the applicant;
(b) that the income tax allowance was not being used to pay for costs incurred by the applicant;

[1] Decision and Order Proposed Settlement Agreement, p.3

(c) that the corporate structure beyond the taxable partners is relevant to whether a tax allowance should be granted;

(d) that the benefit is created by two entities coming together therefore akin to an affiliate transaction; and

(e) that a decision in favour of the applicant in this case would result in more aggressive tax planning in the regulatory sector.

The submissions of SEC, VECC, and Board Staff are addressed below in the Board's findings which follow.

THE SEC MOTION

On May 12, 2010, SEC filed with the Board on a confidential basis a Notice of Motion and Motion Record seeking orders that:

(a) the Applicants be compelled to provide a full answer to questions on pages 58 and 66 of the Technical Conference held April 14, 2010;

(b) the Applicants be compelled to file the documents requested in SEC Interrogatory #1 and SEC Supplementary Interrogatory #3; and

(c) such further and other relief as the counsel for SEC may advise and this Board may permit.

In Procedural Order 7, dated May 17, 2010, the Board determined that it would treat all materials in relation to the motion as confidential on an interim basis. Factums were filed in confidence by SEC, VECC, Board staff, and GLPT.

The motion was heard orally on Thursday, May 27, 2010, and the proceeding was conducted *in camera*. The parties filed proposed redactions to the various motion materials during the proceeding and filed proposed redactions to the motion day transcript on May 28, 2010. The Board accepted the proposed redactions and a redacted version of the transcript has been placed on the public record.

The Board issued its Motion Decision and Order on May 28, 2010. The Board concluded that the requested information is irrelevant to its consideration of the tax allowance issue and indicated that it would not order production of the requested information. Additional issues were raised during the motion proceeding. SEC raised the following questions:

- whether a tax loss arising from tax deductions should be treated in the same way as a tax loss arising from an operating loss;
- whether the tax situation is akin to an affiliate transaction and therefore whether a sharing of the tax benefits arising would be appropriate; and
- whether a case involving different divisions within a single corporate entity is an appropriate analogy to the partnership arrangement in this case.

The Board made no determination on those matters in the Motion Decision and Order, and indicated that SEC may wish to pursue these aspects of the tax provision issue along with other aspects in the hearing on the unsettled issue.

The Motion Decision and Order set out remaining dates for the proceeding to address the unsettled issue.

The oral hearing on the unsettled issue was held on June 3, 2010. GLPT filed a confidential version of its argument-in-chief as well as a redacted version on June 8, 2010. Board Staff filed its confidential submission on June 15, 2010 and a redacted version was filed on the public record on June 22, 2010. SEC filed its confidential final argument on June 15, 2010, which later was accepted by the applicant without redaction for the public record. GLPT filed its non-confidential reply on June 21, 2010.

CORPORATE STRUCTURE

The two partners that form the GLPT limited partnership are the general partner, GLPT Inc. with a 0.01% interest, and the limited partner, Brookfield Infrastructure Holdings (Canada) Inc. (“BIH”), with a 99.99% interest.[2] GLPT Inc. is a wholly owned subsidiary of BIH.[3] BIH is ultimately owned 60% by Brookfield Infrastructure Partners L.P.[4], a Bermuda based limited partnership[5], and 40% by Brookfield Asset Management Inc.[6]

[2] GLPT LP Factum May 25, 2010 page 2, paragraph 5
[3] Exhibit 4, Tab 3, Schedule 2, page 2, lines 11-12
[4] Transcript, June 3, 2010, page 51, lines 6-8
[5] GLPT’s response to Board staff supplementary interrogatory 15 (i), where the web page was provided as follows: http://www.brookfieldinfrastructure.com/ir_tax.html

The partners of GLPT report their proportionate shares of taxable partnership income from GLPT and file tax returns as corporations with the Canada Revenue Agency, which also administers Ontario corporate tax on behalf of the province.

CONFIDENTIALITY

Throughout the proceeding there have been a number of requests to keep certain material confidential. The business sensitivity of some of the information requested in this proceeding by Board staff and intervenors could convey what might be considered forward-looking statements affecting the valuation of publicly traded companies. As such, the applicant agreed with parties on a set of assumptions on which arguments could be premised such that arguments on the unsettled issue could be placed on the public record.

GLPT acknowledged that BIH's taxable income for 2009 was reduced to nil because the losses in Island Timberlands were sufficient to offset GLPT's income in 2009. Documents on the record of this proceeding and previously filed with the Securities and Exchange Commission in the U.S. confirm these facts for the purposes of the public record.[7]

The applicant further agreed that the submissions of each of the parties could be premised on any of the following assumptions:

(a) that there will be sufficient losses to offset the net income arising from GLPT in 2010 and that these losses will arise from current year losses;
(b) that there will be sufficient losses to offset the net income arising from GLPT in 2010 and that these losses will arise from loss carry forwards; or
(c) a combination of (a) and (b).

Evidence which remains confidential includes: tax return information for the two corporations (GLPT Inc. and BIH Inc.), certain charge determinant data for large customers, and the tax positions of the limited partners of GLPT for 2010.

[6] Exhibit 1, Tab 1, Schedule 12, Page 5 of 6
[7] SEC Redacted Motion Record, Tab 6, Copy of Form 20-F/A for 2009

Using a hypothetical situation and making assumptions in argument for purposes of the test year reduced the need to file arguments in confidence or to make significant redactions, and this approach has assisted this Board in providing a meaningful decision for the public record.

BOARD FINDINGS

The core of the unsettled tax allowance issue is whether and how the “stand alone” principle should be applied in this case. The stand alone principle, in the context of taxes, has been described by the Board as follows:

> In the Board’s view, fairness in ratemaking requires adherence to the principle that a party who bears a cost should be entitled to any related tax savings or benefits.[8]

For the reasons set out below, the Board finds that the stand alone principle is applicable in this case and that the tax allowance arising from the settlement agreement ($1,729,806) will be allowed in rates.

SEC, Board staff, and VECC raised three main arguments in their submissions:

1. The tax allowance is not a real cost.
2. The arrangement is a type of affiliate transaction and therefore ratepayers are entitled to a share of the net benefit arising from the transaction.
3. Approving inclusion of the tax allowance in rates will encourage other utilities to undertake aggressive tax planning which will reduce the focus on utility operations and will reduce the PILs revenue for the province.

We will address each of these arguments.

1. The tax allowance is not a real cost

It has been assumed by the parties, for purposes of argument, that in 2010 current and/or past tax losses in Timberlands will offset the taxable income derived from GLPT for the test year. The intervenors submitted that if the tax is not actually paid to the tax

[8] *Great Lakes Power Limited,* EB-2007-0744, Decision and Order, October 30, 2008, p. 40.

authorities in the test year (or at some future date which is known with some certainty), then it is not a real cost and should not be recovered in rates.

SEC asserted that the stand alone principle was developed in the United States in the context of a standard corporate structure and the associated consolidated tax filing permitted in the United States. SEC further asserted that Canadian tax provisions are more restrictive and, by implication, the stand alone principle may not be applicable to the GLPT situation. In SEC's view, recent case law supports its view that movement away from a standard corporate structure tests the limits of the stand alone principle.

GLPT took the position that the GLPT tax allowance is a real cost: "The income from GLPT has the effect of reducing tax losses that would otherwise be available in the future to offset taxable income arising from Timberlands. A tax liability is incurred."[9]

The Board agrees with GLPT that a tax liability exists and that a tax liability is a real cost which is eligible for recovery. The evidence is clear that the net income earned by GLPT is taxable. This tax liability is derived from the regulated activities of the regulated business GLPT.

Tax losses or deductions from outside the regulated business may result in no tax being paid by a particular entity (depending upon the corporate structure), but that does not mean the tax liability is not a real cost to the regulated business. The benefit of the tax losses arise from expenditures which remain outside the regulated business. Ratepayers have not borne those expenses, and therefore are not entitled to the benefits arising. The Board has addressed this issue in a number of different circumstances in the past. The most recent case involved Great Lakes Power Limited ("GLPL"), a predecessor company to GLPT, and the treatment of tax losses arising from the unregulated business of a different division within the same corporation. In that decision, the Board stated:

> The pre-2007 expenses and losses of GLPL's unregulated businesses were borne by GLPL's shareholder, not ratepayers. It would be fundamentally unfair to take such tax losses into account when setting rates for regulated service. To

[9] GLPT, Reply Argument, p. 2.

> abandon the stand alone principle in this case would give rise to the inappropriate result that rates for regulated service would be affected by the income or loss of a non-regulated business.[10]

Board staff submitted that the prior GLPL case was not applicable because "companies in the electricity sector are no longer permitted to operate under a divisional model."[11] Board staff further submitted that:

> the Board should exercise caution in applying the stand alone principle in this case in the way it did in the GLPL distribution case as it could result in sanctioning a structure that could be a *de facto* divisional organization and no longer permitted.[12]

Although the divisional model is no longer permitted, the analysis in the GLPL case may still be applicable. The legality of the current corporate structure is not an issue before the Board in this proceeding. There has been no evidence that GLPT is operating in contravention of section 71 of the *Ontario Energy Board Act, 1998*. The Board could and would examine such an allegation directly should it be appropriate to do so. The Board will proceed in this case on the assumption that the structure is in accordance with legislated requirements and therefore finds that the analysis in the GLPL is applicable in the current circumstances. Board staff appears to be concerned that allowing the tax provision would in some way sanction a structure which was not otherwise permitted. The Board is satisfied that a decision in this proceeding to permit a tax allowance would not validate a corporate structure if the structure were in fact in contravention of section 71.

The Board further notes that while the GLPL case addressed the situation of a division, this was but one application of the stand alone principle. The principle has been upheld by the Board in other circumstances as well. These proceedings include the 2006 Electricity Distribution Rate Handbook, the Filing Guidelines for March 1, 2002 Distribution Rate Adjustments, Natural Resource Gas Limited (EBRO 496, August 20, 1998), and Consumers Gas (EBRO 376 I and II, January 30, 1981), among others.

[10] *Great Lakes Power Limited*, EB-2007-0744, Decision and Order, October 30, 2008, p. 40.
[11] Board staff, Argument, p. 7.
[12] Board staff, Argument, p. 8.

As a related argument, Board staff suggested that the Board may wish to look further into the corporate structure beyond the partners of GLPT. The Board does not agree. The two partners are taxable corporations in Canada. There is therefore no reason to look further up the Brookfield corporate structure for purposes of determining the tax position.

2. The arrangement is a type of affiliate transaction and therefore ratepayers are entitled to a share of the net benefit arising from the transaction.

SEC submitted that the tax arrangements are in effect a transaction which serves to provide a benefit which neither entity (Timberland and GLPT) can produce individually. For Timberlands, the losses have no current value, only potential future value. It gets present value from its losses through “co-operation” with GLPT. GLPT gets a present benefit by reducing its taxes in co-operation with Timberlands. SEC concluded that the net benefit of $1.7 million (the tax allowance) should be shared 50% with ratepayers. VECC took essentially the same position and made the same recommendation that the net benefit be shared 50% with ratepayers. Board staff also suggested that there be a sharing of the benefit created by Timberlands and GLPT coming together for tax purposes.

GLPT maintained that there was no affiliate transaction involved because the two businesses operate separately and there is no sharing of resources, costs, revenues or management. In GLPL’s view:

> Under the *Income Tax Act*, the requirement for BIH Inc. to file a single tax return accounting for the net income or losses from all partnerships in which it is a partner gives rise to the netting of taxable income and tax losses. This is the product of the tax rules applying and not any actual transaction between two separate and independent businesses.[13]

The Board finds that the tax situation is not in the nature of an affiliate transaction, or a sharing of corporate services. There is evidence on the record that there is some type of market for tax losses, but this is not determinative of whether the tax situation for GLPT represents an affiliate transaction. The Board finds that the actions taken by GLPT and the partners, which flow from the operation of the *Income Tax Act*, cannot be said to

[13] GLPT, Reply Argument, p. 17.

amount to a transaction. Further, the Board agrees with GLPT that the benefit which arises is the tax loss which can be applied against the tax liability. This benefit arises from expenses which are borne not by ratepayers, but by the unregulated business. The Board does not agree that the benefit is created by the entities coming together; the benefit is the tax loss for BIH, which may be used in the present or in the future, depending upon the circumstances, and that arises solely from the expenses of the unregulated business.

3. Approving inclusion of the tax allowance in rates will encourage other utilities to undertake aggressive tax planning which will reduce the focus on utility operations and will reduce the PILs revenue for the province.

SEC submitted that if the Board approved the tax allowance in rates, then the effect could be to encourage "aggressive tax planning" by utilities. In SEC's view this would create two problems: a reduced focus on utility operations and reduced tax intake for Ontario. Board staff also expressed concern about potential tax leakage.

The Board finds that it would not be appropriate to address either of these two issues by denying the inclusion of a tax allowance in rates. Presumably the objective of such an approach would be to provide a disincentive to certain corporate structures. However, such an approach would be indirect at best.

With respect to potential diversion of resources from utility operations to aggressive tax planning, the Board finds that it would be appropriate to address such concerns directly. If there were evidence that a particular structure, or activity, was leading to adverse operating or financial conditions for ratepayers, then the Board would address that directly through licence conditions, or other regulatory instruments. There is no such evidence in the current proceeding.

With respect to potential adverse consequences from a provincial or other tax revenue perspective, the Board concludes that if there are adverse tax implications from an otherwise lawful arrangement, then it is for the tax authorities to address the situation directly through the tax rules.

IMPLEMENTATION

The Board notes that GLPT has a significant balance, approximately $2.5 million, owing to ratepayers in account 1574, Deferred Rate Impact Amounts Account ("DRIAA"). GLPT could use this account to fully offset the increase to its revenue requirement for 2010, resultant of this Decision, without necessitating changes to existing UTRs.

The Board sees benefit to minimizing the number of changes to UTRs where it is appropriate to do so. If GLPT is capable of making the necessary entries to the DRIAA account without necessitating changes to the existing UTRs[14] at this time, the Board would encourage such a proposal. There are currently two other transmission rate applications before the Board, which provide opportunities to more appropriately align and reflect GLPT's 2010 Board approved transmission revenue requirement and charge determinants in the near future.

The Board directs GLPT to file its implementation proposal with the Board and all intervenors. GLPT shall file its implementation proposal within 10 calendar days of the issuance of this Decision. Intervenors shall have 10 calendar days to respond to GLPT's implementation proposal. GLPT should respond as soon as possible to any comments by intervenors, but not later than 7 calendar days after the deadline for comments from intervenors.

If GLPT cannot file an implementation proposal as above, GLPT shall file a draft rate order including the Ontario Transmission Rate Schedules and Revenue Allocators and file a separate exhibit showing clearly the calculation of the uniform transmission rates and revenue allocators. GLPT should provide a clear explanation of all calculations and assumptions used in deriving the amounts used in these exhibits. Such process, if necessary, will be governed by the timelines set out above for the implementation proposal.

COST AWARDS

[14] EB-2008-0272. Order issued January 21, 2010 in Hydro One Networks Inc. set Uniform Transmission Rates effective January 1, 2010.

Of the parties granted intervenor status, VECC, Energy Probe, and SEC requested eligibility to seek an award of costs for participation in this proceeding; the requests were granted.

The Board indicated in its March 25, 2010 Deferral Account Application decision (Board File EB-2009-0409) that cost claims with respect to that proceeding would be addressed in this proceeding.

Parties eligible for costs shall submit their claims on or before Wednesday, August 11, 2010. The cost claim must be filed with the Board and one copy is to be served on GLPT. The cost claims must conform to the Board's practice Direction on Cost Awards.

GLPT should review the cost claims. Objections must be filed with the Board and one copy must be served on the party against whose claim the objection is made, by Wednesday August 18, 2010.

The party whose cost claim was objected to will have until Wednesday August 25, 2010 to respond. Again, a copy of the submission must be filed with the Board and one copy is to be served on GLPT.

GLPT shall pay the Board's costs upon receipt of the Board's invoice.

DATED at Toronto on July 21, 2010
ONTARIO ENERGY BOARD

Original signed by

____
Cynthia Chaplin
Vice Chair and Presiding Member

Original signed by

____
Ken Quesnelle
Member

APPENDIX "A"

ACCEPTED SETTLEMENT AGREEMENT (DATED MAY 17, 2010)

JULY 21, 2010

EB-2009-0408

SETTLEMENT AGREEMENT

MAY 17, 2010

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

TABLE OF CONTENTS

[1] In this Settlement Agreement, "Test Year" refers to the period from January 1 to December 31 of 2010.

PREAMBLE

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

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

The Parties

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

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

The following intervenors did not participate in the Settlement Conference:

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

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

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

Summary of the Proposed Settlement

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

We are pleased to inform the Board as follows:

- Subject to one exception the Parties have reached a comprehensive agreement on all issues.

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

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

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

- <u>OM&A Expense</u>: GLPT initially forecasted it's 2010 OM&A expense at $11,105,600. The Parties have agreed that GLPT's 2010 OM&A expense should be $9,000,000. In addition, the Parties have agreed that for purposes of GLPT's anticipated applications for 2011 and 2012 rates, GLPT will not propose OM&A expense increases in excess of 2.5% in each year.

- <u>Calculation of Capital Cost Allowance ("CCA")</u>: CCA is deducted from income in calculating income tax for recovery. GLPT's initially proposed methodology for calculating CCA resulted in a CCA deduction of approximately $9.7 million. This did not include the increase in rate base that resulted from a revaluation of assets in 1996. The Parties have agreed that the calculation of CCA for regulatory purposes commencing in 2010 should be derived from the UCC balances that resulted from the March 12, 2008 asset transfer (which carry forward to the 2010 test year), which GLPT advises effectively includes in the opening UCC post-2008 the upward revaluation of assets from 1996. This is to the benefit of the ratepayer and equates UCC values for tax and regulatory purposes. As a result, the CCA deduction to be used in calculating GLPT's income tax provision for recovery in the 2010 Test Year will be approximately $11.7 million. The impact of this change on the income tax provision that GLPT seeks to recover for the Test Year is a reduction of $872,275.

- Capital Structure: GLPT initially proposed a transition over a two year period from its current capital structure of 55% debt and 45% equity to a structure of 60% debt and 40% equity, with a 2010 Test Year structure of 57.5% debt and 42.5% equity and no short term debt component in either year. During the course of the proceeding GLPT revised its proposal so as to seek no change from its current capital structure. The Parties have agreed on a transition over a two year period whereby GLPT's capital structure for the 2010 Test Year will be 53.5% long-term debt, 4% short-term debt and 42.5% equity. For 2011 GLPT will adopt a structure comprised of 56% long-term debt, 4% short-term debt and 40% equity.

- Implementation Date: GLPT's existing rates have been declared by the Board to be interim as of January 1, 2010. The Parties have agreed on a January 1, 2010 effective date for GLPT's revised 2010 electricity transmission rates.

- Deferral Account for Unrecovered Plant: In addition to a small balance in Account 1505 that GLPT initially proposed to disburse to the credit of ratepayers, arising from the recovery of costs related to asset retirement, for purposes of obtaining a complete settlement of all issues but one, the Parties have agreed that GLPT will return $3,063,900 from Account 1505 to ratepayers in consideration of settlement. This represents the costs recovered in respect of asset retirement that relate to the revaluation of assets in 1996. This amount will be disbursed to ratepayers over a 5-year period beginning in the 2010 Test year, with interest as normally calculated.

- Revenue Requirement: As a result of the changes described above, GLPT's overall proposed revenue requirement for the 2010 Test Year has changed from its proposal of $38,915,026[2] to the currently agreed upon proposal of $35,148,818.

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

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

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

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

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

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

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

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

ISSUES

1 Rate Base

1.1 Rate Base for the Test Year

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

1.2 Capital Expenditures 2010

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

1.3 Capital Expenditures 2009

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

1.4 Capital Expenditures 2008

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

1.5 Capital Expenditures 2007

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

1.6 Working Cash Allowance

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

2 Cost of Capital for the Test Year

2.1 Cost of Debt

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

2.2 Cost of Equity

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

2.3 Capital Structure

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

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

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

3 Cost of Service for the Test Year

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

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

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

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

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

3.1 Operations, Maintenance & Administration

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

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

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

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

GLPT has accepted the challenge of reducing its forecasted OM&A in light of this settlement. GLPT has undertaken a preliminary review of its forecasted OM&A expenditures and is confident that it will be able to reduce its forecasted expenditures without putting the safety, reliability or sufficiency of its service at risk and without affecting its ability to maintain compliance with applicable regulatory requirements now in effect. In addition, GLPT will consider whether certain of its forecasted OM&A expenditures may be appropriately transferred to the Renewable Energy Deferral Account established pursuant to EB-2009-0409. The Parties have agreed that any OM&A expenditures that GLPT transfers to such deferral account will be subject to the Board's determinations with respect to that account, and will be recoverable from ratepayers if and only if the Board determines that the expenditures were appropriate included in the account.

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

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

3.2 Depreciation and Amortization

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

3.3 Capital, Property and Income Taxes

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

In its initial application, GLPT:

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

Capital and Property Tax

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

Income Tax

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

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

The Parties have agreed that the calculation of CCA for regulatory purposes commencing in 2010 should incorporate the income tax effect of the 2008 sale, which increases the UCC available for deduction as of March 12, 2008 and effectively includes in the opening UCC post-2008 the upward revaluation of assets from 1996. As a result, the Parties agree that the CCA deduction to be used in calculating GLPT's income tax provision for recovery in the 2010 Test Year is approximately $11.7 million.

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

4 Revenues and Charge Determinant Forecast

4.1 Revenues and Charge Determinant Forecast

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

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

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

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

Approval:

Parties in Support: N/A

Parties Taking No Position: SEC, VECC, Energy Probe

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

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

5 Rate Recovery of Revenue Requirement

5.1 Rate Implementation Date

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

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

1-1-2	Application

5.2 Cost Allocation

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

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

8-2-1	Calculation of Uniform Transmission Rates

5.3 Revenue Deficiency Deferral Account

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

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

6 Variance and Deferral Accounts

6.1 Existing Variance and Deferral Accounts

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

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

Account 1505 - Unrecovered Plant

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

Account 1508 - Other Regulatory Assets

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

Account 1574 - Deferred Rate Impact Amounts

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

Accounts 1562 and 1592 - Changes in Large Corporations Tax

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

Account 1572 - Extraordinary Event Costs

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

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

6.2 New Variance and Deferral Accounts

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

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

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

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

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

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

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

Approval:

Parties in Support: Energy Probe, SEC, VECC

Parties Taking No Position: N/A

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

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

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

6.3 Disbursal of Existing Variance and Deferral Accounts

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

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

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

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

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

Approval:

Parties in Support:	Energy Probe, SEC, VECC
Parties Taking No Position:	N/A

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

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

APPENDIX 'A'

ISSUES LIST

ISSUES LIST

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

APPENDIX 'B'

REVENUE REQUIREMENT WORK FORM - REVISED TO REFLECT SETTLEMENT AGREEMENT

REVENUE REQUIREMENT WORK FORM

Ontario

Name of LDC: Great Lakes Power Transmission LP (1)

File Number: EB-2009-0408

Rate Year: 2010 *Version:* *1.0*

Table of Content

Notes:

(1) Pale green cells represent inputs

(2) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***

Ontario

REVENUE REQUIREMENT WORK FORM

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

Data Input (1)

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

Notes:

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

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)
(2) 4.0% unless an Applicant has proposed or been approved for another amount.
(3) Net of addbacks and deductions to arrive at taxable income.
(4) Average of Gross Fixed Assets at beginning and end of the Test Year
(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
(6) Updated CCA is $11,667,316 instead of $9,725,800, an increase of $1,941,516 in CCA deduction available

Ontario

REVENUE REQUIREMENT WORK FORM

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

Rate Base

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

Line No.	(1) Allowance for Working Capital - Derivation		Application	Adjustments	Per Board Decision
6	Controllable Expenses		$11,105,600	($2,105,600)	$9,000,000
7	Cost of Power		$ -	$ -	$ -
8	Working Capital Base		$11,105,600	($2,105,600)	$9,000,000
9	Working Capital Rate %	(2)	3.61%		4.46%
10	Working Capital Allowance		$401,200	$ -	$401,200

Notes

(2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.

(3) Average of opening and closing balances for the year.

REVENUE REQUIREMENT WORK FORM

Ontario

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

Utility Income

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

Notes

(1)

Other Revenues / Revenue Offsets		
Specific Service Charges	$ -	$ -
Late Payment Charges	$ -	$ -
Other Distribution Revenue	$ -	$ -
Other Income and Deductions	$7,200	$7,200
Total Revenue Offsets	$7,200	$7,200

REVENUE REQUIREMENT WORK FORM

Ontario

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

Taxes/PILs

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

Notes

Ontario

REVENUE REQUIREMENT WORK FORM

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

Capitalization/Cost of Capital

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

Notes

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

REVENUE REQUIREMENT WORK FORM

Name of LDC: Great Lakes Power Transmission LP

File Number: EB-2009-0408

Rate Year: 2010

Ontario

Revenue Sufficiency/Deficiency

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

Notes:

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

The deficiency reflected in the table above does not reflect collection or repayment of any regulatory assets or liabilities

REVENUE REQUIREMENT WORK FORM

Ontario

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

Revenue Requirement

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

Notes
(1) Line 11 - Line 8

Ontario

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

		Selected Delivery Charge and Bill Impacts Per Draft Rate Order								
		Monthly Delivery Charge					**Total Bill**			
		Current	Per Draft Rate Order	Change $	Change %		Current	Per Draft Rate Order	Change $	Change %
Residential	**800 kWh/month**			$ -					$ -	
GS < 50kW	2000 kWh/month			$ -					$ -	

Notes: