

PARRY SOUND POWER

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A Member of:



Parry Sound
Energy Services Corp.

Parry Sound
PowerGen Co.

October 15, 2010

Delivered By Courier

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

**Re: Parry Sound Power Corporation (EB-2010-0140)
2011 Electricity Distribution Rate (Cost of Service) Application**

Dear Ms. Walli:

Parry Sound Power Corporation hereby submits its Cost of Service Rate Application, based on a 2011 forward test year, for Electricity Distribution Rates to be effective May 1, 2011 (the "Application"). This Application is filed in accordance with the Ontario Energy Board's (the "Board's") *Filing Requirements for Transmission and Distribution Applications*, issued June 28, 2010. Please find enclosed two hard copies of the Application. An electronic copy of the full application in PDF format and required models in Excel format will be submitted through the Board's *Regulatory Electronic Submission System* ("RESS").

This 2011 Electricity Distribution Rate (Cost of Service) Application is respectfully submitted for the Board's consideration.

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Parry Sound Power Corporation
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Mr. Miles Thompson
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PARRY SOUND POWER CORPORATION
APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES
EFFECTIVE MAY 1, 2011

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APPLICATION

IN THE MATTER OF the Ontario Energy Board Act, 1998,
being Schedule B to the Energy Competition Act, 1998, S.O.
1998, c.15;

AND IN THE MATTER OF an Application by Parry Sound
Power Corporation to the Ontario Energy Board for an Order or
Orders approving or fixing just and reasonable rates and other
service charges for the distribution of electricity as of May 1,
2011.

Title of Proceeding: An application by Parry Sound Power Corporation for an
Order or Orders approving or fixing just and reasonable
distribution rates and other charges, effective May 1, 2011.

Applicant's Name: Parry Sound Power Corporation

Applicant's Address for Service: **125 William Street**
Parry Sound Ontario P2A 1V9
Attention Calvin Epps, President

Telephone: 705 746-5866
Fax: 705 746-7789
Email: cepps@pspower.ca

1. Introduction

(a) The Applicant is Parry Sound Power Corporation (referred to in this Application as the "Applicant" or PSP). The Applicant is a corporation incorporated pursuant to the Ontario *Business Corporations Act* with its head office in the Town of Parry Sound. The Applicant carries on the business of distributing electricity within the Town of Parry Sound.

(b) The Applicant hereby applies to the Ontario Energy Board (the "OEB") pursuant to Section 78 of the *Ontario Energy Board Act, 1998 (the "OEB Act")* for approval of its proposed distribution rates and other charges, effective May 1, 2011. A list of requested approvals is set out in Exhibit 1, Tab 1, and Schedule 5.

(c) Except where specifically identified in the Application, the Applicant followed Chapter 2 of the OEB's Filing Requirements for Transmission and Distribution Applications dated June 28, 2010 (the "Filing Requirements") in order to prepare this application.

2. Proposed Distribution Rates and Other Charges

(a) The Schedule of Rates and Charges proposed in this Application is identified in Appendix A attached to this application and Exhibit 9, Tab 1, and Schedule 6, and the material being filed in support of this Application sets out PSP's approach to its distribution rates and charges.

3. Proposed Effective Date of Rate Order

(a) The Applicant requests that the OEB make its Rate Order effective May 1, 2011 in accordance with the Filing Requirements.

4. The Proposed Distribution Rates and Other Charges are Just and Reasonable

(a) The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

1 the proposed rates for the distribution of electricity have been prepared in
2 accordance with the Filing Requirements and reflect traditional rate
3 making and cost of service principles;

4 the proposed adjusted rates are necessary to meet the Applicant's Market Based
5 Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILs")
6 requirements;

7 there are no impacts to any of the customer classes or consumption level
8 subgroups that are so significant as to warrant the deferral of any
9 adjustments being requested by the Applicant or the implementation of
10 any other mitigation measures;

11 the other service charges with exception of the temporary service charges
12 proposed by the Applicant are the same as those previously approved by
13 the OEB; and

14 such other grounds as may be set out in the material accompanying this
15 Application Summary.

16

5. Relief Sought

- (a) The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in Exhibit 1, Tab 1, and Schedule 2, Appendix A to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective May 1, 2011, or as soon as possible thereafter; and

6. Form of Hearing Requested

- (a) The Applicant requests that this Application be disposed of by way of a written hearing.

DATED at Parry Sound, Ontario, this 15th day of October, 2010.

All of which is respectfully submitted,

Parry Sound Power Corporation

Calvin Epps
President, Parry Sound Power Corporation

APPENDIX A
SCHEDULE OF PROPOSED RATES AND CHARGES

Residential		
Service Charge	\$	23.97
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/kwh	0.0191
LRAM and SSM Rate Rider	\$/kwh	0.001
Low Voltage Service Rate	\$/kwh	0.0010
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory Asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0054
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0047
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25
General Service Less Than 50 KW		
Service Charge	\$	36.01
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/kwh	0.0148
LRAM and SSM Rate Rider		0.0006
Low Voltage Service Rate	\$/kwh	0.0007
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory Asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0049
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0043
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25
General Service 50 KW to 4,999 KW		
Service Charge	\$	237.51
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/KW	4.745
LRAM and SSM Rate Rider		0.523
Low Voltage Service Rate	\$/KW	0.3710
Regulatory asset Recovery	\$/KW	
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Retail Transmission Rate-Network Service Rate	\$/KW	1.9979
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.7032
Retail Transmission Rate-Network Service Rate-Interval Metered	\$/KW	2.3775
Retail Transmission Rate-Line and Transformation Connection Service Rate-Interval Metered	\$/kwh	2.0659
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$	0.0013
Standard Supply Service-Administrative Charge (if applicable)		0.25

Unmetered Scattered Load		
Service Charge (per customer)	\$	23.33
Distribution Volumetric Rate	\$/kwh	0.0523
LRAM and SSM Rate Rider		0.0773
Low Voltage Service Rate	\$/kwh	0.0009
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0049
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0043
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25
Sentinel Lights		
Service Charge	\$	4.92
Distribution Volumetric Rate	\$/KW	19.0674
LRAM and SSM Rate Rider		0
Low Voltage Service Rate	\$/KW	0.3569
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Regulatory Asset Recovery	\$/KW	0
Retail Transmission Rate-Network Service Rate	\$/KW	1.5144
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.3441
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25
Street Lighting	\$	
Service Charge (per connection)	\$/KW	1.27
Distribution Volumetric Rate	\$/KW	12.7683
LRAM and SSM Rate Rider		0
Low Voltage Service Rate	\$/KW	0.3313
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Regulatory Asset Recovery	\$/KW	
Retail Transmission Rate-Network Service Rate	\$/KW	1.5067
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.3166
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25
microFIT GENERATOR SERVICE CLASSIFICATION		
Service Charge	\$	5.25
LOSS FACTORS		
Total Loss Factor – Secondary Metered Customer < 5,000 kW		1.0809
Total Loss Factor – Secondary Metered Customer > 5,000 kW		N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW		1.0700
Total Loss Factor – Primary Metered Customer > 5,000 kW		N/A

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ALIGNMENT OF RATE YEAR TO CALENDAR YEAR

BACKGROUND

PSP is seeking approval for rates applied for in this application with an effective rate date of May 1, 2011.

However, in its letter dated April 15, 2010, the Ontario Energy Board (the "Board") advised distributors that it would hear the merits of aligning the rate year with the fiscal year for distributors on a case-by-case basis. Parry Sound is seeking approval for rates effective January 1, 2012 for any rates filed subsequent to this "Cost of Service" application. This would align the rates with PSP's fiscal year which is also the calendar year.

The Board requires all electricity distributors to produce audited financial statements and a trial balance in the Uniform System of Accounts ("USofA") based on the calendar year.

Thus the fiscal year for electricity distributors is the calendar year. The rate year for electricity distributors has evolved. Up until 2000, the rate year always commenced on January 1. In 2000, the Board released the Electricity Distribution Rate Handbook which changed the rate year to March 1. This remained until 2004, at which time the Board changed the rate year to April 1. For 2006, the Board released the 2006 Electricity Distribution Rate Handbook which changed the rate year to May 1, where it has remained for most distributors. Throughout this period of time, the fiscal year for distributors did not change. The changes for the rate year were generally based on administrative practices and to align distribution rate changes with commodity rate changes.

PSP is now proposing that its next IRM rate application has a rate effective date of January 1, 2012 to once again align with its fiscal year. This issue has been a concern for PSP for a number of years.

ISSUES TO BE ADDRESSED

Appendix B of the April 15, 2010 letter from the Board provided examples of the issues that should be addressed. Following is a discussion of those issues.

1. What are the benefits to the distributor of changing the rate year to match the fiscal year?

Aligning the rate year and the fiscal year will eliminate a number of issues for PSP. As noted by Enersource Hydro Mississauga ("Enersource") in proceeding EB-2009-0193, distributors must explain results to the investment community. This is true not only for "public issuers" such as Enersource but also distributors such as Parry Sound who must report results to holders of credit facilities and the company's shareholder. The Enersource Decision stated:

"While the Board accepts Enersource's argument that aligning its rate year with its financial year would simplify reporting to the investment community and thus sees merit in the request, the Board believes that other distributors, particularly those that are reporting issuers, may also be interested in a change in rate year to January 1."

Explanations of financial results are complicated if the revenues are not aligned with the costs, particularly in a year with a cost of service rate application. This misalignment means that explanations must include a discussion about the impact of the stub periods from the previous rate year, and makes it more difficult to explain the company's financial performance in a transparent manner.

Furthermore, in filing a cost of service rate application, there are a number of added complexities if the costs are from January to December, but the associated revenues will not be collected until May through to April of the next year. Typically the final Board Decision for a May 1 rate change would not occur until April. This is more than a quarter of the way into the year in which the costs are to be incurred. If the Board denies costs in the rate proceeding, there could be costs that the distributor has already incurred in the first four months of the year. If the distributor defers some spending (e.g. the hiring of new staff) until the Board's Decision, it may

1 fall short of its planned spending for that year, not be able to complete all its planned work and
2 have variances to explain.

3
4 There are also complexities to consider with respect to the calculation of Payments in Lieu of
5 Taxes. Under the current rate year, the PILs allowance is collected from May of one year to
6 April of the next year, for a tax year that is from January to December. Any "stub period" issues
7 are ignored. This was identified in the 2006 Electricity Distribution Rate Handbook.

8
9 These issues and complexities are all resolved if the rate year and the time period in which the
10 costs will be incurred are the same. One benefit to the Board of having some distributors
11 seeking rates effective January 1, while others have May 1 effective rates, is that this will
12 stagger the rate applications somewhat in any given year, and therefore spread out the
13 workload at the Board.

14
15 *2. What would be the implications of such a change from a ratepayers' perspective? For*
16 *example, is it a concern that electricity consumers would see more frequent rate changes?*

17
18 From PSP's perspective, having distribution rate changes at a different time from commodity
19 rate changes will result in greater clarity and transparency for customers regarding distribution
20 related rate adjustments versus rate changes due to other factors, including commodity rate
21 changes that are established by the Board. This is a particularly relevant distinction for a
22 municipally-owned distributor like Parry Sound.

23
24 PSP agrees that the frequency of rate changes needs to be considered, but notes that it has
25 been normal practice to have quarterly rate changes within the gas industry related to the
26 Quarterly Rate Adjustment Mechanism ("QRAM"), and that the use of rate riders that start and
27 stop at different times often results in rate changes throughout the year. Typically, with the
28 proposed approach, distribution rates would change on January 1 and commodity rates would
29 change on May 1 and November 1. If there is a need to change any other regulated rates, this
30 could occur at any of these three dates, perhaps providing more flexibility for a distributor to
31 align its retail transmission rates with the wholesale transmission rate changes, which Hydro
32 One Networks Inc. has recently applied to revise as of January 1, 2011.

1 PSP notes that as a result of this one-time transition, PSP will have small rate riders carrying on
2 from December 31, 2011 to April 30, 2012, and an example would be the lost revenue
3 adjustment mechanism. Furthermore, while not part of PSP's Board-approved rate order, the
4 special purpose charge related to the Ministry of Energy and Infrastructure conservation
5 assessments would continue in 2011.

6
7 *3. Under a Cost of Service mechanism, what are the specific issues from a ratemaking*
8 *perspective of transitioning to a rate year that would be aligned with the fiscal year, and*
9 *how should these issues be specifically addressed?*

10
11 PSP is seeking alignment of the rate year and calendar year effective 8 months after the COS
12 rates are effective. Simply put PSP is seeking COS rates effective May 1, 2011. Any 3rd GIRM
13 rates would become effective January 1, 2012. From this date forward PSP will then be in line
14 for rate and calendar year.

15
16 *4. What would be the specific issues relating to the timeliness of existing filing requirements*
17 *such as bridge year information, audited financial statements, RRR reporting, tax returns, and*
18 *review and disposition of deferral and variance account balances, and how should these be*
19 *specifically addressed?*

20
21 By April 30 of each year, audited financials, the trial balance in the USofA and performance
22 based regulation reporting have all been filed with the Board for the prior year. Variance and
23 deferral account balances are determined as part of the audited financials and therefore are
24 available by April 30. Service quality indicators are filed by March 31. The tax return is available
25 by no later than June 30, but again the specific information related to the return is available for
26 internal use earlier.

1 *5. Is there merit in considering the alignment during a Cost of Service application but having the*
2 *implementation of the alignment take effect on January 1st of the following year as part of the*
3 *distributor's first IRM-based adjustment?*

4
5 As stated in reply to question 3 above, PSP is in agreement with this method of alignment, the
6 first IRM year following cost of service.

SPECIFIC APPROVALS REQUESTED:

In this proceeding, PSP is requesting the following approvals:

➤ Approval to charge rates effective May 1, 2011 to recover a service revenue requirement of \$2,714,943 which includes a revenue deficiency of \$791,616 as set out in Exhibit 1 and Exhibit 6, respectively. The schedule of proposed rates is set out in Exhibit 1.

➤ Approval of the Applicant's proposed change in capital structure to a deemed common equity component of 40.0% and a deemed debt component of 60.0%, as set out in Exhibit 5, consistent with Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006;

➤ Approval of the proposed loss factor as set out in Exhibit 8;

➤ Approval to continue to charge the low voltage rates as included in the Board's Decision and Order of April 28, 2010 Parry Sound Power's 2nd Generation Incentive Rate Mechanism ("IRM") application.

➤ Approval to continue to charge the revised **Retail Transmission Service Rates** as calculated in the Board's RTSR workform model. PSP expects The Board to advise PSP to adjust these rates to reflect approved future changes to the UTRs

➤ Approval to continue the Specific Service Charges and Transformer Allowance approved in the OEB Decision and Order in the matter of PSP's 2010 Distribution Rates (EB-2009-0207) and

➤ Approval to dispose of the following Deferral and Variance Account Balances as at December 31, 2009 plus interest forecasted to April 30, 2011 over a one year period using the method of recovery described in Exhibit 9:

1508 Other Regulatory Assets-

1	1518	Retail Cost Variance Account
2	1548	Retail Cost Variance Account (STR)
3	1550	Low Voltage Variance
4	1590	Regulatory Asset Recovery
5	1580	Wholesale Market Service Charges Variance
6	1582	One-Time Charges Variance
7	1584	Transmission Network Variance
8	1586	Transmission Connection Variance
9	1588	Power Variance

DRAFT ISSUES LIST:

The Applicant would expect, based on previous regulatory experience and other hearings, that the following matters pertaining to the 2011 Test Year may constitute issues in this Application:

- The amount of PSP's proposed revenue requirement
- The 2011 capital budget
- The 2011 operations, maintenance and administration budget.
- The 2011 load forecast
- The treatment of PSP's HST
- The appropriateness of PSP's proposed cost allocation-related adjustments to class-specific revenue requirements, reflected in the proposed distribution rates;
- The approval of PSP's smart meter rate adder change;
- PSP's treatment of "Shared Services" and reorganization of corporate structures;
- PSP's SSM and LRAM rate adder and calculation, and
- Alignment of rate year and calendar year commencing January 1, 2012 in conjunction with the 2012 3rd Generation Incentive Rate Mechanism PSP is seeking approval for the rates set out in this application to become effective May 1, 2011.

PROCEDURAL ORDERS/MOTIONS/NOTICES:

On March 12, 2007, the OEB issued its report "*LDC Screening Methodology to Establish a Rebasing Schedule for Electricity LDCs*" (the "Report"). The purpose of the Report was "*to describe the criteria to be considered in determining which electricity distributors to engage in proceedings before the Board for rebasing to establish rates for each of the years 2008, 2009 and 2010*" and to establish the next steps and timelines for filing. Section 3.3 of the Report provided an opportunity for LDCs to "self-nominate" to be rebased in a particular year.

In 2008, PSP filed a self-nomination request for rebasing in 2009.

PSP filed a complete cost of service application on August 18, 2008 Board File

No. EB-2008-0240. Further to the filing and matters beyond PSP's Management Control the application for rates effective May 1, 2009 was withdrawn.

In the letter of January 29, 2009 the Board indicated their decision to extend

the number of years for rebasing to include 2010 and 2011 rate years. The Board

recognized the cost of service process is effort intensive for applicants, the Board and

intervenors. Accompanying this letter were preliminary lists of electricity distributors

selected to rebase in 2010 and 2011 attached as Schedule A and B respectively.

Subsequently, in Board File No. EB-2009-0028, the OEB issued the final list of distributors that will be rebased in 2010 and 2011. PSP is on the 2011 list.

1 **ACCOUNTING ORDERS REQUESTED:**

2 PSP is not requesting Accounting Orders in this proceeding.

1 **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS:**

- 2 PSP has followed the accounting principles and main categories of accounts as stated in the
- 3 OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts
- 4 ("USoA") in the preparation of this Application.

DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM:

Description of Distributor:

PSP operates an electrical distribution system with a total service area of 15 square kilometers of urban service territory within the Town of Parry Sound. The service area population is approximately 6,500 people and we have approximately 128 kilometers of line which includes 117 kilometers of overhead and 11 kilometers of underground lines. PSP is a winter peaking utility. The 2009 winter peak was 19,170 kW with an average for the 2009 year of 14,410 kW. PSP delivers electricity to approximately 3,300 customers.

PSP does not have any embedded utilities within its service area.

Parry Sound is bounded by Hydro One.

PSP is an embedded distributor within Hydro One's service territory.

PSP is a registered Market Participant dealing directly with the IESO.

A map of the PSP's Distribution Service Territory accompanies this Schedule as Appendix B.

A schematic diagram of PSP's distribution system is attached in Appendix C.

APPENDIX B
MAP OF DISTRIBUTION SERVICE TERRITORY

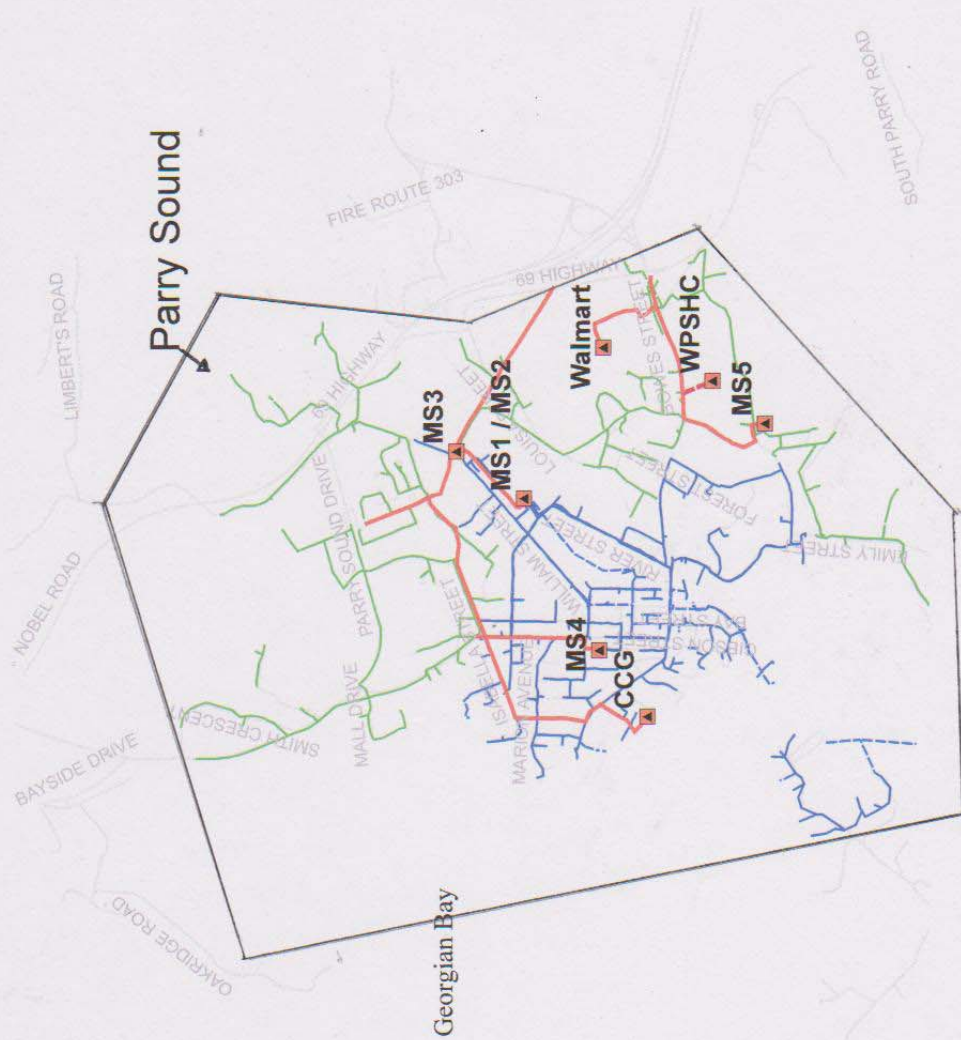
MAP OF DISTRIBUTION SERVICE TERRITORY

The outlined area represents the Town of Parry Sound.



APPENDIX C

MAP OF DISTRIBUTION SYSTEM



UTILITY ORGANIZATIONAL STRUCTURE:

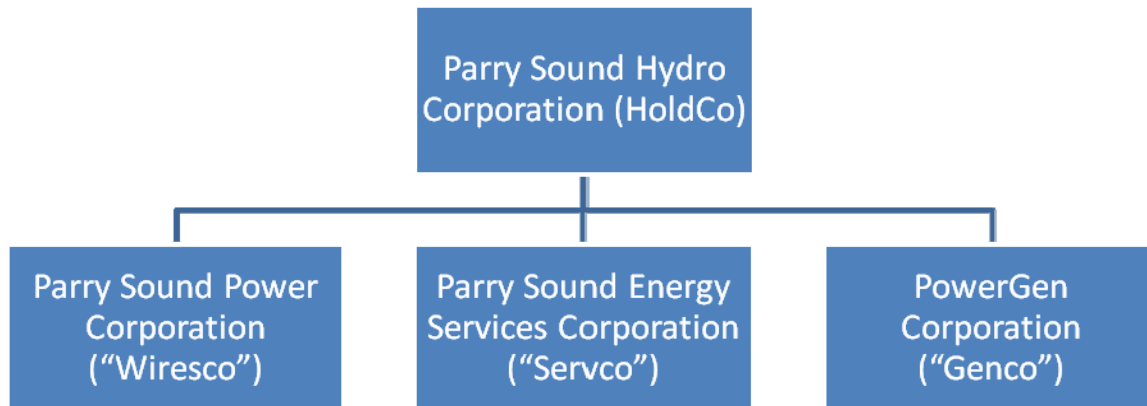
Parry Sound Hydro Corporation ("Holdco"), and its wholly owned subsidiaries Parry Sound PowerGen Corporation ("Genco"), Parry Sound Power Corporation ("Wiresco") and Parry Sound Energy Services Corporation ("Servco") were all incorporated under the Ontario Business Corporations Act on October 31, 2000. On November 1, 2000, pursuant to Section 142 of the Electricity Act, 1998 and in accordance with By-Law 2000-4303 of the Corporation of the Town of Parry Sound (the "Town"), all of the assets, liabilities, employees, rights and obligations of the Parry Sound Public Utility Commission (the "Commission") were transferred to Holdco and its subsidiaries.

The board of directors for Holdco consists of a representative from the Town of Parry Sound and five appointed members. The subsidiary boards are selected by the Holdco Board.

In accordance with various regulations of the province of Ontario, Holdco, Wiresco, Genco and Servco became taxable entities on October 1, 2000 and became responsible for making payments in lieu of taxes, equivalent to federal and provincial income and capital taxes, to the Ontario Electricity Financial Corporation, to pay down the residual debt of the former Ontario Hydro.

The directors annual compensation is allocated directly to each subsidiary company quarterly at cost.

CORPORATE ENTITIES RELATIONSHIP CHART



Parry Sound Hydro Corporation owns the building and property located at 125 William Street, Parry Sound, Ontario. Holdco rents the premises to Parry Sound Energy Services. Holdco general operating costs are allocated to PSES quarterly on a cost basis.

Parry Sound Power Corporation currently operates as an electrical distributor within the Town of Parry Sound. Parry Sound Power Corporation has no employees. It rents office space and administrative staff from its sister corporation PSES. PSP purchases man hours and equipment time from its affiliate PSES. As of January 1 2011 PSP while becoming complaint with the ARC will employ staff and hold all necessary equipment to operate the LDC as set out in The Board's response to PSP ARC exemption application.

1 **Parry Sound Energy Services Corporation (“PSES”)** owns the motor vehicles, general office
2 equipment and rental water tank inventory, employs 12 full-time staff. PSES provides services
3 to Hydro, PGEN and PSP. PSES also operates a water heater rental program, performs
4 streetlight, traffic light and tree trimming services for the Town and performs similar services for
5 individuals at competitive rates. In addition, PSES also provides meter reading and billing
6 services related to water and sewage for the Town of Parry Sound. PSES is a service based
7 business but does not retail electricity.

8
9 **Parry Sound PowerGen Corporation (“PGEN”)** owns the generating assets, building, fixtures,
10 land, control dams and maintains the watershed. A rental building and related land is also
11 included. PGEN is responsible for those activities relating to the generation of power. PGEN
12 sells electricity generated at the spot market price.

1 PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE:

2 PSP currently has plans to change to the corporate structures. PSP filed an application seeking
3 exemptions to sections of the current Affiliate Relationship Code in April 2009. A subsequent
4 denial of the application was issued by the board in October 2009. Therefore changes to our
5 current operational structures are required. To determine the best results for our customers
6 PSP's Board of Directors and management have engaged subject matter experts. To ensure
7 compliance best business practices and policies are in order, management plans to enable the
8 new operational structure January 1, 2011. Further to the operational regime identified in the
9 corporate chart above, Parry Sound Energy Services (PSES) currently supplies staffing, vehicle,
10 equipment, office and operational building space along with management oversight which will
11 cease to exist as of December 31, 2010. Any monetary synergies currently associated with the
12 combined operational entities will cease as well. PSP's 2011 revenue requirement forecast also
13 reflects these changes. In general terms the operational structure will see changes from PSES
14 to PSP initially involving staff resources, vehicle and equipment, office furniture and equipment,
15 building and storage areas. The final plans are not complete, however, Parry Sound Power's
16 Board of Directors have mandated ARC compliance by January 1, 2011. The compliance
17 exercise to achieve compliance is estimated to cost PSP \$100,000 which is proposed in this
18 rate application for recovery over the four year rate period.

1 **STATUS OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS:**

2 At this time there are no Board Directives from previous Board decisions.

Conditions of Service/Service Charges

A copy of PSP's latest (current) version of its Conditions of Service was filed separately with the Board on August 1, 2008. PSP is a member of the Cornerstone Hydro Electric Concepts Association Inc. (CHEC) group which reviews and changes our Conditions of Service in accordance with changes to the Distribution System Code and Guidelines set out by the Ontario Energy Board. A copy of the condition of service can be located on our website at:
<http://www.pspower.ca/service.asp>

PRELIMINARY LIST OF WITNESSES:

- 1
- 2 While PSP requests that this Application be disposed of by way of a written hearing, should a
- 3 technical conference or an oral hearing be necessary PSP will provide a list of potential
- 4 witnesses as required.

SUMMARY OF THE APPLICATION:

PSP is committed to providing reliable, safe cost effective electricity to our customer base. Current rates will result in actual Return on Equity in 2010 and 2011 well below levels currently approved by the OEB. The rate increases requested in this application are required to:

- 1) Enable necessary capital investment levels in infrastructure, as listed in PSP's Asset Management Plan & Strategy (included in Exhibit 2), and which ensure a safe and reliable distribution system. PSP's documented asset management plan includes a five (5) year capital and maintenance plan derived from operational staff knowledge of the system and an asset condition assessment provided by Rodan Energy Solutions Inc.
- 2) Continue with training programs that ensure health and safety for staff and community members.
- 3) Manage staffing levels and skills to ensure regulatory compliance, ESA compliance, promote conservation programs, meet mandate targets for load reduction along with completion of smart meter system and MDMR integration, and implement reporting changes resulting from the adoption of International Financial Reporting Standards (IFRS).
- 4) Provide a reasonable rate of return to the Shareholder.

PSP's Mission Statement is:

To provide safe, reliable, efficient delivery of electrical energy within the Town of Parry Sound while being accountable to our shareholders....the citizens of Parry Sound.

PSP's Vision Statement is:

To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service and performance.

PSP's priorities are defined in its Corporate Goals:

Secure consensus among Management, Board of Directors and Shareholder of PSP on the mission and vision for the future.

Develop and execute a communication plan for management, board members and Shareholder.

Seek community input on our future role.

Continue with the alliances with other local distribution companies. This is accomplished through participating in the CHEC group.

Develop the depth and capability of our personnel to meet the ongoing needs of our existing and any new businesses.

Execute actions that will enhance PSP's ability to meet or exceed the performance based regulation targets set by the Ontario Energy Board and allow PSP to earn the maximum allowable rate of return.

Stay current with industry, sector and regulatory changes.

Investigate and pursue business opportunities that will enhance shareholder value and bring value added services to our customers.

1 *Ensure compliance with ALL Codes and Restrictions.*

2
3 In keeping with the vision to pursue health and safety as one of PSP's priorities and to promote
4 public safety and awareness, PSP has initiated health and safety measures that focus on
5 proactive measures. Our commitment involves the following; documenting meeting content,
6 safety training, monitoring conformance to established standards and policies, determining the
7 effectiveness of safety training, monitoring the resolution of safety recommendations / audits,
8 and identifying and correcting the root causes for deficiencies.

9 Within its service territory, PSP has partnered with local agencies and businesses to deliver
10 innovative conservation and demand management programs.

11 PSP consistently exceeds the Service Quality Indicators ("SQIs") as reported annually to the
12 OEB. The OEB's *Distribution System Code* ("DSC") was amended June 4, 2008 to implement
13 Electricity Service Quality Requirements ("SQRs"); as Chapter 7, Service Quality
14 Requirements, coming into force January 1, 2009. Table 1 below shows PSP's commitment to
15 service and reliability. The table, where applicable, indicates the prior three years numbers. PSP
16 continues to maintain its performance at levels equal to or above the OEB's standard. This table
17 includes the existing customer related SQRs, previously SQIs, as well as the new customer
18 related SQRs; first reporting January 31, 2010 for January to December 2009 time period.

Table 1
PSP's SERVICE QUALITY INDICATORS
AVERAGE PERFORMANCE

Appointments Met – at the appointed time		
SQL Standard: 90% of the time		
2009 Actual	2010 Target	2011 Target
100.00%	100.00%	100.00%
Telephone Accessibility – answered in person within 30 seconds		
SQL Standard: 65% of the time		
2009 Actual	2010 Target	2011 Target
100.00%	100.00%	100.00%
Connection of New Services –within 5 working days		
SQL Standard: 90% of the time		
2009 Actual	2010 Target	2011 Target
100.00%	100.00%	100.00%
Emergency Response – Urban within 60 minutes and Rural within 120 minutes		
SQL Standard: 90% of the time		
2009 Actual	2010 Target	2011 Target
100.00%	100.00%	100.00%
Written Responses to Inquiries – within 10 working days		
SQL Standard: 80% of the time		
2009 Actual	2010 Target	2011 Target
100.0%	100.00%	100.00%

PSP tracks service reliability statistics, including SAIDI (System Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index), and CAIDI (Speed of Power Restoration) including and excluding “Loss of Supply” related incidents. Table 2 below for the statistics that include “Loss of Supply” shows actual results for the past five years and an average of these five years historical performance. For the section that excludes “Loss of Supply”, results are shown for the past three years and an average of these years historical performance. A distributor that has at least three years of data, at minimum, should remain within the range of their historical performance. (“Loss of Supply” statistics were not separated prior to 2006)

Table 2
PSP Service Reliability Indices
(Including Average for Performance Comparisons)

Includes Loss of Supply (Five Years of Statistics – 2005 to 2009)

Index	2005	2006	2007	2008	2009	5 year average
SAIDI	15.539	0.36	0.62	16.47	1.54	6.87
SAIFI	0.054	0.65	3.94	11.26	0.06	3.19
CAIDI	287.239	0.55	0.16	1.46	24.10	65.89

Excludes Loss of Supply (Three Years of Statistics – 2007 to 2009)

Index	2007	2008	2009	3 year average
SAIDI	0.62	14.76	1.54	5.64
SAIFI	3.94	0.77	0.06	1.59
CAIDI	0.16	19.09	24.10	14.45

PSP is committed to the reliability of its distribution system and will follow the recommendations listed in the asset management plan for capital investments in infrastructure and regular maintenance in order to maintain these reliability indices.

Purpose and Need

Parry Sound Power (PSP) filed a 2009 Cost of Service Filing on August 18, 2008. On October 6, 2008 and October 22, 2008 the Board issued Procedural Orders No. 1 and 2 which established dates for Board staff and intervenors to file interrogatories and for PSP to file its responses. PSP has been preparing responses to the interrogatories with a due date of November 28th that were submitted by staff and intervenors. PSP decided to withdraw the 2009 cost of service application for two reasons:

1. the absence of a key staff member will hinder our ability to reply to the interrogatories. The medical decision on the timing of the staff members return is unknown.

2. PSP had a small staff and critical elements of the company's capital and operations budgets for the 2008 bridge and 2009 test years will be difficult to deal with as a result of the absence. PSP recognizes that it will not be able to provide complete responses to all of the interrogatories that have been received. PSP ability to participate fully in the balance of the process associated with PSP's 2009 Cost of Service would have been compromised by this unexpected circumstance. At that time PSP also recognized the requirement for new internal processes and procedures. PSP therefore determined that it would be prudent to withdraw its 2009 Cost of Service Filing, develop and implement new internal operational and budgeting procedures over the next year and then update and revise the current filing as a 2011 Cost of Service Filing.

PSP has recently been denied an application brought before the Board for exemptions to certain sections of the Affiliate Relationship Code (ARC). As a result, PSP will be restructuring effective January 1, 2011. PSP has considered the need to comply with the ARC, maintain our system as outline in our asset management plan and continue to provide a quality service to our customers.

PSP's requested service revenue requirement for 2011 in the amount of ____ includes the recovery of its costs to provide distribution services, its permitted Return on Equity ["ROE"] and the funds necessary to service its debt.

When forecasted energy and demand levels for 2011 are considered, PSP estimates that its present rates will produce a deficiency in gross distribution revenue of ____ for the 2011 Test

1 Year. Should this revenue deficiency continue, PSP will not be able to sustain the capital
2 investment, staffing resources needed to supply reliable customer service, adhere to regulatory
3 regime and train linepersons required to ensure a safe and reliable distribution system. This is
4 also evident in PSP's 2009 audited financial results.

5 Therefore, PSP seeks the OEB's approval to revise its electricity distribution rates. The rates
6 proposed to recover its projected revenue requirement and other relief sought are set out in the
7 remainder of this application. The information presented in this Application is PSP's forecasted
8 results for its 2011 Test Year. PSP is also presenting the historical actual information for fiscal
9 2006, OEB-Approved data for 2006, actual information for fiscal 2007, actual information for
10 fiscal 2008, actual information for fiscal 2009 and forecast results for the 2010 Bridge Year and
11 2011 test year.

12 **Timing**

13 The financial information supporting the Test Year for this Application will be PSP's fiscal year
14 ending December 31, 2011 (the "2011 Test Year"). However, this information will be used to set
15 rates for the period May 1, 2011 to April 30, 2012.

16 **Customer Impact**

17 In preparing this application, PSP has considered the need to comply with the ARC, maintain
18 our system as outline in our asset management plan and continue to provide a quality service
19 to our customers. With respect to cost allocation, PSP has updated the previous Cost Allocation
20 Information Filing using the 2011 forecast. Table 1 below shows the 2011 forecast revenue to
21 cost ratios based on the previous methodology. In addition Table 1 includes PSP's proposed
22 revenue to cost ratios.

23

24

25

26

Table 1

	U p d a t e d O E B C o s t A l l o c a t i o n M o d e l	P r o p o s e d R e v e n u e t o C o s t R a t i o s	B o a r d T a r g e t	
			L o w	H i g h
R e s i d e n t i a l	1 0 2 %	1 0 2 %	8 5 %	1 1 5 %
G S < 5 0 k W	8 5 %	8 5 %	8 0 %	1 2 0 %
G S > 5 0 k W	1 4 8 %	1 4 1 %	8 0 %	1 8 0 %
S e n t i n e l L i g h t i n g	4 0 %	7 0 %	7 0 %	1 2 0 %
S t r e e t L i g h t i n g	1 4 %	2 8 %	7 0 %	1 2 0 %
U S L	4 6 %	8 0 %	8 0 %	1 2 0 %

The results show for PSP's Residential, General Service Less Than 50 and General Service Greater than 50 customer groups the revenue to cost ratio are within the Board's threshold. However, for the Sentinel, Street and Unmetered Scattered Load customers, the current revenue to cost ratio does not fall within the applicable threshold defined by the OEB in the November 28, 2007, Report on Application of Cost Allocation for Electricity Distributors. PSP has updated the Revenue to Cost Ratio for Sentinel light and USL customers to bring them within the OEB approved range in 2011. The Street Light class has been adjusted for the 2011 rate year from 14% to 28% and PSP proposes to further adjust this class to 42% in 2012, 56% in 2013 and 70% in 2014 consistent with previously approved cost of service applications. This will ensure the Street Light class is within the OEB threshold by the next rebasing year. PSP has not moved Street Light to within the approved band until 2014 (70%) as we did with USL and Sentinel Lights in 2011. Increased distribution revenue from these two classes in 2011 and subsequent years will be offset by reductions in distribution revenue from the GS>50 class. Although this class is currently within the targeted revenue-to-cost ratio, the reductions in 2011 and subsequent years will move the revenue-to-cost ratio closer to 100%. Further it is PSP's understanding the board staff are currently reviewing the cost allocation. PSP has moved the street lights closer to the lower end of the target range in 2011. PSP will move to the OEB approved ratio once the board has delivered its decision from the current cost allocation consultation underway.

Customer impacts including the percentage average Total Bill Impact and Average Dollar Impact, which include revised distribution rates [monthly service charge and volumetric rates], continuation with low voltage rates, revised loss factors, and regulatory asset rate riders to dispose of the balances in the Deferral and Variance Accounts requested in this Application

over a one-year period. In addition PSP is requesting a revision to the Smart Meter Rate Adder in this application. Approval for a utility specific Smart Meter Funding Adder of \$ _ per metered customer effective May 1, 2011. Details are set out in Exhibit 9. The inclusion of LRAM/SSM for the recovery amounts through combined Rate Riders as shown below effective May 1, 2011 for recovery over a one-year period as set out in detail at Exhibit 10.

Rate Class	\$/unit (kWh or kW)	Metrics
Residential	0.0010	kWh
GS < 50 kW	0.0006	kWh
GS >50	0.5230	kW
Street Lighting	0.0000	kW
USL	0.0773	kWh

Table 2
RESIDENTIAL BILL IMPACT AT 800 kwh – PERCENT & DOLLAR

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	16.42%
Distribution (kWh)	800	0.0134	10.72	800	0.0191	15.28	4.56	42.54%	10.47%
Low Voltage Rider (kWh)	800	0.0010	0.80	800	0.0010	0.80	0.00	0.00%	0.55%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	1.17%
LRAM & SSM Rider (kWh)	800		0.00	800	0.0010	0.80	0.80	#DIV/0!	0.55%
Deferrral & Variance Acct (kWh)	800	0.0052	4.16	800	0.0102	8.16	4.00	96.21%	5.59%
Distribution Sub-Total			33.47			50.72	17.25	51.55%	34.75%
Retail Transmisssion (kWh)	847	0.0101	8.55	865	0.009015	7.79	(0.76)	(8.87%)	5.34%
Delivery Sub-Total			42.02			58.52	22.01	52.38%	40.09%
Other Charges (kWh)	847	0.0130	11.01	865	0.0130	11.24	0.23	2.10%	7.70%
Cost of Power Commodity (kWh)	600	0.0687	41.24	600	0.0687	41.24	0.00	0.00%	28.25%
Cost of Power Commodity (kWh)	247	0.0687	16.97	265	0.0687	18.19	1.22	7.21%	12.46%
Total Bill Before Taxes			111.23			129.19	23.47	21.10%	88.50%
GST		13.00%	14.46		13.00%	16.79	2.33	16.14%	11.50%
Total Bill			125.70			145.98	25.80	20.52%	100.00%

GS< 50 BILL IMPACT AT 2,000 kwh – PERCENT & DOLLAR

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	12.06%
Distribution (kWh)	2,000	0.0104	20.80	2,000	0.0148	29.60	8.80	42.31%	9.92%
Low Voltage Rider (kWh)	2,000	0.0007	1.40	2,000	0.0007	1.40	0.00	0.00%	0.47%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.57%
LRAM & SSM Rider (kWh)	2,000		0.00	2,000	0.0006	1.20	1.20	#DIV/0!	0.40%
Deferrral & Variance Acct (kWh)	2,000	0.0052	10.40	2,000	0.0100	20.00	9.60	92.30%	6.70%
Distribution Sub-Total			58.89			89.92	31.03	52.69%	30.12%
Retail Transmisssion (kWh)	2,117	0.0092	19.48	2,162	0.00821	17.75	(1.73)	(8.89%)	5.95%
Delivery Sub-Total			78.37			107.67	40.81	52.08%	36.07%
Other Charges (kWh)	2,117	0.0130	27.52	2,162	0.0130	28.10	0.58	2.10%	9.41%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	13.81%
Cost of Power Commodity (kWh)	1,517	0.0687	104.25	1,562	0.0687	107.31	3.06	2.93%	35.95%
Total Bill Before Taxes			251.37			284.30	\$44.45	17.68%	95.24%
GST		5.00%	12.57		5.00%	14.22	1.65	13.10%	4.76%
Total Bill			263.93			298.52	\$46.09	17.46%	100.00%

1 **GS>50 BILL IMPACT AT 30,000 kwh Demand of 100 kw- PERCENT & DOLLAR**

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE	CHARGE	Volume	RATE	CHARGE	Change	Change	% of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	4.84%
Distribution (kV)	100	3.4592	345.92	100	4.7450	474.50	128.58	37.17%	9.67%
Low Voltage Rider (kV)	100	0.371		100	0.3710	37.10	37.10	#DIV/0!	0.76%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.02%
LRAM&SSMRider (kV)	100		0.00	100	0.5230	52.30	52.30	#DIV/0!	1.07%
Deferral & Variance Acct (kV)	100	2.1520	215.20	100	(0.6753)	(67.53)	(282.73)	(131.38%)	(1.38%)
Distribution Sub-Total			733.26			734.88	1.62	0.22%	14.97%
Retail Transmission (kV)	100	3.7011	370.11	100	3.305142	330.51	(39.60)	(10.70%)	6.73%
Delivery Sub-Total			1,103.37			1,065.40	(231.30)	(20.98%)	21.71%
Other Charges (kVh)	31,758	0.0130	412.85	32,426	0.0130	421.53	8.68	2.10%	8.59%
Cost of Power Commodity (kVh)	31,758	0.0654	2,077.81	32,426	0.0654	2,121.50	43.68	2.10%	43.23%
Total Bill Before Taxes			4,697.41			4,673.82	(216.91)	(4.62%)	95.24%
GST		5.00%	234.87		5.00%	233.69	(1.18)	(0.50%)	4.76%
Total Bill			4,932.28			4,907.51	(218.09)	(4.42%)	100.00%

4 **STREET LIGHT BILL IMPACT AT 1,061 connections 72,321 kwh Demand of 202 kw- PERCENT**
5 **& DOLLAR**

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	1,061	0.4100	435.01	1,061	1.2718	1,349.38	914.37	210.20%	8.59%
Distribution (kV)	202	4.1163	830.46	202	12.7683	2,576.00	1,745.54	210.19%	16.39%
Low Voltage Rider (kV)	202	0.3313		202	0.3313	66.84	66.84	#DIV/0!	0.43%
LRAM&SSMRider (kV)	202		0.00	202	0.0000	0.00	0.00	#DIV/0!	0.00%
Deferral & Variance Acct (kV)	202	1.7788	358.87	202	(0.2003)	(40.42)	(399.29)	(111.26%)	(0.26%)
Distribution Sub-Total			1,624.35			3,951.81	2,327.46	143.29%	25.14%
Retail Transmission (kV)	202	2.8233	569.60	202	2.519689	508.35	(61.25)	(10.75%)	3.23%
Delivery Sub-Total			2,193.95			4,460.15	1,933.76	88.14%	28.38%
Other Charges (kVh)	76,558	0.0130	995.26	78,168	0.0130	1,016.18	20.92	2.10%	6.47%
Cost of Power Commodity (kVh)	76,558	0.0644	4,928.84	78,168	0.0644	5,032.45	103.62	2.10%	32.02%
Total Bill Before Taxes			10,311.99			14,968.95	4,324.51	41.94%	95.24%
GST		5.00%	515.60		5.00%	748.45	232.85	45.16%	4.76%
Total Bill			10,827.59			15,717.40	4,557.36	42.09%	100.00%

**SENTINEL LIGHTING BILL IMPACT AT 1 connections 89 kwh Demand of 0.25 kw–
 PERCENT & DOLLAR**

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	1	1.7400	1.74	1	4.9151	4.92	3.18	182.48%	15.25%
Distribution (kW)	0	6.7501	1.69	0	19.0674	4.77	3.08	182.48%	14.79%
Low Voltage Rider (kW)	0	0.3569		0	0.3569	0.09	0.09	#DIV/0!	0.28%
LRAM & SSM Rider (kW)	0		0.00	0	0.0000	0.00	0.00	#DIV/0!	0.00%
Deferral & Variance Acct (kW)	0	9.1802	2.30	0	4.0037	1.00	(1.29)	(56.39%)	3.11%
Distribution Sub-Total			5.72			10.77	5.05	88.24%	33.42%
Retail Transmission (kW)	0	2.8585	0.71	0	2.550106	0.64	(0.08)	(10.79%)	1.98%
Delivery Sub-Total			6.44			11.41	3.77	58.53%	35.40%
Other Charges (kWh)	94	0.0130	1.22	96	0.0130	1.24	0.03	2.10%	3.86%
Cost of Power Commodity (kWh)	94	0.0694	6.50	96	0.0694	6.64	0.14	2.10%	20.59%
Total Bill Before Taxes			20.59			30.70	8.90	43.23%	95.24%
GST		5.00%	1.03		5.00%	1.53	0.51	49.08%	4.76%
Total Bill			21.62			32.23	9.41	43.51%	100.00%

5 UNMETERED SCATTERED LOAD BILL IMPACT AT 272 kwh – PERCENT & DOLLAR

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			0.00			23.33	23.33	#DIV/0!	21.06%
Distribution (kWh)	272	0.0523	14.23	272	0.1362	37.05	22.82	160.42%	33.44%
Low Voltage Rider (kWh)	272	0.0009	0.24	272	0.0009	0.24	0.00	0.00%	0.22%
LRAM & SSM Rider (kWh)	272		0.00	272	0.0773	21.02	21.02	#DIV/0!	18.98%
Deferral & Variance Acct (kWh)	272	0.0095	2.58	272	0.0000	0.00	(2.58)	(100.00%)	0.00%
Distribution Sub-Total			17.05			81.64	64.59	378.73%	73.71%
Retail Transmission (kWh)	288	0.0092	2.65	294	0.00821	2.41	(0.24)	(8.89%)	2.18%
Delivery Sub-Total			19.70			84.06	82.79	420.22%	75.89%
Other Charges (kWh)	288	0.0130	3.74	294	0.0130	3.82	0.08	2.10%	3.45%
Cost of Power Commodity (kWh)	288	0.0681	19.61	294	0.0681	20.03	0.41	2.10%	18.08%
Total Bill Before Taxes			40.41			105.49	65.08	161.05%	95.24%
GST		5.00%	2.02		5.00%	5.27	3.25	161.05%	4.76%
Total Bill			42.43			110.76	68.33	161.05%	100.00%

Capital Structure

PSP's current capital structure is 60% debt and 40% equity consistent with the Board report on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006 (the "Cost of Capital Report").

Return on Equity

PSP has assumed a return on equity of 9.85% consistent with the Cost of Capital Parameter Updates for 2010 Cost of Service Applications issued by the OEB on February 24, 2010.

Capital Expenditures

PSP continues to develop, manage, and maintain its distribution system equipment in order to provide a safe, reliable, and efficient distribution system in order to meet the demand of new and existing customers in its service territory. The development of an asset management plan will assist us with managing resources and will become a living document to our customers and shareholder. PSP has a capital plan for the 2011 Test Year 2012, 2013 and 2014 that will increase reliability, reinforce customer relations, and maintain safety for PSP's customers as well as staff. The following projects highlight just two of many of the significant projects forecast:

- a) Replacement of MS1 and MS2
- b) Pole Replacement Program – an annual program to replace all known defective poles to increase reliability by installing a new pole to support the conductors under high load conditions while improving on safety conditions since the risk of an incident also has been reduced with the new pole installation.

Operating and Maintenance Costs

PSP has updated operating and maintenance costs for the 2011 Test Year as shown in our asset management plan. Our plan meets and includes maintenance and customer activity needs which meet public and employee safety objectives, to comply with the *Distribution System Code*. PSP strives to maintain distribution business service quality and reliability at targeted performance levels.

- 1 To ensure the most appropriate, cost effective solutions are put into place for the 2011 Test
- 2 Year PSP's business planning and work prioritization are in line with the asset management
- 3 plan.

BUDGET DIRECTIVES:

PSP compiles budget information for the three major components of the budgeting process: revenue forecasts, OMA - operating, maintenance and administrative expense forecast along with the capital budget needs. This budget information is compiled for both the 2010 Bridge Year and the 2011 Test Year.

Revenue Forecast

PSP's energy sales and revenue forecast model was updated to reflect more recent information. The model was then used to prepare the throughput volume and revenue forecast. Existing rates for fiscal 2010 and 2011 were used to determine revenue at existing rates. The forecast is weather normalized as outlined in Exhibit 3 and considers such factors as new customer additions, customer class changes, and load profiles for all classes of customers. The energy sales forecast reflects the impact of the recent Directive from the Ministry of Energy and Infrastructure in regards to CDM targets.

Operating Maintenance and Administration ("OM&A") Expense Forecast

The OM&A expenses for the 2010 Bridge Year and the 2011 Test Year are based on an in-depth review of operating priorities and requirements. PSP's asset management plan and historical data combined with management's knowledge of needs and experience resulted in our OMA budget. Planned changes to our operating structure resulted in a thorough review of each USoA item.

Capital Budget

Rodan Energy Solutions Inc. documented PSP's capital needs with the assistance of senior management. The capital forecast for 2010 bridge and 2011 test year relay on the plan to ensure PSP captures the costs needed to provide resources to reach the objectives listed in the plan.. The proposed capital projects are assessed within the framework of its capital budget priority and are outlined in Exhibit 2, (Capital Expenditures by Project).

1 **CHANGES IN METHODOLOGY:**

- 2 PSP is not requesting any changes in methodology in the current proceeding.

- 1 **Calculation of Revenue Deficiency:**
- 2 **The tables below is the OEB Revenue Requirement Work Form in detail:**
- 3



REVENUE REQUIREMENT WORK FORM

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011
 Version: 2.11

Table of Content

<u>Sheet</u>	<u>Name</u>
A	Data Input Sheet
1	Rate Base
2	Utility Income
3	Taxes/PILS
4	Capitalization/Cost of Capital
5	Revenue Sufficiency/Deficiency
6	Revenue Requirement
7A	Bill Impacts -Residential
7B	Bill Impacts - GS < 50 kW

Notes:

- (1) Pale green cells represent inputs
- (2) Pale yellow cells represent drop-down lists
- (3) **Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.**
- (4) **Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel format.**

Copyright

This Revenue Requirement Work Form Model is protected by copyright and is being made available to you solely for the purpose of preparing or reviewing your draft rate order. You may use and copy this model for that purpose, and provide a copy of this model to any person that is advising or assisting you in that regard. Except as indicated above, any copying, reproduction, publication, sale, adaptation, translation, modification, reverse engineering or other use or dissemination of this model without the express written consent of the Ontario Energy Board is prohibited. If you provide a copy of this model to a person that is advising or assisting you in preparing or reviewing your draft rate order, you must ensure that the person understands and agrees to the restrictions noted above.



REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Parry Sound Power
File Number: EB-2010-0140
Rate Year: 2011

Data Input									
	Initial Application			(7)				Per Board Decision	
1 Rate Base									
Gross Fixed Assets (average)	\$11,689,041			\$	11,689,041			\$11,689,041	
Accumulated Depreciation (average)	(\$7,192,964)	(5)		-\$	7,192,964			(\$7,192,964)	
Allowance for Working Capital:									
Controllable Expenses	\$1,795,417			\$	1,795,417			\$1,795,417	
Cost of Power	\$8,011,052			\$	8,011,052			\$8,011,052	
Working Capital Rate (%)	15.00%				15.00%			15.00%	
2 Utility Income									
Operating Revenues:									
Distribution Revenue at Current Rates	\$1,822,340								
Distribution Revenue at Proposed Rates	\$2,613,957								
Other Revenue:									
Specific Service Charges	\$27,880								
Late Payment Charges	\$15,433								
Other Distribution Revenue	\$52,168								
Other Income and Deductions	\$5,505								
Operating Expenses:									
OM+A Expenses	\$1,795,417			\$	1,795,417			\$1,795,417	
Depreciation/Amortization	\$389,525			\$	389,525			\$389,525	
Property taxes									
Capital taxes									
Other expenses									
3 Taxes/PILs									
Taxable Income:									
Adjustments required to arrive at taxable income	\$29,964	(3)							
Utility Income Taxes and Rates:									
Income taxes (not grossed up)	\$40,422								
Income taxes (grossed up)	\$47,696								
Capital Taxes		(6)				(6)			
Federal tax (%)	11.00%								
Provincial tax (%)	4.25%								
Income Tax Credits									
4 Capitalization/Cost of Capital									
Capital Structure:									
Long-term debt Capitalization Ratio (%)	56.0%								
Short-term debt Capitalization Ratio (%)	4.0%	(2)				(2)			
Common Equity Capitalization Ratio (%)	40.0%								
Preferred Shares Capitalization Ratio (%)									
	100.0%								
Cost of Capital									
Long-term debt Cost Rate (%)	7.25%								
Short-term debt Cost Rate (%)	2.07%								
Common Equity Cost Rate (%)	9.85%								
Preferred Shares Cost Rate (%)									

Notes:

Data inputs are required on on this Sheet A. Data Input Sheet, and on Sheets 7A and 7B, for Bill Impacts. Data on this input sheet complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the data. Notes should be put on the applicable pages

- (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.



REVENUE REQUIREMENT WORK FORM

Version: 2.11

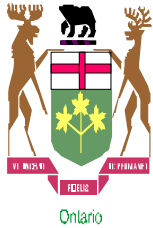
Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Rate Base									
Line No.	Particulars	Initial Application							Per Board Decision
1	Gross Fixed Assets (average) (3)	\$11,689,041		\$ -	\$11,689,041		\$ -		\$11,689,041
2	Accumulated Depreciation (average) (3)	(\$7,192,964)		\$ -	(\$7,192,964)		\$ -		(\$7,192,964)
3	Net Fixed Assets (average) (3)	\$4,496,076		\$ -	\$4,496,076		\$ -		\$4,496,076
4	Allowance for Working Capital (1)	\$1,470,970		\$ -	\$1,470,970		\$ -		\$1,470,970
5	Total Rate Base	\$5,967,047		\$ -	\$5,967,047		\$ -		\$5,967,047
(1) Allowance for Working Capital - Derivation									
6	Controllable Expenses	\$1,795,417		\$ -	\$1,795,417		\$ -		\$1,795,417
7	Cost of Power	\$8,011,052		\$ -	\$8,011,052		\$ -		\$8,011,052
8	Working Capital Base	\$9,806,469		\$ -	\$9,806,469		\$ -		\$9,806,469
9	Working Capital Rate % (2)	15.00%		0.00%	15.00%		0.00%		15.00%
10	Working Capital Allowance	\$1,470,970		\$ -	\$1,470,970		\$ -		\$1,470,970

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.

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REVENUE REQUIREMENT WORK FORM

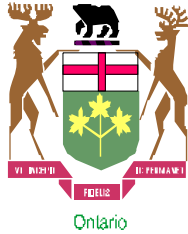
Version: 2.11

Name of LDC: Parry Sound Power
File Number: EB-2010-0140
Rate Year: 2011

		Utility income					
Line No.	Particulars	Initial Application				Per Board Decision	
<u>Operating Revenues:</u>							
1	Distribution Revenue (at Proposed Rates)	\$2,613,957		(\$2,613,957)		\$-	\$-
2	Other Revenue	(1) \$100,986		(\$100,986)		\$-	\$-
3	Total Operating Revenues	\$2,714,943		(\$2,714,943)		\$-	\$-
<u>Operating Expenses:</u>							
4	OM&A Expenses	\$1,795,417		\$-		\$1,795,417	\$1,795,417
5	Depreciation/Amortization	\$389,525		\$-		\$389,525	\$389,525
6	Property taxes	\$-		\$-		\$-	\$-
7	Capital taxes	\$-		\$-		\$-	\$-
8	Other expense	\$-		\$-		\$-	\$-
9	Subtotal (lines 4 to 8)	\$2,184,942		\$-		\$2,184,942	\$2,184,942
10	Deemed Interest Expense	\$247,203		(\$247,203)		\$-	\$-
11	Total Expenses (lines 9 to 10)	\$2,432,145		(\$247,203)		\$2,184,942	\$2,184,942
12	Utility income before income taxes	\$282,798		(\$2,467,740)		(\$2,184,942)	(\$2,184,942)
13	Income taxes (grossed-up)	\$47,696		\$-		\$47,696	\$47,696
14	Utility net income	\$235,102		(\$2,467,740)		(\$2,232,638)	(\$2,232,638)

Notes

(1)	Other Revenues / Revenue Offsets									
	Specific Service Charges	\$27,880				\$-			\$-	
	Late Payment Charges	\$15,433				\$-			\$-	
	Other Distribution Revenue	\$52,168				\$-			\$-	
	Other Income and Deductions	\$5,505				\$-			\$-	
	Total Revenue Offsets	\$100,986		\$-		\$-		\$-	\$-	



REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
<u>Determination of Taxable Income</u>			
1	Utility net income before taxes	\$235,102	\$ -
2	Adjustments required to arrive at taxable utility income	\$29,964	\$ -
3	Taxable income	\$265,065	\$29,964
<u>Calculation of Utility income Taxes</u>			
4	Income taxes	\$40,422	\$40,422
5	Capital taxes	\$ - (1)	\$ - (1)
6	Total taxes	\$40,422	\$40,422
7	Gross-up of Income Taxes	\$7,274	\$7,274
8	Grossed-up Income Taxes	\$47,696	\$47,696
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	\$47,696	\$47,696
10	Other tax Credits	\$ -	\$ -
<u>Tax Rates</u>			
11	Federal tax (%)	11.00%	11.00%
12	Provincial tax (%)	4.25%	4.25%
13	Total tax rate (%)	15.25%	15.25%

Notes

- 1 (1) Capital Taxes not applicable after July 1, 2010 (i.e. for 2011 and later test years)



REVENUE REQUIREMENT WORK FORM

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Version: 2.11

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Initial Application				
	Debt				
1	Long-term Debt	56.00%	\$3,341,546	7.25%	\$242,262
2	Short-term Debt	4.00%	\$238,682	2.07%	\$4,941
3	Total Debt	60.00%	\$3,580,228	6.90%	\$247,203
	Equity				
4	Common Equity	40.00%	\$2,386,819	9.85%	\$235,102
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	40.00%	\$2,386,819	9.85%	\$235,102
7	Total	100.00%	\$5,967,047	8.08%	\$482,304

		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	0.00%	\$ -	0.00%	\$ -
2	Short-term Debt	0.00%	\$ -	0.00%	\$ -
3	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
4	Common Equity	0.00%	\$ -	0.00%	\$ -
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	0.00%	\$ -	0.00%	\$ -
7	Total	0.00%	\$5,967,047	0.00%	\$ -

		(%)	(\$)	(%)	(\$)
	Per Board Decision				
	Debt				
8	Long-term Debt	0.00%	\$ -	7.25%	\$ -
9	Short-term Debt	0.00%	\$ -	2.07%	\$ -
10	Total Debt	0.00%	\$ -	0.00%	\$ -
	Equity				
11	Common Equity	0.00%	\$ -	9.85%	\$ -
12	Preferred Shares	0.00%	\$ -	0.00%	\$ -
13	Total Equity	0.00%	\$ -	0.00%	\$ -
14	Total	0.00%	\$5,967,047	0.00%	\$ -

Notes

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



REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Revenue Sufficiency/Deficiency

Line No.	Particulars	Initial Application				Per Board Decision	
		At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates	At Current Approved Rates	At Proposed Rates
1	Revenue Deficiency from Below		\$791,616		\$367,994		\$2,184,942
2	Distribution Revenue	\$1,822,340	\$1,822,340	\$1,822,340	\$2,245,963	\$ -	(\$2,184,942)
3	Other Operating Revenue Offsets - net	\$100,986	\$100,986	\$ -	\$ -	\$ -	\$ -
4	Total Revenue	\$1,923,326	\$2,714,943	\$1,822,340	\$2,613,957	\$ -	\$ -
5	Operating Expenses	\$2,184,942	\$2,184,942	\$2,184,942	\$2,184,942	\$2,184,942	\$2,184,942
6	Deemed Interest Expense	\$247,203	\$247,203	\$ -	\$ -	\$ -	\$ -
	Total Cost and Expenses	\$2,432,145	\$2,432,145	\$2,184,942	\$2,184,942	\$2,184,942	\$2,184,942
7	Utility Income Before Income Taxes	(\$508,819)	\$282,798	(\$362,602)	\$429,015	(\$2,184,942)	(\$2,184,942)
8	Tax Adjustments to Accounting Income per 2009 PILs	\$29,964	\$29,964	\$29,964	\$29,964	\$ -	\$ -
9	Taxable Income	(\$478,855)	\$312,762	(\$332,638)	\$458,978	(\$2,184,942)	(\$2,184,942)
10	Income Tax Rate	15.25%	15.25%	15.25%	15.25%	15.25%	15.25%
11	Income Tax on Taxable Income	(\$73,025)	\$47,696	(\$50,727)	\$69,994	(\$333,204)	(\$333,204)
12	Income Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	Utility Net Income	(\$435,793)	\$235,102	(\$311,875)	(\$2,232,638)	(\$1,851,738)	(\$2,232,638)
14	Utility Rate Base	\$5,967,047	\$5,967,047	\$5,967,047	\$5,967,047	\$5,967,047	\$5,967,047
	Deemed Equity Portion of Rate Base	\$2,386,819	\$2,386,819	\$ -	\$ -	\$ -	\$ -
15	Income/Equity Rate Base (%)	-18.26%	9.85%	0.00%	0.00%	0.00%	0.00%
16	Target Return - Equity on Rate Base	9.85%	9.85%	0.00%	0.00%	0.00%	0.00%
17	Sufficiency/Deficiency in Return on Equity	-28.11%	0.00%	0.00%	0.00%	0.00%	0.00%
18	Indicated Rate of Return	-3.16%	8.08%	-5.23%	0.00%	-31.03%	0.00%
19	Requested Rate of Return on Rate Base	8.08%	8.08%	0.00%	0.00%	0.00%	0.00%
20	Sufficiency/Deficiency in Rate of Return	-11.24%	0.00%	-5.23%	0.00%	-31.03%	0.00%
21	Target Return on Equity	\$235,102	\$235,102	\$ -	\$ -	\$ -	\$ -
22	Revenue Deficiency/(Sufficiency)	\$670,895	\$ -	\$311,875	\$ -	\$1,851,738	\$ -
23	Gross Revenue Deficiency/(Sufficiency)	\$791,616 (1)		\$367,994 (1)		\$2,184,942 (1)	

Notes:

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



REVENUE REQUIREMENT WORK FORM

Version: 2.11

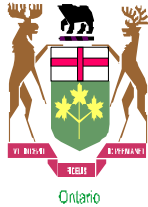
Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Revenue Requirement					
Line No.	Particulars	Application		Per Board Decision	
1	OM&A Expenses	\$1,795,417		\$1,795,417	
2	Amortization/Depreciation	\$389,525		\$389,525	
3	Property Taxes	\$ -		\$ -	
4	Capital Taxes	\$ -		\$ -	
5	Income Taxes (Grossed up)	\$47,696		\$47,696	
6	Other Expenses	\$ -		\$ -	
7	Return				
	Deemed Interest Expense	\$247,203		\$ -	
	Return on Deemed Equity	\$235,102		\$ -	
8	Distribution Revenue Requirement before Revenues	\$2,714,943		\$2,232,638	
9	Distribution revenue	\$2,613,957		\$ -	
10	Other revenue	\$100,986		\$ -	
11	Total revenue	\$2,714,943		\$ -	
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	\$ - (1)	(\$2,232,638) (1)	(\$2,232,638) (1)	

Notes

(1) Line 11 - Line 8

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REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Residential

Consumption **800** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 16.7900	1	\$ 16.79	\$ 23.9700	1	\$ 23.97	\$ 7.18	42.76%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.7119	1	\$ 1.71	\$ 0.71	71.19%
3 Service Charge Rate Adder(s)	monthly		1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)	monthly		1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0134	800	\$ 10.72	\$ 0.0191	800	\$ 15.28	\$ 4.56	42.54%
6 Low Voltage Rate Adder	per kWh	\$ 0.0010	800	\$ 0.80	\$ 0.0010	800	\$ 0.80	\$ -	0.00%
7 Volumetric Rate Adder(s)	per kWh		800	\$ -		800	\$ -	\$ -	
8 Volumetric Rate Rider(s)	per kWh		800	\$ -		800	\$ -	\$ -	
9 Smart Meter Disposition Rider			800	\$ -		800	\$ -	\$ -	
10 LRAM & SSM Rate Rider	per kWh		800	\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80	
11 Deferral/Variance Account Disposition Rate Rider	per kWh		800	\$ -	\$ 0.0102	800	\$ 8.16	\$ 8.16	
12 Global Adjustment subaccount dis	per kWh	\$ 0.0126	800	\$ 10.08			\$ -	-\$ 10.08	-100.00%
13 Rate Rider deferral/variance acco	per kWh	-\$ 0.0074	800	-\$ 5.92			\$ -	\$ 5.92	-100.00%
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ 33.47			\$ 50.72	\$ 17.25	51.55%
17 RTSR - Network	per kWh	\$ 0.0054	846.88	\$ 4.57	\$ 0.0050	864.684	\$ 4.36	-\$ 0.21	-4.59%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0047	846.88	\$ 3.98	\$ 0.0040	864.684	\$ 3.43	-\$ 0.55	-13.79%
19 Sub-Total B - Delivery (including Sub-Total A)				\$ 42.02			\$ 58.52	\$ 16.50	39.25%
20 Wholesale Market Service Charge (WVMS)	per kWh	\$ 0.0052	846.88	\$ 4.40	\$ 0.0052	864.684	\$ 4.50	\$ 0.09	2.10%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	846.88	\$ 1.10	\$ 0.0013	864.684	\$ 1.12	\$ 0.02	2.10%
22 Special Purpose Charge	per kWh	\$ 0.0003730	846.88	\$ 0.32	\$ 0.0003730	864.684	\$ 0.32	\$ 0.01	2.10%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)	per kWh	\$ 0.0065	846.88	\$ 5.50	\$ 0.0065	864.684	\$ 5.62	\$ 0.12	2.10%
25 Energy	per kWh		846.88	\$ -		864.684	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 53.60			\$ 70.33	\$ 16.73	31.22%
29 HST		13%		\$ 6.97	13%		\$ 9.14	\$ 2.18	31.22%
30 Total Bill (including Sub-total B)				\$ 60.57			\$ 79.48	\$ 18.91	31.22%
31 Loss Factor (%)	Note 1		5.86%			8.09%			

Notes:

Note 1: Enter existing and proposed total loss factor (Secondary Metered Customer < 5,000 kW) as a percentage.



REVENUE REQUIREMENT WORK FORM

Version: 2.11

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

General Service < 50 kW

Consumption **2000** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 25.2900	1	\$ 25.29	\$ 36.0100	1	\$ 36.01	\$ 10.72	42.39%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.7119	1	\$ 1.71	\$ 0.71	71.19%
3 Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0104	2000	\$ 20.80	\$ 0.0148	2000	\$ 29.60	\$ 8.80	42.31%
6 Low Voltage Rate Adder	per kWh	\$ 0.0007	2000	\$ 1.40	\$ 0.0007	2000	\$ 1.40	\$ -	0.00%
7 Volumetric Rate Adder(s)			2000	\$ -		2000	\$ -	\$ -	
8 Volumetric Rate Rider(s)			2000	\$ -		2000	\$ -	\$ -	
9 Smart Meter Disposition Rider			2000	\$ -		2000	\$ -	\$ -	
10 LRAM & SSIM Rider			2000	\$ -	\$ 0.0006	2000	\$ 1.20	\$ 1.20	
11 Deferral/Variance Account Disposition Rate Rider			2000	\$ -	\$ 0.0100	2000	\$ 20.00	\$ 20.00	
12 Global Adjustment subaccount dis	per kWh	\$ 0.0126	2000	\$ 25.20			\$ -	-\$ 25.20	-100.00%
13 Rate Rider deferral/variance acco	per kWh	-\$ 0.0074	2000	-\$ 14.80			\$ -	\$ 14.80	-100.00%
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ 58.89			\$ 89.92	\$ 31.03	52.69%
17 RTSR - Network	per kWh	\$ 0.0049	2117.2	\$ 10.37	\$ 0.0046	2161.71	\$ 9.90	-\$ 0.48	-4.59%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0043	2117.2	\$ 9.10	\$ 0.0036	2161.71	\$ 7.85	-\$ 1.26	-13.79%
19 Sub-Total B - Delivery (including Sub-Total A)				\$ 78.37			\$ 107.67	\$ 29.30	37.39%
20 Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	2117.2	\$ 11.01	\$ 0.0052	2161.71	\$ 11.24	\$ 0.23	2.10%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	2117.2	\$ 2.75	\$ 0.0013	2161.71	\$ 2.81	\$ 0.06	2.10%
22 Special Purpose Charge		\$ 0.0003730	2117.2	\$ 0.79	\$ 0.0003730	2161.71	\$ 0.81	\$ 0.02	2.10%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)		\$ 0.0065	2117.2	\$ 13.76	\$ 0.0065	2161.71	\$ 14.05	\$ 0.29	2.10%
25 Energy			2117.2	\$ -		2161.71	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 106.93			\$ 136.83	\$ 29.90	27.96%
29 HST		13%		\$ 13.90	13%		\$ 17.79	\$ 3.89	27.96%
30 Total Bill (including Sub-total B)				\$ 120.83			\$ 154.61	\$ 33.78	27.96%

31 Loss Factor Note 1 **5.86%** **8.09%**

Notes:

Note 1: See Note 1 from Sheet 1A. Bill Impacts - Residential

CAUSES OF REVENUE DEFICIENCY:

PSP's revenue deficiency is calculated as \$ 791,616. Parry Sound Power Corporation's calculation of its 2011 revenue deficiency is provided above

The revenue deficiency is primarily the result of:

- restructuring as a result of the denial of PSP's application for exemption to the ARC,
- increase in maintenance activity as outlined in PSP's asset management plan,
- addition of staff to accomplish alignment and regulatory activities.
- projected increases in OM&A costs including depreciation expense for the 2011 Test Year as discussed in further detail in Exhibit 4.
- projected increases in investments in gross assets as outlined in our asset management plan
- increase in ratebase on which the rate of return is based as discussed further in Exhibit 2.

FINANCIAL STATEMENTS – 2006, 2007, 2008 and 2009:

PSP's Audited Financial Statements accompany this Schedule as Appendix D.

APPENDIX D

COPY OF AUDITED FINANCIAL STATEMENTS FOR 2006, 2007, 2008 & 2009

Parry Sound Power Corporation

Financial Statements

For the year ended December 31, 2006

Parry Sound Power Corporation

Financial Statements

For the year ended December 31, 2006

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• **BRACEBRIDGE**
F. GLENN GORDON, C.A.

Auditors' Report

**To the Shareholder of
Parry Sound Power Corporation**

We have audited the balance sheet of Parry Sound Power Corporation as at December 31, 2006 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 the company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Ontario Energy Board.

Cull, Gordon, Gingrich & Harris

Parry Sound, Ontario
April 4, 2007

Chartered Accountants

December 31	2006	2005
--------------------	-------------	-------------

Incorporation/organization costs (Note 5)	242,938	291,526
Regulatory assets (Note 3)	-	-
Long term investments (Note 6)	100	-
	<u>\$ 10,217,342</u>	<u>\$ 9,337,207</u>

Miscellaneous paid in capital	1,332,900	1,332,900
Share capital (Note 11)	2,433,727	2,433,727
Retained earnings	499,468	295,984
	<u>4,266,095</u>	<u>4,062,611</u>

3

Parry Sound Power Corporation Statement of Operations and Retained Earnings

For the year ended December 31	2006	2005
Revenue (effective with May 1, 2002 market opening)		
Distribution revenue - fixed customer charges	\$ 790,967	\$ 776,169
Distribution revenue - variable charges	1,027,791	1,019,272
	1,818,758	1,795,441
Recovery of regulatory assets	(109,977)	(197,947)
	1,708,781	1,597,494
Other operating revenue (expense)		
Late payment charges	14,360	13,468
Interest earned	132,665	43,087
Regulatory assets interest	(16,175)	(76,036)
Pole rentals	36,439	27,655
Change of occupancy charges	19,697	11,659
Miscellaneous income	6,871	3,187
	193,857	23,020
	1,902,638	1,620,514
Operations, maintenance and administration expense		
Distribution - Operations (Note 9)	51,120	78,638
Distribution - Maintenance	213,937	239,154
Billing and collecting	375,543	312,457
Community expense	30,656	24,803
Other administration & general	376,570	354,721
Interest on long-term debt	176,444	176,444
PILS - payment in lieu of capital tax (Note 1)	-	2,923
Amortization of capital assets	331,496	332,359
Amortization of organization costs	48,588	48,588
Non-utility write down of transition costs	-	7,168
	1,604,354	1,577,255
Income before PILS	298,284	43,259
PILS - Payment in lieu of income tax (Note 1)	94,800	29,722
Net income for the year	203,484	13,537
Retained earnings, beginning of year	295,984	282,447
Retained earnings, end of year	\$ 499,468	\$ 295,984

Parry Sound Power Corporation Statement of Cash Flows

For the year ended December 31	2006	2005
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 203,484	\$ 13,537
Adjustments required to reconcile net income with net cash provided by operating activities		
Amortization of capital assets	331,496	332,359
Amortization of organization costs	48,588	48,588
Changes in non-cash working capital balances		
Accounts receivable	(312,913)	200,664
Inventories	(2,303)	3,184
Prepaid expenses	229	(5,257)
Unbilled revenue	(31,522)	(129,535)
Accounts payable	498,161	731,603
Due from / to related parties	(9,063)	655
Other current liabilities	32,513	12,162
Due to Town of Parry Sound	(404)	25,487
	<u>758,266</u>	<u>1,233,447</u>
Investing activities		
Purchase of capital assets	(87,839)	(123,075)
Regulatory assets / liabilities	104,469	560,642
Investment in 1713637 Ontario Inc.	(100)	-
	<u>16,530</u>	<u>437,567</u>
Financing activities		
Increase in customer deposits	50,975	41,751
	<u>50,975</u>	<u>41,751</u>
Increase in cash during the year	825,771	1,712,765
Cash, beginning of year	2,665,522	952,757
Cash, end of year	\$ 3,491,293	\$ 2,665,522

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2006

General

These financial statements have been prepared in accordance with accounting policies for Municipal Electrical Utilities in Ontario as required by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Manual.

Financial Instruments

The company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, long-term debt, amounts due to (from) related parties and a promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Inventories

Inventory consists of repairs parts, supplies and materials valued at the lower of cost and replacement cost.

Regulatory Assets

The corporation is required to bill customers for various charges including the cost of power, wholesale market charges, transmission charges on behalf of third parties and other costs as directed by the Ontario Energy Board. In turn, the corporation must pay for these items. The difference between what is billed to customers versus what is paid is carried on the balance sheet as a regulatory asset (liability).

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2006

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost for capital assets installed by the Corporation include material, labour and overhead. Amortization of the assets, and the related Contributions and Grants in aid of Capital, is provided as follows:

Distribution station equipment - Straight line basis over 30 years
All other plant and equipment - Straight line basis over 25 years

The amortization lifetime includes the years the assets were owned by the former Utility

Service Revenue

Service revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Use of Estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements in accordance with generally accepted accounting principles necessarily involves the use of estimates and approximations. These have been made using careful judgments.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

1. The Organization

Parry Sound Hydro Corporation was incorporated under the Ontario Business Corporations Act on October 31, 2000. Pursuant to section 142 of the Electricity Act, 1998 and in accordance with By-Law 2000-4303 of the Corporation of the Town of Parry Sound, all of the assets, liabilities, employees, rights and obligations of the Parry Sound Public Electric Utility Commission were transferred to Parry Sound Power Corporation, Parry Sound Powergen Corporation and Parry Sound Energy Services Corporation, all wholly owned subsidiaries of Parry Sound Hydro Corporation, and to Parry Sound Hydro Corporation, which is wholly owned by the Corporation of the Town of Parry Sound. These corporations will continue the transmission, distribution, generation and retailing of electricity and the associated business activities of the former Parry Sound Public Electric Utility Commission.

In accordance with various regulations of the Province of Ontario, Parry Sound Power Corporation became a taxable entity on October 1, 2001. As at that date, the corporation was responsible for making payments in lieu of taxes, equivalent to federal and provincial income and capital taxes, to the Ontario Electricity Financial Corporation, to pay down the residual debt of the former Ontario Hydro.

2. Accounts Receivable

	<u>2006</u>	<u>2005</u>
Consumers	\$ 1,729,921	\$ 1,437,091
Goods and service tax receivable	20,083	-
Allowance for doubtful accounts	<u>(35,000)</u>	<u>(35,000)</u>
	<u>\$ 1,715,004</u>	<u>\$ 1,402,091</u>

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

3. Regulatory assets / liabilities

		2006	2005
PILS variance account	\$ 900,470	\$ 750,393	
Interest	13,786	14,017	
Recovery of PILS through distribution revenue	(840,789)	(700,846)	
True up	(80,067)	(76,095)	
	(6,600)	(12,531)	
PILS contra account	(6,600)	(12,531)	
	\$ -	\$ -	
Conservation and demand side management	\$ (150,212)	\$ (137,382)	
CDM - Tranche recovery	150,212	137,382	
	-	\$ -	
Pre-market opening energy variance	\$ -	\$ 121,730	
Interest	-	32,411	
	-	\$ 154,141	
Qualifying transition costs	\$ -	\$ 71,684	
Interest @ 7.25%	-	19,003	
Transition cost reduction	-	(7,168)	
Recovery of qualifying transition costs	-	(16,034)	
	-	\$ 67,485	
Retail settlement variance accounts - pg 11		(509,334)	(109,045)
Ontario Energy Board Costs		12,701	12,469
Low Voltage Variance		32,166	-
Smart Meter Recovery		(5,156)	-
Other		994	16,679
Recovery of Regulatory assets		185,241	(320,648)
		\$ (283,388)	\$ (178,919)

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

3. Regulatory assets / liabilities continued...

PILS variance account

The company is entitled to receive the full value of the regulatory PILS (payments in lieu of income and capital taxes) embedded in rates approved by the Ontario Energy Board. The regulatory PILS are accrued and recorded on an equal monthly basis. The portion of distribution revenue collected which is related to PILS is recorded as a recovery against the variance account. Interest of 4.15% per annum is accrued on the previous months variance account balance.

Conservation and demand side management

This account relates to conservation and demand side management activities under process by Parry Sound Power. Included in the dollar value is the allowable recovery from the distribution rates. The total recovery was collected over a one year period.

Pre-market opening energy variance

This account relates to the difference between the cost of power purchased for non-time of use customers and the deemed cost of power revenue from non-time of use customers for the period January 1, 2001 to April 30, 2002. The amounts were recovered in 2006 in accordance with direction from the Ontario Energy Board.

Qualifying transition costs

Qualifying transition costs include fees and expenses that meet the qualifying criteria established in the Electric Distribution Rate Handbook. The portion of distribution revenue collected which is related to qualifying transition costs is recorded as a recovery against the variance account. Interest of 7.25% is accrued on the previous months balance and is recorded in the current income statement. The amounts were recovered in 2006 in accordance with direction from the Ontario Energy Board.

Retail settlement variance accounts

The retail settlement variance accounts record the difference between the amounts billed to customers for energy costs, wholesale market service charges, network and connection charges, transmission charges and the amounts paid by the utility in respect of these items. These variances will be disposed of in accordance with direction from the Ontario Energy Board.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

3. Regulatory assets / liabilities continued...

	2006	2005
Retail settlement variance accounts		
Revenue - supply of power and regulatory charges		
Power	\$ 5,253,960	\$ 5,464,856
Wholesale market service charge	577,498	587,946
Network service charge	468,634	523,517
Connection service charge	390,538	434,424
	<u>6,690,630</u>	<u>7,010,743</u>
Expense - supply of power and regulatory charges		
Power Purchased		
- Independent Electricity Market Operator and Hydro One Networks Inc. (net of RPPP*)	4,702,155	4,776,673
- Parry Sound Powergen Corporation (Note 9)	308,694	306,563
Wholesale market service charge	344,521	640,236
Network service charge	625,541	364,251
Connection service charge	307,656	541,691
One time	1,774	4,799
	<u>6,290,341</u>	<u>6,634,213</u>
Current year retail settlement variance	400,289	376,530
Prior years cumulative total	109,045	(267,485)
Retail settlement variance accounts	<u>\$ 509,334</u>	<u>\$ 109,045</u>

* RPPP - Regulated price protection plan

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

4. Capital Assets

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 74,305	\$ -	\$ 74,305	\$ 74,305
Land rights	35,048	34,608	440	460
Work in progress	12,320	-	12,320	40,345
Distribution station equipment	1,600,520	959,092	641,428	674,818
Poles, towers & fixtures	1,493,586	894,467	599,119	625,282
Overhead conductors & devices	2,172,656	1,317,261	855,395	905,951
Underground conduit	591,997	263,489	328,508	327,132
Underground conductors & devices	754,264	336,542	417,722	418,574
Line transformers	2,076,319	1,228,547	847,772	869,727
Services	1,240,644	723,410	517,234	545,686
Meters	479,713	298,807	180,906	181,041
	10,531,372	6,056,223	4,475,149	4,663,321
Less: Contributions & grants	(401,903)	(67,959)	(333,944)	(278,459)
	<u>\$ 10,129,469</u>	<u>\$ 5,988,264</u>	<u>\$ 4,141,205</u>	<u>\$ 4,384,862</u>

5. Other Assets

Incorporation/Organization costs include fees and expenses relating to the incorporation and organization of the corporation on November 1, 2000. Further costs are also reported by the parent and sister corporations for their share of such costs. These costs are amortized over the next 10 years (straight-line).

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

6. Long Term Investments

Utility Collaborative Services Inc.

Parry Sound Power Corporation owns a 25% interest in Utility Collaborative Services Inc. (UCS). The investment is recorded at cost of \$100.00. UCS provides standards based utility back office services through stable group licencing models.

Cornerstone Hydro Electric Concepts Inc.

Parry Sound Power owns 1 common share of Cornerstone Hydro Electric Concepts Inc. (CHEC). The 6.25% interest is recorded using the cost method of \$NIL.

7. Accounts Payable

	2006	2005
Independent Electricity Service Operator **	\$ 1,197,426	\$ 1,197,426
Independent Electricity Service Operator - December bill	585,136	-
Hydro One Networks Inc.	153,263	145,020
Hydro One Networks Inc. - Regulatory asset low voltage charge	67,289	93,346
Goods and service tax payable	-	36,993
Ontario price credit rebate	2,395	93,651
Other	180,057	120,969
	\$ 2,185,566	\$ 1,687,405

As explained in Note 9, all operations, maintenance and administration costs are paid for by Parry Sound Energy Services and are included in the amount due to this sister corporation.

** This amount is subject to final approval by the Ontario Electric Finance Corporation based on the 2005 reconciliation submitted. The 2006 reconciliation has not been completed as the OEFC has not approved the 2005 reconciliation process and has not determined the procedures to be followed by the utilities.

8. Fixed Price vs Market Price

Small volume customers are charged a fixed rate per kwh for the cost of power. The corporation must pay market price for the power it purchases, but receives an adjustment from the IESO for the difference between this fixed rate and the market rate. As the customers are billed for their usage this liability is reduced.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

9. Related Party Transactions

At the end of the year, the amounts due from (to) related parties are as follows:

	2006	2005
Parry Sound Energy Services Corporation	\$ -	\$ (9,063)

Parry Sound Powergen Corporation, a sister company of Parry Sound Power Corporation is responsible for those activities relating to the generation of power. Until Market Opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation for power equal to actual operating costs only, with no mark-ups. At market opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation the actual spot market price for all energy delivered to Parry Sound Power Corporation.

Included in trade accounts receivable and payables are intercompany balances of \$NIL (2005 - \$2,251) and \$148,967 (2005 - \$91,068), respectively. These are current receivables and payables arising in the normal course of operations.

Parry Sound Energy Services Corporation (PSES), a sister company of Parry Sound Power Corporation, employs all staff from the former Parry Sound Electric Utility Commission and provides services to its parent and sister corporations. PSES charges operations labour to these corporations at cost (including overhead) plus mark up. Trucks are charged out at market rates. PSES records certain administrative salaries and expenses for all four companies and allocates these costs to each company based on an estimated share of costs.

All administration costs related to Parry Sound Hydro Corporation, the parent company, are then charged to Parry Sound Energy Services which in turn bills the other two sister companies for their share of all expenses.

10. Promissory Note

In connection with the reorganization of the former Parry Sound Electric Public Utility and By-Law 2000-4303, the purchase price of assets transferred to the four new corporations consisted of the issuance of common shares in each corporation and unsecured promissory notes to the Town of Parry Sound.

Commencing January 1, 2002, the interest on the promissory note is 7.25% on the outstanding principal, payable quarterly. The Corporation has the option of repaying the principal amount at any time.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2006

11. Share Capital

Authorized:
 Unlimited number of common shares

Issued:

	2006	2005
2,433,727 Common shares	<u>\$ 2,433,727</u>	<u>\$ 2,433,727</u>

12. Contingencies

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Municipal Electric Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Power Corporation.

Parry Sound Power Corporation
Financial Statements
For the year ended December 31, 2007

Parry Sound Power Corporation

Financial Statements
For the year ended December 31, 2007

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Auditors' Report

**To the Shareholder of
Parry Sound Power Corporation**

We have audited the balance sheet of Parry Sound Power Corporation as at December 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 the company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Ontario Energy Board.

Cull, Gordon, Gingrich & Harris

Parry Sound, Ontario
March 19, 2008

Chartered Accountants, Licensed Public Accountants

**Parry Sound Power Corporation
Balance Sheet**

December 31	2007	2006
Assets		
Current		
Cash	\$ 1,007,780	\$ 3,491,293
Short-term investments (Note 2)	1,800,899	-
Accounts receivable (Note 3)	1,825,712	1,715,004
Inventories	111,587	117,263
Prepaid expenses	34,308	25,018
Unbilled revenue	355,407	484,521
	<u>5,135,693</u>	<u>5,833,099</u>
Capital assets (Note 5)	3,958,872	4,141,205
Other Assets		
Incorporation/organization costs (Note 6)	194,351	242,938
Long term investments (Note 7)	100	100
	<u>\$ 9,289,016</u>	<u>\$ 10,217,342</u>
Liabilities and Shareholder's Equity		
Current		
Accounts payable (Note 8)	\$ 920,696	\$ 2,185,566
Other current liabilities	234,195	244,465
Current portion of customer deposits	162,581	158,943
Due to Town of Parry Sound		
- Sewage and water billings	606,493	516,928
	<u>1,923,965</u>	<u>3,105,902</u>
Long-term portion of customer deposits	128,229	128,229
Promissory Note - Town of Parry Sound (Note 11)	2,433,728	2,433,728
Regulatory liabilities (Note 4)	300,641	283,388
	<u>4,786,563</u>	<u>5,951,247</u>
Contingencies (Note 13)		
Shareholder's equity		
Miscellaneous paid in capital	1,332,900	1,332,900
Share capital (Note 12)	2,433,727	2,433,727
Retained earnings	735,826	499,468
	<u>4,502,453</u>	<u>4,266,095</u>
	<u>\$ 9,289,016</u>	<u>\$ 10,217,342</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation
Statement of Operations and Retained Earnings

For the year ended December 31	2007	2006
Revenue (effective with May 1, 2002 market opening)		
Distribution revenue - fixed customer charges	\$ 790,443	\$ 790,967
Distribution revenue - variable charges	962,220	1,027,791
	1,752,663	1,818,758
Recovery of regulatory assets	33,297	(109,977)
	1,785,960	1,708,781
Other operating revenue (expense)		
Late payment charges	16,906	14,360
Interest earned	163,027	132,665
Regulatory assets interest	17,204	(16,175)
Pole rentals	36,541	36,439
Change of occupancy charges	27,504	19,697
Miscellaneous income	528	6,871
	261,710	193,857
	2,047,670	1,902,638
Operations, maintenance and administration expense		
Distribution - Operations (Note 10)	63,190	51,120
Distribution - Maintenance	266,047	213,937
Billing and collecting	334,602	375,543
Community expense	89,801	30,656
Other administration & general	361,840	376,570
Interest on long-term debt	176,444	176,444
Amortization of capital assets	332,645	331,496
Amortization of organization costs	48,588	48,588
	1,673,157	1,604,354
Income before PILS	374,513	298,284
PILS - Payment in lieu of income tax (Note 1)	136,155	94,800
Net income for the year	236,358	203,484
Retained earnings, beginning of year	499,468	295,984
Retained earnings, end of year	\$ 735,826	\$ 499,468

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Statement of Cash Flows

For the year ended December 31	2007	2006
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 236,358	\$ 203,484
Adjustments required to reconcile net income with net cash provided by operating activities		
Amortization of capital assets	332,645	331,496
Amortization of organization costs	48,588	48,588
Changes in non-cash working capital balances		
Accounts receivable	(110,708)	(312,913)
Inventories	5,676	(2,303)
Prepaid expenses	(9,290)	229
Unbilled revenue	129,114	(31,522)
Accounts payable	(1,264,870)	498,161
Due from / to related parties	-	(9,063)
Other current liabilities	(10,270)	32,513
Due to Town of Parry Sound	89,565	(404)
	<u>(553,192)</u>	<u>758,266</u>
Investing activities		
Purchase of capital assets	(150,313)	(87,839)
Regulatory assets / liabilities	17,253	104,469
Investment in 1713637 Ontario Inc.	-	(100)
	<u>(133,060)</u>	<u>16,530</u>
Financing activities		
Increase in customer deposits	3,638	50,975
Increase (decrease) in cash during the year	(682,614)	825,771
Cash, beginning of year	3,491,293	2,665,522
Cash, end of year	\$ 2,808,679	\$ 3,491,293
Cash consists of:		
Cash	\$ 1,007,780	\$ 3,491,293
Short-term Investments	1,800,899	-
	<u>\$ 2,808,679</u>	<u>\$ 3,491,293</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2007

General	These financial statements have been prepared in accordance with accounting policies for Municipal Electrical Utilities in Ontario as required by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedures Manual.
Financial Instruments	The company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, long-term debt, amounts due to (from) related parties and a promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.
Temporary Investments	Temporary investments are stated at the lower of cost and market value.
Inventories	Inventory consists of repairs parts, supplies and materials valued at the lower of cost and replacement cost.
Regulatory Assets	The corporation is required to bill customers for various charges including the cost of power, wholesale market charges, transmission charges on behalf of third parties and other costs as directed by the Ontario Energy Board. In turn the corporation must pay for these items. The difference between what is billed to customers versus what is paid is carried on the balance sheet as a regulatory asset (liability).

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2007

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost for capital assets installed by the Corporation include material, labour and overhead. Amortization of the assets, and the related Contributions and Grants in aid of Capital, is provided as follows:

Distribution station equipment - Straight line basis over 30 years
All other plant and equipment - Straight line basis over 25 years

The amortization lifetime includes the years the assets were owned by the former Utility

Service Revenue

Service revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year.

Use of Estimates

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements in accordance with generally accepted accounting principles necessarily involves the use of estimates and approximations. These have been made using careful judgments.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

1. The Organization

Parry Sound Hydro Corporation was incorporated under the Ontario Business Corporations Act on October 31, 2000. Pursuant to section 142 of the Electricity Act, 1998 and in accordance with By-Law 2000-4303 of the Corporation of the Town of Parry Sound, all of the assets, liabilities, employees, rights and obligations of the Parry Sound Public Electric Utility Commission were transferred to Parry Sound Power Corporation, Parry Sound Powergen Corporation and Parry Sound Energy Services Corporation, all wholly owned subsidiaries of Parry Sound Hydro Corporation, and to Parry Sound Hydro Corporation, which is wholly owned by the Corporation of the Town of Parry Sound. These corporations will continue the transmission, distribution, generation and retailing of electricity and the associated business activities of the former Parry Sound Public Electric Utility Commission.

In accordance with various regulations of the Province of Ontario, Parry Sound Power Corporation became a taxable entity on October 1, 2001. As at that date, the corporation was responsible for making payments in lieu of taxes, equivalent to federal and provincial income and capital taxes, to the Ontario Electricity Financial Corporation, to pay down the residual debt of the former Ontario Hydro.

2. Short-term Investments

	2007	2006
Bankers Acceptance - at cost on December 21, 2007		
- TD Bank - 4.35%, matures January 23, 2008	\$ 900,456	\$ -
- TD Bank - 4.43%, matures February 19, 2008	900,443	-
	<u>\$ 1,800,899</u>	<u>\$ -</u>

3. Accounts Receivable

	2007	2006
Consumers	\$ 1,774,369	\$ 1,729,921
Goods and service tax receivable	86,343	20,083
Allowance for doubtful accounts	(35,000)	(35,000)
	<u>\$ 1,825,712</u>	<u>\$ 1,715,004</u>

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

4. Regulatory assets / liabilities

	2007	2006
PILS variance account	\$ 833,804	\$ 900,470
Interest	12,257	13,788
Recovery of PILS through distribution revenue	(766,492)	(840,789)
True up	(80,067)	(80,067)
	(498)	(6,600)
PILS contra account	(498)	(6,600)
	\$ -	\$ -
Conservation and demand side management	\$ (56,342)	\$ (150,212)
CDM - Tranche recovery	56,342	150,212
	-	-
RCVA STR	\$ 142	\$ -
Interest	(21)	-
	121	-
Retail settlement variance accounts - pg 11	(556,100)	(509,334)
Ontario Energy Board Costs	18,479	12,701
Low Voltage Variance	158,662	32,166
Smart Meter Recovery	(14,985)	(5,156)
Other	1,033	994
Recovery of Regulatory assets	92,149	185,241
	\$ (300,641)	\$ (283,388)

PILS variance account

The company is entitled to receive the full value of the regulatory PILS (payments in lieu of income and capital taxes) embedded in rates approved by the Ontario Energy Board. The regulatory PILS are accrued and recorded on an equal monthly basis. The portion of distribution revenue collected which is related to PILS is recorded as a recovery against the variance account. Interest of 4.15% per annum is accrued on the previous months variance account balance.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

4. Regulatory assets / liabilities continued...

Conservation and demand side management

This account relates to conservation and demand side management activities under process by Parry Sound Power. Included in the dollar value is the allowable recovery from the distribution rates. The total recovery was collected over a one year period.

Retail settlement variance accounts

The retail settlement variance accounts record the difference between the amounts billed to customers for energy costs, wholesale market service charges, network and connection charges, transmission charges, other additional items and the amounts paid by the utility in respect of these items. These variances will be disposed of in accordance with direction from the Ontario Energy Board.

Retail settlement variance accounts

	2007	2006
Revenue - supply of power and regulatory charges		
Power	\$ 5,296,824	\$ 5,253,960
Wholesale market service charge	586,794	577,498
Network service charge	454,628	468,634
Connection service charge	398,375	390,538
	<u>6,736,621</u>	<u>6,690,630</u>
Expense - supply of power and regulatory charges		
Power Purchased		
- Independent Electricity Market Operator and Hydro One Networks Inc. (net of RPPP*)	5,187,430	4,702,155
- Parry Sound Powergen Corporation (Note 10)	258,599	308,694
Wholesale market service charge	444,518	344,521
Network service charge	435,847	625,541
Connection service charge	360,207	307,656
One time	3,254	1,774
	<u>6,689,855</u>	<u>6,290,341</u>
Current year retail settlement variance	46,766	400,289
Prior years cumulative total	509,334	109,045
Retail settlement variance accounts	<u>\$ 556,100</u>	<u>\$ 509,334</u>

* RPPP - Regulated price protection plan

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

5. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 74,305	\$ -	\$ 74,305	\$ 74,305
Land rights	35,048	34,628	420	440
Work in progress	47,348	-	47,348	12,320
Distribution station equipment	1,600,520	1,007,391	593,129	641,428
Poles, towers & fixtures	1,521,195	945,360	575,835	599,119
Overhead conductors & devices	2,185,621	1,389,893	795,728	855,395
Underground conduit	592,235	286,274	305,961	328,508
Underground conductors & devices	763,777	365,919	397,858	417,722
Line transformers	2,136,920	1,297,155	839,765	847,772
Services	1,266,500	767,044	499,456	517,234
Meters	490,493	312,571	177,922	180,906
	<u>10,713,962</u>	<u>6,406,235</u>	<u>4,307,727</u>	<u>4,475,149</u>
Less: Contributions & grants	(434,181)	(85,326)	(348,855)	(333,944)
	<u>\$ 10,279,781</u>	<u>\$ 6,320,909</u>	<u>\$ 3,958,872</u>	<u>\$ 4,141,205</u>

6. Other Assets

Incorporation/Organization costs include fees and expenses relating to the incorporation and organization of the corporation on November 1, 2000. Further costs are also reported by the parent and sister corporations for their share of such costs. These costs are amortized over the next 10 years (straight-line).

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

7. Long Term Investments

Utility Collaborative Services Inc.

Parry Sound Power Corporation owns a 25% interest in Utility Collaborative Services Inc. (UCS). The investment is recorded at cost of \$100,000. UCS provides standards based utility back office services through stable group licencing models.

Cornerstone Hydro Electric Concepts Inc.

Parry Sound Power owns 1 common share of Cornerstone Hydro Electric Concepts Inc. (CHEC). The 6.25% interest is recorded using the cost method of \$NIL.

8. Accounts Payable

	2007	2006
Independent Electricity Service Operator **	\$ (93,060)	\$ 1,197,426
Independent Electricity Service Operator - December bill	602,969	585,136
Hydro One Networks Inc.	73,759	153,263
Hydro One Networks Inc. - Regulatory asset low voltage charge	31,512	67,289
Ontario price credit rebate	-	2,395
Trade payables and other	305,516	180,057
	<u>\$ 920,696</u>	<u>\$ 2,185,566</u>

As explained in Note 10, all operations, maintenance and administration costs are paid for by Parry Sound Energy Services and are included in the amount due to this sister corporation.

** This amount is subject to final approval by the Ontario Electric Finance Corporation based on the 2006 & 2007 reconciliations submitted. During 2007, the OEFC approved the 2005 reconciliation and the amount owing was paid.

9. Fixed Price vs Market Price

Small volume customers are charged a fixed rate per kw/h for the cost of power. The corporation must pay market price for the power it purchases, but receives an adjustment from the IESO for the difference between this fixed rate and the market rate. As the customers are billed for their usage this liability is reduced.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2007

10. Related Party Transactions

Parry Sound Powergen Corporation, a sister company of Parry Sound Power Corporation is responsible for those activities relating to the generation of power. Until Market Opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation for power equal to actual operating costs only, with no mark-ups. At market opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation the actual spot market price for all energy delivered to Parry Sound Power Corporation.

Included in trade accounts receivable and payables are intercompany balances of \$1,983 (2006 - \$NIL) and \$183,974 (2006 - \$148,967), respectively. These are current receivables and payables arising in the normal course of operations.

Parry Sound Energy Services Corporation (PSES), a sister company of Parry Sound Power Corporation, employs all staff from the former Parry Sound Electric Utility Commission and provides services to its parent and sister corporations. PSES charges operations labour to these corporations at cost (including overhead) plus mark up. Trucks are charged out at market rates. PSES records certain administrative salaries and expenses for all four companies and allocates these costs to each company based on an estimated share of costs.

All administration costs related to Parry Sound Hydro Corporation, the parent company, are then charged to Parry Sound Energy Services which in turn bills the other two sister companies for their share of all expenses.

11. Promissory Note

In connection with the reorganization of the former Parry Sound Electric Public Utility and By-Law 2000-4303, the purchase price of assets transferred to the four new corporations consisted of the issuance of common shares in each corporation and unsecured promissory notes to the Town of Parry Sound.

Commencing January 1, 2002, the interest on the promissory note is 7.25% on the outstanding principal, payable quarterly. The Corporation has the option of repaying the principal amount at any time.

Parry Sound Power Corporation
Notes to Financial Statements

December 31, 2007

12. Share Capital

Authorized:
 Unlimited number of common shares

Issued:

	2007	2006
2,433,727 Common shares	<u>\$ 2,433,727</u>	<u>\$ 2,433,727</u>

13. Contingencies

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Municipal Electric Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Power Corporation.

Parry Sound Power Corporation

Financial Statements

For the year ended December 31, 2008

Parry Sound Power Corporation

Financial Statements

For the year ended December 31, 2008

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G. HOWARD FLEMMING, C.A.

Auditors' Report

**To the Shareholder of
Parry Sound Power Corporation**

We have audited the balance sheet of Parry Sound Power Corporation as at December 31, 2008 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Ontario Energy Board.

Gordon, Gingrich, Harris & Fleming

Parry Sound, Ontario
April 6, 2009

Chartered Accountants, Licensed Public Accountants

Parry Sound Power Corporation Balance Sheet

December 31	2008	2007
Assets		
Current		
Cash	\$ 1,065,493	\$ 1,007,780
Short-term investments (Note 2)	-	1,800,899
Accounts receivable (Note 3)	1,218,790	965,890
Inventories	114,904	111,587
Prepaid expenses	127,180	34,308
Unbilled revenue	1,356,104	1,215,228
	<u>3,882,471</u>	<u>5,135,692</u>
Capital assets (Note 5)	3,845,851	3,958,872
Other Assets		
Incorporation/organization costs (Note 6)	145,763	194,351
Long term investments (Note 7)	100	100
	<u>\$ 7,874,185</u>	<u>\$ 9,289,015</u>
Liabilities and Shareholder's Equity		
Current		
Accounts payable (Note 8)	\$ 1,211,708	\$ 920,682
Other current liabilities	374,191	234,208
Current portion of customer deposits	170,393	162,581
Due to Town of Parry Sound		
- Sewage and water billings	<u>613,007</u>	<u>606,493</u>
	2,369,299	1,923,964
Long-term portion of customer deposits	128,229	128,229
Promissory Note - Town of Parry Sound (Note 11)	2,433,728	2,433,728
Regulatory liabilities (net) (Note 4)	339,584	300,641
	<u>5,270,840</u>	<u>4,786,562</u>
Contingencies (Note 14)		
Shareholder's equity		
Miscellaneous paid in capital	-	1,332,900
Share capital (Note 12)	2,433,727	2,433,727
Retained earnings	<u>169,618</u>	<u>735,826</u>
	2,603,345	4,502,453
	<u>\$ 7,874,185</u>	<u>\$ 9,289,015</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Statement of Operations and Retained Earnings

For the year ended December 31	2008	2007
Revenue		
Power and regulatory charges - net of variance (Note 4)	\$ 6,754,392	\$ 6,719,948
Distribution revenue	1,713,357	1,752,663
Recovery of regulatory assets	83,151	33,297
	<u>8,550,900</u>	<u>8,505,908</u>
Cost of power (Note 4)	<u>6,754,392</u>	<u>6,719,948</u>
Net distribution revenue	<u>1,796,508</u>	<u>1,785,960</u>
Other operating revenue (expense)		
Late payment charges	11,411	16,906
Interest earned	100,503	163,027
Regulatory assets interest	37,545	17,204
Pole rentals	22,922	36,541
Change of occupancy charges	33,245	27,504
Miscellaneous income (expense)	(7,075)	528
	<u>198,551</u>	<u>261,710</u>
	<u>1,995,059</u>	<u>2,047,670</u>
Operations, maintenance and administration expense		
Distribution - Operations (Note 10)	57,279	63,190
Distribution - Maintenance	268,637	266,047
Billing and collecting	369,735	334,602
Community expense	52,381	89,801
Other administration & general	468,851	361,840
Interest on long-term debt	176,444	176,444
Amortization of capital assets	327,086	332,645
Amortization of organization costs	48,588	48,588
	<u>1,769,001</u>	<u>1,673,157</u>
Income before PILS	<u>226,058</u>	<u>374,513</u>
PILS - Payment in lieu of income tax (Note 1)	<u>56,441</u>	<u>138,155</u>
Net income for the year	<u>169,617</u>	<u>236,358</u>
Retained earnings, beginning of year	<u>735,826</u>	<u>499,468</u>
Dividends	<u>(735,825)</u>	<u>-</u>
Retained earnings, end of year	<u>\$ 169,618</u>	<u>\$ 735,826</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Statement of Cash Flows

For the year ended December 31	2008	2007
Cash provided by (used in)		
Operating activities		
Net income for the year	\$ 169,617	\$ 236,358
Adjustments required to reconcile net income with net cash provided by operating activities		
Amortization of capital assets	327,086	332,645
Amortization of organization costs	48,588	48,588
Loss (gain) on disposal of capital assets	(341,407)	-
Changes in non-cash working capital balances		
Accounts receivable	(252,900)	(110,708)
Inventories	(3,317)	5,676
Prepaid expenses	(92,872)	(9,290)
Unbilled revenue	(140,876)	129,114
Accounts payable	291,026	(1,264,870)
Other current liabilities	139,983	(10,270)
Due to Town of Parry Sound	6,514	89,565
	<u>151,442</u>	<u>(553,192)</u>
Investing activities		
Purchase of capital assets	(292,065)	(150,313)
Proceeds on insurance claim	419,407	-
Regulatory assets / liabilities	38,943	17,253
	<u>166,285</u>	<u>(133,060)</u>
Financing activities		
Increase in customer deposits	7,812	3,638
Miscellaneous paid in capital	(1,332,900)	-
Dividends paid	(735,825)	-
	<u>(2,060,913)</u>	<u>3,638</u>
Decrease in cash during the year	(1,743,186)	(682,614)
Cash, beginning of year	2,808,679	3,491,293
Cash, end of year	\$ 1,065,493	\$ 2,808,679
Cash consists of:		
Cash	\$ 1,065,493	\$ 1,007,780
Short-term Investments	-	1,800,899
	<u>\$ 1,065,493</u>	<u>\$ 2,808,679</u>
Supplementary cash flow information:		
Payments in lieu of income tax	\$ 157,936	\$ 173,996
Interest paid	176,444	176,444

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2008

Basis of Accounting

These financial statements have been prepared in accordance with accounting policies for Local Distribution Companies in Ontario as required by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedure Handbook for Electric Distribution Utilities ("AP Handbook").

Due to the regulatory framework the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under Canadian generally accepted accounting principles (GAAP) for non-rate regulated enterprises. Please refer to accounting policies for Spare Transformers and Meters, Post 1999 Contributed Capital, Regulatory Assets and Liabilities, Payments in lieu of corporate income taxes and capital taxes and Ontario Price Credit Rebates.

Regulation and Rate Setting

The corporation is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfill their obligations to connect and service customers, and has the authority to provide rate protection for certain electricity customers.

The OEB sets rates on an annual basis with rates becoming effective on May 1st through April 30th of the following year. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Short-term Investments

Short-term investments are stated at the lower of cost and market value.

Inventories

Inventory consists of repairs parts, supplies and materials valued at the lower of cost and replacement cost.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2008

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost for capital assets installed by the Corporation include material, labour and overhead. Amortization of the assets, and the related Contributions and Grants in aid of Capital, is based on the estimated useful life of the asset and is calculated as follows (only 1/2 the rate recorded in the year of acquisition):

Distribution station equipment - Straight line basis over 30 years
All other plant and equipment - Straight line basis over 25 years

The amortization lifetime includes the years the assets were owned by the former Utility

Post 1999 Contributed Grants and Capital

Post 1999 contributed capital consists of third party contributions towards the cost of constructing distribution assets collected after January 1, 2000, and are recorded with capital assets as a contra account.

Contributions are amortized at rates corresponding with the useful life of the related asset. Canadian GAAP provides no specific guidelines on the accounting treatment for this type of contribution.

Regulatory Assets and Liabilities

The corporation is required to bill customers for various charges including the cost of power, wholesale market charges, transmission charges on behalf of third parties and other costs as directed by the Ontario Energy Board. In turn the corporation must pay for these items. The difference between what is billed to customers versus what is paid is carried on the balance sheet as a regulatory asset (liability).

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on the accrual basis. The revenue includes cycles billed during the year plus an estimate for unbilled revenue. The unbilled revenue is calculated by prorating the actual consumption of electricity by customers since their last meter reading date, based on meter readings subsequent to year end, for consumption to December 31. Actual results could differ from estimates made of electricity usage.

Other revenues are recognized at the time the service is provided.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2008

Use of Estimates and Measurement Uncertainty

Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements in accordance with generally accepted accounting principles necessarily involves the use of estimates and approximations.

Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered which reflect an appropriate allowance for unrecoverable amounts.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance.

The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

Payment in Lieu of Corporate

Income Taxes and Capital Taxes

The corporation is a local distribution company ("LDC") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a LDC the corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Each taxation year, the corporation is required to make payments in lieu of corporate income taxes and capital taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated based on the rules for computing taxable income and taxable capital outlined in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) taking into account any modifications made by the Electricity Act, 1998, and related regulations.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

1. The Organization

Parry Sound Hydro Corporation was incorporated under the Ontario Business Corporations Act on October 31, 2000. Pursuant to section 142 of the Electricity Act, 1998 and in accordance with By-Law 2000-4303 of the Corporation of the Town of Parry Sound, all of the assets, liabilities, employees, rights and obligations of the Parry Sound Public Electric Utility Commission were transferred to Parry Sound Power Corporation, Parry Sound Powergen Corporation and Parry Sound Energy Services Corporation, all wholly owned subsidiaries of Parry Sound Hydro Corporation, and to Parry Sound Hydro Corporation, which is wholly owned by the Corporation of the Town of Parry Sound. These corporations will continue the transmission, distribution, generation and retailing of electricity and the associated business activities of the former Parry Sound Public Electric Utility Commission.

In accordance with various regulations of the Province of Ontario, Parry Sound Power Corporation became a taxable entity on October 1, 2001. As at that date, the corporation was responsible for making payments in lieu of taxes, equivalent to federal and provincial income and capital taxes, to the Ontario Electricity Financial Corporation, to pay down the residual debt of the former Ontario Hydro.

2. Short-term Investments

	2008	2007
Bankers Acceptance - at cost on December 21, 2007		
- TD Bank - 4.35%, matures January 23, 2008	\$ -	\$ 900,456
- TD Bank - 4.43%, matures February 19, 2008	-	900,443
	<u>\$ -</u>	<u>\$ 1,800,899</u>

3. Accounts Receivable

	2008	2007
Consumers	\$ 1,253,790	\$ 914,547
Goods and service tax receivable	-	86,343
Allowance for doubtful accounts	<u>(35,000)</u>	<u>(35,000)</u>
	<u>\$ 1,218,790</u>	<u>\$ 965,890</u>

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

4. Regulatory assets / liabilities

		2008	2007
PILS variance account	\$ 833,804	\$ 833,804	
Interest	11,749	12,257	
Recovery of PILS through distribution revenue	(766,492)	(766,492)	
True up	(80,067)	(80,067)	
	(1,006)	(498)	
PILS contra account	(1,006)	(498)	
	\$ -	\$ -	
Conservation and demand side management	\$ -	\$ (56,342)	
CDM - Tranche recovery	-	56,342	
	-	\$ -	
RCVA STR	\$ 113	\$ 142	
Interest	(16)	(21)	
	97	\$ 121	
Retail settlement variance accounts - pg 12	(552,164)	(556,100)	
Ontario Energy Board Costs	9,413	18,479	
Low Voltage Variance	189,714	158,662	
Smart Meter Recovery	(26,754)	(14,985)	
Other	(1,494)	1,033	
Recovery of Regulatory assets	41,604	92,149	
	\$ (339,584)	\$ (300,641)	

PILS variance account

The company is entitled to receive the full value of the regulatory PILS (payments in lieu of income and capital taxes) embedded in rates approved by the Ontario Energy Board. Interest is accrued on the previous months variance account balance.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

4. Regulatory assets / liabilities continued...

Conservation and demand side management

This account relates to conservation and demand side management activities under process by Parry Sound Power. Included in the dollar value is the allowable recovery from the distribution rates. The total recovery was collected over a one year period.

Retail settlement variance accounts

The retail settlement variance accounts record the difference between the amounts billed to customers for energy costs, wholesale market service charges, network and connection charges, transmission charges, other additional items and the amounts paid by the utility in respect of these items. These variances will be disposed of in accordance with direction from the Ontario Energy Board.

Smart Meter Recovery

During 2006 the OEB developed recommendations on smart meters with regards to cost recovery during the phase-in period of this equipment. The OEB stated that given the increased need for electricity and the importance of conservation, specific funding for smart meters is included in rates. Variance accounts were established to track revenues collected with respect to smart meters and associated costs of the initiatives.

Ontario Energy Board Costs

The OEB has allowed the corporation to record the variance between the OEB annual cost assessment fees previously captured in the 2001 rates and the amounts charged for fiscal years beginning after January 1, 2004, until April 30, 2006. Accordingly, the Corporation deferred these expenditures in accordance with the criteria set out in the AP Handbook.

Recovery of Regulatory Assets

In a letter dated December 19, 2003, the Minister of Energy granted approval for distributors to make application to the OEB with regard to rate recovery of certain distribution regulatory assets whose inclusion in rates was delayed by the Electricity Pricing, Conservation and Supply Act, 2002 (Electric Pricing, Conservation and Supply Act).

Fair Value of Regulatory Assets and Regulatory Liabilities

For certain regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties related to the ultimate authority of the regulator in determining the asset's treatment for rate setting purposes. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

4. Regulatory assets / liabilities continued...

Retail settlement variance accounts

	2008	2007
Revenue - supply of power and regulatory charges		
Power	\$ 5,266,126	\$ 5,296,824
Wholesale market service charge	584,950	586,794
Network service charge	403,747	454,628
Connection service charge	393,607	398,375
Low voltage billed	102,026	30,093
	<u>6,750,456</u>	<u>6,766,714</u>
Expense - supply of power and regulatory charges		
Power Purchased		
- Independent Electricity Market Operator and Hydro One Networks Inc. (net of RPPP*)	5,050,049	5,187,430
- Parry Sound Powergen Corporation (Note 10)	354,014	258,599
Wholesale market service charge	493,747	444,518
Network service charge	397,610	435,847
Connection service charge	353,819	360,207
Low voltage charges	102,026	30,093
One time	3,127	3,254
	<u>6,754,392</u>	<u>6,719,948</u>
Current year retail settlement variance	(3,936)	46,766
Prior years cumulative total	<u>556,100</u>	<u>509,334</u>
Retail settlement variance accounts	<u>\$ 552,164</u>	<u>\$ 556,100</u>

* RPPP - Regulated price protection plan

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

5. Capital Assets

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 74,305	\$ -	\$ 74,305	\$ 74,305
Land rights	35,048	34,648	400	420
Work in progress	47,133	-	47,133	47,348
Distribution station equipment	1,839,926	954,681	885,245	593,129
Poles, towers & fixtures	1,568,253	995,552	572,701	575,835
Overhead conductors & devices	2,280,368	1,461,982	818,386	795,728
Underground conduit	592,235	309,059	283,176	305,961
Underground conductors & devices	775,343	395,527	379,816	397,858
Line transformers	2,145,417	1,365,934	779,483	839,765
Services	1,292,622	810,135	482,487	499,456
Meters	533,280	327,190	206,090	177,922
	11,183,930	6,654,708	4,529,222	4,307,727
Less: Contributions & grants	(792,085)	(108,714)	(683,371)	(348,855)
	<u>\$ 10,391,845</u>	<u>\$ 6,545,994</u>	<u>\$ 3,845,851</u>	<u>\$ 3,958,872</u>

6. Other Assets

Incorporation/Organization costs include fees and expenses relating to the incorporation and organization of the corporation on November 1, 2000. Further costs are also reported by the parent and sister corporations for their share of such costs. These costs are amortized over 10 years (straight-line).

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

7. Long Term Investments

Utility Collaborative Services Inc.

Parry Sound Power Corporation owns a 14.29% interest in Utility Collaborative Services Inc. (UCS). The investment is recorded at cost of \$100.00. UCS provides standards based utility back office services through stable group licencing models.

Cornerstone Hydro Electric Concepts Inc.

Parry Sound Power owns 1 common share of Cornerstone Hydro Electric Concepts Inc. (CHEC). Their 5.88% interest is recorded using the cost method and accordingly is reported at a NIL value.

8. Accounts Payable

	2008	2007
Independent Electricity Service Operator **	\$ -	\$ (93,060)
Independent Electricity Service Operator - December bill	590,214	602,969
Hydro One Networks Inc.	68,843	73,759
Hydro One Networks Inc. - Regulatory asset low voltage charge	15,312	31,512
Trade payables and other	537,339	305,502
	\$ 1,211,708	\$ 920,682

As explained in Note 10, all operations, maintenance and administration costs are paid for by Parry Sound Energy Services and are included in the amount due to this sister corporation.

** The 2008 reconcilliation is subject to approval by the Ontario Electric Finance Corporation.

9. Fixed Price vs Market Price

Small volume customers are charged a fixed rate per kwh for the cost of power. The corporation must pay market price for the power it purchases, but receives an adjustment from the IESO for the difference between this fixed rate and the market rate. As the customers are billed for their usage this liability is reduced.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

10. Related Party Transactions

Parry Sound Powergen Corporation, a sister company of Parry Sound Power Corporation is responsible for those activities relating to the generation of power. Until Market Opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation for power equal to actual operating costs only, with no mark-ups. At market opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation the actual spot market price for all energy delivered to Parry Sound Power Corporation.

Included in trade accounts receivable and payables are intercompany balances of \$4,591 (2007 - \$1,983) and \$366,965 (2007 - \$183,974), respectively. These are current receivables and payables arising in the normal course of operations.

Parry Sound Energy Services Corporation (PSES), a sister company of Parry Sound Power Corporation, employs all staff from the former Parry Sound Electric Utility Commission and provides services to its parent and sister corporations. PSES charges operations labour to these corporations at cost (including overhead) plus mark up. Trucks are charged out at market rates. PSES records certain administrative salaries and expenses for all four companies and allocates these costs to each company based on an estimated share of costs.

All administration costs related to Parry Sound Hydro Corporation, the parent company, are then charged to Parry Sound Energy Services which in turn bills the other two sister companies for their share of all expenses.

During 2008, Parry Sound Power Corporation declared and paid a dividend of \$735,825, and transferred miscellaneous paid in capital of \$1,332,900 to Parry Sound Hydro Corporation.

11. Promissory Note

In connection with the reorganization of the former Parry Sound Electric Public Utility and By-Law 2000-4303, the purchase price of assets transferred to the four new corporations consisted of the issuance of common shares in each corporation and unsecured promissory notes to the Town of Parry Sound.

Commencing January 1, 2002, the interest on the promissory note is 7.25% on the outstanding principal, payable quarterly. The Corporation has the option of repaying the principal amount at any time.

Parry Sound Power Corporation
Notes to Financial Statements

December 31, 2008

12. Share Capital

Authorized:
 Unlimited number of common shares

Issued:

	<u>2008</u>	<u>2007</u>
2,433,727 Common shares	<u>\$ 2,433,727</u>	<u>\$ 2,433,727</u>

13. Change in Accounting Policy

Amortization

The corporation has changed the amortization policy for capital assets. Amortization is based on the estimated useful life of the asset and 1/2 the rate is recorded in the year of acquisition.

International Financial Reporting Standards

The CICA has pronounced that Canadian publicly accountable enterprises will adopt International Accounting Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, there will be some differences in accounting policies, which will need to be looked at. The Company is currently developing an implementation plan for the adoption of IFRS.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2008

14. Contingencies

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electrical Distributors Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Power Corporation.

15. Financial Instruments

The company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, long-term debt, amounts due to (from) related parties and a promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

16. Comparative Figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

Parry Sound Power Corporation

Financial Statements

For the year ended December 31, 2009

Parry Sound Power Corporation

Financial Statements
For the year ended December 31, 2009

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Auditors' Report

To the Shareholder of
Parry Sound Power Corporation

We have audited the balance sheet of Parry Sound Power Corporation as at December 31, 2009 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company'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 the company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles prescribed by the Ontario Energy Board.

Parry Sound, Ontario
March 25, 2010

Chartered Accountants, Licensed Public Accountants

**Parry Sound Power Corporation
Balance Sheet**

December 31	2009	2008
Assets		
Current		
Cash	\$ 592,633	\$ 1,065,493
Accounts receivable (Note 2)	924,754	1,218,790
Inventories	116,919	114,904
Prepaid expenses	278,153	127,180
Unbilled revenue	870,125	1,356,104
	<u>2,782,584</u>	<u>3,882,471</u>
Capital assets (Note 4)	3,953,454	3,845,851
Other Assets		
Incorporation/organization costs (Note 5)	97,175	145,763
Regulatory assets (net) (Note 3)	757,134	-
Long term investments (Note 7)	100	100
	<u>\$ 7,590,447</u>	<u>\$ 7,874,185</u>
Liabilities and Shareholder's Equity		
Current		
Accounts payable (Note 8)	\$ 1,450,089	\$ 1,211,708
Other current liabilities	231,355	374,191
Current portion of customer deposits	156,990	170,393
Due to Town of Parry Sound		
- Sewage and water billings	<u>623,128</u>	<u>613,007</u>
	<u>2,461,562</u>	<u>2,369,299</u>
Long-term portion of customer deposits	128,229	128,229
Promissory Note - Town of Parry Sound (Note 11)	2,433,728	2,433,728
Regulatory liabilities (net) (Note 3)	-	339,584
	<u>5,023,519</u>	<u>5,270,840</u>
Contingencies (Note 14)		
Shareholder's equity		
Share capital (Note 12)	2,433,727	2,433,727
Retained earnings	133,201	169,618
	<u>2,566,928</u>	<u>2,603,345</u>
	<u>\$ 7,590,447</u>	<u>\$ 7,874,185</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation
Statement of Operations and Retained Earnings

For the year ended December 31	2009	2008
Revenue		
Power and regulatory charges - net of variance (Note 3)	\$ 7,386,826	\$ 6,754,392
Distribution revenue	1,546,513	1,713,357
Recovery of regulatory assets	131,139	83,151
	<u>9,064,478</u>	<u>8,550,900</u>
Cost of power (Note 3)	<u>7,386,826</u>	<u>6,754,392</u>
Net distribution revenue	<u>1,677,652</u>	<u>1,796,508</u>
Other operating revenue (expense)		
Late payment charges	17,984	11,411
Interest earned	5,505	100,503
Regulatory assets interest	(1,992)	37,545
Pole rentals	36,381	22,922
Change of occupancy charges	30,709	33,245
Miscellaneous income (expense)	13,667	(7,075)
	<u>102,254</u>	<u>198,551</u>
	<u>1,779,906</u>	<u>1,995,059</u>
Operations, maintenance and administration expense		
Distribution - Operations (Note 10)	57,300	57,279
Distribution - Maintenance	283,648	268,637
Billing and collecting	377,839	369,735
Community expense	21,616	52,381
Other administration & general	503,687	468,851
Interest on long-term debt	176,444	176,444
Amortization of capital assets	335,439	327,086
Amortization of organization costs	48,588	48,588
	<u>1,804,561</u>	<u>1,769,001</u>
(Loss) income before PILS	<u>(24,655)</u>	<u>226,058</u>
PILS - Payment in lieu of income tax (Note 1)	<u>11,762</u>	<u>56,441</u>
Net income (loss) for the year	<u>(36,417)</u>	<u>169,617</u>
Retained earnings, beginning of year	169,618	735,826
Dividends	-	(735,825)
Retained earnings, end of year	<u>\$ 133,201</u>	<u>\$ 169,618</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation
Statement of Cash Flows

For the year ended December 31	2009	2008
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$ (36,417)	\$ 169,617
Adjustments required to reconcile net income with net cash provided by operating activities		
Amortization of capital assets	335,439	327,086
Amortization of organization costs	48,588	48,588
Loss (gain) on disposal of capital assets	41,758	(341,407)
Changes in non-cash working capital balances		
Accounts receivable	294,036	(252,900)
Inventories	(2,015)	(3,317)
Prepaid expenses	(150,973)	(92,872)
Unbilled revenue	485,979	(140,876)
Accounts payable	238,381	291,026
Other current liabilities	(142,836)	139,983
Due to Town of Parry Sound	10,121	6,514
	<u>1,122,061</u>	<u>151,442</u>
Investing activities		
Purchase of capital assets	(484,800)	(292,065)
Proceeds on insurance claim	-	419,407
Regulatory assets / liabilities	(1,096,718)	38,943
	<u>(1,581,518)</u>	<u>166,285</u>
Financing activities		
Increase in customer deposits	(13,403)	7,812
Miscellaneous paid in capital	-	(1,332,900)
Dividends paid	-	(735,825)
	<u>(13,403)</u>	<u>(2,060,913)</u>
Decrease in cash during the year	(472,860)	(1,743,186)
Cash, beginning of year	<u>1,065,493</u>	<u>2,808,679</u>
Cash, end of year	<u>\$ 592,633</u>	<u>\$ 1,065,493</u>
Supplementary cash flow information:		
Payments in lieu of income tax	\$ (44,323)	\$ 157,936
Interest paid	<u>176,444</u>	<u>176,444</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2009

Basis of Accounting

These financial statements have been prepared in accordance with accounting policies for Local Distribution Companies in Ontario as required by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998, and reflect the following policies as set forth in the Ontario Energy Board Accounting Procedure Handbook for Electric Distribution Utilities ("AP Handbook").

Due to the regulatory framework the timing of recognition of revenues and expenses and the measurement of certain assets and liabilities may differ from that otherwise expected under Canadian generally accepted accounting principles (GAAP) for non-rate regulated enterprises. Please refer to accounting policies for Spare Transformers and Meters, Post 1999 Contributed Capital, Regulatory Assets and Liabilities, Payments in lieu of corporate income taxes and capital taxes and Ontario Price Credit Rebates.

Regulation and Rate Setting

The corporation is required to follow regulations as set by the OEB. The OEB approves and sets rates for the transmission and distribution of electricity, ensures distribution companies fulfill their obligations to connect and service customers, and has the authority to provide rate protection for certain electricity customers.

The OEB sets rates on an annual basis with rates becoming effective on May 1st through April 30th of the following year. The regulation and monitoring of Ontario's Energy Sector is completed by the OEB through application of codes, rules and guidelines, the licensing of market participants, assisting firms with the management of regulatory requirements, monitoring and enforcing compliance and adjudication.

Inventories

Inventory consists of repairs parts, supplies and materials valued at the lower of cost and replacement cost.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2009

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost for capital assets installed by the Corporation include material, labour and overhead. Amortization of the assets, and the related Contributions and Grants in aid of Capital, is based on the estimated useful life of the asset and is calculated as follows (only 1/2 the rate recorded in the year of acquisition):

Distribution station equipment - Straight line basis over 30 years
 All other plant and equipment - Straight line basis over 25 years

The amortization lifetime includes the years the assets were owned by the former Utility.

Post 1999 Contributed Grants and Capital

Post 1999 contributed capital consists of third party contributions towards the cost of constructing distribution assets collected after January 1, 2000, and are recorded with capital assets as a contra account.

Contributions are amortized at rates corresponding with the useful life of the related asset. Canadian GAAP provides no specific guidelines on the accounting treatment for this type of contribution.

Regulatory Assets and Liabilities

The corporation is required to bill customers for various charges including the cost of power, wholesale market charges, transmission charges on behalf of third parties and other costs as directed by the Ontario Energy Board. In turn the corporation must pay for these items. The difference between what is billed to customers versus what is paid is carried on the balance sheet as a regulatory asset (liability).

Revenue Recognition

Revenue from the sale and distribution of electricity is recognized on the accrual basis. The revenue includes cycles billed during the year plus an estimate for unbilled revenue. The unbilled revenue is calculated by prorating the actual consumption of electricity by customers since their last meter reading date, based on meter readings subsequent to year end, for consumption to December 31. Actual results could differ from estimates made of electricity usage.

Other revenues are recognized at the time the service is provided.

Parry Sound Power Corporation Summary of Significant Accounting Policies

December 31, 2009

Use of Estimates and Measurement Uncertainty

Since precise determination of many assets and liabilities is dependant upon future events, the preparation of periodic financial statements in accordance with generally accepted accounting principles necessarily involves the use of estimates and approximations.

Accounts receivable, unbilled revenue and regulatory assets are reported based on amounts expected to be recovered which reflect an appropriate allowance for unrecoverable amounts.

Due to inherent uncertainty involved in making such estimates, actual results could differ from those estimates, including changes as a result of future decisions made by the OEB, the Minister of Energy or the Minister of Finance.

The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the accounting policies.

Payment in Lieu of Corporate Income Taxes and Capital Taxes

The corporation is a local distribution company ("LDC") for purposes of the PIL's regime contained in the Electricity Act, 1998. As a LDC the corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Each taxation year, the corporation is required to make payments in lieu of corporate income taxes and capital taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated based on the rules for computing taxable income and taxable capital outlined in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) taking into account any modifications made by the Electricity Act, 1998, and related regulations.

Parry Sound Power Corporation
Notes to Financial Statements

December 31, 2009

1. The Organization

Parry Sound Hydro Corporation was incorporated under the Ontario Business Corporations Act on October 31, 2000. Pursuant to section 142 of the Electricity Act, 1998 and in accordance with By-Law 2000-4303 of the Corporation of the Town of Parry Sound, all of the assets, liabilities, employees, rights and obligations of the Parry Sound Public Electric Utility Commission were transferred to Parry Sound Power Corporation, Parry Sound Powergen Corporation and Parry Sound Energy Services Corporation, all wholly owned subsidiaries of Parry Sound Hydro Corporation, and to Parry Sound Hydro Corporation, which is wholly owned by the Corporation of the Town of Parry Sound. These corporations will continue the transmission, distribution, generation and retailing of electricity and the associated business activities of the former Parry Sound Public Electric Utility Commission.

In accordance with various regulations of the Province of Ontario, Parry Sound Power Corporation became a taxable entity on October 1, 2001. As at that date, the corporation was responsible for making payments in lieu of taxes, equivalent to federal and provincial income and capital taxes, to the Ontario Electricity Financial Corporation, to paydown the residual debt of the former Ontario Hydro.

2. Accounts Receivable

	<u>2009</u>	<u>2008</u>
Consumers and other	\$ 959,754	\$ 1,253,790
Allowance for doubtful accounts	(35,000)	(35,000)
	<u>\$ 924,754</u>	<u>\$ 1,218,790</u>

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2009

3. Regulatory assets / liabilities

		2009	2008
PILS variance account	\$ 833,804	\$ 833,804	
Interest	11,605	11,749	
Recovery of PILS through distribution revenue	(766,492)	(766,492)	
True up	(80,067)	(80,067)	
	(1,150)	(1,006)	
PILS contra account	(1,150)	(1,006)	
	\$ -	\$ -	
RCVA STR	\$ 67	\$ 113	
Interest	(15)	(18)	
	52	\$ 97	
Retail settlement variance accounts - pg 12		9,062	(552,164)
Ontario Energy Board Costs		11,325	9,413
Low Voltage Variance		190,426	189,714
Smart Meter Recovery		507,884	(26,754)
Other		(3,823)	(1,494)
Recovery of Regulatory assets		42,208	41,604
		\$ 757,134	\$ (339,584)

PILS variance account

The company is entitled to receive the full value of the regulatory PILS (payments in lieu of income and capital taxes) embedded in rates approved by the Ontario Energy Board. Interest is accrued on the previous months variance account balance.

**Parry Sound Power Corporation
Notes to Financial Statements**

December 31, 2009

3. Regulatory assets / liabilities continued...

Conservation and demand side management

This account relates to conservation and demand side management activities under process by Parry Sound Power. Included in the dollar value is the allowable recovery from the distribution rates. The total recovery was collected over a one year period.

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Smart Meter Recovery

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Ontario Energy Board Costs

The OEB has allowed the corporation to record the variance between the OEB annual cost assessment fees previously captured in the 2001 rates and the amounts charged for fiscal years beginning after January 1, 2004, until April 30, 2006. Accordingly, the Corporation deferred these expenditures in accordance with the criteria set out in the AP Handbook.

Recovery of Regulatory Assets

In a letter dated December 19, 2003, the Minister of Energy granted approval for distributors to make application to the OEB with regard to rate recovery of certain distribution regulatory assets whose inclusion in rates was delayed by the Electricity Pricing, Conservation and Supply Act, 2002 (Electric Pricing, Conservation and Supply Act).

Fair Value of Regulatory Assets and Regulatory Liabilities

For certain regulatory items identified above, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties related to the ultimate authority of the regulator in determining the asset's treatment for rate setting purposes. Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

Parry Sound Power Corporation
Notes to Financial Statements

December 31, 2009

3. Regulatory assets / liabilities continued...

Retail settlement variance accounts

	2009	2008
Revenue - supply of power and regulatory charges		
Power	\$ 5,439,153	\$ 5,266,126
Wholesale market service charge	566,241	584,950
Network service charge	384,383	403,747
Connection service charge	370,840	393,607
Low voltage billed	64,983	102,026
	<u>6,825,600</u>	<u>6,750,456</u>
Expense - supply of power and regulatory charges		
Power Purchased		
- Independent Electricity Market Operator and Hydro One Networks Inc. (net of RPPP*)	5,872,350	5,050,049
- Parry Sound Powergen Corporation (Note 10)	214,981	354,014
Wholesale market service charge	535,487	493,747
Network service charge	366,059	397,610
Connection service charge	332,893	353,819
Low voltage charges	64,983	102,026
One time	73	3,127
	<u>7,386,826</u>	<u>6,754,392</u>
Current year retail settlement variance	(561,226)	(3,936)
Prior years cumulative total	<u>552,164</u>	<u>556,100</u>
Retail settlement variance accounts	<u>\$ (9,062)</u>	<u>\$ 552,164</u>

* RPPP - Regulated price protection plan

**Parry Sound Power Corporation
Notes to Financial Statements**

December 31, 2009

4. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 74,305	\$ -	\$ 74,305	\$ 74,305
Land rights	35,048	34,668	380	400
Work in progress	-	-	-	47,133
Distribution station equipment	1,843,857	1,011,027	832,830	885,245
Poles, towers & fixtures	1,692,539	1,048,105	644,434	572,701
Overhead conductors & devices	2,337,347	1,535,521	801,826	818,386
Underground conduit	592,235	331,844	260,391	283,176
Underground conductors & devices	776,630	425,393	351,237	379,816
Line transformers	2,197,100	1,435,917	761,183	779,483
Services	1,312,807	853,461	459,346	482,487
Meters	401,615	45,691	355,924	206,090
Computer equipment & software	80,108	8,011	72,097	-
	<u>11,343,591</u>	<u>6,729,638</u>	<u>4,613,953</u>	<u>4,529,222</u>
Less: Contributions & grants	<u>(798,703)</u>	<u>(138,204)</u>	<u>(660,499)</u>	<u>(683,371)</u>
	<u>\$ 10,544,888</u>	<u>\$ 6,591,434</u>	<u>\$ 3,953,454</u>	<u>\$ 3,845,851</u>

5. Other Assets

Incorporation/Organization costs include fees and expenses relating to the incorporation and organization of the corporation on November 1, 2000. Further costs are also reported by the parent and sister corporations for their share of such costs. These costs are amortized over 10 years (straight-line).

Parry Sound Power Corporation
Notes to Financial Statements

December 31, 2009

6. Credit Facility

The corporation has a line of credit with an authorized limit of \$1,500,000 available under a credit facility agreement with a Canadian chartered bank. Interest on advances is calculated using the bank's prime rate and is payable monthly. The security provided is a general security agreement representing a first charge on all the corporation's assets, adequate liability insurance and an indemnity agreement for any drawn Letters of Credit or Letters of Guarantee.

The corporation's line of credit has been pledged as security for the letter of credit provided to the Independent Electricity Systems Operation ("IESO") (see Note 14). Interest on the Letter of Guarantee is 0.5% per annum. As a result, the corporation's access to the \$1,500,000 credit facility mentioned above is limited to \$1,070,365.

7. Long Term Investments

Utility Collaborative Services Inc.

Parry Sound Power Corporation owns a 14.29% interest in Utility Collaborative Services Inc. (UCS). The investment is recorded at cost of \$100.00. UCS provides standards based utility back office services through stable group licencing models.

Cornerstone Hydro Electric Concepts Inc.

Parry Sound Power owns 1 common share of Cornerstone Hydro Electric Concepts Inc. (CHEC). Their 5.88% interest is recorded using the cost method and accordingly is reported at a NIL value.

8. Accounts Payable

	2009	2008
Independent Electricity Service Operator **	\$ 457,335	\$ -
Independent Electricity Service Operator - December bill	662,970	590,214
Hydro One Networks Inc.	62,926	68,843
Hydro One Networks Inc. - Regulatory asset low voltage charge	3,536	15,312
Hydro One Networks Inc. - Low voltage over charge	(20,134)	-
Trade payables and other	283,456	537,339
	<u>\$ 1,450,089</u>	<u>\$ 1,211,708</u>

As explained in Note 10, all operations, maintenance and administration costs are paid for by Parry Sound Energy Services and are included in the amount due to this sister corporation.

** The 2008 & 2009 reconciliations are subject to approval by the Ontario Electric Finance Corporation.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2009

9. Fixed Price vs Market Price

Small volume customers are charged a fixed rate per kwh for the cost of power. The corporation must pay market price for the power it purchases, but receives an adjustment from the IESO for the difference between this fixed rate and the market rate. As the customers are billed for their usage this liability is reduced.

10. Related Party Transactions

Parry Sound Powergen Corporation, a sister company of Parry Sound Power Corporation is responsible for those activities relating to the generation of power. Until Market Opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation for power equal to actual operating costs only, with no mark-ups. At market opening, Parry Sound Powergen Corporation charged Parry Sound Power Corporation the actual spot market price for all energy delivered to Parry Sound Power Corporation.

Included in trade accounts receivable and payables are intercompany balances of \$4,427 (2008 - \$4,591) and \$147,907 (2008 - \$366,965), respectively. These are current receivables and payables arising in the normal course of operations.

Parry Sound Energy Services Corporation (PSES), a sister company of Parry Sound Power Corporation, employs all staff from the former Parry Sound Electric Utility Commission and provides services to its parent and sister corporations. PSES charges operations labour to these corporations at cost (including overhead) plus mark up. Trucks are charged out at market rates. PSES records certain administrative salaries and expenses for all four companies and allocates these costs to each company based on an estimated share of costs.

All administration costs related to Parry Sound Hydro Corporation, the parent company, are then charged to Parry Sound Energy Services which in turn bills the other two sister companies for their share of all expenses.

During 2008, Parry Sound Power Corporation declared and paid a dividend of \$735,825, and transferred miscellaneous paid in capital of \$1,332,900 to Parry Sound Hydro Corporation.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2009

11. Promissory Note

In connection with the reorganization of the former Parry Sound Electric Public Utility and By-Law 2000-4303, the purchase price of assets transferred to the four new corporations consisted of the issuance of common shares in each corporation and unsecured promissory notes to the Town of Parry Sound.

Commencing January 1, 2002, the interest on the promissory note is 7.25% on the outstanding principal, payable quarterly. The Corporation has the option of repaying the principal amount at any time.

12. Share Capital

Authorized:

Unlimited number of common shares

Issued:

	2009	2008
2,433,727 Common shares	<u>\$ 2,433,727</u>	<u>\$ 2,433,727</u>

13. Change in Accounting Policy

International Financial Reporting Standards

The CICA has pronounced that Canadian publicly accountable enterprises will adopt International Accounting Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective January 1, 2011. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, there will be some differences in accounting policies, which will need to be looked at. The Company is currently developing an implementation plan for the adoption of IFRS.

Parry Sound Power Corporation Notes to Financial Statements

December 31, 2009

14. Contingencies

i) Griffith et al. v. Toronto Hydro-Electric Commission et al.

A class action claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro on November 18, 1998. The action was initiated against Toronto Hydro Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario which have charged Late Payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347(1)(b) of the Criminal Code.

The Electrical Distributors Association is undertaking the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Power Corporation.

ii) Letter of credit

The corporation is contingently liable as a guarantor for a letter of credit for \$429,635 with its bank provided to the Independent Electricity Systems Operator (IESO) to secure the corporation's hydro purchase obligations.

15. Financial Instruments

The company's financial instruments consist of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, customer deposits, long-term debt, amounts due to (from) related parties and a promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

1
2

3 **PRO FORMA FINANCIAL STATEMENTS - 2010 AND 2011:**

4 The PSP's Pro Forma Statements for the 2010 Bridge Year and the 2011 Test Year accompany
5 this Schedule as Appendix E and Appendix F respectively.

APPENDIX E

Copy Of Parry Sound Power Corporation

2010 PRO FORMA STATEMENTS

PARRY SOUND POWER CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2010

Unaudited

With comparative for the twelve months ending December 31, 2009

	December 2010	December 2009
ASSETS		
Current		
Cash	\$ 531,357	\$ 592,633
Accounts receivable	944,888	965,882
Accrued revenue	870,125	870,125
Prepaid Expenses	278,153	278,153
Inventory	116,919	116,919
	<u>2,741,441</u>	<u>2,823,711</u>
Capital Assets	<u>4,116,821</u>	<u>4,050,628</u>
Other		
Regulatory Assets	757,133	757,133
Long Term Investments	100	100
	<u>757,233</u>	<u>854,408</u>
	<u>\$ 7,615,494</u>	<u>\$ 7,631,572</u>
LIABILITIES		
Current		
Accounts payable	\$ 1,782,524	\$ 1,864,981
Other current liabilities	62,163	14,577
Due to Town of Parry Sound - Water and Sewage	637,006	623,128
	<u>2,481,692</u>	<u>2,502,686</u>
Other		
Long-term portion of customer deposits	128,229	128,229
Promissory Note - Town of Parry Sound - 7.25%	2,433,728	2,433,728
	<u>2,561,957</u>	<u>2,561,957</u>
Total Liabilities	<u>\$ 5,043,649</u>	<u>\$ 5,064,643</u>
SHAREHOLDER'S EQUITY		
Share capital - 2,433,727 common shares	\$ 2,433,727	\$ 2,433,727
Retained earnings (deficit)		
Balance beginning of period	144,152	169,618
Net income (loss) for the period	(6,033)	(36,416)
Balance, end of the period	<u>138,118</u>	<u>133,202</u>
Total shareholder equity	<u>2,571,845</u>	<u>\$ 2,566,929</u>
	<u>\$ 7,615,494</u>	<u>\$ 7,631,572</u>

PARRY SOUND POWER CORPORATION
STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2010

Unaudited

With comparative for the twelve months ending December 31, 2009

	December 2010	December 2009
Revenue		
Power and regulatory charges - net of variance	\$ 7,861,706	\$ 7,386,826
Distribution Revenue	<u>1,843,792</u>	<u>1,677,652</u>
	9,705,498	9,064,478
 Cost of Power	 <u>7,861,706</u>	 <u>7,386,826</u>
	1,843,792	1,677,652
 Other operating revenue		
Late payment charges	15,433	17,984
Interest earned	5,505	15,505
Pole rentals	36,381	36,381
Change of Occupancy charges	27,880	26,050
Miscellaneous income	<u>-</u>	<u>22,292</u>
	85,200	118,212
 Operations, maintenance & administraton expense		
Distribution - Operations	54,737	57,300
Distribution - Maintenance	445,310	283,648
Billing and collecting	358,982	377,839
Community expense	14,600	21,616
Other administration & general	551,175	507,652
Regulatory asset interest	12,175	11,993
Amortization of capital assets	<u>350,054</u>	<u>384,027</u>
	1,787,032	1,644,074
 Net income before PILS and interest	 141,959	 151,790
 Interest to Town of Parry Sound	 176,444	 176,444
PILS	<u>(9,018)</u>	<u>11,762</u>
 Net income	 <u>\$ (25,466)</u>	 <u>\$ (36,416)</u>

APPENDIX F

Copy Of Parry Sound Power Corporation
2011 PRO FORMA STATEMENTS

PARRY SOUND POWER CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2011

Unaudited

With comparative for the twelve months ending December 31, 2010

	December 2011	December 2010
ASSETS		
Current		
Cash	\$ (195,654)	\$ 531,357
Accounts receivable	944,888	944,888
Accrued revenue	870,125	870,125
Prepaid Expenses	278,153	278,153
Inventory	116,919	116,919
	<u>2,014,430</u>	<u>2,741,441</u>
Capital Assets	<u>4,875,332</u>	<u>4,116,821</u>
Other		
Regulatory Assets	757,133	757,133
Long Term Investments	100	100
	<u>757,233</u>	<u>757,233</u>
	<u>\$ 7,646,994</u>	<u>\$ 7,615,494</u>
LIABILITIES		
Current		
Accounts payable	\$ 1,782,524	\$ 1,782,524
Other current liabilities	62,163	62,163
Due to Town of Parry Sound - Water and Sewage	637,006	637,006
	<u>2,481,692</u>	<u>2,481,692</u>
Other		
Long-term portion of customer deposits	128,229	128,229
Promissory Note - Town of Parry Sound - 7.25%	2,433,728	2,433,728
	<u>2,561,957</u>	<u>2,561,957</u>
Total Liabilities	<u>\$ 5,043,649</u>	<u>\$ 5,043,649</u>
SHAREHOLDER'S EQUITY		
Share capital - 2,433,727 common shares	\$ 2,433,727	\$ 2,433,727
Retained earnings (deficit)		
Balance beginning of period	467,200	144,152
Net income (loss) for the period	(297,581.68)	(6,033)
Balance, end of the period	<u>169,618</u>	<u>138,118</u>
Total shareholder equity	<u>2,603,345</u>	<u>2,571,845</u>
	<u>\$ 7,646,994</u>	<u>\$ 7,615,494</u>

PARRY SOUND POWER CORPORATION
STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2011

Unaudited

With comparative for the twelve months ending December 31, 2010

	December 2011	December 2010
Revenue		
Power and regulatory charges - net of variance	\$ 8,011,052	\$ 7,861,706
Distribution Revenue	<u>2,629,743</u>	<u>1,843,792</u>
	10,640,795	9,705,498
 Cost of Power	 <u>8,011,052</u>	 <u>7,861,706</u>
	2,629,743	1,843,792
 Other operating revenue		
Late payment charges	15,433	15,433
Interest earned	5,505	5,505
Pole rentals	36,381	36,381
Change of Occupancy charges	27,880	27,880
Miscellaneous income	<u>-</u>	<u>-</u>
	85,200	85,200
 Operations, maintenance & administraton expense		
Distribution - Operations	46,801	54,737
Distribution - Maintenance	518,258	445,310
Billing and collecting	395,022	358,982
Community expense	13,423	14,600
Other administration & general	821,914	551,175
Regulatory asset interest	8,278	12,175
Amortization of capital assets	<u>389,525</u>	<u>350,054</u>
	2,193,221	1,787,032
 Net income before PILS and interest	 521,722	 141,959
 Interest to Town of Parry Sound	 176,444	 176,444
PILS	<u>47,696</u>	<u>(9,018)</u>
 Net income	 <u>\$ 297,582</u>	 <u>\$ (25,466)</u>

RECONCILIATION BETWEEN PRO FORMA STATEMENTS AND REVENUE DEFICIENCY STATEMENTS

PSP advises the 2009 Audited Financial Statements do not vary from the regulatory financial results filed in this Application, a reconciliation between the financial statements and financial results filed has not been provided.

2011 Test Year Pro forma net income differs from deemed net income as a result of deemed and actual interest expense, other interest, and SSS revenue. The following chart provides a reconciliation of 2011 Pro Forma Statements and the Revenue Deficiency Statements.

D E E M E D N E T I N C O M E		\$	2 3 5 , 1 0 2	A
D e e m e d I n t e r e s t		\$	2 4 7 , 2 0 3	
A c t u a l I n t e r e s t L o n g T e r m		\$	1 7 6 , 4 4 4	
		\$	7 0 , 7 5 9	B
O t h e r I n t e r e s t		\$	8 , 2 7 8	C
N E T I N C O M E P E R I N C O M E S T A T E M E N T		\$	2 9 7 , 5 8 2	A + B - C

Exhibit	Tab	Schedule	Appendix	Contents
2 – Rate Base				
	1			Overview
		1		Rate Base Overview
		2		Variance Analysis on Rate Base Table
	2			Gross Assets – Property, Plant and Equipment Accumulated Depreciation
		1		Continuity Statements
		2		Gross Assets Table
		3		Variance Analysis on Gross Assets Assignment of Capital Projects to USoA
		4		Accumulated Depreciation Table
		5		Variance Analysis on Accumulated Depreciation
	3			Capital Budget
		1		Introduction
		2		Asset Management Plan Summary
			A	Asset Management Plan
		3		Capitalization Policy
		4		Service Quality & Reliability Performance
	4			Allowance for Working Capital
		1		Overview and Calculation by Account
			B	Cost of Power Calculation

1 **RATE BASE:**

2 **Rate Base Overview:**

3 The rate base used for the purpose of calculating the revenue requirement used in this
4 Application follows the definition used in the 2006 EDR Handbook as an average of the net book
5 value of fixed assets at the beginning and the end of the 2011 Test Year, plus a working capital
6 allowance, which is 15% of the sum of the cost of power and controllable expenses in the test
7 year.

8 The net fixed assets include those distribution assets that are associated with activities that
9 enable the conveyance of electricity for distribution purposes. PSP's rate base calculation
10 excludes any non-distribution assets. Controllable expenses include operations and
11 maintenance, billing and collecting and administration expenses.

12 PSP has provided its rate base calculations for the years 2006 Board Approved, 2006 Actual,
13 2007 Actual, 2008 Actual, 2009 Actual, 2010 Bridge Year and 2011 Test Year in Table 1 below.

14 PSP has calculated its 2011 rate base as \$ 5,967,047 .

Table 1
Summary of Rate Base

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Gross Fixed Assets	9,745,106	10,478,190	10,593,476	10,705,755	10,905,930	11,083,150	12,294,932
Accumulated Depreciation	5,176,801	6,106,367	6,487,600	6,761,274	6,855,301	6,966,329	7,419,600
Net Book Value	4,568,305	4,371,823	4,105,876	3,944,481	4,050,629	4,116,821	4,875,332
Average Net Book Value	4,568,305	4,503,933	4,238,849	4,025,179	3,997,555	4,083,725	4,496,076
Working Capital	6,494,285	7,727,173	7,716,086	7,843,223	7,991,868	9,286,509	9,806,469
Working Capital Allowance	974,143	1,159,076	1,157,413	1,176,483	1,198,780	1,392,976	1,470,970
Rate Base	5,542,448	5,663,009	5,396,262	5,201,662	5,196,335	5,476,701	5,967,047

15
16
17
18 PSP has provided a summary of its calculations of the cost of power and controllable expenses
19 used in the calculations for determining working capital for the years 2006 Board Approved, 2006

1 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Bridge Year and 2011 Test Year in Table 2,
2 below.

Table 2
Summary of Working Capital

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Cost of Power	5,488,083	6,690,629	6,606,776	6,627,109	6,746,090	7,861,706	8,011,052
Operations	66,823	51,120	63,190	57,279	57,300	54,737	46,801
Maintenance	168,838	213,937	266,047	268,637	283,648	445,310	518,258
Billing & Collecting	283,052	375,543	342,691	373,628	380,463	358,982	395,022
Community Relations	13,011	30,656	89,801	52,381	21,616	14,600	13,423
Administration & General Expense	474,477	365,288	347,580	464,189	502,752	551,175	821,914
Property Taxes	0	0	0	0	0	0	0
Working Capital	6,494,284	7,727,173	7,716,086	7,843,223	7,991,868	9,286,509	9,806,469

3
4

5 **Parry Sound Power Corporation Distribution System:**

6 PSP owns and operates the electricity distribution system in its licensed service area in the Town
7 of Parry Sound, serving approximately 2,751 Residential, 629 General Service, Street Light for
8 the Town of Parry Sound and a small number of Sentinel Light and Unmetered Scattered Load
9 customers/connections.

10 PSP is supplied through the Hydro One Networks Inc. ("HONI") transmission system. Electricity is
11 then distributed through PSP's service area of 15 square kilometres with over 11 kilometres of
12 underground cable and 117 kilometres of overhead conductor. PSP delivers electricity at its
13 primary supply voltage of 12.4 Kv and 4.16 Kv. to all our General Service and Residential
14 customers. Primary voltage is stepped down through 5 PSP-owned distribution stations to service
15 General Service (347/600 wye 600 delta, 240 delta, 120/208 wye, three phase loads) and
16 Residential (120/240 single phase load) customers. Voltage is stepped down from the 12.4Kv
17 and 4.16 kV primary feeders through approximately 600 LDC owned distribution transformers.

PSP is moving towards the capital and maintenance objectives as described in our Asset Management Plan to manage our distribution system. The Green Energy Act is moving Ontario toward a Smart Grid which will allow customers with generation to connect.

PSP owns and maintains approximately 3,600 meters installed on our customers' premises for the purpose of measuring consumption of electricity for billing purposes. PSP through its Smart Meter Initiative has installed: 2,768 Residential, 509 GS<50, Smart Meters within our service territory. PSP is also installing Smart Meters within its GS>50 rate group. PSP will continue to deploy this technology as meters for all customer classes and types become available. PSP will be integrating with the Provincial MDMR in mid 2011 as part of the Province of Ontario's smart meter initiative. On June 25, 2010, Ontario Regulation 235/08 was filed by the Ontario Provincial Government giving Parry Sound Power Corporation authorization to proceed with its first phase of Smart Meter installation. PSP is also requesting an increase in the smart meter rate funder.

In managing its distribution system assets, PSP's main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, public & worker safety and customer service requirements. This Application incorporates PSP's 2011 Capital and Expense Budgets in determining the revenue requirement to bring these plans to fruition.

In addition to the capital needs of the network, PSP provides for maintenance planning for the assets.

PSP's assets fall into two broad categories –

1. Distribution plant, which includes assets such as substations, wires, overhead and underground electricity distribution infrastructure, transformers, and meters
2. General plant which includes assets such as, office furniture and fixtures, computer equipment and software.

More detailed lists of distribution and general plant categories can be found in the Gross Assets Table at Exhibit 2.

1 **Capital Projects:**

2 PSP's capital budget items detailed in our asset management plan include:

3 • **Customer Demand:**

4 These are projects that PSP undertakes to meet its customer service obligations in accordance
5 with the OEB's Distribution System Code (the "DSC") and Conditions of Service. Activities
6 include connecting new customers and building new subdivisions. Capital contributions toward the
7 cost of these projects are collected by PSP in accordance with the DSC and the provisions of its
8 Conditions of Service. PSP uses the economic evaluation methodology from the DSC to
9 determine the level of capital contribution for each project and those levels are injected into the
10 annual capital budget.

11 • **Renewal:**

12 Renewal projects are completed when assets reach their end of useful life and must be replaced.
13 PSP completes visual inspections of its plant and performs predictive testing on certain assets
14 where such testing is available, and replaces assets based on these inspection and testing
15 activities if warranted. In some cases the projects involve spot replacement of assets; in others,
16 the projects involve complete asset replacement within a geographic area. New assets require
17 less maintenance, deliver better reliability and reduce safety risks to the general public.

18 • **Security:**

19 The probability and impact of asset failure are considered at peak load to determine the risk the
20 failure creates. In these cases, projects are developed to add switching devices or create a
21 backup feeder supply to reduce the risk to typical restoration times.

22 • **Capacity:**

23 Load growth caused by new customer connections and increased demand of existing customers
24 over time can result in a need for capacity improvements on the system. Projects can take the
25 form of new or upgraded feeders, transformers or voltage conversion projects, substations or

1 transformer stations. These projects are not customer-specific, but rather, they benefit many
2 customers.

3 • **Reliability:**

4 The main driver for these investments is an analysis of what measures could be undertaken to
5 continue our reliability performance as measured by SAIDI, SAIFI and CAIDI indices. These
6 indices are indicators of the reliability of PSP's distribution system. These activities will support
7 maintenance of or improvement to the Service Quality Indices measured and submitted to the
8 OEB each year. The Asset Management Report provided later in this exhibit supports the capital
9 and maintenance programs needed to maintain and enhance the reliability of our distribution
10 system.

11 • **Regulatory Requirements:**

12 These projects are system capital investments, which are being driven by regulatory
13 requirements. These requirements may include, among others, directions from the OEB, the
14 IESO, the Ministry of Energy or the Ministry of Environment and the Town of Parry Sound. PSP
15 has also placed into this category those projects relating to the elimination of long-term load
16 transfers pursuant to the DSC.

17 • **Substations:**

18 The metering station(s) identified as MS1 and MS2 have reached the end of
19 their service lives. The 4160/2400 V distribution system feeds the majority of the downtown core.
20 Both MS1 and MS2 provide service to 5 feeders. The plans for this construction project involve
21 locating on a property adjacent to the current site. The voltage of these metering stations will
22 remain the same allowing for redundant supply to MS4. Continuation of this conversion program
23 will maximize the amount of the distributed generation allowed to connect under the Green
24 Energy Act.

25 • **Customer Connections and Metering:**

26 Capital expenditures in this area allow PSP to continue to provide our customers with reliable safe
27 supply of power.

PSP as shown in our asset management plan have budgeted our capital and maintenance programs. Management plans to follow this report in as much detail as possible. Budgeted capital projects are usually (unless otherwise scheduled for multiple years) intended to be completed in the calendar year. However, there are projects which do not get completed in the calendar year and have costs allocated to them in subsequent years. When a project is carried over from one year to the next it is not re-budgeted in the following year. The reasons for not completing a project in the calendar year would include but not limited to resource availability and deployment. PSP's capital projects for the 2011 Test Year are discussed in further detail below. PSP has provided project-specific justifications in Exhibit 2. Written explanations have been provided for rate base related variances. PSP has provided the explanations exceeding the filing requirement materiality levels as outlined.

Gross Assets – Property, Plant and Equipment and Accumulated Depreciation:

The 2010 Bridge and 2011 Test Years' gross asset balances reflect the capital expenditure programs forecast for both years. An analysis of our 2006 to 2011 capital programs are described in detail in PSP's written evidence.

The following comments provide an overview of PSP's budgeting process.

- **Overall Budget Process:**

As described earlier in the application PSP does not have a formal documented budget process or a written capital policy. In 2009 PSP engaged subject matter experts to assist with an asset management and maintenance plan, a corporate strategy and an organization to meet regulatory requirements to become compliant with the Affiliate Relationship Code and to maximize our value to the customers and the shareholder. Management is committed to ensuring all resources are in place to enable an efficient reliable system.

- **Responsibilities:**

- > It will be the responsibility of each department to coordinate all efforts to ensure the operating budget and capital budget are met.

1 > Management is responsible for presenting and recommending the budget to the Board of
2 Directors for approval.

3 > It is the responsibility of the Board of Directors, on behalf of the shareholder, to approve
4 the budget.

5 The budget will become an important planning tool. PSP will combine capital and operational
6 plans into a common financial strategy. The appropriate resources are designated for the various
7 capital and operational needs of the utility for the coming year.

8

RATE BASE VARIANCE ANALYSIS:

The following Table 1 sets out PSP's rate base and working capital calculations for 2006 Board Approved and Actual, 2007 Actual, 2008 Actual, 2010 Bridge Year and 2011 Test Year, and the following variances:

- 2006 Actual against 2006 Board Approved;
- 2007 Actual against 2006 Actual;
- 2008 Actual against 2007 Actual
- 2009 Actual against 2008 Actual
- 2010 Bridge Year against 2009 Actual; and
- 2011 Test Year against 2010 Bridge Year.

Table 1
Summary of Rate Base

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Gross Fixed Assets	9,745,106	10,478,190	10,593,476	10,705,755	10,905,930	11,083,150	12,294,932
Accumulated Depreciation	5,176,801	6,106,367	6,487,600	6,761,274	6,855,301	6,966,329	7,419,600
Net Book Value	4,568,305	4,371,823	4,105,876	3,944,481	4,050,629	4,116,821	4,875,332
Average Net Book Value	4,568,305	4,503,933	4,238,849	4,025,179	3,997,555	4,083,725	4,496,076
Working Capital	6,494,285	7,727,173	7,716,086	7,843,223	7,991,868	9,286,509	9,806,469
Working Capital Allowance	974,143	1,159,076	1,157,413	1,176,483	1,198,780	1,392,976	1,470,970
Rate Base	5,542,448	5,663,009	5,396,262	5,201,662	5,196,335	5,476,701	5,967,047

PSP notes that the 2006 OEB Approved rate base was determined through the 2006 EDR process and is based on the 2004 year end rate base adjusted for Tier 1 Adjustments. Accordingly, the variance between 2006 Actual and 2006 OEB Approved spans a two-year period.

The 2011 Base Revenue Requirement for PSP is \$2,613,957 therefore the materiality threshold on its rate base to be \$50,000 for 2011 in accordance with the Filing Requirements (distributors with a distribution revenue requirement of less than or equal to \$10 million).

PSP offers the following comments in respect of the relevant variances identified above and explains projects under the materiality where relevant.

2011 Test Year:

As shown in Table 1 above, the total rate base in the 2011 test year is forecast to be \$ 5,967,047 . Average net fixed assets accounts for \$ 4,496,076 of this total. The allowance for working capital totals \$ 1,470,970 and has been calculated as 15% of the sum of the cost of power and controllable expenses.

• 2011 Test Year vs. 2010 Bridge Year:

The total rate base is expected to be \$ 490,345 higher in the 2011 Test Year than in the 2010 Bridge Year. This increase is attributable primarily to an increase in average net fixed assets of \$ 412,352 . The increase in fixed assets along with the required detailed information for projects is discussed in detail by capital project in Exhibit 2.

The working capital allowance increased by \$ 77,994 from the 2010 Bridge Year. A detailed calculation of the working capital allowance for the 2011 Test Year can be found at Exhibit 2.

• 2010 Bridge Year vs. 2009 Actual:

The total rate base for the 2010 Bridge Year is expected to be \$ 5,476,701 , which represents an increase of \$ 280,366 over the 2009 Actual year. This change results in part from an increase in average net assets of \$ 86,170 . This increase is primarily due to capital expenditures. The working capital allowance increased by \$ 194,196 from 2009. A

detailed calculation of the working capital allowance for the 2010 Bridge Year can be found at Exhibit 2.

- **2009 Actual vs. 2008 Actual:**

The rate base of \$ 5,196,335 for the 2008 actual year is a decrease over 2008 of \$ (5,327) . The decrease results from a decrease in average net value of \$ (27,624) for 2009 year. The 2009 working capital allowance of \$ 1,198,780 is an increase over 2008 actual of \$ 22,297 . Detailed calculations follow later in this exhibit.

- **2008 Actual vs. 2007 Actual:**

The rate base of \$ 5,201,662 for 2008 Actual decrease from 2007 Actual of \$ (194,600) . This decrease is a change in average net assets of \$ (213,671) as a result of capital expenditures. Detailed information for these projects can be found in Exhibit 2. The working capital allowance increased by \$ 19,071 .

- **2007 Actual vs. 2006 Actual:**

The rate base of \$ 5,396,262 for 2007 Actual decreased over 2006 Actual by \$ (266,746) . This decrease is made up of a change in average net assets of \$ (265,083) as a result of capital expenditures. The working capital allowance decreased by \$ (1,663) .

- **2006 Actual vs. 2006 Board Approved:**

The rate base of \$ 5,663,009 for 2006 Actual was higher than the 2006 Board Approved by \$ 120,561 . The difference reflects the fact that the 2006 Board Approved amounts were calculated as the average of the 2003 and 2004 actual amounts.

1 The variance between the 2006 Actual and the 2006 Board Approved included the difference
2 between the 2004 actual and the 2006 Board Approved amounts as well as the 2005 normal
3 investments. The working capital allowance for 2006 actual of \$ 1,159,076 is higher than
4 Board approved by \$ 184,933 because of the averaging.

CONTINUITY STATEMENTS:

Table 1

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2006

Gross Costs						Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	361,043			361,043	69,516	48,588		118,104	242,938
N/A	1805	Land	74,305			74,305				0	74,305
CEC	1806	Land Rights	35,048	0		35,048	34,588	20		34,608	440
1	1808	Buildings and Fixtures		0		0				0	
	1810	Leasehold Improvements				0				0	0
	1815	Transformer Station Equipment - Normally Primary above 50 kV				0				0	0
1	1820	Distribution Station Equipment - Normally Primary below 50 kV	1,585,610	14,910		1,600,520	910,792	48,299		959,092	641,428
	1825	Storage Battery Equipment				0				0	0
1	1830	Poles, Towers and Fixtures	1,469,019	24,567		1,493,586	843,737	50,730		894,467	599,119
1	1835	Overhead Conductors and Devices	2,149,700	22,956		2,172,656	1,243,749	73,512		1,317,261	855,395
1	1840	Underground Conduit	567,845	24,151		591,997	240,713	22,775		263,489	328,508
1	1845	Underground Conductors and Devices	726,120	28,144		754,264	307,546	28,996		336,542	417,722
1	1850	Line Transformers	2,032,089	44,230		2,076,319	1,162,362	66,185		1,228,547	847,773
1	1855	Services	1,225,885	14,759		1,240,644	680,199	43,211		723,410	517,234
1	1860	Meters	466,004	13,709		479,713	284,963	13,844		298,807	180,905
	1865	Other Installations on Customer's Premises				0				0	0
N/A	1905	Land				0				0	0
CEC	1906	Land Rights				0				0	0
1	1908	Buildings and Fixtures				0				0	0
	1910	Leasehold Improvements				0				0	0
8	1915	Office Furniture and Equipment				0				0	0
45	1920	Computer Equipment - Hardware				0				0	0
12	1925	Computer Software				0				0	0
10	1930	Transportation Equipment				0				0	0
10	1935	Stores Equipment				0				0	0
8	1940	Tools, Shop and Garage Equipment				0				0	0
	1945	Measurement and Testing Equipment				0				0	0
	1950	Power Operated Equipment				0				0	0
10	1955	Communication Equipment				0				0	0
	1960	Miscellaneous Equipment				0				0	0
	1970	Load Management Controls - Customer Premises				0				0	0
	1975	Load Management Controls - Utility Premises				0				0	0
	1980	System Supervisory Equipment				0				0	0
	1985	Sentinel Lighting Rentals				0				0	0
	1990	Other Tangible Property				0				0	0
1	1995	Contributions and Grants	(330,342)	(71,562)		(401,903)	(51,883)	(16,076)		(67,959)	(333,944)
	2005	Property under Capital Lease				0				0	0
		Total before Work in Process	10,362,325	115,865	0	10,478,190	5,726,283	380,084	0	6,106,367	4,371,823
WIP		Work in Process				0	0	0	0	0	0
		Total after Work in Process	10,362,325	115,865	0	10,478,190	5,726,283	380,084	0	6,106,367	4,371,823

Table 2

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2007

Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	361,043			361,043	118,104	48,588		166,692	194,351
N/A	1805	Land	74,305			74,305	0			0	74,305
CEC	1806	Land Rights	35,048			35,048	34,608	20		34,628	420
1	1808	Buildings and Fixtures	0			0	0			0	0
0	1810	Leasehold Improvements	0			0	0			0	0
0	1815	Transformer Station Equipment - Normally Prime	0			0	0			0	0
1	1820	Distribution Station Equipment - Normally Prime	1,600,520			1,600,520	959,092	48,299		1,007,391	593,129
0	1825	Storage Battery Equipment	0			0	0			0	0
1	1830	Poles, Towers and Fixtures	1,493,586	27,609		1,521,195	894,467	50,892		945,360	575,836
1	1835	Overhead Conductors and Devices	2,172,656	12,965		2,185,621	1,317,261	72,632		1,389,893	795,728
1	1840	Underground Conduit	591,997	238		592,235	263,489	22,785		286,274	305,961
1	1845	Underground Conductors and Devices	754,264	9,514		763,777	336,542	29,377		365,919	397,858
1	1850	Line Transformers	2,076,319	60,601		2,136,920	1,228,547	68,609		1,297,155	839,765
1	1855	Services	1,240,644	25,856		1,266,500	723,410	43,634		767,044	499,457
1	1860	Meters	479,713	10,781		490,493	298,807	13,763		312,571	177,922
0	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
1	1908	Buildings and Fixtures	0			0	0			0	0
0	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	0			0	0			0	0
45	1920	Computer Equipment - Hardware	0			0	0			0	0
12	1925	Computer Software	0			0	0			0	0
10	1930	Transportation Equipment	0			0	0			0	0
10	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	0			0	0			0	0
0	1945	Measurement and Testing Equipment	0			0	0			0	0
0	1950	Power Operated Equipment	0			0	0			0	0
10	1955	Communication Equipment	0			0	0			0	0
0	1960	Miscellaneous Equipment	0			0	0			0	0
0	1970	Load Management Controls - Customer Premises	0			0	0			0	0
0	1975	Load Management Controls - Utility Premises	0			0	0			0	0
0	1980	System Supervisory Equipment	0			0	0			0	0
0	1985	Sentinel Lighting Rentals	0			0	0			0	0
0	1990	Other Tangible Property	0			0	0			0	0
1	1995	Contributions and Grants	(401,903)	(32,278)		(434,181)	(67,959)	(17,367)		(85,326)	(348,855)
0	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	10,478,190	115,286	0	10,593,476	6,106,367	381,233	0	6,487,600	4,105,876
WIP	0	Work in Process	0			0	0	0	0	0	0
		Total after Work in Process	10,478,190	115,286	0	10,593,476	6,106,367	381,233	0	6,487,600	4,105,876

Table 3

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2008

Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	361,043			361,043	166,692	48,588		215,280	145,763
N/A	1805	Land	74,305			74,305	0			0	74,305
CEC	1806	Land Rights	35,048			35,048	34,628	20		34,648	400
1	1808	Buildings and Fixtures	0			0	0			0	0
0	1810	Leasehold Improvements	0			0	0			0	0
0	1815	Transformer Station Equipment - Normally Prima	0			0	0			0	0
1	1820	Distribution Station Equipment - Normally Prima	1,600,520	419,407	180,000	1,839,926	1,007,391	49,290	102,000	954,681	885,245
0	1825	Storage Battery Equipment	0			0	0			0	0
1	1830	Poles, Towers and Fixtures	1,521,195	47,057		1,568,253	945,360	50,192		995,552	572,701
1	1835	Overhead Conductors and Devices	2,185,621	94,747		2,280,368	1,389,893	72,089		1,461,982	818,386
1	1840	Underground Conduit	592,235			592,235	286,274	22,785		309,059	283,176
1	1845	Underground Conductors and Devices	763,777	11,566		775,343	365,919	29,608		395,527	379,816
1	1850	Line Transformers	2,136,920	8,497		2,145,417	1,297,155	68,779		1,365,934	779,483
1	1855	Services	1,266,500	26,121		1,292,622	767,044	43,091		810,135	482,487
1	1860	Meters	490,493	42,787		533,280	312,571	14,619		327,190	206,090
0	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
1	1908	Buildings and Fixtures	0			0	0			0	0
0	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	0			0	0			0	0
45	1920	Computer Equipment - Hardware	0			0	0			0	0
12	1925	Computer Software	0			0	0			0	0
10	1930	Transportation Equipment	0			0	0			0	0
10	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	0			0	0			0	0
0	1945	Measurement and Testing Equipment	0			0	0			0	0
0	1950	Power Operated Equipment	0			0	0			0	0
10	1955	Communication Equipment	0			0	0			0	0
0	1960	Miscellaneous Equipment	0			0	0			0	0
0	1970	Load Management Controls - Customer Premise	0			0	0			0	0
0	1975	Load Management Controls - Utility Premises	0			0	0			0	0
0	1980	System Supervisory Equipment	0			0	0			0	0
0	1985	Sentinel Lighting Rentals	0			0	0			0	0
0	1990	Other Tangible Property	0			0	0			0	0
1	1995	Contributions and Grants	(434,181)	(357,904)		(792,085)	(85,326)	(23,387)		(108,714)	(683,371)
0	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	10,593,476	292,279	180,000	10,705,755	6,487,600	375,674	102,000	6,761,274	3,944,481
WIP		Work in Process	0			0	0			0	0
		Total after Work in Process	10,593,476	292,279	180,000	10,705,755	6,487,600	375,674	102,000	6,761,274	3,944,481

Table 4

Fixed Asset Continuity Schedule (Distribution & Operations)

As at December 31, 2009

Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	361,043			361,043	215,280	48,588		263,867	97,175
N/A	1805	Land	74,305			74,305	0			0	74,305
CEC	1806	Land Rights	35,048			35,048	34,648	20		34,668	380
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Primary	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Primary	1,839,926	3,930		1,843,857	954,681	56,346		1,011,027	832,829
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	1,568,253	124,286		1,692,539	995,552	52,553		1,048,105	644,434
47	1835	Overhead Conductors and Devices	2,280,368	56,979		2,337,347	1,461,982	73,539		1,535,521	801,826
47	1840	Underground Conduit	592,235			592,235	309,059	22,785		331,844	260,391
47	1845	Underground Conductors and Devices	775,343	1,287		776,630	395,527	29,865		425,393	351,238
47	1850	Line Transformers	2,145,417	51,683		2,197,100	1,365,934	69,982		1,435,917	761,183
47	1855	Services	1,292,622	20,185		1,312,807	810,135	43,326		853,461	459,346
47	1860	Meters	533,280	152,960	284,625	401,615	327,190	8,502	290,000	45,691	355,923
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0			0	0			0	0
13	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	0			0	0			0	0
52	1920	Computer Equipment - Hardware	0	16,674		16,674	0	6,343		6,343	10,331
12	1925	Computer Software	0	63,433		63,433	0	1,667		1,667	61,766
10	1930	Transportation Equipment	0			0	0			0	0
8	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	0			0	0			0	0
8	1945	Measurement and Testing Equipment	0			0	0			0	0
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	0			0	0			0	0
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premises	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	0			0	0			0	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(792,085)	(6,618)		(798,703)	(108,714)	(29,490)		(138,204)	(660,499)
0	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	10,705,755	484,800	284,625	10,905,930	6,761,274	384,027	290,000	6,855,301	4,050,629
WIP		Work in Process	0			0	0			0	0
		Total after Work in Process	10,705,755	484,800	284,625	10,905,930	6,761,274	384,027	290,000	6,855,301	4,050,629

Table 5

Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2010

Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	361,043		361,043	0	263,867	0	263,867	0	0
N/A	1805	Land	74,305			74,305	0			0	74,305
CEC	1806	Land Rights	35,048			35,048	34,668	20		34,688	360
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Primary	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Primary	1,843,857	12,785		1,856,642	1,011,027	48,547		1,059,574	797,068
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	1,692,539	139,039		1,831,577	1,048,105	56,361		1,104,466	727,112
47	1835	Overhead Conductors and Devices	2,337,347	36,663		2,374,009	1,535,521	73,244		1,608,764	765,245
47	1840	Underground Conduit	592,235	5,058		597,293	331,844	22,886		354,730	242,564
47	1845	Underground Conductors and Devices	776,630	9,351		785,981	425,393	30,078		455,471	330,510
47	1850	Line Transformers	2,197,100	17,979		2,215,079	1,435,917	71,043		1,506,959	708,120
47	1855	Services	1,312,807	4,021		1,316,829	853,461	42,863		896,324	420,504
47	1860	Meters	401,615	9,119		410,734	45,691	13,991		59,682	351,051
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0			0	0			0	0
13	1910	Leasehold Improvements	0	0		0	0	0		0	0
8	1915	Office Furniture and Equipment	0	10,062		10,062	0	1,006		1,006	9,056
52	1920	Computer Equipment - Hardware	16,674	6,164		22,838	6,343	4,876		11,219	11,619
12	1925	Computer Software	63,433	26,873		90,306	1,667	15,374		17,041	73,265
10	1930	Transportation Equipment	0	292,235		292,235	0	24,646		24,646	267,589
8	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	0	1,955		1,955	0	195		195	1,759
8	1945	Measurement and Testing Equipment	0			0	0			0	0
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	0			0	0			0	0
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premises	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	0			0	0			0	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(798,703)	(33,040)		(831,743)	(138,204)	(30,234)		(168,438)	(663,305)
	2005	Property under Capital Lease	0	0		0	0			0	0
		Total before Work in Process	10,905,930	538,263	361,043	11,083,150	6,855,301	374,895	263,867	6,966,329	4,116,821
WIP		Work in Process	0			0	0			0	0
		Total after Work in Process	10,905,930	538,263	361,043	11,083,150	6,855,301	374,895	263,867	6,966,329	4,116,821

Table 6

Fixed Asset Continuity Schedule (Distribution & Operations)
 As at December 31, 2011

Cost							Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
	1606	Organization	0			0	0	0		0	0
N/A	1805	Land	74,305			74,305	0			0	74,305
CEC	1806	Land Rights	35,048			35,048	34,688	20		34,708	340
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Primary	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Primary	1,856,642	0		1,856,642	1,059,574	47,745		1,107,319	749,323
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	1,831,577	414,729		2,246,306	1,104,466	65,988		1,170,453	1,075,853
47	1835	Overhead Conductors and Devices	2,374,009	236,195		2,610,204	1,608,764	76,549		1,685,313	924,891
47	1840	Underground Conduit	597,293	64,178		661,471	354,730	24,185		378,915	282,556
47	1845	Underground Conductors and Devices	785,981	0		785,981	455,471	30,154		485,625	300,356
47	1850	Line Transformers	2,215,079	15,681		2,230,761	1,506,959	67,443		1,574,403	656,358
47	1855	Services	1,316,829	0		1,316,829	896,324	41,950		938,275	378,554
47	1860	Meters	410,734	0		410,734	59,682	14,295		73,977	336,756
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0			0	0			0	0
6	1910	Leasehold Improvements	0	200,000		200,000	0	20,000		20,000	180,000
8	1915	Office Furniture and Equipment	10,062	38,499		48,561	1,006	5,862		6,868	41,692
52	1920	Computer Equipment - Hardware	22,838	10,500		33,338	11,219	7,467		18,686	14,652
12	1925	Computer Software	90,306	7,000		97,306	17,041	18,761		35,803	61,504
10	1930	Transportation Equipment	292,235	225,000		517,235	24,646	63,355		88,001	429,234
8	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	1,955	0		1,955	195	391		586	1,368
8	1945	Measurement and Testing Equipment	0			0	0			0	0
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	0			0	0			0	0
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premises	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	0			0	0			0	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(831,743)	0		(831,743)	(168,438)	(30,895)		(199,332)	(632,411)
	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	11,083,150	1,211,782	0	12,294,932	6,966,329	453,271	0	7,419,600	4,875,332
WIP		Work in Process	0			0	0			0	0
		Total after Work in Process	11,083,150	1,211,782	0	12,294,932	6,966,329	453,271	0	7,419,600	4,875,332

GROSS ASSETS TABLE:

Table 1
Gross Assets

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2007 Actual (\$)	Variance from 2006 Actual	2008 Actual (\$)	Variance from 2007 Actual	2009 Actual (\$)	Variance from 2008 Actual	2010 Bridge (\$)	Variance from 2009 Actual	2011 Test (\$)	Variance from 2010 Bridge
Land and Buildings													
1606-Organization	361,043	361,043	(0)	361,043		361,043		361,043			(361,043)		
1805-Land	74,305	74,305	0	74,305		74,305		74,305		74,305		74,305	
1806-Land Rights	34,798	35,048	250	35,048		35,048		35,048		35,048		35,048	
1808-Buildings and Fixtures													
1810-Leasehold Improvements												200,000	200,000
Sub-Total-Land and Buildings	470,146	470,396	250	470,396		470,396		470,396		109,353	(361,043)	309,353	200,000
TS Primary Above 50													
1815-Transformer Station Equipment - Normally Primary above 50 kV													
Sub-Total-TS Primary Above 50													
DS													
1820-Distribution Station Equipment - Normally Primary below 50 kV	1,443,290	1,600,520	157,229	1,600,520		1,839,926	239,407	1,843,857	3,930	1,856,642	12,785	1,856,642	
Sub-Total-DS	1,443,290	1,600,520	157,229	1,600,520		1,839,926	239,407	1,843,857	3,930	1,856,642	12,785	1,856,642	
Poles and Wires													
1830-Poles, Towers and Fixtures	1,428,802	1,493,586	(630,314)	1,521,195	27,609	1,568,253	47,057	1,692,539	124,286	1,831,577	139,039	2,246,306	414,729
1835-Overhead Conductors and Devices	2,123,900	2,172,656	1,614,939	2,185,621	12,965	2,280,368	94,747	2,337,347	56,979	2,374,009	36,663	2,610,204	236,195
1840-Underground Conduit	557,718	591,997	(131,583)	592,235	238	592,235		592,235		597,293	5,058	661,471	64,178
1845-Underground Conductors and Devices	723,580	754,264	(1,245,998)	763,777	9,514	775,343	11,566	776,630	1,287	785,981	9,351	785,981	
Sub-Total-Poles and Wires	4,833,999	5,012,502	(392,957)	5,062,828	50,326	5,216,199	153,371	5,398,751	182,552	5,588,861	190,110	6,303,963	715,101
Line Transformers													
1850-Line Transformers	2,000,262	2,076,319	878,040	2,136,920	60,601	2,145,417	8,497	2,197,100	51,683	2,215,079	17,979	2,230,761	15,681
Sub-Total-Line Transformers	2,000,262	2,076,319	878,040	2,136,920	60,601	2,145,417	8,497	2,197,100	51,683	2,215,079	17,979	2,230,761	15,681
Services and Meters													
1855-Services	1,198,280	1,240,644	789,354	1,266,500	25,856	1,292,622	26,121	1,312,807	20,185	1,316,829	4,021	1,316,829	
1860-Meters	451,290	479,713	(1,169,857)	490,493	10,781	533,280	42,787	401,615	(131,665)	410,734	9,119	410,734	
Sub-Total-Services and Meters	1,649,570	1,720,357	(380,503)	1,756,994	36,637	1,825,902	68,908	1,714,422	(111,480)	1,727,562	13,140	1,727,562	
General Plant													
1908-Buildings and Fixtures													
1910-Leasehold Improvements													
Sub-Total-General Plant													
IT Assets													
1920-Computer Equipment - Hardware								16,674	16,674	22,838	6,164	33,338	10,500
1925-Computer Software								63,433	63,433	90,306	26,873	97,306	7,000
Sub-Total-IT Assets								80,108	80,108	113,144	33,036	130,644	17,500
Equipment													
1915-Office Furniture and Equipment										10,062	10,062	48,561	38,499
1930-Transportation Equipment										292,235	292,235	517,235	225,000
1935-Stores Equipment													
1940-Tools, Shop and Garage Equipment										1,955	1,955	1,955	
1945-Measurement and Testing Equipment													
1950-Power Operated Equipment													
1955-Communication Equipment													
1960-Miscellaneous Equipment													
Sub-Total-Equipment										304,251	304,251	567,750	263,499
Other Distribution Assets													
1970-Load Management Controls - Customer Premises													
1975-Load Management Controls - Utility Premises													
1985-Sentinel Lighting Rental Units													
1990-Other Tangible Property													
1995-Contributions and Grants - Credit	(291,118)	(401,903)	(401,903)	(434,181)	(32,278)	(792,085)	(357,904)	(798,703)	(6,618)	(831,743)	(33,040)	(831,743)	
2005-Property under Capital Lease													
Sub-Total-Other Distribution Assets	(291,118)	(401,903)	(401,903)	(434,181)	(32,278)	(792,085)	(357,904)	(798,703)	(6,618)	(831,743)	(33,040)	(831,743)	
GROSS ASSET TOTAL	10,106,149	10,478,190	(139,844)	10,593,476	115,286	10,705,755	112,279	10,905,930	200,174	11,083,150	177,220	12,294,932	1,211,782

VARIANCE ANALYSIS ON GROSS ASSETS:

The Gross Asset Variance analysis for those variances highlighted in Table 1 of Exhibit 2, is provided as follows. PSP has selected to explain all variances from EDR Year (2006) to Test Year (2011). The variance analysis is done on an account level basis by job number. The job numbers are detailed by year and the accounts used per job are listed. The 2006 EDR year to 2006 actual is explained by the averaging methodology used by the 2006 EDR application process between 2003 & 2004 combined with 2005 and 2006 additions, this pertains to the capex as well as amortization. PSP will review 2005 to 2011 capex.

PSP has explained all capital jobs from 2005 to Test Year 2011.

1

2005 CAPITAL ADDITIONS
Summary of Jobs and Description

Job Number	Description	Costs
2005-1	Farrer Street Rebuild - Water to William	\$ 41,457.22
2005-2	McFarlane Street-Sewage Plant	\$ 17,895.03
2005-3	McFarlane Street-Emily Street	\$ 2,803.92
2005-4	USF Membership Dues	\$ 10,086.66
2005-5	Electrical Meters	\$ 4,751.86
2005-6	Misc. Secondary Services	\$ 16,060.99
2005-7	Install new u/g cable	\$ 2,143.04
2005-8	Hydro One Exit Fee	\$ 30,534.00
		\$ 125,732.72

GL	Description	Costs
1820	Distribution Station Equipment	\$ 32,553.71
1830	Distribution Poles, Towers, Fixtures	\$ 24,563.46
1835	O/H Conductors	\$ 13,250.33
1840	U/G Conduit	\$ 10,086.66
1845	U/G Conductors	\$ 2,143.04
1850	Line Transformers	\$ 20,322.67
1855	Services	\$ 18,060.99
1860	Meters	\$ 4,751.86
		\$ 125,732.72

2005-1	\$ 41,457.22												
<p>Project Description: Farrer Street Rebuild - Water to William Street</p> <p>Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by snow removal operations and vehicle mishaps. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: 4 poles will be replaced from Water Street to William Street. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacements, new hardware, insulators, guying, grounding and anchoring will be placed. Existing transformer loading will be calculated and if required a rebalance of the electrical load will be undertaken within the scope of this project.</p> <p>Cost:</p> <table> <tr> <th>Acct & Desc:</th><th>Amount</th></tr> <tr> <td>1820-Dist. Station Equip.</td><td>\$ 2,019.71</td></tr> <tr> <td>1830-Poles, Towers & Fixtures</td><td>\$ 18,900.00</td></tr> <tr> <td>1835-Overhead Conductors & Devices</td><td>\$ 12,847.51</td></tr> <tr> <td>1850-Line Transformers</td><td>\$ 5,690.00</td></tr> <tr> <td>1855-Services</td><td>\$ 2,000.00</td></tr> </table>		Acct & Desc:	Amount	1820-Dist. Station Equip.	\$ 2,019.71	1830-Poles, Towers & Fixtures	\$ 18,900.00	1835-Overhead Conductors & Devices	\$ 12,847.51	1850-Line Transformers	\$ 5,690.00	1855-Services	\$ 2,000.00
Acct & Desc:	Amount												
1820-Dist. Station Equip.	\$ 2,019.71												
1830-Poles, Towers & Fixtures	\$ 18,900.00												
1835-Overhead Conductors & Devices	\$ 12,847.51												
1850-Line Transformers	\$ 5,690.00												
1855-Services	\$ 2,000.00												

2005-2	\$	17,895.03												
<p>Project Description: McFarlane Street-Sewage Plant</p> <p>Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: 2 poles will be replaced on pole line ROW. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacements, new hardware, insulators, guying, grounding and anchoring will be placed. Existing transformer loading will be calculated and if required a rebalance of the electrical load will be undertaken within the scope of this project. 3 new transformers will be added to satisfy upgraded service requirements.</p> <p>Cost:</p> <table> <tr> <th>Acct & Desc:</th><th></th><th>Amount</th></tr> <tr> <td>1830-Poles, Towers & Fixtures</td><td>\$</td><td>3,135.48</td></tr> <tr> <td>1835-Overhead Conductors & Devices</td><td>\$</td><td>126.88</td></tr> <tr> <td>1850-Line Transformers</td><td>\$</td><td>14,632.67</td></tr> </table>			Acct & Desc:		Amount	1830-Poles, Towers & Fixtures	\$	3,135.48	1835-Overhead Conductors & Devices	\$	126.88	1850-Line Transformers	\$	14,632.67
Acct & Desc:		Amount												
1830-Poles, Towers & Fixtures	\$	3,135.48												
1835-Overhead Conductors & Devices	\$	126.88												
1850-Line Transformers	\$	14,632.67												

2005-3	\$	2,803.92									
<p>Project Description: McFarlane Street-Emily Street</p> <p>Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: 2 poles will be replaced at intersection of McFarlane&Emily St.. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacements, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. In-Line switch's will be installed to effectively isolate lateral 3 phase line on McFarlane Street.</p> <p>Cost:</p> <table> <tr> <th>Acct & Desc:</th><th></th><th>Amount</th></tr> <tr> <td>1830-Poles, Towers & Fixtures</td><td>\$</td><td>2,527.98</td></tr> <tr> <td>1835-Overhead Conductors & Devices</td><td>\$</td><td>275.94</td></tr> </table>			Acct & Desc:		Amount	1830-Poles, Towers & Fixtures	\$	2,527.98	1835-Overhead Conductors & Devices	\$	275.94
Acct & Desc:		Amount									
1830-Poles, Towers & Fixtures	\$	2,527.98									
1835-Overhead Conductors & Devices	\$	275.94									

2005-4	\$ 10,086.66
Project Description: USF Membership Dues	
Need: ESA Requirements to have all utility work engineered by Professional Engineer prior to construction and energization to meet E.S.A. Regulation 22/04.	
Scope: Parry Sound Power will enter into agreement and pay membership dues to Utility Standard Forum (USF) in order to obtain approved Specifications and drawings that will satisfy E.S.A. Regulation 22/04	
Cost:	
Acct & Desc:	Amount
1840 - U/G Conduit	\$ 10,086.66

2005-05	\$ 4,751.86
Project Description: Electrical Meters	
Need: Parry Sound Power to recalibrate meter samples to satisfy Measurement Canada rules and regulations.	
Scope: Parry Sound Power will pull sample lots of Electrical Meters to have tested for seal extensions. Tests to be done by accredited meter shop.	
Cost:	
Acct & Desc:	Amount
1860- Electrical Meters	\$ 4,751.86

2005-6	\$ 16,060.99
Project Description: Misc. Secondary Services	
Need: Connection or upgrades for residential secondary services.	
Scope: Time and material to connect secondary residential secondary services	
Cost:	
Acct & Desc:	Amount
1855-Services	\$ 16,060.99

2005-7	\$	2,143.04
Project Description: Instal new u/g cable		
Need: Parry Sound Power needs to upgrade primary cable on Beechwood Drive for Load growth		
Scope: Parry Sound Power will replace existing o/h conductor with larger primary u/g cable		
Cost:		
Acct & Desc:	Amount	
1845- Underground conductors and devices	\$	2,143.04

2005-8	\$	30,534.00
Description: Hydro One Exit Fee		
Need: Maintain Primary metering points as IESO participant		
Scope: Maintain IESO agreements as LDC		
Cost:		
Acct & Desc:	Amount	
1820 - Distribution Station Equipment	\$	30,534.00

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2006 Capital Additions

Summary of Jobs and Description

Job Number	Description	Costs
2006-1	7 Mary Street.- New Service connections	\$ 865.73
2006-2	29 Parton Road.- New Service connections	\$ 4,189.05
2006-3	76 Cascade St. New Road Crossing Upgrade.	\$ 3,631.03
2006-4	90 Bowes St. New Road Crossing Upgrade.	\$ 21,962.39
2006-5	123 Louisa St.- New Service connections & Line Extension	\$ 36,771.69
2006-6	Ansley Ave.	\$ 12,387.88
2006-7	Bowes/Louisa St.	\$ 1,792.14
2006-8	Pole line rebuild on Farrer St..	\$ 25,982.54
2006-9	Isabella-Joseph St.	\$ 19,891.93
2006-10	Prospect Point	\$ 5,787.39
2006-11	Misc. Secondary Services	\$ 40,455.95
2006-12	Meter Work	\$ 13,708.84
		<u>\$ 187,426.56</u>

GL	Description	Costs
1820	Distribution Station Equipment	\$ 14,909.55
1830	Distribution Poles, Towers, Fixtures	\$ 24,567.33
1835	O/H Conductors	\$ 22,956.47
1840	U/G Conduit	\$ 24,151.43
1845	U/G Conductors	\$ 28,143.66
1850	Line Transformers	\$ 44,230.32
1855	Services	\$ 14,758.96
1860	Meters	\$ 13,708.84
		<u>\$ 187,426.56</u>

2006-1	\$	865.73
Project Description: 7 Mary Street.- New Service connections		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: Existing poles will be made ready for new Residential Service. New conductors and associated hardware will be added at this time.		
Cost:		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	166.02
1835-Overhead Conductors & Devices	\$	273.13
1855-Services	\$	426.58

2006-2	\$	4,189.05
Project Description: 29 Parton Road.- New Service connections		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: Existing poles will be made ready for new Residential Service. New conductors and associated hardware will be added at this time.		
Cost:		
Acct & Desc:		Amount
1855-Services	\$	1,500.00
1845 - U/G Conductors	\$	286.20
1850-Line Transformers	\$	2,402.85

2006-3	\$	3,631.03
Project Description: 76 Cascade St. New Road Crossing Upgrade.		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 1 poles will be replaced fronting 76 Cascade St. The new secondary road crossing will be installed in order to satisfy load growth. New conductors and associated hardware will be added at this time.		
Cost:		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	2,109.61
1835-Overhead Conductors & Devices	\$	119.53
1855-Services	\$	1,401.89

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2006-4	\$	21,962.39
Project Description: 90 Bowes St. New Road Crossing Upgrade.		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 1 poles will be replaced fronting 90 Bowes St. The new primary road crossing will be installed in order to satisfy load growth. New conductors and associated hardware will be added at this time. New padmount transformer will be added to this project to meet electrical demand.		
Cost:		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	3,711.22
1835-Overhead Conductors & Devices	\$	1,901.05
1845 - U/G Conductors	\$	1,047.46
1850-Line Transformers	\$	15,302.66

2006-05	\$	36,771.69
Project Description: 123 Louisa St.- New Service connections & Line Extension		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: Existing poles will be made ready for new General Service. New conductors and associated hardware will be added at this time.		
Cost:		
Acct & Desc:		Amount
1845 - U/G Conductors	\$	18,211.15
1830-Poles, Towers & Fixtures	\$	664.38
1835-Overhead Conductors & Devices	\$	959.50
1850-Line Transformers	\$	16,936.66

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2006-6	\$	12,387.88
Project Description: Ansley Ave.		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 3 poles will be replaced on Ansley Avenue. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. Overhead primary conductors will be extended for three spans to satisfy the increased load in this area.		
Cost:		
Acct & Desc:		Amount
1855-Services	\$	2,650.00
1830-Poles, Towers & Fixtures	\$	2,984.04
1835-Overhead Conductors & Devices	\$	2,663.42
1850-Line Transformers	\$	4,090.42

2006-7	\$	1,792.14
Project Description: Bowes/Louisa St.		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 1 pole will be installed fronting Bowes/Louisa Intersection... The new primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. Pole will be framed for new sec. service.		
Cost:		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	1,264.83
1850-Line Transformers	\$	407.78
1855-Services	\$	119.53

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2006-8	\$	25,982.54
<p>Project Description: Pole line rebuild on Farrer St..</p> <p>Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: 4 poles will be replaced along Farrer Street.. The new primary road crossing conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. New riser pole connections will be done on the first pole at the Sub Station.</p> <p>Cost:</p>		
Acct & Desc:		Amount
1820- Distribution Station Equipment	\$	4,508.68
1830-Poles, Towers & Fixtures	\$	4,051.19
1835-Overhead Conductors & Devices	\$	11,475.21
1850-Line Transformers	\$	2,364.14
1855-Services	\$	3,583.32

2006-9	\$	19,891.93
<p>Project Description: Isabella-Joseph St.</p> <p>Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: 1 poles will be replaced at intersection of Isabella & Joseph St.. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. Overhead primary conductors will be converted to underground for 1 span to observe building clearances..</p> <p>Cost:</p>		
Acct & Desc:		Amount
1855-Services	\$	790.00
1830-Poles, Towers & Fixtures	\$	3,543.91
1835-Overhead Conductors & Devices	\$	4,597.60
1845 - U/G Conductors	\$	8,598.85
1850-Line Transformers	\$	2,361.57

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2006-10		\$	5,787.39
Project Description: Prospect Point			
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.			
Scope: 3 poles will be rebuilt on Waubeek St.. The existing primary conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred. Overhead primary conductors will be rearranged in this area to allow for future growth.			
Cost:			
Acct & Desc:			Amount
1855-Services	\$		395.20
1830-Poles, Towers & Fixtures	\$		4,419.95
1835-Overhead Conductors & Devices	\$		608.00
1850-Line Transformers	\$		364.24

2006-11		\$	40,455.95
Project Description: Misc. Secondary Services			
Need: Connection or upgrades for residential secondary services.			
Scope: Time and material to connect secondary residential secondary services			
Cost:			
Acct & Desc:			Amount
1820 - Distribution Station Equipment	\$		10,400.87
1830- Pole, Towers & Fixtures	\$		1,652.18
1835 - Overhead Conductors & Devices	\$		359.03
1840 - U/G Conduit |	\$		24,151.43
1855 - Services	\$		3,892.44

2006-12		\$	13,708.84
Project Description: New Meter Installs and Testing			
Need: Meter Installs several locations as per Measurement Canada Regulations.			
Scope			
Cost:			
Acct & Desc:			Amount
1860- Meters	\$		13,708.84

2007 Capital Additions

Summary of Jobs and Description

Job Number	Description	Costs
2007-1	Instal new service poles at 14 Ainsley Ave.	\$ 2,216.26
2007-2	Install disconnect switch's mid-span.	\$ 1,682.07
2007-3	Service pole replacement at 59 Forest Street.	\$ 2,924.96
2007-4	Pole line rebuild on Gibson St	\$ 14,627.61
2007-5	Prospect Point	\$ 13,407.83
2007-6	Misc. Secondary Services	\$ 94,010.98
2007-7	New Meter Installs and Testing	\$ 10,780.51
2007-8	Miscellaneous Underground Work	\$ 7,913.41
		\$ 147,563.62
	Difference	\$ -

GL	Description	Costs
1820	Distribution Station Equipment	\$ -
1830	Distribution Poles, Towers, Fixtures	\$ 27,609.19
1835	O/H Conductors	\$ 12,964.83
1840	U/G Conduit	\$ 238.40
1845	U/G Conductors	\$ 9,513.67
1850	Line Transformers	\$ 60,600.56
1855	Services	\$ 25,856.47
1860	Meters	\$ 10,780.51
		\$ 147,563.62

2007-1	\$ 2,216.26						
<p>Project Description: Instal new service poles at 14 Ainsley Ave.</p> <p>Need: The existing pole line is non existant.New service poles will be installed. The new conductor clearances wii be enhanced to meet E.S.A. Regulation 22/04.</p> <p>Scope: New service poles will be placed at 14 Ainsley Avenue. Overhead service conductors will be transferred to the new improved framed pole to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred.</p> <p>Cost:</p> <table> <tr> <td>Acct & Desc:</td><td>Amount</td></tr> <tr> <td>1830-</td><td>\$ 1,164.69</td></tr> <tr> <td>1855-Services</td><td>\$ 1,051.57</td></tr> </table>		Acct & Desc:	Amount	1830-	\$ 1,164.69	1855-Services	\$ 1,051.57
Acct & Desc:	Amount						
1830-	\$ 1,164.69						
1855-Services	\$ 1,051.57						

2007-2	\$	1,682.07
Project Description: Install disconnect switch's mid-span..		
Need: Inline switch's to be installed on overhead primary circuit.		
Scope: New inline switch's to be installed at 37 McFarlane Street to allow for complete electrical isolation of current flow on circuit. All work to conform to E.S.A. Regulation 22/04		
Cost:		
Acct & Desc:		Amount
1830-	\$	1,562.54
1855-Services	\$	119.53

2007-3	\$	2,924.96
Project Description:Service pole replacement at 59 Forest Street.		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 1 pole will be replaced at 59 Forest Street. Overhead service conductors will be transferred to the new improved framed pole to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred.		
Cost:		
Acct & Desc:		Amount
1830-	\$	2,239.30
1835-Overhead Conductors & Devices	\$	685.66

2007-4	\$	14,627.61
Project Description:Pole line rebuild on Gibson St..		
Need: The existing pole line is in poor condition. Pole tops are rotting from years of adverse weather effects with some being damaged by vehicular traffic. The existing conductor clearances will be enhanced to meet E.S.A. Regulation 22/04.		
Scope: 3 poles will be replaced along Gibson Street.. The new primary road crossing conductors will be transferred to the new improved framed poles to satisfy E.S.A. 22/04 regulations. In conjunction with pole replacement, new hardware, insulators, guying, grounding and anchoring will be placed and associated hardware transferred.		
Cost:		
Acct & Desc:		Amount
1830-	\$	8,360.71
1835-Overhead Conductors & Devices	\$	5,766.64
1850 - Line Transformers	\$	500.26

2007-05		\$	13,407.83
Project Description: Prospect Point			
Need: Electrical plant is non existant at this location. New electrical plant will be installed as per Ontario Regulation - 22/04			
Scope: New Primary and Secondary conductors will be installed to satisfy electrical load.			
Cost:			
Acct & Desc:		Amount	
1830-Poles, Towers & Fixtures		\$	69.07
1845-		\$	935.48
1850-Line Transformers		\$	11,718.91
1855-Services		\$	684.37

2007-6		\$	94,010.98
Project Description: Misc. Secondary Services			
Need: Connection or upgrades for residential secondary services.			
Scope: Time and material to connect secondary residential secondary services			
Cost:			
Acct & Desc:		Amount	
1830		\$	14,212.88
1835		\$	6,512.53
1840		\$	238.40
1845		\$	664.78
1850		\$	48,381.39
1855		\$	24,001.00

2007-7		\$	10,780.51
Description: New Meter Installs and Testing			
Need: Meter Installs several locations as per Measurement Canada Regulations.			
Scope:			
Cost:			
Acct & Desc:		Amount	
1860-Meters		\$	10,780.51

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2007-8	\$	7,913.41
Description: Miscellaneous Underground Work		
Need: New install, repair/replace existing U/G		
Scope:		
Cost:		
Acct & Desc:	Amount	
1845-Underground Conductors & Devices	\$	7,913.41

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2008 Capital Additions
Summary of Jobs and Description

Job Number	Description	Total Cost
2008-1	Beechwood Ave--Replace defective pole	\$ 1,945.54
2008-2	54 Parry Sound Rd. Install new transformer	\$ 3,071.46
2008-3	Johnson/Seguin Street	\$ 10,991.60
2008-4	97-101 Bowes Street-Relocate wires for road clearance.	\$ 3,679.83
2008-5	Mill Lake Camp Ground- Upgrade Pole	\$ 1,047.07
2008-6	86-92 Isabella Street- Upgrade Pole	\$ 5,618.62
2008-7	1 Salt Dock Road-Relocate pole and wires for road clearance.	\$ 9,207.37
2008-8	11 William Street-Reframe tx. Mounting	\$ 2,558.68
2008-9	Hwy 400-North Road - Install Pad Mount Transformer	\$ 4,033.05
2008-10	Reframe poles and upgrade primary on Forest Street	\$ 79,462.11
2008-11	Back Lot Louisa Street-Replace poles and transfer conductors	\$ 43,490.29
2008-12	Install and connect multiple service connections	\$ 22,883.85
2008-13	Rebuild Substation	\$ 419,406.72
2008-14	Meter Work	\$ 42,786.82
		\$ 650,183.01

GL	Descriptions	Total Cost
1820	Distribution Station Equipment	\$ 419,406.72
1830	Distribution Poles, Towers, Fixtures	\$ 47,057.35
1835	Overhead Conductors	\$ 94,747.16
1840	Underground Conduit	\$ -
1845	Underground Conductors	\$ 11,566.05
1850	Line Transformers	\$ 8,497.44
1855	Services	\$ 26,121.47
1860	Meters	\$ 42,786.82
		\$ 650,183.01

2008-1	\$ 1,945.54
Description: Beechwood Ave--Replace defective pole.	
Need: Service upgrade requires pole height increase.	
Scope: To replace existing pole and transfer hardware	
Cost:	
Acct & Desc.	Amount
1830 - Distribution Poles, Towers & Fixtures	\$ 1,945.54

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2008-2		\$ 3,071.46
Description: 54 Parry Sound Rd. Install new transformer		
Need: Upgrade transformer for new service		
Scope: Install new Tx. and connect new service		
Cost:		
Acct & Desc		Amount
1850 - Line Transformers	\$	2,480.16
1855 - Services	\$	591.30

2008-3		\$ 10,991.60
Description: Johnson/Seguin Street		
Need: Upgrade and Connect new U/G Secondary Buss		
Scope: To install and connect new secondary buss.		
Cost:		
Acct & Desc		Amount
1845-Underground Cables	\$	10,991.60

2008-4		\$ 3,679.83
Description: 97-101 Bowes Street-Relocate wires for road clearance.		
Need: Reframe pole to obtain proper road clearance.		
Scope: To replace pole and transfer conductors.		
Cost:		
Acct & Desc		Amount
1830 - Distribution Poles, Towers & Fixtures	\$	38.26
1835 - Overhead Conductors	\$	1,743.81
1855 - Services	\$	1,897.76

2008-5		\$ 1,047.07
Description: Mill Lake Camp Ground- Upgrade Pole		
Need: The current pole needs to be replaced due to deteriorated conditions.		
Scope: To replace pole and transfer conductors.		
Cost:		
Acct & Desc		Amount
1830 - Distribution Poles, Towers & Fixtures	\$	712.64
1835 - Overhead Conductors	\$	334.43

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2008-6	\$ 5,618.62
Description: 86-92 Isabella Street- Upgrade Pole	
Need: The current pole needs to be replaced due to deteriorated conditions.	
Scope: To replace pole and transfer conductors.	
Cost:	
Acct & Desc	Amount
1830 - Distribution Poles, Towers & Fixtures	\$ 2,129.98
1835 - Overhead Conductors	\$ 3,488.64

2008-7	\$ 9,207.37
Description: 1 Salt Dock Road-Relocate pole and wires for road clearance.	
Need: Reframe pole to obtain proper road clearance.	
Scope: To replace pole and transfer conductors.	
Cost:	
Acct & Desc	Amount
1830 - Distribution Poles, Towers & Fixtures	\$ 4,269.93
1835 - Overhead Conductors	\$ 4,188.88
1855 - Services	\$ 748.56

2008-8	\$ 2,558.68
Description: 11 William Street-Reframe tx. Mounting	
Need: To replace defective transformer mount.	
Scope: To replace defective tx. Mount and re-install transformers.	
Cost:	
Acct & Desc	Amount
1850 - Line Transformers	\$ 2,558.68

2008-9	\$ 4,033.05
Description: Hwy. 400/North Road- Install Padmount Transformer	
Need: To install new pad mount transformer to service new street lights	
Scope: To install and connect new transformer	
Cost:	
Acct & Desc	Amount
1845-Underground Cables	\$ 574.45
1850 - Line Transformers	\$ 3,458.60

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2008-10		\$ 79,462.11
Description: Replace Insulators on Forest Street		
Need: Reframe poles and install new insulators on Forest St. to Accept new prime		
Scope: To frame and install insulators and new conductors.		
Cost:		
Acct & Desc		Amount
1830 - Distribution Poles, Towers & Fixtures	\$	570.86
1835 - Overhead Conductors	\$	78,891.25

2008-11		\$ 43,490.29
Description: Back Lot Louisa Street-Replace poles and transfer conductors		
Need: Replace deteriorates poles and transfer conductors		
Scope: To install new poles and install insulators and transfer conductors.		
Cost:		
Acct & Desc		Amount
1830 - Distribution Poles, Towers & Fixtures	\$	37,390.14
1835 - Overhead Conductors	\$	6,100.15

2008-12		\$ 22,883.85
Description: Install Multiple Service Connections at Various Locations		
Need: Install and connect multiple services within service boundary		
Scope: To install and connect new service conductors.		
Cost:		
Acct & Desc		Amount
1855 - Services	\$	22,883.85

2008-13		\$ 419,406.73
Description: Rebuild Substation		
Need: Repair damage to DS incurred from Lightning Strike.		
Scope:		
Cost:		
Acct & Desc		Amount
1820 - Distribution Station Equipment	\$	419,406.73

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2008-14	\$ 49,166.73
Description: Meter Work	
Need: Meter Installs several locations as per Measurement Canada Regulations.	
Scope:	
Cost:	
Acct & Desc	Amount
1860 - Meter Work	\$ 49,166.73

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2009 Capital Additions Summary of

Job	Description	Costs
2009-1	#11 Beatty Street - Pole Replacement	\$ 3,051.71
2009-2	# 58-66 Bowes Street - Replace Pole and hardware	\$ 6,532.07
2009-3	#87 Isabella Street - Upgrade secondary Buss	\$ 9,098.37
2009-4	# 71 Parry Sound Drive-Relocate pole line to road allowance	\$ 15,403.81
2009-5	#74 Church Street - Upgrade Transformer bank	\$ 22,397.61
2009-6	Waubano Beach--Install new pole and conductors	\$ 1,540.01
2009-7	#7 Mary Street-Replace pole and convert o/h to u/g	\$ 10,454.13
2009-8	#89 James Street-Upgrade tx bank	\$ 30,200.94
2009-9	#29 Forest Street-Replace rotten pole	\$ 2,156.65
2009-10	Logans Lane-Replace rotten poles	\$ 7,681.93
2009-11	#2-4 Waubeek Street - Replace distribution pole	\$ 33,043.10
2009-12	#125 William Street-Replace 44 kv poles	\$ 23,896.14
2009-13	Air Break Switch Louisa Street - Replace 44 kv. Poles	\$ 23,400.00
2009-14	Church-Isabella Street-Upgrade 44 KV framing and replace Line Openers	\$ 25,582.72
2009-15	# 9 Louisa Street - Install new pole and upgrade secondary	\$ 7,480.07
2009-16	# 2 Seguin Street - Upgrade anchoring and Down guys to support River Crossing	\$ 2,095.85
2009-17	#22 Seguin Street - Upgrade service wires	\$ 2,177.89
2009-18	Connect various new services	\$ 26,939.42
2009-19	# 4-6 Seguin Street- Install and connect new u/g conductor.	\$ 1,287.05
2009-20	Distribution Station Equipment	\$ 3,930.31
2009-21	Meters	\$ 152,960.13
2009-22	Computer Equipment	\$ 16,674.12
2009-23	Computer Software	\$ 63,433.48
		\$ 491,417.51

GL	Description	Costs
1820	Distribution Station Equipment	\$ 3,930.31
1830	Distribution Poles, Towers, Fixtures	\$ 124,286.15
1835	O/H Conductors	\$ 56,978.53
1840	U/G Conduit	\$ -
1845	U/G Conductors	\$ 1,287.05
1850	Line Transformers	\$ 51,682.66
1855	Services	\$ 20,185.08
1860	Meters	\$ 152,960.13
1920	Computer Equipment	\$ 16,674.12
1925-01	Computer Software	\$ 63,433.48
		\$ 491,417.51

2009-1	\$ 3,051.71
Description: Install/replace distribution pole -11 Beatty Street.	
Need: Existing pole is in need of replacing due to deterioration.	
Scope: To replace existing pole as per ESA Spec's.	
Cost:	
Acct &	Amount
1830 - Distribution Poles, Towers and Fixtures	\$1,842.43
1835 - Overhead Conductors	\$1,209.28

2009-2	\$ 6,532.07
Description: 58-66 Bowes Street-Replace defective pole and transfer.	
Need: Existing pole is in need of replacing due to deterioration.	
Scope: To replace existing pole as per ESA Spec's.	
Cost:	
Acct &	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 4,427.42
1835 - Overhead Conductors	\$ 2,104.65

2009-3	\$ 9,098.37
Description: # 87 Isabella Street-Upgrade secondary buss.	
Need: Existing secondary buss is undersized for current electrical load.	
Scope: To replace existing Secondary Buss as per ESA Spec's.	
Cost:	
Acct &	Amount
1830 - Distribution Poles, Towers and Fixtures	
1835 - Overhead Conductors	\$ 9,098.37

2009-4	\$ 15,403.81
Description: #71 Parry Sound Drive Line Relocation.	
Need: Relocate electrical line to road allowance for access purposes.	
Scope: To replace existing line to Municipal Road Allowance.	
Cost:	
Acct &	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 6,734.43
1835 - Overhead Conductors	\$ 8,669.38

2009-5	\$ 22,397.61
Description: #74 Church Street-Upgrade Transformer Bank	
Need: Upgrade transformer bank to accommodate Load.	
Scope: To replace existing transformers sized for upgraded service load.	
Cost:	
Acct &	Amount
1850 - Line Transformers	\$ 20,079.84
1855 - Services	\$ 2,317.77

2009-6	\$ 1,540.01
Description: Waubano Beach-Install new pole and conductors	
Need: To extend pole line to service new load.	
Scope: To install new pole and conductors and connect new service.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 942.08
1835 - Overhead Conductors	\$ 597.92

2009-7	\$ 10,454.13
Description: # 7 Mary Street-Replace pole and transfer hardware	
Need: To replace pole and reframe to ESA standards.	
Scope: To install new pole and conductors and upgrade transformer for load growth.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 7,570.67
1835 - Overhead Conductors	\$ 1,481.58
1850 - Line Transformers	\$ 1,401.88

2009-8	\$ 30,200.94
Description: #89 James Street - Upgrade Transformer Bank	
Need: To upgrade transformer to service new load.	
Scope: To replace 3 single transformers to new Pad mount.	
Cost:	
Acct & Desc:	Amount
1850 - Line Transformers	\$ 30,200.94

2009-9	\$ 2,156.65
Description: # 29 Forest Street - Replace defective pole	
Need: To replace severely rotten pole in mount.	
Scope: To install new pole and transfer conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 1,457.53
1835 - Overhead Conductors	\$ 699.12

2009-10	\$ 7,681.93
Description: Logans Lane - Replace 2 defective poles	
Need: To replace severely rotten poles in R.O.W..	
Scope: To install new poles and transfer conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 5,044.57
1835 - Overhead Conductors	\$ 2,637.36

2009-11	\$ 33,043.10
Description: #2-4 Waubeek Street - Replace rotten poles.	
Need: To replace severely rotten poles at R.R. Crossing..	
Scope: To install new pole and transfer conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 29,144.03
1835 - Overhead Conductors	\$ 3,899.07

2009-12	\$ 23,896.14
Description: #125 William Street - Replace rotten sub transmission poles.	
Need: To replace severely deteriorated poles on sub transmission line.	
Scope: To install new poles and transfer conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 23,896.14

2009-13	\$ 23,400.00
Description: Back Lot Louisa Street - Replace rotten sub transmission poles.	
Need: To replace severely deteriorated poles on sub transmission line.	
Scope: To install new poles and transfer conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 22,950.00
1835 - Overhead Conductors	\$ 450.00

2009-14	\$ 25,582.72
Description: Church/Isabella Street- Install inline switch's	
Need: To replace corroded line openers with new in-line switch's on 44 kv. line.	
Scope: To install new switch's on sub transmission line.	
Cost:	
Acct & Desc:	Amount
1835 - Overhead Conductors	\$ 25,582.72

2009-15	\$ 7,480.07
Description: # 9 Lot Louisa Street - Install new service pole.	
Need: To install new pole and upgrade secondary buss for future load growth.	
Scope: To install new poles and upgrade conductors.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 6,930.99
1835 - Overhead Conductors	\$ 549.08

2009-16	\$ 2,095.85
Description: # 2 Seguin Street - Upgrade anchor and Guy material for River Crossing.	
Need: To install new Anchor and Down guys for pole support on River Crossing.	
Scope: To install new anchor and upgrade guys.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 2,095.85

2009-17	\$ 2,177.89
Description: # 22 Seguin Street - Upgrade Service Wires.	
Need: To install and connect upgraded service wires for load growth.	
Scope: To install new conductors and connect.	
Cost:	
Acct & Desc:	Amount
1855 - Services	\$ 2,177.89

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2009-18	\$ 26,939.42
Description: Install and connect various new services within service area.	
Need: To install and connect new services.	
Scope: To install new conductors and connect.	
Cost:	
Acct & Desc:	Amount
1830 - Distribution Poles, Towers and Fixtures	\$ 11,250.00
1855 – Services	\$ 15,689.42

2009-19	\$ 1,287.05
Description: # 4-6 Seguin Street- Install and connect new u/g conductor.	
Need: To install and connect new ug conductor to termination box for future growth.	
Scope: To install and connect new ug conductor to termination box.	
Cost:	
Acct & Desc:	Amount
1845 - Underground Conductors	\$ 1,287.05

2009-20	\$ 3,930.31
Description: Distribution Station Equipment	
Need: To repair damage to DS switchgear	
Scope:	
Cost:	
Acct & Desc:	Amount
1820 - Distribution Station Equipment	\$ 3,930.31

2009-21	\$ 152,960.13
Description: Meters	
Need: Update meters for the GS>50 rate group by installing meters capable of operating in the current AMI system	
Scope: Install, test CT & PT for all GS>50 customers	
Cost:	
Acct & Desc:	Amount
1860 – Meters	\$ 152,960.13

2010 Capital Additions

Summary of Jobs and Description

Job Number	Description	Costs
Job 1	Misc. Jobs-New anchors on River crossing @ Seguin Bridge	\$ 48,359.11
PSP2c	Transformer Replacement - William St. (TX 5516)	\$ 1,806.05
PSP5d	Pole Reserve	\$ 41,728.81
PSP5e	Pole Ownership Plan	\$ 1,335.06
PSP5h	Fencing (125 William St.)	\$ 12,785.42
PSP7a	Replace Conductor-Line Rebuild Harmony Lane	\$ 34,047.73
PSP12	Voltage Conversion-Underground Infrastructure replacement	\$ 14,408.90
PSP13	Conductor Replacement-Line rebuild at Joseph & PS Drive .	\$ 17,894.39
WIP - Alloc.	Eastlink-Make ready poles for third party attachments.	\$ 26,902.21
Job 2	Transfer Primary Conductors to new pole on Mill Lake Road.	\$ 6,188.21
Job 3	Instal primary road crossing to service new load.	\$ 10,480.21
Job 4	Purchase spare Padmount transformer for inventory	\$ 4,938.94
Job 5	Connect Various Upgraded Services.	\$ 4,021.49
Job 6	Upgrade meters and Instrument transformers on GS>50 Customers.	\$ 9,118.71
Software	Upgrade to North Star	\$ 26,872.86
New V&E	Purchase Truck #10	\$ 252,500.00
Transfer Assets	Transfer Assets from PSES to Parry Sound Power	\$ 57,914.68
Contributions	Capital Contributions	\$ (33,039.97)
		<u>\$ 538,262.81</u>

GL	Description	Costs
1820	Distribution Station Equipment	\$ 12,785.42
1830	Distribution Poles, Towers, Fixtures	\$ 139,038.65
1835	O/H Conductors	\$ 36,662.75
1840	U/G Conduit	\$ 5,058.36
1845	U/G Conductors	\$ 9,350.54
1850	Line Transformers	\$ 17,979.33
1855	Services	\$ 4,021.49
1860	Meters	\$ 9,118.71
1915	Office furniture and Equipment	\$ 10,061.75
1920	Computer Equipment	\$ 6,163.51
1925	Computer Software	\$ 26,872.86
1930	Transportation Equipment	\$ 292,234.86
1940	Tools, Shop and Garage Equipment	\$ 1,954.56
1995	Capital Contributions	\$ (33,039.97)

\$ 538,262.81

Job 1	\$ 48,359.11
<p>Project Description: Misc. Jobs-New anchors on River crossing @ Seguin Bridge</p> <p>Need: Install new 2 new service poles on McFarlane street to service animal shelter, replave anchor and hardware at 7 Mary Street, Replace old pole on North Road and transfer hardware.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1830-Poles, Towers & Fixtures	\$ 48,359.11
PSP2c	\$ 1,806.05
<p>Project Description: Transformer Replacement - William St. (TX 5516)</p> <p>Need: The 37.5 kVA 120/240V, pole mounted transformer located at 49 William St. was identified as leaking during the asset inventory/condition assessment. This reduces the transformers capability to service the attached customers, as well as poses an environmental and safety concern.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1850-Line Transformers	\$ 1,806.05
PSP5d	\$ 41,728.81
<p>Project Description: Pole Reserve</p> <p>Need: A total of 83 poles were defined as "Replace" such that the expected life of the pole has been reached. An reserve needs to be set aside to account for future pole replacements.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1830-Poles, Towers & Fixtures	\$ 24,993.90
1835-Overhead Conductors & Devices	\$ 12,457.65
1850 - Line transformers	\$ 4,277.26

PSP5e	\$ 1,335.06
Project Description: Pole Ownership Plan	
Need: An review of attachments and pole ownership needs to be completed to ensure all attachments are accounted for.	
Scope:	
Cost:	
Acct & Desc:	Amount
1830-Poles, Towers & Fixtures	\$ 1,335.06
PSP5h	\$ 12,785.42
Project Description: Fencing (125 William St.)	
Need: New fencing is required surrounding the substation at 125 William St. for security/safety reasons	
Scope:	
Cost:	
Acct & Desc:	Amount
1820- Distribution Station Equipment	\$ 12,785.42

PSP7a	\$ 34,047.73
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Project Description: Replace Conductor - Line Rebuild Harmony Lane

Need: A segment of cable has been identified as likely to fail in the near future. It is to undergo replacement in 2010 eliminating the River Crossing and following Harmony Lane Road Allowance.

Scope:

Cost:

Acct & Desc:	Amount
1830-Poles, Towers & Fixtures	\$ 25,645.90
1835-Overhead Conductors & Devices	\$ 7,791.34
1850-Line Transformers	\$ 610.49

PSP12	\$ 14,408.90
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Project Description: Voltage Conversion-Line relocation at intersection of Seguin/Gibson Street

Need: A segment of 8 spans along William Street have been identified for conversion from 4160-12470. Existing underground line needs to be relocated and rebuilt to allow for future growth.

Scope:

Cost:

Acct & Desc:	Amount
1840 - UG Conduit	\$ 5,058.36
1845 - U/G Conductors	\$ 9,350.54

PSP13		\$ 17,894.39
<p>Project Description: Conductor Replacement- Line Rebuild at Joseph St and PS Drive</p> <p>Need: A segment of 8 spans along Marion Avenue has been identified for replacement. Line upgrade at Joseph/PS Drive to allow for future growth.</p> <p>Scope:</p> <p>Cost:</p>		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	8,250.23
1835-Overhead Conductors & Devices	\$	9,644.15

Third Party		\$ 26,902.21
<p>Project Description: Frame poles for adequate conductor clearance</p> <p>Need: Reframe poles and relocate hardware to obtain adequate conductor clearance for third party attachments. Rosetta, Cascade, River, Bowes and Forest Streets.</p> <p>Scope:</p> <p>Cost:</p>		
Acct & Desc:		Amount
1830-Poles, Towers & Fixtures	\$	19,974.23
1835-Overhead Conductors & Devices	\$	581.39
1850-Line Transformers	\$	6,346.59

Job 2	\$ 6,188.21
<p>Project Description: Transfer Primary Conductors to new pole on Mill Lake Road.</p> <p>Need: Transfer primary highway crossing conductors to new Hydro One pole.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1835-Overhead Conductors & Devices	\$ 6,188.21
Job 3	\$ 10,480.21
<p>Project Description: Instal primary road crossing to service new load.</p> <p>Need: Instal higher main line poles and instal primary road crossing at 134 William Street for future load growth.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1845 - U/G Conductors	
1830-Poles, Towers and Fixtures	\$ 10,480.21
Job 4	\$ 4,938.94
<p>Project Description: Purchase spare Padmount transformer for inventory</p> <p>Need: Purchase spare Padmount transformer for inventory as back-up unit.</p> <p>Scope:</p> <p>Cost:</p>	
Acct & Desc:	Amount
1850 - Line Transformers	\$ 4,938.94

Job 5		\$ 4,021.49
Project Description: Connect Various Upgraded Services.		
Need: Connect services,-Wood St., Isabella St,Avery Crt, William St, Avenue Rd, Louisa Street.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1855-Services	\$	4,021.49
Job 6		\$ 9,118.71
Project Description: Upgrade meters and Instrument transformers on GS>50 Customers.		
Need: Upgrade to electronic metering for GS>50 Customers.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1860- Meters	\$	9,118.71

Software		\$ 26,872.86
Project Description: Upgrade to North Star		
Need: PSP converted from Harris 5.2.19 version of the CIS system to NorthStar version 6.0. NorthStar provides enhanced reporting, a more robust search engine, enables user to interact via "windows" GUI, 5.2.19 is a dos based GUI. The Northstar CIS enables better file management for necessary interfaces between end user and billing data. As a member of "UCS" (Utility Collaborate Services) PSP needed to ensure software upgrades are in line with all members. UCS is standards based cooperative of like utilities providing back office synergies through billing systems and other related components. All members must be on the same version of the CIS software in order for the standards based system to work effectively.		
Cost:		
Acct & Desc:		Amount
1925	\$	26,872.86
New V&E		\$ 252,500.00
Project Description: Replace Truck #10 and a purchase new Pick-up truck		
Need: Truck 10 is a 1995 Single Bucket truck that is 15 years old (\$225,000) The vehicle and aerial device are becoming structurally unsound to perform the duties they are required to do.		
A new pick-up truck is required as one was previously shared with its affiliates (\$27,500)		
Scope:		
1930- Transportation Equipment	\$	252,500.00

Capital Contributions		\$ (33,039.97)
Project Description: Capital Contributions		
Need: Estimated contributions from third parties for 2010 projects		
Scope:		
Cost:		
Acct & Desc:		Amount
1995 - Contributions and Grants	\$	(33,039.97)
Transfer Assets		\$ 57,914.68
Project Description: Transfer Assets from PSES to Parry Sound Power		
Need: To ensure compliance with the ARC PSPC is establishing itself as a totally self sufficient entity (separate from all affiliates) . In order to provide service to its LDC customers PSPC is acquiring the required assets from PSES that were previously shared		
Cost:		
Acct & Desc:		Amount
1915 - Office Furniture and Equipment	\$	10,061.75
1920 - Computer Equipment	\$	6,163.51
1930- Transportation Equipment	\$	39,734.86
1940 - Tools, Shop and Gaerage Equipment	\$	1,954.56

2011 Capital Additions

Summary of Jobs and Description

Job Number	Description	Costs
PSP1	MS1 / MS2 Replacement	\$ 641,778.05
PSP2b	Pole Replacement - Addie St. - west of Katherine Crt.	\$ 2,912.74
PSP2d	Pole Replacement - Highland Avenue	\$ 4,961.56
PSP2e	Pole Replacement - Isabella St. - west of Foster Ave.	\$ 2,813.87
PSP8	Voltage Conversion	\$ 47,061.72
PSP9	Conductor Replacement	\$ 31,254.79
New Purchase	Make improvements and updates to the current office location	\$ 200,000.00
New Purchase	Purchase Office Equipment	\$ 38,499.00
New Purchase	Purchase office Computers	\$ 10,500.00
New Veh	Purchase new Truck	\$ 225,000.00
Cognos	Cognos	\$ 7,000.00
		\$ -
		\$ 1,211,781.73

GL	Description	Costs
1820	Distribution Station Equipment	\$ -
1830	Distribution Poles, Towers, Fixtures	\$ 414,728.84
1835	O/H Conductors	\$ 236,194.83
1840	U/G Conduit	\$ 64,177.80
1845	U/G Conductors	\$ -
1850	Line Transformers	\$ 15,681.26
1855	Services	\$ -
1860	Meters	\$ -
1910	Leasehold Improvements	\$ 200,000.00
1915	Office furniture and Equipment	\$ 38,499.00
1920	Computer Equipment	\$ 10,500.00
1925	Computer Software	\$ 7,000.00
1930	Transportation Equipment	\$ 225,000.00
		\$ 1,211,781.73

PSP1		\$ 641,778.05
Project Description: MS1 / MS2 Replacement		
5 feeders. The plans for this construction project involve locating on a property adjacent to the current site. The voltage of these metering stations will remain the same allowing for redundant supply to MS4.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1830 - Distribution Poles, Towers, Fixtures	\$	385,066.83
1835 - O/H Conductors	\$	192,533.41
1840 - U/G Conduit	\$	64,177.80

PSP2b		\$ 2,912.74
Project Description: Pole Replacement - Addie St. - west of Katherine Crt.		
Need: The 35' class 5 pole located at 19 Addie St. (west of Katherine Crt.) was installed in 1965 and noted to have significant decay as well as woodpecker damage during the asset inventory/condition assessment. This pole supports four customers on Addie St.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1830 - Distribution Poles, Towers, Fixtures	\$	2,038.92
1835 - O/H Conductors	\$	873.82

PSP2d		\$	4,961.56
Project Description: Pole Replacement - Highland Avenue			
During the asset inventory/condition assessment it was indicated to be in poor condition and the recommended action was for replacement. This is a secondary service pole located behind private property, one span in from Highland Cres.			
Scope:			
Cost:			
Acct & Desc:		Amount	
1830-Poles, Towers & Fixtures		\$	3,721.17
1835-Overhead Conductors & Devices		\$	1,240.39

PSP2e		\$	2,813.87
Project Description: Pole Replacement - Isabella St. - west of Foster Ave.			
Need: The 30' class 5 pole installed at 97 Isabella St. in 1957 has exceeded the asset life expectation. During the asset inventory/condition assessment it was indicated to be in poor condition and the recommended action was for replacement. This is a primary pole supporting three phases for feeder 11 coming out of MS3.			
Scope:			
Cost:			
Acct & Desc:		Amount	
1830-Poles, Towers & Fixtures		\$	1,969.71
1835 - O/H Conductors		\$	844.16

PSP8		\$ 47,061.72
Project Description: Voltage Conversion		
Need: A segment of 8 spans along William Street have been identified for conversion from 4160-12470.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1830 - Distribution Poles, Towers, Fixtures	\$	14,118.52
1835 - O/H Conductors	\$	18,824.69
1850-Line Transformers	\$	14,118.52

PSP9		\$ 31,254.79
Project Description: Conductor Replacement		
Need: A segment of 8 spans along Marion Avenue has been identified in the Asset Management Plan for replacement.		
Scope:		
Cost:		
Acct & Desc:	Amount	
1830-Poles, Towers & Fixtures	\$	7,813.70
1835-Overhead Conductors & Devices	\$	21,878.35
1850-Line Transformers	\$	1,562.74

New Purchase		\$ 200,000.00
<p>Project Description: Make improvements and updates to the current office location</p> <p>productivity and performance, and enhance organization by offering better tile locations. General Overall appearance of the office needs to be improved; lack of regular maintenance has left the building in need of a "facelift". Management feels the overall cost estimate is inline and will be expensed over the lease period which aligns with the rate setting process.</p> <p>Scope:</p> <p>Cost:</p>		
Acct & Desc:		Amount
1910 - Leasehold Improvements	\$	200,000.00

New Purchase		\$ 38,499.00
<p>Project Description: Purchase Office Equipment</p> <p>Need: Purchase/Lease Office Equipment</p> <p>Scope: In order to meet the ARC requirements PSP will become independent of its affiliates. Prior equipment costs have been shared by the affiliate group. PSP will lease or purchase any office equipment deemed necessary to provide the level of quality service our customers have come to expect.</p> <p>Cost:</p>		
Acct & Desc:		Amount
1915 - Office Furniture and Equipment	\$	38,499.00

New Purchase	\$ 10,500.00
Project Description: Purchase of office computers	
Need: Purchase of office computers	
Scope: The purchase of office computers on a regular cycle, 4 laptops and a network printer	
Cost:	
Acct & Desc:	Amount
1920 - Computer Equipment	\$ 10,500.00

New Veh	\$ 225,000.00
Project Description: Replacement of Digger Derrick truck	
Need: Current vehicle is a 1990 model and is 20 years old. The vehicle and attached equipment are becoming structurally unsound to perform the duties they are required to do.	
Scope:	
Cost:	
Acct & Desc:	Amount
1930 - Transportation Equipment	\$ 225,000.00

Cognos	\$ 7,000.00
Project Description: Cognos	
Upgrade to Cognos	
Cognos Connection Portal to select reports, view reports and set personal preferences (for languages, time zones etc.). Users can also run and schedule reports created by a licensed Cognos BI Studio module, interact with prompts, output the reports to other formats such as PDF and CSV, subscribe to a scheduled report, create and manage report folders and portal pages and personalize standard reports. Users can also administer the Cognos BI Software environment in relation to server, security and report scheduling administration.	
Cost:	
Acct & Desc:	Amount
1925 - Computer Software	\$ 7,000.00

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ACCUMULATED DEPRECIATION:

Table 1 - Accumulated Depreciation

Description	2006 Board Approved (\$)	2006 Actual (\$)	Variance from 2006 Board Approved	2007 Actual (\$)	Variance from 2006 Actual	2008 Actual (\$)	Variance from 2007 Actual	2009 Actual (\$)	Variance from 2008 Actual	2010 Bridge (\$)	Variance from 2009 Actual	2011 Test (\$)	Variance from 2010 Bridge
Land and Buildings													
1606-Organization	17,441	118,104	100,663	166,692	48,588	215,280	48,588	263,867	48,588	-	-	263,867	-
1805-Land		-	-	-	-	-	-	-	-	-	-	-	-
1806-Land Rights	34,558	34,608	50	34,628	20	34,648	20	34,668	20	34,688	20	34,708	20
1808-Buildings and Fixtures		-	-	-	-	-	-	-	-	-	-	-	-
1810-Leasehold Improvements		-	-	-	-	-	-	-	-	-	-	20,000	20,000
Sub-Total-Land and Buildings	51,999	152,712	100,713	201,320	48,608	249,928	48,608	298,535	48,608	34,688	-	263,847	54,708
TS Primary Above 50													
1815-Transformer Station Equipment - Normally Primary above 50 kV		-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total-TS Primary Above 50		-	-	-	-	-	-	-	-	-	-	-	-
DS													
1820-Distribution Station Equipment - Normally Primary below 50 kV	839,632	959,092	119,460	1,007,391	48,299	954,681	-	52,710	1,011,027	56,346	1,059,574	48,547	1,107,319
Sub-Total-DS	839,632	959,092	119,460	1,007,391	48,299	954,681	-	52,710	1,011,027	56,346	1,059,574	48,547	1,107,319
Poles and Wires													
1830-Poles, Towers and Fixtures	767,723	894,467	126,744	945,360	50,892	995,552	50,192	1,048,105	52,553	1,104,466	56,361	1,170,453	65,988
1835-Overhead Conductors and Devices	1,132,322	1,317,261	184,939	1,389,893	72,632	1,461,982	72,089	1,535,521	73,539	1,608,764	73,244	1,685,313	76,549
1840-Underground Conduit	207,188	263,489	56,301	286,274	22,785	309,059	22,785	331,844	22,785	354,730	22,886	378,915	24,185
1845-Underground Conductors and Devices	264,468	336,542	72,074	365,919	29,377	395,527	29,608	425,393	29,865	455,471	30,078	485,625	30,154
Sub-Total-Poles and Wires	2,371,701	2,811,759	440,058	2,987,445	175,687	3,162,120	174,674	3,340,862	178,742	3,523,430	182,568	3,720,307	196,876
Line Transformers													
1850-Line Transformers	1,066,145	1,228,547	613,774	1,297,155	68,609	1,365,934	68,779	1,435,917	69,982	1,506,959	71,043	1,574,403	67,443
Sub-Total-Line Transformers	1,066,145	1,228,547	613,774	1,297,155	68,609	1,365,934	68,779	1,435,917	69,982	1,506,959	71,043	1,574,403	67,443
Services and Meters													
1855-Services	614,773	723,410	108,637	767,044	43,634	810,135	43,091	853,461	43,326	896,324	42,863	938,275	41,950
1860-Meters	265,115	298,807	33,692	312,571	13,763	327,190	14,619	45,691	-	59,682	13,991	73,977	14,295
Sub-Total-Services and Meters	879,888	1,022,217	142,329	1,079,614	57,397	1,137,325	57,711	899,153	-	956,007	56,854	1,012,252	56,245
General Plant													
1908-Buildings and Fixtures		-	-	-	-	-	-	-	-	-	-	-	-
1910-Leasehold Improvements		-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total-General Plant		-	-	-	-	-	-	-	-	-	-	-	-
IT Assets													
1920-Computer Equipment - Hardware		-	-	-	-	-	-	1,667	1,667	17,041	15,374	35,803	18,761
1925-Computer Software		-	-	-	-	-	-	6,343	6,343	11,219	4,876	18,686	7,467
Sub-Total-IT Assets		-	-	-	-	-	-	8,011	8,011	28,260	20,250	54,488	26,228
Equipment													
1915-Office Furniture and Equipment		-	-	-	-	-	-	-	-	1,006	1,006	6,868	5,862
1930-Transportation Equipment		-	-	-	-	-	-	-	-	24,646	24,646	88,001	63,355
1935-Stores Equipment		-	-	-	-	-	-	-	-	-	-	-	-
1940-Tools, Shop and Garage Equipment		-	-	-	-	-	-	-	-	195	195	586	391
1955-Communication Equipment		-	-	-	-	-	-	-	-	-	-	-	-
1960-Miscellaneous Equipment		-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total-Equipment		-	-	-	-	-	-	-	-	25,848	25,848	95,456	69,608
Other Distribution Assets													
1970-Load Management Controls - Customer Premises		-	-	-	-	-	-	-	-	-	-	-	-
1975-Load Management Controls - Utility Premises		-	-	-	-	-	-	-	-	-	-	-	-
1985-Sentinel Lighting Rental Units		-	-	-	-	-	-	-	-	-	-	-	-
1990-Other Tangible Property		-	-	-	-	-	-	-	-	-	-	-	-
1995-Contributions and Grants - Credit	(32,562)	(67,959)	(35,397)	(85,326)	(17,367)	(108,714)	(23,387)	(138,204)	(29,490)	(168,438)	(30,234)	(199,332)	(30,895)
2005-Property under Capital Lease		-	-	-	-	-	-	-	-	-	-	-	-
Sub-Total-Other Distribution Assets	(32,562)	(67,959)	(35,397)	(85,326)	(17,367)	(108,714)	(23,387)	(138,204)	(29,490)	(168,438)	(30,234)	(199,332)	(30,895)
ACCUMULATED DEPRECIATION TOTAL	5,176,803	6,106,367	1,380,936	6,487,600	381,233	6,761,274	273,674	6,855,301	94,027	6,966,329	111,028	7,419,600	453,271

VARIANCE ANALYSIS ON ACCUMULATED DEPRECIATION:

Changes in accumulated amortization are directly affected by changes in fixed assets due to additions, the removal of fully amortized assets from the grouped asset classes, and the disposition of identifiable assets. The 2006 Board Approved closing balance for accumulated amortization is based on PSP's 2004 year end account balances, plus Tier 1 capital adjustments approved in PSP's 2006 EDR Application. As such, the variance between 2006 Board Approved and 2006 Actual represents two years of amortization changes, and in order to arrive at the annual impact, the variance must be divided by two. From 2006 Actual to the 2011 Test Year Table 1 shows that the change in accumulated amortization, which is a representation of the amortization expense in the year for each of the above accounts. The change in accumulated amortization is a result of capital expenditures over the period. Since a detailed analysis of capital expenditures has been provided in this Exhibit, no further explanation of the changes in accumulated amortization accounts is required. The variance analysis detailed in Exhibit 4, for "Amortization Expense" also provides support for the variances.

1 **CAPITAL BUDGET:**

2 **Introduction**

3 PSP has been, and continues to be, focused on maintaining the adequacy, reliability, and
4 quality of service to its distribution customers through effective capital spending. The capital
5 spending for the 2010 Bridge Year and the 2011 Test year is broken down by account and by
6 project in Exhibit 2. As projects can be charged to different OEB capital accounts, additional
7 accounts have been identified where required. All though PSP did not have a formal budget
8 process in the past it is the intention to follow the Asset Management Plan going forward.

ASSET MANAGEMENT PLAN SUMMARY:

1. OVERVIEW

Rodan Energy Solutions Inc. (Rodan) had been selected by Parry Sound Power (Parry Sound) to provide services to develop an Asset Management Plan in combination with a Geographical Information System (GIS) contained within an Asset Management Tool database.

2. SCOPE OF WORK

Rodan will provide a software platform and comprehensive Asset Condition Assessment Study for Parry Sound distribution system. This project provided the following high-level deliverables:

Phase 1:

1. Assess the adequacy of Parry Sound's available asset condition data in preparing an objective assessment of asset conditions based on key business objectives such as safety and service quality standards for reliability;
2. Provide field asset and condition assessment by gathering appropriate data for software input;

Phase 2:

1. Analyze collected data to determine and document projected end of life parameters to translate into projections of capital required. Asset data will be modeled to perform optimization analysis;
2. Assess and compare effectiveness of Parry Sound's existing asset management system to recognize any gaps, and to determine current and future implementation of strategic asset replacement or maintenance plan;
3. Document and record all findings and recommendations of all deliverables in a detailed report. A presentation summarizing the findings will be made to Parry Sound management.

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Appendix A



Asset Management Plan & Strategy

September 14, 2010

*Rodan Energy –Enabling Tomorrow’s
Smart Power Grid Today*



Parry Sound Power – Asset Management Plan & Strategy

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Appendices:

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- Appendix B - Pole Structural – Capital Requirements (5 year requirements)
- Appendix C - Pole Mount Transformers
- Appendix D - Pad Mount Transformers
- Appendix E - Conductors Inventory
- Appendix F - Substation Inventory
- Appendix G - Identified Project Details
- Appendix H - Detailed Project Narratives
- Appendix I - System Optimization Study
- Appendix J - OEB Review Asset Management Practices Recommendations
- Appendix K - Detailed Capital and Maintenance Budget



Parry Sound Power – Asset Management Plan & Strategy

1. Executive Summary

This document outlines Parry Sound Power's (PSP) Asset Management Strategy for a 5-year period from 2010 to 2014.

Rodan recently completed a detailed asset inventory and condition assessment of the transmission and distribution network of (PSP) for the purposes of developing a Geographic Information System (GIS) and Asset Management Strategy.

The outcome of this project provided a set of values to be used for future planning for asset replacements, technical upgrades, and ongoing asset management initiatives. With the data collected onsite and using our industry knowledge regarding asset management practices, we developed an index that assesses the current status of assets within the network and a prioritization for future replacements. The tasks involved in this project are outlined below.

- Collect on-site field data and GPS locate all transmission and distribution assets
- Develop a GIS database
- Analyze and assess existing assets for future replacement
- Develop system optimization model
- Utilize data to develop an asset management strategy

The inventory summary provides the following key figures indicated in Table 1. These values were further categorized in the study to provide future capital costs for replacement of assets.

Asset Inventory - Summary	
Asset	Quantity
Poles	1652
Overhead Pole Mount Transformers	499
Underground Pad Mount Transformers	66
Overhead Switches	161
Pad Mount Switches	3
Transformer Vault	8
Primary Junctions	12
Conductor - 44kV Overhead	8318 m
Conductor - 12kV Overhead	30310 m
Conductor - 12kV Underground	839 m
Conductor - 4kV Overhead	29688 m
Conductor - 4kV Underground	7541 m

Table 1: Overall Asset Inventory



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In parallel with the Asset Management Strategy, a system phase balancing and optimization study was completed to determine if any system reconfigurations may offer reductions in line loss and/or improve system reliability. The goal is to identify opportunities to minimize line losses through technical efficiencies. A number of opportunities exist to minimize the losses and are outlined in Appendix I System Optimization Study.

PSP's primary focus was to ensure the structural and electrical integrity of their assets was comparable or higher than other utilities throughout Ontario. This would ensure safety for customers, workers and the general public. A secondary focus of this study was to utilize industry standard asset life-cycles to define our criteria for determining asset replacement schedules. We have included key areas or circuit sections identified by utility personnel as areas where they recommended replacements or upgrades to the system.

We were able to obtain the number of years most assets have been in service. This information allows us to model future asset replacement and can be used by PSP as a tool for determining the future capital needs prior to asset failure.

Based on Rodan's review of PSP's assets there were issues identified involving the utility poles and one overhead transformer identified as leaking and in need of immediate replacement. Although the age of these assets may suggest eventual replacement will be required, we suggest continually monitoring and inspecting these assets, as they are still in operational condition. It is standard practice that during a pole replacement, all attached equipment is reviewed for replacement at the same time.

The inventory and inspection of PSP's asset base returned results typical of most Ontario based utilities. Although age can be used as an indicator for asset replacement, it should be only one of many assessment variables used to ensure the full service life of each asset is utilized completely. There are a number of recommendations within this report that indicate an integration of inspection and maintenance records with the GIS will prove beneficial for decision making on both discretionary and non-discretionary capital projects in the future. For the short term (1-5 years), we have identified a number of projects requiring attention:

- Substation replacement (Project PSP 1: \$2.35M)
- Individual asset replacements (Projects PSP 2a, b, c, d, e, f: \$27.7)
- Reconstruction of backlot construction to streetside (Projects PSP 3a, b, d: \$285.7K)
- Reconductoring (Projects PSP 4a, b, c: \$140.9K)
- Additional 2010 (Projects PSP5a-5i: \$153.7K)
- Maintenance 2010 (Projects PSP6a-6k: \$306.3K)



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#	Year:		2010	2011	2012	2013	2014
1	PSP1 - MS1 / MS2 *	\$2,340,219.70		\$641,778.05	\$895,542.89	\$802,898.76	
2	PSP2a - Pole Replacement	\$6,914.90	\$6,914.90				
3	PSP2b - Pole Replacement	\$2,912.78		\$2,912.78			
4	PSP2c - Transformer Replacement	\$1,806.05	\$1,806.05				
5	PSP2d - Pole Replacement	\$4,961.61		\$4,961.61			
6	PSP2e - Pole Replacement	\$2,813.87		\$2,813.87			
7	PSP2f - Pole Replacement	\$8,330.20					\$8,330.20
8	PSP3a - Backlot Relocation	\$50,625.83				\$50,625.83	
9	PSP3b - Backlot Relocation	\$118,976.17				\$118,976.17	
10	PSP3d - Backlot Relocation	\$116,102.76					\$116,102.76
11	PSP4a - Reconductoring	\$43,159.11					\$43,159.11
12	PSP4b - Reconductoring	\$72,386.56					\$72,386.56
13	PSP4c - Reconductoring	\$25,396.51				\$25,396.51	
14-22	PSP5a-PSP5i – Additional Projects	\$418,163.32	\$153,665.77	\$62,562.17	\$62,562.17	\$76,811.05	\$62,562.16
23-33	PSP6a-PSP6k - Maintenance Projects	\$1,919,391.92	\$306,355.02	\$403,184.84	\$403,193.16	\$403,329.45	\$403,329.45
	Total	\$5,132,161.29	\$468,741.74	\$1,118,213.32	\$1,361,298.22	\$1,478,037.77	\$705,870.24

Table 2: Schedule and Cost Estimate Summary

Initial estimates suggest a need for approximately \$5.11 million to complete these (2010-2014) projects. We recommend that these projects be reviewed by PSP management as part of their capital planning and project selection process. This would allow for ranking and prioritizing the projects to provide the basis for the financial planning model to be developed for the short term. The project costs are for budgetary purposes only. Should PSP wish to pursue the implementation of these projects, a price quotation from one or more vendors based on detailed scope of work including equipment specifications is necessary.

The overall capital requirements for 2010 are summarized below. This includes the Asset Management Plan projects identified for that year, and additional projects developed to maintain and advance the Asset Management Plan.

Parry Sound Capital Worklist (2010)	
Asset Management Plan Projects	\$8,720.95
Additional Projects	\$153,665.77
Maintenance Projects	\$306,355.02
Total	\$468,741.74

Table 3: 2010 Capital Worklist



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The list of additional and maintenance projects are identified in Section 11.5: Additional Projects and Section 11.6: Maintenance Projects.



Parry Sound Power – Asset Management Plan & Strategy

2. Introduction

PSP feeds the town of Parry Sound. The distribution system consists of two primary voltage 44kV feeders, feeding 5 Municipal Stations (MS) at 12400/7200V and 4160/2400V, with a total of 19 feeders.

Municipal Station	Feeder
MS-1 (4160/2400V)	F-1
	F-2
	F-3
	F-4
	F-5
MS-2 (4160/2400V)	F-6
	F-7
	F-8
	F-9
MS-3 (12400/7200V)	F-10
	F-11
MS-4 (4160/2400V)	F-12
	F-13
	F-14
	F-15
MS-5 (12400/7200V)	F-16
	F-18
	F-19
	F-20

Table 4: Municipal Station Feeder Assignment

The Ontario Energy Board issued a review¹ of Ontario's Electricity Local Distribution Companies on the status of processes for managing capital assets. The review identified four key processes that are consistent with good asset management practices:

- Inspections and Maintenance
- Capital Expenditure planning
- Capital Financing
- Information Management

Inspection and Maintenance

The inspection process is used to support maintenance and capital planning. Physical asset condition and asset performance can be determined only by actual inspection and testing. It is a process that needs to be routinely performed, and information collected

¹ Review of Asset Management Practices in the Ontario Electricity Distribution Sector, March 10, 2009, http://www.oeb.gov.on.ca/OEB/_Documents/Audit/Report_Asset_Management_Practices.pdf



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and updated. This leads to improved information, and allows for making important decisions when evaluating trade-offs between cost and performance.

With the inspection results, a utility may then make conscious and informed decisions about the level and frequency of maintenance. Objective analysis of actual reliability results is a key element in determining the level and frequency of maintenance.

Capital Expenditure

In order to select projects (e.g. self construct, contractor construction, etc) it is necessary to integrate the needs for renewal or development of the utility asset base with financial resource planning and acquisition. Projects may also be driven by safety or health concerns, customer growth, regulatory (legal/statutory) requirements, and those related to decreasing service quality or reliability. Utility management must have the information necessary to rank any project to determine the need to schedule immediately, versus those that may be postponed or deferred. Each significant project must be supported by appropriate documentation, such that a business case can be prepared identifying the cost and the expected benefits.

Capital Financing

A utility must balance their total capital spend with their availability of funds. There is often a trade-off between the availability and the level of spending. To support their capital plan, a utility must have access to sufficient capital at a reasonable cost. It is necessary for the utility to target a reasonable debt to equity ratio, that is maintaining a proportion of equity and debt used to finance the utility's assets. The target debt to equity ratio determines the amount of capital spending in excess of funds generated from operations (including depreciation) that need to be funded by net new debt or new equity.

Information Management

The organization of, delivery of, and control over information is a key process for a utility to function. This information is the utilities asset data, and maintained in a database such as a (GIS). The data and the accuracy of the data are important in supporting each of the key processes of inspection, maintenance, capital planning and financing. The GIS must share a common base, and be accessible across all functional departments.



Parry Sound Power – Asset Management Plan & Strategy

3. Objective

The objective of this exercise was to develop the asset management strategy for PSP's transmission and distribution assets. The project involved a number of electrical utility experts to identify key components of the system that require short-term attention, as well as outline future asset replacement schedules and methods for the continuous maintenance of the asset registry.

The principles used to develop this document were derived from:

- Acts, Regulations, Codes and Guides
- General Public and Worker Safety
- Good Utility Practices
- Overall System Reliability and Customer Satisfaction

However, this strategy should be reviewed on an annual basis to ensure adjustments are accommodated with respect to the following:

- Regulatory changes
- Performance Reviews
- Health and Safety Assessments
- Asset Condition Assessments / Inspections

4. Scope

The development of the asset management strategy involves the analysis of the recent asset inventory / condition assessment data, as well as current and future capital construction plans from utility staff. The following asset groups were inventoried, assessed for current physical condition, categorized based on age, and reviewed for scheduled replacement:

- Transmission
- Substations / Metering Stations
- Distribution



Parry Sound Power – Asset Management Plan & Strategy

5. Tasks / Deliverables

The tasks and deliverables for the asset management strategy were defined as follows:

- Complete field inventory data collection and asset condition assessment.
- Summarize for each asset category a listing of potential issues.
- Identify future needs outlined by local utility staff.
- Utilize asset inventory data within a system modeling software solution to provide technical suggestions for improvements to the system.
- Prioritize high-level deterioration models.
- Develop recommendations for improvement and a strategic plan for asset replacements.
- Provide a schedule for asset replacement for all three categories:
 1. Substations
 2. Transmission
 3. Distribution
- Priority ranking of projects
- Recommendations for ongoing updates and use of the asset management strategy

6. Pole Structure Assets

Pole Assets - Condition Assessment

PSP's asset base includes 1652 wood poles.

In conducting life cycle analysis, no variable is more critical than the value assigned to the expected life of a product. Although wood pole systems may last longer than the periods perceived by most utilities, we have provided a series of expected life cycles for the various structure materials utilized within the PSP network. The values assigned for each structure material life expectation were then grouped to provide an age ranking value. This age risk rating value was then applied to the GIS asset inventory information. This value can be used to calculate and identify the structures within the system that require more frequent monitoring and approximate timelines for replacement.

We also identify the periods at which the majority of the structures will need replacement. Note that some structures will exceed the expected life and typically 2%-4% of the structures that have exceeded their expected service life will need to be replaced. Ongoing inspections and monitoring will allow PSP to determine which structures fall within this 2%-4% on an annual basis.



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Throughout the life cycle of most structures groundline decay is the predominant cause for failure. However, in certain conditions other influencing factors contribute to pole failure:

- Pole top decay (stove piping)
- Decay at connections (bolt and pin holes for cross arms, insulators, equipment, and attachments)
- Splitting of pole tops
- Excessive weathering

We have excluded the following issues that cause structure failures and premature structure failure from our calculated values:

- Woodpecker damage
- Ant damage
- Mechanical damage (due to vehicular impacts)
- Line upgrades / Additions of Circuits
- Reroutes / Relocates

Throughout the asset inventory and condition assessment, the year of manufacture was recorded if it was available. The majority (98%) of the structures had a year stamp indicating the year of shipping from the manufacturer. Although we recognize this may not be the year of installation, we have assumed that in the majority of cases the year of installation is the same or within a few months from the date of purchase.

Asset depreciation based on age is a useful tool for predicting future need, however, many assets will be structurally sound and operational for several years beyond expected life. These assets should be routinely inspected and monitored to ensure they are suitable for ongoing service.

Pole Condition: - All Wood Types			
Risk Rating Category	Hammer Test	Visual Condition	Damages
1 & 2	No Decay	Good	None
3	Some Decay	Average	Loose Hardware / Excessive Weathering
4	Significant Decay	Average	Loose Hardware / Excessive Weathering
5	Extreme Decay	Poor	Split / Pole Top Decay

Table 5: Pole – Condition Risk Category



Parry Sound Power – Asset Management Plan & Strategy

Pole Material Type: - All Other Wood Types	
Age - Risk Rating Category	Year Grouping
1	< 5 yrs
2	5-9 yrs
3	10-19 yrs
4	20-29 yrs
5	> 30 yrs

Table 6: Pole Material – Age Risk Category

Location Risk:

In order to aid PSP in prioritizing replacement programs the overall system reliability and continuity of service must be considered. Having a GIS provided the ability to apply a location risk rating to each asset. We determined that the location risk rating could be sub-divided into two categories; one pertaining to the entire system, and the other pertaining to the servicing of critical (public health/safety) and major economic customers. Tables 7 and 8 indicate the risk rating criteria used for the overall system and customer servicing/business risks.

Pole Location: - All Wood Types: - Location Risk	
Risk Rating Category	System Location
1	Secondary / Servicing
2	Single Phase
3	Three Phase
4	Multiple Circuit / Close Proximity to Substation
5	Transmission

Table 7: Pole Material – Location Risk Category

Pole Location: - All Wood Types: - Business Risk	
Risk Rating Category	System Location (With Respect to Customer Base)
1	End of Single Phase Run or Secondary
2	Three Phase
3	Close Proximity to Substation
4	Serves One Critical Customer or Major Economic Customer
5	Serves Multiple Critical Customers or Major Economic Customers

Table 8: Pole Material – Customer Service Risk Category



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A variety of studies and field collected data indicate that western cedar and steel structures have on average a longer life cycle than poles of other wood species. The following tables indicate the values applied in this study to calculate the age risk rating for western cedar and steel poles.

Pole Material	Average Life (Yrs.)
Western Cedar (WC, WCC)	60
Southern Pine (JP, JPP, RP, RPP, SPP, SYP, Wood)	40
Douglas Fir	35
Ponderosa Pine	40
Lodge Pole Pine	35
Concrete	80
Steel	60
Composite	80

Table 9: Pole Material – Average Expected Life

Pole Material Type: - Western Cedar, Steel	
Age - Risk Rating Category	Year Grouping
1	< 10 yrs
2	11-24 yrs
3	25-40 yrs
4	41-54 yrs
5	> 55 yrs

Table 10: Pole Material – Age Risk Category

Pole Material Type: - All Other Wood Types	
Age - Risk Rating Category	Year Grouping
1	< 5 yrs
2	5-9 yrs
3	10-19 yrs
4	20-29 yrs
5	> 30 yrs

Table 11: Pole Material – Age Risk Category



Parry Sound Power – Asset Management Plan & Strategy

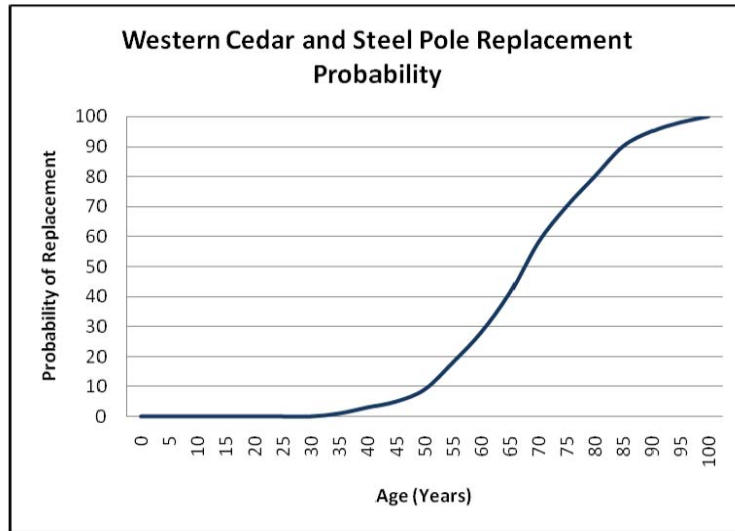


Figure 1: Western Cedar and Steel Pole Replacement Probability

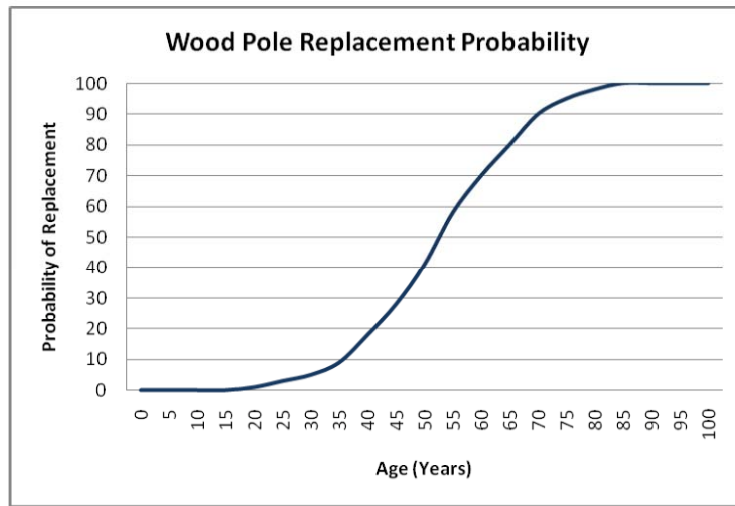


Figure 2: Wood Pole Replacement Probability



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Using the asset inventory details and applying the age risk category to each structure, the calculated Age Risk for the Pole assets are as follows:

Calculated Age Risk Rating Category	Quantity
1	52
2	76
3	957
4	285
5	282
Total	1652

Table 12: Parry Sound Power - Distribution of Poles Based on Calculated Age Risk Category

Pole Risk Categories

The information regarding the supporting structures at PSP that have been installed, maintained, and replaced at various periods throughout the existence of the utility is contained in Appendix A. During times of economic development and community growth, greater volumes of poles were installed than other periods. This trend is common in most utilities. However, the replacement strategy will in most cases mirror the initial construction schedule. PSP required a means of inventorying all assets and determining a short and long term plan for monitoring, maintaining, and replacing assets. Appendix A provides this inventory listing and assigns numerical ratings for the following variables (according to industry standard life cycle models):

- Age Risk - The age of the asset with respect to the expected asset life.
- Condition Risk - The physical condition of the asset or any noticeable damages.
- Location Risk - The location of the asset with respect to the circuits – Transmission, Distribution, Secondary
- Business Risk - The location of the asset with respect to critical customers (i.e. does this structure support critical customers?)

In order to prioritize the pole structures in need further inspection (scientific or visual), we calculated an overall weighted risk rating using the aforementioned risk categories:

$$\text{Overall Risk} = ((\text{Age Risk} * 30\%) + (\text{Condition Risk} * 50\%) + (\text{Location Risk} * 10\%) + (\text{Business Risk} * 10\%)) * 4$$

Using this value as an attribute of the poles, we can utilize the GIS to thematically color code the poles on a map, providing the specific locations of structures determined to be a calculated risk.

This inventory and asset valuation provided a means of calculating current replacement costs for assets. Using inflation rates, we calculated the financial requirements for pole replacements for the next five years.



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Pole Capital Requirements

The information for the capital requirement for the poles for the next five years is contained in Appendix B. This list only includes the structures that may require replacement and are determined to have reached or exceeded their expected life cycle. The table indicates which structures will need to be monitored closely for future replacement.

This inventory and asset valuation provided a means of calculating current replacement costs for each asset. Using inflation rates, we calculated the financial requirements for pole replacements for the next five years. Industry studies show that most assets will exceed the proposed asset life cycle; however, an average of 2-4% of those assets need to be replaced annually. We have calculated the projected annual financial requirement at 3% to determine the annual requirement for all poles within the system (PSP owned poles only).

7. Transformer Assets

Transformer Assets – Condition Assessment

PSP has 499 pole mounted and 66 pad mounted transformers.

During the asset inventory and condition assessment, the year of manufacture for transformers was not recorded. The assumption was made that the date of installation in 95% of the cases would correspond with the installation date of the pole or line section that it was installed on. Although we recognize this year of pole installation may not be the year of installation – we assumed that in over 90% of the cases that the year of installation is the same year or within a few months from the date of purchase.

Asset depreciation based on age is a useful tool for predicting future need. However, many assets are operational for many years beyond the expected life. These assets should be routinely inspected and monitored to ensure they are suitable for ongoing service.

Pole and Pad Mount Transformers	
Age - Risk Rating Category	Year Grouping
1	< 5 yrs
2	5-9 yrs
3	10-19 yrs
4	20-29 yrs
5	> 30 yrs

Table 13: Transformer – Age Risk Category



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Location:

In order to determine a location risk rating; we would require further information that links customer information to transformers. The recent smart metering project will yield this information. Once this information is available, an analysis can be done to identify which transformers feed critical customers as well as identify the particular assets servicing larger commercial and industrial customers. This information will also permit accurate transformer loading to be assigned to each transformer. Ensuring transformers are neither overloaded or underloaded will increase the service life of these assets.

Pole Mounted Transformers

The inventory and visual condition assessment information for the entire pole mounted transformers in the PSP distribution system is contained in Appendix C. This includes the data collected in the field and the existing attributes from PSP's transformer asset registry. The age of the transformer had to be assumed to be the same age as the pole it was mounted on (no previous age information existed). This age value was utilized to assign the numerical age risk category for prioritizing which assets will likely need replacement and in which order. It also provides a listing of the transformers that may require more frequent inspections and/or testing. Detailed depreciation and utilization models will be able to be determined once the customer information is integrated with the transformers. Actual loading values will be available to assist with determining over-loaded or under-loaded transformers (both contributing factors to decreasing the life expectancy of a transformer).

Pad Mounted Transformers

The inventory and visual condition assessment information for the entire pad mounted transformers in the PSP distribution system is contained in Appendix D. This includes the data collected in the field and the existing attributes from PSP's transformer asset registry. The age of the transformer had to be assumed to be the same age of the nearest adjacent asset (no previous age information existed). This age value was utilized to assign the numerical age risk category for prioritizing which assets will likely need replacement and in which order. It also provides a listing of the transformers that may require more frequent inspections and/or testing. Detailed depreciation and utilization models will be able to be determined once the customer information is integrated with the transformers. Actual loading values will be available to assist with determining over-loaded or under-loaded transformers (both contributing factors to decreasing the life expectancy of a transformer).

There are some older secondary and service line sections that will requirement replacement in the coming years. At this point they are providing acceptable levels of service and unless a customer requests a service to be replaced there is no need for replacement at this point. These lines should be part of a regular inspection process and monitored closely for changes in condition.



8. Substation Assets

Substation Asset – Condition Assessment

An inventory of each substation was performed and is contained in Appendix F. Year of manufacture was collected from name plates if available. Through suggestions from PSP personnel and upon reviewing asset condition and age of equipment – it is recommended that MS1/MS2 be replaced within the immediate future.

Although the MS3 has been recently rebuilt and is just starting a new life cycle – continuous inspections, maintenance, and monitoring (leakages, low oil levels, and over heated joints, for example) should extend the life of these assets for 45 more years.

MS4 and MS5 are relatively new assets, they still require ongoing inspections and monitoring, but should provide service for an additional 20-30 years.

Additional information regarding outage records and loading would need to be collected and analyzed over time to provide an accurate assessment of the remaining life for individual assets within the substation/metering station.

9. Deterioration Models and Assumptions

The field inventory provided detailed condition information for all the assets. A visual inspection was completed for all overhead and visible underground assets.

- Conductors
- Transformers
- Switches
- Other Equipment

Assumptions:

Transmission:

- Equipment is replaced concurrently with structure replacements
- Conductors are replaced concurrently with structure replacements
- Pole framings, hardware, cross arms, anchors, and guying are replaced concurrently with structure replacements.

Substations/Metering Stations:

- All components of a station structure are replaced when replacing a given substation or metering station.



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- Each device or piece of equipment may be replaced as needed independent of the replacement of the overall structure.

Distribution:

- Equipment is replaced concurrently with structure replacements
- Conductors are replaced concurrently with structure replacements
- Pole framings, hardware, cross arms, anchors, and guying are replaced concurrently with structure replacements.

10. Financial Assumptions

In order to calculate the full life cycle cost of an asset, consideration must be given to the following:

- Environmental Conditions
- Material Costs
- Material Availability
- Construction Costs
- Projected Service Life
- Inspection Costs (Typically from \$9/pole for wood and \$3/pole for other materials)
- Inspection Frequency
- Maintenance Costs
- Maintenance Frequency

In order to determine future costs of an asset – we utilized “Present Value Analysis”. This approach properly weighs all material variables within the calculation:

FV – Future Value
PV – Present Value
R – Inflation Rate (assumed 4%)
N – Year Number [Number of years from present]

$$FV = PV \cdot (1+R)^N$$

Equation 1: Future Value Analysis

We used straight-line depreciation method to determine the cost of usage of an asset. This method recognizes the reduction in the value of the asset through wear and tear, as well as aging. Straight-line depreciation is calculated using original cost of the asset, subtracting its estimated salvage value and dividing by the estimated # of years of useful



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life. This method uses a fixed percentage rate and the rate is applied annually to the undepreciated balance of the asset's value.

$$\text{Depreciated Value} = \frac{(\text{Original Cost}) - (\text{Salvage Cost})}{(\text{Number of Years of Useful Life})}$$

Equation 2: Depreciated Value

During our valuation process each asset type was assigned a number of years for an expected life span using straight line depreciation to a value of \$0.



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11. Identified Project Details

11.1 Substation Replacement

MS1 / MS2 – Replacement

The 4160/2400 V distribution system provided from MS1/MS2 feeds a large majority of the downtown core of the town. The MS1/MS2 substation is located at 1 Farrer St., just east of the generating facility. The Hydro-One 44kV provides supply to this site. MS1 distributes to 5 feeders (F1-F5). MS2 distributes to 5 feeders as well (F6-F10).

Recent planning has commenced for the replacement of MS1 and MS2 to an adjacent property (currently owned by PSP). The construction of this new site will involve minimal interruption to service to the customer base fed from MS1 and MS2. The voltage of this site will remain the same at 4160/2400 V. This will ensure that backup supply can be provided to MS4, allowing for ongoing feeder configuration flexibility within the limits of MS1, MS2, and MS4 feeder extents.



- MS1 / MS2 Replacement

Project PSP1	\$2,340,219.70
Total:	\$2,340,219.70

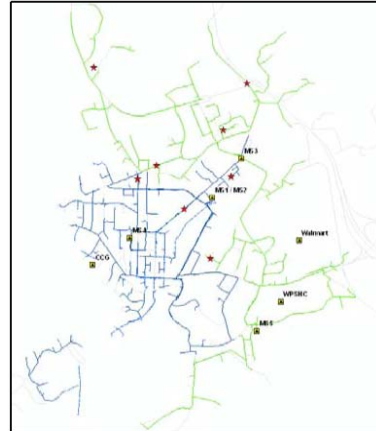


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11.2 Individual Asset Replacements

The field data collection project identified four individual pole sites and one transformer site requiring asset replacement due to deteriorated asset condition. In addition there are three sites requiring future monitoring and/or further analysis.

These structures were identified with respect to the type of issue requiring the need for planned replacement. They were also assessed with respect to their position within the network (i.e. proximity to substation, number of circuits the structure is supporting, voltage of circuits). They also have an age risk rating that was applied.



The evaluation of these variables permitted the prioritization for the replacement schedule.

• Individual Pole Replacement	Project PSP2a	\$6,914.90
• Individual Pole Replacement	Project PSP2b	\$2,912.78
• Individual Transformer Replacement	Project PSP2c	\$1,806.05
• Individual Pole Replacement	Project PSP2d	\$4,961.61
• Individual Pole Replacement	Project PSP2e	\$2,813.87
• Individual Pole Replacement	Project PSP2f	<u>\$8,330.20</u>
	Total:	\$27,739.40



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11.3 Rebuild to Streetside Construction

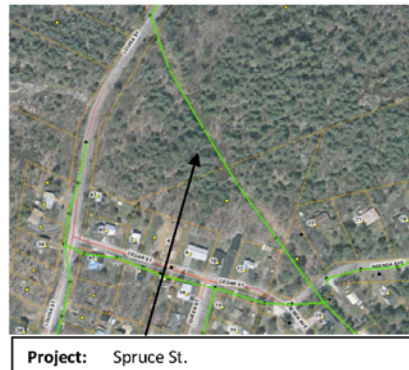
PSP personnel have identified three sites in need of future reconstruction from backlot to streetside.

The following have been identified for future reconstruction:

Street Name:	Voltage:
James Street	Primary
Miller Street	Primary
Spruce Street	Primary

The transition of these line sections will provide easier access and permit utility staff to restore service in a shorter period of time. Two of these sites (James St. and Miller St.) provide servicing to the downtown core. Miller St. and Spruce St. are comprised of aging assets that are reaching the end of their expected life cycle (these structures fall within the category 4 and/or 5 age risk rating).

The Spruce St. project traverses through a forested region. Access to this site requires considerably more resources for restoration and / or maintenance efforts.



Although the Spruce St. site is located at the outer limits of the F18 feeder it does provide the tie to MS3 for backup supply. In the event F18 is fed from MS3, then the location switches to the starting point of this feeder. Currently it is the only means of providing backup supply to the F18 customer base if an issue is to arise with MS5.

- Reconstruction of Backlot to Streetside Construction

Project PSP3a	\$ 50,625.83
Project PSP3b	\$118,976.17
Project PSP3d	\$116,102.76
Total:	\$285,704.75



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11.4 Reconductoring

PSP personnel have identified three line sections sites in need of future reconductoring. The following have been identified for future relocation:

<u>Street Name:</u>	<u>Voltage:</u>
Joseph Street	12,470 V
Isabella Street	12,470 V
Beatty Street	12,470 V



Projects: Joseph St. Isabella St. Beatty St.

The reconductoring of these line sections will provide decreased line loss and increased reliability. Two of these line sections (Isabella St. and Joseph St.) provide servicing to the Parry Sound Mall. The supporting structures for these line sections are relatively new compared with the rest of the system (the majority of the supporting structures fall within the age risk categories of 2 -3). Therefore, the entire line reconstruction is not required.

• Reconductoring	Project PSP4a	\$43,159.11
	Project PSP4b	\$72,386.56
	Project PSP4c	<u>\$25,396.51</u>
	Total:	\$140,942.18

A listing of individual projects identified is contained in Appendix G. For the listed projects, further individual project details are contained in Appendix H. The project costs are for budgetary purposes only. Should PSP wish to pursue the implementation of these projects, a price quotation from one or more vendors based on detailed scope of work including equipment specifications is necessary.



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11.5 Additional Projects

PSP personnel have identified additional projects that support the GIS database and advance the information residing in the software. These projects are anticipated to be completed in 2010.

15	PSP5b - MS2 Feeder #9 Terminations	\$2,720.94
16	PSP5c - Re-Conductor PJ-6 to PV-4	\$18,648.31
17	PSP5d - Pole Capital Reserve	\$41,728.81
18	PSP5e - Pole ownership Plan	\$1,335.06
19	PSP5f - Inspection of "Replace" poles	\$22,366.06
20	PSP5g - Green Energy Plan	\$27,500.00
21	PSP5h -MS3 125 William St Fencing	\$12,785.42
22	PSP5i -Connection services	\$26,581.17
	Subtotal	\$153,665.77

Table 14: Additional Projects

A predefined identification numbering system is to be defined so that each pole, transformer, and switch may be labeled and the numbering system may be coordinated with the GIS database.

A total of 83 poles were defined as "Replace", such that the expected life of the pole has been reached. Further inspection and monitoring of these poles will determine whether these structures are in good condition or have thus reached end-of-life and need to be replaced. It is reasonable to expect more than 50% of these poles will exceed the expected life. As long as continuous pole maintenance practices are continued to address the key degradation mechanisms:

- Pole Top Decay
- Decay at Connections
- Pole Top Splitting
- Excessive Weathering
- Groundline Rot

It is expected that a detail condition inspection on many of these identified structures will result in readjustment of the calculated risk rating that initially indicated replacement.

As part of the 2011 Rate Application, a Green Energy Act Plan is to be submitted. This plan is to outline the distributor's readiness to accommodate renewable generation and to identify any expansion or reinforcement necessary. Also included is the eventual development and implementation of the smart grid.



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A listing of individual projects identified is contained in Appendix G. For the listed projects, further individual project details are contained in Appendix H. The project costs are for budgetary purposes only. Should PSP wish to pursue the implementation of these projects, a price quotation from one or more vendors based on detailed scope of work including equipment specifications is necessary. A rough order of magnitude estimate for each project has been provided to determine expected resource requirements.

11.6 Maintenance Projects

On-going asset maintenance requires continuous effort and decisions regarding extent and frequency. Over a period of time, records management will indicate reliability benefits with respect to efforts expended on maintenance. In some cases, inspections and maintenance can be completed concurrently. The following are identified maintenance projects for the year 2010.

23	PSP6a - Infrared Scanning	\$ 1,063.12
24	PSP6b - Oil Sampling Sub-stations	\$ 1,4219.04
25	PSP6c - Underground Maintenance	\$ 20,598.70
26	PSP6d - Switch Maintenance	\$ 53,563.97
27	PSP6e - Line Patrols	\$ 7,128.95
28	PSP6f - Sub-station Inspections	\$ 6,356.11
29	PSP6g - Sub-Station Breaker/Relay Maintenance	\$ 10,215.42
30	PSP6h - Sub-station Maintenance	\$ 1,721.24
31	PSP6i - Pole top Maintenance	\$ 67,884.38
32	PSP6j - Tree Trimming Maintenance	\$ 93,169.81
33	PSP6k - Miscellaneous (Switching, Meter, etc)	\$ 43,234.29
34	PSP7 – Conductor Replacement	\$ 34,047.73
	Subtotal	\$340,402.76

Table 15: Maintenance Projects

These maintenance projects will identify abnormalities and potential causes to defects and failures. By developing a regular maintenance schedule, these efforts may prevent failures, unplanned outages, and may prolong the life of Parry Sound Power's assets.



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12. Identified Projects Schedule

Schedule		2010				2011				2012				2013				2014			
#	Year:	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	PSP1 - MS1 / MS2																				
2	PSP2a - Pole Replacement																				
3	PSP2b - Pole Replacement																				
4	PSP2c - Transformer Replacement																				
5	PSP2d - Pole Replacement																				
6	PSP2e - Pole Replacement																				
7	PSP2f - Pole Removal																				
8	PSP3a - Backlot Relocation																				
9	PSP3b - Backlot Relocation																				
10	PSP3d - Backlot Relocation																				
11	PSP4a - Reconductoring																				
12	PSP4b - Reconductoring																				
13	PSP4c - Reconductoring																				
14	PSP5a - Asset Identification (Pole Numbering)																				
15	PSP5b - MS2 Feeder #9 Terminations																				
16	PSP5c - Re-Conductor PJ-6 to PV-4																				
17	PSP5d - Pole Capital Reserve																				
18	PSP5e - Pole ownership Plan																				
19	PSP5f - Inspection of "Replace" poles																				



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#	Year:	2010				2011				2012				2013				2014			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
20	PSP5g - Green Energy Plan																				
21	PSP5h -MS3 125 William St Fencing																				
22	PSP5i -Connection services																				
23	PSP6a - Infrared Scanning																				
24	PSP6b - Oil Sampling Sub-stations																				
25	PSP6c - Underground Maintenance																				
26	PSP6d - Switch Maintenance																				
27	PSP6e - Line Patrols																				
28	PSP6f - Sub-station Inspections																				
29	PSP6g - Sub-Station Breaker Maintenance																				
30	PSP6h - Sub-station Maintenance																				
31	PSP6i - Pole top Maintenance																				
32	PSP6j - Tree Trimming Maintenance																				
33	PSP6k - Miscellaneous (Switching, Meter, etc)																				
34	PSP7a - Conductor Replacement																				
35	PSP8 - Voltage Conversion - William Street																				
36	PSP9 - Reconductor Marion Ave. 8 Spans																				
37	PSP10 - Reconductor Church St. - 8 Spans																				
38	PSP11 - Reconductor Isabella St. - 8 Spans																				



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	Year:	2010				2011				2012				2013				2014			
#	Quarter:	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
39	PSP12 - Town Office Transformer & Service Relocations																				
40	PSP13 - Canadore College Line Relocation																				

Table 16: Project Schedule (2010-2014)

The above schedule is tentative and it will be Parry Sound Power's responsibility to schedule and make available the resources to complete each project.



13. Recommendations

In order to ensure that asset management information is current and supportive enough to make sound decisions, and executing the appropriate projects at the proper time and at the appropriate level of expenditure we recommend the following activities:

Inspections

Inspections will assist with providing the information necessary for making accurate asset management decisions. The inspection results will aid with determining future inspection schedules and maintenance planning. At a minimum, inspections should comply with the OEB's Distribution System Code.

The inspection records should be integrated with the GIS. This will permit PSP the ability to visualize all inspection details in a spatial context. It will also permit the cross-referencing of outages and/or other network issues with individual assets. The inspection results should be a primary input for decisions on maintenance efforts. An internal audit or review should be performed to ensure all assets are completed.

Maintenance

On-going asset maintenance requires continuous effort and decisions regarding extent and frequency. Over a period of time, records management will indicate reliability benefits with respect to efforts expended on maintenance. In some cases, inspections and maintenance can be completed concurrently (i.e. pole testing and treatment as well as a complete pole line inspection).

It is recommended that PSP have some defined process for cause/effect analysis in the event of an outage. The results of the cause/effect analysis could be cross-referenced in the GIS for other assets with similar characteristics to ensure inspections and maintenance is applied accordingly. The cause/effect analysis should incorporate standardized codes that are in compliance with those codes determined by the OEB.

It is also recommended that maintenance standards be defined in a document, providing specific detail regarding procedures for each maintenance activity. This will ensure consistency for each time an activity is performed. Maintenance records should be linked to the GIS and readily available for cross-referencing with an outage or other incident records.



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Information Management

It is our recommendation that the GIS be continuously used as the central repository for maintaining an asset inventory. Additional information systems that track and monitor inspections, maintenance, capital planning, and financing can all easily be integrated with the GIS. This provides a common base of asset data and a portal for visualizing information from all inter-related sources.

Key considerations with respect to information management are:

- Asset data should be easily accessible by all engineering and operations personnel.
- The GIS system should be integrated with other information management systems (inspections, maintenance, capital projects, and outages.)
- Paper-based processes are to be eliminated to a reasonable extent, with all information systems integrated (avoiding duplication of data entry and ensuring everyone has the most current data available for decision making).
- Management should have regular access to integrated information and reports regarding asset management activities and outcomes.

Appendix J outlines the recommendations from the OEB Review of Asset Management Practices in the Ontario Electricity Distribution Sector, March 10, 2009.



Parry Sound Power – Asset Management Plan & Strategy

14. References

1. KPMG, "Review of Asset Management Practices in the Ontario Electricity Distribution Sector", March, 2009
2. Dr. Gouri Bhuyan, "T&D Asset Management", July 2002
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4. Lee A. Renforth, Andre Taras, "Pole Testing Ensures High Reliability and Long Life", Transmission and Distribution World, December, 2002
5. Dennis Hayward, "Wood Poles: How Long Do They Last? 30..45..60...100 Years? It Makes a Difference", Wood Pole Newsletter, vol.20, July 1996
6. M. Mankowski, E. Hansen, J. Morrell, "Wood Pole Purchasing, Inspection, and Maintenance: A Survey of Utility Practices", Forest Products Journal, vol. 52, no. 11/12, July, 2001
7. Lee Willis, Gregory V. Welch, Randall R. Schrieber, "Aging Power Delivery Infrastructure", New York: Marcel Dekker Inc., 2001
8. Lee Willis, "Power Distribution Planning Reference Book", New York: Marcel Dekker Inc., 2004
9. Ontario Energy Board, "Distribution System Code: Appendix C – Minimum Inspection Requirements", October, 2009
10. Ontario Energy Board, "Distribution System Code: Appendix B – Methodology and Assumptions for An Economic Evaluation", October, 2009



Parry Sound Power – Asset Management Plan & Strategy

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CAPITALIZATION POLICY:

As stated earlier in this application PSP currently does not have a formal written Capitalization Policy. However, PSP follows the CICA handbook on asset definition and capitalization:

GUIDELINES

Capital Assets

Capital Assets include tangible assets which include property, plant, and equipment provided they are held for use in the production or supply of goods and services. A capital expenditure must provide a benefit lasting beyond one year. Capital expenditures also include the improvement or "betterment" of existing assets. Intangible assets are also considered capital assets and are identified as assets that lack physical substance.

Betterment

A "betterment" is a cost which enhances the service potential of a capital asset and is therefore capitalized. A "betterment" includes increasing the capacity of the asset, lowering associated operating costs, improving the quality of output or extending the asset useful life. This enhancement can result in an increase in physical output or service capacity, a decrease to operating costs, extension of the useful life of the asset, or improvement in the quality of the asset's output.

Repair

A repair is a cost incurred to maintain the service potential of a capital asset. Expenditures for repairs are expensed to the current operating period. Expenditures for repairs and/or maintenance designed to maintain an asset in its original state are not capital expenditures and should be charged to an operating account.

MATERIALITY

PSP does examine the future benefit of all dollars considered for capital. Currently we do not have a material threshold; simply put should the dollar value of cost incurred provide a future benefit or betterment to our system it is considered capital.

CAPITAL ASSET RECORDS

Cost

Cost is the amount of consideration given up to acquire, construct, develop or better a capital asset. Capital assets will be recorded at the fully allocated cost.

Fully Allocated costs

Fully allocated costs include all expenditures necessary to put a capital asset in service including all overhead cost based on full absorption costing.

Amortization

Capital assets are generally amortized based on a method and life set by the OEB which is considered a suitable indicator of estimated useful life for the electrical distribution industry. Large and unique capital expenditures will be reviewed on an individual basis to determine the expected life and appropriate method of depreciation.

Capital Spares

Spare transformers will be accounted for as capital assets since they form an integral part of the reliability program for a distribution system. These spares are held for the purpose of backing up transformers in-service for the distribution system.

Extraordinary Items

Extraordinary items will be identified separately provided they exceed the materiality threshold established by the OEB. There may be instances where the cost of a non-capital expenditure may be deferred or in effect capitalized. For example a major infrequent repair on an existing asset, a regulatory process resulting in a major cost to the operating plant without actual replacement or betterment, and repairs to property loss resulting from extraordinary events such as an ice storm are costs which may be eligible for deferment. Recovery of extraordinary items through rates as a "Z" Factor expense will follow OEB guidelines.

SERVICE QUALITY AND RELIABILITY PERFORMANCE

PSP tracks service reliability statistics SAIDI (System Average Interruption Duration Index), SAIFI (System Average Interruption Frequency Index) and CAIDI (Customer Average Interruption Duration Index) including and excluding Hydro One related incidents. The following table shows actual results for the past three years. As indicated in the chart below, PSP's 2006, 2007 and 2008 reliability performance is within acceptable levels.

PSP is committed to the reliability of the distribution system and has set a target index of 1.5 for both SAIDI and SAIFI. In order to meet these targets PSP will need to continue making capital investments in infrastructure over the next two years at levels which were expended in 2006 and 2007. A previous review of PSP's reliability SQL's during the years 2002 to 2006 indicated that the most frequent cause of outages after scheduled outages (Interruption Code 1 in OEB Reporting) was defective equipment (Interruption Code 5). In addition, after bulk system outages (Interruption Code 2), defective equipment accounted for the most customer outage hours. Defective equipment outages are primarily due to age and condition, lightning strikes or other weather related phenomenon. A further review of the reliability statistics indicates the most frequent equipment failures are underground cables and transformers (the highest percentage of transformer failures occurs on the underground system), with underground cables responsible for the most customer outage hours. The second highest number of customer outage hours relating to defective equipment is associated with overhead conductors and switches.

Table 2

PSP Service Reliability Indices

(Including Average for Performance Comparisons)

Includes Loss of Supply (Five Years of Statistics – 2005 to 2009)

Index

Index	2005	2006	2007	2008	2009	5 year average
SAIDI	No data	0.36	0.62	16.47	1.54	4.74
SAIFI	No data	0.65	3.94	11.26	0.06	3.97
CAIDI	No data	0.55	0.16	1.46	24.10	6.56

1 Excludes Loss of Supply (Four Years of Statistics – 2006 to 2009)

2

Index	2006	2007	2008	2009
SAIDI	No data	0.62	14.76	1.54
SAIFI	No data	3.94	0.77	0.06
CAIDI	No data	0.16	19.09	24.10

3

Allowance for Working Capital:
WORKING CAPITAL CALCULATION:

Overview:

PSP's working capital allowance is forecast to be \$ 1,470,970 for 2011 and is based on the "15% of specific OM&A accounts formula approach" referred to at page 14 of the Board's Filing Requirements. PSP provided its calculations by account for each of 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, the 2010 Bridge Year and the 2011 Test Year in Table 1 on the following pages. PSP has provided a spreadsheet setting out Cost of Power calculations as Appendix A to this Schedule. PSP used the cost of power rate of \$0.06938 for RPP customers plus an estimate of \$0.06438 per kwh which includes an estimate for the global adjustment for non RPP customers.

Table 1
Working Capital Allowance Calculation by Account

Description	2006 Actual	Allowance for Working Capital	2007 Actual	Allowance for Working Capital	2008 Actual	Allowance for Working Capital	2009 Actual	Allowance for Working Capital	2010 Bridge	Allowance for Working Capital	2011 Test	Allowance for Working Capital
Rate used for Working Capital Allowance		15%		15%		15%		15%		15%		15%
Operation												
5005-Operation Supervision and Engineering	18,891	2,834	14,605	2,191	15,701	2,355	17,505	2,626	4,726	709	-	-
5017-Distribution Station Equipment -Operation Supplies and Exp.	6,691	1,004	6,894	1,034	6,968	1,045	7,499	1,125	7,714	1,157	7,945	1,192
5020-Overhead Distribution Lines and Feeders - Operation Labour	3,607	541	2,335	350	3,351	503	3,569	535	133	20	-	-
5025-Overhead Distribution Lines & Feeders -Operation Supplies and Exp.	55	8	55	8	-	-	-	-	55	8	55	8
5035-Overhead Distribution Transformers - Operation	401	60	298	45	-	-	235	35	-	-	-	-
5040-Underground Distribution Lines and Feeders - Operation Labour	8,631	1,295	7,738	1,161	11,495	1,724	10,875	1,631	23,671	3,551	22,372	3,356
5055-Underground Distribution Transformers - Operation	-	-	139	21	-	-	-	-	-	-	-	-
5065-Meter Expense	11,313	1,697	17,919	2,688	12,765	1,915	10,873	1,631	11,608	1,741	9,684	1,453
5070-Customer Premises - Operation Labour	110	16	-	-	-	-	-	-	84	13	-	-
5075-Customer Premises - Materials and Expenses	20	3	-	-	-	-	-	-	-	-	-	-
5085-Miscellaneous Distribution Expense	600	90	-	-	-	-	-	-	-	-	-	-
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	120	801	120	801	120	801	120	801	120	801	120
5096-Other Rent	-	-	11,887	1,783	6,198	930	5,944	892	5,944	892	5,944	892
Sub-Total	51,120	7,668	63,190	9,479	57,279	8,592	57,300	8,595	54,737	8,210	46,801	7,020
Maintenance												
5105-Maintenance Supervision and Engineering	5,633	845	5,076	761	5,456	818	5,942	891	1,551	233	-	-
5110-Maintenance of Buildings and Fixtures - Distribution Stations	-	-	-	-	-	-	-	-	-	-	-	-
5114-Maintenance of Distribution Station Equipment	(11,903)	(1,785)	23,581	3,537	20,284	3,043	24,313	3,647	53,105	7,966	27,923	4,189
5120-Maintenance of Poles, Towers and Fixtures	39,962	5,994	48,404	7,261	49,164	7,375	45,697	6,855	85,255	12,788	145,926	21,889
5125-Maintenance of Overhead Conductors and Devices	94,237	14,136	56,675	8,501	73,369	11,005	65,593	9,839	91,277	13,692	126,867	19,030
5130-Maintenance of Overhead Services	11,439	1,716	11,433	1,715	15,234	2,285	11,775	1,766	38,374	5,756	35,524	5,329
5135-Overhead Distribution Lines and Feeders - Right of Way	45,123	6,769	78,176	11,726	36,976	5,546	70,202	10,530	102,929	15,439	103,086	15,463
5145-Maintenance of Underground Conduit	733	110	896	134	979	147	7,112	1,067	5,838	876	12,624	1,894
5150-Maintenance of Underground Conductors and Devices	2,141	321	4,723	709	4,114	617	3,460	519	28,953	4,343	15,772	2,366
5155-Maintenance of Underground Services	2,126	319	5,387	808	1,957	294	2,383	357	1,063	159	428	64
5160-Maintenance of Line Transformers	10,234	1,535	13,109	1,966	38,338	5,751	8,326	1,249	21,147	3,172	44,994	6,749
5175-Maintenance of Meters	4,730	710	13,991	2,099	17,730	2,659	14,199	2,130	5,187	778	5,113	767
5196-Maintenance of Other Installations on Customer Premises	9,482	1,422	4,594	689	5,037	755	24,644	3,697	10,629	1,594	-	-
Sub-Total	213,937	32,091	266,047	39,907	268,637	40,296	283,648	42,547	445,310	66,796	518,258	77,739
Billing and Collections												
5310-Meter Reading Expense	41,342	6,201	47,648	7,147	52,540	7,881	55,589	8,338	38,155	5,723	19,207	2,881
5315-Customer Billing	210,790	31,618	190,826	28,624	240,028	36,004	249,425	37,414	238,632	35,795	271,480	40,722
5320-Collecting	107,646	16,147	108,645	16,297	81,059	12,159	64,374	9,656	76,895	11,534	99,036	14,855
5325-Collecting- Cash Over and Short	95	14	(30)	(5)	-	-	-	-	100	15	100	15
5335-Bad Debt Expense	15,669	2,350	(4,398)	(660)	-	-	11,075	1,661	5,200	780	5,200	780
Sub-Total	375,543	56,331	342,691	51,404	373,628	56,044	380,463	57,069	358,982	53,847	395,022	59,253
Community Relations												
5410-Community Relations - Sundry	16,897	2,535	13,368	2,005	12,948	1,942	21,616	3,242	14,600	2,190	13,423	2,013
5415-Energy Conservation	10,648	1,597	75,485	11,323	39,432	5,915	-	-	-	-	-	-
5420-Community Safety Program	925	139	948	142	-	-	-	-	-	-	-	-
5425-Miscellaneous Customer Service and Informational Expenses	2,185	328	-	-	-	-	-	-	-	-	-	-
Sub-Total	30,656	4,598	89,801	13,470	52,381	7,857	21,616	3,242	14,600	2,190	13,423	2,013
Administrative and General Expenses												
5605-Executive Salaries and Expenses	15,820	2,373	8,147	1,222	6,890	1,033	5,934	890	6,248	937	13,929	2,089
5615-General Administrative Salaries and Expenses	164,885	24,733	170,034	25,505	204,546	30,682	209,600	31,440	224,838	33,726	301,318	45,198
5620-Office Supplies and Expenses	28,689	4,303	32,062	4,809	34,426	5,164	50,002	7,500	106,182	15,927	128,468	19,270
5625-Administrative Expense Transferred Credit	114,641	17,196	-	-	105,514	15,827	131,215	19,682	-	-	-	-
5630-Outside Services Employed	23,303	3,495	124,227	18,634	24,216	3,632	36,169	5,425	66,317	9,948	46,228	6,934
5640-Injuries and Damages	-	-	1,000	150	-	-	-	-	-	-	-	-
5655-Regulatory Expenses	15,267	2,290	12,110	1,816	38,246	5,737	19,427	2,914	54,606	8,191	210,929	31,639
5665-Miscellaneous General Expenses	2,682	402	-	-	-	-	-	-	17,000	2,550	17,374	2,606
5670-Rent	-	-	-	-	50,351	7,553	50,406	7,561	50,600	7,590	69,527	10,429
5675-Maintenance of General Plant	-	-	-	-	-	-	-	-	25,386	3,808	34,141	5,121
Sub-Total	365,288	54,793	347,580	52,137	464,189	69,628	502,752	75,413	551,175	82,676	821,914	123,287
Cost of Power												
4705-Power Purchased	5,253,960	788,094	5,296,824	794,524	5,266,126	789,919	5,439,153	815,873	6,249,185	937,378	6,464,753	969,713
4708-Charges-WMS	460,126	69,019	359,109	53,866	411,466	61,720	539,315	80,897	482,718	72,408	499,676	74,951
4714-Charges-NW	468,634	70,295	452,970	67,945	401,802	60,270	367,860	55,179	496,238	74,436	470,405	70,561
4716-Charges-CN	390,538	58,581	375,905	56,386	356,807	53,521	334,778	50,217	430,827	64,624	369,032	55,355
4730-Rural Rate Assistance Expense	117,371	17,606	90,963	13,644	88,883	13,332	-	-	120,679	18,102	124,919	18,738
4750-LV Charges	-	-	31,006	4,651	102,026	15,304	64,983	9,747	82,059	12,309	82,266	12,340
Sub-Total	6,690,629	1,003,594	6,606,776	991,016	6,627,109	994,066	6,746,090	1,011,913	7,861,706	1,179,256	8,011,052	1,201,658
WORKING CAPITAL ALLOWANCE TOTAL	7,727,173	1,159,076	7,716,086	1,157,413	7,843,223	1,176,483	7,991,868	1,198,780	9,286,509	1,392,976	9,806,469	1,470,970

COST OF POWER FORECAST

PSP has provided the details of the cost of power forecast in the tables below. PSP used the split from 2009 actual kWh between RPP and Non RPP kWh as a base to allocate the forecasted kWh for the bridge and test year commodity power costs. The rates used in the commodity costing are included in the executive summary of the "RPP Price Report (Nov 09 to Oct 10) "from the most current Regulated Price Plan Price Report prepared by Navigant.

APPENDIX B

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2010 COST OF POWER FORECAST CALCULATION

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	2010 <u>Electricity - Commodity</u>				
	% RPP in	RPP kWh	Average	Non RPP	Forecast
	2009		Supply Cost	kWh	Wholesale
Residential	86.9%	31,123,221	\$ 0.06938	4,691,763	\$ 0.06438
Street Lighting	0.0%	0	\$ 0.06938	918,702	\$ 0.06438
Sentinel Lighting	100.0%	13,492	\$ 0.06938	0	\$ 0.06438
GS<50kW	86.6%	15,355,979	\$ 0.06938	2,374,051	\$ 0.06438
GS>50kW	20.9%	8,014,238	\$ 0.06938	30,276,436	\$ 0.06438
Unmetered Scattered Load	74.8%	46,712	\$ 0.06938	15,746	\$ 0.06438

Electricity - Commodity	2010 Forecasted Metered kWhs	2010 Loss Factor	2010 Rates used below		
Class per Load Forecast			2010		
Residential	33,832,405	1.0586	35,814,984		\$2,461,385
Street Lighting	867,846	1.0586	918,702		\$59,146
Sentinel Lighting	12,745	1.0586	13,492		\$936
GS<50kW	16,748,564	1.0586	17,730,030		\$1,218,239
GS>50kW	36,171,050	1.0586	38,290,674		\$2,505,225
Unmetered Scattered Load	59,000	1.0586	62,457		\$4,255
TOTAL	87,691,610		92,830,338		\$6,249,185

Transmission - Network		Volume Metric	2010		
Class per Load Forecast					
Residential		kWh	35,814,984	\$0.0054	\$193,401
Street Lighting		kW	2,422	\$1.5067	\$3,650
Sentinel Lighting		kW	38	\$1.5144	\$57
GS<50kW		kWh	17,730,030	\$0.0049	\$86,877
GS>50kW Non-Interval	96,048	kW	43,221	\$1.9979	\$86,352
GS>50kW Interval		kW	52,826	\$2.3775	\$125,594
Unmetered Scattered Load		kWh	62,457	\$0.0049	\$306
TOTAL					\$496,238

Transmission - Connection		Volume Metric	2010		
Class per Load Forecast					
Residential		kWh	35,814,984	\$0.0047	\$168,330
Street Lighting		kW	2,422	\$1.3166	\$3,189
Sentinel Lighting		kW	38	\$1.3441	\$51
GS<50kW		kWh	17,730,030	\$0.0043	\$76,239
GS>50kW Non-Interval		kW	43,221	\$1.7032	\$73,615
Intermediate		kW	0		\$0
GS>50kW Interval		kW	52,826	\$2.0659	\$109,134
Unmetered Scattered Load		kWh	62,457	\$0.0043	\$269
TOTAL					\$430,827

Wholesale Market Service/RRA			2010		
Class per Load Forecast					
Residential			35,814,984	\$0.0065	\$232,797
Street Lighting			918,702	\$0.0065	\$5,972
Sentinel Lighting			13,492	\$0.0065	\$88
GS<50kW			17,730,030	\$0.0065	\$115,245
GS>50kW			38,290,674	\$0.0065	\$248,889
Unmetered Scattered Load			62,457	\$0.0065	\$406
TOTAL					\$603,397

Low Voltage		Volume Metric	2010		
Class per Load Forecast					
Residential		kWh	33,832,405	\$0.0010	\$33,832
Street Lighting		kW	2,422	\$0.3313	\$803
Sentinel Lighting		kW	38	\$0.3569	\$13
GS<50kW		kWh	16,748,564	\$0.0007	\$11,724
GS>50kW		kW	96,048	\$0.3710	\$35,634
Unmetered Scattered Load		kWh	59,000	\$0.0009	\$53
TOTAL					\$82,059

	2010
4705-Power Purchased	\$6,249,185
4708-Charges-WMS	\$603,397
4714-Charges-NW	\$496,238
4716-Charges-CN	\$430,827
4750-Low Voltage	\$82,059
TOTAL	7,861,706

WMS RRA
\$ 482,718 \$ 120,679

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2011 COST OF POWER FORECAST CALCULATION:

2011 <u>Electricity - Commodity</u>					
	% RPP in		Average		Forecast
	2009	RPP kWh	Supply Cost	Non RPP	Wholesale
			for RPP	kWh	Electricity
Residential	86.9%	31,397,614	\$ 0.06938	4,733,127	\$ 0.06438
Street Lighting	0.0%	0	\$ 0.06938	938,016	\$ 0.06438
Sentinel Lighting	100.0%	13,775	\$ 0.06938	0	\$ 0.06438
GS<50kW	86.6%	15,664,594	\$ 0.06938	2,421,763	\$ 0.06438
GS>50kW	20.9%	8,551,830	\$ 0.06938	32,307,367	\$ 0.06438
Unmetered Scattered Load	74.8%	47,492	\$ 0.06938	16,008	\$ 0.06438

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Electricity - Commodity	2011 Forecasted Metered kWhs	2011 Loss Factor	2011 Rates used below		
Class per Load Forecast			2011		
Residential	33,427,924	1.0809	36,130,741		\$2,483,085
Street Lighting	867,846	1.0809	938,016		\$60,389
Sentinel Lighting	12,745	1.0809	13,775		\$956
GS<50kW	16,733,379	1.0809	18,086,358		\$1,242,723
GS>50kW	37,802,659	1.0809	40,859,197		\$2,673,274
Unmetered Scattered Load	58,750	1.0809	63,500		\$4,326
TOTAL	88,903,303		96,091,587		\$6,464,753

Transmission - Network		Volume Metric	2011		
Class per Load Forecast					
Residential		kWh	36,130,741	\$0.0050	\$182,320
Street Lighting		kW	2,421	\$1.4080	\$3,408
Sentinel Lighting		kW	36	\$1.4152	\$51
GS<50kW		kWh	18,086,358	\$0.0046	\$82,815
GS>50kW Non-Interval	97,727	kW	43,977	\$1.8670	\$82,104
GS>50kW Interval		kW	53,750	\$2.2217	\$119,416
Unmetered Scattered Load		kWh	63,500	\$0.0046	\$291
TOTAL					\$470,405

Transmission - Connection		Volume Metric	2011		
Class per Load Forecast					
Residential		kWh	36,130,741	\$0.0040	\$143,390
Street Lighting		kW	2,421	\$1.1117	\$2,691
Sentinel Lighting		kW	36	\$1.1349	\$41
GS<50kW		kWh	18,086,358	\$0.0036	\$65,670
GS>50kW Non-Interval		kW	43,977	\$1.4382	\$63,247
Intermediate		kW	0		\$0
GS>50kW Interval		kW	53,750	\$1.7444	\$93,763
Unmetered Scattered Load		kWh	63,500	\$0.0036	\$231
TOTAL					\$369,032

Wholesale Market Service/RRA			2011		
Class per Load Forecast					
Residential			36,130,741	\$0.0065	\$234,850
Street Lighting			938,016	\$0.0065	\$6,097
Sentinel Lighting			13,775	\$0.0065	\$90
GS<50kW			18,086,358	\$0.0065	\$117,561
GS>50kW			40,859,197	\$0.0065	\$265,585
Unmetered Scattered Load			63,500	\$0.0065	\$413
TOTAL					\$624,595

Low Voltage		Volume Metric	2011		
Class per Load Forecast					
Residential		kWh	33,427,924	\$0.0010	\$33,428
Street Lighting		kW	2,421	\$0.3313	\$802
Sentinel Lighting		kW	36	\$0.3569	\$13
GS<50kW		kWh	16,733,379	\$0.0007	\$11,713
GS>50kW		kW	97,727	\$0.3710	\$36,257
Unmetered Scattered Load		kWh	58,750	\$0.0009	\$53
TOTAL					\$82,266

	2011
4705-Power Purchased	\$6,464,753
4708-Charges-WMS	\$624,595
4714-Charges-NW	\$470,405
4716-Charges-CN	\$369,032
4750-Low Voltage	\$82,266
TOTAL	8,011,052

WMS RRA
\$ 499,676 \$ 124,919

Exhibit	Tab	Schedule	Appendix	Contents
3 – Operating Revenue				
	1			Overview
		1		Overview of Operating Revenue
		2		Summary of Operating Revenue Tables
		3		Variance Analysis on Operating Revenue
	2			Throughput Revenue
		1		Weather Normalized Load and Customer/ Connection Forecast
			A	Monthly Data Used for Regression Analysis
	3			Other Distribution Revenue
		1		Summary of Other Distribution Revenue
		2		Variance Analysis on Other Distribution Revenue

OVERVIEW OF OPERATING REVENUE:

This Exhibit provides the details of PSP's operating revenue for 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, the 2009 Actual, the 2010 Bridge Year and the 2011 Test Year. This Exhibit also provides a detailed variance analysis by rate class of the operating revenue components. Distribution revenue does not include revenue from commodity sales.

A summary of operating revenues is presented below.

Throughput Revenue:

Information related to PSP's throughput revenue includes details such as weather normalized forecasting methodology, normalized volume based on historical number of customers billed throughout the year, adjustments directed by the Minister of Energy and known economic conditions.

Other Revenue:

Other revenues include Late Payment Charges, Miscellaneous Service Revenues and Retail Services Revenues, to name a few. A summary of these operating revenues together with a materiality analysis of variances is presented later in this Exhibit.

Revenue Sharing:

PSP does not have revenue sharing practice in place.

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SUMMARY OF OPERATING REVENUE TABLE

Summary of Operating Revenue Table	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2007 Actual	Variance from 2006 Actual	2008 Actual	Variance from 2007 Actual	2009 Actual	Variance from 2008 Actual	2010 Bridge	Variance from 2009 Actual	2011 Test	Variance from 2010 Bridge
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
Distribution Revenue													
Residential	1,001,868	929,824	(72,043)	979,231	49,407	968,077	(11,155)	933,808	(34,269)	1,013,063	79,255	1,448,385	435,322
GS < 50 kW	367,386	327,917	(39,469)	331,420	3,503	347,102	15,682	301,732	(45,370)	324,182	22,450	460,963	136,781
GS > 50 kW	422,412	423,452	1,041	442,873	19,420	450,862	7,989	415,200	(35,662)	470,033	54,834	643,073	173,040
Streetlight	13,757	15,174	1,417	14,571	(603)	16,286	1,715	13,478	(2,808)	15,191	1,713	47,102	31,910
Sentinel Light	587	375	(212)	472	97	601	129	516	(85)	514	(2)	1,395	881
Unmetered Scattered Load	8,395	3,082	(5,313)	8,772	5,690	5,099	(3,673)	4,205	(894)	5,021	816	13,038	8,017
Total	1,814,405	1,699,824	(114,580)	1,777,338	77,514	1,788,027	10,689	1,668,939	(119,087)	1,828,005	159,066	2,613,956	785,951
	-												
Other Distribution Revenue													
Late Payment Charges	17,448	14,360	(3,089)	16,906	2,546	11,411	(5,494)	17,984	6,573	15,433	(2,550)	15,433	-
Specific Service Charges	48,569	15,325	(33,243)	27,504	12,179	28,810	1,306	26,150	(2,660)	27,880	1,730	27,880	-
Other Distribution Revenue	18,376	56,129	37,752	53,090	(3,039)	30,125	(22,965)	57,042	26,918	52,168	(4,875)	52,168	-
Other Income and Expenses	21,392	117,001	95,609	180,921	63,920	161,039	(19,881)	28,372	(132,667)	5,505	(22,867)	5,505	-
Total	105,786	202,814	97,029	278,420	75,606	231,385	(47,035)	129,548	(101,837)	100,986	(28,562)	100,986	-
Grand Total:	1,920,190	1,902,639	(17,551)	2,055,758	153,119	2,019,412	(36,346)	1,798,488	(220,924)	1,928,991	130,503	2,714,942	785,951

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Calculations of Distribution Revenue

2006 EDR Board Approved	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,595	34,248,449		1,001,868	\$0.0293
GS < 50 kW	535	19,047,048		367,386	\$0.0193
GS > 50 kW	60	24,550,459	80,281	422,412	\$5.2617
Streetlight	1,004	719,066	1,999	13,757	\$6.8819
Sentinel Light	16	12,895	37	587	\$15.9905
Unmetered Scattered Load	24	111,101		8,395	\$0.0756
Gross Revenue				1,814,405	
2006 Actual	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,610	33,237,936		929,824	\$0.0280
GS < 50 kW	505	16,473,586		327,917	\$0.0199
GS > 50 kW	61	35,380,706	88,798	423,452	\$4.7687
Streetlight	1,061	867,846	2,424	15,174	\$6.2599
Sentinel Light	13	15,986	41	375	\$9.1909
Unmetered Scattered Load	20	129,531		3,082	\$0.0238
Gross Revenue				1,699,824	
2007 Actual	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,643	33,976,663		979,231	\$0.0288
GS < 50 kW	529	16,945,672		331,420	\$0.0196
GS > 50 kW	64	37,168,353	90,489	442,873	\$4.8942
Streetlight	1,061	867,846	2,424	14,571	\$6.0111
Sentinel Light	15	16,006	41	472	\$11.5570
Unmetered Scattered Load	22	118,251		8,772	\$0.0742
Gross Revenue				1,777,338	
2008 Actual	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,697	34,709,666		968,077	\$0.0279
GS < 50 kW	508	17,104,386		347,102	\$0.0203
GS > 50 kW	66	36,469,790	89,597	450,862	\$5.0321
Streetlight	1,061	870,724	2,424	16,286	\$6.7187
Sentinel Light	13	15,972	47	601	\$12.8708
Unmetered Scattered Load	17	59,578		5,099	\$0.0856
Gross Revenue				1,788,027	
2009 Actual	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,744	34,307,486		933,808	\$0.0272
GS < 50 kW	495	16,323,230		301,732	\$0.0185
GS > 50 kW	66	37,202,366	94,156	415,200	\$4.4097
Streetlight	1,061	867,846	2,424	13,478	\$5.5603
Sentinel Light	12	12,745	39	516	\$13.0760
Unmetered Scattered Load	18	59,286		4,205	\$0.0709
Gross Revenue				1,668,939	
2010 Bridge Projection *	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,778	33,832,405		1,013,063	\$0.0299
GS < 50 kW	494	16,748,564		324,182	\$0.0194
GS > 50 kW	67	36,171,050	96,048	470,033	\$4.8938
Streetlight	1,061	867,846	2,422	15,191	\$6.2712
Sentinel Light	12	12,745	38	514	\$13.6276
Unmetered Scattered Load	18	59,000		5,021	\$0.0851
Gross Revenue				1,828,005	
2011 Projection	Customers (Connections)	kWh's	kW's	Distribution Revenue \$	Unit Revenues \$/kwh
Residential	2,812	33,427,924		1,448,385	\$0.0433
General Service Les Than 50 kW	493	16,733,379		460,963	\$0.0275
General Service 50 to 4,999 kW	68	37,802,659	97,727	643,073	\$6.5803
Unmetered Scattered Load	1,061	867,846	2,421	47,102	\$19.4571
Sentinel Lighting	12	12,745	36	1,395	\$38.7043
Street Lighting	18	58,750		13,038	\$0.2219
Gross Revenue				2,613,956	

VARIANCE ANALYSIS ON OPERATING REVENUE:

PSP's distribution revenue has been calculated using its most recently approved rates. PSP's distribution revenue for 2011 has been calculated to include the revenue deficiency according to Exhibit 6. As noted above, distribution revenue does not include commodity-related revenue.

A summary of operating revenues is presented in Exhibit 3 above. Other operating revenue accounts are detailed later in this exhibit. This portion deals with distribution revenue only.

2006 Board Approved:

PSP's 2006 Board Approved Distribution revenue totaled \$ 1,814,405 . This amount does not include the revenues and expenses in accounts 4375 and 4380 as per the 2006 EDR Rate handbook.

2006 Actual:

PSP's 2006 Actual Distribution revenue totaled \$ 1,699,824

Comparison to 2006 Board Approved:

The 2006 EDR Approved varied from 2006 actual by \$ (114,580) . Residential and GS<50 kw classes accounted for \$110k of the variance.

2007 Actual:

PSP's 2007 Actual Distribution revenue totaled \$ 1,777,338 .

Comparison to 2006 Actual:

Residential and GS>50kw accounted for approx. \$70k of the \$ 77,514 variance.

2008 Actual:

PSP's 2008 Actual Distribution revenue totaled \$ 1,788,027 .

Comparison to 2007 Actual:

There is no material variance in any of the rate classes.

2009 Actual:

PSP's 2009 Actual Distribution revenue totaled \$ 1,668,939 .

Comparison to 2008 Actual:

All rate classes contributed to the decrease in the overall variance. The GS<50kw class contributes 38% to the decrease in total variance; this class shows the largest dollar variance at 15%, the result of a decrease in customers class of 13 customers.

2010 Bridge Year:

PSP's 2010 Bridge Year Distribution revenue forecast is \$ 1,828,005 . The forecast is based on historical consumption, customer counts, trends in the economy and heating/cooling degree days to forecast usage for the bridge year. The most current board approved rates were applied to the usage forecast to show the distribution revenue for the 2010 bridge year.

Comparison to 2009 Actual Year:

The variance of \$ 159,066 from the 2009 actual, the main contributors are: Residential class increase of \$79k, GS<50 kw \$22k and GS>50 kw of \$55k.

2011 Test Year:

PSP's test year distribution revenue forecast is \$ 2,613,956

Comparison to 2010 Bridge Year:

PSP's Test year distribution revenue forecast is based on a service revenue requirement outlined below less revenue offsets of \$ 100,986

OM&A Expenses	1,795,417
Amortization Expenses	389,525
Total Distribution Expenses	2,184,942
Regulated Return On Capital	482,304
PILs	47,696
Service Revenue Requirement	2,714,943

This data shows the 2011 forecast usage at existing rates will provide PSP with a significant revenue deficiency. The distribution revenue forecast has been allocated to the rate classes based on a regression analysis load forecast which is discussed in detail later in this exhibit.

WEATHER NORMALIZED LOAD AND CUSTOMER/CONNECTION FORECAST

The purpose of this evidence is to present the process used by Parry Sound Power to prepare the weather normalized load and customer/connection forecast used to design the proposed distribution rates. Parry Sound Power reviewed the various processes used by the 2009 and 2010 cost of service applicants and is proposing to adopt a weather normalization forecasting method using a regression analysis model similar to the one used by other LDCs in previously approved Cost of Service rate applications. A similar model was also used and approved by the Board for the following 2009 cost of service applicants:

- a) Innisfil Hydro Distribution Systems Ltd.
- b) Lakeland Power Distribution Ltd.
- c) Niagara-on-the-Lake Hydro Inc.
- d) Thunder Bay Hydro Electricity Distribution Inc., and
- e) Orangeville Hydro Ltd. in their 2010 application.

In summary, Parry Sound Power has used the similar regression analysis methodology used by the distributors mentioned above to determine a prediction model. With regards to the overall process of load forecasting, it is Parry Sound Power's view that conducting a regression analysis on consumed energy to produce an equation that will predict purchases is appropriate. Parry Sound Power has calculated on a prorated basis the kWhs consumed for the Residential, GS<50kw, and GS>50kW customer classes. With a regression analysis the consumption can be related to other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. The result of regression analysis produces an equation that predicts the purchases based on the explanatory variables. This prediction model is then used as the basis to forecast the total level of weather normalized purchases for Parry Sound Power for the bridge and test year. A detailed explanation of the process is provided later in this evidence.

As previously mentioned, Parry Sound Power has conducted the regression analysis on an individual rate class basis for the Residential, GS <50kW, and the GS >50kW customer classes.

Parry Sound Power estimated the amount consumed in a month by rate class using an equation to prorate billing data based on the net system load shape process used for retail settlement. The accuracy will only improve when smart meters are fully deployed and actual monthly consumption by rate class and individual customer can be determined. Parry Sound Power used a specific set of variables which produced the best fit for a prediction of kWh for each of the applicable customer classes. The statistical results of the regression analysis for each of the applicable customer rate classes are provided below:

Residential

<i>Regression Statistics</i>	
Multiple R	99.5%
R Square	98.9%
Adjusted R Square	98.9%
Standard Error	114,383
Observations	72

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	2,842,453	844,631	3
Heating Degree Days	3,456	55	62
Cooling Degree Days	5,478	874	6
Time Trend	(38)	22	-2
Spring Fall Flag	(67,153)	28,586	-2

GS <50kW

<i>Regression Statistics</i>	
Multiple R	98.1%
R Square	96.2%
Adjusted R Square	96.0%
Standard Error	54,289
Observations	72

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	396,534	220,576	2
Heating Degree Days	914	26	35
Cooling Degree Days	3,750	412	9
Ontario Real GDP	4,461	1,617	3
Spring Fall Flag	(83,797)	13,565	(6)

GS >50kW

<i>Regression Statistics</i>	
Multiple R	90.4%
R Square	81.7%
Adjusted R Square	80.6%
Standard Error	152,689
Observations	72

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>
Intercept	(94,446)	1,044,386	(0)
Heating Degree Days	1,087	71	15
Cooling Degree Days	9,932	1,100	9
Employment Stats	(1,079)	361	(3)
Ontario Real GDP Monthly %	60,615	9,157	7

Parry Sound Power understands that to a certain degree the process of developing a load forecast for cost of service rate application is an evolving science for electric distributors in the province. Parry Sound Power expects to include additional improvements to the load forecasting methodology in future cost of service rate applications by taking into consideration data provided by smart meters and how others are conducting load forecasts in future cost of service rate applications. However, based on the discussion that follows, Parry Sound Power submits the load forecasting methodology is reasonable at this time for the purposes of this application.

Parry Sound Power also tested the load forecast model using the monthly HDD and CDD on a 10 year average and also on a 20 year trend. The summarized monthly data is provided below in the table followed by the results for the Residential, GS<50kW, and GS>50kW customer classes.

Parry Sound Power Corporation
EB-2010-0140
Exhibit 3
Tab 2
Schedule 1
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Summary of Degree Day Information

Source of Data: Sudbury Weather Station

Summary of All Heating Degree Days

Month	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Model	6 Year Avg	10 Year Avg	20 Year Trend
January	794.2	966.3	963.6	637.1	1236.3	849	1010.4	1055.7	861.2	969.3	988.8	883.6	805.2	1017.5	1129.7	1011.1	783.8	882.1	829.7	1046.7	947.18	947.18	937.82	954.16
February	805.6	759	852.3	779.8	921.3	893.8	883	832.9	645.4	713.7	752.2	828.2	773.4	923	780.2	747	821.6	906.6	861.5	790.3	817.87	817.87	818.40	817.34
March	686.3	680.8	804.7	562.2	711	659.7	799.1	785.9	689.6	670.7	575.2	706.1	790.2	753.1	662.7	733.6	644.4	689.1	777.8	696.2	700.63	700.63	702.84	713.44
April	399.7	381.3	485.3	403.7	464.6	524.4	534.5	454.8	357.2	380.4	431.8	389.8	451.1	525.7	460	371.5	365.5	428.3	367.9	434.2	404.57	404.57	422.58	409.33
May	255.5	161.4	234.7	217.7	250.9	232.8	264.5	326.9	109.8	131.4	205.4	161.7	301.8	223.3	258.3	215.4	165.6	186.7	268.8	264.3	226.52	226.52	225.13	224.01
June	81.4	38	109.2	69	61.1	50.8	43.4	32.4	90.9	57.2	102.7	55.8	78.4	70.1	105.1	26.3	50.6	62.5	49.4	93.2	64.52	64.52	69.41	65.87
July	25.8	18.5	83.3	6.7	23.9	26.5	30.3	41.2	15.5	16.8	45.7	42.3	11.6	11.5	30.1	14.4	10.8	34.1	16.5	47.8	25.62	25.62	26.48	22.97
August	38.7	33.6	82	21.3	73.1	21	28.8	70.4	22.5	56.2	50.4	18.1	21.8	31.9	82.3	18.5	44.8	36	28.1	60.8	45.08	45.08	39.27	39.01
September	199.2	204.2	189.4	221.8	136.7	213.5	127.6	168.2	141.1	120.4	208	165.2	88.4	127.3	92.8	85.2	179.6	118.8	153.4	113.6	123.90	123.90	133.23	100.91
October	398.8	370.8	419.1	417.3	318.4	328.7	379.6	364.1	353.7	399	333.9	348.7	450.1	380	325	300	399.5	273.1	380.2	418.2	349.33	349.33	360.87	352.55
November	543.9	578.5	607.2	571.6	523.8	726.6	612.1	608	519	507.3	569.9	463.6	639.3	535.3	530	563.8	513	589.6	573.2	453.3	537.15	537.15	543.10	521.23
December	802.4	848.3	521.5	719.8	703.3	937.4	772.1	790.2	752.7	757.2	986.2	671.6	761.7	754.7	895.5	838.9	675.3	824.5	891.8	826.5	825.42	825.42	812.67	838.46
Total	5,031.50	5,040.70	5,352.30	4,628.00	5,424.40	5,464.20	5,485.40	5,530.70	4,558.60	4,779.60	5,250.20	4,734.70	5,173.00	5,353.40	5,351.70	4,925.70	4,654.50	5,031.40	5,198.30	5,245.10	5,067.78	5,067.78	5,091.80	5,059.28

Summary of All Cooling Degree Days

Month	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Model	6 Year Avg	10 Year Avg	20 Year Trend
January	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
February	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
March	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
April	7.2	0	0	0	0	0	0	0	0	0	0	0	0.1	0	0	0	0	0	0	0	0.00	0.00	0.01	-0.81
May	0	17.2	3.3	6.3	3.1	2.5	1.3	0	8.4	11.6	3.7	1.3	0.9	0	1	0	13.6	14.2	0	0.6	4.90	4.90	3.53	3.55
June	11.3	48.4	10.1	7.1	37.4	71.4	23.7	51.2	48.4	55.9	9.2	39.4	32.5	30.5	7.8	74.7	29.9	52.4	23.7	35.8	37.38	37.38	33.59	41.05
July	51.5	65	4	64	40.7	64.2	24.6	59.9	50.1	89.4	24.9	58.5	84.2	37.9	39.3	94.3	84.2	46.5	36.7	8.8	51.63	51.63	51.53	52.72
August	43.9	62.2	14.5	52.8	4.9	62.2	34.8	9.4	55.5	24.3	21	78.9	49.4	57.8	15	58.9	30.6	49.6	19.9	34	34.67	34.67	41.51	38.36
September	5.7	6.7	2.1	1.5	1.3	0	23	0.4	2.3	26.7	2.2	7.7	31.4	4.8	19.5	18.1	1.2	11.9	7.6	6.8	10.85	10.85	11.12	13.88
October	0	0	0	0	0	0	0	0	0	0	0	0	2.3	0	0	7	0	0	0.3	0	1.22	1.22	0.96	1.29
November	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
December	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
Total	119.60	199.50	34.00	131.70	87.40	200.30	107.40	120.90	164.70	207.90	61.00	185.80	200.80	131.00	82.60	253.00	159.50	174.60	88.20	86.00	140.65	140.65	142.25	150.03

Table 3-1 2011 Test Year Load Forecast Weather Normalization Comparison

		kWh		
		Test Year Load Forecast	10 Year Average	20 Year Trend
	Residential	33,427,924	33,519,686	33,449,908
	GS <50kW	16,733,379	16,761,328	16,760,767
1	GS >50kW	37,802,659	37,844,663	37,886,547

2 The following provides the material to support the weather normalized load forecast used by
3 Parry Sound Power in this application.

4 The table below provides a customer class summary of the weather normalized load and
5 customer/connection forecast used in this application.

Table 3-3 Summary of Load and Customer/Connection Forecast

	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Weather</u> <u>Normal</u>	<u>2011</u> <u>Weather</u> <u>Normal</u>
Residential								
Customers	2,581	2,603	2,610	2,643	2,697	2,744	2,778	2,812
Cust growth		22	7	33	54	47	34	34
% change		0.9%	0.3%	1.2%	2.0%	1.7%	1.2%	1.2%
kWh	35,384,766	34,829,575	33,237,936	33,976,663	34,709,666	34,307,486	33,832,405	33,427,924
kWh growth		-555,191	-1,591,639	738,727	733,003	-402,180	-475,081	-404,481
% change		-1.6%	-4.8%	2.2%	2.1%	-1.2%	-1.4%	-1.2%
Avg use per Cust	13,711	13,380	12,734	12,856	12,870	12,502	12,179	11,886
GS <50kW								
Customers	500	503	505	529	508	495	494	493
Cust growth		3	2	24	-21	-13	-1	-1
% change		0.5%	0.5%	4.5%	-4.1%	-2.6%	-0.2%	-0.2%
kWh	16,475,395	16,712,968	16,473,586	16,945,672	17,104,386	16,323,230	16,748,564	16,733,379
kWh growth		237,573	-239,382	472,086	158,714	-781,156	425,334	-15,185
% change		1.4%	-1.5%	2.8%	0.9%	-4.8%	2.5%	-0.1%
Avg use per Cust	32,934	33,238	32,610	32,033	33,648	32,960	33,886	33,924
GS >50kW								
Customers	59	60	61	64	66	66	67	68
Cust growth		1	0	4	1	1	1	1
% change		1.5%	0.4%	5.8%	2.0%	1.1%	1.1%	1.1%
kWh	30,992,423	36,540,579	35,380,706	37,168,353	36,469,790	37,202,366	36,171,050	37,802,659
kWh growth		5,548,156	-1,159,873	1,787,647	-698,563	732,576	-1,031,316	1,631,609
% change		15.2%	-3.3%	4.8%	-1.9%	2.0%	-2.9%	4.3%
kW	81,896	89,198	88,798	90,489	89,597	94,156	96,048	97,727
kW growth		7,301	-399	1,691	-891	4,559	1,891	1,679
% change		8.2%	-0.4%	1.9%	-1.0%	4.8%	2.0%	1.7%
Avg use per Cust	522,344	606,483	584,805	578,496	556,083	560,840	539,127	557,075
Sentinel Lights								
Connections	10	13	13	15	13	12	12	12
Conn growth		3	0	2	-3	-1	0	0
% change		23.4%	-1.3%	13.3%	-20.0%	-4.2%	3.4%	-3.5%
kWh	16,004	16,017	15,986	16,006	15,972	12,745	12,745	12,745
kWh growth		13	-31	20	-34	-3,227	0	0
% change		0.1%	-0.2%	0.1%	-0.2%	-25.3%	0.0%	0.0%
kW	41	41	41	41	47	39	38	36
kW growth		0	0	0	6	-7	-2	-2
% change		0.0%	0.0%	0.0%	12.6%	-18.2%	-4.7%	-4.7%
Avg use per Cust	1,587	1,216	1,230	1,067	1,278	1,062	1,026	1,062
Street Lights								
Connections	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061
Conn growth		0	0	0	0	0	0	0
% change		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
kWh	870,724	867,846	867,846	867,846	870,724	867,846	867,846	867,846
kWh growth		-2,878	0	0	2,878	-2,879	0	0
% change		-0.3%	0.0%	0.0%	0.3%	-0.3%	0.0%	0.0%
kW	2,424	2,424	2,424	2,424	2,424	2,424	2,422	2,421
kW growth		0	0	0	0	0	-2	-2
% change		0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%
Avg use per Cust	821	818	818	818	821	818	818	818
Unmetered Scattered Load								
Customers	18	20	20	22	17	18	18	18
Cust growth		2	0	2	-4	1	0	0
% change		8.1%	0.0%	9.6%	-24.4%	3.2%	0.0%	0.0%
kWh	120,581	124,708	129,531	118,251	59,578	59,286	59,000	58,750
kWh growth		4,127	4,823	-11,280	-58,672	-292	-286	-250
% change		3.3%	3.7%	-9.5%	-98.5%	-0.5%	-0.5%	-0.4%
Avg use per Cust	6,699	6,368	6,614	5,458	3,421	3,294	3,278	3,264
Parry Sound Power Total								
Cust/Conn	4,229	4,260	4,270	4,334	4,362	4,397	4,431	4,464
kWh	83,859,893	89,091,693	86,105,589	89,092,790	89,230,116	88,772,959	87,691,610	88,903,303
kWh growth		5,231,800	-2,986,103	2,987,201	137,326	-457,158	-1,081,349	1,211,693
% change		5.9%	-3.5%	3.4%	0.2%	-0.5%	-1.2%	1.4%
kW	84,361	91,662	91,263	92,953	92,068	96,620	98,508	100,184
kW growth		7,301	-399	1,691	-885	4,552	1,888	1,676
% change		8.0%	-0.4%	1.8%	-1.0%	4.7%	1.9%	1.7%

LOAD FORECAST AND METHODOLOGY

Parry Sound Power's weather normalized load forecast is developed based on a multifactor regression model that incorporates historical load, weather, and economic data. The forecast of customers by rate class is determined using a geometric mean analysis except for the Street lighting, Sentinel Lighting, and Unmetered Scattered Load classes where Parry Sound Power is not forecasting any changes to the current number of customers through the Test year.

Purchased KWh Load Forecast

An equation to predict purchased energy for the Residential, GS<50kW, and GS>50kW customer classes is developed using a regression model with the following independent variables: weather (heating and cooling degree days), economic output (GDP growth), and calendar variables (days in month, seasonal). The regression model uses monthly kWh and monthly values of independent variables from January 2004 to December 2009 to determine the monthly regression coefficients.

Data used for Parry Sound Power's total system load is available from January 2004 providing 72 monthly data points which is a reasonable data set for use in a regression analysis. It is Parry Sound Power's view that it is appropriate to review the impact of weather since 2004 on the energy usage and then determine the average weather conditions from January 2004 to December 2009 which would be applied in the forecasting process to determine a weather normalized forecast.

The regression analysis model has determined drivers of year-over-year changes in Parry Sound Power's load growth include economic, weather, and "calendar" factors. These factors are captured within the model.

Economic growth – which encompasses customer trends in the Parry Sound Power service area as well as general economic conditions are captured in the model using an index of economic output, Ontario Real Gross Domestic Product ("GDP").

1 Weather impacts on load are apparent in both the winter heating season, and in the summer
2 cooling season. For that reason, both Heating Degree Days (i.e. a measure of coldness in
3 winter) and Cooling Degree Days i.e. a measure of summer heat) are modeled.

4
5 The third main factor determining energy use in the monthly model can be classified as
6 "calendar factors". For example, the time trend in a particular month used in the Residential
7 customer class analysis will impact energy use. The modeling of purchased energy uses the
8 time trend in the month and a "flag" variable to capture the typically lower usage in the spring
9 and fall months.

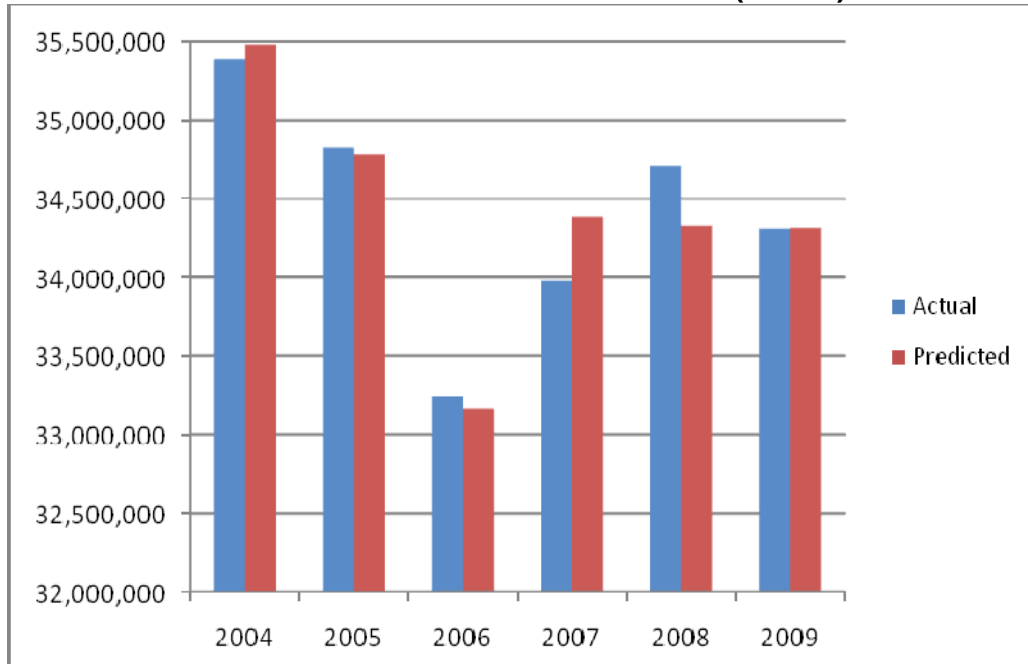
10
11 The monthly data used in the regression model and the resulting monthly prediction for the
12 actual and forecasted years for the Residential, GS<50kW, and GS>50kW customer classes
13 are provided in Appendix A.

14
15 The source of data for the various data points are:

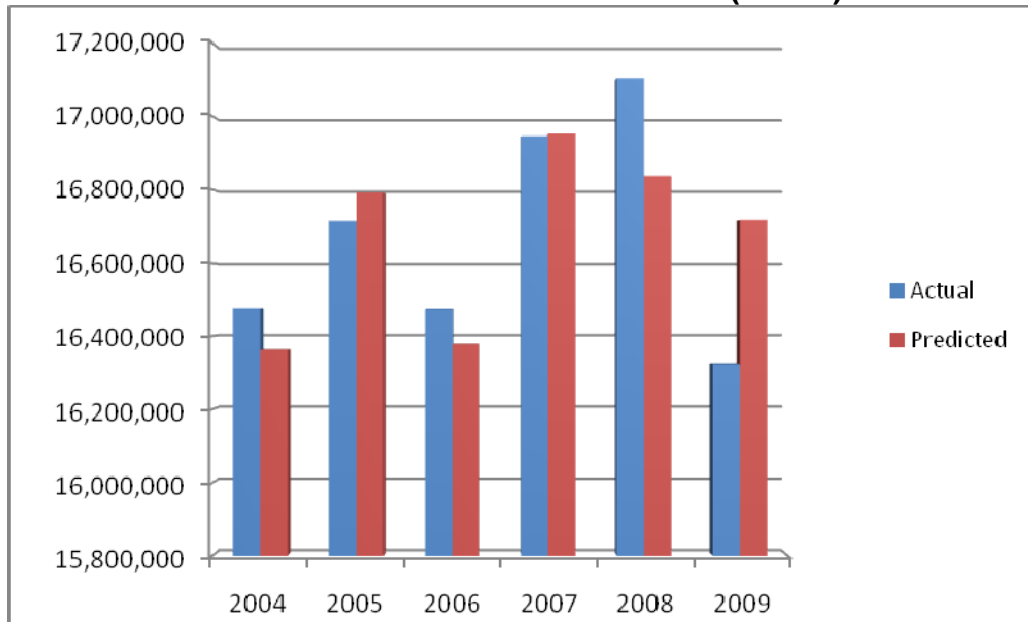
- 16 a) Environment Canada website for monthly heating degree day and cooling
17 degree information. Data from the manned Sudbury weather station was
18 used,
19 b) The Ontario Economic Outlooks from the Ontario Ministry of Finance provided
20 the Ontario real GDP monthly index, and
21 c) The calendar provided information related to the time trend and the spring/fall
22 flag.

23
24 The annual results of the prediction formula used in the regression analysis compared to the
25 actual annual purchases from 2004 to 2009 are shown in the graphs below for the applicable
26 customer classes.

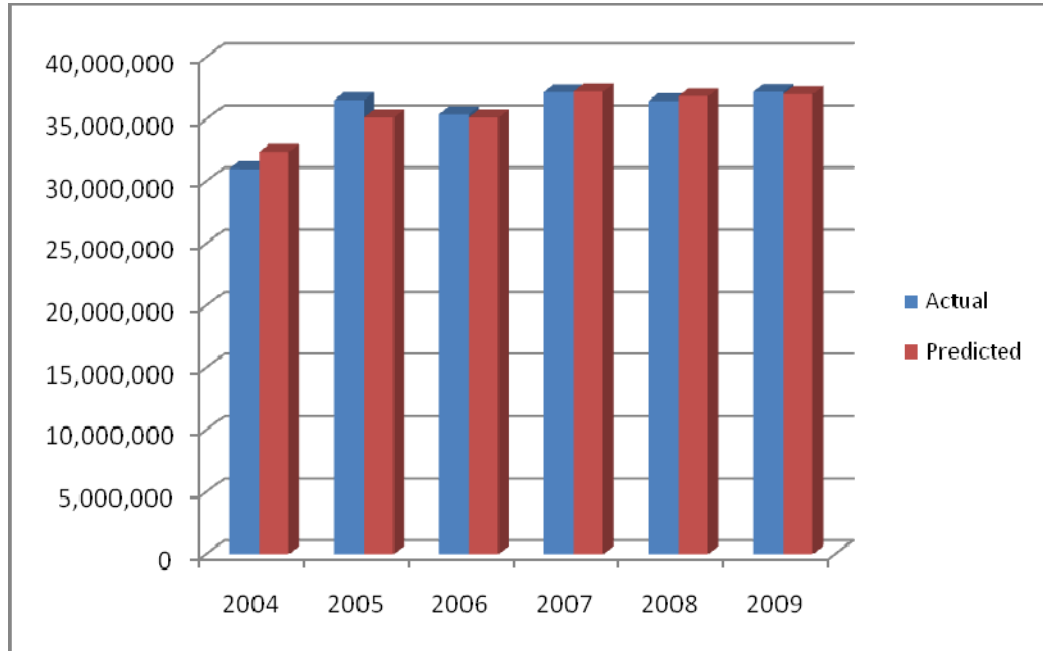
Residential Actual Versus Predicted Purchases (kWh's)



GS < 50kW Actual Versus Predicted Purchases (kWh's)



GS > 50kW Actual Versus Predicted Purchases (kWh's)



The data below supports the above graphs. In addition, the predicted total consumption for Parry Sound Power (prior to the Ministry of Energy and Infrastructure CDM directive discussed later in this section) are provided for 2010 and 2011.

Table 3-5 Residential Actual Versus Predicted Consumption (kWh's)

	Actual	Predicted	Difference
2004	35,384,766	35,481,724	0.3%
2005	34,829,575	34,778,660	-0.1%
2006	33,237,936	33,164,974	-0.2%
2007	33,976,663	34,385,917	1.2%
2008	34,709,666	34,324,741	-1.1%
2009	34,307,486	34,310,075	0.0%
2010		33,832,405	
2011		33,668,133	

GS < 50kW Actual Versus Predicted Consumption (kWh's)

	Actual	Predicted	Difference
2004	16,475,395	16,361,753	-0.7%
2005	16,712,968	16,791,489	0.5%
2006	16,473,586	16,376,630	-0.6%
2007	16,945,672	16,951,534	0.0%
2008	17,104,386	16,837,534	-1.6%
2009	16,323,230	16,716,298	2.4%
2010		16,748,564	
2011		16,966,507	

GS > 50kW Actual Versus Predicted Consumption (kWh's)

	Actual	Predicted	Difference
2004	30,992,423	32,367,374	4.4%
2005	36,540,579	35,135,861	-3.8%
2006	35,380,706	35,135,837	-0.7%
2007	37,168,353	37,239,856	0.2%
2008	36,469,790	36,851,797	1.0%
2009	37,202,366	37,023,490	-0.5%
2010		36,171,050	
2011		38,329,323	

Billed KWh Forecast and Customer/Connection Forecast by Rate Class

While the predicted kWh forecast was determined using the regression model for the Residential, GS<50kW, and GS>50kW customer classes, the forecasted energy amounts for Street Lights, Sentinel Lights, and Unmetered Scattered Load classes was estimated using logic and intuition based on a review of the historical usage patterns for those classes. Although no change of consumption is forecasted for both Street Lights and Sentinel Lights, a slight reduction in consumption for the Unmetered Scattered Load customers consistent with the trend in 2008 and 2009.

A recent directive from the Minister of Energy and Infrastructure included with the June 22, 2010 letter from the Ontario Energy Board titled, Electricity Conservation and Demand Management Targets EB-2010-0216, requires Parry Sound Power to reduce energy consumption over a four year period commencing January 1, 2011 by 4,000,000 kWhs. Parry Sound Power has reflected one quarter of the four year target in the 2011 forecast. The table below provides the kWh amount allocated to the applicable rate classes based on the Residential and Non-residential proportions indicated in the Ontario Power Authority's conservation target advice. Parry Sound Power does not expect the Street Lighting, Sentinel Lighting, or Unmetered Scattered Load customer classes to contribute significantly to the expected savings and therefore has not received an allocation of those savings.

Table 3-6 Allocation of kwh Conservation Targets

	Provincial Target GWh	PSP Share	Calculated Share GWh		Share per OPA GWh	Share per OPA kWh
Res	1,150	0.08%	0.92	24%	0.96	960,836
Non Res	4,850	0.06%	2.91	76%	3.04	3,039,164
	<u>6,000</u>		<u>3.83</u>	<u>100%</u>	<u>4.00</u>	<u>4,000,000</u>

	2011 Forecast kWh		Alloc to Classes kWh	Per year kWh
Res			960,836	240,209
GS<50	16,966,507	31%	932,511.65	233,128
GS>50	38,329,323	69%	2,106,652.84	526,663
Sent L				
Streets				
USL				
	<u>55,295,829</u>	<u>100%</u>	<u>4,000,000</u>	<u>1,000,000</u>

These kWh reductions have been reflected in the 2011 forecast for the relevant customer classes provided earlier in this Exhibit and also shown here.

Residential 33,668,133 - 240,209 = 33,427,924

GS < 50kW 16,966,507 - 233,128 = 16,733,379

GS > 50kW 38,329,323 - 526,663 = 37,802,659

1 The number of customers forecast for the Residential and GS<50kW customer classes was
2 based on the geometric mean of customers for the periods 2004 through 2009. The geometric
3 mean approach provides the average growth rate on a compounding basis. Since Parry Sound
4 Power has a relatively small number of customers in the GS>50kW customer class, a small
5 change in the average number of customers in that class can result in a significant number of
6 customers forecasted, therefore, Parry Sound Power has used the average change for 2008-
7 2009 to predict the number of customers in this class for 2010 and 2011. Parry Sound Power is
8 forecasting no change from the 2009 number of customers for 2010 and 2011 for the Street
9 Light, Sentinel Light, and Unmetered Scattered Load customer classes.

10
11 As seen earlier, the average use per customer declines in the Residential customer class after
12 2005. It is Parry Sound Power's view, this decline is partially due to the CDM programs and
13 although that trend leveled off in 2007 and 2008 that declining trend continues in 2009 through
14 the test year. For both the GS<50kW and GS>50KW customer classes the 2011 average use
15 per customer is reflective of the geomean for the years 2007 through the Test year.

16 17 **Billed kW Load Forecast**

18
19 There are three customer rate classes that charge volumetric distribution on per kW basis.
20 These include General Service > 50kW, Streetlights, and Sentinel Lights. The forecast of kW
21 for these classes is based on a review of the historical ratio of kW to kWhs and applying the
22 average ratio to the forecasted kWh to produce the required kW. The kW forecast for 2010 and
23 2011 for these customer classes was based on the geomean of the kWhs for the period 2004-
24 2009.

25
26 Provided earlier in this exhibit provides a summary of the billing determinants by rate class used
27 to develop the proposed rates.

28
29 A recent directive from the Minister of Energy and Infrastructure included with the June 22, 2010
30 letter from the Ontario Energy Board titled, Electricity Conservation and Demand Management
31 Targets EB-2010-0216, requires Parry Sound Power to reduce load over a four year period
32 commencing January 1, 2011 by 1,000 kW. Parry Sound Power has reflected one quarter of

the four year target in the 2011 forecast. The table below provides the kW amount allocated to the GS>50kW rate class as Parry Sound Power does not expect the Street Lighting or Sentinel Lighting customer classes to contribute significantly to the expected savings and therefore has not received an allocation of those savings.

This reduction has been reflected in the 2011 forecast for the GS >50kW customer class on provided earlier in the section (97,977kW – 250kW = 97,727kW).

Table 3-7 Allocation of Demand CDM Target

	Provincial Target MW	PSP Share	Calculated Share MW	Share per OPA MW	kW
	1330	0.06%	0.798	1.0	1,000.0
				>>>>>	
	2011 Forecast kW		Alloc to Classes kW	Per year kW	
GS>50 Res					
GS<50					
GS>50	97,977	100%	1,000.00	250	
Sents					
Streets					
USL					
	97,977	100%	1,000	250	

1
2
3
4

Appendix A
Residential

	<u>kWh Used</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>	<u>Time Trend</u>	<u>Spring Fall Flag</u>	<u>Predicted Purchases</u>
Jan-04	5,240,549	1129.7	0	37987.0	0	5,321,781
Feb-04	4,355,748	780.2	0	38018.0	0	4,112,812
Mar-04	3,749,687	662.7	0	38047.0	0	3,705,666
Apr-04	2,921,822	460	0	38078.0	1	2,936,857
May-04	2,259,201	258.3	1	38108.0	1	2,244,173
Jun-04	1,759,243	105.1	7.8	38139.0	1	1,750,830
Jul-04	1,757,258	30.1	39.3	38169.0	0	1,730,231
Aug-04	1,722,810	82.3	15	38200.0	0	1,776,345
Sep-04	1,706,324	92.8	19.5	38231.0	0	1,836,120
Oct-04	2,335,934	325	0	38261.0	1	2,463,459
Nov-04	3,086,279	530	0	38292.0	1	3,170,738
Dec-04	4,489,912	895.5	0	38322.0	1	4,432,712
Jan-05	4,926,141	1011.1	0	38353.0	0	4,898,195
Feb-05	4,132,090	747	0	38384.0	0	3,984,352
Mar-05	3,939,016	733.6	0	38412.0	0	3,936,994
Apr-05	2,719,390	371.5	0	38443.0	1	2,617,328
May-05	2,210,168	215.4	0	38473.0	1	2,076,751
Jun-05	1,809,176	26.3	74.7	38504.0	1	1,831,304
Jul-05	1,888,396	14.4	94.3	38534.0	0	1,963,578
Aug-05	1,782,239	18.5	58.9	38565.0	0	1,782,661
Sep-05	1,703,563	85.2	18.1	38596.0	0	1,788,497
Oct-05	2,263,073	300	7	38626.0	1	2,401,721
Nov-05	3,212,734	563.8	0	38657.0	1	3,273,855
Dec-05	4,243,589	838.9	0	38687.0	1	4,223,424
Jan-06	4,273,340	783.8	0	38718.0	0	4,098,999
Feb-06	3,950,324	821.6	0	38749.0	0	4,228,466
Mar-06	3,814,707	644.4	0	38777.0	0	3,615,046
Apr-06	2,599,169	365.5	0	38808.0	1	2,582,904
May-06	2,051,739	165.6	13.6	38838.0	1	1,965,463
Jun-06	1,755,777	50.6	29.9	38869.0	1	1,656,175
Jul-06	1,832,334	10.8	84.2	38899.0	0	1,882,119
Aug-06	1,755,657	44.8	30.6	38930.0	0	1,704,831
Sep-06	1,797,227	179.6	1.2	38961.0	0	2,008,457
Oct-06	2,551,296	399.5	0	38991.0	1	2,693,538
Nov-06	3,101,553	513	0	39022.0	1	3,084,610
Dec-06	3,754,812	675.3	0	39052.0	1	3,644,364
Jan-07	4,466,299	882.1	0	39083.0	0	4,425,016
Feb-07	4,369,456	906.6	0	39114.0	0	4,508,521
Mar-07	3,827,898	689.1	0	39142.0	0	3,755,832
Apr-07	2,813,137	428.3	0	39173.0	1	2,786,240
May-07	2,055,941	186.7	14.2	39203.0	1	2,027,979
Jun-07	1,741,477	62.5	52.4	39234.0	1	1,806,865
Jul-07	1,748,908	34.1	46.5	39264.0	0	1,742,428
Aug-07	1,748,489	36	49.6	39295.0	0	1,764,813
Sep-07	1,677,243	118.8	11.9	39326.0	0	1,843,270
Oct-07	2,129,094	273.1	0	39356.0	1	2,243,034
Nov-07	3,193,135	589.6	0	39387.0	1	3,335,636
Dec-07	4,205,586	824.5	0	39417.0	1	4,146,282

Jan-08	4,271,439	829.7	0	39448.0	0	4,230,243
Feb-08	4,183,962	861.5	0	39479.0	0	4,338,975
Mar-08	3,989,554	777.8	0	39508.0	0	4,048,636
Apr-08	2,712,058	367.9	0	39539.0	1	2,563,782
May-08	2,235,801	268.8	0	39569.0	1	2,220,186
Jun-08	1,805,231	49.4	23.7	39600.0	1	1,590,647
Jul-08	1,799,681	16.5	36.7	39630.0	0	1,614,194
Aug-08	1,771,701	28.1	19.9	39661.0	0	1,561,088
Sep-08	1,772,519	153.4	7.6	39692.0	0	1,925,558
Oct-08	2,379,647	380.2	0.3	39722.0	1	2,601,068
Nov-08	3,329,800	573.2	0	39753.0	1	3,265,234
Dec-08	4,458,271	891.8	0	39783.0	1	4,365,131
Jan-09	4,948,559	1046.7	0	39814.0	0	4,966,427
Feb-09	4,076,059	790.3	0	39845.0	0	4,079,194
Mar-09	3,747,456	696.2	0	39873.0	0	3,752,952
Apr-09	2,798,291	434.2	0	39904.0	1	2,779,213
May-09	2,134,762	264.3	0.6	39934.0	1	2,194,232
Jun-09	1,809,619	93.2	35.8	39965.0	1	1,794,607
Jul-09	1,742,294	47.8	8.8	39995.0	0	1,555,834
Aug-09	1,759,360	60.8	34	40026.0	0	1,737,644
Sep-09	1,767,432	113.6	6.8	40057.0	0	1,769,945
Oct-09	2,555,044	418.2	0	40087.0	1	2,717,057
Nov-09	2,871,354	453.3	0	40118.0	1	2,837,193
Dec-09	4,097,256	826.5	0	40148.0	1	4,125,777
Jan-10		947	0	40179.0	0	4,608,827
Feb-10		818	0	40210.0	0	4,160,770
Mar-10		701	0	40238.0	0	3,754,583
Apr-10		405	0	40269.0	1	2,663,116
May-10		227	5	40299.0	1	2,073,526
Jun-10		65	37	40330.0	1	1,690,467
Jul-10		26	52	40360.0	0	1,700,126
Aug-10		45	35	40391.0	0	1,673,293
Sep-10		124	11	40422.0	0	1,814,037
Oct-10		349	1	40452.0	1	2,472,042
Nov-10		537	0	40483.0	1	3,113,274
Dec-10		825	0	40513.0	1	4,108,344
Jan-11		947	0	40544.0	0	4,595,137
Feb-11		818	0	40575.0	0	4,147,081
Mar-11		701	0	40603.0	0	3,740,894
Apr-11		405	0	40634.0	1	2,649,427
May-11		227	5	40664.0	1	2,059,837
Jun-11		65	37	40695.0	1	1,676,778
Jul-11		26	52	40725.0	0	1,686,437
Aug-11		45	35	40756.0	0	1,659,603
Sep-11		124	11	40787.0	0	1,800,347
Oct-11		349	1	40817.0	1	2,458,353
Nov-11		537	0	40848.0	1	3,099,584
Dec-11		825	0	40878.0	1	4,094,655

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	<u>kWh Used</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>	<u>Ontario Real GDP Monthly %</u>	<u>Spring Fall Flag</u>	<u>Predicted Purchases</u>
Jan-04	1,997,912	1129.7	0	127.5	0	1,997,967
Feb-04	1,739,100	780.2	0	127.8	0	1,679,714
Mar-04	1,562,422	662.7	0	128.1	0	1,573,500
Apr-04	1,276,605	460	0	128.3	1	1,305,622
May-04	1,148,854	258.3	1	128.6	1	1,126,207
Jun-04	1,102,346	105.1	7.8	128.9	1	1,012,870
Jul-04	1,211,358	30.1	39.3	129.1	0	1,147,419
Aug-04	1,163,858	82.3	15	129.4	0	1,105,197
Sep-04	1,071,526	92.8	19.5	129.7	0	1,132,856
Oct-04	1,139,213	325	0	129.9	1	1,189,350
Nov-04	1,326,597	530	0	130.2	1	1,377,904
Dec-04	1,735,604	895.5	0	130.5	1	1,713,148
Jan-05	1,936,016	1011.1	0	130.7	0	1,903,891
Feb-05	1,672,914	747	0	131.0	0	1,663,814
Mar-05	1,598,979	733.6	0	131.3	0	1,652,866
Apr-05	1,235,024	371.5	0	131.6	1	1,239,430
May-05	1,160,890	215.4	0	131.9	1	1,098,068
Jun-05	1,177,800	26.3	74.7	132.2	1	1,206,647
Jul-05	1,297,780	14.4	94.3	132.5	0	1,354,373
Aug-05	1,197,900	18.5	58.9	132.8	0	1,226,696
Sep-05	1,177,371	85.2	18.1	133.1	0	1,135,987
Oct-05	1,136,533	300	7	133.4	1	1,208,205
Nov-05	1,400,539	563.8	0	133.7	1	1,424,379
Dec-05	1,721,223	838.9	0	134.0	1	1,677,132
Jan-06	1,767,698	783.8	0	134.3	0	1,711,802
Feb-06	1,653,649	821.6	0	134.5	0	1,747,582
Mar-06	1,639,706	644.4	0	134.8	0	1,586,867
Apr-06	1,232,451	365.5	0	135.1	1	1,249,408
May-06	1,162,475	165.6	13.6	135.4	1	1,118,947
Jun-06	1,169,960	50.6	29.9	135.6	1	1,076,206
Jul-06	1,304,280	10.8	84.2	135.9	0	1,328,481
Aug-06	1,219,714	44.8	30.6	136.2	0	1,159,823
Sep-06	1,072,459	179.6	1.2	136.5	0	1,174,035
Oct-06	1,252,181	399.5	0	136.8	1	1,287,969
Nov-06	1,393,269	513	0	137.0	1	1,392,959
Dec-06	1,605,742	675.3	0	137.3	1	1,542,552
Jan-07	1,842,055	882.1	0	137.6	0	1,816,516
Feb-07	1,820,668	906.6	0	137.8	0	1,840,072
Mar-07	1,673,088	689.1	0	138.1	0	1,642,454
Apr-07	1,324,008	428.3	0	138.4	1	1,321,468
May-07	1,162,707	186.7	14.2	138.6	1	1,155,074
Jun-07	1,171,527	62.5	52.4	138.9	1	1,185,971
Jul-07	1,226,812	34.1	46.5	139.2	0	1,222,865
Aug-07	1,217,057	36	49.6	139.4	0	1,237,403
Sep-07	1,104,903	118.8	11.9	139.7	0	1,172,896
Oct-07	1,162,216	273.1	0	140.0	1	1,186,682
Nov-07	1,468,148	589.6	0	140.2	1	1,477,130
Dec-07	1,772,484	824.5	0	140.5	1	1,693,003

Jan-08	1,822,273	829.7	0	140.4	0	1,781,291
Feb-08	1,781,698	861.5	0	140.4	0	1,810,093
Mar-08	1,738,687	777.8	0	140.3	0	1,733,334
Apr-08	1,304,144	367.9	0	140.2	1	1,274,648
May-08	1,193,511	268.8	0	140.2	1	1,183,815
Jun-08	1,159,367	49.4	23.7	140.1	1	1,071,900
Jul-08	1,254,257	16.5	36.7	140.1	0	1,174,113
Aug-08	1,230,305	28.1	19.9	140.0	0	1,121,460
Sep-08	1,096,620	153.4	7.6	140.0	0	1,189,596
Oct-08	1,211,168	380.2	0.3	139.9	1	1,285,449
Nov-08	1,481,001	573.2	0	139.8	1	1,460,455
Dec-08	1,831,355	891.8	0	139.8	1	1,751,378
Jan-09	1,978,076	1046.7	0	139.4	0	1,974,951
Feb-09	1,688,261	790.3	0	139.0	0	1,738,825
Mar-09	1,617,993	696.2	0	138.6	0	1,651,038
Apr-09	1,269,844	434.2	0	138.2	1	1,326,007
May-09	1,131,293	264.3	0.6	137.8	1	1,171,203
Jun-09	1,113,194	93.2	35.8	137.4	1	1,145,044
Jul-09	1,169,067	47.8	8.8	137.0	0	1,084,344
Aug-09	1,177,820	60.8	34	136.6	0	1,188,957
Sep-09	1,072,266	113.6	6.8	136.2	0	1,133,469
Oct-09	1,203,062	418.2	0	135.8	1	1,300,814
Nov-09	1,271,260	453.3	0	135.4	1	1,331,149
Dec-09	1,631,092	826.5	0	135.0	1	1,670,496
Jan-10		947	0	135.3	0	1,865,930
Feb-10		818	0	135.6	0	1,749,083
Mar-10		701	0	135.9	0	1,643,283
Apr-10		405	0	136.2	1	1,290,244
May-10		227	5	136.5	1	1,147,240
Jun-10		65	37	136.8	1	1,122,335
Jul-10		26	52	137.1	0	1,225,369
Aug-10		45	35	137.4	0	1,180,901
Sep-10		124	11	137.8	0	1,164,995
Oct-10		349	1	138.1	1	1,252,476
Nov-10		537	0	138.4	1	1,420,937
Dec-10		825	0	138.7	1	1,685,770
Jan-11		947	0	139.0	0	1,882,482
Feb-11		818	0	139.4	0	1,765,923
Mar-11		701	0	139.8	0	1,660,413
Apr-11		405	0	140.1	1	1,307,665
May-11		227	5	140.5	1	1,164,953
Jun-11		65	37	140.9	1	1,140,342
Jul-11		26	52	141.2	0	1,243,671
Aug-11		45	35	141.6	0	1,199,500
Sep-11		124	11	142.0	0	1,183,890
Oct-11		349	1	142.4	1	1,271,670
Nov-11		537	0	142.7	1	1,440,432
¹ Dec-11		825	0	143.1	1	1,705,567

GS > 50kW

		<u>Heating</u>	<u>Cooling Degree</u>	<u>Employment</u>	<u>Ontario</u>	
	<u>kWh Used</u>	<u>Degree Days</u>	<u>Days</u>	<u>Stats</u>	<u>Real GDP</u>	<u>Predicted</u>
					<u>Monthly %</u>	<u>Purchases</u>
Jan-04	3,384,125	1129.7	0	5164.2	127.5	3,292,045
Feb-04	2,974,348	780.2	0	5176.1	127.8	2,915,141
Mar-04	2,856,581	662.7	0	5167.9	128.1	2,812,196
Apr-04	2,331,602	460	0	5188.1	128.3	2,586,008
May-04	2,179,575	258.3	1	5170.8	128.6	2,411,335
Jun-04	2,107,931	105.1	7.8	5201.5	128.9	2,295,241
Jul-04	2,312,286	30.1	39.3	5164.9	129.1	2,582,147
Aug-04	2,312,645	82.3	15	5162.4	129.4	2,416,364
Sep-04	2,222,988	92.8	19.5	5179.5	129.7	2,470,178
Oct-04	2,334,916	325	0	5152.2	129.9	2,574,597
Nov-04	2,651,100	530	0	5164.2	130.2	2,800,753
Dec-04	3,324,324	895.5	0	5167	130.5	3,211,369
Jan-05	3,567,707	1011.1	0	5137.6	130.7	3,386,351
Feb-05	3,216,393	747	0	5188.6	131.0	3,061,798
Mar-05	3,265,401	733.6	0	5155.3	131.3	3,100,814
Apr-05	2,757,804	371.5	0	5227	131.6	2,647,455
May-05	2,732,014	215.4	0	5224.2	131.9	2,498,492
Jun-05	2,961,731	26.3	74.7	5232.8	132.2	3,043,335
Jul-05	3,150,686	14.4	94.3	5257.8	132.5	3,215,907
Aug-05	2,997,172	18.5	58.9	5285.5	132.8	2,856,721
Sep-05	2,818,993	85.2	18.1	5293.2	133.1	2,533,582
Oct-05	2,788,053	300	7	5291.1	133.4	2,677,066
Nov-05	2,946,641	563.8	0	5298.5	133.7	2,904,336
Dec-05	3,337,985	838.9	0	5309.1	134.0	3,210,005
Jan-06	3,368,362	783.8	0	5297.1	134.3	3,179,775
Feb-06	3,145,389	821.6	0	5299	134.5	3,235,584
Mar-06	3,172,233	644.4	0	5311.6	134.8	3,046,128
Apr-06	2,629,744	365.5	0	5334.6	135.1	2,734,914
May-06	2,655,486	165.6	13.6	5399.8	135.4	2,599,171
Jun-06	2,768,691	50.6	29.9	5367.1	135.6	2,688,221
Jul-06	3,089,613	10.8	84.2	5368.9	135.9	3,199,269
Aug-06	2,915,894	44.8	30.6	5361.8	136.2	2,728,493
Sep-06	2,568,668	179.6	1.2	5324.7	136.5	2,640,078
Oct-06	2,802,704	399.5	0	5328.7	136.8	2,879,965
Nov-06	2,947,631	513	0	5337.1	137.0	3,011,378
Dec-06	3,316,289	675.3	0	5348.3	137.3	3,192,861
Jan-07	3,584,211	882.1	0	5335.3	137.6	3,447,516
Feb-07	3,377,668	906.6	0	5345.3	137.8	3,479,181
Mar-07	3,411,235	689.1	0	5382.1	138.1	3,218,850
Apr-07	2,912,075	428.3	0	5353.1	138.4	2,982,470
May-07	2,856,836	186.7	14.2	5376.4	138.6	2,851,602
Jun-07	3,022,596	62.5	52.4	5450.3	138.9	3,032,184
Jul-07	3,023,206	34.1	46.5	5437.3	139.2	2,972,702
Aug-07	3,120,880	36	49.6	5413.6	139.4	3,047,130
Sep-07	2,800,554	118.8	11.9	5441	139.7	2,749,168
Oct-07	2,787,260	273.1	0	5433.3	140.0	2,823,101
Nov-07	2,935,303	589.6	0	5429	140.2	3,187,940
Dec-07	3,336,529	824.5	0	5439.6	140.5	3,448,014

Jan-08	3,368,786	829.7	0	5436.1	140.4	3,453,887
Feb-08	3,242,863	861.5	0	5482.5	140.4	3,434,840
Mar-08	3,261,138	777.8	0	5452.6	140.3	3,372,548
Apr-08	2,756,847	367.9	0	5471.3	140.2	2,903,163
May-08	2,651,395	268.8	0	5451	140.2	2,813,773
Jun-08	2,775,426	49.4	23.7	5428.7	140.1	2,831,144
Jul-08	3,027,142	16.5	36.7	5405.4	140.1	2,946,088
Aug-08	2,986,992	28.1	19.9	5449.1	140.0	2,741,138
Sep-08	2,805,967	153.4	7.6	5448.3	140.0	2,752,519
Oct-08	2,950,114	380.2	0.3	5462.1	139.9	2,908,163
Nov-08	3,088,285	573.2	0	5407	139.8	3,170,931
Dec-08	3,554,834	891.8	0	5397.9	139.8	3,523,602
Jan-09	3,704,932	1046.7	0	5337.5	139.4	3,732,797
Feb-09	3,256,738	790.3	0	5296.4	139.0	3,474,060
Mar-09	3,383,793	696.2	0	5264.2	138.6	3,382,247
Apr-09	2,893,608	434.2	0	5275.6	138.2	3,060,913
May-09	2,852,071	264.3	0.6	5216	137.8	2,922,352
Jun-09	2,892,170	93.2	35.8	5175.3	137.4	3,105,822
Jul-09	3,054,601	47.8	8.8	5239.6	137.0	2,694,937
Aug-09	3,167,020	60.8	34	5210.6	136.6	2,966,756
Sep-09	2,896,996	113.6	6.8	5284.8	136.2	2,650,106
Oct-09	2,921,118	418.2	0	5296.3	135.8	2,877,564
Nov-09	2,876,207	453.3	0	5300.7	135.4	2,887,282
Dec-09	3,303,113	826.5	0	5301.4	135.0	3,268,653
Jan-10		947	0	5315.3	135.3	3,403,057
Feb-10		818	0	5323.9	135.6	3,271,413
Mar-10		701	0	5320	135.9	3,166,434
Apr-10		405	0	5337.8	136.2	2,843,648
May-10		227	5	5342.8	136.5	2,711,694
Jun-10		65	37	5347.8	136.8	2,871,198
Jul-10		26	52	5352.8	137.1	2,983,482
Aug-10		45	35	5357.8	137.4	2,849,209
Sep-10		124	11	5362.8	137.8	2,711,468
Oct-10		349	1	5367.8	138.1	2,874,049
Nov-10		537	0	5372.8	138.4	3,079,369
Dec-10		825	0	5377.8	138.7	3,406,028
Jan-11		947	0	5382.8	139.0	3,555,114
Feb-11		818	0	5387.8	139.4	3,431,274
Mar-11		701	0	5392.8	139.8	3,320,628
Apr-11		405	0	5397.8	140.1	3,015,609
May-11		227	5	5402.8	140.5	2,887,627
Jun-11		65	37	5407.8	140.9	3,051,122
Jul-11		26	52	5412.8	141.2	3,167,413
Aug-11		45	35	5417.8	141.6	3,037,167
Sep-11		124	11	5422.8	142.0	2,903,470
Oct-11		349	1	5427.8	142.4	3,070,113
Nov-11		537	0	5432.8	142.7	3,279,514
Dec-11		825	0	5437.8	143.1	3,610,272

1 OTHER OPERATING REVENUE:

SUMMARY OF OTHER DISTRIBUTION REVENUE

Expense Description	2006 Board Approved	2006 Actual	Variance from 2006 Board Approved	2007 Actual	Variance from 2006 Actual	2008 Actual	Variance from 2007 Actual	2009 Actual	Variance from 2008 Actual	2010 Bridge	Variance from 2009 Actual	2011 Test	Variance from 2010 Bridge
Other Distribution Revenue													
4082-Retail Services Revenues	698	3,977	3,279	7,888	3,911	8,182	294	7,039	(1,143)	7,039	0	7,039	0
4084-Service Transaction Requests (STR) Revenues		395	395	202	(193)	162	(41)	143	(18)	143	0	143	0
4210-Rent from Electric Property	5,144	36,439	31,295	36,541	102	22,922	(13,619)	36,381	13,459	36,381	0	36,381	0
4290-	0	0	0	0	0	0	0	0	0	0	0	0	0
4220-Other Electric Revenues													
4225-Late Payment Charges	17,448	14,360	(3,089)	16,906	2,546	11,411	(5,494)	17,984	6,573	15,433	(2,550)	15,433	0
4235-Miscellaneous Service Revenues	48,569	15,325	(33,243)	27,504	12,179	28,810	1,306	26,150	(2,660)	27,880	1,730	27,880	0
4350-Losses from Disposition of Future Use Utility Plant			0		0		0		0		0		0
4355-Gain on Disposition of Utility and Other Property		0	0	0	0	5,949	5,949	3,966	(1,983)	0	(3,966)	0	0
4360-Loss on Disposition of Utility and Other Property			0		0		0		0		0		0
4375-Revenues from Non-Utility Operations		0	0	7,459	7,459	9,247	1,788	11,658	2,411	0	(11,658)	0	0
4380-Expenses from Non-Utility Operations		6,361	6,361	(7,622)	(13,982)	(16,337)	(8,716)	(2,146)	14,192	0	2,146	0	0
4385-Non-Utility Rental Income			0		0		0		0		0		0
4390-Miscellaneous Non-Operating Income	4,948	510	(4,438)	690	180	0	(690)	4,155	4,155	0	(4,155)	0	0
4405-Interest and Dividend Income	16,444	116,491	100,047	180,231	63,740	152,558	(27,673)	15,505	(137,053)	5,505	(10,000)	5,505	0
Sub-Total	93,251	193,857	100,606	269,798	75,941	222,904	(46,895)	120,836	(102,067)	92,382	(28,454)	92,382	0
4080-Distribution Services Revenue- SSS Admin Fee	12,535	8,957	(3,578)	8,622	(335)	8,482	(140)	8,712	231	8,604	(108)	8,604	0
Total	105,786	202,814	97,029	278,420	75,606	231,385	(47,035)	129,548	(101,837)	100,986	(28,562)	100,986	0
Specific Service Charges	48,569	15,325	(33,243)	27,504	12,179	28,810	1,306	26,150	(2,660)	27,880	1,730	27,880	0
Late Payment Charges	17,448	14,360	(3,089)	16,906	2,546	11,411	(5,494)	17,984	6,573	15,433	(2,550)	15,433	0
Other Distribution Revenues	18,376	49,768	31,391	53,252	3,485	39,747	(13,505)	52,276	12,529	52,168	(108)	52,168	0
Other Income and Expenses	21,392	123,362	101,969	180,758	57,396	151,417	(29,341)	33,139	(118,278)	5,505	(27,634)	5,505	0
Total	105,786	202,814	97,029	278,420	75,606	231,385	(47,035)	129,548	(101,837)	100,986	(28,562)	100,986	0

VARIANCE ANALYSIS ON OTHER OPERATING REVENUE:

Preamble:

PSP's 2011 revenue requirement is \$2,714,943 therefore the Materiality threshold used to analyze Other Operating Revenue in accordance with the Filing Requirements is \$50,000 for distributors with a distribution revenue requirement less than or equal to \$10 million. To allow for the most detailed review of materiality on Other Operating Revenue, PSP has provided explanations for the following variances.

2006 Board Approved Comparison to 2006 Actual:

PSP's 2006 Board Approved other operating revenue was forecast to be 105,786 as shown in the table above. The variance from the 2006 Board-Approved to the 2006 Actual for accounts 4210 and 4235 net to an immaterial variance of \$1,948. The variance between the two accounts is a general ledger allocation. The variance on the interest account 4405 was an underestimate in the 2006 EDR of approximately \$100,000, due to averaging on prior years in the 2006 forecast.

2007 Actual Comparison to 2006 Actual:

PSP's other operating revenue in fiscal 2007 was \$ 278,420, as shown in the table above. The variance is mainly due to misc. service revenue charges and varying interest rates. The change of occupancy revenue increased by approximately \$10.5k in 2007. The interest variance is explained by the net regulatory interest cost in 2006 vs the 2007 net actual interest revenue from reg assets (35k). Also increase in the interest on cash on hand of approx \$32k.

1

2 **2008 Actual Comparison to 2007 Actual:**

3 PSP's 2008 other operating revenue is \$ **231,385**, the variance of \$47,035 is rent from pole
4 attachments not invoiced in 2008 (decrease of \$14k) and an increase on interest on the
5 regulatory asset of \$35k and a decrease in bank interest of approx \$63k . The gain on sale of
6 shares in Enerconnect resulted in revenue of \$6k.

7 **2009 Actual Comparison to 2008 Actual:**

8 PSP's 2009 other operating revenue is \$ **129,548**, the variance is a decrease of \$101,837, is
9 explained by a decrease in interest on regulatory asset of \$43k and interest on cash decrease
10 of \$93k, the cash on hand decrease was a result of dividend to shareholder. The pole rental
11 account includes the annual invoice for pole rental of \$13.5k.

12 **2010 Bridge Year Comparison to 2009 Actual:**

13 PSP's 2010 bridge year forecast of other operating revenue is \$ **100,986**, the variance is a
14 decrease of \$28,562. PSP has not provided a forecast for regulatory interest revenue or
15 expense in the bridge or test years which is \$10k decrease. As PSP is undergoing a corporate
16 restructuring effect Jan 1 2011, we have no plans to include any Non-Utility work revenue or
17 expenses. The gain on disposal and the misc non-operating income in 2009 are nonrecurring.

18 **2010 Bridge Year Comparison to 2011 Test Year:**

19 PSP's 2011 test year forecast of other operating revenue is \$ **100,986** with no variance from
20 the Bridge year forecast.

Exhibit	Tab	Schedule	Appendix	Contents
4 – Operating Costs				
	1			Overview
		1		Managers Summary of Operating Costs
			A	2009 Federal and Ontario Tax Return
	2			OM&A Costs
		1		Departmental and Corporate OM&A Activities
		2		OM&A Detailed Costs Table
		3		Variance Analysis on OM&A Costs
		4		Charges to Affiliates for Services Provided
		5		Purchase of Services
		6		Employee Compensation, Incentive Plan Expenses, Pension Expense and Post Retirement Benefits
		7		Depreciation, Amortization and Depletion
	3			Income Tax, Large Corporation Tax
		1		Tax Calculations
		2		Capital Cost Allowance (CCA)

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MANAGERS SUMMARY

OVERVIEW OF OPERATING COSTS:

Operating Costs:

The operating costs presented in this Exhibit represent the annual expenditures required to sustain PSP's distribution operations. PSP follows the OEB's Accounting Procedures Handbook (the "APH") in distinguishing work performed between operations and maintenance. A summary of operating costs for the 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Bridge Year and the 2011 Test Year including the determination of the variance amount for analysis, in accordance with the Filing Requirements, is provided in the table below.

Table 2E

OEB Appendix 2-E Summary of OM&A Expenses

TABLE 1: OM&A Year over Year Comparison

	2006 Board Approved \$	2006 Actual \$	Variance \$	Variance %
Operations	66,823	51,120	(15,703)	-23%
Maintenance	168,838	213,937	45,098	27%
Billing & Collecting	283,052	375,543	92,491	33%
Community Relations	13,011	30,656	17,644	136%
Administrative and General	474,477	365,288	(109,188)	-23%
Total OM&A Expenses	1,006,201	1,036,543	30,342	3%

Inflation Rate

	2006 Actual \$	2007 Actual \$	Variance \$	Variance %
Operations	51,120	63,190	12,070	24%
Maintenance	213,937	266,047	52,110	24%
Billing & Collecting	375,543	342,691	(32,852)	-9%
Community Relations	30,656	89,801	59,145	193%
Administrative and General	365,288	347,580	(17,708)	-5%
Total OM&A Expenses	1,036,543	1,109,310	72,766	7%

Inflation Rate

	2007 Actual \$	2008 Actual \$	Variance \$	Variance %
Operations	63,190	57,279	(5,911)	-9%
Maintenance	266,047	268,637	2,590	1%
Billing & Collecting	342,691	373,628	30,937	9%
Community Relations	89,801	52,381	(37,420)	-42%
Administrative and General	347,580	464,189	116,609	34%
Total OM&A Expenses	1,109,310	1,216,114	106,804	10%

Inflation Rate

	2008 Actual \$	2009 Actual \$	Variance \$	Variance %
Operations	57,279	57,300	21	0%
Maintenance	268,637	283,648	15,011	6%
Billing & Collecting	373,628	380,463	6,835	2%
Community Relations	52,381	21,616	(30,765)	-59%
Administrative and General	464,189	502,752	38,563	8%
Total OM&A Expenses	1,216,114	1,245,779	29,665	2%
Inflation Rate				

	2009 Actual \$	2010 Bridge \$	Variance \$	Variance %
Operations	57,300	54,737	(2,563)	-4%
Maintenance	283,648	445,310	161,662	57%
Billing & Collecting	380,463	358,982	(21,481)	-6%
Community Relations	21,616	14,600	(7,016)	-32%
Administrative and General	502,752	551,175	48,423	10%
Total OM&A Expenses	1,245,779	1,424,803	179,025	14%
Inflation Rate				

	2010 Bridge \$	2011 Test \$	Variance \$	Variance %
Operations	54,737	46,801	(7,936)	-14%
Maintenance	445,310	518,258	72,948	16%
Billing & Collecting	358,982	395,022	36,041	10%
Community Relations	14,600	13,423	(1,177)	-8%
Administrative and General	551,175	821,914	270,738	49%
Total OM&A Expenses	1,424,803	1,795,417	370,614	26%

Table 2: Additional Total OM&A Expense Comparitives

Required Total OM&A Comparison	%
2011 Test vs. 2009 Actual	44%
2011 Test vs. 2006 Board Approved	78%
<u>Simple Average of Variance %</u>	
2007 vs 2006	7%
2008 vs 2007	10%
2009 vs 2008	2%
3 year Average	6%
<u>Compound Annual Growth Rate</u>	
2006, 2007, 2008, 2009	6%

OM&A Cost per Customer and FTEE						
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Number of Customers	4,270	4,334	4,362	4,397	4,431	4,464
Total OMA	1,036,543	1,109,310	1,216,114	1,245,779	1,424,803	1,795,417
OMA cost per customer	243	256	279	283	322	402
Number of FTEEs	7.59	7.68	7.91	8.09	10.47	12.52
FTEEs/Customer	0.001779	0.001772	0.001812	0.001841	0.002363	0.002805
OMA cost per FTEE	136,501	144,450	153,838	153,915	136,063	143,369

# of Customers						
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Residential	2,610	2,643	2,697	2,744	2,778	2,812
GS < 50 kW	505	529	508	495	494	493
GS >50 kW	61	64	66	66	67	68
Sentinel Lights	13	15	13	12	12	12
Street Lighting	1,061	1,061	1,061	1,061	1,061	1,061
USL	20	22	17	18	18	18
Total	4,270	4,334	4,362	4,397	4,431	4,464

Forecast customer data

Forecast customer details from Load data which represents average of 12 months from the year

Detailed information with respect to OM&A costs and variances, arranged by USoA account, is provided later in this exhibit.

The variance used to determine the OM&A accounts requiring analysis has been prescribed by the Filing Requirements as \$50,000 (distributors with a distribution revenue requirement of less than or equal to \$10 million). PSP will describe variances that are below this materiality threshold in order to create a better analysis of the activity in the OM&A accounts.

OM&A Costs:

1 The OM&A costs in this Exhibit represent a set of asset maintenance and customer activity
2 needs to meet public and employee safety objectives; to comply with the Distribution System
3 Code, Affiliate Relationship Code, environmental requirements and government direction; and to
4 maintain distribution business service quality and reliability at targeted performance levels.
5 OM&A costs also include providing services to customers connected to our distribution system,
6 and meeting the requirements of the OEB's Standard Supply Service Code and Retail
7 Settlement Code.

8 The proposed OM&A cost expenditures for the 2011 Test Year are the result of a business
9 planning and work prioritization process that ensures that the most appropriate, cost effective
10 solutions are put in place. The maintenance and operations costs as detailed in PSP Asset
11 Management Plan and the corporate reorganization needed to ensure ARC compliance have
12 been accounted for in this exhibit.

13 PSP is proposing recovery of 2011 Test Year OM&A cost totaling \$ 1,795,417 .

14 OM&A Budgeting Process:

15 The operating budget used for the 2011 test year was prepared by management and is
16 reviewed and approved by the Board of Directors (resolution below). PSP compiles budget
17 information for the three major components of the budgeting process: revenue forecasts, OMA -
18 operating, maintenance and administrative expense forecast along with the capital budget
19 needs. This budget information is compiled for both the 2010 Bridge Year and the 2011 Test
20 Year.

21 The OM&A expenses for the 2010 Bridge Year and the 2011 Test Year are based on an in-
22 depth review of operating priorities and requirements. PSP's asset management plan and
23 historical data combined with management's knowledge of needs and experience resulted in
24 our OMA budget. Planned changes to our operating structure resulted in a thorough review of
25 each USoA item.

26 The operating budget is a component of the overall budget process described in Exhibit 1.

RESOLUTION OF THE BOARD OF DIRECTORS
OF
PARRY SOUND POWER CORPORATION

RESOLVED that the Board of directors approve the load data forecast and budget dollar amounts used to set rates for the 2011 Cost of Service Rate Application.

The undersigned being the Board Members of the Corporation hereby sign the foregoing Resolution pursuant to the Business Corporations Act (Ontario) as of the 4th day of October, 2010

Moved By:

Paul Borneman



Seconded By:

Al Downing



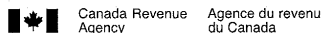
2009 Federal and Ontario Tax Return

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001



T2 CORPORATION INCOME TAX RETURN

200

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Ontario (for tax years ending before 2009), Quebec, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see www.cra.gc.ca or Guide T4012, *T2 Corporation - Income Tax Guide*.

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COPY

Identification

Business Number (BN) 001 89055 3811 RC0001

Corporation's name
002 PARRY SOUND POWER CORPORATION

Address of head office

Has this address changed since the last time you filed your T2 return? 010 1 Yes ☐ 2 No ☒

(If yes, complete lines 011 to 018.)

011 125 WILLIAM ST.

012 City Province, territory, or state

015 PARRY SOUND 016 ON

Country (other than Canada) Postal code/Zip code

017 018 P2A 1V9

Mailing address (if different from head office address)

Has this address changed since the last time you filed your T2 return? 020 1 Yes ☐ 2 No ☒

(If yes, complete lines 021 to 028.)

021 c/o

022

023 City Province, territory, or state

025 PARRY SOUND 026 ON

Country (other than Canada) Postal code/Zip code

027 028 P2A 1V9

Location of books and records

Has the location of books and records changed since the last time you filed your T2 return? 030 1 Yes ☐ 2 No ☒

(If yes, complete lines 031 to 038.)

031 125 WILLIAM ST.

032 City Province, territory, or state

035 PARRY SOUND 036 ON

Country (other than Canada) Postal code/Zip code

037 038 P2A 1V9

040 Type of corporation at the end of the tax year

- 1 ☒ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation
- 2 ☐ Other private corporation 5 ☐ Other corporation (specify, below)
- 3 ☐ Public corporation

If the type of corporation changed during the tax year, provide the effective date of the change.

043 YYYY MM DD

To which tax year does this return apply?

Tax year start Tax year-end
060 2009-01-01 061 2009-12-31
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes ☐ 2 No ☒

If yes, provide the date control was acquired 065 YYYY MM DD

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? 066 1 Yes ☐ 2 No ☒

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes ☐ 2 No ☒

Is this the first year of filing after:
Incorporation? 070 1 Yes ☐ 2 No ☒
Amalgamation? 071 1 Yes ☐ 2 No ☒

If yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes ☐ 2 No ☒

If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? 076 1 Yes ☐ 2 No ☒

Is this the final return up to dissolution? 078 1 Yes ☐ 2 No ☒

If an election was made under section 261, state the functional currency used 079

Is the corporation a resident of Canada? 080 1 Yes ☒ 2 No ☐ If no, give the country of residence on line 081 and complete and attach Schedule 97.

081

Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes ☐ 2 No ☒

If yes, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

- 085 1 ☐ Exempt under paragraph 149(1)(e) or (l)
2 ☐ Exempt under paragraph 149(1)(i)
3 ☐ Exempt under paragraph 149(1)(t)
4 ☐ Exempt under other paragraphs of section 149

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2009-12-31

PARRY SOUND POWER CORPORATION
 89055 3811 RC0001

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.

Schedules – Answer the following questions. For each Yes response, attach to the T2 return the schedule that applies.

	Yes	Schedule
Is the corporation related to any other corporations?	150 <input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	160 <input checked="" type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161 <input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	151 <input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162 <input type="checkbox"/>	11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163 <input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164 <input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165 <input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166 <input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167 <input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168 <input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	169 <input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal Income Tax Regulations?	170 <input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	171 <input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173 <input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172 <input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201 <input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202 <input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203 <input type="checkbox"/>	3
Is the corporation claiming any type of losses?	204 <input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205 <input checked="" type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206 <input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) Is the corporation claiming the refundable portion of Part I tax?	207 <input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	208 <input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	210 <input checked="" type="checkbox"/>	10
Does the corporation have any resource-related deductions?	212 <input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	213 <input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	216 <input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217 <input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	218 <input type="checkbox"/>	18
Is the corporation carrying on business in Canada as a non-resident corporation?	220 <input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221 <input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	227 <input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	231 <input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232 <input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	233 <input type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	234 <input type="checkbox"/>	
Is the corporation claiming a surtax credit?	237 <input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238 <input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	242 <input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243 <input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244 <input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249 <input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250 <input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	253 <input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	254 <input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255 <input type="checkbox"/>	92

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PARRY SOUND POWER CORPORATION
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Attachments – continued from page 2

	Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256	T1134-A
Did the corporation have any controlled foreign affiliates?	258	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	259	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269	54

Additional information

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Has the major business activity changed since the last return was filed? (enter yes for first-time filers)	281	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's major business activity?	282		
(Only complete if yes was entered at line 281)			
If the major business activity involves the resale of goods, show whether it is wholesale or retail	283	1 Wholesale <input type="checkbox"/>	2 Retail <input checked="" type="checkbox"/>
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	Elect. dist./retail	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	294	YYYY MM DD	
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	295	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.	300	71,285	A
Deduct: Charitable donations from Schedule 2	311		
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction *	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
Subtotal			B
Subtotal (amount A minus amount B) (if negative, enter "0")		71,285	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	71,285	
Income exempt under paragraph 149(1)(t)	370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		71,285	Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

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Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7 **400** 71,285 A

Taxable income from line 360, **minus** 10/3 of the amount on line 632*, **minus** 3 times the amount on line 636**, and **minus** any amount that, because of federal law, is exempt from Part I tax **405** 71,285 B

Calculation of the business limit:

For all CCPCs, calculate the amount at line 4 below.

$$\begin{array}{rcl}
 400,000 \times \frac{\text{Number of days in the tax year before 2009}}{\text{Number of days in the tax year}} & = & \dots\dots\dots 1 \\
 & & 365 \\
 500,000 \times \frac{\text{Number of days in the tax year after 2008}}{\text{Number of days in the tax year}} & = & \dots\dots\dots 2 \\
 & & 365 \\
 \text{Add amounts at lines 1 and 2} & & \underline{\underline{500,000}} \quad 4
 \end{array}$$

Business limit (see notes 1 and 2 below) **410** 455,000 C

- Notes:**
1. For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
 2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 455,000 \times **415** *** D = E

11,250

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") **425** 455,000 F

Small business deduction

Amount A, B, C, or F whichever is the least 71,285 \times $\frac{\text{Number of days in the tax year before January 1, 2008}}{\text{Number of days in the tax year}}$ \times 16 % = 5

365

Amount A, B, C, or F whichever is the least 71,285 \times $\frac{\text{Number of days in the tax year after December 31, 2007}}{\text{Number of days in the tax year}}$ \times 17 % = 12,118 6

365

Total of amounts 5 and 6 – enter on line 9 **430** 12,118 G

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

*** Large corporations

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) \times 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) \times 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

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General tax reduction for Canadian-controlled private corporations									
Canadian-controlled private corporations throughout the tax year									
Taxable income from line 360								71,285	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27									B
Amount QQ from Part 13 of Schedule 27									C
Amount used to calculate the credit union deduction from Schedule 17									D
Amount from line 400, 405, 410, or 425, whichever is the least							71,285		E
Aggregate investment income from line 440									F
Total of amounts B to F							71,285	71,285	G
Amount A minus amount G (if negative, enter "0")									H
Amount H	x	Number of days in the tax year before January 1, 2008		x	7 %	=			I
		Number of days in the tax year	365						
Amount H	x	Number of days in the tax year after December 31, 2007, and before January 1, 2009		x	8.5 %	=			J
		Number of days in the tax year	365						
Amount H	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010	365	x	9 %	=			K
		Number of days in the tax year	365						
Amount H	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=			L
		Number of days in the tax year	365						
General tax reduction for Canadian-controlled private corporations – Total of amounts I to L									M
Enter amount M on line 638.									

General tax reduction									
Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.									
Taxable income from page 3 (line 360 or amount Z, whichever applies)									N
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27									O
Amount QQ from Part 13 of Schedule 27									P
Amount used to calculate the credit union deduction from Schedule 17									Q
Total of amounts O to Q									R
Amount N minus amount R (if negative, enter "0")									S
Amount S	x	Number of days in the tax year before January 1, 2008		x	7 %	=			T
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2007, and before January 1, 2009		x	8.5 %	=			U
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010	365	x	9 %	=			V
		Number of days in the tax year	365						
Amount S	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=			W
		Number of days in the tax year	365						
General tax reduction – Total of amounts T to W									X
Enter amount X on line 639.									

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PARRY SOUND POWER CORPORATION
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Refundable portion of Part I tax	
Canadian-controlled private corporations throughout the tax year	
Aggregate investment income from Schedule 7	440 x 26 2 / 3 % = A
Foreign non-business income tax credit from line 632	
Deduct:	
Foreign investment income from Schedule 7	445 x 9 1 / 3 % = (if negative, enter "0") B
Amount A minus amount B (if negative, enter "0")	C
Taxable income from line 360	71,285
Deduct:	
Amount from line 400, 405, 410, or 425, whichever is the least	71,285
Foreign non-business income tax credit from line 632	x 25 / 9 =
Foreign business income tax credit from line 636	x 3 =
	71,285 x 26 2 / 3 % = D
Part I tax payable minus investment tax credit refund (line 700 minus line 780)	7,841
Deduct: Corporate surtax from line 600	
Net amount	7,841 E
Refundable portion of Part I tax – Amount C, D, or E, whichever is the least	450 F

Refundable dividend tax on hand	
Refundable dividend tax on hand at the end of the previous tax year	460
Deduct: Dividend refund for the previous tax year	465
Add the total of:	
Refundable portion of Part I tax from line 450 above	
Total Part IV tax payable from Schedule 3	
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	480
Refundable dividend tax on hand at the end of the tax year – Amount G plus amount H	485

Dividend refund	
Private and subject corporations at the time taxable dividends were paid in the tax year	
Taxable dividends paid in the tax year from line 460 of Schedule 3	x 1 / 3 I
Refundable dividend tax on hand at the end of the tax year from line 485 above	J
Dividend refund – Amount I or J, whichever is less (enter this amount on line 784)	

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Part I tax

Base amount of Part I tax – Taxable income (line 360 or amount Z, whichever applies) multiplied by 38.00 % **550** 27,088 **A**

Corporate surtax calculation

Base amount from line A above **27,088** 1

Deduct:

10 % of taxable income (line 360 or amount Z, whichever applies) **7,129** 2

Investment corporation deduction from line 620 below 3

Federal logging tax credit from line 640 below 4

Federal qualifying environmental trust tax credit from line 648 below 5

For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360 a

28.00 % of taxed capital gains b

Part I tax otherwise payable c

(line A plus lines C and D minus line F)

Total of lines 2 to 6 **7,129** 7

Net amount (line 1 minus line 7) **19,959** 8

Corporate surtax*

Line 8 **19,959** x Number of days in the tax year before January 1, 2008 x 4 % = **600** **B**
 Number of days in the tax year 365

* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 **602** **C**

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
 (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 i

Taxable income from line 360 **71,285**

Deduct:

Amount from line 400, 405, 410, or 425, whichever is the least **71,285**

Net amount ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii **604** **D**

Subtotal (add lines A to D) **27,088** **E**

Deduct:

Small business deduction from line 430 **12,118** 9

Federal tax abatement **608** **7,129**

Manufacturing and processing profits deduction from Schedule 27 **616**

Investment corporation deduction **620**

Taxed capital gains **624** **628**

Additional deduction – credit unions from Schedule 17 **632**

Federal foreign non-business income tax credit from Schedule 21 **636**

Federal foreign business income tax credit from Schedule 21 **638**

General tax reduction for CCPCs from amount M **639**

General tax reduction from amount X **640**

Federal logging tax credit from Schedule 21 **644**

Federal political contribution tax credit **646**

Federal political contributions **648**

Federal qualifying environmental trust tax credit **652**

Investment tax credit from Schedule 31 **19,247**

Subtotal **19,247** **F**

Part I tax payable – Line E minus line F **7,841** **G**

Enter amount G on line 700.

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PARRY SOUND POWER CORPORATION
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Summary of tax and credits

Federal tax

Part I tax payable	700	7,841
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		7,841

Add provincial or territorial tax:

Provincial or territorial jurisdiction	750	ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)		
Net provincial or territorial tax payable (except Ontario [for tax years ending before 2009], Quebec, and Alberta)	760	3,921
Provincial tax on large corporations (New Brunswick* and Nova Scotia)	765	
		3,921
Total tax payable	770	11,762 A

* The New Brunswick tax on large corporations is eliminated effective January 1, 2009.

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Tax instalments paid	840	30,000
Total credits	890	30,000
		30,000 B

Refund code 894 2 Overpayment 18,238 Balance (line A minus line B) -18,238

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

<input type="checkbox"/> Start	<input type="checkbox"/> Change information	910
		Branch number
914	918	
Institution number	Account number	

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

If the result is negative, you have an overpayment.
If the result is positive, you have a balance unpaid.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid

Enclosed payment 898

896 1 Yes ☒ 2 No ☐

Certification

I, 950 EPPS	951 CALVIN	954 PRESIDENT
Last name in block letters	First name in block letters	Position, office, or rank
am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.		
955 2010-05-05		956 (705) 746-5866
Date (yyyy/mm/dd)	Signature of the authorized signing officer of the corporation	Telephone number
Is the contact person the same as the authorized signing officer? If no, complete the information below		
957 1 Yes <input checked="" type="checkbox"/> 2 No <input type="checkbox"/>		
958		959
Name in block letters		Telephone number

Language of correspondence – Langue de correspondance

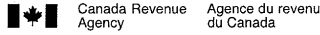
Indicate your language of correspondence by entering 1 for English or 2 for French.
Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

990 1

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PARRY SOUND POWER CORPORATION
 89055 3811 RC0001



NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125			-36,417	A
Add:				
Provision for income taxes – current	101	11,762		
Amortization of tangible assets	104	335,439		
Amortization of intangible assets	106	48,588		
Subtotal of additions		395,789	▶	395,789
Other additions:				
Miscellaneous other additions:				
604				
Subtotal of other additions	199		▶	
Total additions	500	395,789	▶	395,789
Deduct:				
Capital cost allowance from Schedule 8	403	260,764		
Cumulative eligible capital deduction from Schedule 10	405	27,323		
Subtotal of deductions		288,087	▶	288,087
Other deductions:				
Miscellaneous other deductions:				
704				
Total	394			
Subtotal of other deductions	499	0	▶	0
Total deductions	510	288,087	▶	288,087
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				71,285

* For reference purposes only

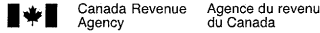
T2 SCH 1 E (09)

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001



SCHEDULE 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- Use this schedule if, during the tax year, the corporation:
 - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1); or
 - is claiming provincial or territorial tax credits or rebates (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations*.
- For more information, see the *T2 Corporation – Income Tax Guide*.
- Enter the regulation number in field 100 of Part 1.

Part 1 – Allocation of taxable income

100 402 Corporations not specified		Enter the regulation that applies (402 to 413).			
A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *	B Total salaries and wages paid in jurisdiction	C (B x taxable income**) / G	D Gross revenue	E (D x taxable income**) / H	F Allocation of taxable income (C + E) x 1/2 (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador 003 1 Yes <input type="checkbox"/>	103		143		
Newfoundland and Labrador offshore 004 1 Yes <input type="checkbox"/>	104		144		
Prince Edward Island 005 1 Yes <input type="checkbox"/>	105		145		
Nova Scotia 007 1 Yes <input type="checkbox"/>	107		147		
Nova Scotia offshore 008 1 Yes <input type="checkbox"/>	108		148		
New Brunswick 009 1 Yes <input type="checkbox"/>	109		149		
Quebec 011 1 Yes <input type="checkbox"/>	111		151		
Ontario 013 1 Yes <input checked="" type="checkbox"/>	113		153		
Manitoba 015 1 Yes <input type="checkbox"/>	115		155		
Saskatchewan 017 1 Yes <input type="checkbox"/>	117		157		
Alberta 019 1 Yes <input type="checkbox"/>	119		159		
British Columbia 021 1 Yes <input type="checkbox"/>	121		161		
Yukon 023 1 Yes <input type="checkbox"/>	123		163		
Northwest Territories 025 1 Yes <input type="checkbox"/>	125		165		
Nunavut 026 1 Yes <input type="checkbox"/>	126		166		
Outside Canada 027 1 Yes <input type="checkbox"/>	127		167		
Total	129 G		169 H		

* "Permanent establishment" is defined in Regulation 400(2).

** Starting in 2009, if the corporation has income or loss from an international banking center; the taxable income is the amount on line 360 or line Z of the T2 return **plus** the total amount not required to be included, or **minus** the total amount not allowed to be deducted, in computing the corporation's income under section 33.1 of the federal *Income Tax Act*.

Notes:

1. After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see line 760 of the *T2 Corporation – Income Tax Guide*.
2. If the corporation has provincial or territorial tax payable, complete Part 2 on the following pages.

T2 SCH 5 E (09)

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Part 2 – Ontario tax payable, tax credits, and rebates

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
71,285	71,285		3,921

Ontario basic income tax (from Schedule 500) **270** 9,980

Deduct: Ontario small business deduction (from schedule 500) **402** 6,059

Subtotal (if negative, enter "0") **3,921** **3,921** A6

Add:

Surtax re Ontario small business deduction (from Schedule 500) **272**

Ontario additional tax re Crown royalties (from Schedule 504) **274**

Ontario transitional tax debits (from Schedule 506) **276**

Recapture of Ontario research and development tax credit (from Schedule 508) **277**

Subtotal B6

Subtotal (amount A6 plus amount B6) **3,921** C6

Deduct:

Ontario resource tax credit (from Schedule 504) **404**

Ontario tax credit for manufacturing and processing (from Schedule 502) **406**

Ontario foreign tax credit (from Schedule 21) **408**

Ontario credit union tax reduction (from Schedule 500) **410**

Ontario transitional tax credits (from Schedule 506) **414**

Ontario political contributions tax credit (from Schedule 525) **415**

Subtotal D6

Subtotal (amount C6 minus amount D6) (if negative, enter "0") **3,921** E6

Ontario research and development tax credit (from Schedule 508) **416**

Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 minus amount on line 416) (if negative, enter "0") **3,921** F6

Deduct:

Ontario corporate minimum tax credit (from schedule 510) **418**

Ontario corporate income tax payable (amount F6 minus amount on line 418) (if negative, enter "0") **3,921** G6

Add:

Ontario corporate minimum tax (from Schedule 510) **278**

Ontario special additional tax on life insurance corporations (from Schedule 512) **280**

Ontario capital tax (from Schedule 514 or Schedule 515, whichever applies) **282**

Subtotal H6

Total Ontario tax payable before refundable credits (amount G6 plus amount H6) **3,921** I6

Deduct:

Ontario qualifying environmental trust tax credit **450**

Ontario co-operative education tax credit (from Schedule 550) **452**

Ontario apprenticeship training tax credit (from Schedule 552) **454**

Ontario computer animation and special effects tax credit (from Schedule 554) **456**

Ontario film and television tax credit (from Schedule 556) **458**

Ontario production services tax credit (from Schedule 558) **460**

Ontario interactive digital media tax credit (from Schedule 560) **462**

Ontario sound recording tax credit (from Schedule 562) **464**

Ontario book publishing tax credit (from Schedule 564) **466**

Ontario innovation tax credit (from Schedule 566) **468**

Ontario business-research institute tax credit (from Schedule 568) **470**

Subtotal J6

Net Ontario tax payable or refundable credit (amount I6 minus amount J6) **290** **3,921** K6

(if a credit, enter a negative amount) Include this amount on line 255.

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PARRY SOUND POWER CORPORATION
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Summary

Enter the total net tax payable or refundable credits for all provinces and territories at line 255.

Net provincial and territorial tax payable or refundable credits **255** 3,921

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.

If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

CAPITAL COST ALLOWANCE (CCA)

SCHEDULE 8

Name of corporation PARRY SOUND POWER CORPORATION	Business Number 89055 3811 RC0001	Tax year end Year Month Day 2009-12-31
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For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

1 Class number (See Note)	2 Description	201 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)**	7 Reduced undepreciated capital cost	8 CCA rate %	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (column 7 multiplied by column 8; or a lower amount) (line 403 of Schedule 1)***	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
200			203	205	207	211		212	213	215	217	220
1.	Stations, lines, etc.	5,095,191	404,692		0	202,346	5,297,537	4	0	0	211,901	5,287,982
2.	Computer equipment	1,574			0		1,574	30	0	0	472	1,102
3.	Server		16,674		0		16,674	100	0	0	16,674	
4.	Software		63,434		0	31,717	31,717	100	0	0	31,717	31,717
	Total	5,096,765	484,800			234,063	5,347,502				250,764	5,320,801

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).
** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.
*** The net cost of acquisitions is the cost of acquisitions (column 3) plus or minus certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance - General Comments*.
**** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001

Fixed Assets Reconciliation

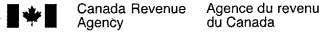
Reconciliation of change in fixed assets per financial statements to amounts used per tax return.

Tax return			
Additions for tax purposes – Schedule 8 regular classes		484,800	
Additions for tax purposes – Schedule 8 leasehold improvements	+		
Operating leases capitalized for book purposes	+		
Capital gain deferred	+		
Recapture deferred	+		
Deductible expenses capitalized for book purposes – Schedule 1	+		
	+		
Total additions per books	=	484,800	484,800
Proceeds up to original cost – Schedule 8 regular classes			
Proceeds up to original cost – Schedule 8 leasehold improvements	+		
Proceeds in excess of original cost – capital gain	+		
Recapture deferred – as above	+		
Capital gain deferred – as above	+		
Pre V-day appreciation	+		
	+	41,758	
Total proceeds per books	=	41,758	41,758
Depreciation and amortization per accounts – Schedule 1			335,439
Loss on disposal of fixed assets per accounts			
Gain on disposal of fixed assets per accounts	+		
Net change per tax return	=		107,603
Financial statements			
Fixed assets (excluding land) per financial statements			
Closing net book value			3,879,149
Opening net book value			3,771,546
Net change per financial statements	=		107,603
If the amounts from the tax return and the financial statements differ, explain why below.			

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001



SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

This schedule is to be completed by a corporation having one or more of the following:
— related corporation(s)
— associated corporations(s)

	Name	Country of residence (if other than Canada)	Business Number (Canadian corporation only) (see note 1)	Relationship code (see note 2)	Number of common shares owned	% of common shares owned	Number of preferred shares owned	% of preferred shares owned	Book value of capital stock
	100	200	300	400	500	550	600	650	700
1.	PARRY SOUND HYDRO CORPORATI		86370 8996 RC0001	1					2,436,727
2.	PARRY SOUND ENERGY SERVICES		86370 9192 RC0001	3					1,000
3.	PARRY SOUND POWERGEN CORPO		86371 6395 RC0001	3					1,000

Note 1: Enter "NR" if a corporation is not registered.

Note 2: Enter the code number of the relationship that applies from the following order: 1 – Parent 2 – Subsidiary 3 – Associated 4 – Related, but not associated.

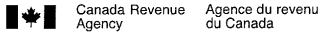
T2 SCH 9(99)

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001



SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")		200	390,330	A
Add:	Cost of eligible capital property acquired during the taxation year	222		
	Other adjustments	226		
	Subtotal (line 222 plus line 226)			B
	Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002		228	C
	amount B minus amount C (if negative, enter "0")			D
	Amount transferred on amalgamation or wind-up of subsidiary	224		E
	Subtotal (add amounts A, D, and E)	230	390,330	F
Deduct:	Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242		G
	The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244		H
	Other adjustments	246		I
	(add amounts G, H, and I)			J
	Cumulative eligible capital balance (amount F minus amount J)		390,330	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)				
	Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	249		
	amount K		390,330	
	less amount from line 249			
	Current year deduction	390,330	x 7.00 % =	27,323 *
	(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)	27,323		L
	Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")	300	363,007	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

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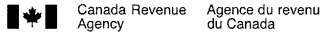
PARRY SOUND POWER CORPORATION
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Part 2 – Amount to be included in income arising from disposition	
(complete this part only if the amount at line K is negative)	
Amount from line K (show as positive amount)	N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	400 1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	401 2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402 3
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408 4
Line 3 minus line 4 (if negative, enter "0")	5
Total of lines 1, 2 and 5	6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400	7
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	8
Subtotal (line 7 plus line 8)	409 9
Line 6 minus line 9 (if negative, enter "0")	O
Line N minus line O (if negative, enter "0")	P
Line 5 x 1 / 2 =	Q
Line P minus line Q (if negative, enter "0")	R
Amount R x 2 / 3 =	S
Amount N or amount O, whichever is less	T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410

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PARRY SOUND POWER CORPORATION
 89055 3811 RC0001



SCHEDULE 23

**AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO
 ALLOCATE THE BUSINESS LIMIT**

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

- 1 – Associated for purposes of allocating the business limit (unless code 5 applies)
- 2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
- 3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
- 4 – Associated non-CCPC
- 5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum \$300,000
2007	\$300,001 to \$400,000

Calendar year	Acceptable range
2008	maximum \$400,000
2009	\$400,001 to \$500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed \$500,000.

Allocating the business limit

Date filed (do not use this area)		025	<div style="border: 1px solid black; padding: 2px;"> Year Month Day </div>	
Enter the calendar year to which the agreement applies		050	<div style="border: 1px solid black; padding: 2px;"> Year 2009 </div>	
Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below?		075	1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>	

1	2	3	4	5	6
Names of associated corporations	Business Number of associated corporations	Association code	Business limit for the year (before the allocation) \$	Percentage of the business limit %	Business limit allocated* \$
100	200	300		350	400
1 PARRY SOUND POWER CORPORATION	89055 3811 RC0001	1	500,000	91.0000	455,000
2 PARRY SOUND HYDRO CORPORATION	86370 8996 RC0001	1	500,000	1.0000	5,000
3 PARRY SOUND ENERGY SERVICES CORPORAT	86370 9192 RC0001	1	500,000	8.0000	40,000
4 PARRY SOUND POWERGEN CORPORATION	86371 6395 RC0001	1	500,000		
			Total	100.0000	500,000 A

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PARRY SOUND POWER CORPORATION
89055 3811 RC0001

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to $0.225\% \times (A - \$10,000,000)$ where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if \$500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

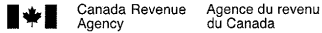
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PARRY SOUND POWER CORPORATION
89055 3811 RC0001



SCHEDULE 33

PART 1.3 TAX ON LARGE CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- File this schedule if the total taxable capital employed in Canada of the corporation (other than a financial institution or an insurance corporation) and its related corporations is greater than \$10,000,000.
- Even if there is no Part 1.3 tax payable for the days in the tax year that are after 2005, you must still complete this schedule (except parts 5 and 9).
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act* and the *Income Tax Regulations*.
- Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part 1.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- No Part 1.3 tax is payable for a tax year by a corporation that was:
 - 1) bankrupt [as defined by subsection 128(3)] at the end of the year;
 - 2) a deposit insurance corporation throughout the year, as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
 - 3) exempt from tax under section 149 throughout the year on all of its taxable income;
 - 4) neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or
 - 5) a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related processing) natural products belonging to or acquired from its members or customers.
- File the completed Schedule 33 with the *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- This schedule may contain changes that had not yet become law at the time of printing.

If the corporation was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada, go to Part 4, "Taxable capital employed in Canada."

Part 1 – Capital

Add the following amounts at the end of the year:

Reserves that have not been deducted in computing income for the year under Part I	101	
Capital stock (or members' contributions if incorporated without share capital)	103	2,433,727
Retained earnings	104	133,201
Contributed surplus	105	
Any other surpluses	106	
Deferred unrealized foreign exchange gains	107	
All loans and advances to the corporation	108	2,433,728
All indebtedness of the corporation represented by bonds, debentures, notes, mortgages, hypothecary claims, bankers' acceptances, or similar obligations	109	
Any dividends declared but not paid by the corporation before the end of the year	110	
All other indebtedness of the corporation (other than any indebtedness for a lease) that has been outstanding for more than 365 days before the end of the year	111	
Proportion of the amount, if any, by which the total of all amounts (see note below) for the partnership of which the corporation is a member at the end of the year exceeds the amount of the partnership's deferred unrealized foreign exchange losses	112	
Subtotal		5,000,656 ▶ 5,000,656 A

Deduct the following amounts:

Deferred tax debit balance at the end of the year	121	
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year	122	
Any amount deducted under subsection 135(1) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of lines 101 to 112 above	123	
The amount of deferred unrealized foreign exchange losses at the end of the year	124	
Subtotal		▶ B
Capital for the year (amount A minus amount B) (if negative, enter "0")	190	5,000,656

Note: Lines 101, 107, 108, 109, 111, and 112 are determined as follows:

- If the partnership is a member of another partnership (tiered partnerships), include the amounts of the partnership and tiered partnerships.
- Amounts for the partnership and tiered partnerships are those that would be determined for lines 101, 107, 108, 109, 111, and 112 as if they apply in the same way that they apply to corporations.
- Do not include amounts owing to the member or to other corporations that are members of the partnership.
- Amounts are determined at the end of the last fiscal period of the partnership ending in the year of the corporation.
- The proportion of the total amounts is determined by the corporation's share of the partnership's income or loss for the fiscal period of the partnership.

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PARRY SOUND POWER CORPORATION
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Part 2 – Investment allowance

Add the carrying value at the end of the year of the following assets of the corporation:

A share of another corporation	401	100
A loan or advance to another corporation (other than a financial institution)	402	
A bond, debenture, note, mortgage, hypothecary claim, or similar obligation of another corporation (other than a financial institution)	403	
Long-term debt of a financial institution	404	
A dividend receivable on a share of the capital stock of another corporation	405	
A loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim, or similar obligation of, a partnership all of the members of which, throughout the year, were other corporations (other than financial institutions) that were not exempt from tax under Part 1.3 [other than by reason of paragraph 181.1(3)(d)]	406	
An interest in a partnership (see note 1 below)	407	
Investment allowance for the year (add lines 401 to 407)	490	100

Notes:

- Where the corporation has an interest in a partnership or in tiered partnerships, consider the following:
 - the investment allowance of a partnership is deemed to be the amount calculated at line 490 above, at the end of its fiscal period, as if it was a corporation;
 - the total of the carrying value of each asset of the partnership described in the above lines is for its last fiscal period ending at or before the end of the corporation's tax year; and
 - the carrying value of a partnership member's interest at the end of the year is its specified proportion [as defined in subsection 248(1)] of the partnership's investment allowance.
- Lines 401 to 405 should not include the carrying value of a share of the capital stock of, a dividend payable by, or indebtedness of a corporation that is exempt from tax under Part 1.3 [other than by reason of paragraph 181.1(3)(d)].
- Where a trust is used as a conduit for loaning money from a corporation to another related corporation (other than a financial institution), the loan will be considered to have been made directly from the lending corporation to the borrowing corporation, according to subsection 181.2(6).

Part 3 – Taxable capital

Capital for the year (line 190)	5,000,656	C
Deduct: Investment allowance for the year (line 490)	100	D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0")	500	5,000,556

Part 4 – Taxable capital employed in Canada

To be completed by a corporation that was resident in Canada at any time in the year

Taxable capital for the year (line 500)	5,000,556	x	Taxable income earned in Canada	610	71,285	=	Taxable capital employed in Canada	690	5,000,556
			Taxable income		71,285				

- Notes:**
- Regulation 8601 gives details on calculating the amount of taxable income earned in Canada.
 - Where a corporation's taxable income for a tax year is "0," it shall, for the purposes of the above calculation, be deemed to have a taxable income for that year of \$1,000.
 - In the case of an airline corporation, Regulation 8601 should be considered when completing the above calculation.

To be completed by a corporation that was a non-resident of Canada throughout the year and carried on a business through a permanent establishment in Canada

Total of all amounts each of which is the carrying value at the end of the year of an asset of the corporation used in the year or held in the year, in the course of carrying on any business it carried on during the year through a permanent establishment in Canada	701
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Deduct the following amounts:

Corporation's indebtedness at the end of the year [other than indebtedness described in any of paragraphs 181.2(3)(c) to (f)] that may reasonably be regarded as relating to a business it carried on during the year through a permanent establishment in Canada

711

Total of all amounts each of which is the carrying value at the end of year of an asset described in subsection 181.2(4) of the corporation that it used in the year, or held in the year, in the course of carrying on any business during the year through a permanent establishment in Canada

712

Total of all amounts each of which is the carrying value at the end of year of an asset of the corporation that is a ship or aircraft the corporation operated in international traffic, or personal or movable property used or held by the corporation in carrying on any business during the year through a permanent establishment in Canada (see note below)

713

Total deductions (add lines 711, 712, and 713)

E

Taxable capital employed in Canada (line 701 minus amount E) (if negative, enter "0")

790

Note: Complete line 713 only if the country in which the corporation is resident did not impose a capital tax for the year on similar assets, or a tax for the year on the income from the operation of a ship or aircraft in international traffic, of any corporation resident in Canada during the year.

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PARRY SOUND POWER CORPORATION
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Part 5 – Calculation of gross Part 1.3 tax

If the tax year starts after 2005, do not complete this part.

Taxable capital employed in Canada (line 690 or 790, whichever applies)	5,000,556
Deduct: Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations, the amount allocated on Schedule 36)	20,000,000
Excess of taxable capital employed in Canada over capital deduction	811
Line 811 $\frac{\text{Number of days in the tax year in 2004}}{\text{Number of days in the tax year}} \times 0.002 =$	F
Line 811 $\frac{\text{Number of days in the tax year in 2005}}{\text{Number of days in the tax year}} \times 0.00175 =$	G
Note: The Part 1.3 tax rate is reduced to 0% for the days in the tax year that are after 2005.	
Subtotal (add amounts F and G)	H
Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax as follows:	
Amount H $\times \frac{\text{Number of days in the year (365)}}{365} =$	I
Gross Part 1.3 tax (amount H or I, whichever applies)	820

Part 6 – Calculation of gross Part 1.3 tax for purposes of the unused surtax credit

Taxable capital employed in Canada (line 690 or 790, whichever applies)	5,000,556	J
Deduct: Capital deduction claimed for the year (enter \$50,000,000 or, for related corporations, the amount allocated on Schedule 36)	801 20,000,000 $\times \frac{1}{5} =$	4,000,000 K
Excess (amount J minus amount K) (if negative, enter "0")	1,000,556	L
Amount L $\times 0.00225 =$	2,251	M
Where the tax year of a corporation is less than 51 weeks, calculate the amount of gross Part 1.3 tax for purposes of the unused surtax credit as follows:		
Amount M $\times \frac{\text{Number of days in the year (365)}}{365} =$		N
Gross Part 1.3 tax for purposes of the unused surtax credit (amount M or N, whichever applies)	821 2,251	

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Part 7 – Calculation of current-year surtax credit available

- Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. This is called the surtax credit.
- Any unused surtax credit can be carried back three years or carried forward seven years. Unused surtax credits must be applied in order of the oldest first.
- Refer to subsection 181.1(7) when calculating the amount deductible for a corporation's unused surtax credits where control of the corporation has been acquired between the year in which the credits arose and the year in which you want to claim them.

For a corporation that was a non-resident of Canada throughout the year, enter amount **a** or **b** at line O, whichever is less:

a) line 600 from the T2 return **a**
b) line 700 from the T2 return **b** O

In any other case, enter amount **c** or **d** at line P, whichever is less:

c) line 600 from the T2 return x $\frac{\text{line 690 of this schedule } 5,000,556}{\text{line 500 of this schedule } 5,000,556} =$ **c**
d) line 700 from the T2 return 7,841 **d** P

Current-year surtax credit available (amount O or P, whichever applies) **830**

Part 8 – Calculation of current-year unused surtax credit

Current-year surtax credit available (line 830)
Less: Gross Part I.3 tax for purposes of the unused surtax credit (line 821) 2,251

Current-year unused surtax credit (if negative, enter "0") **850**
Enter this amount at line 600 on Schedule 37.

Part 9 – Calculation of net Part I.3 tax payable

If the tax year starts after 2005, do not complete this part.

Gross Part I.3 tax (line 820) Q
Deduct:
Current-year surtax credit applied (line 820 or 830, whichever is less) **861**
Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) **862**
Subtotal (cannot be more than amount on line 820) **R**

Net Part I.3 tax payable (amount Q minus amount R) **870**
Enter this amount at line 704 of the T2 return.

Part 10 – Calculation for purposes of the small business deduction

This part is applicable only to corporations that are not associated in the current year, but were associated in the prior year.

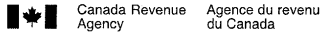
Taxable capital employed in Canada (line 690 or 790, whichever applies) S
Deduct:
Capital deduction claimed for the year (enter \$10,000,000) T
Excess (amount S minus amount T) (if negative, enter "0") U

Gross Part I.3 tax for purposes of the small business deduction (Amount U x 0.00225) V
Enter this amount at line 415 of the T2 return

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PARRY SOUND POWER CORPORATION
 89055 3811 RC0001



SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

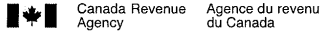
All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)		Provide only one number per shareholder				Percentage common shares	Percentage preferred shares
		Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number			
100		200	300	350		400	500
1	Parry Sound Hydro Corporation	86370 8996 RC0001				100.000	
2							
3							
4							
5							
6							
7							
8							
9							
10							

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PARRY SOUND POWER CORPORATION
 89055 3811 RC0001



SCHEDULE 500

ONTARIO CORPORATION TAX CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- References to subsections and paragraphs are from the federal *Income Tax Act*.
- This schedule is a worksheet only and does not have to be filed with your T2 Corporation Income Tax Return.

Part 1 – Calculation of Ontario basic income tax

Ontario taxable income *	71,285	A
Ontario basic income tax: amount A multiplied by 14 %	9,980	B

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit, in addition to Ontario basic income tax, or has Ontario corporate minimum tax, Ontario special additional tax on life insurance corporations or Ontario capital tax payable, enter amount B on line 270 of Schedule 5, *Tax Calculation Supplementary - Corporations*. Otherwise, enter it on line 760 on page 8 of the T2 return.

* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, from page 3 of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Part 2 – Ontario small business deduction (OSBD)

Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

Income from active business carried on in Canada (amount from line 400 of the T2 return)	71,285	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	71,285	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	455,000	3
$\frac{500,000}{500,000} = 1$ line 4 on page 4 of the T2 return		
Enter the least of amounts 1, 2, and 3	71,285	C
Ontario domestic factor:	$\frac{\text{Ontario taxable income}^*}{\text{taxable income earned in all provinces and territories}^{**}} = \frac{71,285.00}{71,285} = 1.00000$	D
Ontario small business income (amount C multiplied by amount D)	71,285	E
OSBD rate for the year	8.5 %	
Ontario small business deduction (amount E multiplied by OSBD rate for the year)	6,059	F

Enter amount F on line 402 of Schedule 5.

* Enter amount A from Part 1.

** Includes the offshore jurisdictions for Nova Scotia, and Newfoundland and Labrador.

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Part 3 – Calculation of surtax re Ontario small business deduction

Complete this part if the corporation is claiming the OSBD, and its adjusted taxable income, **plus** the adjusted taxable income of each corporation with which the corporation was associated during its tax year, is greater than \$500,000. If the corporation is a member of an associated group, complete Schedule 501, *Ontario Adjusted Taxable Income of Associated Corporations to Determine Surtax re Ontario Small Business Deduction*.

Adjusted taxable income *	.....	<u>71,285</u>	G
Adjusted taxable income of all associated corporations (amount from line 500 of Schedule 501)	.....	<u>3,151</u>	H
Aggregate adjusted taxable income (amount G plus amount H)	.....	<u>74,436</u>	I
Deduct:			
Ontario business limit	.....	<u>500,000</u>	
Subtotal (amount I minus Ontario business limit) (if negative, enter "0" on this line and on line M)	.....	<u> </u>	J
Small business surtax rate for the year	.....	<u>4.25 %</u>	
Multiply: Line J x small business surtax rate for the year	=	<u> </u>	K
Amount K	x <u>Ontario small business income (amount E in Part 2)</u>	<u>71,285</u>	=
	<u>500,000</u>	<u>500,000</u>	L
Ontario surtax re Ontario small business deduction: lesser of amount L and OSBD (amount F in Part 2)	.....	<u> </u>	M
Enter amount M on line 272 of Schedule 5.			

* Adjusted taxable income is equal to the corporation's taxable income or taxable income earned in Canada for the year **plus** the amount of the corporation's adjusted Crown royalties for the year **minus** the amount of the corporation's notional resource allowance for the year (from Schedule 504, *Ontario Resource Tax Credit and Ontario Additional Tax re Crown Royalties*).
If the tax year of the corporation is less than 51 weeks, **multiply** the adjusted taxable income of the corporation for the year by 365 and **divide** by the number of days in the tax year.

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Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Amount C in Part 2 71,285 N

Surtax payable (amount M in Part 3) = O

Ontario domestic factor (amount D in Part 2) x 8.5 % 0.08500

Ontario adjusted small business income (amount N minus amount O) (if negative, enter "0") 71,285 P

Enter amount P on line R in Part 5 or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D in Part 3 of Schedule 17 Q

Deduct:

Ontario adjusted small business income (amount P in Part 4) R

Subtotal (amount Q minus amount R) (if negative, enter "0") S

OSBD rate for the year 8.5 %

Amount S multiplied by the OSBD rate for the year T

Ontario domestic factor (amount D in Part 2) 1.00000 U

Ontario credit union tax reduction (amount T multiplied by amount U) V

Enter amount V on line 410 on Schedule 5.

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PARRY SOUND POWER CORPORATION
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SCHEDULE 501

ONTARIO ADJUSTED TAXABLE INCOME OF ASSOCIATED CORPORATIONS TO
DETERMINE SURTAX RE ONTARIO SMALL BUSINESS DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- For use by Canadian-controlled private corporations (CCPCs) to report the adjusted taxable income of all corporations (Canadian and foreign) with which the filing corporation was associated at any time during the tax year.
- Include the adjusted taxable income for the tax year of the associated corporation that ends at or before the date of the filing corporation's tax year-end.
- Attach additional schedules if more space is required.
- File this schedule with the *T2 Corporation Income Tax Return*.

Names of associated corporations*		Business number of associated corporations**	Tax year-end	Adjusted taxable income *** (if loss, enter "0")
100		200	300	400
1	PARRY SOUND HYDRO CORPORATION	86370 8996 RC0001	2009-12-31	3,151
2	PARRY SOUND ENERGY SERVICES CORPORATION	86370 9192 RC0001	2009-12-31	
3	PARRY SOUND POWERGEN CORPORATION	86371 6395 RC0001	2009-12-31	
Total				3,151

Enter the total adjusted taxable income from line 500 on line H in Part 3 of Schedule 500, *Ontario Corporation Tax Calculation*.

* Subsection 256(2) of the federal *Income Tax Act* may deem the filing corporation to be associated with another corporation, because both corporations are associated with a third corporation. If so, do not list the other corporation, nor the third corporation if it is not a CCPC or has elected under subsection 256(2) of the federal Act not to be associated for purposes of section 125 of the federal Act.

** Enter "NR" if a corporation is not registered.

*** Rules for adjusted taxable income:

- If the associated corporation's tax year ends before January 1, 2009, its adjusted taxable income is equal to its taxable income or taxable income earned in Canada reported on line 10 (or line 20 if applicable) on the Ontario *CT23 Corporations Tax and Annual Return*, or the Ontario *Corporations Tax Return CT8*, whichever is applicable.
- If the associated corporation's tax year ends after December 31, 2008, its adjusted taxable income is equal to its taxable income or taxable income earned in Canada **plus** its adjusted Crown royalties **minus** its notional resource allowance for the year.
- If the associated corporation's tax year is less than 51 weeks and is the only tax year of the associated corporation that ends in the filing corporation's tax year, **multiply** the associated corporation's adjusted taxable income by 365 and **divide** by the number of days in the associated corporation's tax year.
- If the associated corporation has two or more tax years ending in the filing corporation's tax year, enter the last tax year-end date on line 300 and, for the entry on line 400, **multiply** the sum of the adjusted taxable income for each of those tax years by 365, and **divide** by the total number of days in all of those tax years.

T2 SCH 501 E

Canada

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PARRY SOUND POWER CORPORATION
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SCHEDULE 510

ONTARIO CORPORATE MINIMUM TAX

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- File this schedule if the corporation is subject to Ontario corporate minimum tax (CMT). CMT is levied under section 55 of the *Taxation Act, 2007* (Ontario).
- Complete Part 1 to determine if the corporation is subject to CMT for the tax year.
- A corporation not subject to CMT in the tax year is still required to file this schedule if it is deducting a CMT credit, has a CMT credit carryforward, or has a CMT loss carryforward or a current year CMT loss.
- A corporation that has Ontario special additional tax on life insurance corporations (SAT) payable in the tax year must complete Part 4 of this schedule even if it is not subject to CMT for the tax year.
- A corporation is exempt from CMT if, throughout the tax year, it was one of the following:
 - 1) a corporation exempt from income tax under section 149 of the federal *Income Tax Act*;
 - 2) a mortgage investment corporation under subsection 130.1(6) of the federal Act;
 - 3) a deposit insurance corporation under subsection 137.1(5) of the federal Act;
 - 4) a congregation or business agency to which section 143 of the federal Act applies;
 - 5) an investment corporation as referred to in subsection 130(3) of the federal Act; or
 - 6) a mutual fund corporation under subsection 131(8) of the federal Act.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Determination of CMT applicability

Total assets of the corporation at the end of the tax year *	112	7,590,447
Share of total assets from partnership(s) and joint venture(s) *	114	
Total assets of associated corporations (amount from line 450 on Schedule 511)	116	4,999,781
Total assets (total of lines 112 to 116)		12,590,228
Total revenue of the corporation for the tax year **	142	9,166,732
Share of total revenue from partnership(s) and joint venture(s) **	144	
Total revenue of associated corporations (amount from line 550 on Schedule 511)	146	1,465,677
Total revenue (total of lines 142 to 146)		10,632,409

The corporation is subject to CMT if:

- for tax years ending before July 1, 2010, the total assets at the end of the year of the corporation or the associated group of corporations exceed \$5,000,000 or the total revenue for the year of the corporation or the associated group of corporations exceeds \$10,000,000.
- for tax years ending after June 30, 2010, the total assets at the end of the year of the corporation or the associated group of corporations exceed \$50,000,000 or the total revenue for the year of the corporation or the associated group of corporations exceeds \$100,000,000.

If the corporation is not subject to CMT, do not complete the remaining parts unless the corporation is deducting a CMT credit, or has a CMT credit carryforward, a CMT loss carryforward, a current year CMT loss, or has SAT payable in the year.

*** Rules for total assets**

- Report total assets in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- Exclude unrealized gains and losses on assets and foreign currency gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.
- The amount on line 114 is determined at the end of the last fiscal period of the partnership or joint venture that ends in the tax year of the corporation. Add the proportionate share of the assets of the partnership(s) and joint venture(s) and deduct the recorded asset(s) for the investment in partnerships and joint ventures.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the *Taxation Act, 2007* (Ontario) and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were \$1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the *Taxation Act, 2007* (Ontario).

**** Rules for total revenue**

- Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- If the tax year is less than 51 weeks, **multiply** the total revenue of the corporation or the partnership, whichever applies, by 365 and **divide** by the number of days in the tax year.
- The amount on line 144 is determined for the partnership or joint venture fiscal period that ends in the tax year of the corporation. If the partnership or joint venture has 2 or more fiscal periods ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.
- A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the *Taxation Act, 2007* (Ontario) and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were \$1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the *Taxation Act, 2007* (Ontario).

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Part 2 – Calculation of adjusted net income/loss for CMT purposes

Net income/loss per financial statements *	210	-36,417
Add (to the extent reflected in income/loss):		
Provision for current income taxes/cost of current income taxes	220	11,762
Provision for deferred income taxes (debits)/cost of future income taxes	222	
Equity losses from corporations	224	
Financial statement loss from partnerships and joint ventures	226	
Dividends paid/payable to shareholders (other than dividends paid by credit unions)	230	
Other additions (see note below):		
Share of adjusted net income of partnerships and joint ventures **	228	
Total patronage dividends received, not already included in net income/loss	232	
281	282	
283	284	
	Subtotal	11,762 A
Deduct (to the extent reflected in income/loss):		
Provision for recovery of current income taxes/benefit of current income taxes	320	
Provision for deferred income taxes (credits)/benefit of future income taxes	322	
Equity income from corporations	324	
Financial statement income from partnerships and joint ventures	326	
Dividends deductible under section 112, section 113, or subsection 138(6) of the federal Act	330	
Dividends not taxable under section 83 of the federal Act (from Schedule 3)	332	
Gain on donation of listed security or ecological gift	340	
Accounting gain on transfer of property to a corporation under section 85 or 85.1 of the federal Act ***	342	
Accounting gain on transfer of property to/from a partnership under section 85 or 97 of the federal Act ****	344	
Accounting gain on disposition of property under subsection 13(4), subsection 14(6), or section 44 of the federal Act *****	346	
Accounting gain on a windup under subsection 88(1) of the federal Act or an amalgamation under section 87 of the federal Act	348	
Other deductions (see note below):		
Share of adjusted net loss of partnerships and joint ventures **	328	
Tax payable on dividends under subsection 191.1(1) of the federal Act multiplied by 3	334	
Interest deducted/deductible under paragraph 20(1)(c) or (d) of the federal Act, not already included in net income/loss	336	
Patronage dividends paid (from Schedule 16) not already included in net income/loss	338	
381	382	
383	384	
385	386	
387	388	
389	390	
	Subtotal	B
Adjusted net income/loss for CMT purposes (line 210 plus amount A minus amount B)	490	-24,655

If the amount on line 490 is positive and the corporation is subject to CMT as determined in Part 1, enter the amount on line 515 in Part 3.
 If the amount on line 490 is negative, enter the amount on line 760 in Part 7 (enter as a positive amount).

Note:

Under Other additions, enter any realized or unrealized mark-to-market losses and foreign currency losses on assets that are included in income for accounting purposes but not in income for tax purposes, in accordance with *Ontario Regulation 37/09*. Under Other deductions, enter any realized or unrealized mark-to-market gains and foreign currency gains on assets that are included in income for accounting purposes but not in income for tax purposes, in accordance with *Ontario Regulation 37/09*.

*** Rules for net income/loss**

- Banks must report net income/loss as per the report accepted by the Superintendent of Financial Institutions under the federal *Bank Act*, adjusted so consolidation and equity methods are not used.
- Life insurance corporations must report net income/loss as per the report accepted by the federal Superintendent of Financial Institutions or equivalent provincial insurance regulator, before SAT and adjusted so consolidation and equity methods are not used. If the life insurance corporation is resident in Canada and carries on business in and outside of Canada, multiply the net income/loss by the ratio of the Canadian reserve liabilities divided by the total reserve liability. The reserve liabilities are calculated in accordance with Regulation 2405(3) of the federal Act.

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Part 2 – Calculation of adjusted net income/loss for CMT purposes (continued)

- Other corporations must report net income/loss in accordance with generally accepted accounting principles, except that consolidation and equity methods must not be used. When the equity method has been used for accounting purposes, equity losses and equity income are removed from book income/loss on lines 224 and 324 respectively.
- Corporations, other than insurance corporations, should report net income from line 9999 of the GIF (Schedule 125) on line 210.
- ** The share of the adjusted net income of a partnership or joint venture is calculated as if the partnership or joint venture was a corporation and the tax year of the partnership or joint venture was its fiscal period. For a corporation with an indirect interest in a partnership through one or more partnerships, determine the corporation's share according to clause 54(5)(c) of the *Taxation Act, 2007* (Ontario).
- *** A joint election will be considered made under subsection 60(1) of the *Taxation Act, 2007* (Ontario) if there is an entry on line 342, and an election has been made for transfer of property to a corporation under subsection 85(1) of the federal Act.
- **** A joint election will be considered made under subsection 60(2) of the *Taxation Act, 2007* (Ontario) if there is an entry on line 344, and an election has been made under subsection 85(2) or 97(2) of the federal Act.
- ***** A joint election will be considered made under subsection 61(1) of the *Taxation Act, 2007* (Ontario) if there is an entry on line 346, and an election has been made under subsection 13(4) or 14(6) and/or section 44 of the federal Act.

For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Part 3 – Calculation of CMT payable

Adjusted net income for CMT purposes (line 490 in Part 2, if positive)	515	
CMT loss available (amount R from Part 7)		
Minus: Adjustment for an acquisition of control *	518	
Adjusted CMT loss available		C
Net income subject to CMT calculation (if negative, enter "0")	520	
Amount from line 520	x	Number of days in the tax year before July 1, 2010
		365
	x	4 % =
		1
Amount from line 520	x	Number of days in the tax year after June 30, 2010
		365
	x	2.7 % =
		2
Subtotal (amount 1 plus amount 2)		3
Gross CMT: amount on line 3 above x OAF **		540
Deduct:		
Foreign tax credit for CMT purposes ***		550
CMT after foreign tax credit deduction (line 540 minus line 550) (if negative, enter "0")		D
Deduct:		
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		3,921
Net CMT payable (if negative, enter "0")		E
Enter amount E on line 278 of Schedule 5, <i>Tax Calculation Supplementary – Corporations</i> and complete Part 4.		
* Portion of CMT loss available that exceeds the adjusted net income for the tax year from business(es) continued from before the acquisition of control. See subsection 58(3) of the <i>Taxation Act, 2007</i> (Ontario).		
*** Enter "0" on line 550 for life insurance corporations as they are not eligible for this deduction. For all other corporations, enter the cumulative total of amount J for the province of Ontario from Part 9 of Schedule 21 on line 550.		
** Calculation of the Ontario allocation factor (OAF):		
If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line F.		
If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation, and enter the result on line F:		
Ontario taxable income ****	=	
Taxable income *****		
Ontario allocation factor		1.00000 F
**** Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5. If the taxable income is nil, calculate the amount in column F as if the taxable income were \$1,000.		
***** Enter the taxable income amount from line 360 or amount Z of the T2 return, whichever applies. If the taxable income is nil, enter "1,000."		

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Part 4 – Calculation of CMT credit carryforward

CMT credit carryforward at the end of the previous tax year *	_____	G
Deduct:		
CMT credit expired *	600	
CMT credit carryforward at the beginning of the current tax year * (see note below)	_____	620
Add:		
CMT credit carryforward balances transferred on an amalgamation or the windup of a subsidiary (see note below)	650	
CMT credit available for the tax year (amount on line 620 plus amount on line 650)	_____	H
Deduct:		
CMT credit deducted in the current tax year (amount P from Part 5)	_____	I
	Subtotal (amount H minus amount I)	J
Add:		
Net CMT payable (amount E from Part 3)	_____	
SAT payable (amount O from Part 6 of Schedule 512)	_____	
	Subtotal	K
CMT credit carryforward at the end of the tax year (amount J plus amount K)	670	L

* For the first harmonized T2 Return filed with a tax year that includes days in 2009:
– do not enter an amount on line G or line 600.
– for line 620, enter the amount from line 2336 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)* for the last tax year that ended in 2008.
For other tax years, enter on line G the amount from line 670 of Schedule 510 from the previous tax year.
Note: If you entered an amount on line 620 or line 650, complete Part 6.

Part 5 – Calculation of CMT credit deducted from Ontario corporate income tax payable

CMT credit available for the tax year (amount H from Part 4)	_____	M
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)	3,921	1
For a corporation that is not a life insurance corporation:		
CMT after foreign tax credit deduction (amount D from Part 3)	_____	2
For a life insurance corporation:		
Gross CMT (line 540 from Part 3)	_____	3
Gross SAT (line 460 from Part 6 of Schedule 512)	_____	4
The greater of amounts 3 and 4	_____	5
Deduct: line 2 or line 5, whichever applies:	_____	6
Subtotal (if negative, enter "0")	3,921	N
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)	3,921	
Deduct:		
Total refundable tax credits excluding Ontario qualifying environmental trust tax credit (amount J6 minus line 450 from Schedule 5)	_____	
Subtotal (if negative, enter "0")	3,921	O
CMT credit deducted in the current tax year (least of amounts M, N, and O)	_____	P

Enter amount P on line 418 of Schedule 5 and on line I in Part 4 of this schedule.

Is the corporation claiming a CMT credit earned before an acquisition of control? **675** 1 Yes ☐ 2 No ☒

If you answered **yes** to the question at line 675, the CMT credit deducted in the current tax year may be restricted. For information on how the deduction may be restricted, see subsections 53(6) and (7) of the *Taxation Act, 2007* (Ontario).

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Part 6 – Analysis of CMT credit available for carryforward by year of origin

Complete this part if you are reporting a CMT credit carryforward at the beginning of the tax year on line 620, or a CMT credit carryforward transferred on an amalgamation or the windup of a subsidiary on line 650. For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Year of origin	CMT credit balance *
10th previous tax year	680
9th previous tax year	681
8th previous tax year	682
7th previous tax year	683
6th previous tax year	684
5th previous tax year	685
4th previous tax year	686
3rd previous tax year	687
2nd previous tax year	688
1st previous tax year	689
Total **	

* CMT credit that was earned (by the corporation, predecessors of the corporation, and subsidiaries wound up into the corporation) in each of the previous 10 tax years and has not been deducted.

** Must equal the total of the amounts entered on lines 620 and 650 in Part 4.

Part 7 – Calculation of CMT loss carryforward

CMT loss carryforward at the end of the previous tax year * Q

Deduct:

CMT loss expired * 700

CMT loss carryforward at the beginning of the tax year * (see note below) 720

Add:

CMT loss transferred on an amalgamation under section 87 of the federal Act ** (see note below) 750

CMT loss available (line 720 plus line 750) R

Deduct:

CMT loss deducted against adjusted net income for the tax year (lesser of line 490 (if positive) and line C in Part 3) S

Subtotal (if negative, enter "0")

Add:

Adjusted net loss for CMT purposes (amount from line 490 in Part 2, if **negative**) (enter as a positive amount) 760 24,655

CMT loss carryforward balance at the end of the tax year (amount S plus line 760) 770 24,655 T

* For the first harmonized T2 Return filed with a tax year that includes days in 2009:
– do not enter an amount on line Q or line 700.
– for line 720, enter the amount from line 2214 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)* for the last tax year that ended in 2008.
For other tax years, enter on line Q the amount from line 770 of Schedule 510 from the previous tax year.

** Do not transfer a loss on a vertical amalgamation under subsection 87(2.11) of the federal Act or other amalgamation of a parent and its subsidiary.
Note: If you entered an amount on line 720 or line 750, complete Part 8.

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Part 8 – Analysis of CMT loss available for carryforward by year of origin

Complete this part if you are reporting a CMT loss carryforward at the beginning of the tax year on line 720 or a CMT loss transferred on an amalgamation on line 750. For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Year of origin	Balance earned in a tax year ending before March 24, 2007 *	Balance earned in a tax year ending after March 23, 2007 **
10th previous tax year	810	820
9th previous tax year	811	821
8th previous tax year	812	822
7th previous tax year	813	823
6th previous tax year	814	824
5th previous tax year	815	825
4th previous tax year	816	826
3rd previous tax year	817	827
2nd previous tax year	818	828
1st previous tax year		829
Total ***		

* Adjusted net loss for CMT purposes that was earned (by the corporation, by subsidiaries wound up into or amalgamated with the corporation before March 22, 2007, and by other predecessors of the corporation) in each of the previous 10 tax years that ended before March 24, 2007, and has not been deducted.

** Adjusted net loss for CMT purposes that was earned (by the corporation and its predecessors, but not by a subsidiary predecessor) in each of the previous 20 tax years that ended after March 23, 2007, and has not been deducted.

*** The total of these 2 columns must equal the total of the amounts entered on lines 720 and 750.

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PARRY SOUND POWER CORPORATION
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SCHEDULE 511

**ONTARIO CORPORATE MINIMUM TAX – TOTAL ASSETS
 AND REVENUE FOR ASSOCIATED CORPORATIONS**

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- For use by corporations to report the total assets and total revenue of all the Canadian or foreign corporations with which the filing corporation was associated at any time during the tax year. These amounts are required to determine if the filing corporation is subject to corporate minimum tax.
- Total assets and total revenue include the associated corporation's share of any partnership(s)/joint venture(s) total assets and total revenue.
- Attach additional schedules if more space is required.
- File this schedule with the T2 Corporation Income Tax Return.

	Names of associated corporations	Business number (Canadian corporation only) (see Note 1)	Total assets* (see Note 2)	Total revenue** (see Note 2)
	200	300	400	500
1	PARRY SOUND HYDRO CORPORATION	86370 8996 RC0001	3,171,792	88,771
2	PARRY SOUND ENERGY SERVICES CORPORATION	86370 9192 RC0001	1,156,604	1,154,147
3	PARRY SOUND POWERGEN CORPORATION	86371 6395 RC0001	671,385	222,759
	Total		4,999,781	1,465,677

Enter the total assets from line 450 on line 116 in Part 1 of Schedule 510, Ontario Corporate Minimum Tax.

Enter the total revenue from line 550 on line 146 in Part 1 of Schedule 510.

Note 1: Enter "NR" if a corporation is not registered.

Note 2: If the associated corporation does not have a tax year that ends in the filing corporation's current tax year but was associated with the filing corporation in the previous tax year of the filing corporation, enter the total revenue and total assets from the tax year of the associated corporation that ends in the previous tax year of the filing corporation.

*** Rules for total assets**

- Report total assets in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- Include the associated corporation's share of the total assets of partnership(s) and joint venture(s) but exclude the recorded asset(s) for the investment in partnerships and joint ventures.
- Exclude unrealized gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.

**** Rules for total revenue**

- Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- If the associated corporation has 2 or more tax years ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of those tax years by 365 and **divide** by the total number of days in all of those tax years.
- If the associated corporation's tax year is less than 51 weeks and is the only tax year of the associated corporation that ends in the filing corporation's tax year, **multiply** the associated corporation's total revenue by 365 and **divide** by the number of days in the associated corporation's tax year.
- Include the associated corporation's share of the total revenue of partnerships and joint ventures.
- If the partnership or joint venture has 2 or more fiscal periods ending in the associated corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.

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SCHEDULE 515

ONTARIO CAPITAL TAX ON OTHER THAN FINANCIAL INSTITUTIONS

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- Complete this schedule for a corporation with a permanent establishment in Ontario at any time in the tax year and that is a corporation other than a financial institution. The Ontario capital tax on other than financial institutions is levied under section 64 of the *Taxation Act, 2007* (Ontario).
- To complete this schedule, you have to complete Schedule 33, *Part I.3 Tax on Large Corporations*. File completed copies of both schedules with the *T2 Corporation Income Tax Return* within six months of the end of the tax year.
- A corporation is exempt from Ontario capital tax if it was one of the following:
 - 1) a corporation that is liable to the special additional tax according to section 74 of the *Corporations Tax Act* (Ontario);
 - 2) a credit union;
 - 3) a deposit insurance corporation according to section 137.1 of the federal *Income Tax Act*;
 - 4) a family farm corporation for the year as defined by subsection 64(3) of the *Taxation Act, 2007* (Ontario), other than a corporation for which a determination has been made under subsection 31(2) of the federal Act;
 - 5) a family fishing corporation, as defined by subsection 64(3) of the *Taxation Act, 2007* (Ontario); or
 - 6) a corporation exempt from income tax according to section 149 of the federal Act.

Part 1 – Taxable capital of a corporation resident in Canada other than a financial institution

Amount A from Part 1 of Schedule 33	100	5,000,656	
Add:			
Accumulated other comprehensive income at the end of the year	105		
		Subtotal	5,000,656 ▶ 5,000,656 A
Deduct:			
Amount B from Part 1 of Schedule 33	110		
Amount on line 490 from Part 2 of Schedule 33	115	100	
		Subtotal	100 ▶ 100 B
Taxable capital (amount A minus amount B) (if negative, enter "0")	120	5,000,556	

Part 2 – Capital deduction

Complete this part only if the corporation is associated.

Are you electing under subsection 83(2) of the *Taxation Act, 2007* (Ontario)? 190 1 Yes ☒ 2 No ☐

If you answered **no** to the question at line 190, complete line 220. If you answered **yes** to the question at line 190, complete line 305 by using Schedule 516, *Capital Deduction Election of Associated Group for the Allocation of Net Deduction*, to calculate the amount to be entered on line 300.

Taxable capital (from line 120) or taxable capital employed in Canada of a corporation that was a non-resident of Canada (from line 790 in Part 4 of Schedule 33)

200
210

x 15,000,000 \$ =

Capital deduction 220

Taxable capital or taxable capital employed in Canada of every corporation with a permanent establishment in Canada and associated for the last tax year *

* This amount includes the filing corporation's taxable capital or taxable capital employed in Canada. Do not include an amount from a financial institution or corporation that is exempt from capital tax under Division E of the *Taxation Act, 2007* (Ontario) or Part III of the *Corporations Tax Act* (Ontario).

Allocation of net deduction (from line 600 for the filing corporation from Schedule 516)
 Ontario allocation factor (OAF)
 (amount I in Part 3)

300

7,050,000
1.00000

Capital deduction 305 7,050,000

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Part 3 – Ontario capital tax payable

Taxable capital (enter amount from line 120 in Part 1) or taxable capital employed in Canada of a corporation that was a non-resident of Canada (enter amount from line 790 in Part 4 of Schedule 33), whichever applies **320** 5,000,556

Deduct:
 Capital deduction (Enter \$15,000,000 if the corporation is not associated. Otherwise, enter the amount from line 220 or line 305, whichever applies, from Part 2) **7,050,000** B

Net amount (line 320 minus amount B) (if negative, enter "0") C

Amount C x $\frac{\text{Number of days in the tax year before January 1, 2010}}{\text{Number of days in the tax year}}$ $\frac{365}{365}$ x 0.00225 = D

Amount C x $\frac{\text{Number of days in the tax year after December 31, 2009 and before July 1, 2010}}{\text{Number of days in the tax year}}$ $\frac{365}{365}$ x 0.00150 = E

Subtotal (amount D plus amount E) F

Amount F x OAF (amount on line I) 1.00000 = G

Amount G x $\frac{\text{Number of days in the tax year}^*}{365}$ $\frac{365}{365}$ = H

Deduct:
 Capital tax credit for manufacturers (enter amount J from Part 4) **350**

Ontario capital tax payable (amount H minus line 350) (if negative, enter "0") **400**

Enter amount from line 400 on line 282 of Schedule 5, *Tax Calculation Supplementary - Corporations*.

* Enter either 365 if there are at least 51 weeks in the tax year, or the number of days in the year, whichever applies.

Calculation of the Ontario allocation factor (OAF)

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line I.

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation and enter the result on line I:

Ontario taxable income ** =
 Taxable income ***

Ontario allocation factor 1.00000 I

** Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5. If the taxable income is nil, calculate the amount in column F as if the taxable income were \$1,000.

*** Enter the taxable income amount from line 360 or line Z of the T2 return, whichever applies. If the taxable income is nil, enter "1,000."

Part 4 – Capital tax credit for manufacturers

Ontario manufacturing labour cost* **405**
 Total Ontario labour cost** **410**

..... x 100 = **420** %

If the percentage on line 420 is 20% or less, enter "0" on line J.
 If the percentage on line 420 is at least 50%, enter amount H from Part 3 on line J.
 If the percentage on line 420 is more than 20% but less than 50%, complete the following calculation and enter the result on line J:

$\frac{(\text{percentage from line 420}) - 20\%}{30\%} \times 30.000\%$ x Amount H from Part 3 = J

Capital tax credit for manufacturers
 Enter amount J on line 350 in Part 3

* As defined in subsection 83.1(4) of the *Taxation Act, 2007* (Ontario)
 ** As defined in subsection 83.1(5) of the *Taxation Act, 2007* (Ontario)

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SCHEDULE 516

CAPITAL DEDUCTION ELECTION OF ASSOCIATED GROUP FOR THE ALLOCATION OF NET DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- Complete this schedule to allocate the associated group's net deduction for the capital deduction election under subsection 83(2) of the *Taxation Act*, 2007 (Ontario). The associated group includes the filing corporation (see line 190 of Part 2 of Schedule 515, *Ontario Capital Tax on Other than Financial Institutions*).
- If you need more space, attach more schedules.
- File this schedule with the *T2 Corporation Income Tax Return*.

A Names of eligible corporations in the associated group	B Business Number of associated corporations (enter "NR" if a corporation is not registered)	C Ontario allocation factor (OAF)* (enter as a percentage)	D Total assets**	E Net deduction (\$15 million x line 300) multiplied by line 400 line 700	F Allocation of net deduction ***
100	200	300	400	500	600
1. PARRY SOUND POWER CORPORATION	89055 3811 RC0001	100.000	7,874,185	9,135,165	7,050,000
2. PARRY SOUND HYDRO CORPORATION	86370 8996 RC0001	100.000	3,161,765	3,668,093	6,000,000
3. PARRY SOUND ENERGY SERVICES CORPORATION	86370 9192 RC0001	100.000	1,174,148	1,362,177	1,200,000
4. PARRY SOUND POWERGEN CORPORATION	86371 6395 RC0001	100.000	719,365	834,565	750,000
Total assets of associated group (total of amounts in column D)			700 12,929,463		
Total net deduction (total of amounts in column E)				800 15,000,000	
Total allocated net deduction (total of amounts in column F) (not to exceed amount on line 800)					900 15,000,000

* OAF from the last tax year ending in the calendar year preceding the calendar year in which the filing corporation's tax year ends.

** Total assets of each corporation in the associated group as recorded in the books and records for the last tax year ending in the calendar year preceding the calendar year in which the filing corporation's tax year ends. If the corporation is not resident in Canada, enter the amount of its total assets situated in Canada.

*** Enter the amount from this column allocated to the filing corporation on line 300 of Schedule 515.

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SCHEDULE 524

ONTARIO SPECIALTY TYPES

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- Use this schedule to identify the specialty type of a corporation carrying on business in the province of Ontario through a permanent establishment if:
 - its tax year includes January 1, 2009;
 - the tax year is the first year after incorporation or an amalgamation; or
 - there is a change to the specialty type.
- If none of the listed specialty types applies, tick box 99 "Other."
- Unless otherwise noted, references to sections, subsections, and clauses are from the *Taxation Act, 2007* (Ontario).

Specialty types

100 Identify the specialty type that applies to your corporation:

- ☐ 01 Family farm corporation – See subsection 64(3).
- ☐ 02 Family fishing corporation – See subsection 64(3).
- ☐ 03 Mortgage investment corporation – See subsection 130.1(6) of the federal *Income Tax Act*.
- ☐ 04 Credit union – See subsection 137(6) of the federal Act.
- ☐ 06 Bank – See subsection 248(1) of the federal Act.
- ☐ 08 Financial institution prescribed by regulation only – See clause 66(2)(f).
- ☐ 09 Registered securities dealer – See subsection 248(1) of the federal Act.
- ☐ 10 Farm feeder finance co-operative corporation
- ☐ 11 Insurance corporation – See subsection 248(1) of the federal Act.
- ☐ 12 Mutual insurance – See subsection 27(2) of the *Taxation Act, 2007* (Ontario) and paragraph 149(1)(m) of the federal Act.
- ☐ 13 Specialty mutual insurance
- ☐ 14 Mutual fund corporation – See subsection 131(8) of the federal Act.
- ☐ 15 Bare trustee corporation
- ☐ 16 Professional corporation (incorporated professional only) – See subsection 248(1) of the federal Act.
- ☐ 17 Limited liability corporation
- ☐ 18 Generator of electrical energy for sale, or producer of steam for use in the generation of electrical energy for sale – See subsection 33(7).
- ☒ 19 Hydro successor, municipal electrical utility, or subsidiary of either – See subsection 91.1(1) and section 88 of the *Electricity Act, 1998* (Ontario).
- ☐ 20 Producer and seller of steam for uses other than for the generation of electricity – See subsection 33(7).
- ☐ 21 Mining corporation
- ☐ 22 Non-resident corporation
- ☐ 99 Other (if none of the previous descriptions apply)

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SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
PARRY SOUND POWER CORPORATION	89055 3811 RC0001	2009-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the *Business Corporations Act* (BCA) or *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the Ontario *Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up to date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit www.ServiceOntario.ca.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 – Identification

100 Corporation's name (exactly as shown on the MGS public record) PARRY SOUND POWER CORPORATION			
Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent Ontario	110 Date of incorporation or amalgamation, whichever is the most recent Year Month Day 2000-10-31	120 Ontario Corporation No. 1448207	

Part 2 – Head or registered office address (P.O. box not acceptable)

200 Care of (if applicable)			
210 Street number 125	220 Street name WILLIAM STREET	230 Suite number	
240 Additional address information			
250 Municipality (e.g., city, town) PARRY SOUND	260 Province/state ON	270 Country CA	280 Postal/zip code P2A 1V9

Part 3 – Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS with respect to names, addresses for service, and the date elected/appointed and date ceased of the directors and five most senior officers, or the corporation's mailing address or language of preference? Obtain a Corporation Profile Report to review the information shown for the corporation on the public record maintained by the MGS. For more information, visit www.ServiceOntario.ca.

- 300** ☒ 1 If there have been no changes, enter 1 in this box and then go to "Part 4 – Certification."
☐ 2 If there are changes, enter 2 in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 EPPS Last name	451 CALVIN First name
454 _____ Middle name(s)	

- 460** ☒ 1 Please enter one of the following numbers in this box for the above-named person: enter 1 for director, 2 for officer, or 3 for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter 1 or 2.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

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Complete the applicable parts to report changes in the information recorded on the MGS public record.

Part 5 – Mailing address

500	<input type="checkbox"/> Please enter one of the following numbers in this box:	1 - Show no mailing address on the MGS public record. 2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule. 3 - The corporation's complete mailing address is as follows:					
510	Care of (if applicable)						
520	Street number	530	Street name	540	Suite number		
550	Additional address information						
560	Municipality (e.g., city, town)	570	Province/state	580	Country	590	Postal/zip code

Part 6 – Language of preference

600	<input checked="checked" type="checkbox"/> 1	Indicate your language preference by entering 1 for English or 2 for French. This is the language of preference recorded on the MGS public record for communication with the corporation. This may be different from line 990 on the T2 return.
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PARRY SOUND POWER CORPORATION
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Corporate Taxpayer Summary

Corporate information

Corporation's name	PARRY SOUND POWER CORPORATION															
Taxation Year	2009-01-01 to 2009-12-31															
Jurisdiction	Ontario															
	BC	AB	SK	MB	ON	QC	NB	NS	NO	PE	NL	XO	YT	NT	NU	OC
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporation is associated	Y															
Corporation is related	Y															
Number of associated corporations	3															
Type of corporation	Canadian-Controlled Private Corporation															
Total amount due (refund) federal and provincial*	-18,238															

* The amounts displayed on lines "Total amount due (refund) federal and provincial" are all listed in the help. Press F1 to consult the context-sensitive help.

Summary of federal information

Net income	71,285	
Taxable income	71,285	
Donations		
Calculation of income from an active business carried on in Canada	71,285	
Dividends paid		
Balance of the low rate income pool at the end of the previous year		
Balance of the low rate income pool at the end of the year		
Balance of the general rate income pool at the end of the previous year	219,815	
Balance of the general rate income pool at the end of the year	219,815	
Part I tax (base amount)	27,088	
Surtax		
Credits against part I tax	Summary of tax	Refunds/credits
Small business deduction 12,118	Part I 7,841	ITC refund
M&P deduction	Part IV	Dividends refund
Foreign tax credit	Part III.1	Instalments 30,000
Political contributions	Other*	Surtax credit
Investment tax credits	Provincial or territorial tax 3,921	Other*
Abatement/Other* 7,129		
	Balance due/refund (-)	-18,238

* The amounts displayed on lines "Other" are all listed in the Help. Press F1 to consult the context-sensitive help.

Summary of federal carryforward/carryback information

Carryback amounts	
Investment tax credits	
Non-capital loss	
Capital loss	
Farm loss	
Restricted farm loss	
Surtax credit	
Part I tax credit (Schedule 42)	
Federal foreign non-business income tax credit	
Carryforward balances	
RDTOH	
Charitable donations	
Gifts to Canada, a province or a territory	

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Summary of federal carryforward/carryback information (continued)

Gifts of certified cultural property	
Gifts of certified ecologically sensitive land	
Gifts of medicine	
Investment tax credits	
Non-capital losses	
Capital/L.P.P. losses	
Farm losses	
Restricted farm losses	
Current year's balance of SR&ED expenditures (T661)	
Foreign business tax credit	
Unused surtax credit (Schedule 37)	12,069
Capital dividend amount	
Part I tax credit (Schedule 42)	
Cumulative eligible capital	363,007
Capital gains reserves	
Financial statement reserve	
Other reserves	
Balance of patronage dividends	
Continuity of exemption of accumulated income	

Summary of provincial information – provincial income tax payable

	Ontario	Québec (CO-17)	Alberta (AT1)
Net income	N/A		
Taxable income	N/A		
% Allocation	100.00		
Attributed taxable income			
Surtax		N/A	N/A
Tax payable before deduction*	9,980		
Deductions and credits	6,059		
Net tax payable	3,921		
Attributed taxable capital	5,000,556		N/A
Capital tax payable**			N/A
Total tax payable***	3,921		
Instalments and refundable credits			
Balance due/Refund (-)	3,921		
<p>* For Québec, this includes special taxes and logging operations. ** For Québec, this includes compensation tax and registration fee. *** For Ontario, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations. The Balance due/Refund is included in the federal Balance due/refund.</p>			
	British Columbia	Saskatchewan	Manitoba
% Allocation			
Attributed taxable income			
Tax payable before deduction*			
Deductions and credits			
Tax payable or refundable credit			
Attributed taxable capital			
Capital tax payable**			
Instalments and refundable credits			
Balance due/Refund (-)			
<p>* For British Columbia, this includes the Logging Tax Payable. ** For Manitoba, this includes the Outstanding Balance Excluding Instalments.</p>			

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Summary of provincial information – provincial income tax payable (continued)

	Newfoundland and Labrador	Prince Edward Island	Nova Scotia	New Brunswick
% Allocation				
Attributed taxable income				
Tax payable before deduction				
Deductions and credits				
Tax payable or refundable credit				
Attributed taxable capital				
Capital tax payable				
Instalments and refundable credits				
Balance due/Refund (-)*				
* Only applies in the case of bank, a loan corporation or a trust corporation.				
		Yukon	Northwest Territories	Nunavut
% Allocation				
Attributed taxable income				
Tax payable before deduction				
Deductions and credits				
Tax payable or refundable credit				

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Summary of provincial carryforward amounts

	Québec	Alberta
Non-capital losses		
Net capital/L.P.P. losses		
Farm losses		
Restricted farm losses		
Donations		
Capital gains reserves		
Financial statement reserves		
Other reserves		
Eligible capital	363,007	363,007
Other carryforward amounts		
Ontario		
Transitional tax credit – Schedule 506		
Ontario research and development tax credit – Schedule 508		
Corporate minimum tax credit that can be carried forward over 20 years – Schedule 510		
Corporate minimum tax credit that can be carried forward over 10 years – Schedule 510		
Corporate minimum tax loss that can be carried forward over 20 years – Schedule 510		24,655
Corporate minimum tax loss that can be carried forward over 10 years – Schedule 510		
Ontario political contributions tax credit that can be carried forward over 20 years – Schedule 525		
Québec		
R&D expenditures not deducted at the end of the year – RD-222		
Tax credit for fees and dues paid to a research consortium – RD-1029.8.9.03		
Foreign non-business income tax credits – CO-17S.39		
Non-refundable tax credit for resources – 1029.8.36.EM		
Investment Tax Credit – CO-1029.8.36.IN		
Development work expenses – FM220.3		
Excess development work expenses – FM220.3		
Balance of patronage dividends – CO-786		
Alberta		
Unclaimed SR&ED expenditure pool deduction balance – A16		
British Columbia		
Scientific research and experimental development – Schedule 425		
Manufacturing and processing – Schedule 426		
Manitoba		
Research and development – Schedule 380		
Manufacturing investment – Schedule 381		
Co-op education and apprenticeship – Schedule 384		
Odour control – Schedule 385		
Community enterprise investment – Schedule 387		
Saskatchewan		
Royalty tax rebate – Schedule 400		
Manufacturing and processing investment – Schedule 402		
Research and development – Schedule 403		
Newfoundland and Labrador		
Direct equity tax – Schedule 303		
Prince Edward Island		
Investment – Schedule 321		
Nova Scotia		
Energy efficiency tax credit – Schedule 342		
Manufacturing and processing investment – Schedule 344		
New Brunswick		
Research and development – Schedule 360		
Nunavut		
Investment – Schedule 480		

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Diagnostics : All

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PARRY SOUND POWER CORPORATION
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Type	Group	Jurisdiction	Diagnostic	Annotation
Filing	GIFI	Federal	F1 — Please attach a copy of the notes to the financial statements together with the printed federal bar codes.	
Tax planning possibilities	CCH	Federal	P10 — Schedule 9 Worksheet - Business limit allocated exceeds taxable income. Consider reallocation.	
Tax planning possibilities	CCH	Federal	P51 — Schedule 200 - If you want to apply the current-year refund against the tax instalments for the coming year, the amount must be entered in the tax instalments list in order for the program to reflect this amount in the calculation of the instalments for the coming year.	
Tax planning possibilities	CCH	Federal	P58 — Instalment - Verify if you are eligible for quarterly instalment payments, since you already meet several conditions. Answer the eligibility questions in order for the quarterly instalments to be calculated.	
Possible input error	CCH	Federal	E19 — Identification - Year end of the corporation is after the release date of this version. Verify for any tax changes after 2009-11-15.	
Review	CCH	Federal	O103 — Overridden data - You can see the list by using the "Overridden data" filter in Xpress.	

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2009-12-31

PARRY SOUND POWER CORPORATION
 89055 3811 RC0001

Federal Tax Instalments

Federal tax instalments

For the taxation year ended 2010-12-31

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with the appropriate remittance voucher to the following address:

Canada Revenue Agency
 875 Heron Road
 Ottawa ON K1A 1B1

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

Monthly instalment workchart

Date	Monthly tax instalments	Instalments paid	Cumulative difference	Instalments payable
2010-01-31	981	18,238	-17,257	
2010-02-28	981		-16,276	
2010-03-31	981		-15,295	
2010-04-30	981		-14,314	
2010-05-31	981		-13,333	
2010-06-30	981		-12,352	
2010-07-31	981		-11,371	
2010-08-31	981		-10,390	
2010-09-30	981		-9,409	
2010-10-31	981		-8,428	
2010-11-30	981		-7,447	
2010-12-31	971		-6,476	
Total	11,762	18,238		

Quarterly instalment workchart

Date	Quarterly tax instalments	Instalments paid	Cumulative difference	Instalments payable
2010-03-31				
2010-06-30				
2010-09-30				
2010-12-31				
Total				

Instalment method

Indicate instalment method chosen [1-3] 1

1st Instalment base method

If payment of instalments other than quarterly instalments is delayed, indicate the MONTH in which you want them to begin (1=January, 2=February, etc.).

1

Select this box if you want the instalments to be calculated without taking the applicable thresholds into account

☐

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Quarterly instalments calculation

The corporation must meet requirements 1 to 5 to be eligible for quarterly instalments for a tax year.

- 1 – Is the corporation a Canadian-controlled private corporation (CCPC)? ☒ Yes ☐ No
- 2 – Did the corporation claim any deduction under the section 125, during either the current or previous year? ☒ Yes ☐ No
- 3 – Is the corporation's, or any of its associated corporations', taxable income for the current or previous year less than or equal to \$500,000? ☐ Yes ☐ No
- 4 – Is the corporation and any associated corporations' taxable capital employed in Canada for the current or previous year less than or equal to \$10,000,000? ☐ Yes ☐ No
- 5 – Does the corporation have a perfect compliance history in the last 12 months? ☐ Yes ☐ No
- If you do not want to use the quarterly instalments option, select this box to go back to monthly instalments. ☐

*Consult the Help (F1) for information on the changes relating to years subsequent to 2008.

1 – 1st Instalment base method

1st Instalment base amount (amount N below) $11,762 \div 12 = 981$

Monthly instalments required $11,762 \div 4 = 981$

Quarterly tax instalments required $11,762 \div 4 = 981$

2 – Combined 1st and 2nd instalment base method

Select this box if you want the first 2 payments* to be calculated without taking the applicable thresholds into account? ☐

2nd Monthly instalment base amount

Indicate: Part I tax $39,937$

Part VI, VI.1 and XIII.1 tax +

Federal adjustment for amalgamation, winding up or transfer +

Provincial tax, other than Alberta, Québec and Ontario +

Ontario tax** $19,969$

Provincial adjustment for amalgamation, winding up or transfer +

Total $= 59,906 \div 12 = 4,993$ A

1/12 of estimated current year credits (M below /12) $-$

Each of the first two instalment payments $= 4,993$ B

Total tax from N below $11,762$

Amount B above x 2 $- 9,986$

$= 1,776 \div 10 = 178$

Each of the remaining ten instalment payments $= 178$

2nd Quarterly instalment base amount

Indicate: Part I tax $39,937$

Part VI, VI.1 and XIII.1 tax +

Federal adjustment for amalgamation, winding up or transfer +

Provincial tax, other than Alberta, Québec and Ontario +

Ontario tax** $19,969$

Provincial adjustment for amalgamation, winding up or transfer +

Total $= 59,906 \div 4 = 14,977$ A

1/4 of estimated current year credits (M below /4) $-$

The first instalment payment $=$ B

Total tax from N below $11,762$

Amount B above $-$

$= 11,762 \div 3 = 3,921$ *

Each of the remaining three instalment payments $=$

* It is the first payment if the quarterly instalments are applicable.

** Use this line only to calculate instalments payable with regard to taxation years ending in 2009 and after.

3 – Estimated tax method

Instalment base amount (amount N below) $\div 12 =$

Monthly instalments required $=$

Quarterly tax instalments required $\div 4 =$

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PARRY SOUND POWER CORPORATION
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Instalment base calculation

Federal tax

Taxable income

1st instalment
base method

Estimated
tax method

71,285

Calculation of tax payable

Federal part I tax

27,088

Federal surtax

+

+

Recapture of investment tax credit

+

+

Refundable tax on a CCPC's investment income

+

+

Subtotal

=

27,088

=

A

Deduction

Small business deduction

12,118

Investment corporation deduction

+

+

Federal tax abatement

+

+

7,129

Manufacturing and processing profits deduction

+

+

Non-business foreign tax credit

+

+

Business foreign tax credit

+

+

Tax reduction, general and accelerated

+

+

Logging tax credit

+

+

Federal political contribution tax credit

+

+

Investment tax credit per Schedule 31 and resource deduction

+

+

Qualifying environmental trust tax credit

+

+

Subtotal

=

19,247

=

B

Federal tax summary

Total part I tax payable (A minus B)

7,841

C

Part VI tax

+

+

D

Part VI.1 tax

+

+

E1

Part XIII.1 tax

+

+

E2

Parts I, VI, VI.1 and XIII.1

Total

=

7,841

=

F

Federal adjustments

Adjustment for short taxation years multiplied by 365 and divided by the number of days in the year if less than 365

x

365 / 365

x

365 / 365

Subtotal

=

7,841

=

Federal adjustment for amalgamation, winding up or transfer

+

+

N/A

Total federal tax after adjustments

=

7,841

=

G

Provincial tax

Provincial/territorial tax, other than Alberta, Québec and Ontario

+

+

H

Ontario tax

Use this section only to calculate instalments payable with regard to taxation years ending in 2009 and after (for other tax years, see the *Ontario Tax Instalments* schedule (Jump Code: ION)):

Income tax

3,921

Capital tax

+

Corporate minimum tax paid (credited)

+

Special additional tax on life insurance corporations

+

Total Ontario tax* = 3,921

+

3,921

+

I

Harmonized provincial tax (H + I)

Total harmonized provincial tax

=

3,921

=

J

Provincial adjustments

Adjustment for short taxation years multiplied by 365 and divided by the number of days in the year if less than 365

x

365 / 365

x

365 / 365

Subtotal

=

3,921

=

Provincial adjustment for amalgamation, winding up or transfer

+

+

N/A

Total provincial tax after adjustments

=

3,921

=

K

Total of tax before refundable credits** (G + K)

=

11,762

=

L

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PARRY SOUND POWER CORPORATION
 89055 3811 RC0001

Instalment base calculation (continued)

Estimated current year credits			
Investment tax credit refund			
Dividend refund	+		+
Federal capital gains refund	+		+
Provincial and territorial capital gains refund	+		+
NRO allowable refund per Schedule 26	+		+
Tax withheld at source	+		+
Other estimated credits	+		+
Total estimated current year credits	=		= M
Instalment base amount (L minus M)		11,762	N

* Ontario tax corresponds to the amount before the application of specified Ontario tax credits.

** For instalments payable for tax years beginning before 2008, the amount on line G is not added to line L unless it exceeds \$1,000. The same rule applies to line K. For instalments payable for tax years beginning after 2007, the amount on line G is not added to line L unless it exceeds \$3,000. The same rule applies to line K.

DEPARTMENTAL AND CORPORATE OM&A ACTIVITIES:

OPERATIONS & MAINTENANCE

The expenses for this department include all costs relating to the operation (5000-5095) and maintenance (5105-5195) of the electrical system. This includes both direct labor costs and non-capital material spending to support both scheduled and reactive maintenance events. PSP as discussed throughout this application will be restructuring to meet the ARC guidelines, commencing in 2011. PSP will be operating with the necessary staff and equipment needed to operate a fully compliant distribution company. As part of our maintenance strategy, to the extent possible, and to minimize reactive and emergency-type work PSP will follow the newly created asset management plan.

PSP's customer responsiveness and system reliability are monitored continually to ensure that its maintenance strategy is effective. This effort is coordinated with capital project work, so that where maintenance programs have identified matters where the correction of which require capital investments, PSP may adjust its capital spending priorities to address those matters.

Predictive Maintenance:

Predictive maintenance activities involve the testing of elements of the complete distribution system. These activities include infrared thermography testing, transformer oil analysis, planned visual inspections and pole testing. These evaluation tools are all administered using a grid system with appropriate frequency levels. Any identified deficiencies found are prioritized and addressed within a suitable time frame.

Preventative Maintenance:

Preventative maintenance activities include inspection, servicing and repair of network components. This includes overhead and pad-mounted load break switch maintenance and cleaning/inspection of underground vaults. Also included are regular inspection and repair of substation components and ancillary equipment. The work is performed using a combination of time and condition based methodologies.

Emergency Maintenance:

This item includes unexpected system repairs to the electrical system that must be addressed immediately. The costs include those related to repairs caused by storm damage, emergency tree trimming and on-call premiums. PSP constantly evaluates its maintenance data to adjust predictive and preventative actions. The ultimate objective is to reduce this emergency maintenance. An answering service company has been contracted to contact "on call" lineperson and supervisory staff in the event of service problems outside of normal business hours.

Service Work:

The majority of costs related to this work pertain to service upgrades requested by customers, and requests to provide safety coverage for work (overhead line cover ups). This includes service disconnections and reconnections by PSP for all service classes; assisting pre-approved contractors; the making of final connections after Electrical Safety Authority ("ESA") inspection for service upgrades; and changes of service locations.

Network Control Operations:

Network operating costs are related to the 24-hour monitoring of customer emergency calls. An answering service company has been contracted to contact an "on call" lineperson and supervisory staff in the event of service problems after normal business hours. The Line Department continuously monitors the system and dispatch repair crews to manage equipment failures and provide work protection for the crews doing work on the system.

Metering:

PSP contracts out some of the work related to the metering department. PSP's line department is primarily responsible for the installation, testing, and commissioning of new and existing simple and complex metering installations. Testing of complex metering installations ensures the accuracy of the installation and verifies meter multipliers for billing purposes.

Revenue Protection is another key activity performed by Metering, by proactively investigating potential diversion and theft of power.

Substation Services:

Substation services activities address the maintenance of all equipment at PSP's substations. This includes both labor costs and non-capital material spending to support both scheduled and emergency maintenance events. As with the maintenance activities, substation maintenance strategy focuses on minimizing, to the extent possible, emergency-type work by improving the effectiveness of planned maintenance program (including predictive and preventative actions) for its substations.

ENGINEERING DEPARTMENT

Engineering is responsible for keeping asset related data up to date on an electronic Geographical Information System ("GIS"). The ESRI GIS system is a work in progress. Plans include integration with PSP's Customer Information System ("CIS") to gather loading information for further understanding of our distribution system. This system will be used for asset management activities, identifying and correcting system problems, supplying underground utility locating services for excavating contractors and for design and construction activities including new capital projects and customer connections. The GIS Technician also delivers drafting services to the Engineering Technicians for the design of capital projects and provides distribution system asset information to other departments within PSP.

STORES/WAREHOUSE

Stores is accountable for managing the replenishment, control, and movement of materials and is accountable for managing the procurement, control, and movement of materials within PSP's service centre. This would include monitoring inventory levels, issuing material receipts, material issues, and material returns as required. Under the new operating structure the cost of the stores department is allocated to all departmental, capital and Third Party receivable accounts as an overhead cost based on direct material

costs. A standard overhead percentage is set at the beginning of the year and adjusted to actual at year end.

GARAGE/TRANSPORTATION FLEET

This area is shared duties of other departments and assists with the maintenance and control of vehicles. Its objectives include keeping maintenance schedules to ensure vehicle reliability and safety, and the minimization of vehicle down time. Vehicle costs are allocated to operations, maintenance, capital accounts based on number of hours used. A standard hourly cost/hr is set for all vehicles within the fleet. Costs are adjusted to actual at year end.

LABOUR BURDEN/ HEALTH AND SAFETY

It is PSP's plan as of January 1 2011, this department will collect the cost of all employee benefits and payroll taxes such as EI, CPP, EHT, WSIB, and group insurances. Costs will be allocated to all departments, capital amounts based on direct labour. An overhead rate is set at the beginning of each year and adjusted to actual at year end.

In addition, the cost of Health and Safety is included in this department. Costs include Health & Safety program supplies as well labour costs associated with safety meetings. PSP is committed to maximizing productivity and reducing risk of injury by initiating health and safety measures that focus on preventative actions. The commitment to health and safety is significant, and involves documenting unsafe behaviors, monitoring conformance to established standards and policies. Also used in determining the effectiveness of safety training and monitoring the resolution of safety recommendations/audits; as well as the commitment to continuous improvement in training; and identifying and correcting root causes for system deficiencies.

CUSTOMER SERVICE

The Customer Service group is responsible for the customer care activities for the approximately 3,500 customers in PSP's service area. These activities include meter reading, billing, call centre, collections, and other back office functions. PSP aspires to achieve customer service excellence in its processes and customer programs. The costs associated with the Customer Service department are collected in accounts 5305 to 5515.

Meter Reading:

Meter reading services are contracted out to a non-affiliated third party under a service contract agreement. On average the contractor reads 3,350 electric service meters per month. The installation of smart meters and the required surrounding network will see a decrease in meter reading costs in the 2011 Test Year by approx 50%, PSP will have outside contracts for meter reading until the smart meter system is fully tested and functional.

Billing:

PSP performs monthly billing and issues 41,600 invoices annually to customers. This total includes final bills for customers moving within or outside of the service territory. An annual billing schedule is created based on the meter reading schedule to ensure timely billing of services. The billing functions include the VEE processes; EBT and retailer settlement functions for approx. 425 retailer accounts; account adjustments; processing meter changes; and other various account related field service orders and mailing services. PSP offers customers a number of billing and payment options including an equal payment plan and a preauthorized payment plan.

Collections:

Collections involve a combination of activities, including the collection of overdue active accounts, security deposits and final bills for service termination. Credit risk is a concern for PSP with 2011 credit loss forecast at \$5,200. PSP's credit policy is in accordance with the Distribution System Code. Active overdue accounts and most final bill accounts are collected by in-house staff through notices, letters and direct telephone contact. Final bill collections are turned over to a collection agency after in house collection methods are exhausted.

PSP is committed to providing consumer information and responses in a timely and proactive manner, on electricity distribution and related issues.

Since LDCs are the "face-to-the-customer" for the electricity industry, PSP has an important role to play in educating the public about electricity safety and energy conservation. PSP continues to participate with the OPA in administering programs directed at Energy Conservation. We are very active in the community promoting conservation initiatives, distributing compact florescent light bulbs and energy conservation tools and handbooks.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses include expenses incurred in connection with the general administration of the utility's operations. Within PSP, the following functional areas are considered to be part of general administration and, as such, all expenses incurred within these functional areas are accounted for as administrative and general expenses:

- Board of Directors (i.e. Executive) (5605);
- Administrative, Finance and Regulatory Services (5615);
- Office Supplies and Expense (5620);
- Admin Fee Transferred (5625);
- Outside Services (5630);
- Regulatory (5655);
- Miscellaneous Expenses (5665);
- Rent (5670);
- Maintenance of General Plant (5675);

Board of Directors (Executive) Salaries and Expenses: 5605

The Board of Directors oversees and approves the operational plans for the organization. Expenses include salaries and all related expenses associated with the Board of Directors for PSP.

Administrative, Finance, and Regulatory Salaries and Expenses: 5615

Included in this category is the salary of PSP's managers which also provides support to other departments and to the Board of Directors. Expenses include salary and all related expenses. Finance is responsible for the preparation financial reporting in accordance with GAAP, all daily accounting functions, including accounts payable, accounts receivable, general accounting, treasury functions including cash management, risk management, accounting systems and internal control processes, preparation of consolidated budgets and forecasts, and supporting tax compliance. Expenses include salaries and all related expenses associated with finance. The Regulatory Services are performed within the Finance Department by the Financial Officer. They are responsible for all regulatory reporting and compliance with applicable codes and legislation governing PSP. Regulatory reporting includes development and preparation of rate filings, performance reporting, and compliance.

1 The salary of the office manager is also included in this account. The office manager oversees
2 the day to day operation of the office.

3
4 **Office Supplies and Expenses: 5620**

5 PSP records general administration expenses which are not clearly applicable to any
6 departmental group of operating expenses to this account. The expenses are further subdivided
7 by the appropriate type of expense.

8
9 **Admin Fee Transferred (5625);**

10 PSP records the costs of general administration, general office expenses transferred from the
11 affiliate – Parry Sound Energy Services Corporation, in this account. These costs related to the
12 running of the affiliate and shared service in which PSP is responsible for 75% of the costs.

13
14 **Outside Services Employed: 5630**

15 Outside Services Employed include, but are not limited to, consulting and professional fees of
16 accountants and auditors, legal services, labour relations specialists, safety consultants, and
17 rates consultants.

18
19 **Regulatory Expenses: 5655**

20 Regulatory Expenses include those expenses incurred in connection with Decisions and
21 Orders on Cost Awards for hearings, proceedings, technical sessions, and other matters before
22 the OEB or other regulatory bodies. Annual assessment fees paid to regulatory bodies are
23 included in this expenditure category, which include fixed costs assessed by the OEB and the
24 annual regulatory oversight cost recovery fee assessed by the Electrical Safety Authority
25 (“ESA”). The labour and related burdens for additional staff to assist with the regulatory needs.

26
27 **Miscellaneous General Expense: 5665**

28 PSP used this account in the bridge and test year to clearly identify cost related to training staff.

Rent 5670

This account is used to record the cost of rent incurred from the affiliate cooperation until January 1, 2011. At this time PSP will become the leaseholder directly from the shareholder and will incur full cost of rent

Maintenance of General Plant 5675

This account carries the cost of operating and maintaining the building included in the lease: such costs as grounds & custodial, security, snow removal, insurance etc.

PSP provided the data in table format below

OEB Appendix 2-F Detailed Account by Account, OM&A Expense Table (excluding depreciation and amortization)

Expense Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Operations						
5005-Operation Supervision and Engineering	18,891	14,605	15,701	17,505	4,726	0
5010-Load Dispatching	0	0	0	0	0	0
5012-Station Buildings and Fixtures Expense	0	0	0	0	0	0
5014-Transformer Station Equipment - Operation Labour	0	0	0	0	0	0
5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0	0	0	0
5016-Distribution Station Equipment - Operation Labour	0	518	0	0	0	0
5017-Distribution Station Equipment - Operation Supplies and Expenses	6,691	6,894	6,968	7,499	7,714	7,945
5020-Overhead Distribution Lines and Feeders - Operation Labour	3,607	2,335	3,351	3,569	133	0
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0	0	55	55
5030-Overhead Subtransmission Feeders - Operation	0	0	0	0	0	0
5035-Overhead Distribution Transformers- Operation	401	298	0	235	0	0
5040-Underground Distribution Lines and Feeders - Operation Labour	8,631	7,738	11,495	10,875	23,671	22,372
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0	0	0	0
5050-Underground Subtransmission Feeders - Operation	0	0	0	0	0	0
5055-Underground Distribution Transformers - Operation	0	139	0	0	0	0
5060-Street Lighting and Signal System Expense	0	0	0	0	0	0
5065-Meter Expense	11,313	17,919	12,765	10,873	11,608	9,684
5070-Customer Premises - Operation Labour	110	0	0	0	84	0
5075-Customer Premises - Materials and Expenses	20	0	0	0	0	0
5085-Miscellaneous Distribution Expense	600	0	0	0	0	0
5090-Underground Distribution Lines & Feeders-Rental Paid	0	0	0	0	0	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	801	801	801	801
5096-Other Rent	0	11,887	6,198	5,944	5,944	5,944
Sub-Total	51,120	63,190	57,279	57,300	54,737	46,801

Maintenance

5105-Maintenance Supervision and Engineering	5,633	5,076	5,456	5,942	1,551	0
5110-Maintenance of Buildings and Fixtures - Distribution Stations	0	0	0	0	0	0
5112-Maintenance of Transformer Station Equipment	0	0	0	0	0	0
5114-Maintenance of Distribution Station Equipment	(11,903)	23,581	20,284	24,313	53,105	27,923
5120-Maintenance of Poles, Towers and Fixtures	39,962	48,404	49,164	45,697	85,255	145,926
5125-Maintenance of Overhead Conductors and Devices	94,237	56,675	73,369	65,593	91,277	126,867
5130-Maintenance of Overhead Services	11,439	11,433	15,234	11,775	38,374	35,524
5135-Overhead Distribution Lines and Feeders - Right of Way	45,123	78,176	36,976	70,202	102,929	103,086
5145-Maintenance of Underground Conduit	733	896	979	7,112	5,838	12,624
5150-Maintenance of Underground Conductors and Devices	2,141	4,723	4,114	3,460	28,953	15,772
5155-Maintenance of Underground Services	2,126	5,387	1,957	2,383	1,063	428
5160-Maintenance of Line Transformers	10,234	13,109	38,338	8,326	21,147	44,994
5165-Maintenance of Street Lighting and Signal Systems	0	0	0	0	0	0
5170-Sentinel Lights - Labour	0	0	0	0	0	0
5172-Sentinel Lights- Materials and Expenses	0	0	0	0	0	0
5175-Maintenance of Meters	4,730	13,991	17,730	14,199	5,187	5,113
5178-Customer Installations Expenses - Leased Property	0	0	0	0	0	0
5195-Maintenance of Other Installations on Customer Premises	9,482	4,594	5,037	24,644	10,629	0
Sub-Total	213,937	266,047	268,637	283,648	445,310	518,258

Billing and Collections

5305-Supervision	0	0	0	0	0	0
5310-Meter Reading Expense	41,342	47,648	52,540	55,589	38,155	19,207
5315-Customer Billing	210,790	190,826	240,028	249,425	238,632	271,480
5320-Collecting	107,646	108,645	81,059	64,374	76,895	99,036
5325-Collecting- Cash Over and Short	95	(30)	0	0	100	100
5330-Collection Charges	0	0	0	0	0	0
5335-Bad Debt Expense	15,669	(4,398)	0	11,075	5,200	5,200
5340-Miscellaneous Customer Accounts Expenses	0	0	0	0	0	0
Sub-Total	375,543	342,691	373,628	380,463	358,982	395,022

Community Relations

5405-Supervision	0	0	0	0	0	0
5410-Community Relations - Sundry	16,897	13,368	12,948	21,616	14,600	13,423
5415-Energy Conservation	10,648	75,485	39,432	0	0	0
5420-Community Safety Program	925	948	0	0	0	0
5510-Demonstrating and Selling Expense	2,185	0	0	0	0	0
5515-Advertising Expense	0	0	0	0	0	0
5520-Miscellaneous Sales Expense	0	0	0	0	0	0
Sub-Total	30,656	89,801	52,381	21,616	14,600	13,423

Administrative and General Expenses

5605-Executive Salaries and Expenses	15,820	8,147	6,890	5,934	6,248	13,929
5610-Management Salaries and Expenses	0	0	0	0	0	0
5615-General Administrative Salaries and Expenses	164,885	170,034	204,546	209,600	224,838	301,318
5620-Office Supplies and Expenses	28,689	32,062	34,426	50,002	106,182	128,468
5625-Administrative Expense Transferred-Credit	114,641	0	105,514	131,215	0	0
5630-Outside Services Employed	23,303	124,227	24,216	36,169	66,317	46,228
5635-Property Insurance	0	0	0	0	0	0
5640-Injuries and Damages	0	1,000	0	0	0	0
5645-Employee Pensions and Benefits	0	0	0	0	0	0
5650-Franchise Requirements	0	0	0	0	0	0
5655-Regulatory Expenses	15,267	12,110	38,246	19,427	54,606	210,929
5660-General Advertising Expenses	0	0	0	0	0	0
5665-Miscellaneous General Expenses	2,682	0	0	0	17,000	17,374
5670-Rent	0	0	50,351	50,406	50,600	69,527
5675-Maintenance of General Plant	0	0	0	0	25,386	34,141
5680-Electrical Safety Authority Fees	0	0	0	0	0	0
5685-Independent Market Operator Fees and Penalties	0	0	0	0	0	0
Sub-Total	365,288	347,580	464,189	502,752	551,175	821,914

Total Operating, Maintenance and Administration Expenses

1,036,543	1,109,310	1,216,114	1,245,779	1,424,803	1,795,417
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VARIANCE ANALYSIS ON OM&A COSTS:

PSP has provided a detailed OM&A cost table covering the periods from 2006 Board Approved, 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Bridge Year and 2011 Test Year including the variances year over year in Exhibit 4, above. Before moving to a variance analysis for each account that exceeds the materiality threshold, a summary of total OM&A expenses (excluding depreciation) is presented below along with an analysis of the total movement from 2006 Actual to 2011 Test Year. Tables (2G) below detail the cost drivers by major category: Operations, Maintenance and Administration

Appendix 2-G

Cost Driver Table

OM & A Cost Drivers	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Opening Balance	928,023	1,036,544	1,109,309	1,216,114	1,245,780	1,424,804
Labour	70,817	19,597	76,221	(35,057)	12,242	246,168
Vehicle and Equipment	11,125	(4,042)	(11,913)	3,687	21,398	359
Materials	6,193	(51)	12,734	34,748	169,210	(4,530)
Third Party	(24,903)	(42,897)	60,913	31,349	(105,889)	(16,616)
Regulatory	7,704	(3,157)	14,222	(6,905)	18,939	120,289
Miscellaneous Expenses	37,584	103,316	(45,373)	1,844	63,124	24,945
Closing Balance	1,036,544	1,109,309	1,216,114	1,245,780	1,424,804	1,795,418

Labour

Labour escalation reflects the increased labour costs arising from the 3% per year negotiated collective agreement increases and compensation increases for management staff, plus additional staffing. Costs charged to USOA 5005 and 5105 have reduced to zero in 2011 as a result of the development of the Asset Management Plan. Operations and maintenance work programs are not consistent from year to year. The dollar changes reflect the change in work effort as a result of the program changes over the period. Maintenance work programs for 2010 & 2011 are guided by the development of the Asset Management Plan. The plan was

1 implemented part way through the year and represented a different work program from prior
2 years. Decrease in 2009 can be explained by maternity leave and a casual replacement.
3 Effective January 1, 2011 PSP will be reorganizing to become compliant with the ARC, this
4 involves as fully allocated cost of staffing the utility with the required resource to accomplish
5 regulatory and customer service needs. Management cost are fully allocate to PSP no longer
6 shared with affiliates.

7 8 **Vehicles and Equipment**

9 Similar to above the dollar changes reflect the change in the usage of vehicles and equipment
10 to support the changing work effort as a result of the program changes over the period to
11 include in 2010 and 2011 the asset management plan.
12 The addition of vehicles to assist with fully compliant LDC shows an increase in V&E costing.
13 In 2010 truck time for meter reading and community relations has dropped. We are able to
14 access smart meter data without using the truck and going to the meter.

15 16 **Materials**

17 Similar to above the dollar changes reflect the change in the usage of materials to support the
18 changing work effort as a result of the program changes over the period.
19 The increase in 2010 is because Parry Sound Power will move the asset management plan to
20 provide materials needed for operations and maintenance.

Third Party Costs

The table below shows PSP's third party cost drivers.

Third Party Costs

OM & A Cost Drivers	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Cost of Contractors	8,651	(78,323)	1,335	5,804	(5,016)	(15,469)
Credit Bureau	199	(169)	(283)	626	-	14
Outside services / admin / Rent	524	(13,717)	55,854	37,708	(100,873)	(1,162)
Bell Joint use	-	11,887	(5,690)	-	-	-
Testing Calibration sealing	-	2,055	(2,055)	-	-	-
Hydro One Credit	(32,025)	32,025	-	-	-	-
Testing / Calibrating / Sealing	-	-	2,492	(2,492)	-	-
Transformer Oil	(2,251)	3,345	9,260	(10,298)	-	-
Change over year	(24,903)	(42,897)	60,913	31,349	(105,889)	(16,616)

The decrease in the cost of contractors in 2007 is largely due to Customer Billing Contractors decreased. PSP no longer uses an outside contractor as we became shareholders in a Utility Collaborative Services (UCS). UCS provides synergies within the member group of utilities for back office services such as billing and mailing. Small change in other contract work also contributed to the change.

There was nothing sent to the credit bureau for collection in 2008 and every other year Credit bureau costs fluctuate depending on how many accounts they collect.

Outside Service/Admin/Rent changes are largely caused by rent being charged starting in 2008. As of Jan 1 2011 PSP will no longer share rent and Admin costs with the affiliate. In 2010 the amount for admin fee is distributed across the actual USoA accounts for budgeting purposes. Prior to 2005 the pole rental compensation arrangements between Bell and Parry Sound Power were recorded in the accounts on a net basis for Bell joint use. From 2005 on the revenues and expenses were separately recorded in the accounts.

A cost of \$11,887 charged in 2007 reflects 2 years of retroactive charges for the years 2005 and 2006. The reduction in 2008 reflects the cost of one year only which remains the same for the rest of the period to 2011.

There was a one- time Hydro One Meter Rebate fee of \$34,200 in 2006 that was credited to an expense account rather than a revenue account.

Program costs of \$2,055 in 2007, \$2,492 in 2008 for Testing / Calibrating / Sealing. One time program costs of \$10,298 in 2008 for Transformer Oil Waste Disposal. Cost changes reflect

program changes from year to year for Transformer Oil Testing.

Regulatory

In 2008 there was an adjustment made to the treatment of OEB assessment costs; there was labour and associated overhead expense during 2008 as part of the prior cost of service application process. In 2011 an increase in labour and overhead due to an addition of one FTE. In addition the 2011 increase includes the estimated costs of the current rate application recovered over a 4 year period of \$44,064.57 a year, 2009 COS costs at \$24,828.82 a year over 4 years, costs of the Asset Management plan over 4 years is \$30,812.30 a year. Estimated costs of becoming compliant with ARC \$20,166.60 a year over 4 years. Remaining balance of 1606 Organization Costs over a 5 year period at \$19,435.08 a year. PSP feels the ARC costs are different from organization costs as the ARC costs are mandated by the OEB and PSP was denied the exemption from ARC. Org costs are those incurred to establish the corporate structure needed.

Miscellaneous

Miscellaneous cost changes captured in this category include the following:

Miscellaneous Expenses

OM & A Cost Drivers	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Bad Debt	17,152	(19,283)	5,206	11,075	(5,875)	-
CDM	3,158	64,837	(36,053)	(39,432)	-	-
Contingency Provision	-	-	-	-	29,049	15,808
Water Heater Control Program	(1,880)	(4,888)	-	19,608	(14,015)	(10,629)
Tools	-	-	-	-	-	7,500
Miscellaneous Expenses	19,154	62,649	(14,526)	10,593	53,966	12,266
Change over year	37,584	103,316	(45,373)	1,844	63,124	24,945

PSP does not have a formal bad debt or write off policy, the accounts are written off when deemed totally uncollectable. 2006 actual bad debts represent the account write offs, 2007 sees the recovery of accounts of \$4,397 previously written off, 2008 and 2009 indicate the change in write off amounts. Bridge and test year uses an average of three prior years.

1 Parry Sound power undertook conservation and demand management programs from 2005 to
2 2008. 2009 forward PSP has not expended any funds on any CDM programs that were not OPA
3 sponsored.

4 The Asset Management Plan contains a contingency provision to allow for potential cost
5 differences in maintenance program activities. These costs reflect the introduction of a new cost
6 type in 2010 and the change between activities worked on in 2010 and the full implementation
7 of the plan in 2011.

8 Water Heater Control Program Costs are not included in the 2011 revenue requirement.

9 The program was re-evaluated and phased out in 2010 as it was deemed to be no longer
10 driving any benefits to the rate payers or the LDC.

11 A tools cost provision of \$7,500 has been included in 2011.

12 Miscellaneous expenses include the billing and collecting which was moved from a contractor to
13 Utility Collaborative Services and the costs are now changed from outside services USoA -
14 contractor to billing costs which PSP included in miscellaneous expense for cost driver table. In
15 2010 bridge and 2011 test year PSP uses this account for training costs and maintenance on
16 general plant.

17
18
19 **Variance Analysis:**

20 As mentioned above, the variance that triggers the required analysis is \$50,000 according to the
21 Filing Requirements (50,000 for distributors with a distribution revenue requirement less than or
22 equal to \$10 million). PSP has explained material variances in order to produce a better
23 analysis. PSP has reviewed the variance of each OEB USoA account to determine where
24 explanations are necessary. The variances have been highlighted in Exhibit 4 above and an
25 explanation of each variance is presented in the following section. Table 2J below highlights the
26 variance from the 2006 Actuals to the 2011 Test Year and the 2009 Actual to the 2011 Test
27 year. Explanations of these variances are included in the synopsis below:

OEB Appendix 2-J OM&A Variance Analysis

Expense Description	2006 Actual \$	2011 Test \$	Variance \$	Variance %	2009 Actual	2011 Test \$	Variance \$	Variance %
Operations								
5005-Operation Supervision and Engineering	18,891	0	(18,891)	0%	17,505	0	(17,505)	0%
5010-Load Dispatching	0	0	0		0	0	0	
5012-Station Buildings and Fixtures Expense	0	0	0		0	0	0	
5014-Transformer Station Equipment - Operation Labour	0	0	0		0	0	0	
5015-Transformer Station Equipment - Operation Supplies and Expenses	0	0	0		0	0	0	
5016-Distribution Station Equipment - Operation Labour	0	0	0		0	0	0	
5017-Distribution Station Equipment - Operation Supplies and Expenses	6,691	7,945	1,254	119%	7,499	7,945	446	106%
5020-Overhead Distribution Lines and Feeders - Operation Labour	3,607	0	(3,607)	0%	3,569	0	(3,569)	0%
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0	100%	0	55	55	
5030-Overhead Subtransmission Feeders - Operation	0	0	0		0	0	0	
5035-Overhead Distribution Transformers- Operation	401	0	(401)	0%	235	0	(235)	0%
5040-Underground Distribution Lines and Feeders - Operation Labour	8,631	22,372	13,740	259%	10,875	22,372	11,497	206%
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0		0	0	0	
5050-Underground Subtransmission Feeders - Operation	0	0	0		0	0	0	
5055-Underground Distribution Transformers - Operation	0	0	0		0	0	0	
5060-Street Lighting and Signal System Expense	0	0	0		0	0	0	
5065-Meter Expense	11,313	9,684	(1,629)	86%	10,873	9,684	(1,189)	89%
5070-Customer Premises - Operation Labour	110	0	(110)	0%	0	0	0	
5075-Customer Premises - Materials and Expenses	20	0	(20)	0%	0	0	0	
5085-Miscellaneous Distribution Expense	600	0	(600)	0%	0	0	0	
5090-Underground Distribution Lines & Feeders-Rental Paid	0	0	0		0	0	0	
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0	100%	801	801	0	100%
5096-Other Rent	0	5,944	5,944		5,944	5,944	0	100%
Sub-Total	51,120	46,801	(4,319)	92%	57,300	46,801	(10,499)	82%
Maintenance								
5105-Maintenance Supervision and Engineering	5,633	0	(5,633)	0%	5,942	0	(5,942)	0%
5110-Maintenance of Buildings and Fixtures - Distribution Stations	0	0	0		0	0	0	
5112-Maintenance of Transformer Station Equipment	0	0	0		0	0	0	
5114-Maintenance of Distribution Station Equipment	(11,903)	27,923	39,826	-235%	24,313	27,923	3,611	115%
5120-Maintenance of Poles, Towers and Fixtures	39,962	145,926	105,964	365%	45,697	145,926	100,229	319%
5125-Maintenance of Overhead Conductors and Devices	94,237	126,867	32,630	135%	65,593	126,867	61,274	193%
5130-Maintenance of Overhead Services	11,439	35,524	24,085	311%	11,775	35,524	23,749	302%
5135-Overhead Distribution Lines and Feeders - Right of Way	45,123	103,086	57,962	228%	70,202	103,086	32,883	147%
5145-Maintenance of Underground Conduit	733	12,624	11,891	1723%	7,112	12,624	5,512	177%
5150-Maintenance of Underground Conductors and Devices	2,141	15,772	13,631	737%	3,460	15,772	12,312	456%
5155-Maintenance of Underground Services	2,126	428	(1,697)	20%	2,383	428	(1,955)	18%
5160-Maintenance of Line Transformers	10,234	44,994	34,761	440%	8,326	44,994	36,668	540%
5165-Maintenance of Street Lighting and Signal Systems	0	0	0		0	0	0	
5170-Sentinel Lights - Labour	0	0	0		0	0	0	
5172-Sentinel Lights- Materials and Expenses	0	0	0		0	0	0	
5175-Maintenance of Meters	4,730	5,113	382	108%	14,199	5,113	(9,086)	36%
5178-Customer Installations Expenses - Leased Property	0	0	0		0	0	0	
5195-Maintenance of Other Installations on Customer Premises	9,482	0	(9,482)	0%	24,644	0	(24,644)	0%
Sub-Total	213,937	518,258	304,321	242%	283,648	518,258	234,610	183%

Billing and Collections								
5305-Supervision	0	0	0		0	0	0	
5310-Meter Reading Expense	41,342	19,207	(22,136)	46%	55,589	19,207	(36,382)	35%
5315-Customer Billing	210,790	271,480	60,690	129%	249,425	271,480	22,055	109%
5320-Collecting	107,646	99,036	(8,611)	92%	64,374	99,036	34,661	154%
5325-Collecting- Cash Over and Short	95	100	5	105%	0	100	100	
5330-Collection Charges	0	0	0		0	0	0	
5335-Bad Debt Expense	15,669	5,200	(10,469)	33%	11,075	5,200	(5,875)	47%
5340-Miscellaneous Customer Accounts Expenses	0	0	0		0	0	0	
Sub-Total	375,543	395,022	19,480	105%	380,463	395,022	14,559	104%
Community Relations								
5405-Supervision	0	0	0		0	0	0	
5410-Community Relations - Sundry	16,897	13,423	(3,474)	79%	21,616	13,423	(8,193)	62%
5415-Energy Conservation	10,648	0	(10,648)	0%	0	0	0	
5420-Community Safety Program	925	0	(925)	0%	0	0	0	
5510-Demonstrating and Selling Expense	2,185	0	(2,185)	0%	0	0	0	
5515-Advertising Expense	0	0	0		0	0	0	
5520-Miscellaneous Sales Expense	0	0	0		0	0	0	
Sub-Total	30,656	13,423	(17,233)	44%	21,616	13,423	(8,193)	62%
Administrative and General Expenses								
5605-Executive Salaries and Expenses	15,820	13,929	(1,891)	88%	5,934	13,929	7,995	235%
5610-Management Salaries and Expenses	0	0	0		0	0	0	
5615-General Administrative Salaries and Expenses	164,885	301,318	136,432	183%	209,600	301,318	91,717	144%
5620-Office Supplies and Expenses	28,689	128,468	99,779	448%	50,002	128,468	78,466	257%
5625-Administrative Expense Transferred-Credit	114,641	0	(114,641)	0%	131,215	0	(131,215)	0%
5630-Outside Services Employed	23,303	46,228	22,925	198%	36,169	46,228	10,059	128%
5635-Property Insurance	0	0	0		0	0	0	
5640-Injuries and Damages	0	0	0		0	0	0	
5645-Employee Pensions and Benefits	0	0	0		0	0	0	
5650-Franchise Requirements	0	0	0		0	0	0	
5655-Regulatory Expenses	15,267	210,929	195,662	1382%	19,427	210,929	191,503	1086%
5660-General Advertising Expenses	0	0	0		0	0	0	
5665-Miscellaneous General Expenses	2,682	17,374	14,692	648%	0	17,374	17,374	
5670-Rent	0	69,527	69,527		50,406	69,527	19,121	138%
5675-Maintenance of General Plant	0	34,141	34,141		0	34,141	34,141	
5680-Electrical Safety Authority Fees	0	0	0		0	0	0	
5685-Independent Market Operator Fees and Penalties	0	0	0		0	0	0	
Sub-Total	365,288	821,914	456,625	225%	502,752	821,914	319,161	163%
Total Operating, Maintenance and Administration Expenses	1,036,543	1,795,417	758,874	173%	1,245,779	1,795,417	549,639	144%

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4

2006 ACTUAL VERSUS 2006 BOARD APPROVED:

OPERATING COSTS

Overview of Operations Costs

Operations costs have exhibited a declining trend over the period going from \$66,000 approved in the 2006 EDR (based on 2004 actuals) to the test year value of \$47,000.

There are 3 primary factors for this change:

1. Reduction in Operations Supervision and Engineering Costs - USOA 5005

Costs charged to 5005 have reduced to zero in 2011 as a result of an accounting change. In conjunction with the development of the Asset Management Plan Parry Sound decided to redistribute oversight and engineering costs to the specific maintenance and capital work activities requiring these services. Costs in prior years represent a portion of labour costs for the period. In fact the costs have not changed (with the exception of labour escalation) but have been redistributed.

2. Increase in USOA 5040 Costs

Parry Sound Power Corporation completed an Asset Management Plan to underpin the 2011 Cost of Service rate application. The plan identified increased work effort required for this activity. (see more complete discussion in Overview of Maintenance Costs section)

3. Decrease in Meter Expense - USOA 5065

The decrease in costs is driven by the implementation of the smart meter program.

Overview of Maintenance Costs

Maintenance costs have exhibited an increasing trend over the period going from \$180,000 approved in the 2006 EDR (based on 2004 actuals) to the test year value of \$526,000.

The primary factors for this change are:

1. Restructuring

Parry Sound Power will be restructuring effective January 1, 2011 to ensure compliance with the Affiliate Relationship Code. PSPC previously applied for exemptions to the ARC which were denied by the Board.

1
2 Currently PSPC obtains services from its affiliate Parry Sound Energy Services. Effective
3 January 1, 2011 management, inside, and outside staff will be transferred to PSPC and
4 dedicated to meet the work requirements of the LDC.

5
6 PSPC will be receiving two 2-man crews and an Operations Superintendent to undertake and
7 supervise the operations and maintenance activities. PSPC requires 2 crews to ensure
8 appropriate response times (on call and availability), cover off for vacations and illness, and
9 complete the effort requirements of the Asset management Plan (discussed below).

10
11 This results in an increase to the LDC of approximately 2.1 FTEs which were previously
12 charged to Parry Sound's other non-regulated businesses.

13
14 In addition PSPC must become self sufficient in the provision of Vehicles and Equipment to
15 enable completion of the required work. PSPC will be accomplishing this through some
16 purchases from its affiliate at fair market value and direct replacement of large trucks at current
17 costs in 2010 and 2011. This results in an increase to Vehicle and Equipment costs.

18 19 2. Asset Management Plan

20 PSPC engaged an independent third party (Rodan) to develop a formalized Asset Management
21 Plan (AMP) for the LDC. They completed a detailed asset inventory and an asset condition
22 assessment. Utilizing these in combination with their industry expertise they developed a GIS
23 and an asset management strategy. An index was developed that assesses the current status
24 of assets within the network and a prioritization for future replacements.

25
26 The resulting plan documents required maintenance activities utilizing best maintenance
27 practices and a capital replacement plan for the distribution assets.

28
29 The maintenance management plan started to be implemented in 2010 based on resource
30 availability and the 2011 costs reflect full implementation of the plan. It became apparent that
31 PSPC was under maintaining its assets as planned work effort for 2010 and 2011 is significantly

in excess of previous years efforts. Previous years efforts were not guided by a formal Asset Management Plan.

Implementing the AMP results in significant cost increases due to labour effort, and supporting costs such as Vehicles and Equipment and Materials.

3. Escalation

Labour costs contained in maintenance costs reflect the existing collective agreement and have increased due to wage increases negotiated over the periods. In addition, other costs such as materials and contract costs have increased due to escalation .The following table highlights the change between the 2006 approved EDR (2004 actuals) and 2011 Test Year costs in thousands of dollars.

	2011 Test Year	2006 EDR (2004 Actual)	Difference
Labour	297	124	173
Vehicles & Equipment	58	27	31
Materials & Contracts	116	29	87
Contingency	47	0	47
Total	518	180	338

Variance Analysis - Operations and Maintenance Costs

Parry Sound Power Corporation does not use the following Operations and Maintenance USOA accounts:

Operations

- 5010 - Load Dispatching
- 5012 - Station Buildings and Fixtures Expense
- 5014 - Transformer Station Equipment - Operation Labour
- 5015 - Transformer Station Equipment - Operation Supplies and Expense
- 5030 - Overhead Sub-transmission Feeders - Operation
- 5050 - Underground Sub-transmission Feeders - Operation

- 5060 - Street Lighting and Signal System Expense
- 5090 - Underground distribution Lines and Feeders - Rental Paid

Maintenance

- 5110 - Maintenance of Buildings and Fixtures - Distribution Stations
- 5112 - Maintenance of Transformer Station Equipment
- 5165 - Maintenance of Street Lighting and Signal Systems
- 5170 - Sentinel Lights - Labour
- 5172 - Sentinel Lights - Materials and Expenses
- 5178 - Customer Installations Expenses - Leased Property
- 5195 - Maintenance of Other Installations on Customer Premises

Comparisons for Operations and Maintenance accounts are provided below for the following years: (note: in general cost increases less than \$1,000 and cost reductions less than \$2,000 have not been explained due to immaterial impacts)

- 2006 EDR vs 2006 Actual
- 2007 Actual vs 2006 Actual
- 2008 Actual vs 2007 Actual
- 2009 Actual vs 2008 Actual
- 2010 Bridge vs 2009 Actual
- 2011 Test vs 2010 Bridge
- 2011 Test vs 2006 Actual
- 2011 Test vs 2009 Actual
- 2006 Actual VS 2006 Board Approved EDR

2006 EDR vs 2006 Actual

Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
5005-Operation Supervision and Engineering	22,866	18,891	-3,975

Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
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The portion of the Operations Superintendent's time charged to operations was lower than 2004 actual. This was partially offset by labour escalation

5016-Distribution Station Equipment - Operation Labour	31	0	-31
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5017-Distribution Station Equipment - Operation Supplies and Expenses	5,121	6,691	1570
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Increase in interval meter phone line service costs

5020-Overhead Distribution Lines and Feeders - Operation Labour	2,197	3,607	1,410
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3% labour cost increase per year since 2004 data combined with increase in maintenance effort

5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
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5035-Overhead Distribution Transformers- Operation	349	401	53
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5040-Underground Distribution Lines and Feeders - Operation Labour	7,041	8,631	1,591
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3% labour cost increase per year since 2004 data combined with increase in maintenance effort

5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	71	0	-71
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5055-Underground Distribution Transformers – Operation	1,493	0	-1,493
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No effort charged in 2006

5065-Meter Expense	26,097	11,313	-14,784
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Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
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Relates to seal Expiration dates on meters fall within the years used for 2006 EDR process, during 2006 actual less meters needed re-verification

5070-Customer Premises - Operation Labour	104	110	6
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5075-Customer Premises - Materials and Expenses	0	20	20
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5085-Miscellaneous Distribution Expense	0	600	600
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5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
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5096-Other Rent	0	0	0

5105-Maintenance Supervision and Engineering	7,622	5,065	-2,557
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The portion of the Operations Superintendent's time charged to operations was lower than 2004 actual. This was partially offset by labour escalation

5114-Maintenance of Distribution Station Equipment	15,840	-11,903	-27,743
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Distribution station maintenance, transformer testing effort in 2006 was greater than 2004 which was used for 2006 EDR process. In addition there was labour escalation for 2 years. These cost increases were more than offset by the Hydro One Meter Rebate fees (\$34,200) posted to the account resulting in a negative value for the 2006 actual

5120-Maintenance of Poles, Towers and Fixtures	13,090	39,962	26,872
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Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
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Increased labour effort over 2004 plus labour cost increase of 3% per year and higher associated V&E costs caused the increase in costs

5125-Maintenance of Overhead Conductors and Devices	49,461	94,237	44,776
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Increased labour effort over 2004 plus labour cost increase of 3% per year and higher associated V&E costs caused the increase in costs

5130-Maintenance of Overhead Services	6,043	11,439	5,396
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Increased labour effort over 2004 plus labour cost increase of 3% per year and higher associated V&E costs caused the increase in costs

5135-Overhead Distribution Lines and Feeders - Right of Way	56,813	45,123	-11,689
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Decreased labour effort from 2004 plus associated lower V&E costs were partially offset by labour cost increases of 3% per year resulting in lower net costs

5145-Maintenance of Underground Conduit		733	733
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The account was not used until 2005 calendar year, therefore no costs booked for the 2006 EDR process

5150-Maintenance of Underground Conductors and Devices	936	2,141	1,205
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PSP had an increase in underground infrastructure in 2006 calendar year causing more maintenance costs

5155-Maintenance of Underground Services	1,692	2,126	433
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Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
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5160-Maintenance of Line Transformers	5,310	10,234	4,923
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Increased labour effort over 2004 plus labour cost increase of 3% per year and higher associated V&E costs caused the increase in costs

5175-Maintenance of Meters	12,031	4,730	-7,301
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Costs for meter maintenance in 2004 calendar year was high caused by meter cycles. 2006 is more relative to annual costs

5190-Water Heater Controls - Labour	11,362	9,482	-1,880
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2007 Actual VS 2006 Actual

Account Description	2007 Actual	2006 Actual	2007 vs. 2006
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5005-Operation Supervision and Engineering	14,605	18,891	-4,286
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The portion of the Operations Superintendent's time charged to operations was lower than 2006 actual. This was partially offset by labour escalation

5016-Distribution Station Equipment - Operation Labour	518		518
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Not used in 2006

5017-Distribution Station Equipment - Operation Supplies and Expenses	6,894	6,691	203
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5020-Overhead Distribution Lines and Feeders - Operation Labour	2,335	3,607	-1,272
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Account Description	2007 Actual	2006 Actual	2007 vs. 2006
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Decreased labour effort from 2006 plus associated lower V&E costs were partially offset by labour cost escalation resulting in lower net costs

5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
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5035-Overhead Distribution Transformers- Operation	298	401	-103
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5040-Underground Distribution Lines and Feeders - Operation Labour	7,738	8,631	-893
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5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
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5055-Underground Distribution Transformers – Operation	139	0	139
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Not used in 2006

5065-Meter Expense	17,919	11,313	6,606
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Reflects a higher volume of meters needing re-verification causing higher labour and V&E costs along with labour escalation

5070-Customer Premises - Operation Labour	0	110	-110
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5075-Customer Premises - Materials and Expenses	0	20	-20
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5085-Miscellaneous Distribution Expense	0	600	-600
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5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
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5096-Other Rent	11,887		11,887
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Account Description	2007 Actual	2006 Actual	2007 vs. 2006
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Prior to 2005 the pole rental arrangements between Bell and Parry Sound Power were recorded in the accounts on a net basis. From 2005 on the revenues and expenses were separately recorded in the accounts.

The \$11,887 charged in 2007 reflects 2 years of retroactive charges for the years 2005 and 2006.

5105-Maintenance Supervision and Engineering	4,749	5,065	-316
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5114-Maintenance of Distribution Station Equipment	23,581	-11,903	35,484
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Represents the same expenditure level as 2006 after adjusting for the one time Hydro One Meter rebate of \$34,200 in 2006

5120-Maintenance of Poles, Towers and Fixtures	48,404	39,962	8,442
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Increased labour effort over 2006 plus labour cost escalation

5125-Maintenance of Overhead Conductors and Devices	56,675	94,237	-37,562
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Decreased labour effort from 2006 plus associated lower V&E costs were partially offset by labour cost escalation resulting in lower net costs

5130-Maintenance of Overhead Services	11,433	11,439	-6
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5135-Overhead Distribution Lines and Feeders - Right of Way	78,175	45,123	33,052
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Increased labour effort from 2006 plus higher associated V&E costs plus labour cost escalation

5145-Maintenance of Underground Conduit	896	733	163
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Account Description	2007 Actual	2006 Actual	2007 vs. 2006
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5150-Maintenance of Underground Conductors and Devices	4,723	2,141	2,582
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Increased labour effort from 2006 plus higher associated V&E costs plus labour cost escalation

5155-Maintenance of Underground Services	5,387	2,126	3,261
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Increased labour effort from 2006 plus higher associated V&E costs plus labour cost escalation

5160-Maintenance of Line Transformers	13,109	10,234	2,875
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Increased labour effort from 2006 plus higher associated V&E costs plus labour cost escalation

5175-Maintenance of Meters	13,991	4,730	9,261
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Higher requirement for meter re-verifications in 2007 resulted in increased labour and V&E costs and labour escalation

5190-Water Heater Controls – Labour	4,594	9,482	-4,888
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2008 Actual VS 2007 Actual

Account Description	2008 Actual	2007 Actual	2008 vs. 2007
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5005-Operation Supervision and Engineering	15,701	14,605	1,096
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The work effort changes involving more engineering work in 2008

5016-Distribution Station Equipment - Operation Labour	0	518	-518
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Account Description	2008 Actual	2007 Actual	2008 vs. 2007
5017-Distribution Station Equipment - Operation Supplies and Expenses	6,968	6,894	74
5020-Overhead Distribution Lines and Feeders - Operation Labour	3,351	2,335	1,016
The operation work effort changes year over year as need based on demand.			
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	0	55	-55
5035-Overhead Distribution Transformers- Operation	0	298	-298
5040-Underground Distribution Lines and Feeders - Operation Labour	11,495	7,738	3,757
Increased labour effort from 2007 plus higher associated V&E costs plus labour cost escalation			
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	139	-139
5065-Meter Expense	12,765	17,919	-5,154
Lower requirement for meter re-verifications in 2008 resulted in Lower labour and V&E costs partially offset by labour escalation			
5070-Customer Premises - Operation Labour	0	0	0
5075-Customer Premises - Materials and Expenses	0	0	0
5085-Miscellaneous Distribution Expense	0	0	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0

Account Description	2008 Actual	2007 Actual	2008 vs. 2007
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5096-Other Rent	6,198	11,887	-5,689
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The \$11,887 charged in 2007 reflects 2 years of retroactive charges for the years 2005 and 2006. The reduction in 2008 reflects the cost of one year only which remains the same for the rest of the period to 2011.

5105-Maintenance Supervision and Engineering	5,123	4,749	374
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5114-Maintenance of Distribution Station Equipment	20,284	23,581	-3,297
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Lower maintenance effort in 2008 resulted in
Lower labour and V&E costs partially offset by labour
escalation

5120-Maintenance of Poles, Towers and Fixtures	49,164	48,404	760
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5125-Maintenance of Overhead Conductors and Devices	73,369	56,675	16,694
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Increased labour effort from 2007 plus labour cost
escalation

5130-Maintenance of Overhead Services	15,234	11,433	3,801
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Increased labour effort from 2007 plus higher
associated V&E costs plus labour cost escalation

5135-Overhead Distribution Lines and Feeders - Right of Way	36,976	78,175	-38,199
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Lower maintenance effort in 2008 resulted in
lower labour and V&E costs partially offset by labour
escalation

5145-Maintenance of Underground Conduit	979	896	83
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5150-Maintenance of Underground Conductors and Devices	4,114	4,723	-609
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Account Description	2008 Actual	2007 Actual	2008 vs. 2007
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5155-Maintenance of Underground Services	1,957	5,387	-3,430
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Lower maintenance effort in 2008 resulted in lower labour and V&E costs partially offset by labour escalation

5160-Maintenance of Line Transformers	38,338	13,109	25,229
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Increased labour effort from 2007 plus higher associated V&E costs plus labour cost escalation plus higher waste disposal costs (\$10,000)

5175-Maintenance of Meters	17,730	13,991	3,739
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Increased labour effort from 2007 plus higher associated V&E costs plus labour cost escalation

5190-Water Heater Controls - Labour	5,037	4,594	443
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2009 Actual VS 2008 Actual

Account Description	2009 Actual	2008 Actual	2009 vs. 2008
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5005-Operation Supervision and Engineering	17,505	15,701	1,804
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The portion of the Operations Superintendent's time charged to operations was higher than 2008 actuals. In addition labour escalation increased costs

5016-Distribution Station Equipment - Operation Labour	0	0	0
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5017-Distribution Station Equipment - Operation Supplies and Expenses	7,499	6,968	531
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5020-Overhead Distribution Lines and Feeders - Operation Labour	3,569	3,351	218
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Account Description	2009 Actual	2008 Actual	2009 vs. 2008
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	0	55
5035-Overhead Distribution Transformers- Operation	180	0	180
5040-Underground Distribution Lines and Feeders - Operation Labour	10,875	11,495	-620
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	0	0
5065-Meter Expense	10,873	12,765	-1,892
Lower effort in 2009 and associated lower V&E costs partially offset by labour escalation			
5070-Customer Premises - Operation Labour	0	0	0
5075-Customer Premises - Materials and Expenses	0	0	0
5085-Miscellaneous Distribution Expense	0	0	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
5096-Other Rent	5,944	6,198	-254
5105-Maintenance Supervision and Engineering	5,781	5,123	658
5114-Maintenance of Distribution Station Equipment	24,313	20,284	4,029
Increased labour effort from 2008 plus higher associated V&E costs plus labour cost escalation			

Account Description	2009 Actual	2008 Actual	2009 vs. 2008
5120-Maintenance of Poles, Towers and Fixtures	45,697	49,164	-3,467
Difference primarily due to lower material costs in 2009			
5125-Maintenance of Overhead Conductors and Devices	65,593	73,369	-7,776
Lower effort in 2009 and associated lower V&E costs partially offset by labour escalation			
5130-Maintenance of Overhead Services	11,775	15,234	-3,459
Lower effort in 2009 and associated lower V&E costs partially offset by labour escalation			
5135-Overhead Distribution Lines and Feeders - Right of Way	70,202	36,976	33,226
Increased labour effort from 2008 plus higher associated V&E costs plus labour cost escalation plus higher material costs (\$18,500)			
5145-Maintenance of Underground Conduit	7,112	979	6,133
Increased labour effort from 2008 plus higher associated V&E costs plus labour cost escalation plus higher material costs			
5150-Maintenance of Underground Conductors and Devices	3,460	4,114	-654
5155-Maintenance of Underground Services	2,383	1,957	426
5160-Maintenance of Line Transformers	8,326	38,338	-30,012
Lower effort in 2009 and associated lower V&E costs partially offset by labour escalation and a reduction in waste disposal fees of \$10,000			
5175-Maintenance of Meters	14,198	17,730	-3,532
Lower effort in 2009 and associated lower V&E costs partially offset by labour escalation and increase in insurance fees \$10,600 which was miscategorised (insurance costs should have been charged to USOA 5114).			

Account Description	2009 Actual	2008 Actual	2009 vs. 2008
5190-Water Heater Controls - Labour	24,644	5,037	19,607

This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2 **2010 Bridge VS 2009 Actual**

Account Description	2010 Bridge	2009 Actual	2010 vs. 2009
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5005-Operation Supervision and Engineering	4,726	17,505	-12,779
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Reduction represents a change in accounting allocation practice because of implementation of the AMP commencing June 2010 to charge time over capital and operating jobs. It does not represent a reduction in costs rather a reallocation

5016-Distribution Station Equipment - Operation Labour	0	0	0
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5017-Distribution Station Equipment - Operation Supplies and Expenses	7,714	7,499	215
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5020-Overhead Distribution Lines and Feeders - Operation Labour	133	3,569	-3,436
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Lower effort in 2009 and associated lower V&E costs and lower material costs partially offset by labour escalation

5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
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5035-Overhead Distribution Transformers- Operation	0	180	-180
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5040-Underground Distribution Lines and Feeders - Operation Labour	23,671	10,875	12,796
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan

Account Description	2010 Bridge	2009 Actual	2010 vs. 2009
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	0	0
5065-Meter Expense	11,608	10,873	735
5070-Customer Premises - Operation Labour	84	0	84
5075-Customer Premises - Materials and Expenses	0	0	0
5085-Miscellaneous Distribution Expense	0	0	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
5096-Other Rent	5,944	5,944	0
5105-Maintenance Supervision and Engineering Reduction represents the change in accounting allocation caused by the implementation of the AMP commencing June 2010 to charge time over capital and operating jobs. It does not represent a reduction in costs rather a reallocation	1,551	5,781	-4,230
5114-Maintenance of Distribution Station Equipment Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan	53,105	24,313	28,792
5120-Maintenance of Poles, Towers and Fixtures Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan.	85,255	45,697	39,558
5125-Maintenance of Overhead Conductors and Devices	91,276	65,593	25,683

Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan.

5130-Maintenance of Overhead Services	38,374	11,775	26,599
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan

5135-Overhead Distribution Lines and Feeders - Right of Way	102,929	70,202	32,727
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan.

5145-Maintenance of Underground Conduit	5,838	7,112	-1,274
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5150-Maintenance of Underground Conductors and Devices	28,953	3,460	25,493
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan

5155-Maintenance of Underground Services	1,063	2,383	-1,320
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5160-Maintenance of Line Transformers	21,147	8,326	12,821
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the phase-in of the Asset Management Plan

5175-Maintenance of Meters	5,187	14,198	-9,011
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Reduction due to the deployment of smart meters

5190-Water Heater Controls - Labour	10,629	24,644	-14,015
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2 **2011 Test VS 2010 Bridge**

Account Description	2011 Test	2010 Bridge	2011 vs. 2010
5005-Operation Supervision and Engineering In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs	0	4,726	-4,726
5016-Distribution Station Equipment - Operation Labour	0	0	0
5017-Distribution Station Equipment - Operation Supplies and Expenses	7,945	7,714	231
5020-Overhead Distribution Lines and Feeders - Operation Labour	0	133	-133
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
5035-Overhead Distribution Transformers- Operation	0	0	0
5040-Underground Distribution Lines and Feeders - Operation Labour	22,372	23,671	-1,299
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	0	0
5065-Meter Expense	9,684	11,608	-1,924
5070-Customer Premises - Operation Labour	0	84	-84
5075-Customer Premises - Materials and Expenses	0	0	0
5085-Miscellaneous Distribution Expense	0	0	0

Account Description	2011 Test	2010 Bridge	2011 vs. 2010
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
5096-Other Rent	5,944	5,944	0
5105-Maintenance Supervision and Engineering In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs	0	1,551	-1,551
5114-Maintenance of Distribution Station Equipment Variance primarily due to a reduction in materials costs of \$21,000	27,923	53,105	-25,182
5120-Maintenance of Poles, Towers and Fixtures Increased labour effort from 2010 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010	145,926	85,255	60,671
5125-Maintenance of Overhead Conductors and Devices Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010	126,867	91,276	35,591
5130-Maintenance of Overhead Services Reduced labour effort from 2009 plus lower associated V&E, supervision, material, and contingency costs partially offset by labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010	35,524	38,374	-2,850
5135-Overhead Distribution Lines and Feeders - Right of Way	103,086	102,929	157
5145-Maintenance of Underground Conduit Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010	12,624	5,838	6,786

Account Description	2011 Test	2010 Bridge	2011 vs. 2010
5150-Maintenance of Underground Conductors and Devices	15,772	28,953	-13,181

Reduced labour effort from 2009 plus lower associated V&E, supervision, material, and contingency costs partially offset by labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010

5155-Maintenance of Underground Services	428	1,063	-635
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5160-Maintenance of Line Transformers	44,994	21,147	23,847
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation driven by the full implementation of the Asset Management Plan vs the start of the phase-in in 2010

5175-Maintenance of Meters	5,113	5,187	-74
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5190-Water Heater Controls - Labour	0	10,629	-10,629
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2 **2011 Test VS 2006 Actual**

Account Description	2011 Test	2006 Actual	2011 vs. 2006
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5005-Operation Supervision and Engineering	0	18,891	-18,891
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In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs

5016-Distribution Station Equipment - Operation Labour	0	0	0
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5017-Distribution Station Equipment - Operation Supplies and Expenses	7,945	6,691	1,254
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Account Description	2011 Test	2006 Actual	2011 vs. 2006
Incremental costs represent escalation on Bell interval meter line costs and property taxes			
5020-Overhead Distribution Lines and Feeders - Operation Labour	0	3,607	-3,607
No work identified in 2011 Asset Management Plan			
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
5035-Overhead Distribution Transformers- Operation	0	401	-401
5040-Underground Distribution Lines and Feeders - Operation Labour	22,372	8,631	13,741
Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan			
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	0	0
5065-Meter Expense	9,684	11,313	-1,629
5070-Customer Premises - Operation Labour	0	110	-110
5075-Customer Premises - Materials and Expenses	0	20	-20
5085-Miscellaneous Distribution Expense	0	600	-600
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
5096-Other Rent	5,944	0	5,944

Account Description	2011 Test	2006 Actual	2011 vs. 2006
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2006 Bell Joint Use expense was charged on a retroactive basis in 2007

5105-Maintenance Supervision and Engineering	0	5,065	-5,065
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In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs

5114-Maintenance of Distribution Station Equipment	27,923	-11,903	39,826
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2011 expenses approximately \$5,000 higher after adjusting for one time Ontario Hydro Meter credit of \$34,200 in 2006

5120-Maintenance of Poles, Towers and Fixtures	145,926	39,962	105,964
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan.

5125-Maintenance of Overhead Conductors and Devices	126,867	94,237	32,630
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan.

5130-Maintenance of Overhead Services	35,524	11,439	24,085
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan

5135-Overhead Distribution Lines and Feeders - Right of Way	103,086	45,123	57,963
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan.

5145-Maintenance of Underground Conduit	12,624	733	11,891
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Account Description	2011 Test	2006 Actual	2011 vs. 2006
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan

5150-Maintenance of Underground Conductors and Devices	15,772	2,141	13,631
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan

5155-Maintenance of Underground Services	428	2,126	-1,698
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5160-Maintenance of Line Transformers	44,994	10,234	34,760
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Increased labour effort from 2006 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2006 driven by the full implementation of the Asset Management Plan

5175-Maintenance of Meters	5,113	4,730	383
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5190-Water Heater Controls - Labour	0	9,482	-9482
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

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2011 Test VS 2009 Actual

Account Description	2011 Test	2009 Actual	2011 vs. 2009
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5005-Operation Supervision and Engineering	0	17,505	-17,505
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In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs

Account Description	2011 Test	2009 Actual	2011 vs. 2009
5016-Distribution Station Equipment - Operation Labour	0	0	0
5017-Distribution Station Equipment - Operation Supplies and Expenses	7,945	7,499	446
5020-Overhead Distribution Lines and Feeders - Operation Labour	0	3,569	-3,569
No work identified in 2011 Asset Management Plan			
5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	55	55	0
5035-Overhead Distribution Transformers- Operation	0	180	-180
5040-Underground Distribution Lines and Feeders - Operation Labour	22,372	10,875	11,497
Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan			
5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	0	0	0
5055-Underground Distribution Transformers – Operation	0	0	0
5065-Meter Expense	9,684	10,873	-1,189
5070-Customer Premises - Operation Labour	0	0	0
5075-Customer Premises - Materials and Expenses	0	0	0
5085-Miscellaneous Distribution Expense	0	0	0

Account Description	2011 Test	2009 Actual	2011 vs. 2009
5095-Overhead Distribution Lines and Feeders - Rental Paid	801	801	0
5096-Other Rent	5,944	5,944	0
5105-Maintenance Supervision and Engineering In 2011 all supervision and engineering costs spread over all operation, maintenance, and capital jobs	0	5,781	-5,781
5114-Maintenance of Distribution Station Equipment Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan	27,923	24,313	3,610
5120-Maintenance of Poles, Towers and Fixtures Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan.	145,926	45,697	100,229
5125-Maintenance of Overhead Conductors and Devices Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan.	126,867	65,593	61,274
5130-Maintenance of Overhead Services Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan	35,524	11,775	23,749
5135-Overhead Distribution Lines and Feeders - Right of Way	103,086	70,202	32,884

Account Description	2011 Test	2009 Actual	2011 vs. 2009
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan.

5145-Maintenance of Underground Conduit	12,624	7,112	9,164
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan

5150-Maintenance of Underground Conductors and Devices	15,772	3,460	12,312
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan

5155-Maintenance of Underground Services	428	2,383	-1,955
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5160-Maintenance of Line Transformers	44,994	8,326	36,668
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Increased labour effort from 2009 plus higher associated V&E, supervision, material, and contingency costs plus labour cost escalation from 2009 driven by the full implementation of the Asset Management Plan

5175-Maintenance of Meters	5,113	14,198	-9,085
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Reduction due to deployment of smart meter program

5190-Water Heater Controls - Labour	0	24,644	-24,644
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This USoA is not a revenue requirement item for the LDC. The program was re-evaluated and phased-out in mid-2010 as it was deemed to no longer be driving any benefit to the LDC or rate payers. No costs have been included for the 2011 test year.

1 **Admin Variance:**

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3 **2006 Actual VS 2006 Board Approved EDR**

Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
5310-Meter Reading Expense	42,813	41,342	-1,470
5315-Customer Billing	157,434	210,790	53,356
<p>Computer software & office equipment maintenance which included an upgrade to our system in 2006 from 2004 to enhance our interval meter data. Due to retailer traffic in the 2006 calendar year over the years used in the 2006 EDR process there was an increased cost in our spoke service. An increase in labour cost of 3% per year from the years used for the 2006 EDR to the 2006 actual, combined with an increase with overhead costs. PSP underwent a training program to better enable staff to use the Harris billing system. In late 2006 PSP joined forces with two other utilities and a consulting firm to create a billing company that would allow us all to achieve synergies for the back office side of billing. As part of the conversion process with the new billing company PSP chose to print bills in house and had increased costs for stationary etc.</p>			
5320-Collecting	82,770	107,646	24,876
<p>The variance in 5320-collecting of \$24,876 from 2006 EDR to 2006 actual is detailed as follows: during the 2004 calendar year better collection practices and policies resulted in payment of previously written-off accounts. As a result of these payments the bad debts expense for 2004 calendar year was in a negative position reflecting a lower than normal collection cost. An increase in collection activities caused by market opening costs of power increases and the provincial government legislation found PSP's labour, overhead and equipment costs increased.</p>			
5325-Collecting- Cash Over and Short	35	95	60
5335-Bad Debt Expense	0	15,669	15,669
5340-Miscellaneous Customer Accounts Expenses			-
5410-Community Relations - Sundry	13,011	16,897	3,886

Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
An increase in community activities such as outdoor festivals and other outdoor community programs such as Farmer's Markets and Dragon Boat Festival directly caused an increase in labour and overhead costs.			
5415-Energy Conservation		10,648	10,648
No energy conservation costs were incurred in this account prior to the 2006 calendar year. In the 2006 calendar year the costs related to CDM customer education programs and activities.			
5420-Community Safety Program		925	925
5420 Community Safety programs - PSP uses this account to record the costs of advertising etc for community safety programs and this account was not used until the 2006 calendar year.			
5425-Miscellaneous Customer Service and Informational Expenses		2,185	2,185
5425 was not used until the 2006 calendar year. The costs incurred are for participation in a privacy policy development and the introduction of a customer oriented web-site.			
5605-Executive Salaries and Expenses	18,892	15,820	-3,072
The restructuring of the Board of Directors and the allocation of costs relating to their activities caused a decline in the 2006 actual costs.			
5610-Management Salaries and Expenses			
5615-General Administrative Salaries and Expenses	166,667	164,885	-1,781
5615 remained fairly consistent with the 2006 actual.			
5620-Office Supplies and Expenses	33,845	28,689	-5,156
5620- This account is used to capture the cost relating to general operation of the office. Small equipment maintenance, postage, membership fees, courier fees, bank charges not relating to interest expense, seminars, Insurance and general office supplies. Because most of these costs are incurred on an as-needed basis, the 2006 actual costs were below average.			
5630-Outside Services Employed	153,904	137,944	15,960)

Account Description	2006 EDR Approved	2006 Actual	2006 vs. 2006 EDR
5630 - Outside services costs include accounting, legal and other consulting costs. During the 2004 calendar year PSP had an increase in legal costs due to the transfer of our banking arrangements and general security agreements. 2004 also had an increase in consulting costs relating to the electrical industries need for total loss factor calculations and rate setting processes, therefore the 2006 costs are closer to the annual true cost of outside services.			
5635-Property Insurance	514	0	-514
5640-Injuries and Damages			-
5655-Regulatory Expenses	9,372	15,267	5,895
5655- This account in used to capture the costs relating to operating in the regulatory environment. The increases from 2006 EDR to 2006 Actual are a direct result of OEB cost increases and Electrical Safety Authority Cost increases.			
5660-General Advertising Expenses			-
5665-Miscellaneous General Expenses	76,417	2,682	-73,734
5665-An adjustment made during the 2006 EDR Process caused the 2006 EDR approved balance to be higher than normal.			
5670-Rent			-
5685-Independent Market Operator Fees and Penalties	88		-88
6105-Taxes Other Than Income Taxes	8,755		-8,755
6105-the 2006 EDR process allowed for \$8,755 in taxes other than income tax. PSP uses 6110 to record the costs of income taxes.			
6205-Donations	100	50	-50

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3 **2007 Actual to 2006 Actual**

Account Description	2007 Actual	2006 Actual	2007 vs 2006
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5310-Meter Reading Expense	47,648	41,342	6,306
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5310-This increase in meter reading expense is labour and related burden expense. Due to customer movement activity PSP conducted more in-house meter reads and re-reads in 2007.

5315-Customer Billing	190,826	210,790	(19,964)
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5315- There was a decrease in office & computer equipment maintenance of \$7600 and a decrease in a contract paid for outside billing services of \$79,000. A decrease in training costs of \$2000 and a decrease in stationary of \$4500 and an increase of printing & stuffing costs of \$6000, an increase in postage of \$2500 and an increase in EBT costs of \$7500 and a new cost for shared billing services of \$58,000. The end result is a decrease of \$19,964.

5320-Collecting	108,645	107,646	999
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5320 - The Collection costs remained relatively consistent.

5325-Collecting- Cash Over and Short	(30)	95	(125)
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5335-Bad Debt Expense	(4,398)	15,669	(20,067)
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In 2007 PSP recovered previously written off accounts resulting in a \$4400 credit balance in comparison to the \$15,600 balance.

5340-Miscellaneous Customer Accounts Expenses	-	-	-
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5410-Community Relations - Sundry	13,368	16,897	(3,529)
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5410 - a decrease in labour, overhead and equipment costs because of less interaction in community minded programs.

5415-Energy Conservation	75,485	10,648	64,837
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5415- an increase 3rd tranche CDM spending in 2007 over 2006 caused a \$64,000 increase. A customer survey \$1000, CDM Education programs \$20,500, CDM promotions \$4,000, DR programs \$30,000 and low income incentive programs make up the balance of the \$64,837 change.

5420-Community Safety Program	948	925	23
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5425-Miscellaneous Customer Service and Informational Expenses	-	2,185	(2,185)
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5425- no cost expenditures in this category for 2007.

5605-Executive Salaries and Expenses	8,147	15,820	(7,673)
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5606- the decrease in 2007 over 2006 is caused by convention and seminar cost decrease. The current Board of Directors has been in place for a few years and the education gained from conventions and seminars is usually conducted in the introductory year.

5610-Management Salaries and Expenses	-	-	-
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5615-General Administrative Salaries and Expenses	170,034	164,885	5,149
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5615- the increase in 2007 over 2006 is a direct result of a 3% salary increase.

5620-Office Supplies and Expenses	32,062	28,689	3,373
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5620 - an increase in advertising costs of \$1800, non interest bank charges increase by \$800, small increase in courier and stationary supplies make up the increase.

5630-Outside Services Employed	124,227	137,944	(13,717)
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5630- a \$7700 decrease in the admin fee charged from the affiliate, a \$9800 decrease in Regulatory/Finance Consultants fees and a \$3600 increase in the audit fee due to new auditing guidelines. This results in a \$13,717 decrease.

5635-Property Insurance	-	-	-
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5640-Injuries and Damages	1,000	-	1,000
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5640- \$1000 cost increase resulting from an insurance claim.

5655-Regulatory Expenses	12,110	15,267	(3,157)
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5655- the \$3000 decrease was caused from a load shape analysis conducted by Hydro One in 2006. Other regulatory costs remained consistent.

5660-General Advertising Expenses	-	-	-
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5665-Miscellaneous General Expenses	-	2,682	(2,682)
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5665- this cost category was not used in 2007.

5670-Rent	-	-	-
5685-Independent Market Operator Fees and Penalties	-	-	-
6205-Donations	100	50	50

1 2008 Actual VS. 2007 Actual

OEB No	OEB Account Name	2008 Actual	2007 Actual	2008 vs. 2007
5310 -	Meter Reading Expense Number of customers increased in 2008 therefore labour, truck time, Contractor and overhead costs all increased	52,540.46	47,647.98	4,892.48
5315 -	Customer Billing Labour and overhead increased because of a re-allocation of staff to billing plus a 3% increase in wages	240,028.29	190,825.66	49,202.63
5320 -	Collecting This decrease is a re-allocation of staff from Collecting to Billing plus a 3% wage increase	81,059.01	108,645.36	(27,586.35)
5325 -	Collecting - Cash Over and Short	0.00	(30.00)	30.00
5330 -	Collection Charges	0.00	0.00	0.00
5335 -	Bad Debt Expense In 2007 wrote off uncollectable accounts, did not write anything off in 2008	0.00	(4,397.86)	4,397.86
5340 -	Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00
5400 -	Community Relations	0.00	0.00	0.00
5405 -	Supervision	0.00	0.00	0.00
5410 -	Community Relations - Sundry	12,948.34	13,367.73	(419.39)
5415 -	Energy Conservation The decrease in 2008 is caused by the balance of 3rd tranche money being spent in 2008	39,432.40	75,485.17	(36,052.77)
5420 -	Community Safety Program	0.00	948.00	(948.00)

5425	-	Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00
5505	-	Supervision	0.00	0.00	0.00
5510	-	Demonstrating and Selling Expense	0.00	0.00	0.00
5515	-	Advertising Expense	0.00	0.00	0.00
5520	-	Miscellaneous Sales Expense	0.00	0.00	0.00
5605	-	Executive Salaries and Expenses	6,889.67	8,147.35	(1,257.68)
In 2008 there were no conventions or seminars costs incurred					
5610	-	Management Salaries and Expenses	0.00	0.00	0.00
5615	-	General Administrative Salaries and Expenses	204,545.58	170,033.66	34,511.92
Salaries increased at the beginning of 2008 by 3% as per union contract plus a reallocation of staff time					
5620	-	Office Supplies and Expenses	34,426.36	32,062.34	2,364.02
In 2008 there was a slight increase in fees and memberships, contractors, Ontario Electric League, courier and postage					
5625	-	Administrative Expense Transferred-Credit	105,513.78	0.00	105,513.78
In 2007 the Admin Expense was Allocated to Outside Services Employed therefore in 2007 the Admin expense was \$106,919 So there was actually a slight decrease due to PSES expenses decreasing slightly					
5630	-	Outside Services Employed	24,216.07	124,227.13	(100,011.06)
In 2007 the Admin Expense was Allocated to Outside Services Employed therefore in 2007 the Admin expense was \$106,919 So there was actually a slight increase in the actual expense for outside service for 2008 because a consulting firm was hired to review Parry Sound Powers ARC.					
5635	-	Property Insurance	0.00	0.00	0.00
5640	-	Injuries and Damages	0.00	1,000.00	(1,000.00)
5645	-	Employee Pensions and Benefits	0.00	0.00	0.00

5650 - Franchise Requirements	0.00	0.00	0.00
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5655 - Regulatory Expenses	38,246.27	12,109.97	26,136.30
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In 2008 there was an adjustment made to the treatment of OEB assessment costs; there was labour and associated overhead expense during 2008 as part of the prior cost of service application process.

5660 - General Advertising Expenses	0.00	0.00	0.00
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5665 - Miscellaneous Expenses	0.00	0.00	0.00
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5670 - Rent	50,351.37	0.00	50,351.37
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This is rent from Parry Sound Energy Services based on their lease cost and property tax. This cost was first recorded in 2008.

5675 - Maintenance of General Plant	0.00	0.00	0.00
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5680 - Electrical Safety Authority Fees	0.00	0.00	0.00
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5685 - Independent Market Operator Fees and Penalties	0.00	0.00	0.00
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6205 - Donations	0.00	100.00	(100.00)
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1 2009 Actual VS. 2008 Actual

OEB No	OEB Account Name	2009 Actual	2008 Actual	2009 vs. 2008
5310	Meter Reading Expense Number of customers increased and the Number of Check reads that cost \$3.96 each increased in 2009	55,588.74	52,540.46	3,048.28
5315	Customer Billing Parry Sound Energy only charged for one quarters worth of billing and printing costs in 2008 and in 2009 there was a full year of billing and printing costs billed and the cost of postage increased in 2009	249,424.85	240,028.29	9,396.56
5320	Collecting On December 31 2008 a portion of Post retirement Benefits were allocated to 5320, this was not done in 2009 as a result 2008 expense were higher than 2009	64,374.06	81,059.01	(16,684.95)
5325	Collecting - Cash Over and Short	0.00	0.00	0.00
5330	Collection Charges	0.00	0.00	0.00
5335	Bad Debt Expense In 2009 wrote off uncollectable accounts, did not write anything off in 2008	11,075.28	0.00	11,075.28
5340	Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00
5400	Community Relations	0.00	0.00	0.00
5405	Supervision	0.00	0.00	0.00
5410	Community Relations - Sundry In 2009 there was a safety seminar for local elementary schools in the area and an increase in advertising for environmental, conservation, and safety ads.	21,615.64	12,948.34	8,667.30
5415	Energy Conservation Prior years expense included PSP out of pocket expense for third tranche spending, in 2009 energy conservation costs are funded by OPA dollars.	0.00	39,432.40	(39,432.40)

5420 - Community Safety Program	0.00	0.00	0.00
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5425 - Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00
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0 - Sales Expenses	0.00	0.00	0.00
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5505 - Supervision	0.00	0.00	0.00
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5510 - Demonstrating and Selling Expense	0.00	0.00	0.00
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5515 - Advertising Expense	0.00	0.00	0.00
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5520 - Miscellaneous Sales Expense	0.00	0.00	0.00
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0 - Administrative and General Expenses	0.00	0.00	0.00
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5605 - Executive Salaries and Expenses	5,934.12	6,889.67	(955.55)
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In 2009 Directors Insurance decreased by \$42.12 compared to 2008. In 2009 there was a shift in directors

5610 - Management Salaries and Expenses	0.00	0.00	0.00
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5615 - General Administrative Salaries and Expenses	209,600.46	204,545.58	5,054.88
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Salaries increased at the beginning of 2009 by 3% as per union contract plus a staff addition. This means that both Labour and Overhead expense increased in 2009.

5620 - Office Supplies and Expenses	50,001.52	34,426.36	15,575.16
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In 2009 there was Computer software Maintenance of \$1,933.07 and 0 in 2008. CHEC fees increased in 2009 by \$11,605.00. Conventions and Seminars increased in 2009 by \$2,255.50. Stationary and supplies increased by \$695.07.

5625 - Administrative Expense Transferred-Credit	131,215.01	105,513.78	25,701.23
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This expense is billed from Parry Sound Energy Services, based on 75% of their expenses. There is an increase in the 2009 PSES shared service costs including a consultant hired for negotiation of contracts, maintenance increase: new heater installed, repairs to the sewage lines. Plus addition of an apprentice.

5630 - Outside Services Employed	36,168.77	24,216.07	11,952.70
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In 2009 the Audit fee increased \$7,000 as a result of CICA Standards changes. In 2009 there was an increase in legal fees as a result of an insurance claim.

5635 - Property Insurance	0.00	0.00	0.00
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5640 - Injuries and Damages	0.00	0.00	0.00
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5645 - Employee Pensions and Benefits	0.00	0.00	0.00
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5650 - Franchise Requirements	0.00	0.00	0.00
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5655 - Regulatory Expenses	19,426.66	38,246.27	(18,819.61)
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In 2008 there was an adjustment made to the treatment of OEB assessment costs; there was labour and associated overhead expense during 2008 as part of the prior cost of service application process.

5660 - General Advertising Expenses	0.00	0.00	0.00
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5665 - Miscellaneous Expenses	0.00	0.00	0.00
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5670 - Rent	50,405.82	50,351.37	54.45
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This is rent from Parry Sound Energy Services based on their lease cost and property tax. The Property tax from the Town of Parry Sound increased in 2009.

5675 - Maintenance of General Plant	0.00	0.00	0.00
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5680 - Electrical Safety Authority Fees	0.00	0.00	0.00
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5685 - Independent Market Operator Fees and Penalties	0.00	0.00	0.00
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6205 - Donations	0.00	0.00	0.00
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1 2010 Bridge VS. 2009 Actual

OEB No	OEB Account Name	2010 Bridge	2009 Actual	2010 vs. 2009
5310	- Meter Reading Expense Meter reads done by company in 2010 \$2600 for 12 months and smart meter reading	38,154.56	55,588.74	(17,434.18)
5315	- Customer Billing In 2010 there is a maternity lease contrast position at a lower rate	238,632.13	249,424.85	(10,792.72)
5320	- Collecting Increase in Labour and Overhead allocation to Collecting	76,894.98	64,374.06	12,520.92
5325	- Collecting - Cash Over and Short	100.00	0.00	100.00
5330	- Collection Charges	0.00	0.00	0.00
5335	- Bad Debt Expense PSP has no formal write off policy, accounts are written off when deemed uncollectable or bankruptcy notice received. 2009 costs are higher than 4 year average used for budget and test year	5,200.00	11,075.28	(5,875.28)
5340	- Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00
5400	- Community Relations	0.00	0.00	0.00
5405	- Supervision	0.00	0.00	0.00
5410	- Community Relations - Sundry Programs funded through OPA	14,599.94	21,615.64	(7,015.71)
5415	- Energy Conservation	0.00	0.00	0.00
5420	- Community Safety Program	0.00	0.00	0.00
5425	- Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00
0	- Sales Expenses	0.00	0.00	0.00

5505 - Supervision	0.00	0.00	0.00
5510 - Demonstrating and Selling Expense	0.00	0.00	0.00
5515 - Advertising Expense	0.00	0.00	0.00
5520 - Miscellaneous Sales Expense	0.00	0.00	0.00
0 - Administrative and General Expenses	0.00	0.00	0.00
5605 - Executive Salaries and Expenses	6,247.74	5,934.12	313.62
5610 - Management Salaries and Expenses	0.00	0.00	0.00
5615 - General Administrative Salaries and Expenses	224,837.54	209,600.46	15,237.08
Salaries increased at the beginning of 2010 by 3% as per union contract			
5620 - Office Supplies and Expenses	106,181.71	50,001.52	56,180.19
5625 - Administrative Expense Transferred-Credit	0.00	131,215.01	(131,215.01)
Direct Allocation of Shared service costs			
5630 - Outside Services Employed	66,317.26	36,168.77	30,148.49
In 2010 audit fees double because had to change audit firms. \$7,500 of the increase in Audit fees are because of the disclosure issues which is a onetime cost			
5635 - Property Insurance	0.00	0.00	0.00
5640 - Injuries and Damages	0.00	0.00	0.00
5645 - Employee Pensions and Benefits	0.00	0.00	0.00
5650 - Franchise Requirements	0.00	0.00	0.00
5655 - Regulatory Expenses	54,605.85	19,426.66	35,179.19
In 2010 OEB costs escalated by 2.2% CPI. Regulatory Advertising remains consistent. Increase in labour and overhead due to a change in allocation of staff time.			
5660 - General Advertising Expenses	0.00	0.00	0.00

5665 - Miscellaneous Expenses	17,000.00	0.00	17,000.00
\$10,000 in training for admin staff and \$7,000 in operation staff training. New costs to Parry Sound Power, Services company previously paid costs.			
5670 - Rent	50,599.69	50,405.82	193.87
This is rent from Parry Sound Energy Services based on their lease cost and property tax.			
5675 - Maintenance of General Plant	25,385.52	0.00	25,385.52
Prior years shared services from affiliate allocated to 5625. Costs only increased marginally			
5680 - Electrical Safety Authority Fees	0.00	0.00	0.00
5685 - Independent Market Operator Fees and Penalties	0.00	0.00	0.00
6205 - Donations	0.00	0.00	0.00

1 2011 Test VS. 2010 Bridge

OEB No	OEB Account Name	2011 Test	2010 Bridge	2011 vs. 2010
5310	- Meter Reading Expense Migration to MDMR is set for late 2010 continue to incur costs until testing complete	19,206.78	38,154.56	(18,947.78)
5315	- Customer Billing Full time employee returns and 3% union increase in wage. Small increase in other billing, software, postage.	271,479.91	238,632.13	32,847.77
5320	- Collecting Increase 3% union wages and associated overhead plus addition of one FT in 2011	99,035.56	76,894.98	22,140.58
5325	- Collecting - Cash Over and Short	100.00	100.00	0.00
5330	- Collection Charges	0.00	0.00	0.00
5335	- Bad Debt Expense	5,200.00	5,200.00	0.00
5340	- Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00
5400	- Community Relations	0.00	0.00	0.00
5405	- Supervision	0.00	0.00	0.00
5410	- Community Relations - Sundry	13,422.65	14,599.94	(1,177.28)
5415	- Energy Conservation	0.00	0.00	0.00
5420	- Community Safety Program	0.00	0.00	0.00
5425	- Miscellaneous Customer Service and Informational Expenses	0.00	0.00	0.00
5505	- Supervision	0.00	0.00	0.00
5510	- Demonstrating and Selling Expense	0.00	0.00	0.00
5515	- Advertising Expense	0.00	0.00	0.00

5520 - Miscellaneous Sales Expense	0.00	0.00	0.00
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0 - Administrative and General Expenses	0.00	0.00	0.00
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5605 - Executive Salaries and Expenses	13,929.19	6,247.74	7,681.45
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Increase in 2011 is result of seminars for new directors. Change appointed on 3 year rolling term, 2011 change in directors therefore education costs increase.

5610 - Management Salaries and Expenses	0.00	0.00	0.00
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5615 - General Administrative Salaries and Expenses	301,317.68	224,837.54	76,480.14
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Salaries increased at the beginning of 2011 by 3% as per union contract

5620 - Office Supplies and Expenses	128,467.69	106,181.71	22,285.98
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PSP no longer achieves synergies. General office supplies as PSP no longer shares office equipment with affiliates.

5625 - Administrative Expense Transferred-Credit	0.00	0.00	0.00
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5630 - Outside Services Employed	46,228.07	66,317.26	(20,089.19)
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Used 2009 value and PSES portion plus Ontario 2.2% CPI increase

5635 - Property Insurance	0.00	0.00	0.00
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5640 - Injuries and Damages	0.00	0.00	0.00
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5645 - Employee Pensions and Benefits	0.00	0.00	0.00
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5650 - Franchise Requirements	0.00	0.00	0.00
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5655 - Regulatory Expenses	210,929.26	54,605.85	156,323.41
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In 2011 OEB costs escalated by 2.2% CPI. Regulatory Advertising remains consistent. Increase in labour and overhead due to an addition of one FT on 2011. The estimated costs of the current rate application recovered over a 4 year period of \$44,064.57 a year. 2009 COS costs at \$24,828.82 a year over 4 years. Costs of the Asset Management plan over 4 years are \$30,812.30 a year. Estimated costs of becoming compliant with ARC \$20,166.60 a year over 4 years. Remaining balance of 1606 Org Costs over a 5 year period at \$19,435.08 a year.

5660	- General Advertising Expenses	0.00	0.00	0.00
5665	- Miscellaneous Expenses	17,374.00	17,000.00	374.00
5670	- Rent	69,527.19	50,599.69	18,927.50
Due to becoming compliant with ARC, PSP will no longer share costs of building with Affiliates				
5675	- Maintenance of General Plant	34,140.61	25,385.52	8,755.09
PSP paying 100% and indexed by 2.2%				
5685	- Independent Market Operator Fees and Penalties	0.00	0.00	0.00
6205	- Donations	0.00	0.00	0.00

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1 2011 Test VS. 2006 Actual

OEB No	OEB Account Name	2011 Test	2006 Actual	2011 vs. 2006
5310	- Meter Reading Expense	19,206.78	41,342.46	(22,135.68)
Migration to MDMR is set for late 2010 continue to incur costs until testing complete. The major decrease is the cost of physical meter reading will no longer be incurred.				
5315	- Customer Billing	271,479.91	210,789.63	60,690.28
2011 is the result of a reorganized corporate structure –which includes full time employee returns addition of a 3% union increase. Small increase in other billing, software, postage.				
5320	- Collecting	99,035.56	107,646.46	(8,610.90)
Same effect as in 5315 -2011 is the result of a reorganized corporate structure –which includes full time employee returns addition of a 3% union increase. Small increase in other billing, software, postage.				
5325	- Collecting - Cash Over and Short	100.00	95.00	5.00
5330	- Collection Charges	0.00	0.00	0.00
5335	- Bad Debt Expense	5,200.00	15,669.13	(10,469.13)
2011 is an estimate based on averaging while 2006 actual represents the uncollectable accounts written off				
5340	- Miscellaneous Customer Accounts Expenses	0.00	0.00	0.00
5400	- Community Relations	0.00	0.00	0.00
5405	- Supervision	0.00	0.00	0.00
5410	- Community Relations - Sundry	13,422.65	16,896.96	(3,474.31)
The 2006 actual value represents dollars spent on CR while 2011 is the estimate based on average of prior years and work effort				
5415	- Energy Conservation	0.00	10,648.23	(10,648.23)
PSP has not budgeted any non OPA funded CDM in Test year				
5420	- Community Safety Program	0.00	925.00	(925.00)

5425	-	Miscellaneous Customer Service and Informational Expenses	0.00	2,185.38	(2,185.38)
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PSP has not included this account in the 2011 test year budget

5505	-	Supervision	0.00	0.00	0.00
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5510	-	Demonstrating and Selling Expense	0.00	0.00	0.00
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5515	-	Advertising Expense	0.00	0.00	0.00
------	---	---------------------	------	------	------

5520	-	Miscellaneous Sales Expense	0.00	0.00	0.00
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5605	-	Executive Salaries and Expenses	13,929.19	15,820.27	(1,891.08)
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2011 is the dollar budget for new directors vs the total spent in 2006

5610	-	Management Salaries and Expenses	0.00	0.00	0.00
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5615	-	General Administrative Salaries and Expenses	301,317.68	164,885.39	136,432.29
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Salaries increased at the beginning of 2011 by 3% as per union contract, plus the change in staffing as a result of reorganizing, an increase in staff and overhead costs.

5620	-	Office Supplies and Expenses	128,467.69	28,688.78	99,778.91
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Jan 1 2011 PSP no longer achieves synergies. General office supplies as PSP no longer shares office equipment with affiliates as seen in 2006 costing.

5625	-	Administrative Expense Transferred-Credit	0.00	114,641.47	(114,641.47)
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No longer share services with the affiliate therefore no dollars included in 2011

5630	-	Outside Services Employed	46,228.07	23,302.63	22,925.44
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The 2011 test year cost see an increase in outside services over 2006 actual, the change in audit firms plus an increase in regulatory costs are the main drivers.

5635	-	Property Insurance	0.00	0.00	0.00
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5640	-	Injuries and Damages	0.00	0.00	0.00
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5645	-	Employee Pensions and Benefits	0.00	0.00	0.00
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5650	-	Franchise Requirements	0.00	0.00	0.00
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5655	-	Regulatory Expenses	210,929.26	15,267.38	195,661.88
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In 2011 OEB costs escalated by 2.2% CPI. Regulatory Advertising remains consistent. Increase in labour and overhead due to an addition of one FTE in 2011. The estimated costs of the current rate application recovered over a 4 year period of \$44,064.57 a year. 2009 COS costs at \$24,828.82 a year over 4 years. Costs of the Asset Management plan over 4 years is \$30,812.30 a year. Estimated costs of becoming compliant with ARC \$20,166.60 a year over 4 years. Remaining balance of 1606 Org Costs over a 5 year period at \$19,435.08 a year.

5660	-	General Advertising Expenses	0.00	0.00	0.00
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5665	-	Miscellaneous Expenses	17,374.00	2,682.38	14,691.62
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In 2011 PSP used this account to track estimated training costs, in 2006 the cost of creating a generation connection agreement and a website were recorded in 5665

5670	-	Rent	69,527.19	0.00	69,527.19
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Due to becoming compliant with ARC, PSP will no longer share costs of building with Affiliates

5675	-	Maintenance of General Plant	34,140.61	0.00	34,140.61
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Reorganization in 2011 sees PSP paying 100% and indexed by 2.2%, 2006 the affiliated incurred these costs

5685	-	Independent Market Operator Fees and Penalties	0.00	0.00	0.00
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6205	-	Donations	0.00	50.00	(50.00)
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1 2011 Test VS. 2009 Actual

OEB No	OEB Account Name	2011 Test	2009 Actual	2011 vs. 2006
5310	- Meter Reading Expense Migration to MDMR is set for late 2010 continue to incur costs until testing complete. The major decrease is the cost of physical meter reading will no longer be incurred.	19,206.78	55,588.74	(36,381.96)
5315	- Customer Billing In 2009 employee is on maternity leave and in 2011 the employee returns and 3% union increase in wage. Small increase in other billing, software, postage.	271,479.91	249,424.85	22,055.06
5320	- Collecting In 2009 employee is on maternity leave and returned in 2011 and an increase 3% union wages and associated overhead plus addition of one FTE in 2011	99,035.56	64,374.06	34,661.50
5325	- Collecting - Cash Over and Short	100.00	0.00	100.00
5330	- Collection Charges	0.00	0.00	0.00
5335	- Bad Debt Expense 2009 actual represents the uncollectable accounts written off and 2011 is an estimate based on averaging.	5,200.00	11,075.28	(5,875.28)
5340	Miscellaneous Customer Accounts - Expenses	0.00	0.00	0.00
5400	- Community Relations	0.00	0.00	0.00
5405	- Supervision	0.00	0.00	0.00
5410	- Community Relations - Sundry The 2009 actual value represents dollars spent on CR while 2011 is the estimate based on average of prior years and work effort	13,422.65	21,615.64	(8,192.99)
5415	- Energy Conservation	0.00	0.00	0.00
5420	- Community Safety Program	0.00	0.00	0.00
5425	Miscellaneous Customer Service and - Informational Expenses	0.00	0.00	0.00

5505	- Supervision	0.00	0.00	0.00
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5510	- Demonstrating and Selling Expense	0.00	0.00	0.00
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5515	- Advertising Expense	0.00	0.00	0.00
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5520	- Miscellaneous Sales Expense	0.00	0.00	0.00
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5605	- Executive Salaries and Expenses	13,929.19	5,934.12	7,995.07
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Increase in 2011 is result of seminars for new directors.
Change appointed on 3 year rolling term, 2011 will see
change therefore education costs increase.

5610	- Management Salaries and Expenses	0.00	0.00	0.00
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5615	General Administrative Salaries and - Expenses	301,317.68	209,600.46	91,717.22
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Result of reorganizing and the addition of staffing plus
salary increases at the beginning of 2011 by 3% as per
union contract

5620	- Office Supplies and Expenses	128,467.69	50,001.52	78,466.17
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As of Jan 1, 2011 PSP no longer achieves synergies.
General office supplies as PSP no longer shares office
equipment with affiliates.

5625	Administrative Expense Transferred- - Credit	0.00	131,215.01	(131,215.01)
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As a result of reorganizing PSP no longer sees the admin fees
transferred from the affiliate.

5630	- Outside Services Employed	46,228.07	36,168.77	10,059.30
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The 2011 test year costs see an increase in outside
services over 2009 actual. The primary driver is a change
in audit firms.

5635	- Property Insurance	0.00	0.00	0.00
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5640	- Injuries and Damages	0.00	0.00	0.00
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5645	- Employee Pensions and Benefits	0.00	0.00	0.00
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5650	- Franchise Requirements	0.00	0.00	0.00
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5655	- Regulatory Expenses	210,929.26	19,426.66	191,502.60
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In 2011 OEB costs escalated by 2.2% CPI. Regulatory Advertising remains consistent. Increase in labour and overhead due to an addition of one FTE in 2011. The estimated costs of the current rate application recovered over a 4 year period of \$44,064.57 a year. 2009 COS costs at \$24,828.82 a year over 4 years. Cost of the Asset Management plan over 4 years is \$30,812.30 a year. Estimated costs of becoming compliant with ARC \$20,166.60 a year over 4 years. Remaining balance of 1606 Org Costs over a 5 year period at \$19,435.08 a year.

5660	- General Advertising Expenses	0.00	0.00	0.00
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5665	- Miscellaneous Expenses	17,374.00	0.00	17,374.00
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In 2011 PSP used this account to track estimated training costs, in 2009 no costs were recorded in 5665

5670	- Rent	69,527.19	50,405.82	19,121.37
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Becoming compliant with ARC Jan 1, 2011, PSP will no longer share costs with Affiliates

5675	- Maintenance of General Plant	34,140.61	0.00	34,140.61
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Becoming compliant with ARC Jan 1, 2011, PSP is paying 100% and indexed by 2.2%

5685	Independent Market Operator Fees and Penalties	0.00	0.00	0.00
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6205	- Donations	0.00	0.00	0.00
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1 The table below sets out the OM&A cost per customer and Full Time equivalent employee.

2 **Table 2-I**

OM&A Cost per Customer and FTEE						
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Number of Customers	4,270	4,334	4,362	4,397	4,431	4,464
Total OMA	1,036,543	1,109,310	1,216,114	1,245,779	1,424,803	1,795,417
OMA cost per customer	243	256	279	283	322	402
Number of FTEEs	7.59	7.68	7.91	8.09	10.47	12.52
FTEEs/Customer	0.001779	0.001772	0.001812	0.001841	0.002363	0.002805
OMA cost per FTEE	136,501	144,450	153,838	153,915	136,063	143,369

# of Customers						
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Residential	2,610	2,643	2,697	2,744	2,778	2,812
GS < 50 kW	505	529	508	495	494	493
GS >50 kW	61	64	66	66	67	68
Sentinel Lights	13	15	13	12	12	12
Street Lighting	1,061	1,061	1,061	1,061	1,061	1,061
USL	20	22	17	18	18	18
Total	4,270	4,334	4,362	4,397	4,431	4,464

Forecast customer data

3 Forecast customer details from Load data which represents average of 12 months from the year
4

5 PSP has not included any one-time costs in this application. Any costs that are incurred over a
6 period of time have been averaged over the four year period of this cost of service rate
7 application.

8 PSP has not included expenses that relate to the Green Energy Act

Regulatory costs as indicated in the variance analysis are presented in the table below.
Regulatory costs for the 2011 rate application, 2009 Rate application (withdrawn), the cost of
the mandated asset management plan and the subsequent changes to the corporate structure
caused by the denial to the ARC exemption application have been considered over a four year
period in our OM&A costs and the costs that have been included are highlighted below:

Table 2-H

Regulatory Cost Schedule

Regulatory Cost Category	Ongoing or One Time Cost?	Last Rebasings Year 2006 Actual	Last Year of Actuals 2009	Bridge Year 2010	% Change in Bridge Year vs. Last Year of Actuals	Test Year Forecast 2011	% Change in Test Year vs. Bridge Year
OEB Annual Assessment	Ongoing	6,813	12,530	12,604	1%	12,899	2%
OEB Section 30 Costs (OEB initiated)	Ongoing	-	585	-		-	
ESA Fees	Ongoing	4,154	4,429	4,527	2%	4,626	2%
Regulatory Advertising	Ongoing	-	1,082	1,000	-8%	1,022	2%
Annual registration	Ongoing	800	800	800	0%	800	0%
Regulatory Labour	Ongoing	-	-	16,240	100%	52,275	69%
Other		-	-	-		-	
Cost of Service	One Time	-	-	-		68,893	100%
Asset Management Plan	One Time	-	-	-		30,812	100%
ARC/ Corporate Changes	One Time	-	-	19,435	100%	39,602	51%
Hydro one Load Shape Analysis	One Time	3,500	-	-		-	
Subtotal - Ongoing Costs		11,767	19,427	35,171		71,622	
Subtotal - One time costs		3,500	-	19,435		139,307	
Total		15,267	19,427	54,606		210,929	

Shared Services

Summary

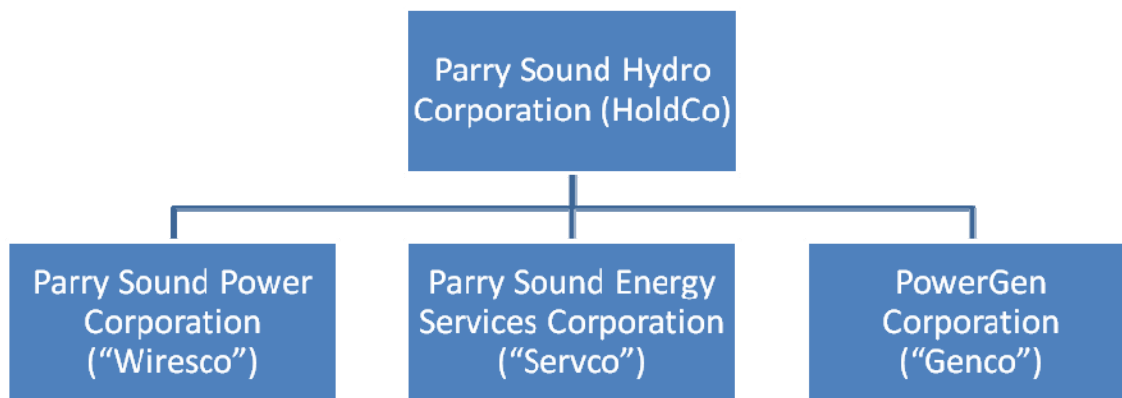
PSP currently has plans to change to the corporate structures. PSP filed an application seeking exemptions to sections of the current Affiliate Relationship Code in April 2009. A subsequent denial of the application was issued by the board in October 2009. Therefore changes to our current operational structures are required. To determine the best results for our customers PSP's Board of Directors and management have engaged subject matter experts. To ensure compliance best business practices and policies are in order, management plans to enable the new operational structure January 1, 2011. Further to the operational regime identified in the corporate chart above, Parry Sound Energy Services (PSES) currently supplies staffing, vehicle, equipment, office and operational building space along with management oversight which will cease to exist as of December 31, 2010. Any monetary synergies currently associated with the combined operational entities will cease as well. PSP's 2011 revenue requirement forecast also reflects these changes. In general terms the operational structure will see changes from PSES to PSP initially involving staff resources, vehicle and equipment, office furniture and equipment, building and storage areas. The final plans are not complete, however, Parry Sound Power's Board of Directors have mandated ARC compliance by January 1, 2011. The compliance exercise to achieve compliance is estimated to cost PSP \$100,000 which is proposed in this rate application for recovery over the four year rate period. As finance quickly becomes the backbone to any well managed business it is imperative to a regulated entity such as PSP to evolve its business practices to remain viable. Management does understand the need to strive for further reductions in costs will become the industry standard throughout the rate setting future. PSP also understand that its' current business practices are outdated and need to be brought into line with current management and financial trends. The membership to CHEC and the investment in UCS will definitely aid PSP in its future endeavors to control costs. Detailed below is the current org chart and corporate overview.

Overview

PSP as shown in the Corporate Entities chart below Parry Sound Power is 100% owned by the parent corporation Parry Sound Hydro Corporation (PSHC). PSP has two sister corporations:

Parry Sound PowerGen (PGEN) and Parry Sound Energy Services (PSES). PSPS has “Service Agreements” with the PSHC, PSES and PGen. These agreements detail the arrangements and services provided and are attached in the following section Ex 4 Tab 2. The detailed analysis of the corporate relationship follows the organization chart preceding this section, the detail is offered to provide the reader with a better understanding of the corporate relationship the benefits created by this relationship and the pricing structure currently in place. PSHC, PSP, PSES and PGen have intended this information to assist the reader without dwelling into the competitive business practices of the affiliate corporations.

Parry Sound Hydro Corporate Entities Chart



Detailed Analysis

Parry Sound Hydro Corporation

PSHC being the corporate company owns the building that houses the administration and operations staff. This building located at 125 William Street Parry Sound Ontario includes office space, storage/warehouse area and large garage to house the transportation equipment. The agreement for rental space is between PSHC and PSES, the historical rent was based on the value of property tax paid during the year and allocate to PSES. PSES allocated the rental costs (along with other costs detailed later) to the other affiliates based on approximate area of use PSP 75% & PGen 10%. Management was of the opinion that the former agreement did not lend itself to "Fair Market" practice based on the rental agreement. Therefore in late 2007 PSHC had a market value assessment done of the premises at 125 William Street to determine what the fair market rental rate would be. This assessment was conducted by a certified commercial real estate appraiser. The formal report results in an increase of the rental space to \$62,000 (75% PSP, 15%PSES & 10% P:Gen) per year from the former costs of \$4,679 in 2007. This increase now reflects fair value of the office space used by PSP. This area was described in the OMA variance in the prior section. PSHC also allocates the costs of the board of directors to each of the subsidiary companies based on the number of directors that sit the subsidiary board from the holding company board. PSP has two directors from the PSHC board that hold directors' positions on the Power board. These expenses are allocated at cost. Any further costs incurred by the parent company that are to be shared between the subsidiary corporations are invoiced at cost to PSES and PSES deals with these expenses accordingly.

Parry Sound PowerGen Corporation

PGen is an electrical generation company licensed by the Ontario Energy Board. PGen produces hydraulic generation and charges PSP using the actual "Spot" price determined by the IESO. A copy of the connection agreement is located in the next section.

Parry Sound Energy Services Corporation

PSES "The Services Corporation" retains all the employees and assets, vehicles, equipment, computers, etc., needed to provide the services to operate the LDC and Generation Company. The services are charged at cost. PSES is also involved in "Other" competitive" business

endeavors. PSES is NOT an electrical retailer operating in the electricity market nor does it portray itself as such.

PSES invoices PSP for services rendered by operations department on a biweekly (payroll) basis. These costs are tracked by the hour using 15 minute increments for both operations staff and equipment time involved. The rates invoiced are at the direct hourly cost of the employee with an added overhead burden.

The equipment time is invoiced at a set hourly rate depending on the vehicle size.

Table 1 PSES' Equipment Rental Rates

Equipment:

Single Bucket Truck	\$30.00
Digger Derrick	\$35.00
Double Bucket Truck	\$45.00
½ Ton Truck	\$10.00
Chain Saw etc.	\$10.00

The Operations and Equipment costs are invoiced and allocated on a gl account level to capital, operations, maintenance and any other relative cost centers.

The admin staff is invoiced on the same time table as operations and equipment. The costs are true admin wage costs including a payroll burden percentage. These costs are allocated to various cost pools based on the staff member: General Admin, Regulatory, Customer Billing, Collecting etc. on a percentage of time spent basis. This allocation is reviewed periodically by management and changed when considered needed.

This costing approach was created by management using historical time allocation and management best opinions.

PSP also purchases other services from PSES that allows us to operate effectively by sharing costs to achieve synergies that in other ways would not be possible. These expenses are

transferred at cost on a percentage of use methodology. The table below lists the cost centers and allocation percentages.

Table 2 PSES Allocation of Costs

PSP 75% PGen 10% PSES 15%

Other administration & general

5620	General admin – other
01	Office Equipment Maintenance
02	Computer software maintenance
03	Photocopier lease and maintenance
04	Fax machine
05	Postage meter rental & mailing machine
06	Postage
10	Advertising
11	Fees memberships
14	Service pins & dinner
16	Internet access
17	Courier charges
18	Bank charges
20	Rent from Parry Sound Hydro
21	Gen Admin from Parry Sound Hydro
57	Conventions/seminars
58	Insurance
59	Telephone
67	Cleaning & other maintenance
68	Stationery supplies
70	Mileage & Messenger
72	Office Supplies Other
	Outside services
5630	employed
01	Audit
02	Legal

03 Other
63 Contractors
5640 Damages
5675 Maintenance of general plant
01 Grounds & Custodial
02 Snow plowing
03 Waste disposal
04 Security system
50 Labour
51 Truck Time
53 Elect., water, sewage, gas
58 Insurance
99 Maintenance
6215 Penalties and donations
9085 Trades Training

Amortization of capital

assets

5705-12 Office furniture and equipment
5705-13 Computer equipment
5705-16 Communications equipment
5705-18 Load management controllers

1

2 The amortization expense allocated is only the amortization on the assets used for shared
3 services.

4

5 **Other**

6 PSP is currently a member of Cornerstone Hydro Electric Concepts Group "CHEC".

7 As a shareholder, PSP is very involved with the development of policy processes and shared
8 agreements amongst the group. As a CHEC group member we have accomplished many things
9 as a group that as individual LDCs we could not have done without great cost to our customers.

10 The shared costs of a Finance Coordinator has enabled our group to ensure the many if not all
11 facets of finance are well managed and up-to-date. Board Staff are well aware of our activities

1 and have attended many of our finance meetings, resulting in better relationship with the LDC
2 and Board Staff, a very favorable result for both parties. A CDM coordinator is also shared
3 among our group enabling us to achieve synergies and find programs to offer our customers
4 that we could not accomplish on our own. The "CHEC" organization is well known throughout
5 the industry and very well respected. Parry Sound participates in this group to its full potential;
6 we have representation on the CHEC board of directors and the CHEC Finance Steering
7 Committee.

8
9 PSP in late 2006 became a 25% share holder in "Utility Collaborative Services Inc." This
10 company provides billing, EBT and reporting services to its members. The operating premise is
11 based on standards and group efforts to share costs relating to "Back Office" task that would
12 otherwise be handled by the utility itself or other "Billing" contractors. The simple business case
13 is shared services with a return of costs based on annual company performance. As UCS
14 grows, our discounts relating to costing drop in proportion to the number of customers we
15 represent.

16 **CHARGES TO AFFILIATES FOR SERVICES PROVIDED:**

17 **Introduction:**

18 PSP does not charge for affiliate services. As discussed in Exhibit 1, PSP currently
19 operates with services for staff, vehicles, equipment, back office services shared with the
20 affiliate Parry Sound Energy Services (PSES). As of January 1, 2011 PSP will no longer
21 purchase these type of non- compliant services from the affiliate.

TABLE 2L

SHARED SERVICES/CORPORATE COST ALLOCATION

Name of Company		Service Offered	Pricing Methodology	2006 EDR		2006		2007		2008		2009		2010 Bridge		2011 Test		% Allocation
From	To			Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	Price for the Service (\$)	Cost for the Service (\$)	
Parry Sound Hydro	Parry Sound Power	Directors Fees	Cost Based	18,892	18,892	7,371	7,371	6,468	6,468	6,634	6,634	5,420	5,420	5,500	5,500	5,665	5,665	100%
Parry Sound Hydro	Parry Sound Power	Intercompany Rent	Cost Based	-	-	-	-	-	-	-	-	-	-	-	-	69,527	69,527	100%
Parry Sound Energy Services	Parry Sound Power	Admin Charge	Cost Based	119,695	119,695	114,641	114,641	106,919	106,919	105,513.78	105,513.78	131,215.01	131,215.01	106,744	106,744	-	-	75%
Parry Sound Energy Services	Parry Sound Power	Intercompany Rent	Cost Based	-	-	-	-	-	-	50,351	50,351	50,406	50,406	50,600	50,600	-	-	100%
Parry Sound Energy Services	Parry Sound Power	Payroll	Cost Based	594,411.3	594,411.3	654,762	654,762	683,461	683,461	786,904	786,904	736,232	736,232	-	-	-	-	100%
Parry Sound Energy Services	Parry Sound Power	Bill Printing & Stuffing	Cost Based	-	-	-	-	6,098	6,098	1,527	1,527	6,215	6,215	6,351	6,351	-	-	100%
Parry Sound Energy Services	Parry Sound Power	Engineering	Cost Based	30,488	30,488	23,184	23,184	18,995	18,995	20,490	20,490	23,125	23,125	6,278	6,278	-	-	100%
Total Purchases from Affiliates				\$763,486	\$763,486	\$799,958	\$799,958	\$821,941	\$821,941	\$971,420	\$971,420	\$952,613	\$952,613	\$175,472	\$175,472	\$75,192	\$75,192	

5 Purchase of Service Table

Purchase of Services

Company	Description	Contract/ Cost	2007 Total Cost	2008 Total Cost	2009 Total Cost
A & L Line Construction	Replace 46KV Insulators, Poles and Conductor	Cost	-	8,925.00	241,500.00
AESI Acumen Engineered Solutions	ESA Audit	Cost	1,804.32	1,819.70	1,869.67
AF Pollution Abatement Systems, Inc.	Oclansorb	Cost	-	-	1,351.10
Bay Area Electrical Co Ltd	Meter Base Repair	Cost	-	-	1,395.13
Bel Volt Sales Ltd	46KV 900AMP Inline Switches	Cost	225.68	-	2,915.40
Bell Canada	Primary Metering	Contract	14,020.86	7,968.78	9,004.56
Bell Canada Special Billing	Pole Rentals	Contract	11,788.93	6,507.65	6,396.83
Bell Mobility-Special Billing	Implementation for Private/Static IP	Cost	-	-	35,070.00
Blue Line Innovations Inc	PowerCost Monitors	Cost	3,495.00	-	-
Borden Ladner Gervais	2011 rate application	Cost	-	-	2,691.03
Burlington Business Forms	Hydro Invoices & Prepaid envelopes	Cost	-	3,712.05	2,967.05
Burman Energy Consultants Group Inc	Power Savings Blitz	Cost	-	-	77,118.25
Cam Tran Co. Ltd	Operations Supplies	Cost	3,882.84	-	-
Canada Brokerlink(Ontario)Inc	Insurance renewal	Contract	12,140.28	12,760.20	13,157.64
Canada Post Corporation	Postage	Cost	19,991.24	17,041.95	21,149.66
CHEC	Membership Dues	Contract	4,452.88	5,283.51	26,509.93
Collus Power Corp.	Load Management Services	Contract	384.67	818.12	-
Cull, Gordon & Gingrich	Audit fees	Contract	7,950.00	9,450.00	11,025.00
D&F Clouthier Group Enterprises Inc.	Lighting Retrofit	Cost	-	-	11,325.00
De Lage Landen Financial Services Ca	Lease Pymt-Postage Machine	Contract	2,857.03	2,834.04	2,638.89
Dearness Enviromental Society	DC Academic Program	Cost	9,817.45	-	-
Dell Computer	Server	Cost	-	-	14,393.94
E360	ARC Work	Cost	-	-	42,216.57
Electrical Safety Authority	Regulatory Oversight Cost Recovery Acct#27660	Cost	2,655.89	2,715.46	2,780.90
Electricity Distributors Association	Membership fees	Cost	-	7,035.00	14,700.00
Electricity Safety & Conservation	Safety Seminars for Schools	Cost	-	-	2,567.25
Elenchus Research Associates Inc.	Rate Rebasing	Cost	-	66,543.02	-
Elster Metering	Meters	Cost	10,041.29	7,451.77	445,105.77
Environment Network	Supplies	Cost	14,917.14	-	-
Enerspectrum Group	Power Savings Blitz	Cost	-	5,780.29	111,849.96
Enterprise Rent-a-Car	Car Rental	Cost	-	-	1,886.88
Environment Network	Enrolment Confirmation for Peak Savers Program	Cost	-	11,524.80	-
General Electric Canada Inc	Oil samples & Analysis; Transformer Rental & Inspections	Contract	85,527.94	349,563.81	15,048.64
Gord Eamer Enterprises	Third Tranche CDM Assistance	Contract	2,227.43	12,393.02	-
Grafton Utility Supply	Transformers and Supplies	Contract	36,759.28	-	-
Green Group	conservation activities/programs	Contract	13,960.30	14,936.01	3,150.00
Green-Port Environmental Managers L	Disposal of PCB's	Cost	-	10,996.65	-
Guelph Utility Pole Company Ltd	Poles	Cost	-	10,921.45	5,020.59
Guillevin International Co	Materials	Cost	-	937.90	5,849.78
GWS Tree Service & Contracting	Remove Tree	Cost	-	1,732.50	-
Harris	Remote Consulting Services with Carrie Allen	Cost	1,160.52	-	56,643.05
HD Supply Utilities	Transformers and Supplies	Cost	36,020.80	44,151.76	59,516.54
Home Hardware	Miscellaneous Supplies	Cost	8,151.20	237.88	58.56
Hydro One Networks Inc	Connection & Network Charges	Contract	1,102,821.32	1,064,344.20	827,457.86
1 Independent Electricity System Operatr	Power Purchased	Contract	6,795,861.21	5,520,869.37	6,175,387.11

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Infrared Thermographic Analysis Inc.	Infrared Inspection of Overhead Distribution Lines	Cost	-	1,397.75	714.00
Kinetiq Canada Ltd.	Smart Meter ODS	Cost	-	-	5,076.02
LaPrairie Inc.	Materials	Cost	-	1,973.89	2,088.58
Loud Advertising	Smart Meter Inserts	Cost	-	-	4,349.80
MEARIE	Comprehensive Liability Policy	Contract	1,000.00	-	3,421.45
Metroland NorthMedia	Newspaper Ads	Cost	2,920.30	13,688.47	14,376.67
Minister of Finance	PIL Installment	Cost	8,151.00	11,408.80	-
Minuteman Press	Envelopes, Bill Inserts, misc forms,	Cost	1,383.16	513.20	1,797.37
MooseFM	Radio Ads	Cost	-	1,606.50	428.40
National Wireless	Installation and Warrenty of Wide Area Network	Cost	-	-	2,842.65
Nedco	Operations Supplies	Cost	1,411.32	-	593.82
North Star/Beacon Star	Newspaper Ads	Cost	5,436.74	-	-
Olameter Inc	Meter Testing	Cost	2,143.77	2,607.51	66,333.66
Ont Electricity Finance Corp-Pils	Payments in Lieu of Tax	Cost	165,844.95	157,936.00	30,000.00
Ontario Electricity Financial Corporation	Debt Retirement Charge	Cost	575,948.64	572,977.42	587,180.92
Ontario Energy Board	Assessments	Cost	12,705.25	13,029.88	11,334.29
Ontario Power Authority-Programs	OPA Programs	Cost	-	-	156,903.48
Orr's Fine Meats & Deli	Lunchs	Cost	-	779.11	1,460.10
Parry Sound Area Chamber of Comme	Membership Dues & Home Show Booth Registration Cost	Cost	1,157.20	-	736.93
Parry Sound District Housing	Purchase of Refrigerators & Light Replacements	Cost	14,105.60	-	-
Parry Sound Energy Services Corporat	Labour, equipment, admin and office costs purchased from A	Contract	966,109.24	1,102,708.21	1,145,129.48
Parry Sound Powergen Corporation	Cost of Power purchased from affiliate	Contract	291,234.68	354,013.66	214,981.34
Parry Sound Hydro	Director's Fees Invoiced from Holding Company	Cost	6,467.68	182,777.83	181,864.40
Peterborough Utilities Services Inc	MSP Billing	Contract	3,498.00	11,562.37	42,798.16
Purolator Courier Ltd	Courier	Cost	837.60	1,084.85	827.12
RDI Consulting Inc.	ARC Review	Cost	-	17,425.20	1,117.20
Receiver General	GST	Cost	218,058.07	190,523.31	135,023.08
Rodan Energy Solutions Inc	Asset Management Plan	Contract	-	-	97,419.74
Savage Data Systems Ltd	Settlement Services	Contract	33,512.96	24,897.60	26,382.76
Shibley Righton LLP in Trust	Cost Claim of SEC	Cost	-	-	1,399.20
Stenic Productions Inc.	Ground Sockets for Clotheslines	Cost	-	9,716.00	-
T.D.Canada Trust	Miscellaneous Payments-retailers, visa, pap etc	Cost	1,043,519.39	2,429,430.18	792,934.81
T.D.Visa	Visa Charges	Cost	15,501.84	22,050.74	19,534.76
The ITM Group	Network Management, Spare Router, Email Access etc	Contract	3,201.41	2,518.50	34,796.85
The SPI Group	EBT Hub Services	Contract	3,848.23	4,553.77	4,872.50
Tiltran Services	Test Transformer at MS3	Cost	2,280.00	-	-
Town of Parry Sound	Property Taxes, Interest on Promissory Note, CDM	Cost	3,878,337.21	3,676,764.29	3,808,612.60
URB, Division of Olameter Inc	Meter Reading and Data Collecting Services	Contract	39,585.16	38,259.25	22,000.70
Util-Assist	Smart Meter Consulting Services	Contract	18,692.00	17,034.40	37,705.94
Utilities Standards Forum	USF Annual Membership Fee	Cost	-	6,300.00	6,510.00
Utility Collaborative Services	Billing Services	Contract	79,212.94	62,492.37	60,887.32
Utility Financial Concepts Inc	IRM/Cost Allocation Work	Cost	6,259.02	23,527.47	8,861.56
Vulnerable Energy Consumers Coalitio	Cost Awards Re: 2009 Rates	Cost	-	-	2,959.69
W.E.H. Developments Ltd	Connections as per Economic Evaluation	Cost	-	773.76	9,080.95
Wallace Klein Partners in Law	Legal Services	Cost	-	2,244.99	1,682.73
Waverunner Communications Inc.	Antenna smart Metering	Cost	-	-	3,969.55
Westburne/Ruddy	Misc Supplies - conduit/sleeves...	Cost	2,164.58	7,232.20	5,139.75
Young Utility Equipment Inc.	Materials	Cost	-	3,516.90	16,553.88
			15,607,443.44	16,178,582.27	15,824,402.75

EMPLOYEE COMPLEMENT, BENEFITS AND COMPENSATION

Salaries and Wages

As detailed earlier in the application PSP currently have no employees. The resource used to supply labour for the PSP's is billed directly from the affiliate company PSES (Parry Sound Energy Services). Effective January 1, 2011 PSP will become fully compliant with the ARC and employ the necessary staff to enable the service level requirement are met. Detailed below are the items planned and included in this application for staffing commencing January 1, 2011. The following table summarizes PSP's employee complement. The table below outlines the current salary level plus an overhead estimate. As PSP has planned changes to the corporate structure the costs of benefits and overhead are included in the labour dollars

The unionized staff will be represented by: THE CANADIAN UNION OF PUBLIC EMPLOYEES AND ITS LOCAL NO. 17, C.L.C. PSP will follow the currently contract in which negotiations was recently conducted and resulted in a three year collective agreement for the period January 1, 2009 to December 31, 2011. The current contract contains a 3% annual escalation in wages for all unionized employees. The contract also contains a benefits package. PSP's projected wage rates are competitive with other LDCs. Similarly, the non-union staff was also approved for the same annual wage increase as union employees effective at the beginning of each calendar year.

Employee Costs

	Last Rebasng Year	Historical Year (Bridge Year - 1)	Bridge Year	Test Year
Number of Employees (FTEs including Part-Time)				
Executive				
Management				
Non-Union				4.00
Union				8.52
Total				12.52
Number of Part-Time Employees				
Executive				
Management				
Non-Union				
Union				
Total				
Total Salary and Wages				
Executive				
Management				
Non-Union				\$ 338,188
Union				\$ 729,362
Total				\$ 1,067,550
Current Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Accrued Pension and Post-Retirement Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Benefits (Current + Accrued)				
Executive	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ -	\$ -	\$ -
Non-Union	\$ -	\$ -	\$ -	\$ -
Union	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Compensation (Salary, Wages, & Benefits)				
Executive	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ -	\$ -	\$ -
Non-Union	\$ -	\$ -	\$ -	\$ 338,188
Union	\$ -	\$ -	\$ -	\$ 729,362
Total	\$ -	\$ -	\$ -	\$ 1,067,550
Compensation - Average Yearly Base Wages				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Overtime				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Incentive Pay				
Executive				
Management				
Non-Union				
Union				
Total				
Compensation - Average Yearly Benefits				
Executive				
Management				
Non-Union				
Union				
Total				
Total Compensation	\$ -	\$ -	\$ -	\$ 1,067,550
Total Compensation Charged to OM&A				
Total Compensation Capitalized	\$ -	\$ -	\$ -	\$ 1,067,550

AMORTIZATION OF CAPITAL ASSETS

Amortization of capital assets is calculated as follows:

PSP uses the pooling of assets for all Distribution System capital assets. General Plant capital assets are recorded on an individual basis;

- Amortization is calculated on a straight line basis over the estimated remaining useful life of the assets at the end of the previous year; plus:

- Amortization on capital additions during the current year commences in the month that the asset is acquired;

- Amortization rates are in line with the rates set out in the OEB's APH; and

- PSP does not have a formalized amortization policy outlining the points above.

The following outlines the amortization rates used by PSP for each asset group as defined in the Board's guidelines on amortization / depreciation rates (Appendix B of the 2006 Electricity Distribution Rate Handbook).

Details of PSP's amortization by asset group are provided in the table below, filed as per the "Filing Guidelines" (*Appendix 2-M*). The Fixed Asset Continuity Schedules in Exhibit 2, also detail the accumulated amortization for each of PSP's asset groups.

USoA	Asset Type	Life Years
1805	Land	NA
1806	Land rights	25
1820	Distribution Station Equipment	30
1830	Distribution Poles, Towers, Fixtures	25
1835	O/H Conductors	25
1840	U/G Conduit	25
1845	U/G Conductors	25
1850	Line Transformers	25
1855	Services	25
1860	Meters	25
1915	Office Furniture & Equipment	10
1940	Misc. Tools / Equipment	10
1910	Leashold improvements	5
1920	Software	5
1925	Server	5
1930	Transportation Over 3 ton	8
	Transportation Under 3 ton	5
1995	Contributions & Grants *	Per asset type

1
2
3
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Table 2M
Depreciation Expense

2006 Depreciation and Amortization Expense

Account	Description	Opening Balance	Less Fully Depreciated ⁽¹⁾	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e)=(c) + 0.5 x (d) (2)	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1606	Organization	361,043	20,928.70	340,114	0	340,114	7	0.14	48,588
1805	Land	74,305	-	74,305	0	74,305	0	0	-
1806	Land Rights	35,048	34,548.00	500	0	500	25	0.04	20
1808	Buildings and Fixtures	-	-	-	0	-	0	0	-
1810	Leasehold Improvements	-	-	-	0	-	0	0	-
1815	Transformer Station Equipment - Normally Prim	-	-	-	0	-	0	0	-
1820	Distribution Station Equipment - Normally Prim	1,585,610	144,086.63	1,441,523	14,910	1,448,978	30	0.03	48,299
1825	Storage Battery Equipment	-	-	-	0	-	0	0	-
1830	Poles, Towers and Fixtures	1,469,019	213,057.32	1,255,961	24,567	1,268,245	25	0.04	50,730
1835	Overhead Conductors and Devices	2,149,700	323,379.44	1,826,320	22,956	1,837,799	25	0.04	73,512
1840	Underground Conduit	567,845	10,534.30	557,311	24,151	569,387	25	0.04	22,775
1845	Underground Conductors and Devices	726,120	15,281.64	710,838	28,144	724,910	25	0.04	28,996
1850	Line Transformers	2,032,089	399,582.21	1,632,507	44,230	1,654,622	25	0.04	66,185
1855	Services	1,225,885	152,993.02	1,072,892	14,759	1,080,272	25	0.04	43,211
1860	Dumb Meters	466,004	126,755.17	339,249	13,709	346,103	25	0.04	13,844
1860	Smart Meters	-	-	-	0	-	0	0	-
1905	Land	-	-	-	0	-	0	0	-
1906	Land Rights	-	-	-	0	-	0	0	-
1908	Buildings and Fixtures	-	-	-	0	-	0	0	-
1910	Leasehold Improvements	-	-	-	0	-	5	0.2	-
1915	Office Furniture and Equipment	-	-	-	0	-	10	0.1	-
1920	Computer Equipment - Hardware	-	-	-	0	-	10	0.1	-
1925	Computer Software	-	-	-	0	-	5	0.2	-
1930	Transportation Equipment > 3 tonnes	-	-	-	0	-	8	0.125	-
1935	Transportation Equipment < 3 tonnes	-	-	-	0	-	5	0.2	-
1940	Tools, Shop and Garage Equipment	-	-	-	0	-	5	0.2	-
1945	Measurement and Testing Equipment	-	-	-	0	-	0	0	-
1950	Power Operated Equipment	-	-	-	0	-	0	0	-
1955	Communication Equipment	-	-	-	0	-	0	0	-
1960	Miscellaneous Equipment	-	-	-	0	-	0	0	-
1970	Load Management Controls - Customer Premis	-	-	-	0	-	0	0	-
1975	Load Management Controls - Utility Premises	-	-	-	0	-	0	0	-
1980	System Supervisory Equipment	-	-	-	0	-	0	0	-
1985	Sentinel Lighting Rentals	-	-	-	0	-	0	0	-
1990	Other Tangible Property	-	-	-	0	-	0	0	-
1995	Contributions and Grants	- 330,342	35,780.70	- 366,122	(71,562)	- 401,903	25	0.04	- 16,076
2005	Property under Capital Lease	-	-	-	0	-	0	0	-
	Total	10,362,325	1,476,927	8,885,398	115,865	8,943,331			380,084

Notes:

- (1) This adjusts for assets still on the books but which have been fully amortized or depreciated.
- (2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2007 Depreciation and Amortization Expense

Account	Description	Opening Balance	Less Fully Depreciated ⁽¹⁾	Net for Depreciation	Additions	Total for Depreciation (e)=(c) + 0.5 x (d) (2)	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)
		(a)	(b)	(c) = (a) - (b)	(d)				
1606	Organization	361,043	20,928.70	340,114	0	340,114	7	0.14	48,588
1805	Land	74,305	-	74,305	0	74,305	0	0	-
1806	Land Rights	35,048	34,548.00	500	0	500	25	0.04	20
1808	Buildings and Fixtures	-	-	-	0	-	0	0	-
1810	Leasehold Improvements	-	-	-	0	-	0	0	-
1815	Transformer Station Equipment - Normally Primary	-	-	-	0	-	0	0	-
1820	Distribution Station Equipment - Normally Primary	1,600,520	151,541.40	1,448,978	0	1,448,978	30	0.03	48,299
1825	Storage Battery Equipment	-	-	-	0	-	0	0	-
1830	Poles, Towers and Fixtures	1,493,586	235,078.58	1,258,507	27,609	1,272,312	25	0.04	50,892
1835	Overhead Conductors and Devices	2,172,656	363,331.60	1,809,325	12,965	1,815,807	25	0.04	72,632
1840	Underground Conduit	591,997	22,490.72	569,506	238	569,625	25	0.04	22,785
1845	Underground Conductors and Devices	754,264	24,596.56	729,667	9,514	734,424	25	0.04	29,377
1850	Line Transformers	2,076,319	391,397.15	1,684,922	60,601	1,715,223	25	0.04	68,609
1855	Services	1,240,644	162,720.74	1,077,923	25,856	1,090,852	25	0.04	43,634
1860	Dumb Meters	479,713	141,019.35	338,693	10,781	344,084	25	0.04	13,763
1860	Smart Meters	-	-	-	0	-	0	0	-
1905	Land	-	-	-	0	-	0	0	-
1906	Land Rights	-	-	-	0	-	0	0	-
1908	Buildings and Fixtures	-	-	-	0	-	0	0	-
1910	Leasehold Improvements	-	-	-	0	-	5	0.2	-
1915	Office Furniture and Equipment	-	-	-	0	-	10	0.1	-
1920	Computer Equipment - Hardware	-	-	-	0	-	10	0.1	-
1925	Computer Software	-	-	-	0	-	5	0.2	-
1930	Transportation Equipment > 3 tonnes	-	-	-	0	-	8	0.125	-
1935	Transportation Equipment < 3 tonnes	-	-	-	0	-	5	0.2	-
1940	Tools, Shop and Garage Equipment	-	-	-	0	-	5	0.2	-
1945	Measurement and Testing Equipment	-	-	-	0	-	0	0	-
1950	Power Operated Equipment	-	-	-	0	-	0	0	-
1955	Communication Equipment	-	-	-	0	-	0	0	-
1960	Miscellaneous Equipment	-	-	-	0	-	0	0	-
1970	Load Management Controls - Customer Premises	-	-	-	0	-	0	0	-
1975	Load Management Controls - Utility Premises	-	-	-	0	-	0	0	-
1980	System Supervisory Equipment	-	-	-	0	-	0	0	-
1985	Sentinel Lighting Rentals	-	-	-	0	-	0	0	-
1990	Other Tangible Property	-	-	-	0	-	0	0	-
1995	Contributions and Grants	- 401,903	16,138.73	- 418,042	(32,278)	- 434,181	25	0.04	- 17,367
2005	Property under Capital Lease	-	-	-	0	-	0	0	-
	Total	10,478,190	1,563,792	8,914,399	115,286	8,972,042			381,233

Notes:

- (1) This adjusts for assets still on the books but which have been fully amortized or depreciated.
(2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

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2008 Depreciation and Amortization Expense

Account	Description	Opening Balance	Less Fully Depreciated ⁽¹⁾	Net for Depreciation	Additions	Total for Depreciation (e)=(c) + 0.5 x (d) (2)	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)
		(a)	(b)	(c) = (a) - (b)	(d)				
1606	Organization	361,043	20,928.70	340,114	0	340,114	7	0.14	48,588
1805	Land	74,305	-	74,305	0	74,305	0	0	-
1806	Land Rights	35,048	34,548.00	500	0	500	25	0.04	20
1808	Buildings and Fixtures	-	-	-	0	-	0	0	-
1810	Leasehold Improvements	-	-	-	0	-	0	0	-
1815	Transformer Station Equipment - Normally Primary	-	-	-	0	-	0	0	-
1820	Distribution Station Equipment - Normally Primary	1,600,520	331,511.46	1,269,008	419,407	1,478,711	30	0.03	49,290
1825	Storage Battery Equipment	-	-	-	0	-	0	0	-
1830	Poles, Towers and Fixtures	1,521,195	289,914.60	1,231,281	47,057	1,254,809	25	0.04	50,192
1835	Overhead Conductors and Devices	2,185,621	430,782.09	1,754,839	94,747	1,802,213	25	0.04	72,089
1840	Underground Conduit	592,235	22,609.92	569,625	0	569,625	25	0.04	22,785
1845	Underground Conductors and Devices	763,777	29,353.42	734,424	11,566	740,207	25	0.04	29,608
1850	Line Transformers	2,136,920	421,697.40	1,715,223	8,497	1,719,471	25	0.04	68,779
1855	Services	1,266,500	202,274.46	1,064,226	26,121	1,077,287	25	0.04	43,091
1860	Dumb Meters	490,493	146,409.51	344,084	42,787	365,477	25	0.04	14,619
1860	Smart Meters	-	-	-	0	-	0	0	-
1905	Land	-	-	-	0	-	0	0	-
1906	Land Rights	-	-	-	0	-	0	0	-
1908	Buildings and Fixtures	-	-	-	0	-	0	0	-
1910	Leasehold Improvements	-	-	-	0	-	5	0.2	-
1915	Office Furniture and Equipment	-	-	-	0	-	10	0.1	-
1920	Computer Equipment - Hardware	-	-	-	0	-	10	0.1	-
1925	Computer Software	-	-	-	0	-	5	0.2	-
1930	Transportation Equipment > 3 tonnes	-	-	-	0	-	8	0.125	-
1935	Transportation Equipment < 3 tonnes	-	-	-	0	-	5	0.2	-
1940	Tools, Shop and Garage Equipment	-	-	-	0	-	5	0.2	-
1945	Measurement and Testing Equipment	-	-	-	0	-	0	0	-
1950	Power Operated Equipment	-	-	-	0	-	0	0	-
1955	Communication Equipment	-	-	-	0	-	0	0	-
1960	Miscellaneous Equipment	-	-	-	0	-	0	0	-
1970	Load Management Controls - Customer Premises	-	-	-	0	-	0	0	-
1975	Load Management Controls - Utility Premises	-	-	-	0	-	0	0	-
1980	System Supervisory Equipment	-	-	-	0	-	0	0	-
1985	Sentinel Lighting Rentals	-	-	-	0	-	0	0	-
1990	Other Tangible Property	-	-	-	0	-	0	0	-
1995	Contributions and Grants	- 434,181	(28,450.73)	- 405,730	(357,904)	- 584,682	25	0.04	- 23,387
2005	Property under Capital Lease	-	-	-	0	-	0	0	-
	Total	10,593,476	1,901,579	8,691,897	292,279	8,838,037			375,674

Notes:

- (1) This adjusts for assets still on the books but which have been fully amortized or depreciated.
- (2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

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2009 Depreciation and Amortization Expense

Account	Description	Opening Balance	Less Fully Depreciated ⁽¹⁾	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e)=(c) + 0.5 x (d) (2)	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1606	Organization	361,043	20,928.70	340,114	0	340,114	7	0.14	48,588
1805	Land	74,305	-	74,305	0	74,305	0	0	-
1806	Land Rights	35,048	34,548.00	500	0	500	25	0.04	20
1808	Buildings and Fixtures	-	-	-	0	-	0	0	-
1810	Leasehold Improvements	-	-	-	0	-	0	0	-
1815	Transformer Station Equipment - Normally Primary	-	-	-	0	-	0	0	-
1820	Distribution Station Equipment - Normally Primary	1,839,926	151,511.38	1,688,415	3,930	1,690,380	30	0.03	56,346
1825	Storage Battery Equipment	-	-	-	0	-	0	0	-
1830	Poles, Towers and Fixtures	1,568,253	316,566.85	1,251,686	124,286	1,313,829	25	0.04	52,553
1835	Overhead Conductors and Devices	2,280,368	470,384.94	1,809,983	56,979	1,838,473	25	0.04	73,539
1840	Underground Conduit	592,235	22,609.92	569,625	0	569,625	25	0.04	22,785
1845	Underground Conductors and Devices	775,343	29,353.47	745,990	1,287	746,634	25	0.04	29,865
1850	Line Transformers	2,145,417	421,697.20	1,723,720	51,683	1,749,562	25	0.04	69,982
1855	Services	1,292,622	219,569.23	1,073,053	20,185	1,083,145	25	0.04	43,326
1860	Dumb Meters	533,280	397,208.24	136,072	152,960	212,552	25	0.04	8,502
1860	Smart Meters	-	-	-	0	-	0	0	-
1905	Land	-	-	-	0	-	0	0	-
1906	Land Rights	-	-	-	0	-	0	0	-
1908	Buildings and Fixtures	-	-	-	0	-	0	0	-
1910	Leasehold Improvements	-	-	-	0	-	5	0.2	-
1915	Office Furniture and Equipment	-	-	-	0	-	10	0.1	-
1920	Computer Equipment - Hardware	-	(55,096.44)	55,096	16,674	63,434	10	0.1	6,343
1925	Computer Software	-	23,379.69	23,380	63,433	8,337	5	0.2	1,667
1930	Transportation Equipment > 3 tonnes	-	-	-	0	-	8	0.125	-
1935	Transportation Equipment < 3 tonnes	-	-	-	0	-	5	0.2	-
1940	Tools, Shop and Garage Equipment	-	-	-	0	-	5	0.2	-
1945	Measurement and Testing Equipment	-	-	-	0	-	0	0	-
1950	Power Operated Equipment	-	-	-	0	-	0	0	-
1955	Communication Equipment	-	-	-	0	-	0	0	-
1960	Miscellaneous Equipment	-	-	-	0	-	0	0	-
1970	Load Management Controls - Customer Premises	-	-	-	0	-	0	0	-
1975	Load Management Controls - Utility Premises	-	-	-	0	-	0	0	-
1980	System Supervisory Equipment	-	-	-	0	-	0	0	-
1985	Sentinel Lighting Rentals	-	-	-	0	-	0	0	-
1990	Other Tangible Property	-	-	-	0	-	0	0	-
1995	Contributions and Grants	- 792,085	(58,139.55)	733,945	(6,618)	737,254	25	0.04	29,490
2005	Property under Capital Lease	-	-	-	0	-	0	0	-
	Total	10,705,755	1,994,522	8,711,234	484,800	8,953,633			384,027

Notes:

- (1) This adjusts for assets still on the books but which have been fully amortized or depreciated.
- (2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

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2011 Test Year Depreciation and Amortization Expense

Account	Description	Opening Balance	Less Fully Depreciated ⁽¹⁾	Net for Depreciation	Additions	Total for Depreciation (e)=(c) + 0.5 x (d) (2)	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)		(f)	(g) = 1 / (f)	(h) = (e) / (f)
1606	Organization	-	-	-	0	-	0	0	-
1805	Land	74,305	-	74,305	0	74,305	0	0	-
1806	Land Rights	35,048	34,548.00	500	0	500	25	0.04	20
1808	Buildings and Fixtures	-	-	-	0	-	0	0	-
1810	Leasehold Improvements	-	-	-	0	-	0	0	-
1815	Transformer Station Equipment - Normally Primary	-	-	-	0	-	0	0	-
1820	Distribution Station Equipment - Normally Primary	1,856,642	424,294.95	1,432,347	0	1,432,347	30	0.03	47,745
1825	Storage Battery Equipment	-	-	-	0	-	0	0	-
1830	Poles, Towers and Fixtures	1,831,577	389,249.86	1,442,327	414,729	1,649,692	25	0.04	65,988
1835	Overhead Conductors and Devices	2,374,009	578,383.99	1,795,625	236,195	1,913,723	25	0.04	76,549
1840	Underground Conduit	597,293	24,746.56	572,547	64,178	604,636	25	0.04	24,185
1845	Underground Conductors and Devices	785,981	32,127.53	753,854	0	753,854	25	0.04	30,154
1850	Line Transformers	2,215,079	536,837.49	1,678,242	15,681	1,686,083	25	0.04	67,443
1855	Services	1,316,829	268,070.51	1,048,758	0	1,048,758	25	0.04	41,950
1860	Dumb Meters	410,734	53,364.27	357,369	0	357,369	25	0.04	14,295
1860	Smart Meters	-	-	-	0	-	0	0	-
1905	Land	-	-	-	0	-	0	0	-
1906	Land Rights	-	-	-	0	-	0	0	-
1908	Buildings and Fixtures	-	-	-	0	-	0	0	-
1910	Leasehold Improvements	-	-	-	200,000	100,000	5	0.2	20,000
1915	Office Furniture and Equipment	10,062	-	10,062	38,499	29,311	10	0.1	5,862
1920	Computer Equipment - Hardware	22,838	-	22,838	10,500	28,088	10	0.1	7,467
1925	Computer Software	90,306	(0.01)	90,306	7,000	93,806	5	0.2	18,761
1930	Transportation Equipment > 3 tonnes	248,000	0.00	248,000	225,000	360,500	8	0.125	49,488
1935	Transportation Equipment < 3 tonnes	44,235	-	44,235	0	44,235	5	0.2	13,867
1940	Tools, Shop and Garage Equipment	1,955	0.01	1,955	0	1,955	5	0.2	391
1945	Measurement and Testing Equipment	-	-	-	0	-	0	0	-
1950	Power Operated Equipment	-	-	-	0	-	0	0	-
1955	Communication Equipment	-	-	-	0	-	0	0	-
1960	Miscellaneous Equipment	-	-	-	0	-	0	0	-
1970	Load Management Controls - Customer Premises	-	-	-	0	-	0	0	-
1975	Load Management Controls - Utility Premises	-	-	-	0	-	0	0	-
1980	System Supervisory Equipment	-	-	-	0	-	0	0	-
1985	Sentinel Lighting Rentals	-	-	-	0	-	0	0	-
1990	Other Tangible Property	-	-	-	0	-	0	0	-
1995	Contributions and Grants	- 831,743	-	- 831,743	0	- 831,743	0	0	- 30,895
2005	Property under Capital Lease	-	-	-	0	-	0	0	-
	Total	11,083,150	2,341,623	8,741,527	1,211,782	9,347,418			453,271

Notes:

- (1) This adjusts for assets still on the books but which have been fully amortized or depreciated.
(2) Applicable for the standard Board policy of the "half-year" rule, that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

TAX CALCULATIONS:

Income Tax, Large Corporation Tax and Ontario Capital Taxes:

PSP is subject to the payment of PILs under Section 93 of the *Electricity Act, 1998*, as amended. The Applicant does not pay Section 89 proxy taxes, and is exempt from the payment of income and capital taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations Tax Act*. The table below provides a summary of 2006 OEB Approved, 2006, 2007, 2008 and 2009 income taxes included in audited statements, 2010 Bridge Year estimate using current rates, and 2011 Test Year income taxes based on revised rates. A copy of the 2009 Federal T2 and Ontario C23 tax return has been provided above in Exhibit 4, Appendix A.

Summary of Income Taxes

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Bridge	2011 Test
Income Taxes		62,748	89,590	36,472	7,841	(9,018)	47,447
Large Corporation Tax		0	0	0	0	0	0
Ontario Capital Tax		32,052	48,565	19,969	3,921	(7,139)	(6,801)
Total Taxes	0	94,800	138,155	56,441	11,762	(16,157)	40,646

PSP's detailed tax calculations using the most recent tax rates are provided in the table below .

Corporate Tax Rates

Corporate Tax Rates for Tax Year:	2010 Bridge	2011 Test
OCT Exemption	15,000,000	15,000,000
Federal Income Tax	11.00%	11.00%
Ontario Income Tax	5.00%	4.25%
Combined Income Tax	16.00%	15.25%
Ontario Capital Tax Rate	0.075%	0.075%
Large Corporation Tax Rate	0	0
Large Corporation Tax Exemption		

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2011 Tax Calculations

Determination of Tax Adjustments to Accounting Income for 2011

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	453,271	0	453,271
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109		0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120		0	0
Non-deductible meals and entertainment expense	121		0	0
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	0	0	0
Reserves from financial statements- balance at end of year	126	0	0	0
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294		0	0
Other Additions (Apprenticeship Tax Credits)	295	0	0	0
Total Additions		453,271	0	453,271

Deductions:

Gain on disposal of assets per financial statements	401		0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	399,675	0	399,675
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	23,632	0	23,632
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	0	0	0
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S.20(1)(e)	393	0	0	0
Other Deductions	394	0	0	0
Total Deductions		423,307	0	423,307

Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
Total Adjustments		0	0	0

Tax Adjustments to Accounting Income		29,964	0	29,964
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1 **CAPITAL COST ALLOWANCE:**

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3 PSP is providing Capital Cost Allowance continuity schedules for the 2010 Bridge Year (Table
4 18) and the 2011 Test Year (Table 19) as follows:

2010 Bridge Year Capital Cost Allowance:

CCA Continuity Schedule (2010)

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	5,287,982	0	0	5,287,982	0	0	5,287,982	0	5,287,982	0.04	211,519	5,076,463
2	Distribution System - pre 1988		0	0	0	0	0	0	0	0	0.06	0	0
6	Buildings (No footings below ground)		0	0	0	0	0	0	0	0	0.10	0	0
8	General Office/Stores Equip		0	0	0	12,016	0	12,016	6,008	6,008	0.20	1,202	10,815
10	Computer Hardware/ Vehicles	1,102	0	0	1,102	292,235	0	293,337	146,117	147,219	0.30	44,166	249,171
10.1	Certain Automobiles		0	0	0	0	0	0	0	0	0.30	0	0
12	Computer Software	31,717	0	0	31,717	26,873	0	58,590	13,436	45,153	1.00	45,153	13,436
3			0	0	0	0	0	0	0	0	0.05	0	0
52	Computers & Systems Hardware acq'd post Jan 09-Feb 11		0	0	0	6,164	0	6,164	6,164	0	1.00	6,164	0
13 3	Lease # 3		0	0	0	0	0	0	0	0		0	0
13 4	Lease # 4		0	0	0	0	0	0	0	0		0	0
14	Franchise		0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs		0	0	0	0	0	0	0	0	0.08	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment		0	0	0	0	0	0	0	0	0.30	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04		0	0	0	0	0	0	0	0	0.45	0	0
50	Computers & Systems Hardware acq'd post Mar 19/07		0	0	0	0	0	0	0	0	0.55	0	0
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)		0	0	0	0	0	0	0	0	0.30	0	0
47	Distribution System - post 22-Feb-2005				0	200,975	0	200,975	100,488	100,488	0.08	8,039	192,936
	SUB-TOTAL - UCC	5,320,801	0	0	5,320,801	538,263	0	5,859,064	272,213	5,586,851		316,243	5,542,821

0 361,043

CEC	Goodwill		0	0	0
CEC	Land Rights		0	0	0
CEC	FMV Bump-up		0	0	0
	SUB-TOTAL - CEC	0	0	0	0

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Cumulative Eligible Capital Calculation			
Cumulative Eligible Capital			363,007
Additions:			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	
		0	363,007
Amount transferred on amalgamation or wind-up of subsidiary	0		0
Subtotal			363,007
Deductions:			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	363,007
Cumulative Eligible Capital Balance			363,007
CEC Deduction	7%		25,410
Cumulative Eligible Capital - Closing Balance			337,597

1 2011 Test Year Capital Cost Allowance Table

CCA Continuity Schedule (2011)

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	5,076,463	0	0	5,076,463	0	0	5,076,463	0	5,076,463	4%	203,059	4,873,404
2	Distribution System - pre 1988	0	0	0	0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	200,000	0	200,000	100,000	100,000	10%	10,000	190,000
8	General Office/Stores Equip	10,815	0	0	10,815	38,499	0	49,314	19,250	30,064	20%	6,013	43,301
10	Computer Hardware/ Vehicles	249,171	0	0	249,171	225,000	0	474,171	112,500	361,671	30%	108,501	365,670
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	13,436	0	0	13,436	7,000	0	20,436	3,500	16,936	100%	16,936	3,500
3		0	0	0	0	0	0	0	0	0	5%	0	0
52	Computers & Systems Hardware acq'd post Jan 09-Feb 11	0	0	0	0	10,500	0	10,500	10,500	0	100%	10,500	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	0	0	0	0	0	0	0	0	0	45%	0	0
50	Computers & Systems Hardware acq'd post Mar 19/07	0	0	0	0	0	0	0	0	0	55%	0	0
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	192,936			192,936	730,783	0	923,719	365,391	558,328	8%	44,666	879,053
	SUB-TOTAL - UCC	5,542,821	0	0	5,542,821	1,211,782	0	6,754,603	611,141	6,143,462		399,675	6,354,928
0 0													
CEC	Goodwill	0	0	0	0								
CEC	Land Rights	0	0	0	0								
CEC	FMV Bump-up	0	0	0	0								
	SUB-TOTAL - CEC	0	0	0	0								

Cumulative Eligible Capital Calculation			
Cumulative Eligible Capital			337,597
Additions:			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	
		0	337,597
Amount transferred on amalgamation or wind-up of subsidiary	0		0
Subtotal			337,597
Deductions:			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	337,597
Cumulative Eligible Capital Balance			337,597
CEC Deduction	7%		23,632
Cumulative Eligible Capital - Closing Balance			313,965

Exhibit	Tab	Schedule	Appendix	Contents
5 – Cost of Capital and Rate of Return	1	1		Overview and Capital Structure

OVERVIEW:

The purpose of this evidence is to summarize the method and cost of financing capital requirements for the 2011 test years.

Capital Structure:

PSP has a current deemed capital structure of 60.0% debt 40.0% equity.

PSP has prepared this rate application with a deemed capital structure of 56% Long Term Debt, 4% Short Term Debt, and 40% Equity to comply with the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006 (the "Cost of Capital Report").

Return on Equity:

PSP is requesting a return on equity ("ROE") for the 2011 Test year of 9.85%. PSP understands that the OEB will be finalizing the ROE for 2011 rates based on January 2011 market interest rate information. PSP's use of an ROE of 9.85% is without prejudice to any revised ROE that may be adopted by the OEB in early 2011.

Cost of Debt:

Long Term Debt

PSP is requesting a return on Long Term Debt for the 2011 Test Year of 7.25%. PSP is currently paying 7.25% on an existing Long Term Loan with its Shareholder the Town of Parry Sound with a value of 2,433,728.

Short Term Debt

PSP is requesting a return on Short Term Debt for the 2010 Test year of 2.07%. PSP understands that the OEB will be finalizing the return on short term debt for 2011 rates based on January 2011 market interest rate information. PSP's use of a Return on Short Term Debt of 2.07% is without prejudice to any revised ROE that may be adopted by the OEB in early 2011.

1 Rate Base and Rate of Return

2 Details for PSP's rate base, deemed debt/equity ratios, deemed rate of return, actual
3 debt/equity ratios and actual rates of returns for 2006 Board Approved, 2006 Actual, 2007
4 Actual, 2008 Actual, 2009 Actual, 2010 Bridge Year Forecast, and 2011 Test Year Forecast are
5 provided below in Tables 1 and 2.

Capitalization/Cost of Capital					
Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	2006 EDR				
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	50.00%	\$2,770,109	7.25%	\$200,833
2	Short-term Debt	0.00%	\$ -	0.00%	\$ -
3	Total Debt	50.0%	\$2,770,109	7.25%	\$200,833
	Equity				
4	Common Equity	50.00%	\$2,770,109	9.00%	\$249,310
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	50.0%	\$2,770,109	9.00%	\$249,310
7	Total	100.0%	\$5,540,217	8.13%	\$450,143

	2006 Actual				
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	50.00%	\$2,831,504	7.25%	\$205,284
2	Short-term Debt	0.00% (1)	\$ -	0.00%	\$ -
3	Total Debt	50.0%	\$2,831,504	7.25%	\$205,284
	Equity				
4	Common Equity	50.00%	\$2,831,504	9.00%	\$254,835
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	50.0%	\$2,831,504	9.00%	\$254,835
7	Total	100.0%	\$5,663,009	8.13%	\$460,119

	2007 Actual				
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	50.00%	\$2,698,131	7.25%	\$195,615
2	Short-term Debt	0.00% (1)	\$ -	0.00%	\$ -
3	Total Debt	50.0%	\$2,698,131	7.25%	\$195,615
	Equity				
4	Common Equity	50.00%	\$2,698,131	9.00%	\$242,832
5	Preferred Shares	0.00%	\$ -	0.00%	\$ -
6	Total Equity	50.0%	\$2,698,131	9.00%	\$242,832
7	Total	100.0%	\$5,396,262	8.13%	\$438,446

2008 Actual				
	(%)	(\$)	(%)	(\$)
Debt				
1 Long-term Debt	53.30%	\$2,772,486	7.25%	\$201,005
2 Short-term Debt	0.00% (1)	\$ -	0.00%	\$ -
3 Total Debt	53.3%	\$2,772,486	7.25%	\$201,005
Equity				
4 Common Equity	46.70%	\$2,429,176	9.00%	\$218,626
5 Preferred Shares	0.00%	\$ -	0.00%	\$ -
6 Total Equity	46.7%	\$2,429,176	9.00%	\$218,626
7 Total	100.0%	\$5,201,662	8.07%	\$419,631

2009 Actual				
	(%)	(\$)	(%)	(\$)
Debt				
1 Long-term Debt	56.70%	\$2,946,322	7.25%	\$213,608
2 Short-term Debt	0.00% (1)	\$ -	0.00%	\$ -
3 Total Debt	56.7%	\$2,946,322	7.25%	\$213,608
Equity				
4 Common Equity	43.30%	\$2,250,013	8.57%	\$192,826
5 Preferred Shares	0.00%	\$ -	0.00%	\$ -
6 Total Equity	43.3%	\$2,250,013	8.57%	\$192,826
7 Total	100.0%	\$5,196,335	7.82%	\$406,434

2010 Bridge Year				
	(%)	(\$)	(%)	(\$)
Debt				
1 Long-term Debt	60.00%	\$3,286,021	7.25%	\$238,236
2 Short-term Debt	0.00% (1)	\$ -	0.00%	\$ -
3 Total Debt	60.0%	\$3,286,021	7.25%	\$238,236
Equity				
4 Common Equity	40.00%	\$2,190,680	9.85%	\$215,782
5 Preferred Shares	0.00%	\$ -	0.00%	\$ -
6 Total Equity	40.0%	\$2,190,680	9.85%	\$215,782
7 Total	100.0%	\$5,476,701	8.29%	\$454,019

2011 Test Year				
	(%)	(\$)	(%)	(\$)
Debt				
1 Long-term Debt	56.00%	\$3,341,546	7.25%	\$242,262
2 Short-term Debt	4.00% (1)	\$238,682	2.07%	\$4,941
3 Total Debt	60.0%	\$3,580,228	6.90%	\$247,203
Equity				
4 Common Equity	40.00%	\$2,386,819	9.85%	\$235,102
5 Preferred Shares	0.00%	\$ -	0.00%	\$ -
6 Total Equity	40.0%	\$2,386,819	9.85%	\$235,102
7 Total	100.0%	\$5,967,047	8.08%	\$482,304

1

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TABLE 2

Weighted Debt Cost

Description	Debt Holder	Affiliated with LDC?	Date of Issuance	Principal	Term (Years)	Rate%	Year Applied to	Interest Cost
	Shareholder	Y	Oct 1 2000	2,433,728		7.25%	2006	176,445
			Oct 1 2000	2,433,728		7.25%	2007	176,445
			Oct 1 2000	2,433,728		7.25%	2008	176,445
			Oct 1 2000	2,433,728		7.25%	2009	176,445
			Oct 1 2000	2,433,728		7.25%	2010	176,445
			Oct 1 2000	2,433,728		7.25%	2011	176,445
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
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								0
								0
								0
								0

2006 Total Long Term Debt	2,433,728	Total Interest Cost for 2006	176,445
		Weighted Debt Cost Rate for 2006	7.25%
2007 Total Long Term Debt	2,433,728	Total Interest Cost for 2007	176,445
		Weighted Debt Cost Rate for 2007	7.25%
2008 Total Long Term Debt	2,433,728	Total Interest Cost for 2008	176,445
		Weighted Debt Cost Rate for 2008	7.25%
2009 Total Long Term Debt	2,433,728	Total Interest Cost for 2009	176,445
		Weighted Debt Cost Rate for 2009	7.25%
2010 Total Long Term Debt	2,433,728	Total Interest Cost for 2010	176,445
		Weighted Debt Cost Rate for 2010	7.25%
2011 Total Long Term Debt	2,433,728	Total Interest Cost for 2011	176,445
		Weighted Debt Cost Rate for 2011	7.25%

Exhibit	Tab	Schedule	Appendix	Contents
6 – Calculation of Revenue Deficiency or Surplus	1	1		Revenue Deficiency – Overview and Cost Drivers for Revenue Deficiency

1 **REVENUE DEFICIENCY - OVERVIEW:**

2 PSP has provided detailed calculations supporting its 2011 revenue deficiency. PSP's revenue
3 deficiency is \$791,616 . The table below provides the revenue deficiency calculations for the
4 2011 Test Year at Existing 2010 OEB approved rates and the 2011 Test Year Revenue
5 Requirement.

Parry Sound Power Corporation
License Number ED-2003-0006, File Number EB-2010-0140

**Parry Sound Power Corporation
Revenue Deficiency Determination**

Description	2010 Bridge Actual	2011 Test Existing Rates	2011 Test - Required Revenue
Revenue			
Revenue Deficiency			791,616
Distribution Revenue	1,843,792	1,822,340	1,822,340
Other Operating Revenue (Net)	79,695	100,986	100,986
Total Revenue	1,923,486	1,923,326	2,714,943
Costs and Expenses			
Administrative & General, Billing & Collecting	924,757	1,230,359	1,230,359
Operation & Maintenance	500,046	565,059	565,059
Depreciation & Amortization	350,054	389,525	389,525
Property Taxes	0	0	0
Capital Taxes	0	0	0
Deemed Interest	238,236	247,203	247,203
Total Costs and Expenses	2,013,093	2,432,145	2,432,145
Less OCT Included Above	0	0	0
Total Costs and Expenses Net of OCT	2,013,093	2,432,145	2,432,145
Utility Income Before Income Taxes	(89,607)	(508,819)	282,798
Income Taxes:			
Corporate Income Taxes	(9,018)	(73,025)	47,696
Total Income Taxes	(9,018)	(73,025)	47,696
Utility Net Income	(80,589)	(435,793)	235,102
Capital Tax Expense Calculation:			
Total Rate Base	5,476,701	5,967,047	5,967,047
Exemption	0	15,000,000	15,000,000
Deemed Taxable Capital	5,476,701	(9,032,953)	(9,032,953)
Ontario Capital Tax	0	0	0
Income Tax Expense Calculation:			
Accounting Income	(89,607)	(508,819)	282,798
Tax Adjustments to Accounting Income	33,242	29,964	29,964
Taxable Income	(56,365)	(478,855)	312,762
Income Tax Expense	(9,018)	(73,025)	47,696
Tax Rate Reflecting Tax Credits	16.00%	15.25%	15.25%
Actual Return on Rate Base:			
Rate Base	5,476,701	5,967,047	5,967,047
Interest Expense	238,236	247,203	247,203
Net Income	(80,589)	(435,793)	235,102
Total Actual Return on Rate Base	157,648	(188,590)	482,304
Actual Return on Rate Base	2.88%	-3.16%	8.08%
Required Return on Rate Base:			
Rate Base	5,476,701	5,967,047	5,967,047
Return Rates:			
Return on Debt (Weighted)	7.25%	6.90%	6.90%
Return on Equity	9.85%	9.85%	9.85%
Deemed Interest Expense	238,236	247,203	247,203
Return On Equity	215,782	235,102	235,102
Total Return	454,019	482,304	482,304
Expected Return on Rate Base	8.29%	8.08%	8.08%
Revenue Deficiency After Tax	296,371	670,895	0
Revenue Deficiency Before Tax	352,822	791,616	0

COST DRIVERS FOR REVENUE DEFICIENCY

PSP notes there are several factors that contribute to the gross deficiency of \$ \$791,616 for the Test Year.

The revenue deficiency results from:

- Restructuring as a result of the denial of PSP's application for exemption to the ARC,
- Increase in capital and maintenance activity as outlined in PSP's asset management plan,
- Addition of staff to accomplish alignment and regulatory activities,
- Projected increases in OM&A costs including depreciation expense for the 2011 Test Year as discussed in further detail in Exhibit 4,
- Projected increases in investments in gross assets as outlined in our asset management plan, and
- Increase in rate base on which the rate of return is based as discussed further in Exhibit 2.

Exhibit	Tab	Schedule	Appendix	Contents
7 – Cost Allocation	1	1		Cost Allocation Overview
		2		Summary of the 2011 Updated Results and Proposed Changes
			A	OEB Filing Requirement Appendix 2-O Template

COST ALLOCATION OVERVIEW:

Introduction:

On September 15, 2006, the OEB issued its directions on Cost Allocation Methodology for Electricity Distributors (the "Directions"). On November 15, 2006, the Board issued the Cost Allocation Information Filing Guidelines for Electricity Distributors ("the Guidelines"), the Cost Allocation Model (the "Model") and User Instructions (the "Instructions") for the Model. PSP prepared and filed a cost allocation information filing consistent with PSP's understanding of the Directions, the Guidelines, the Model and the Instructions.

One of the main objectives of the filing was to provide information on any apparent cross-subsidization among a distributor's rate classifications. It was felt that this would give an indication of cross-subsidization from one class to another and this information would be useful as a tool in future rate applications.

PSP has used the Board-approved Cost Allocation model and methodology and updated the values from the Hydro One Run 2 load forecast using 2011 weather normalized forecasted data information.

SUMMARY OF THE 2010 UPDATED RESULTS AND PROPOSED CHANGES:

INITIAL COST ALLOCATION STUDY RESULTS:

The data used in the Cost Allocation Model was consistent with PSP's cost data that supported its 2006 OEB-approved distribution rates. Consistent with the Guidelines, PSP's assets were broken out into primary and secondary distribution functions. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to PSP, its engineering records, and its customer and financial information systems.

As noted above, the results of a cost allocation study are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate classification is over-contributing and is subsidizing other classes of customers.

The following Table 1 outlines the revenue to cost ratios from the initial Cost Allocation Informational Filing submitted by PSP.

Table 1
Revenue to Cost Ratios
Cost Allocation Informational Filing

		1	2	3	7	8	9
	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Distribution Revenue (sale)	\$1,740,022	\$968,305	\$353,194	\$396,535	\$13,121	\$575	\$8,292
Miscellaneous Revenue (mi)	\$105,786	\$66,688	\$23,094	\$11,728	\$2,419	\$38	\$1,817
Total Revenue	\$1,845,808	\$1,034,993	\$376,288	\$408,263	\$15,540	\$613	\$10,109
Expenses							
Distribution Costs (di)	\$200,158	\$105,584	\$39,814	\$36,525	\$17,483	\$279	\$474
Customer Related Costs (cu)	\$321,283	\$185,466	\$93,873	\$35,048	\$81	\$0	\$6,814
General and Administration (ad)	\$410,378	\$229,035	\$105,191	\$56,349	\$13,852	\$220	\$5,730
Depreciation and Amortization (dep)	\$337,069	\$172,692	\$72,621	\$59,524	\$30,912	\$493	\$827
PILs (INPUT)	\$126,596	\$64,822	\$27,290	\$22,521	\$11,471	\$183	\$308
Interest	\$200,914	\$102,876	\$43,311	\$35,742	\$18,206	\$290	\$489
Total Expenses	\$1,596,398	\$860,476	\$382,101	\$245,709	\$92,005	\$1,465	\$14,642
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$249,410	\$127,708	\$53,765	\$44,370	\$22,600	\$360	\$607
Revenue Requirement (includes NI)	\$1,845,808	\$988,184	\$435,866	\$290,078	\$114,605	\$1,825	\$15,249
	Revenue Requirement Input equals Output						
Rate Base Calculation							
Net Assets							
Distribution Plant - Gross	\$10,036,223	\$5,112,536	\$2,192,576	\$1,803,721	\$889,266	\$14,177	\$23,948
General Plant - Gross	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	(\$5,176,802)	(\$2,622,070)	(\$1,145,681)	(\$940,615)	(\$449,144)	(\$7,160)	(\$12,132)
Capital Contribution	(\$291,118)	(\$151,314)	(\$62,106)	(\$50,414)	(\$26,168)	(\$417)	(\$699)
Total Net Plant	\$4,568,303	\$2,339,153	\$984,789	\$812,692	\$413,954	\$6,599	\$11,116
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$5,488,083	\$2,388,629	\$1,328,414	\$1,712,234	\$50,158	\$899	\$7,749
OM&A Expenses	\$931,819	\$520,086	\$238,878	\$127,922	\$31,416	\$499	\$13,018
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$6,419,903	\$2,908,715	\$1,567,293	\$1,840,156	\$81,574	\$1,399	\$20,767
Working Capital	\$962,985	\$436,307	\$235,094	\$276,023	\$12,236	\$210	\$3,115
Total Rate Base	\$5,531,289	\$2,775,460	\$1,219,883	\$1,088,715	\$426,190	\$6,809	\$14,231
	Rate Base Input equals Output						
Equity Component of Rate Base	\$2,765,644	\$1,387,730	\$609,941	\$544,358	\$213,095	\$3,405	\$7,115
Net Income on Allocated Assets	\$249,410	\$174,517	(\$5,813)	\$162,555	(\$76,465)	(\$852)	(\$4,533)
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$249,410	\$174,517	(\$5,813)	\$162,555	(\$76,465)	(\$852)	(\$4,533)
RATIOS ANALYSIS							
REVENUE TO EXPENSES %	100.00%	104.74%	86.33%	140.74%	13.56%	33.60%	66.30%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$0)	\$46,809	(\$59,578)	\$118,185	(\$99,065)	(\$1,212)	(\$5,139)
RETURN ON EQUITY COMPONENT OF RATE BASE	9.02%	12.58%	-0.95%	29.86%	-35.88%	-25.01%	-63.70%

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2011 UPDATED COST ALLOCATION STUDY RESULTS:

PSP used the Board-approved Cost Allocation Model and followed the instructions and guidelines issued by the Board to enter the 2011 data into this model. PSP has made the changes to the transformer allowance and Low voltage treatments according to the latest filing guidelines issued by the Board for the 2011 Cost of Service rate applications.

PSP populated the information on Sheet I3, Trial Balance Data with the 2011 forecasted data based on the 2010 and 2011 average and input the Target Net Income, PILs, Deemed interest on long term debt, specific service charges information and the targeted revenue requirement and rate base.

On Sheet I4, Break Out of Assets, PSP updated the allocation of the accounts based on 2011 values.

In Sheet I5, Miscellaneous data, PSP updated the deemed equity component of rate base and the monthly service charges.

In Sheet I6, Customer Data, PSP entered all information updated with 2011 forecast data.

PSP updated the meter information on Sheet I7.1 and the meter reading information on I7.2.

On sheet I8, Demand data is based on the output of our load forecast model. The load profile from the 2004 data received from Hydro One, Run 2 and the weather normalized 2011 forecast data was used to calculate the 1 NCP, 4 NCP, 12 NCP, 1 CP, 4 CP and the 12CP demand data. No direct allocations were used.

The revenue to cost ratios for the 2011 updated study is provided in Table 2 below;

1
2
3
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Table 2
Revenue to Cost Ratios from PSP's
Updated 2011 Cost Allocation Model

		1	2	3	7	8	9
	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Distribution Revenue (sale)	\$2,613,957	\$1,446,825	\$461,625	\$675,969	\$21,696	\$784	\$7,058
Miscellaneous Revenue (mi)	\$100,986	\$62,381	\$19,675	\$14,170	\$3,752	\$42	\$965
Total Revenue	\$2,714,943	\$1,509,206	\$481,300	\$690,139	\$25,448	\$827	\$8,023
Expenses							
Distribution Costs (di)	\$550,262	\$285,061	\$106,410	\$104,728	\$52,520	\$594	\$948
Customer Related Costs (cu)	\$409,819	\$260,230	\$96,427	\$45,435	\$85	\$0	\$7,642
General and Administration (ad)	\$835,336	\$474,441	\$176,482	\$130,652	\$45,770	\$517	\$7,474
Depreciation and Amortization (dep)	\$389,525	\$194,013	\$81,098	\$77,495	\$35,894	\$406	\$619
PILs (INPUT)	\$47,696	\$24,059	\$9,409	\$9,845	\$4,261	\$48	\$74
Interest	\$247,203	\$124,692	\$48,764	\$51,028	\$22,086	\$250	\$383
Total Expenses	\$2,479,841	\$1,362,495	\$518,590	\$419,184	\$160,616	\$1,816	\$17,140
Direct Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Allocated Net Income (NI)	\$235,102	\$118,588	\$46,377	\$48,530	\$21,004	\$238	\$364
Revenue Requirement (includes NI)	\$2,714,943	\$1,481,083	\$564,967	\$467,713	\$181,621	\$2,053	\$17,505
	Revenue Requirement Input equals Output						
Rate Base Calculation							
Net Assets							
Distribution Plant - Gross	\$11,862,889	\$5,891,884	\$2,467,898	\$2,428,343	\$1,044,852	\$11,831	\$18,081
General Plant - Gross	\$657,895	\$331,923	\$131,083	\$134,337	\$58,865	\$667	\$1,019
Accumulated Depreciation	(\$7,192,964)	(\$3,535,795)	(\$1,537,432)	(\$1,474,780)	(\$627,009)	(\$7,099)	(\$10,848)
Capital Contribution	(\$831,743)	(\$420,061)	(\$173,335)	(\$161,283)	(\$74,931)	(\$847)	(\$1,285)
Total Net Plant	\$4,496,076	\$2,267,950	\$888,214	\$926,617	\$401,777	\$4,551	\$6,967
Directly Allocated Net Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Power (COP)	\$8,011,052	\$3,012,181	\$1,507,840	\$3,406,387	\$78,201	\$1,148	\$5,294
OM&A Expenses	\$1,795,417	\$1,019,732	\$379,319	\$280,816	\$98,376	\$1,111	\$16,064
Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$9,806,469	\$4,031,912	\$1,887,160	\$3,687,203	\$176,577	\$2,259	\$21,358
Working Capital	\$1,470,970	\$604,787	\$283,074	\$553,080	\$26,487	\$339	\$3,204
Total Rate Base	\$5,967,047	\$2,872,737	\$1,171,288	\$1,479,698	\$428,263	\$4,890	\$10,171
	Rate Base Input equals Output						
Equity Component of Rate Base	\$2,386,819	\$1,149,095	\$468,515	\$591,879	\$171,305	\$1,956	\$4,068
Net Income on Allocated Assets	\$235,102	\$146,711	(\$37,291)	\$270,956	(\$135,168)	(\$989)	(\$9,117)
Net Income on Direct Allocation Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$235,102	\$146,711	(\$37,291)	\$270,956	(\$135,168)	(\$989)	(\$9,117)
RATIOS ANALYSIS							
REVENUE TO EXPENSES %	100.00%	101.90%	85.19%	147.56%	14.01%	40.25%	45.83%
EXISTING REVENUE MINUS ALLOCATED COSTS	(\$0)	\$28,123	(\$83,667)	\$222,426	(\$156,173)	(\$1,227)	(\$9,482)
RETURN ON EQUITY COMPONENT OF RATE BASE	9.85%	12.77%	-7.96%	45.78%	-78.90%	-50.56%	-224.10%

Proposed Adjustment to Cost Allocation:

On November 28, 2007, the OEB issued its “Report on Application of Cost Allocation for Electricity Distributors” (the “Cost Allocation Report”). In the Cost Allocation Report, the OEB established what it considered to be the appropriate ranges of revenue to cost ratios which are summarized in Table 3 below. Table 3 also provides PSP’s proposed 2011 revenue to cost ratios. The proposed revenue to cost ratios reflects adjustments to revenue to address cross subsidization.

Table 3
PSP’s Proposed Revenue to Cost Ratios

2011 Revenue to Cost Ratios				
	Updated OEB Cost Allocation Model	Proposed Revenue to Cost Ratios	Board Target	
			Low	High
Residential	102%	102%	85%	115%
GS <50kW	85%	85%	80%	120%
GS >50kW	148%	141%	80%	180%
Sentinel Lighting	40%	70%	70%	120%
Street Lighting	14%	28%	70%	120%
USL	46%	80%	80%	120%

PSP is proposing in this application to re-align its revenue to cost ratios by adjusting the allocations of revenue among rate classes in order to reduce some of the cross-subsidization that is occurring. The proposed re-alignment will move the Sentinel Lighting and Unmetered Scattered Load classes to the lower end of the Board Target ranges. To mitigate the impact on the Street Lighting class, PSP has followed the Board direction provided to other LDCs in previous Cost of Service decisions and therefore has moved the Street Light class to a Revenue to Cost Ratio of 28% for 2011 with the intention of moving to the 70% target over the term of IRM period following the 2011 Cost of Service application. It is proposed the Street Lighting class move to revenue to cost ratios of 42%, 56%, and to 70% in the years 2012, 2013, and 2014 respectively. This upward revenue to cost ratio adjustments has resulted in the need to decrease the R/C ratios in other classes. PSP is proposing to adjust the General Service >50kW class from 148% to 141% since the only other remaining customer class who exceeds a revenue to cost ratio of 100% is Residential which is relatively close to unity at 102%.

The following table outlines the revenue splits required to achieve the proposed revenue to cost ratios:

Table 4
Revenue Split by Rate Class to Achieve Proposed R/C Ratios

Customer Class	Rev Requirement %
Residential	55.41%
GS < 50 kW	17.63%
GS >50	24.60%
Sentinel Lights	0.05%
Street Lighting	1.80%
USL	0.50%
TOTAL	100.00%

Cost Allocation Summary:

The discussion and tables above support PSP's proposed reallocation of distribution revenues across customer classes in accordance with Board directions, in order to begin moving toward revenue to cost ratios of 100% and reduce cross-subsidization. PSP submits that the proposed reallocation of distribution revenue is fair and reasonable and customer class revenues will more closely reflect the actual costs of providing distribution service to that class.

1

2

3

Appendix A - OEB Filing Requirement Appendix 2-O Template

Allocated Cost

Classes	Costs from Informational Filing	%	Costs from Test Year Cost Allocation Column 7A	%
Residential	\$988,184	54%	\$1,481,083	55%
GS<50 kW	\$435,866	24%	\$564,967	21%
GS 50 - 4,999 kW	\$290,078	16%	\$467,713	17%
Street Lights	\$114,605	6%	\$181,621	7%
Sentinel lights	\$1,825	0%	\$2,053	0%
Unmetered Scattered load	\$15,249	1%	\$17,505	1%
Total	\$ 1,845,808	100%	\$ 2,714,943	100%

Calculated Class Revenues

Classes	Column 7B	Column 7C	Column 7D	Column 7E
	Load Forecast X Current Approved Rates	Load Forecast X Existing Rates X (1+d)	Load Forecast X Proposed Rates	Miscellaneous Revenue
Residential	\$1,014,559	\$1,455,278	\$1,448,385	\$62,381
GS<50 kW	\$323,723	\$464,347	\$460,963	\$19,675
GS 50 - 4,999 kW	\$463,372	\$664,659	\$643,073	\$14,170
Street Lights	\$15,185	\$21,781	\$47,102	\$3,752
Sentinel lights	\$494	\$708	\$1,395	\$42
Unmetered Scattered load	\$5,008	\$7,183	\$13,038	\$965
Total	\$ 1,822,340	\$ 2,613,957	\$ 2,613,956	\$ 100,986

Note: d = Revenue Deficiency / Base Revenue Requirement (L.F.X current approved rates \$1,822,340)

$$d = 0.434395455$$

Re-balancing Revenue-to-Cost Ratios

Classes	Previously Approved Ratios Most Recent Year 2006	Status Quo Ratios (Col 7C+Col 7E) / Col 7A	Proposed Ratios (Col 7D+Col 7E) / Col 7A
Residential	104.74%	102.47%	102.00%
GS<50 kW	86.33%	85.67%	85.07%
GS 50 - 4,999 kW	140.74%	145.14%	140.52%
Street Lights	13.56%	14.06%	28.00%
Sentinel lights	33.60%	36.56%	70.00%
Unmetered Scattered load	66.30%	46.55%	80.00%

Proposed Revenue-to-Cost Ratios

Classes	Proposed Revenue-to-Cost Ratios			Policy Range
	2011 %	2012 %	2013 %	
Residential	102.00%	102.00%	102.00%	85 - 115
GS<50 kW	85.07%	85.07%	85.07%	80 - 120
GS 50 - 4,999 kW	140.52%	*	*	80 - 180
Street Lights	28.00%	42.00%	56.00%	70 - 120
Sentinel lights	70.00%	70.00%	70.00%	70 - 120
Unmetered Scattered load	80.00%	80.00%	80.00%	80 - 120

* Note: The proposed increase in Street Lights in 2012 and 2013 will be offset by a proposed reduction to the GS 50 - 4999 kW class

Exhibit	Tab	Schedule	Appendix	Contents
8 – Rate Design	1	1		Rate Design Overview
		2		Fixed / Variable Proportion
		3		Retail Transmission Service Rates
		4		Low Voltage Charges
		5		Loss adjustment Factors
		6		Rate Schedules and Bill Impacts
			A	Table of Rate and Bill Impacts

1.0 RATE DESIGN OVERVIEW

This Exhibit documents the calculation of PSP's proposed distribution rates by rate class for the 2011 test year, based on rate design as proposed in this Exhibit.

PSP has determined its total 2011 service revenue requirement to be \$2,714,943. The total revenue offsets in the amount of \$ 100,986 reduce PSP's total service revenue requirement to a base revenue requirement to \$2,613,957 which is used to determine the proposed distribution rates. The base revenue requirement is derived from PSP's 2011 capital and operating forecasts, weather normalized usage, forecasted customer counts, and PSP's regulated return on rate base. The revenue requirements are summarized below in Table 1:

Table 1

Calculation of Base Revenue Requirement

OM&A Expenses	\$	1,795,417
Amortization Expenses	\$	389,525
Total Distribution Expenses	\$	2,184,942
Regulated Return On Capital	\$	482,304
PILs	\$	47,696
Service Revenue Requirement	\$	2,714,943
<u>Less: Revenue Offsets</u>	\$	100,986
Base Revenue Requirement	\$	2,613,957

The outstanding base revenue requirement is allocated to the various rate classes using the following proposed apportionment of revenue as outlined in Exhibit 7 – Cost Allocation.

Table 2

Proposed Apportionment of Revenue to Rate Classes

Revenue Split by Rate Class to Achieve Proposed R/C Ratios

Customer Class	Rev Requirement %
Residential	55.41%
GS < 50 kW	17.63%
GS >50	24.60%
Sentinel Lights	0.05%
Street Lighting	1.80%
USL	0.50%
TOTAL	100.00%

The following Table 3 outlines the results of this allocation.

Table 3

Allocation of Outstanding Base Revenue Requirement

Customer Class	Total Net Rev. Requirement
Residential	1,448,385
GS < 50 kW	460,963
GS >50	643,073
Sentinel Lights	1,395
Street Lighting	47,102
USL	13,038
TOTAL	2,613,956

2.0 FIXED/VARIABLE PROPORTION

Determination of Monthly Fixed/Volumetric Charges:

PSP's current OEB-approved monthly fixed charges and volumetric charges are provided in Table 4 and Table 5 below:

Table 4

Parry Sound Power Corp. Current Monthly Fixed Charges

Customer Class	Connection	Customer
Residential		16.79
GS < 50 kW		25.29
GS >50		171.14
Sentinel Lights	1.74	
Street Lighting	0.41	
USL		8.96

Table 5

Parry Sound Power Corp. Current Volumetric Charges

Customer Class	kW	kWh
Residential		0.0134
GS < 50 kW		0.0104
GS >50	3.4592	
Sentinel Lights	6.7501	
Street Lighting	4.1163	
USL		0.0523

Table 6 below provides the existing Fixed/Variable splits for each of the customer classes.

Table 6

Fixed and Variable Proportion

Customer Class	Current Volumetric Split	Current Fixed Charge Spilt
Residential	44.15%	55.85%
GS < 50 kW	53.76%	46.24%
GS >50	69.92%	30.08%
Sentinel Lights	49.26%	50.74%
Street Lighting	65.62%	34.38%
USL	61.35%	38.65%

PSP submits that it is appropriate for 2011 to maintain the same fixed/variable proportions assumed in the current rates for all customer classifications.

Proposed Fixed Charges:

Table 7 below provides the proposed fixed distribution charges based on the proposed fixed revenue proportion:

Table 7

Proposed Fixed Monthly Distribution Charge

Rate Class	Total Net Rev. Requirement	Current Fixed Charge Spilt	2011 Forecast Customers / Connections	Fixed Rate Based on Current Fixed/Variable Revenue Proportions
Residential	\$ 1,448,385	55.85%	2,812	\$ 23.97
GS < 50 kW	460,963	46.24%	493	\$ 36.01
GS >50	643,073	30.08%	68	\$ 237.51
Sentinel Lights	1,395	50.74%	12	\$ 4.92
Street Lighting	47,102	34.38%	1,061	\$ 1.27
USL	13,038	38.65%	18	\$ 23.33
	<u>\$ 2,613,956</u>			

Proposed Volumetric Charges:

The variable distribution charge is calculated by dividing the variable distribution portion of the base revenue requirement by the appropriate 2011 Test Year usage, kWh or kW, as the class charge determinant.

The following Table 8 provides PSP's calculations of its proposed variable distribution charges for the 2011 Test Year assuming the same fixed/variable split used in designing the current approved rates.

Table 8

Variable Distribution Charge Calculation

Rate Class	Total Net Rev. Requirement	Current Variable Charge Split	2011 Forecast kWh / kW	Volumetric Rate Based on Current Fixed/Variable Revenue Proportions
Residential	\$ 1,448,385	44.15%	33,427,924	\$ 0.0191
GS < 50 kW	460,963	53.76%	16,733,379	\$ 0.0148
GS >50	643,073	69.92%	97,727	\$ 4.6012
Sentinel Lights	1,395	49.26%	36	\$ 19.0674
Street Lighting	47,102	65.62%	2,421	\$ 12.7683
USL	13,038	61.35%	58,750	\$ 0.1362
	<u>\$ 2,613,956</u>			

Table 9 provides a comparison of the Current and Proposed Monthly fixed charges as well as the ceiling as calculated in the Cost Allocation Study.

Table 9

Monthly Fixed Charges Comparison

Customer Class	Current Volumetric Split	Current Fixed Charge Split	Total	Fixed Rate Based on Current Fixed/Variable Revenue Proportions	2010 Rates From OEB Approved Tariff	Minimum System with PLCC Adjustment (Ceiling Fixed Charge From Cost Allocation Model)
Residential	44.15%	55.85%	100.00%	23.97	16.79	25.68
GS < 50 kW	53.76%	46.24%	100.00%	36.01	25.29	44.92
GS >50	69.92%	30.08%	100.00%	237.51	171.14	119.54
Sentinel Lights	49.26%	50.74%	100.00%	4.92	1.74	14.19
Street Lighting	65.62%	34.38%	100.00%	1.27	0.41	14.21
USL	61.35%	38.65%	100.00%	23.33	8.96	72.14

3.0 RETAIL TRANSMISSION SERVICE RATES (RTSR)

PSP has completed the RTSR Workform Excel file provided by the OEB and has used the resulting rates for bill impact comparison purposes. The calculated rates from the RTSR workform model for both Network and Connection has also been used with forecast load data in the Cost of Power.

PSP is proposing the revised rates calculated by the model be used with an effective date of May 1, 2011.

PSP is aware that the Retail Transmission rates are subject to any modifications as a result of an OEB decision on Hydro One Networks' 2011 Uniform Transmission Rate Adjustment Application January 1, 2011.

The RTSR Workform excel model is included below.

Proposed RTSR Network Rates

Rate Class	Vol Metric	Adjusted RTSR - Network	Billed kWh	Billed kW	Billed Amount
		(A) Column S Sheet D1.1	(B) Column H Sheet B1.2	(C) Column I Sheet B1.2	(D) = (A) * (B) or (A) * (C)
Residential	kWh	\$ 0.0050	36,675,132	0	\$ 185,067
General Service Less Than 50 kW	kWh	\$ 0.0046	17,487,303	0	\$ 80,072
General Service 50 to 4,999 kW	kW	\$ 1.8670	14,994,159	42,577	\$ 79,490
General Service 50 to 4,999 kW—Interval Metered	kW	\$ 2.2217	25,050,675	51,579	\$ 114,594
Unmetered Scattered Load	kWh	\$ 0.0046	62,627	0	\$ 287
Sentinel Lighting	kW	\$ 1.4152	13,336	39	\$ 55
Street Lighting	kW	\$ 1.4080	918,702	2,424	\$ 3,413
			95,201,934	96,619	\$ 462,978

Proposed RTSR Connection Rates

Rate Class	Vol Metric	Adjusted RTSR- Connection	Billed kWh	Billed kW	Billed Amount
		(A) Column S Sheet DL2	(B) Column H Sheet BL2	(C) Column I Sheet BL2	(D) = (A) * (B) or (A) * (C)
Residential	kWh	\$ 0.0040	36,675,132	0	\$ 145,551
General Service Less Than 50 kW	kWh	\$ 0.0036	17,487,303	0	\$ 63,495
General Service 50 to 4,999 kW	kW	\$ 1.4382	14,994,159	42,577	\$ 61,233
General Service 50 to 4,999 kW—Interval Metered	kW	\$ 1.7444	25,050,675	51,579	\$ 89,977
Unmetered Scattered Load	kWh	\$ 0.0036	62,627	0	\$ 227
Sentinel Lighting	kW	\$ 1.1349	13,336	39	\$ 44
Street Lighting	kW	\$ 1.1117	918,702	2,424	\$ 2,685
			95,201,934	96,619	\$ 363,222

4.0 LOW VOLTAGE CHARGES

PSP is an embedded distributor with Hydro One and is subject to Low Voltage charges. The 2008 audited balance of variance account 1550 was disposed of as part of the 2010 IRM rate application. The 2009 accumulated principal balance is a credit of \$1,312 which is being disposed of in this rate application. Since the accumulated amount is relatively insignificant PSP is proposing to continue with the current approved LV rates.

The table below represents PSP's forecasted Low Voltage revenues at the proposed rates. The total revenue has also been used in PSP's calculation of the Cost of Power.

<i>Low Voltage</i> Class per Load Forecast		Volume Metric	2011		
Residential		kWh	33,427,924	\$0.0010	\$33,428
Street Lighting		kW	2,421	\$0.3313	\$802
Sentinel Lighting		kW	36	\$0.3569	\$13
GS<50kW		kWh	16,733,379	\$0.0007	\$11,713
GS>50kW		kW	97,727	\$0.3710	\$36,257
Unmetered Scattered Load		kWh	58,750	\$0.0009	\$53
TOTAL					\$82,266

Other Electricity Charges:

PSP proposes to leave rates for, Wholesale Market Service, Rural Rate Protection Charge, Standard Supply Service – Administrative Charge, and transformer allowance at current approved rates.

5.0 DETERMINATION OF LOSS ADJUSTMENT FACTORS:

PSP is an embedded distributor with Hydro One as the host distributor. PSP has a Supply Facilities Loss Factor of 3.4% applied to purchased commodity from the IESO.

Total Loss Factor:

PSP has calculated the distribution loss factor based on the wholesale and retail kWh for the years 2004 to 2009. The calculations are summarized in Table 15 below.

Table 15
Total Loss Factor Calculations

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
A "Wholesale" kWh (IESO) Qty at the Meter	82,366,827	88,169,677	83,591,580	87,972,204	85,960,408	86,110,711
B "Wholesale" kWh (PGEN)	5,171,332	4,979,600	6,403,233	5,368,422	7,256,553	6,652,867
C Net "Wholesale" kWh (A)-(B)	87,538,159	93,149,277	89,994,813	93,340,626	93,216,960	92,763,578
D Retail kWh (Distributor) Qty at the Meter	83,859,893	89,091,693	86,105,589	89,092,790	89,230,116	88,772,959
E	-	-	-	-	-	-
F Net "Retail" kWh (D)-(E)	83,859,893	89,091,693	86,105,589	89,092,790	89,230,116	88,772,959
G Distribution Loss Factor [(C)/(F)]	1.0439	1.0455	1.0452	1.0477	1.0447	1.0450
H						

<u>Total Utility Loss Adjustment Factor</u>	<u>LAF</u>
Supply Facility Loss Factor	1.0340 i
Distribution Loss Factor (6 year average)	1.0453 ii
Total Loss Factor	
Secondary Metered Customer	
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0809 iii = i * ii
Total Loss Factor - Secondary Metered Customer > 5,000kW	n/a
Primary Metered Customer	
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0700 iii * .99
Total Loss Factor - Primary Metered Customer > 5,000kW	n/a

PSP is proposing to apply a revised Total Loss Factor of 1.0808% to customer consumption where applicable.

1

2 **6.0 RATE SCHEDULES AND BILL IMPACT INFORMATION**



REVENUE REQUIREMENT WORK FORM

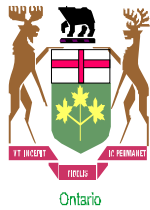
Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

Version: 2.11

Residential

Consumption **800** kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 16.7900	1	\$ 16.79	\$ 23.9700	1	\$ 23.97	\$ 7.18	42.76%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.7119	1	\$ 1.71	\$ 0.71	71.19%
3 Service Charge Rate Adder(s)	monthly		1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)	monthly		1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0134	800	\$ 10.72	\$ 0.0191	800	\$ 15.28	\$ 4.56	42.54%
6 Low Voltage Rate Adder	per kWh	\$ 0.0010	800	\$ 0.80	\$ 0.0010	800	\$ 0.80	\$ -	0.00%
7 Volumetric Rate Adder(s)	per kWh		800	\$ -		800	\$ -	\$ -	
8 Volumetric Rate Rider(s)	per kWh		800	\$ -		800	\$ -	\$ -	
9 Smart Meter Disposition Rider			800	\$ -		800	\$ -	\$ -	
10 LRAM & SSIM Rate Rider	per kWh		800	\$ -	\$ 0.0010	800	\$ 0.80	\$ 0.80	
11 Deferral/Variance Account Disposition Rate Rider	per kWh		800	\$ -	\$ 0.0102	800	\$ 8.16	\$ 8.16	
12 Global Adjustment subaccount dis	per kWh	\$ 0.0126	800	\$ 10.08			\$ -	\$ -10.08	-100.00%
13 Rate Rider deferral/variance accou	per kWh	-\$ 0.0074	800	-\$ 5.92			\$ -	\$ 5.92	-100.00%
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A - Distribution				\$ 33.47			\$ 50.72	\$ 17.25	51.55%
17 RTSR - Network	per kWh	\$ 0.0054	846.88	\$ 4.57	\$ 0.0050	864.684	\$ 4.36	-\$ 0.21	-4.59%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0047	846.88	\$ 3.98	\$ 0.0040	864.684	\$ 3.43	-\$ 0.55	-13.79%
19 Sub-Total B - Delivery (including Sub-Total A)				\$ 42.02			\$ 58.52	\$ 16.50	39.25%
20 Wholesale Market Service Charge (WVSC)	per kWh	\$ 0.0052	846.88	\$ 4.40	\$ 0.0052	864.684	\$ 4.50	\$ 0.09	2.10%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	846.88	\$ 1.10	\$ 0.0013	864.684	\$ 1.12	\$ 0.02	2.10%
22 Special Purpose Charge	per kWh	\$ 0.0003730	846.88	\$ 0.32	\$ 0.0003730	864.684	\$ 0.32	\$ 0.01	2.10%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)	per kWh	\$ 0.0065	846.88	\$ 5.50	\$ 0.0065	864.684	\$ 5.62	\$ 0.12	2.10%
25 Energy	per kWh		846.88	\$ -		864.684	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 53.60			\$ 70.33	\$ 16.73	31.22%
29 HST		13%		\$ 6.97	13%		\$ 9.14	\$ 2.18	31.22%
30 Total Bill (including Sub-total B)				\$ 60.57			\$ 79.48	\$ 18.91	31.22%
31 Loss Factor (%)	Note 1			5.86%			8.09%		



REVENUE REQUIREMENT WORK FORM

Version: 211

Name of LDC: Parry Sound Power
 File Number: EB-2010-0140
 Rate Year: 2011

General Service < 50 kW

Consumption 2000 kWh

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
1 Monthly Service Charge	monthly	\$ 25.2900	1	\$ 25.29	\$ 36.0100	1	\$ 36.01	\$ 10.72	42.39%
2 Smart Meter Rate Adder	monthly	\$ 1.0000	1	\$ 1.00	\$ 1.7119	1	\$ 1.71	\$ 0.71	71.19%
3 Service Charge Rate Adder(s)			1	\$ -		1	\$ -	\$ -	
4 Service Charge Rate Rider(s)			1	\$ -		1	\$ -	\$ -	
5 Distribution Volumetric Rate	per kWh	\$ 0.0104	2000	\$ 20.80	\$ 0.0148	2000	\$ 29.60	\$ 8.80	42.31%
6 Low Voltage Rate Adder	per kWh	\$ 0.0007	2000	\$ 1.40	\$ 0.0007	2000	\$ 1.40	\$ -	0.00%
7 Volumetric Rate Adder(s)			2000	\$ -		2000	\$ -	\$ -	
8 Volumetric Rate Rider(s)			2000	\$ -		2000	\$ -	\$ -	
9 Smart Meter Disposition Rider			2000	\$ -		2000	\$ -	\$ -	
10 LRAM & SSM Rider			2000	\$ -	\$ 0.0006	2000	\$ 1.20	\$ 1.20	
11 Deferral/Variance Account Disposition Rate Rider			2000	\$ -	\$ 0.0100	2000	\$ 20.00	\$ 20.00	
12 Global Adjustment subaccount dis	per kWh	\$ 0.0126	2000	\$ 25.20			\$ -	-\$ 25.20	-100.00%
13 Rate Rider deferral/variance accou	per kWh	-\$ 0.0074	2000	-\$ 14.80			\$ -	\$ 14.80	-100.00%
14				\$ -			\$ -	\$ -	
15				\$ -			\$ -	\$ -	
16 Sub-Total A- Distribution				\$ 58.89			\$ 89.92	\$ 31.03	52.69%
17 RTSR - Network	per kWh	\$ 0.0049	2117.2	\$ 10.37	\$ 0.0046	2161.71	\$ 9.90	-\$ 0.48	-4.59%
18 RTSR - Line and Transformation Connection	per kWh	\$ 0.0043	2117.2	\$ 9.10	\$ 0.0036	2161.71	\$ 7.85	-\$ 1.26	-13.79%
19 Sub-Total B- Delivery (including Sub-Total A)				\$ 78.37			\$ 107.67	\$ 29.30	37.39%
20 Wholesale Market Service Charge (WVSC)	per kWh	\$ 0.0052	2117.2	\$ 11.01	\$ 0.0052	2161.71	\$ 11.24	\$ 0.23	2.10%
21 Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0013	2117.2	\$ 2.75	\$ 0.0013	2161.71	\$ 2.81	\$ 0.06	2.10%
22 Special Purpose Charge		\$ 0.0003730	2117.2	\$ 0.79	\$ 0.0003730	2161.71	\$ 0.81	\$ 0.02	2.10%
23 Standard Supply Service Charge	monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
24 Debt Retirement Charge (DRC)		\$ 0.0065	2117.2	\$ 13.76	\$ 0.0065	2161.71	\$ 14.05	\$ 0.29	2.10%
25 Energy			2117.2	\$ -		2161.71	\$ -	\$ -	
26				\$ -			\$ -	\$ -	
27				\$ -			\$ -	\$ -	
28 Total Bill (before Taxes)				\$ 106.93			\$ 136.83	\$ 29.90	27.96%
29 HST		13%		\$ 13.90	13%		\$ 17.79	\$ 3.89	27.96%
30 Total Bill (including Subtotal B)				\$ 120.83			\$ 154.61	\$ 33.78	27.96%

31 Loss Factor

Note 1

5.86%

8.09%

Customer classes:

Residential:

This classification refers to the supply of electrical energy to residential customers in detached or semi-detached units, as defined in the local zoning by-law.

General Service Less than 50 kW:

This classification refers to the supply of electrical energy to commercial buildings taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW. Commercial buildings are defined as buildings, which are used for purposes other than residential dwellings.

General Service 50 to 4,999 kW:

This classification refers to the supply of electrical energy to commercial buildings whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Commercial buildings are defined as buildings, which are used for purposes other than residential dwellings.

Street Lighting:

This classification refers to the Street Lighting system owned by the Town of Parry Sound. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

Sentinel Lighting:

This classification refers to an account that is an unmetered lighting load supplied to a sentinel light where consumption is based on connected load.

Unmetered Scattered Load:

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Unmetered or flat connections are permitted with the approval of PSP's Engineering Department. Flat rate connects may include, but are not limited to, Traffic Lights, Street Lights, Bus Shelters, and Signs. Energy consumption is determined by information provided by the customer and/or load measurement taken by PSP following connection of the flat service.

Proposed Distribution Rates:

The following table sets out PSP's proposed 2011 electricity distribution rates based on the foregoing calculations, including recovery of transformer allowance, Low Voltage charges, regulatory assets rate rider and the smart meter rate adder of \$ 1.71 /month:

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Proposed 2011 Electricity Distribution Rates

Customer Class	Item Description	Unit	Rate (\$)
Residential	Monthly Service Charge	per month	23.97
	Distribution Volumetric Rate	per kWh	0.0191
	Low Voltage Rider	per kWh	0.0010
	LRAM and SSM Rate Rider	per kWh	0.0010
	Smart Meter Rate Adder	per month	1.71
	Deferral and Variance Account Rider	per kWh	0.0102
GS < 50 kW	Monthly Service Charge	per month	36.01
	Distribution Volumetric Rate	per kWh	0.0148
	Low Voltage Rider	per kWh	0.0007
	LRAM and SSM Rate Rider	per kWh	0.0006
	Smart Meter Rate Rider	per month	1.71
	Deferral and Variance Account Rider	per kWh	0.0100
GS >50	Monthly Service Charge	per month	237.51
	Distribution Volumetric Rate	per kW	4.7450
	Low Voltage Rider	per kW	0.3710
	LRAM and SSM Rate Rider	per kWh	0.5230
	Smart Meter Rate Rider	per month	1.71
	Deferral and Variance Account Rider	per kW	(0.6753)
Sentinel Lights	Monthly Service Charge	per month	4.92
	Distribution Volumetric Rate	per kW	19.0674
	Low Voltage Rider	per kW	0.3569
	LRAM and SSM Rate Rider	per kW	0.0000
	Deferral and Variance Account Rider	per kW	4.0037
Street Lighting	Monthly Service Charge	per month	1.27
	Distribution Volumetric Rate	per kW	12.7683
	Low Voltage Rider	per kW	0.3313
	LRAM and SSM Rate Rider	per kW	0.0000
	Deferral and Variance Account Rider	per kW	(0.2003)
USL	Monthly Service Charge	per month	23.33
	Distribution Volumetric Rate	per kWh	0.1362
	Low Voltage Rider	per kWh	0.0009
	LRAM and SSM Rate Rider	per kWh	0.0773
	Deferral and Variance Account Rider	per kWh	0.0000

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Rate Mitigation:

PSP is proposing to move forward with the rates as applied. The increase in rates are necessary to attain compliance with the Affiliate Relationship Code by restructuring, provide a safe reliable distribution system, and afford the customers the same quality service they have become accustomed to. OM&A costs are increasing as we move into a more rigorous regulatory environment. PSP's formal asset management plan dictates a capital and maintenance plan needed to ensure our infrastructure is sustainable into the future. PSP feels by deferring any type of rate impact only provides our customers and shareholder relief on an interim basis. The 2011 test year budget is based on a complete corporate restructuring, an asset management plan, budgeted resources to afford the totally compliant utility to operate separate from its affiliates. PSP will monitor the budgeted costs to ensure they remain inline.

EXISTING RATE SCHEDULE:

Parry Sound Power Corporation TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010

except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of
Rates, Charges and Loss Factors

EB-2009-0207

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	16.79
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0134
Low Voltage Service Rate	\$/kWh	0.0010
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011		
Applicable only for Non-RPP Customers	\$/kWh	0.0126
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	(0.0074)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss
Factors

EB-2009-
0207

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	25.29
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0104
Low Voltage Service Rate	\$/kWh	0.0007
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011		
Applicable only for Non-RPP Customers	\$/kWh	0.0126
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	(0.0074)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors
EB-2009-0207

GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	171.14
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kW	3.4592
Low Voltage Service Rate	\$/kW	0.3710
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011 Applicable only for Non-RPP Customers	\$/kW	5.3915
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	(3.2395)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9979
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7032
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.3775
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0659

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of
Rates, Charges and Loss Factors
EB-2009-0207

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/ documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per customer)	\$	8.96
Distribution Volumetric Rate	\$/kWh	0.0523
Low Voltage Service Rate	\$/kWh	0.0009
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011		
Applicable only for Non-RPP Customers	\$/kWh	0.0126
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	(0.0031)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors
EB-2009-0207

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	1.74
Distribution Volumetric Rate	\$/kW	6.7501
Low Voltage Service Rate	\$/kW	0.3569
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011 Applicable only for Non-RPP Customers	\$/kW	7.0748
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	2.1054
Retail Transmission Rate – Network Service Rate	\$/kW	1.5144
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3441

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors
EB-2009-0207

STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	4.1163
Low Voltage Service Rate	\$/kW	0.3313
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2011 Applicable only for Non-RPP Customers	\$/kW	4.8032
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	(3.0244)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5067
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3166

MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Parry Sound Power Corporation
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of
Rates, Charges and Loss Factors
EB-2009-0207

microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

MONTHLY RATES AND CHARGES – Delivery Component – effective September 21, 2009

Service Charge	\$	5.25
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Parry Sound Power Corporation
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

**This schedule supersedes and replaces all previously
approved schedules of Rates, Charges and Loss Factors**

EB-2009-0207

ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

Customer Administration		
Arrears certificate	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheques	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnect	\$	30.00
Disconnect/Reconnect Charge - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charge - At pole During Regular Hours	\$	185.00
Install/Remove load control device – during regular hours	\$	65.00
Service call – customer owned equipment	\$	30.00
Temporary Service install & remove – overhead – no transformer	\$	500.00
Temporary Service install & remove – underground – no transformer	\$	300.00
Temporary Service install & remove – overhead –with transformer	\$	1000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35

Parry Sound Power Corporation

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors
EB-2009-0207

RETAIL SERVICE CHARGES (if applicable)

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0586
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0480
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A

1 SCHEDULE OF PROPOSED RATES AND CHARGES

Parry Sound Power Corporation TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2011

Residential

Service Charge	\$	23.97
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/kwh	0.0191
LRAM and SSM Rate Rider	\$/kwh	0.001
Low Voltage Service Rate	\$/kwh	0.0010
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory Asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0054
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0047
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25

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General Service Less Than 50 KW

Service Charge	\$	36.01
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/kwh	0.0148
LRAM and SSM Rate Rider		0.0006
Low Voltage Service Rate	\$/kwh	0.0007
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory Asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0049
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0043
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25

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General Service 50 KW to 4,999 KW

Service Charge	\$	237.51
Smart Meter Funding adder		1.71
Distribution Volumetric Rate	\$/KW	4.745
LRAM and SSM Rate Rider		0.523
Low Voltage Service Rate	\$/KW	0.3710
Regulatory asset Recovery	\$/KW	
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Retail Transmission Rate-Network Service Rate	\$/KW	1.9979
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.7032
Retail Transmission Rate-Network Service Rate-Interval Metered	\$/KW	2.3775
Retail Transmission Rate-Line and Transformation Connection Service Rate-Interval Metered	\$/kwh	2.0659
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$	0.0013
Standard Supply Service-Administrative Charge (if applicable)		0.25

Unmetered Scattered Load

Service Charge (per customer)	\$	23.33
Distribution Volumetric Rate	\$/kwh	0.0523
LRAM and SSM Rate Rider		0.0773
Low Voltage Service Rate	\$/kwh	0.0009
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/kwh	
Rate Rider for Deferral/Variance Account Disposition	\$/kwh	
Regulatory asset Recovery	\$/kwh	
Retail Transmission Rate-Network Service Rate	\$/kwh	0.0049
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/kwh	0.0043
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25

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Sentinel Lights

Service Charge	\$	4.92
Distribution Volumetric Rate	\$/KW	19.0674
LRAM and SSM Rate Rider		0
Low Voltage Service Rate	\$/KW	0.3569
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Regulatory Asset Recovery	\$/KW	0
Retail Transmission Rate-Network Service Rate	\$/KW	1.5144
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.3441
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25

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Street Lighting

Service Charge (per connection)	\$	
Service Charge	\$/KW	1.27
Distribution Volumetric Rate	\$/KW	12.7683
LRAM and SSM Rate Rider		0
Low Voltage Service Rate	\$/KW	0.3313
Rate Rider For Global Adjustment Sub-Account Disposition Non-RPP	\$/KW	
Rate Rider for Deferral/Variance Account Disposition	\$/KW	
Regulatory Asset Recovery	\$/KW	
Retail Transmission Rate-Network Service Rate	\$/KW	1.5067
Retail Transmission Rate-Line and Transformation Connection Service Rate	\$/KW	1.3166
Wholesale Market Service Rate	\$/kwh	0.0052
Rural Rate Protection Charge	\$/kwh	0.0013
Standard Supply Service-Administrative Charge (if applicable)	\$	0.25

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microFIT GENERATOR SERVICE CLASSIFICATION

Service Charge	\$	5.25
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LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0809
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0700
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A

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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

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SPECIFIC SERVICE CHARGES

Customer Administration		
Arrears certificate	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheques	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnect	\$	30.00
Disconnect/Reconnect Charge - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charge - At pole During Regular Hours	\$	185.00
Install/Remove load control device – during regular hours	\$	65.00
Service call – customer owned equipment	\$	30.00
Temporary Service install & remove – overhead – no transformer	\$	500.00
Temporary Service install & remove – underground – no transformer	\$	300.00
Temporary Service install & remove – overhead –with transformer	\$	1000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
RETAIL SERVICE CHARGES (if applicable)		

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer
Monthly Fixed Charge, per retailer
Monthly Variable Charge, per customer, per retailer
Distributor-consolidated billing charge, per customer, per retailer
Retailer-consolidated billing credit, per customer, per retailer
Service Transaction Requests (STR)
Request fee, per request, applied to the requesting party
Processing fee, per request, applied to the requesting party
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party
Up to twice a year
More than twice a year, per request (plus incremental delivery costs)

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RECONCILIATION OF RATE CLASS REVENUE:

2011 Test Year Distribution Revenue Reconciliation

Customer Class	Fixed Distribution Revenue	Variable Distribution Revenue	Transformer Allowance Credit	Total Distribution Revenue	Expected
Residential	\$ 808,933	\$ 638,473		\$ 1,447,407	\$ 1,448,385
GS < 50 kW	\$ 213,149	\$ 247,654		\$ 460,803	\$ 460,963
GS >50	\$ 193,407	\$ 463,715	(\$14,046)	\$ 643,075	\$ 643,073
Sentinel Lights	\$ 708	\$ 687		\$ 1,395	\$ 1,395
Street Lighting	\$ 16,193	\$ 30,910		\$ 47,102	\$ 47,102
USL	\$ 5,039	\$ 8,002		\$ 13,041	\$ 13,038

Total	\$ 1,237,428	\$ 1,389,440	(\$14,046)	\$ 2,612,823	\$ 2,613,956
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Difference Due to Rate Rounding

\$ 1,134

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11 Bill Impacts

12 Appendix A to this Schedule presents the results of the assessment of customer total bill
13 impacts by customer rate class.

14 Impacts are derived using the current distribution rates and the proposed 2011 distribution
15 rates, a revised Smart Meter rate adder, the proposed new Deferral and Variance Account

- 1 Asset rate rider, the proposed Lost Revenue Adjustment Mechanism, and the proposed
- 2 revised Loss Factors.
- 3 The total bill impacts are calculated for each rate class at various levels of consumption. The
- 4 rate impacts are assessed on the basis of moving to the proposed distribution rates.

APPENDIX A
TABLE OF RATE AND BILL IMPACTS

Residential Consumption 100 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	60.64%
Distribution (kWh)	100	0.0134	1.34	100	0.0191	1.91	0.57	42.54%	4.83%
Low Voltage Rider (kWh)	100	0.0010	0.10	100	0.0010	0.10	0.00	0.00%	0.25%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	4.33%
LRAM & SSM Rider (kWh)	100	0.0000	0.00	100	0.0010	0.10	0.10	#DIV/0!	0.25%
Deferral & Variance Acct (kWh)	100	0.0052	0.52	100	0.0102	1.02	0.50	96.21%	2.58%
Distribution Sub-Total			19.75			28.81	9.06	45.88%	72.89%
Retail Transmission (kWh)	106	0.0101	1.07	108	0.009015	0.97	(0.09)	(8.87%)	2.47%
Delivery Sub-Total			20.82			29.79	10.28	49.38%	75.36%
Other Charges (kWh)	106	0.0130	1.38	108	0.0130	1.41	0.03	2.10%	3.55%
Cost of Power Commodity (kWh)	106	0.0687	7.28	108	0.0687	7.43	0.15	2.10%	18.79%
Total Bill Before Taxes			28.40			37.65	9.24	32.55%	95.24%
GST		5.00%	1.42		5.00%	1.88	0.46	32.55%	4.76%
Total Bill			29.82			39.53	9.71	32.55%	100.00%

Residential Consumption 250 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	41.07%
Distribution (kWh)	250	0.0134	3.35	250	0.0191	4.78	1.43	42.54%	8.18%
Low Voltage Rider (kWh)	250	0.0010	0.25	250	0.0010	0.25	0.00	0.00%	0.43%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	2.93%
LRAM & SSM Rider (kWh)	250		0.00	250	0.0010	0.25	0.25	#DIV/0!	0.43%
Deferral & Variance Acct (kWh)	250	0.0052	1.30	250	0.0102	2.55	1.25	96.21%	4.37%
Distribution Sub-Total			22.69			33.51	10.82	47.68%	57.41%
Retail Transmission (kWh)	265	0.0101	2.67	270	0.009015	2.44	(0.24)	(8.87%)	4.17%
Delivery Sub-Total			25.36			35.94	12.79	50.44%	61.58%
Other Charges (kWh)	265	0.0130	3.44	270	0.0130	3.51	0.07	2.10%	6.02%
Cost of Power Commodity (kWh)	265	0.0687	18.19	270	0.0687	18.57	0.38	2.10%	31.81%
Total Bill Before Taxes			44.32			55.59	11.27	25.43%	95.24%
GST		5.00%	2.22		5.00%	2.78	0.56	25.43%	4.76%
Total Bill			46.53			58.37	11.84	25.43%	100.00%

Residential Consumption 500 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	26.70%
Distribution (kWh)	500	0.0134	6.70	500	0.0191	9.55	2.85	42.54%	10.64%
Low Voltage Rider (kWh)	500	0.0010	0.50	500	0.0010	0.50	0.00	0.00%	0.56%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	1.91%
LRAM & SSM Rider (kWh)	500		0.00	500	0.0010	0.50	0.50	#DIV/0!	0.56%
Deferral & Variance Acct (kWh)	500	0.0052	2.60	500	0.0102	5.10	2.50	96.21%	5.68%
Distribution Sub-Total			27.59			41.33	13.74	49.81%	46.04%
Retail Transmission (kWh)	529	0.0101	5.35	540	0.009015	4.87	(0.47)	(8.87%)	5.43%
Delivery Sub-Total			32.94			46.21	16.98	51.56%	51.47%
Other Charges (kWh)	529	0.0130	6.88	540	0.0130	7.03	0.14	2.10%	7.83%
Cost of Power Commodity (kWh)	529	0.0687	36.38	540	0.0687	37.14	0.76	2.10%	41.37%
Total Bill Before Taxes			70.85			85.50	14.65	20.68%	95.24%
GST		5.00%	3.54		5.00%	4.27	0.73	20.68%	4.76%
Total Bill			74.39			89.77	15.39	20.68%	100.00%

Residential Consumption 750 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	18.60%
Distribution (kWh)	750	0.0134	10.05	750	0.0191	14.33	4.28	42.54%	11.12%
Low Voltage Rider (kWh)	750	0.0010	0.75	750	0.0010	0.75	0.00	0.00%	0.58%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	1.33%
LRAM & SSM Rider (kWh)	750		0.00	750	0.0010	0.75	0.75	#DIV/0!	0.58%
Deferral & Variance Acct (kWh)	750	0.0052	3.90	750	0.0102	7.65	3.75	96.21%	5.94%
Distribution Sub-Total			32.49			49.16	16.67	51.31%	38.15%
Retail Transmission (kWh)	794	0.0101	8.02	811	0.009015	7.31	(0.71)	(8.87%)	5.67%
Delivery Sub-Total			40.51			56.47	21.17	52.27%	43.82%
Other Charges (kWh)	794	0.0130	10.32	811	0.0130	10.54	0.22	2.10%	8.18%
Cost of Power Commodity (kWh)	600	0.0687	41.24	600	0.0687	41.24	0.00	0.00%	32.00%
Cost of Power Commodity (kWh)	194	0.0687	13.33	211	0.0687	14.48	1.15	8.61%	11.23%
Total Bill Before Taxes			105.39			122.72	22.54	21.38%	95.24%
GST		5.00%	5.27		5.00%	6.14	0.87	16.44%	4.76%
Total Bill			110.66			128.85	23.40	21.15%	100.00%

Residential Consumption 800 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	16.42%
Distribution (kWh)	800	0.0134	10.72	800	0.0191	15.28	4.56	42.54%	10.47%
Low Voltage Rider (kWh)	800	0.0010	0.80	800	0.0010	0.80	0.00	0.00%	0.55%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	1.17%
LRAM & SSM Rider (kWh)	800		0.00	800	0.0010	0.80	0.80	#DIV/0!	0.55%
Deferral & Variance Acct (kWh)	800	0.0052	4.16	800	0.0102	8.16	4.00	96.21%	5.59%
Distribution Sub-Total			33.47			50.72	17.25	51.55%	34.75%
Retail Transmission (kWh)	847	0.0101	8.55	865	0.009015	7.79	(0.76)	(8.87%)	5.34%
Delivery Sub-Total			42.02			58.52	22.01	52.38%	40.09%
Other Charges (kWh)	847	0.0130	11.01	865	0.0130	11.24	0.23	2.10%	7.70%
Cost of Power Commodity (kWh)	600	0.0687	41.24	600	0.0687	41.24	0.00	0.00%	28.25%
Cost of Power Commodity (kWh)	247	0.0687	16.97	265	0.0687	18.19	1.22	7.21%	12.46%
Total Bill Before Taxes			111.23			129.19	23.47	21.10%	88.50%
GST		13.00%	14.46		13.00%	16.79	2.33	16.14%	11.50%
Total Bill			125.70			145.98	25.80	20.52%	100.00%

Residential Consumption 1,000 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	14.72%
Distribution (kWh)	1,000	0.0134	13.40	1,000	0.0191	19.10	5.70	42.54%	11.73%
Low Voltage Rider (kWh)	1,000	0.0010	1.00	1,000	0.0010	1.00	0.00	0.00%	0.61%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	1.06%
LRAM & SSM Rider (kWh)	1,000		0.00	1,000	0.0010	1.00	1.00	#DIV/0!	0.61%
Deferral & Variance Acct (kWh)	1,000	0.0052	5.20	1,000	0.0102	10.20	5.00	96.21%	6.27%
Distribution Sub-Total			37.39			56.98	19.59	52.41%	35.00%
Retail Transmission (kWh)	1,059	0.0101	10.69	1,081	0.009015	9.74	(0.95)	(8.87%)	5.98%
Delivery Sub-Total			48.08			66.73	25.36	52.75%	40.98%
Other Charges (kWh)	1,059	0.0130	13.76	1,081	0.0130	14.05	0.29	2.10%	8.63%
Cost of Power Commodity (kWh)	600	0.0687	41.24	600	0.0687	41.24	0.00	0.00%	25.33%
Cost of Power Commodity (kWh)	459	0.0687	31.52	481	0.0687	33.05	1.53	4.86%	20.30%
Total Bill Before Taxes			134.60			155.06	27.18	20.19%	95.24%
GST		5.00%	6.73		5.00%	7.75	1.02	15.21%	4.76%
Total Bill			141.33			162.81	28.20	19.96%	100.00%

Residential Consumption 1,500 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			16.79			23.97	7.18	42.76%	10.39%
Distribution (kWh)	1,500	0.0134	20.10	1,500	0.0191	28.65	8.55	42.54%	12.42%
Low Voltage Rider (kWh)	1,500	0.0010	1.50	1,500	0.0010	1.50	0.00	0.00%	0.65%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.74%
LRAM & SSM Rider (kWh)	1,500		0.00	1,500	0.0010	1.50	1.50	#DIV/0!	0.65%
Deferral & Variance Acct (kWh)	1,500	0.0052	7.80	1,500	0.0102	15.30	7.50	96.21%	6.63%
Distribution Sub-Total			47.19			72.64	25.45	53.92%	31.48%
Retail Transmission (kWh)	1,588	0.0101	16.04	1,621	0.009015	14.62	(1.42)	(8.87%)	6.33%
Delivery Sub-Total			63.23			87.25	33.74	53.36%	37.81%
Other Charges (kWh)	1,588	0.0130	20.64	1,621	0.0130	21.08	0.43	2.10%	9.13%
Cost of Power Commodity (kWh)	600	0.0687	41.24	600	0.0687	41.24	0.00	0.00%	17.87%
Cost of Power Commodity (kWh)	988	0.0687	67.89	1,021	0.0687	70.19	2.29	3.38%	30.42%
Total Bill Before Taxes			193.00			219.75	36.47	18.90%	95.24%
GST		5.00%	9.65		5.00%	10.99	1.34	13.86%	4.76%
Total Bill			202.65			230.74	37.81	18.66%	100.00%

General Service < 50 kW Consumption 2,000 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	12.06%
Distribution (kWh)	2,000	0.0104	20.80	2,000	0.0148	29.60	8.80	42.31%	9.92%
Low Voltage Rider (kWh)	2,000	0.0007	1.40	2,000	0.0007	1.40	0.00	0.00%	0.47%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.57%
LRAM & SSM Rider (kWh)	2,000		0.00	2,000	0.0006	1.20	1.20	#DIV/0!	0.40%
Deferral & Variance Acct (kWh)	2,000	0.0052	10.40	2,000	0.0100	20.00	9.60	92.30%	6.70%
Distribution Sub-Total			58.89			89.92	31.03	52.69%	30.12%
Retail Transmission (kWh)	2,117	0.0092	19.48	2,162	0.00821	17.75	(1.73)	(8.89%)	5.95%
Delivery Sub-Total			78.37			107.67	40.81	52.08%	36.07%
Other Charges (kWh)	2,117	0.0130	27.52	2,162	0.0130	28.10	0.58	2.10%	9.41%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	13.81%
Cost of Power Commodity (kWh)	1,517	0.0687	104.25	1,562	0.0687	107.31	3.06	2.93%	35.95%
Total Bill Before Taxes			251.37			284.30	\$44.45	17.68%	95.24%
GST		5.00%	12.57		5.00%	14.22	1.65	13.10%	4.76%
Total Bill			263.93			298.52	\$46.09	17.46%	100.00%

General Service < 50 kW Consumption 4,000 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	6.46%
Distribution (kWh)	4,000	0.0104	41.60	4,000	0.0148	59.20	17.60	42.31%	10.62%
Low Voltage Rider (kWh)	4,000	0.0007	2.80	4,000	0.0007	2.80	0.00	0.00%	0.50%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.31%
LRAM & SSM Rider (kWh)	4,000		0.00	4,000	0.0006	2.40	2.40	#DIV/0!	0.43%
Deferral & Variance Acct (kWh)	4,000	0.0052	20.80	4,000	0.0100	40.00	19.20	92.30%	7.18%
Distribution Sub-Total			91.49			142.12	50.63	55.34%	25.50%
Retail Transmission (kWh)	4,234	0.0092	38.96	4,323	0.00821	35.49	(3.46)	(8.89%)	6.37%
Delivery Sub-Total			130.45			177.61	69.48	53.26%	31.86%
Other Charges (kWh)	4,234	0.0130	55.05	4,323	0.0130	56.20	1.16	2.10%	10.08%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	7.40%
Cost of Power Commodity (kWh)	3,634	0.0687	249.72	3,723	0.0687	255.84	6.12	2.45%	45.90%
Total Bill Before Taxes			476.44			530.88	\$76.75	16.11%	95.24%
GST		5.00%	23.82		5.00%	26.54	2.72	11.43%	4.76%
Total Bill			500.26			557.43	\$79.47	15.89%	100.00%

General Service < 50 kW Consumption 10,000 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	2.70%
Distribution (kWh)	10,000	0.0104	104.00	10,000	0.0148	148.00	44.00	42.31%	11.09%
Low Voltage Rider (kWh)	10,000	0.0007	7.00	10,000	0.0007	7.00	0.00	0.00%	0.52%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.13%
LRAM & SSM Rider (kWh)	10,000		0.00	10,000	0.0006	6.00	6.00	#DIV/0!	0.45%
Deferral & Variance Acct (kWh)	10,000	0.0052	52.00	10,000	0.0100	100.00	48.00	92.30%	7.50%
Distribution Sub-Total			189.29			298.72	109.43	57.81%	22.39%
Retail Transmission (kWh)	10,586	0.0092	97.39	10,809	0.00821	88.74	(8.66)	(8.89%)	6.65%
Delivery Sub-Total			286.68			387.45	155.48	54.23%	29.04%
Other Charges (kWh)	10,586	0.0130	137.62	10,809	0.0130	140.51	2.89	2.10%	10.53%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	3.09%
Cost of Power Commodity (kWh)	9,986	0.0687	686.14	10,209	0.0687	701.43	15.29	2.23%	52.58%
Total Bill Before Taxes			1,151.67			1,270.63	\$173.66	15.08%	95.24%
GST		5.00%	57.58		5.00%	63.53	5.95	10.33%	4.76%
Total Bill			1,209.25			1,334.16	\$179.61	14.85%	100.00%

General Service < 50 kW Consumption 12,500 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	2.17%
Distribution (kWh)	12,500	0.0104	130.00	12,500	0.0148	185.00	55.00	42.31%	11.16%
Low Voltage Rider (kWh)	12,500	0.0007	8.75	12,500	0.0007	8.75	0.00	0.00%	0.53%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.10%
LRAM & SSM Rider (kWh)	12,500		0.00	12,500	0.0006	7.50	7.50	#DIV/0!	0.45%
Deferral & Variance Acct (kWh)	12,500	0.0052	65.00	12,500	0.0100	124.99	59.99	92.30%	7.54%
Distribution Sub-Total			230.04			363.97	133.93	58.22%	21.95%
Retail Transmission (kWh)	13,233	0.0092	121.74	13,511	0.00821	110.92	(10.82)	(8.89%)	6.69%
Delivery Sub-Total			351.78			474.89	191.31	54.38%	28.65%
Other Charges (kWh)	13,233	0.0130	172.02	13,511	0.0130	175.64	3.62	2.10%	10.59%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	2.49%
Cost of Power Commodity (kWh)	12,633	0.0687	867.99	12,911	0.0687	887.10	19.11	2.20%	53.51%
Total Bill Before Taxes			1,433.01			1,578.85	\$214.05	14.94%	95.24%
GST		5.00%	71.65		5.00%	78.94	7.29	10.18%	4.76%
Total Bill			1,504.66			1,657.79	\$221.34	14.71%	100.00%

General Service < 50 kW Consumption 15,000 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Monthly Service Charge			25.29			36.01	10.72	42.39%	1.82%
Distribution (kWh)	15,000	0.0104	156.00	15,000	0.0148	222.00	66.00	42.31%	11.20%
Low Voltage Rider (kWh)	15,000	0.0007	10.50	15,000	0.0007	10.50	0.00	0.00%	0.53%
Smart Meter Rider (per month)			1.00			1.71	0.71	71.19%	0.09%
LRAM & SSM Rider (kWh)	15,000		0.00	15,000	0.0006	9.00	9.00	#DIV/0!	0.45%
Deferral & Variance Acct (kWh)	15,000	0.0052	78.00	15,000	0.0100	149.99	71.99	92.30%	7.57%
Distribution Sub-Total			270.79			429.22	158.43	58.51%	21.66%
Retail Transmission (kWh)	15,879	0.0092	146.09	16,213	0.00821	133.10	(12.98)	(8.89%)	6.72%
Delivery Sub-Total			416.88			562.32	227.15	54.49%	28.38%
Other Charges (kWh)	15,879	0.0130	206.43	16,213	0.0130	210.77	4.34	2.10%	10.64%
Cost of Power Commodity (kWh)	600	0.0687	41.23	600	0.0687	41.23	0.00	0.00%	2.08%
Cost of Power Commodity (kWh)	15,279	0.0687	1,049.83	15,613	0.0687	1,072.77	22.94	2.18%	54.14%
Total Bill Before Taxes			1,714.36			1,887.08	\$254.43	14.84%	95.24%
GST		5.00%	85.72		5.00%	94.35	8.64	10.07%	4.76%
Total Bill			1,800.08			1,981.43	\$263.06	14.61%	100.00%

General Service > 50 kW Consumption 30,000 kWh 100 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE	CHARGE	Volume	RATE	CHARGE	Change	Change	% of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	4.84%
Distribution (kV)	100	3.4592	345.92	100	4.7450	474.50	128.58	37.17%	9.67%
Low Voltage Rider (kV)	100	0.371		100	0.3710	37.10	37.10	#DIV/0!	0.76%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.02%
LRAM & SSM Rider (kV)	100		0.00	100	0.5230	52.30	52.30	#DIV/0!	1.07%
Deferral & Variance Acct (kV)	100	2.1520	215.20	100	(0.6753)	(67.53)	(282.73)	(131.38%)	(1.38%)
Distribution Sub-Total			733.26			734.88	1.62	0.22%	14.97%
Retail Transmission (kV)	100	3.7011	370.11	100	3.305142	330.51	(39.60)	(10.70%)	6.73%
Delivery Sub-Total			1,103.37			1,065.40	(231.30)	(20.96%)	21.71%
Other Charges (kWh)	31,758	0.0130	412.85	32,426	0.0130	421.53	8.68	2.10%	8.59%
Cost of Power Commodity (kWh)	31,758	0.0654	2,077.81	32,426	0.0654	2,121.50	43.68	2.10%	43.23%
Total Bill Before Taxes			4,697.41			4,673.82	(216.91)	(4.62%)	95.24%
GST		5.00%	234.87		5.00%	233.69	(1.18)	(0.50%)	4.76%
Total Bill			4,932.28			4,907.51	(218.09)	(4.42%)	100.00%

General Service > 50 kW Consumption 75,000 kWh 250 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	%of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	2.08%
Distribution (kV)	250	3.4592	864.80	250	4.7450	1,186.25	321.45	37.17%	10.30%
Low Voltage Rider (kV)	250	0.371		250	0.3710	92.75	92.75	#DIV/0!	0.81%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.01%
LRAM&SSMRider (kV)	250		0.00	250	0.5230	130.75	130.75	#DIV/0!	1.14%
Deferral & Variance Acct (kV)	250	2.1520	538.00	250	(0.6753)	(168.82)	(706.82)	(131.38%)	(1.47%)
Distribution Sub-Total			1,574.94			1,479.44	(95.50)	(6.08%)	12.85%
Retail Transmission (kV)	250	3.7011	925.28	250	3.305142	826.29	(98.99)	(10.70%)	7.17%
Delivery Sub-Total			2,500.22			2,305.73	(677.81)	(27.11%)	20.02%
Other Charges (kVh)	79,395	0.0130	1,032.14	81,064	0.0130	1,053.83	21.70	2.10%	9.15%
Cost of Power Commodity (kVh)	79,395	0.0654	5,194.54	81,064	0.0654	5,303.74	109.21	2.10%	46.05%
Total Bill Before Taxes			11,227.10			10,969.03	(741.39)	(6.60%)	95.24%
GST		5.00%	561.36		5.00%	548.45	(12.90)	(2.30%)	4.76%
Total Bill			11,788.46			11,517.48	(754.30)	(6.40%)	100.00%

General Service > 50 kW Consumption 200,000 kWh 500 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	%of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	0.88%
Distribution (kV)	500	3.4592	1,729.60	500	4.7450	2,372.50	642.90	37.17%	8.79%
Low Voltage Rider (kV)	500	0.371		500	0.3710	185.50	185.50	#DIV/0!	0.69%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM&SSMRider (kV)	500		0.00	500	0.5230	261.50	261.50	#DIV/0!	0.97%
Deferral & Variance Acct (kV)	500	2.1520	1,076.00	500	(0.6753)	(337.64)	(1,413.64)	(131.38%)	(1.25%)
Distribution Sub-Total			2,977.74			2,720.37	(257.37)	(8.64%)	10.08%
Retail Transmission (kV)	500	3.7011	1,850.55	500	3.305142	1,652.57	(197.98)	(10.70%)	6.12%
Delivery Sub-Total			4,828.29			4,372.94	(1,421.98)	(29.45%)	16.21%
Other Charges (kVh)	211,720	0.0130	2,752.36	216,171	0.0130	2,810.22	57.86	2.10%	10.41%
Cost of Power Commodity (kVh)	211,720	0.0654	13,852.10	216,171	0.0654	14,143.31	291.21	2.10%	52.41%
Total Bill Before Taxes			26,261.04			25,689.42	(1,528.25)	(5.82%)	95.24%
GST		5.00%	1,313.05		5.00%	1,284.97	(28.08)	(2.14%)	4.76%
Total Bill			27,574.09			26,984.39	(1,556.33)	(5.64%)	100.00%

General Service > 50 kW Consumption 800,000 kWh 2,000 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	0.22%
Distribution (kV)	2,000	3.4592	6,918.40	2,000	4.7450	9,490.00	2,571.60	37.17%	8.92%
Low Voltage Rider (kV)	2,000	0.371		2,000	0.3710	742.00	742.00	#DIV/0!	0.70%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM&SSMRider (kV)	2,000		0.00	2,000	0.5230	1,046.00	1,046.00	#DIV/0!	0.98%
Deferral & Variance Acct (kV)	2,000	2.1520	4,304.00	2,000	(0.6753)	(1,350.55)	(5,654.55)	(131.38%)	(1.27%)
Distribution Sub-Total			11,394.54			10,165.96	(1,228.58)	(10.78%)	9.55%
Retail Transmission (kV)	2,000	3.7011	7,402.20	2,000	3.305142	6,610.28	(791.92)	(10.70%)	6.21%
Delivery Sub-Total			18,796.74			16,776.24	(5,887.05)	(31.32%)	15.76%
Other Charges (kVh)	846,880	0.0130	11,009.44	864,684	0.0130	11,240.89	231.45	2.10%	10.56%
Cost of Power Commodity (kVh)	846,880	0.0654	55,408.39	864,684	0.0654	56,573.25	1,164.86	2.10%	53.15%
Total Bill Before Taxes			104,011.31			101,366.63	(6,511.24)	(6.28%)	95.24%
GST		5.00%	5,200.57		5.00%	5,068.33	(132.23)	(2.54%)	4.76%
Total Bill			109,211.88			106,434.96	(6,643.47)	(6.08%)	100.00%

General Service > 50 kW Consumption 1,600,000 kWh 4,000 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	0.11%
Distribution (kV)	4,000	3.4592	13,836.80	4,000	4.7450	18,980.00	5,143.20	37.17%	8.94%
Low Voltage Rider (kV)	4,000	0.371		4,000	0.3710	1,484.00	1,484.00	#DIV/0!	0.70%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM&SSMRider (kV)	4,000		0.00	4,000	0.5230	2,092.00	2,092.00	#DIV/0!	0.99%
Deferral & Variance Acct (kV)	4,000	2.1520	8,608.00	4,000	(0.6753)	(2,701.10)	(11,309.10)	(131.38%)	(1.27%)
Distribution Sub-Total			22,616.94			20,083.41	(2,523.53)	(11.16%)	9.46%
Retail Transmission (kV)	4,000	3.7011	14,804.40	4,000	3.305142	13,220.57	(1,583.83)	(10.70%)	6.23%
Delivery Sub-Total			37,421.34			33,313.97	(11,840.47)	(31.64%)	15.69%
Other Charges (kVh)	1,693,760	0.0130	22,018.88	1,729,368	0.0130	22,481.79	462.91	2.10%	10.59%
Cost of Power Commodity (kVh)	1,693,760	0.0654	110,816.79	1,729,368	0.0654	113,146.50	2,329.72	2.10%	53.28%
Total Bill Before Taxes			207,678.35			202,256.24	(13,155.21)	(6.33%)	95.24%
GST		5.00%	10,363.92		5.00%	10,112.81	(271.11)	(2.61%)	4.76%
Total Bill			218,062.27			212,369.05	(13,426.32)	(6.16%)	100.00%

General Service > 50 kW Consumption 2,400,000 kWh 5,400 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			171.14			237.51	66.37	38.78%	0.08%
Distribution (kV)	5,400	3.4592	18,679.68	5,400	4.7450	25,623.00	6,943.32	37.17%	8.32%
Low Voltage Rider (kV)	5,400	0.371		5,400	0.3710	2,003.40	2,003.40	#DIV/0!	0.65%
Smart Meter Rider (per month)			1.00			1.00	0.00	0.00%	0.00%
LRAM&SSMRider (kV)	5,400		0.00	5,400	0.5230	2,824.20	2,824.20	#DIV/0!	0.92%
Deferral & Variance Acct (kV)	5,400	2.1520	11,620.80	5,400	(0.6753)	(3,646.49)	(15,267.29)	(131.38)%	(1.18)%
Distribution Sub-Total			30,472.62			27,042.62	(3,430.00)	(11.26)%	8.78%
Retail Transmission (kV)	5,400	3.7011	19,985.94	5,400	3.305142	17,847.77	(2,138.17)	(10.70)%	5.80%
Delivery Sub-Total			50,458.56			44,890.39	(16,007.86)	(31.72)%	14.58%
Other Charges (kVh)	2,540,640	0.0130	33,028.32	2,594,052	0.0130	33,722.68	694.36	2.10%	10.95%
Cost of Power Commodity (kVh)	2,540,640	0.0654	166,225.18	2,594,052	0.0654	169,719.76	3,494.57	2.10%	55.12%
Total Bill Before Taxes			300,170.62			293,223.21	(17,387.10)	(5.79)%	95.24%
GST		5.00%	15,008.53		5.00%	14,661.16	(347.37)	(2.31)%	4.76%
Total Bill			315,179.15			307,884.37	(17,734.47)	(5.63)%	100.00%

Street Lighting 1,061 Connections 72,321 kWh 202 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	1,061	0.4100	435.01	1,061	1.2718	1,349.38	914.37	210.20%	8.59%
Distribution (kV)	202	4.1163	830.46	202	12.7683	2,576.00	1,745.54	210.19%	16.39%
Low Voltage Rider (kV)	202	0.3313		202	0.3313	66.84	66.84	#DIV/0!	0.43%
LRAM&SSMRider (kV)	202		0.00	202	0.0000	0.00	0.00	#DIV/0!	0.00%
Deferral & Variance Acct (kV)	202	1.7788	358.87	202	(0.2003)	(40.42)	(399.29)	(111.26)%	(0.26)%
Distribution Sub-Total			1,624.35			3,951.81	2,327.46	143.29%	25.14%
Retail Transmission (kV)	202	2.8233	569.60	202	25.19689	508.35	(61.25)	(10.73)%	3.23%
Delivery Sub-Total			2,193.95			4,460.15	1,933.76	88.14%	28.38%
Other Charges (kVh)	76,558	0.0130	995.26	78,168	0.0130	1,016.18	20.92	2.10%	6.47%
Cost of Power Commodity (kVh)	76,558	0.0644	4,928.84	78,168	0.0644	5,032.45	103.62	2.10%	32.02%
Total Bill Before Taxes			10,311.99			14,968.95	4,324.51	41.94%	95.24%
GST		5.00%	515.60		5.00%	748.45	232.85	45.16%	4.76%
Total Bill			10,827.59			15,717.40	4,557.36	42.09%	100.00%

Sentinel Lighting 1 Connection 89 kWh 0.25 kW

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge	1	1.7400	1.74	1	4.9151	4.92	3.18	182.48%	15.25%
Distribution (kV)	0	6.7501	1.69	0	19.0674	4.77	3.08	182.48%	14.79%
Low Voltage Rider (kV)	0	0.3569		0	0.3569	0.09	0.09	#DIV/0!	0.28%
LRAM & SSM Rider (kV)	0		0.00	0	0.0000	0.00	0.00	#DIV/0!	0.00%
Deferral & Variance Acct (kV)	0	9.1802	2.30	0	4.0037	1.00	(1.29)	(56.39%)	3.11%
Distribution Sub-Total			5.72			10.77	5.05	88.24%	33.42%
Retail Transmission (kV)	0	2.8585	0.71	0	2.550106	0.64	(0.08)	(10.79%)	1.98%
Delivery Sub-Total			6.44			11.41	3.77	58.53%	35.40%
Other Charges (kVh)	94	0.0130	1.22	96	0.0130	1.24	0.03	2.10%	3.88%
Cost of Power Commodity (kVh)	94	0.0694	6.50	96	0.0694	6.64	0.14	2.10%	20.59%
Total Bill Before Taxes			20.59			30.70	8.90	43.23%	95.24%
GST		5.00%	1.03		5.00%	1.53	0.51	49.08%	4.76%
Total Bill			21.62			32.23	9.41	43.51%	100.00%

Unmetered Scattered Consumption 272 kWh

	2010 BILL			2011 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Monthly Service Charge			0.00			23.33	23.33	#DIV/0!	21.06%
Distribution (kVh)	272	0.0523	14.23	272	0.1362	37.05	22.82	160.42%	33.44%
Low Voltage Rider (kVh)	272	0.0009	0.24	272	0.0009	0.24	0.00	0.00%	0.22%
LRAM & SSM Rider (kVh)	272		0.00	272	0.0773	21.02	21.02	#DIV/0!	18.98%
Deferral & Variance Acct (kVh)	272	0.0095	2.58	272	0.0000	0.00	(2.58)	(100.00%)	0.00%
Distribution Sub-Total			17.05			81.64	64.59	378.73%	73.71%
Retail Transmission (kVh)	288	0.0092	2.65	294	0.00821	2.41	(0.24)	(8.89%)	2.18%
Delivery Sub-Total			19.70			84.06	82.79	420.22%	75.89%
Other Charges (kVh)	288	0.0130	3.74	294	0.0130	3.82	0.08	2.10%	3.45%
Cost of Power Commodity (kVh)	288	0.0681	19.61	294	0.0681	20.03	0.41	2.10%	18.08%
Total Bill Before Taxes			40.41			105.49	65.08	161.05%	95.24%
GST		5.00%	2.02		5.00%	5.27	3.25	161.05%	4.76%
Total Bill			42.43			110.76	68.33	161.05%	100.00%

Exhibit	Tab	Schedule	Appendix	Contents
9 – Deferral and Variance Accounts	1	1		Description of Deferral and Variance Accounts & Balances
		2		Accounts Requested for Disposition by way of a Deferral and Variance Account Rate Rider
	3		A	Regulatory Asset Continuity Schedule
				Smart Meters

DESCRIPTION OF DEFERRAL AND VARIANCE ACCOUNTS & BALANCES:

This Schedule contains descriptions of Deferral and Variance Accounts (“DVAs”) currently used by PSP and their balances as at December 31, 2009. PSP has not used any of these accounts differently than as described in the APH.

GROUP 1 ACCOUNTS

1550 Retail Settlement Variance Account – Low Voltage Charges

Description: This account is used to record the net of the amount charged by the host distributor to an embedded distributor and the amount billed to customers based on approved LV rates in accordance with the APH.

1580 Retail Settlement Variance Account - Wholesale Market Service Charges

Description: This account is used to record the net of the amount charged by the IESO based on the settlement invoice for the operation of the IESO-administered markets and the operation of the IESO-controlled grid, and the amount billed to customers using the OEB-approved Wholesale Market Service Rate.

1584 Retail Settlement Variance Account - Retail Transmission Network Charges

Description: This account is used to record the net of the amount charged by the IESO, based on the settlement invoice for transmission network services, and the amount billed to customers using the OEB-approved Transmission Network Charge.

1586 Retail Settlement Variance Account - Retail Transmission Connection Charges

Description: This account is used to record the net of the amount charged by the IESO, based on the settlement invoice for transmission connection services, and the amount billed to customers using the OEB-approved Transmission Connection Charge.

1588 Retail Settlement Variance Account – Power

Description: This account is used to recover the net difference between the energy amount billed to customers and the energy charge to PSP using the settlement invoice from the Independent Electricity System Operator (“IESO”).

1588 Retail Settlement Variance Account - Power, Sub-account Global Adjustments

Description: This account is used to recover the net difference between the provincial benefit amount billed to customers and the global adjustment charge to PSP using the settlement invoice from the IESO.

1590 Recovery of Regulatory Asset Balances

Description: This account includes the regulatory asset or liability balances authorized by the Board for recovery in rates or payments/credits made to customers. This Regulatory Asset rate rider was removed from Distribution Rates effective May 1, 2008.

GROUP 2 ACCOUNTS

1508 Other Regulatory Assets - Sub-account OEB Cost Assessments

Description: This account includes amounts paid for OEB Cost Assessment for the period January 1, 2004 to April 30, 2006 in excess of amounts previously included in rates (1999 OEB costs). The Board prescribed interest rates are used to calculate the carrying charges and the interest is recorded in a sub-account.

1518 & 1548 Retail Cost Variance Accounts ("RCVAs")

This group of accounts includes Accounts 1518 and 1548. Recorded in the RCVAs is the difference between the revenue collected from retailers for retail settlement activities and the costs incurred to provide these services. The overall costs incurred to provide retail services are difficult to allocate between the costs for service transaction requests ("STRs") and the costs for retail contract administration and distributor-consolidated billing because it is often the same personnel involved in both functions. Therefore, these two accounts are appropriately reviewed together.

1555 Smart Meter Capital and Recovery Offset Variance

Description: This account records the net of the amounts paid for capitalized direct costs related to the smart meter program and the amounts charged to customers using the OEB- approved smart meter rate rider. PSP is following the Smart Meter Funding and Cost Recovery Guideline dated October 22, 2008 (G-2008-0002) and therefore not requesting recovery at this time. However PSP is requesting approval for an increase in

the smart meter funding adder from \$1.00 per metered customer per month to \$1.71 per metered customer per month as detailed below in this exhibit.

1556 Smart Meter OM&A Variance

Description: This account records the incremental operating, maintenance, amortization and administrative expenses directly related to smart meters.

1562 Deferred Payments in Lieu of Taxes

Description: This account records the amount resulting from the OEB-approved PILs methodology for determining the 2001 deferral account allowance and the PILs proxy amount determined for 2002 and subsequent periods ending April 30, 2006. PSP is not requesting recovery of this account and is waiting for the result of the combined PILs proceeding.

1563 Contra Account-Deferred Payments in Lieu of Taxes

Description: This account records the amount resulting from the OEB-approved PILs methodology using the third accounting method. The offsetting entry made to account 1562 was made to this contra account. PSP is not requesting recovery of this account and waiting for the result of the combined PILs proceeding.

1582 Retail Settlement Variance Account - One-time Wholesale Market Service

Description: This account is used to record the net of non-recurring amounts not included in the Wholesale Market Service Rate charged by the IESO based on the settlement invoice and the amount charged to customers for the same services using the OEB-approved rate.

ACCOUNT BALANCES

The following Table contains account balances from the 2009 Audited Financial Statements plus interest projection to April 30, 2011.

Account Description			Principal Claim before Forecasted Transactions in 2010 and 2011	Interest Claim before Forecasted Transactions in 2010 and 2011	Total Claim before Forecasted Transactions in 2010 and 2011
Group 1 Accounts					
Low Voltage Account	1550		(1,312.07)	(330.32)	(1,642.39)
RSVA - Wholesale Market Service Charge	1580		(35,472.04)	8,890.29	(26,581.75)
RSVA - Retail Transmission Network Charge	1584		(16,522.93)	(22.73)	(16,545.66)
RSVA - Retail Transmission Connection Charge	1586		(36,062.58)	(355.31)	(36,417.89)
RSVA - Power (excluding Global Adjustment)	1588		1,154,479.00	36,202.71	1,190,681.71
RSVA - Power - Sub-Account - Global Adjustment	1588		(655,819.97)	(34,258.37)	(690,078.34)
Recovery of Regulatory Asset Balances	1590		19.67	(88.27)	(68.60)
Disposition and Recovery of Regulatory Balances ¹⁰	1595		82,604.00	106,621.60	189,225.60
Group 1 Accounts Subtotal			491,913.08	116,659.59	608,572.67
Group 2 Accounts					
Other Regulatory Assets - Sub-Account - OEB Cost Assessments	1508		9,991.17	1,434.14	11,425.31
Retail Cost Variance Account - Retail	1518		(3,795.52)	(66.43)	(3,861.95)
Retail Cost Variance Account - STR	1548		67.14	(14.25)	52.89
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Cap	1555		539,962.00	5,475.21	545,437.21
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Rec	1555		(54,200.81)	(9.68)	(54,210.49)
Smart Meter OM&A Variance	1556		21,577.89	223.93	21,801.82
RSVA - One-time Wholesale Market Service	1582		13,687.03	1,634.94	15,321.97
Group 2 Accounts Subtotal			527,288.90	8,677.87	535,966.77
Total			1,019,201.98	125,337.46	1,144,539.44

**ACCOUNTS REQUESTED FOR DISPOSITION BY WAY OF A DEFERRAL AND VARIANCE
ACCOUNT RATE RIDER**

PSP is requesting disposition of the variance accounts noted in the table below according to the Report of the Board EB-2008-0046 issued July 31, 2010.

PSP has followed the guidelines in the Report of the Board using the default disposition period of one year. PSP has provided a continuity schedule of the accounts listed below in Appendix A of this exhibit.

The allocator for disposition of each of the accounts is also provided below:

Deferral and Variance Accounts:		Amount	ALLOCATOR
Low Voltage Account	1550	(\$1,642)	kWh
RSVA - Wholesale Market Service Charge	1580	(\$26,582)	kWh
RSVA - Retail Transmission Network Charge	1584	(\$16,546)	kWh
RSVA - Retail Transmission Connection Charge	1586	(\$36,418)	kWh
RSVA - Power (excluding Global Adjustment)	1588	\$1,190,682	kWh
RSVA - Power - Sub-Account - Global Adjustment	1588	(\$690,078)	kWh-Non RPP
Recovery of Regulatory Asset Balances	1590	(\$69)	Proportion to recovery share
Group 1 subtotal		\$419,347	
Group 2 Accounts			
Other Regulatory Assets - Sub-Account - OEB Cost	1508	\$11,425	dx rev
Retail Cost Variance Account - Retail	1518	(\$3,862)	# of customers
Retail Cost Variance Account - STR	1548	\$53	# of customers
RSVA - One-time Wholesale Market Service	1582	\$15,322	kwh
Group 2 subtotal		\$22,938	
TOTAL		\$442,285	

1

2 The following shows the details and calculations of the proposed regulatory asset rate rider by
3 customer classification.

					GS > 50 Non		Unmetered	Sentinel		Street		
			Amount	ALLOCATOR	Residential	GS < 50 KW	TOU	Scattered Load	Lighting	Lighting	Total	
Deferral and Variance Accounts:												
Low Voltage Account	1550	(\$1,642)	kWh		\$ (618)	\$ (309)	\$ (698)	\$ (1)	\$ (0)	\$ (16)	\$ (1,642)	
RSVA - Wholesale Market Service Charge	1580	(\$26,582)	kWh		\$ (9,995)	\$ (5,003)	\$ (11,303)	\$ (18)	\$ (4)	\$ (259)	\$ (26,582)	
RSVA - Retail Transmission Network Charge	1584	(\$16,546)	kWh		\$ (6,221)	\$ (3,114)	\$ (7,035)	\$ (11)	\$ (2)	\$ (162)	\$ (16,546)	
RSVA - Retail Transmission Connection Charge	1586	(\$36,418)	kWh		\$ (13,693)	\$ (6,855)	\$ (15,485)	\$ (24)	\$ (5)	\$ (355)	\$ (36,418)	
RSVA - Power (excluding Global Adjustment)	1588	\$1,190,682	kWh		\$ 447,700	\$ 224,110	\$ 506,291	\$ 787	\$ 171	\$ 11,623	\$ 1,190,682	
RSVA - Power - Sub-Account - Global Adjustment	1588	(\$690,078)	kWh-Non RPP		\$ (85,017)	\$ (45,839)	\$ (546,990)	\$ (553)	\$ (10)	\$ (11,670)	\$ (690,078)	
Recovery of Regulatory Asset Balances	1590	(\$69)	Proportion to recovery share		\$ (33)	\$ (13)	\$ (22)	\$ (0)	\$ (0)	\$ (0)	\$ (69)	
Group 1 subtotal		\$419,347			\$332,124	\$162,977	(\$75,243)	\$180	\$149	(\$840)	\$419,347	
Group 2 Accounts												
Other Regulatory Assets - Sub-Account - OEB Cost	1508	\$11,425	dx rev		\$ 6,325	\$ 2,018	\$ 2,811	\$ 59	\$ 6	\$ 206	\$ 11,425	
Retail Cost Variance Account - Retail	1518	(\$3,862)	# of customers		\$ (3,190)	\$ (560)	\$ (77)	\$ (20)	\$ (14)	\$ (1)	\$ (3,862)	
Retail Cost Variance Account - STR	1548	\$53	# of customers		\$ 44	\$ 8	\$ 1	\$ 0	\$ 0	\$ 0	\$ 53	
RSVA - One-time Wholesale Market Service	1582	\$15,322	kwh		\$ 5,761	\$ 2,884	\$ 6,515	\$ 10	\$ 2	\$ 150	\$ 15,322	
Group 2 subtotal		\$22,938			\$8,939	\$4,350	\$9,250	\$49	(\$5)	\$355	\$22,938	
TOTAL		\$442,285			\$341,063	\$167,327	(\$65,993)	\$228	\$144	(\$485)	\$442,285	
Rate Riders For D&VA GROUP 1 & GROUP 2					GS > 50 Non		Scattered	Sentinel	Street			
					Residential	GS < 50 KW	TOU	Load	Lighting	Lighting		
One Year Rider					\$ 0.0102	\$ 0.0100	\$ (0.6753)	\$ 0.0039	\$ 4.0037	\$ (0.2003)		
					kWh	kWh	kW	kWh	kW	kW		

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APPENDIX A- REGULATORY ASSET CONTINUITY SCHEDULE

SHEET 1 - Regulatory Assets - Continuity Schedule

NAME OF UTILITY	PARRY SOUND POWER	LICENCE NUMBER	ED-XXXX-XXXX
NAME OF CONTACT	Miles Thompson	DOCID NUMBER	EB-200X-XXXX
E-mail Address	mthompson@pspower.ca		
VERSION NUMBER	v1.0	PHONE NUMBER	
Date	23-Aug-10	(extension)	

2005										
Account Description	Account Number	Opening Principal Amounts as of Jan-1-05 ¹	Transactions (additions) during 2005, excluding interest and adjustments ⁴	Transactions (reductions) during 2005, excluding interest and adjustments ⁴	Adjustments during 2005 - instructed by Board ^{2, 2A}	Adjustments during 2005 - other ³	Closing Principal Balance as of Dec-31-05	Opening Interest Amounts as of Jan-1-05	Interest Jan-1 to Dec-31-05	Closing Interest Amounts as of Dec-31-05
Group 1 Accounts										
Low Voltage Account	1550	\$ -					\$ -			\$ -
RSVA - Wholesale Market Service Charge	1580	\$ -	\$ 50,611				\$ 50,611		\$ 1,679	\$ 1,679
RSVA - Retail Transmission Network Charge	1584	\$ -	\$ (143,523)				\$ (143,523)		\$ (15,743)	\$ (15,743)
RSVA - Retail Transmission Connection Charge	1586	\$ -	\$ 106,846				\$ 106,846		\$ 420	\$ 420
RSVA - Power (excluding Global Adjustment)	1588	\$ -	\$ (266,725)				\$ (266,725)		\$ (90,472)	\$ (90,472)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ (24,839)				\$ (24,839)		\$ 416	\$ 416
Recovery of Regulatory Asset Balances	1590	\$ -	\$ (187,520)				\$ (187,520)		\$ (17,872)	\$ (17,872)
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ -					\$ -			\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ -	\$ (465,150)		\$ -	\$ -	\$ (465,150)	\$ -	\$ (121,572)	\$ (121,572)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ -	\$ (440,311)		\$ -	\$ -	\$ (440,311)	\$ -	\$ (121,988)	\$ (121,988)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ -	\$ (24,839)		\$ -	\$ -	\$ (24,839)	\$ -	\$ 416	\$ 416
Group 2 Accounts										
Other Regulatory Assets - Sub-Account - OEB Cost As	1508						\$ -		\$ 1,801	\$ 1,801
Other Regulatory Assets - Sub-Account - Pension Cont	1508						\$ -			\$ -
Other Regulatory Assets - Sub-Account Deferred IFRS	1508						\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508						\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508						\$ -			\$ -
Retail Cost Variance Account - Retail	1518						\$ -			\$ -
Retail Cost Variance Account - STR	1548						\$ -			\$ -
Misc. Deferred Debits	1525						\$ -			\$ -
LV Variance Account	1550						\$ -			\$ -
Renewable Connection Capital Deferral Account	1531									
Renewable Connection OM&A Deferral Account	1532									
Smart Grid Capital Deferral Account	1534									
Smart Grid OM&A Deferral Account	1535									
Smart Meter Capital and Recovery Offset Variance - Su	1555						\$ -			\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555						\$ -			\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555						\$ -			\$ -
Smart Meter OM&A Variance	1556						\$ -			\$ -
Conservation and Demand Management Expenditures	1565						\$ -			\$ -
CDM Contra	1566						\$ -			\$ -
Qualifying Transition Costs ⁵	1570		n/a	n/a			\$ -			\$ -
Pre-Market Opening Energy Variances Total ⁵	1571		n/a	n/a			\$ -			\$ -
Extra-Ordinary Event Costs	1572						\$ -			\$ -
Deferred Rate Impact Amounts	1574						\$ -			\$ -
RSVA - One-time Wholesale Market Service	1582	\$ 1,786	\$ 2,410				\$ 4,196		\$ 256	\$ 256
Other Deferred Credits	2425						\$ -			\$ -
Group 2 Sub-Total		\$ 1,786	\$ 2,410	\$ -	\$ -	\$ -	\$ 4,196	\$ -	\$ 2,057	\$ 2,057
Deferred Payments in Lieu of Taxes	1562					see PIL's reconciliation requested				
2006 PIL's & Taxes Variance	1592					see PIL's reconciliation requested				
Sub-total						see PIL's reconciliation requested				
Total		\$ 1,786	\$ (462,740)	\$ -	\$ -	\$ -	\$ (460,954)	\$ -	\$ (119,515)	\$ (119,515)

The following is not included in the total claim but are included on a memo basis:

Deferred PILs Contra Account ⁸	1563									
Disposition and Recovery of Regulatory Balances ¹⁰	1595									

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

¹ As per general ledger, if does not agree to Dec-31-04 balance filed in 2006 EDR then provide supplementary analysis

² Provide supporting statement indicating whether due to denial of costs in 2006 EDR by the Board, 10% transition costs write-off, and etc.

^{2A} Adjustments Instructed by the Board include deferral variance account balances moved to Account 1595 per disposition of account balances as ordered by the Board.

³ Provide supporting statement indicating nature of this adjustments and periods they relate to

⁴ Not included in sub-total

⁵ Closed April 30, 2002

⁶ For RSVA accounts only, report the net additions to the account during the year. For all other accounts, record the additions and reductions separately.

⁷ Please describe "other" components of 1508 and add more component lines if necessary.

⁸ 1563 is a contra account and is not included in the total but is shown on a memo basis. Account 1562 establishes the obligation to the ratepayer.

⁹ Interest projected on December 31, 2009 closing principal balance.

¹⁰ Include Account 1595 as part of Group 1 accounts (line 26) for review and disposition if the recovery (or refund) period has been completed, and the audited financial statements support the underlying residual balance in account 1595. If the recovery (or refund) period has not been completed, include the balances in Account 1595 on a memo basis only (

SHEET 1 - Regulatory Assets - Continuity Sched

NAME OF UTILITY **PARRY SOUND POWER**
NAME OF CONTACT **Miles Thompson**
E-mail Address **mthompson@pspower.ca**
VERSION NUMBER **v1.0**
Date **23-Aug-10**

2006												
Account Description	Account Number	Opening Principal Amounts as of Jan-1-06	Transactions (additions) during 2006, excluding interest and adjustments ⁶	Transactions (reductions) during 2006, excluding interest and adjustments	Adjustments during 2006 - instructed by Board ^{2,2A}	Adjustments during 2006 - other ³	Transfer of Board approved amounts to 1590 as per 2006 EDR	Closing Principal Balance as of Dec-31-06	Opening Interest Amounts as of Jan-1-06	Interest Jan-1 to Dec-31-06	Transfer of Board approved amounts to 1590 as per 2006 EDR	Closing Interest Amounts as of Dec-31-06
Group 1 Accounts												
Low Voltage Account	1550	\$ -	\$ 31,833					\$ 31,833	\$ -	\$ 334		\$ 334
RSVA - Wholesale Market Service Charge	1580	\$ 50,611	\$ (152,221)					\$ (101,610)	\$ 1,679	\$ (14,047)		\$ (12,368)
RSVA - Retail Transmission Network Charge	1584	\$ (143,523)	\$ 13,037					\$ (130,486)	\$ (15,743)	\$ 6,245		\$ (9,498)
RSVA - Retail Transmission Connection Charge	1586	\$ 106,846	\$ (177,797)					\$ (70,951)	\$ 420	\$ 6,018		\$ 6,438
RSVA - Power (excluding Global Adjustment)	1588	\$ (266,725)	\$ (57,077)					\$ (323,802)	\$ (90,472)	\$ (37,735)		\$ (128,207)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ (24,839)	\$ 273,793					\$ 248,954	\$ 416	\$ 3,052		\$ 3,468
Recovery of Regulatory Asset Balances	1590	\$ (187,520)	\$ 352,433				\$ 39,686	\$ 204,599	\$ (17,872)	\$ (41,978)	\$ 40,492	\$ (19,358)
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ -						\$ -	\$ -			\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ (465,150)	\$ 284,001		\$ -	\$ -	\$ 39,686	\$ (141,463)	\$ (121,572)	\$ (78,111)	\$ 40,492	\$ (159,191)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ (440,311)	\$ 10,208		\$ -	\$ -	\$ 39,686	\$ (390,417)	\$ (121,988)	\$ (81,163)	\$ 40,492	\$ (162,659)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ (24,839)	\$ 273,793		\$ -	\$ -	\$ -	\$ 248,954	\$ 416	\$ 3,052	\$ -	\$ 3,468
Group 2 Accounts												
Other Regulatory Assets - Sub-Account - OEB Cost As	1508	\$ -	\$ 12,136					\$ 12,136	\$ 1,801	\$ (1,237)		\$ 564
Other Regulatory Assets - Sub-Account - Pension Cont	1508	\$ -						\$ -	\$ -			\$ -
Other Regulatory Assets - Sub-Account - Deferred IFRS	1508	\$ -						\$ -	\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -						\$ -	\$ -			\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -						\$ -	\$ -			\$ -
Retail Cost Variance Account - Retail	1518	\$ -						\$ -	\$ -			\$ -
Retail Cost Variance Account - STR	1548	\$ -	\$ (3,712)					\$ (3,712)	\$ -			\$ -
Misc. Deferred Debits	1525	\$ -						\$ -	\$ -			\$ -
LV Variance Account	1550	\$ -						\$ -	\$ -			\$ -
Renewable Connection Capital Deferral Account	1531											
Renewable Connection OM&A Deferral Account	1532											
Smart Grid Capital Deferral Account	1534											
Smart Grid OM&A Deferral Account	1535											
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -						\$ -	\$ -			\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -	\$ (5,156)					\$ (5,156)	\$ -			\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -						\$ -	\$ -			\$ -
Smart Meter OM&A Variance	1556	\$ -						\$ -	\$ -			\$ -
Conservation and Demand Management Expenditures (	1565	\$ -						\$ -	\$ -			\$ -
CDM Contra	1566	\$ -						\$ -	\$ -			\$ -
Qualifying Transition Costs ⁵	1570	\$ -	n/a	n/a				\$ -	\$ -			\$ -
Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	n/a	n/a				\$ -	\$ -			\$ -
Extra-Ordinary Event Costs	1572	\$ -						\$ -	\$ -			\$ -
Deferred Rate Impact Amounts	1574	\$ -						\$ -	\$ -			\$ -
RSVA - One-time Wholesale Market Service	1582	\$ 4,196	\$ 3,823					\$ 8,019	\$ 256	\$ 187		\$ 442
Other Deferred Credits	2425	\$ -						\$ -	\$ -			\$ -
Group 2 Sub-Total		\$ 4,196	\$ 7,091	\$ -	\$ -	\$ -	\$ -	\$ 11,286	\$ 2,057	\$ (1,050)	\$ -	\$ 1,006
Deferred Payments in Lieu of Taxes	1562											
2006 PILs & Taxes Variance	1592											
Sub-total												
Total		\$ (460,954)	\$ 291,092	\$ -	\$ -	\$ -	\$ 39,686	\$ (130,177)	\$ (119,515)	\$ (79,161)	\$ 40,492	\$ (158,185)
The following is not included in the total claim but are include												
Deferred PILs Contra Account ⁹	1563											
Disposition and Recovery of Regulatory Balances ¹⁰	1595											

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

SHEET 1 - Regulatory Assets - Continuity Sched

NAME OF UTILITY PARRY SOUND POWER
NAME OF CONTACT Miles Thompson
E-mail Address mthompson@pspower.ca
VERSION NUMBER v1.0
Date 23-Aug-10

2007											
Account Description	Account Number	Opening Principal Amounts as of Jan-1-07	Transactions (additions) during 2007, excluding interest and adjustments ⁶	Transactions (reductions) during 2007, excluding interest and adjustments ⁶	Adjustments during 2007 - instructed by Board ^{2, 2A}	Adjustments during 2007 - other ³	Closing Principal Balance as of Dec-31-07	Opening Interest Amounts as of Jan-1-07	Interest Jan-1 to Dec-31-07	Closing Interest Amounts as of Dec-31-07	
Group 1 Accounts											
Low Voltage Account	1550	\$ 31,833	\$ 122,654				\$ 154,487	\$ 334	\$ 3,842	\$ 4,176	
RSVA - Wholesale Market Service Charge	1580	\$ (101,610)	\$ (136,723)				\$ (238,333)	\$ (12,368)	\$ (5,553)	\$ (17,921)	
RSVA - Retail Transmission Network Charge	1584	\$ (130,486)	\$ (15,909)				\$ (146,395)	\$ (9,498)	\$ (2,872)	\$ (12,370)	
RSVA - Retail Transmission Connection Charge	1586	\$ (70,951)	\$ (36,720)				\$ (107,671)	\$ 6,438	\$ (1,448)	\$ 4,990	
RSVA - Power (excluding Global Adjustment)	1588	\$ (323,802)	\$ (170,879)				\$ (494,681)	\$ (128,207)	\$ 3,453	\$ (124,754)	
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 248,954	\$ 187,024				\$ 435,978	\$ 3,468	\$ 12,201	\$ 15,669	
Recovery of Regulatory Asset Balances	1590	\$ 204,599	\$ (99,979)				\$ 104,620	\$ (19,358)	\$ 6,887	\$ (12,471)	
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ -					\$ -	\$ -		\$ -	
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ (141,463)	\$ (150,532)		\$ -	\$ -	\$ (291,995)	\$ (159,191)	\$ 16,510	\$ (142,681)	
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ (390,417)	\$ (337,556)		\$ -	\$ -	\$ (727,973)	\$ (162,659)	\$ 4,309	\$ (158,350)	
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 248,954	\$ 187,024		\$ -	\$ -	\$ 435,978	\$ 3,468	\$ 12,201	\$ 15,669	
Group 2 Accounts											
Other Regulatory Assets - Sub-Account - OEB Cost As	1508	\$ 12,136	\$ 5,078				\$ 17,214	\$ 564	\$ 700	\$ 1,264	
Other Regulatory Assets - Sub-Account - Pension Cont	1508	\$ -					\$ -	\$ -		\$ -	
Other Regulatory Assets - Sub-Account - Deferred IFRS	1508	\$ -					\$ -	\$ -		\$ -	
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -	
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -	
Retail Cost Variance Account - Retail	1518	\$ -					\$ -	\$ -		\$ -	
Retail Cost Variance Account - STR	1548	\$ (3,712)	\$ 3,854				\$ 142	\$ -	\$ (21)	\$ (21)	
Misc. Deferred Debits	1525	\$ -					\$ -	\$ -		\$ -	
LV Variance Account	1550	\$ -					\$ -	\$ -		\$ -	
Renewable Connection Capital Deferral Account	1531										
Renewable Connection OM&A Deferral Account	1532										
Smart Grid Capital Deferral Account	1534										
Smart Grid OM&A Deferral Account	1535										
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -					\$ -	\$ -		\$ -	
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ (5,156)	\$ (9,390)				\$ (14,547)	\$ -	\$ (438)	\$ (438)	
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -					\$ -	\$ -		\$ -	
Smart Meter OM&A Variance	1556	\$ -					\$ -	\$ -		\$ -	
Conservation and Demand Management Expenditures	1565	\$ -					\$ -	\$ -		\$ -	
CDM Contra	1566	\$ -					\$ -	\$ -		\$ -	
Qualifying Transition Costs ⁵	1570	\$ -	n/a	n/a			\$ -	\$ -		\$ -	
Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	n/a	n/a			\$ -	\$ -		\$ -	
Extra-Ordinary Event Costs	1572	\$ -					\$ -	\$ -		\$ -	
Deferred Rate Impact Amounts	1574	\$ -					\$ -	\$ -		\$ -	
RSVA - One-time Wholesale Market Service	1582	\$ 8,019	\$ 2,839				\$ 10,858	\$ 442	\$ 415	\$ 858	
Other Deferred Credits	2425	\$ -					\$ -	\$ -		\$ -	
Group 2 Sub-Total		\$ 11,286	\$ 2,380	\$ -	\$ -	\$ -	\$ 13,667	\$ 1,006	\$ 657	\$ 1,663	
Deferred Payments in Lieu of Taxes	1562					see PILs reconciliation requested					
2006 PILs & Taxes Variance	1592					see PILs reconciliation requested					
Sub-total						see PILs reconciliation requested					
Total		\$ (130,177)	\$ (148,152)	\$ -	\$ -	\$ -	\$ (278,328)	\$ (158,185)	\$ 17,167	\$ (141,018)	
The following is not included in the total claim but are include											
Deferred PILs Contra Account ⁹	1563					see PILs reconciliation requested					
Disposition and Recovery of Regulatory Balances ¹⁰	1595										

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

SHEET 1 - Regulatory Assets - Continuity Sched

NAME OF UTILITY **PARRY SOUND POWER**
NAME OF CONTACT **Miles Thompson**
E-mail Address **mthompson@pspower.ca**
VERSION NUMBER **v1.0**
Date **23-Aug-10**

2008										
Account Description	Account Number	Opening Principal Amounts as of Jan-1-08	Transactions (additions) during 2008, excluding interest and adjustments ⁶	Transactions (reductions) during 2008, excluding interest and adjustments ⁶	Adjustments during 2008 - instructed by Board ^{2, 2A}	Adjustments during 2008 - other ³	Closing Principal Balance as of Dec-31-08	Opening Interest Amounts as of Jan-1-08	Interest Jan-1 to Dec-31-08	Closing Interest Amounts as of Dec-31-08
Group 1 Accounts										
Low Voltage Account	1550	\$ 154,487	\$ 24,011				\$ 178,498	\$ 4,176	\$ 7,040	\$ 11,216
RSVA - Wholesale Market Service Charge	1580	\$ (238,333)	\$ (84,602)				\$ (322,935)	\$ (17,921)	\$ (6,602)	\$ (24,523)
RSVA - Retail Transmission Network Charge	1584	\$ (146,395)	\$ (1,945)				\$ (148,340)	\$ (12,370)	\$ (4,191)	\$ (16,561)
RSVA - Retail Transmission Connection Charge	1586	\$ (107,671)	\$ (36,801)				\$ (144,472)	\$ 4,990	\$ (2,988)	\$ 2,002
RSVA - Power (excluding Global Adjustment)	1588	\$ (494,681)	\$ 332,707				\$ (161,974)	\$ (124,754)	\$ 19,479	\$ (105,275)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 435,978	\$ 29,259				\$ 465,237	\$ 15,669	\$ 22,550	\$ 38,219
Recovery of Regulatory Asset Balances	1590	\$ 104,620	\$ (53,238)				\$ 51,382	\$ (12,471)	\$ 2,693	\$ (9,778)
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ -					\$ -	\$ -		\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ (291,995)	\$ 209,391		\$ -	\$ -	\$ (82,604)	\$ (142,681)	\$ 37,981	\$ (104,700)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ (727,973)	\$ 180,132		\$ -	\$ -	\$ (547,841)	\$ (158,350)	\$ 15,431	\$ (142,919)
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 435,978	\$ 29,259		\$ -	\$ -	\$ 465,237	\$ 15,669	\$ 22,550	\$ 38,219
Group 2 Accounts										
Other Regulatory Assets - Sub-Account - OEB Cost As	1508	\$ 17,214	\$ (9,041)				\$ 8,173	\$ 1,264	\$ (26)	\$ 1,238
Other Regulatory Assets - Sub-Account - Pension Cont	1508	\$ -					\$ -	\$ -		\$ -
Other Regulatory Assets - Sub-Account Deferred IFRS	1508	\$ -					\$ -	\$ -		\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -
Retail Cost Variance Account - Retail	1518	\$ -	\$ (1,484)				\$ (1,484)	\$ -	\$ (10)	\$ (10)
Retail Cost Variance Account - STR	1548	\$ 142	\$ (29)				\$ 113	\$ (21)	\$ 5	\$ (16)
Misc. Deferred Debits	1525	\$ -					\$ -	\$ -		\$ -
LV Variance Account	1550	\$ -					\$ -	\$ -		\$ -
Renewable Connection Capital Deferral Account	1531									
Renewable Connection OM&A Deferral Account	1532									
Smart Grid Capital Deferral Account	1534									
Smart Grid OM&A Deferral Account	1535									
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -					\$ -	\$ -		\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ (14,547)	\$ (11,034)				\$ (25,581)	\$ (438)	\$ (736)	\$ (1,174)
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -					\$ -	\$ -		\$ -
Smart Meter OM&A Variance	1556	\$ -					\$ -	\$ -		\$ -
Conservation and Demand Management Expenditures	1565	\$ -					\$ -	\$ -		\$ -
CDM Contra	1566	\$ -					\$ -	\$ -		\$ -
Qualifying Transition Costs ⁵	1570	\$ -	n/a	n/a			\$ -	\$ -		\$ -
Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	n/a	n/a			\$ -	\$ -		\$ -
Extra-Ordinary Event Costs	1572	\$ -					\$ -	\$ -		\$ -
Deferred Rate Impact Amounts	1574	\$ -					\$ -	\$ -		\$ -
RSVA - One-time Wholesale Market Service	1582	\$ 10,858	\$ 2,918				\$ 13,776	\$ 858	\$ 476	\$ 1,334
Other Deferred Credits	2425	\$ -					\$ -	\$ -		\$ -
Group 2 Sub-Total		\$ 13,667	\$ (18,669)	\$ -	\$ -	\$ -	\$ (5,003)	\$ 1,663	\$ (291)	\$ 1,372
Deferred Payments in Lieu of Taxes	1562				see PILs reconciliation requested					
2006 PILs & Taxes Variance	1592				see PILs reconciliation requested					
Sub-total					see PILs reconciliation requested					
Total		\$ (278,328)	\$ 190,722	\$ -	\$ -	\$ -	\$ (87,607)	\$ (141,018)	\$ 37,690	\$ (103,328)
The following is not included in the total claim but are include										
Deferred PILs Contra Account ⁸	1563				see PILs reconciliation requested					
Disposition and Recovery of Regulatory Balances ¹⁰	1595									

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

SHEET 1 - Regulatory Assets - Continuity Sched

NAME OF UTILITY **PARRY SOUND POWER**
NAME OF CONTACT **Miles Thompson**
E-mail Address **mtompson@pspower.ca**
VERSION NUMBER **v1.0**
Date **23-Aug-10**

2009													Transfer of Board approved principal amounts to 1595 as per 2010 IRM	Transfer of Board approved interest amounts to 1595 as per 2010 IRM
Account Description	Account Number	Opening Principal Amounts as of Jan-1-09	Transactions (additions) during 2009, excluding interest and adjustments ¹	Transactions (reductions) during 2009, excluding interest and adjustments ¹	Adjustments during 2009 - instructed by Board ^{2, 2A}	Adjustments during 2009 - other ²	Closing Principal Balance as of Dec-31-09	Opening Interest Amounts as of Jan-1-09	Interest Jan-1 to Dec-31-09	Closing Interest Amounts as of Dec-31-09				
Group 1 Accounts														
Low Voltage Account	1550	\$ 178,498	\$ (1,312)				\$ 177,186	\$ 11,216	\$ 2,024	\$ 13,240	\$ (178,498)	\$ (13,557)		
RSVA - Wholesale Market Service Charge	1580	\$ (322,935)	\$ (35,472)				\$ (358,407)	\$ (24,523)	\$ 5,015	\$ (19,508)	\$ 322,935	\$ 28,758		
RSVA - Retail Transmission Network Charge	1584	\$ (148,340)	\$ (16,523)				\$ (164,863)	\$ (16,561)	\$ (1,801)	\$ (18,362)	\$ 148,340	\$ 18,507		
RSVA - Retail Transmission Connection Charge	1586	\$ (144,472)	\$ (36,063)				\$ (180,535)	\$ 2,002	\$ (1,885)	\$ 117	\$ 144,472	\$ (107)		
RSVA - Power (excluding Global Adjustment)	1588	\$ (161,974)	\$ 1,154,479				\$ 992,505	\$ (105,275)	\$ 22,372	\$ (82,903)	\$ 161,974	\$ 107,399		
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ 465,237	\$ (655,820)				\$ (190,583)	\$ 38,219	\$ (21,506)	\$ 16,713	\$ (465,237)	\$ (44,321)		
Recovery of Regulatory Asset Balances	1590	\$ 51,382	\$ 20				\$ 51,402	\$ (9,778)	\$ 585	\$ (9,193)	\$ (51,382)	\$ 9,105		
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ -					\$ -	\$ -		\$ -	\$ 82,604	\$ 105,784		
Group 1 Sub-Total (including Account 1588 - Global Adjustment)														
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)														
RSVA - Power - Sub-Account - Global Adjustment														
Group 2 Accounts														
Other Regulatory Assets - Sub-Account - OEB Cost As	1508	\$ 8,173	\$ 1,818				\$ 9,991	\$ 1,238	\$ 94	\$ 1,333				
Other Regulatory Assets - Sub-Account - Pension Cont	1508	\$ -					\$ -	\$ -		\$ -				
Other Regulatory Assets - Sub-Account - Deferred IFRS	1508	\$ -					\$ -	\$ -		\$ -				
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -				
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -					\$ -	\$ -		\$ -				
Retail Cost Variance Account - Retail	1518	\$ (1,484)	\$ (2,312)				\$ (3,796)	\$ (10)	\$ (18)	\$ (28)				
Retail Cost Variance Account - STR	1548	\$ 113	\$ (45)				\$ 67	\$ (16)	\$ 1	\$ (15)				
Misc. Deferred Debits	1525	\$ -					\$ -	\$ -		\$ -				
LV Variance Account	1550	\$ -					\$ -	\$ -		\$ -				
Renewable Connection Capital Deferral Account	1531													
Renewable Connection OM&A Deferral Account	1532													
Smart Grid Capital Deferral Account	1534													
Smart Grid OM&A Deferral Account	1535													
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -	\$ 539,962				\$ 539,962	\$ -		\$ -				
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ (25,581)	\$ (28,620)				\$ (54,201)	\$ (1,174)	\$ 1,714	\$ 540				
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -					\$ -	\$ -		\$ -				
Smart Meter OM&A Variance	1556	\$ -	\$ 21,578				\$ 21,578	\$ -	\$ 5	\$ 5				
Conservation and Demand Management Expenditures	1565	\$ -					\$ -	\$ -		\$ -				
CDM Contra	1566	\$ -					\$ -	\$ -		\$ -				
Qualifying Transition Costs ⁵	1570	\$ -	n/a	n/a			\$ -	\$ -		\$ -				
Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	n/a	n/a			\$ -	\$ -		\$ -				
Extra-Ordinary Event Costs	1572	\$ -					\$ -	\$ -		\$ -				
Deferred Rate Impact Amounts	1574	\$ -					\$ -	\$ -		\$ -				
RSVA - One-time Wholesale Market Service	1582	\$ 13,776	\$ (89)				\$ 13,687	\$ 1,334	\$ 162	\$ 1,496				
Other Deferred Credits	2425	\$ -					\$ -	\$ -		\$ -				
Group 2 Sub-Total														
Deferred Payments in Lieu of Taxes	1582					see PILs reconciliation requested								
2006 PILs & Taxes Variance	1592					see PILs reconciliation requested								
Sub-total														
Total														
The following is not included in the total claim but are included														
Deferred PILs Contra Account ⁸	1563					see PILs reconciliation requested								
Disposition and Recovery of Regulatory Balances ¹⁰	1595													

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

SHEET 1 - Regulatory Assets - Continuity Sched

NAME OF UTILITY **PARRY SOUND POWER**
NAME OF CONTACT **Miles Thompson**
E-mail Address **mthompson@pspower.ca**
VERSION NUMBER **v1.0**
Date **23-Aug-10**

Account Description	Account Number	Projected Interest on Dec 31 - 49 balance from Jan 1, 2010 to Dec 31, 2010 ⁹	Projected Interest on Dec 31 - 49 balance from Jan 1, 2011 to April 30, 2011 ^{9, 10}	Principal Claim before Forecasted Transactions in 2010 and 2011	Interest Claim before Forecasted Transactions in 2010 and 2011	Total Claim before Forecasted Transactions in 2010 and 2011	Forecasted Transactions, Excluding	Forecasted Transactions, Excluding	Projected Interest from Jan 1, 2010 to April 30, 2011 on Forecasted Transactions (Excl)	Projected Interest from Jan 1, 2011 to April 30, 2011 on Forecasted Transactions (Excl Interest) from Jan 1, 2011	Forecasted Transactions in 2010 and 2011, not included in Total Claim
Group 1 Accounts											
Low Voltage Account	1550	\$ (9)	\$ (4)	\$ (1,312)	\$ (330)	\$ (1,642)					\$ -
RSVA - Wholesale Market Service Charge	1580	\$ (256)	\$ (104)	\$ (35,472)	\$ 8,890	\$ (26,582)					\$ -
RSVA - Retail Transmission Network Charge	1584	\$ (119)	\$ (46)	\$ (16,523)	\$ (23)	\$ (16,546)					\$ -
RSVA - Retail Transmission Connection Charge	1586	\$ (260)	\$ (106)	\$ (36,063)	\$ (355)	\$ (36,418)					\$ -
RSVA - Power (excluding Global Adjustment)	1588	\$ 8,328	\$ 3,378	\$ 1,154,479	\$ 36,203	\$ 1,190,682					\$ -
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ (4,731)	\$ (1,919)	\$ (655,820)	\$ (34,256)	\$ (690,076)					\$ -
Recovery of Regulatory Asset Balances	1590	\$ 0	\$ 0	\$ 20	\$ (86)	\$ (69)					\$ -
Disposition and Recovery of Regulatory Balances ¹⁰	1595	\$ 596	\$ 242	\$ 82,604	\$ 106,622	\$ 189,226					\$ -
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		\$ 3,549	\$ 1,439	\$ 491,913	\$ 116,660	\$ 608,573	\$ -	\$ -	\$ -	\$ -	\$ -
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		\$ 8,280	\$ 3,358			\$ 1,298,651	\$ -	\$ -	\$ -	\$ -	\$ -
RSVA - Power - Sub-Account - Global Adjustment	1588	\$ (4,731)	\$ (1,919)			\$ (690,076)	\$ -	\$ -	\$ -	\$ -	\$ -
Group 2 Accounts											
Other Regulatory Assets - Sub-Account - OEB Cost As	1508	\$ 72	\$ 29	\$ 9,991	\$ 1,434	\$ 11,425					\$ -
Other Regulatory Assets - Sub-Account - Pension Cont	1508	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Other Regulatory Assets - Sub-Account - Deferred IFRS	1508	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Other Regulatory Assets - Sub-Account - Other ⁷	1508	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Retail Cost Variance Account - Retail	1518	\$ (27)	\$ (11)	\$ (3,796)	\$ (66)	\$ (3,862)					\$ -
Retail Cost Variance Account - STR	1548	\$ 0	\$ 0	\$ 67	\$ (14)	\$ 53					\$ -
Misc. Deferred Debits	1525	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
LV Variance Account	1550	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Renewable Connection Capital Deferral Account	1531	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Renewable Connection OM & A Deferral Account	1532	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Smart Grid Capital Deferral Account	1534	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Smart Grid OM & A Deferral Account	1535	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ 3,895	\$ 1,580	\$ 539,962	\$ 5,475	\$ 545,437					\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ (391)	\$ (159)	\$ (54,201)	\$ (10)	\$ (54,210)					\$ -
Smart Meter Capital and Recovery Offset Variance - Su	1555	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Smart Meter OM & A Variance	1556	\$ 156	\$ 63	\$ 21,578	\$ 224	\$ 21,802					\$ -
Conservation and Demand Management Expenditures	1565	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
CDM Contra	1566	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Qualifying Transition Costs ⁵	1570	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Pre-Market Opening Energy Variances Total ⁵	1571	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Extra-Ordinary Event Costs	1572	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Deferred Rate Impact Amounts	1574	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
RSVA - One-time Wholesale Market Service	1582	\$ 99	\$ 40	\$ 13,687	\$ 1,635	\$ 15,322					\$ -
Other Deferred Credits	2425	\$ -	\$ -	\$ -	\$ -	\$ -					\$ -
Group 2 Sub-Total		\$ 3,804	\$ 1,543	\$ 527,289	\$ 8,678	\$ 535,967	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Payments in Lieu of Taxes	1562										
2006 PILs & Taxes Variance	1592										
Sub-total						\$ -					\$ -
Total		\$ 7,352	\$ 2,982			\$ 767,763	\$ -	\$ -	\$ -	\$ -	\$ -
The following is not included in the total claim but are included											
Deferred PILs Contra Account ⁸	1563										
Disposition and Recovery of Regulatory Balances ¹⁰	1595										

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Completed versions of the Regulatory Assets Continuity Schedule are required to be filed in working Microsoft Excel format.

2011 Data By Class	kW	kWhs	Cust. Num.'s	1590 ALLOCATOR	Dx Revenue
RESIDENTIAL CLASS		33,427,924	2,812	47.8%	\$ 1,448,593
GENERAL SERVICE <50 KW CLASS		16,733,379	493	19.4%	\$ 462,189
GENERAL SERVICE >50 KW	97,727	37,802,659	68	31.8%	\$ 643,861
UNMETERED SCATTERED LOADS		58,750	18	0.2%	\$ 13,438
SENTINEL LIGHTS	36	12,745	12	0.1%	\$ 1,399
STREET LIGHTING	2,421	867,846	1	0.7%	\$ 47,243
Totals	100,184	88,903,303	3,404	100%	\$ 2,616,723
					\$ -

Allocators	kW	kWhs	Cust. Num.'s	Number of Metered Customers	Dx Revenue
RESIDENTIAL CLASS	0.0%	37.6%	82.6%	47.8%	55.4%
GENERAL SERVICE <50 KW CLASS	0.0%	18.8%	14.5%	19.4%	17.7%
GENERAL SERVICE >50 KW	97.5%	42.5%	2.0%	31.8%	24.6%
UNMETERED & SCATTERED LOADS	0.0%	0.1%	0.5%	0.2%	0.5%
SENTINEL LIGHTS	0.0%	0.0%	0.4%	0.1%	0.1%
STREET LIGHTING	2.4%	1.0%	0.0%	0.7%	1.8%
Totals	100%	100%	100%	100%	100%

1
2
3

Smart Meter Rate Adder

PSP is seeking approval to increase the current smart meter rate adder from a \$1.00 per metered customer per month to \$1.71 per metered customer per month based on the calculation as shown in the table below.

Rate Rider to Recover Smart Meter Costs	
Revenue Requirement 2006	\$ 979
Revenue Requirement 2007	\$ 3,441
Revenue Requirement 2008	\$ 6,200
Revenue Requirement 2009	\$ 56,055
Revenue Requirement 2010 on 2009 assest	\$ 88,620
Revenue Requirement Total	\$ 155,295
Smart Meter Rate Adder	-\$ 88,989
Carrying Cost	-\$ 567
Smart Meter True-up	\$ 65,738
Metered Customers	3,200
Rate Rider to Recover Smart Meter Costs	\$ 1.71

Rate Rider to Recover Smart Meter Costs

Revenue Requirement 2006	\$	979
Revenue Requirement 2007	\$	3,441
Revenue Requirement 2008	\$	6,200
Revenue Requirement 2009	\$	56,055
Revenue Requirement 2010 on 2009 assest	\$	88,620
Revenue Requirement Total	\$	155,295
Smart Meter Rate Adder	-\$	88,989
Carrying Cost	-\$	567
Smart Meter True-up	\$	65,738

Metered Customers 3,200

Rate Rider to Recover Smart Meter Costs \$ 1.71

2009 Addition to Rate Base

Fixed Assets		
Smart Meters	\$	523,437
Computer Software	\$	33,961
	\$	557,397
Accumulated Depreciation		
Smart Meters	-\$	23,382
Computer Software	-\$	5,660
	-\$	29,042

2009 Amortization Expense

Smart Meters	\$	19,019
Computer Software	\$	5,660
	\$	24,679

Incremental Revenue Requirement Calculation

	2006	2007	2008	2009	2010
Net Fixed Assets	\$ 5,630	\$ 19,850	\$ 35,605	\$ 285,563	\$ 505,248
OM&A	\$ -	\$ -	\$ -	\$ 4,143	\$ 1,337
WCA	15% \$ -	15% \$ -	15% \$ -	15% \$ 621	15% \$ 201
Rate Base	\$ 5,630	\$ 19,850	\$ 35,605	\$ 286,184	\$ 505,448
Deemed ST Debt	0% \$ -	0% \$ -	0% \$ -	0% \$ -	0% \$ -
Deemed LT Debt	50% \$ 2,815	50% \$ 9,925	50% \$ 17,802	50% \$ 143,092	50% \$ 252,724
Deemed Equity	50% \$ 2,815	50% \$ 9,925	50% \$ 17,802	50% \$ 143,092	50% \$ 252,724
ST Interest	0.00% \$ -	0.00% \$ -	0.00% \$ -	0.00% \$ -	0.00% \$ -
LT Interest	7.25% \$ 204	7.25% \$ 720	7.25% \$ 1,291	7.25% \$ 10,374	7.25% \$ 18,322
ROE	9.00% \$ 253	9.00% \$ 893	9.00% \$ 1,602	9.00% \$ 12,878	9.00% \$ 22,745
	\$ 457	\$ 1,613	\$ 2,893	\$ 23,252	\$ 41,068
1556 OM&A	\$ -		\$ -	\$ 4,143	\$ 1,337
Amortization	\$ 388	\$ 1,396	\$ 2,579	\$ 24,679	\$ 46,216
Grossed-up PILs	\$ 133	\$ 432	\$ 728	\$ 3,981	\$ -
Revenue Requirement	\$ 979	\$ 3,441	\$ 6,200	\$ 56,055	\$ 88,620

94857.79628

PILs Calculation

	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
INCOME TAX				
Net Income	\$ 253	\$ 893	\$ 1,602	\$ 12,878
Amortization	\$ 388	\$ 1,396	\$ 2,579	\$ 24,679
CCA	-\$ 466	-\$ 1,638	-\$ 2,926	-\$ 31,760
Change in taxable income	\$ 176	\$ 651	\$ 1,255	\$ 5,798
Tax Rate	36.12%	36.12%	33.50%	33.00%
Income Taxes Payable	\$ 63	\$ 235	\$ 420	\$ 1,913
ONTARIO CAPITAL TAX				
Closing Net Fixed Assets	\$ 11,261	\$ 28,439	\$ 42,770	\$ 500,055
Less: Exemption	\$ -	\$ -	\$ -	\$ -
Deemed Taxable Capital	\$ 11,261	\$ 28,439	\$ 42,770	\$ 500,055
Ontario Capital Tax Rate	0.300%	0.225%	0.225%	0.225%
Net Amount (Taxable Capital x Rate)	\$ 33.78	\$ 63.99	\$ 96.23	\$ 1,125.12

Gross Up

	PILs Payable	PILs Payable	PILs Payable	PILs Payable
Change in Income Taxes Payable	\$ 63.47	\$ 235.28	\$ 420.36	\$ 1,913.27
Change in OCT	\$ 33.78	\$ 63.99	\$ 96.23	\$ 1,125.12
PIL's	\$ 97.25	\$ 299.27	\$ 516.59	\$ 3,038.40
	Gross Up 33.00%	Gross Up 32.00%	Gross Up 30.50%	Gross Up 30.50%
Grossed Up PILs	\$ 99.35	\$ 368.31	\$ 632.12	\$ 2,855.63
Change in Income Taxes Payable	\$ 99.35	\$ 368.31	\$ 632.12	\$ 2,855.63
Change in OCT	\$ 33.78	\$ 63.99	\$ 96.23	\$ 1,125.12
PIL's	\$ 133.13	\$ 432.30	\$ 728.35	\$ 3,980.76

Average Net Fixed Assets

GL 1555	Net Fixed Assets		2006	2007	2008	2009	2010
			Actual	Actual	Actual	Actual	Forecast
Meters	Opening Capital Investment		\$ -	\$ 11,649	\$ 30,223	\$ 47,133	\$ 523,437
	Capital Investment		\$ 11,649	\$ 18,574	\$ 16,910	\$ 476,304	\$ 85,909
	Closing Capital Investment		\$ 11,649	\$ 30,223	\$ 47,133	\$ 523,437	\$ 609,345
	Opening Accumulated Amortization		\$ -	\$ 388	\$ 1,784	\$ 4,363	\$ 23,382
	Amortization Year One	15 years	\$ 388	\$ 619	\$ 564	\$ 15,877	\$ 2,864
	Amortization Thereafter		\$ -	\$ 777	\$ 2,015	\$ 3,142	\$ 34,896
	Closing Accumulated Amortization		\$ 388	\$ 1,784	\$ 4,363	\$ 23,382	\$ 61,141
	Opening Net Fixed Assets		\$ -	\$ 11,261	\$ 28,439	\$ 42,770	\$ 500,055
	Closing Net Fixed Assets		\$ 11,261	\$ 28,439	\$ 42,770	\$ 500,055	\$ 548,204
	Average Net Fixed Assets		\$ 5,630	\$ 19,850	\$ 35,605	\$ 271,413	\$ 524,130
Computer Components	Net Fixed Assets		2006	2007	2008	2009	2010
			Actual	Actual	Actual	Actual	Forecast
	Opening Capital Investment		\$ -	\$ -	\$ -	\$ -	\$ 33,961
	Capital Investment		\$ -			\$ 33,961	
	Closing Capital Investment		\$ -	\$ -	\$ -	\$ 33,961	\$ 33,961
	Opening Accumulated Amortization		\$ -	\$ -	\$ -	\$ -	\$ 5,660
	Amortization Year One	3 years	\$ -	\$ -	\$ -	\$ 5,660	\$ -
	Amortization Thereafter		\$ -	\$ -	\$ -	\$ -	\$ 11,320
	Closing Accumulated Amortization		\$ -	\$ -	\$ -	\$ 5,660	\$ 16,980
	Opening Net Fixed Assets		\$ -	\$ -	\$ -	\$ -	\$ 28,301
	Closing Net Fixed Assets		\$ -	\$ -	\$ -	\$ 28,301	\$ 16,980
	Average Net Fixed Assets		\$ -	\$ -	\$ -	\$ 14,150	\$ 22,640

For PILs Calculation

UCC

	2006	2007	2008	2009	2010
	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
Opening UCC	\$ -	\$ 11,183	\$ 28,120	\$ 42,103	\$ 495,987
Capital Additions	\$ 11,649	\$ 18,574	\$ 16,910	\$ 476,304	\$ 85,909
UCC Before Half Year Rule	\$ 11,649	\$ 29,757	\$ 45,029	\$ 518,407	\$ 581,895
Half Year Rule (1/2 Additions - Disposals)	\$ 5,825	\$ 9,287	\$ 8,455	\$ 238,152	\$ 42,954
Reduced UCC	\$ 5,825	\$ 20,470	\$ 36,575	\$ 280,255	\$ 538,941
CCA Rate Class	47				
CCA Rate	8%				
CCA	\$ 466	\$ 1,638	\$ 2,926	\$ 22,420	\$ 43,115
Closing UCC	\$ 11,183	\$ 28,120	\$ 42,103	\$ 495,987	\$ 538,780

UCC

	2006	2007	2008	2009	2010
	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
Opening UCC	\$ -	\$ -	\$ -	\$ -	\$ 24,621
Capital Additions	\$ -	\$ -	\$ -	\$ 33,961	\$ -
UCC Before Half Year Rule	\$ -	\$ -	\$ -	\$ 33,961	\$ 24,621
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -	\$ -	\$ 16,980	\$ -
Reduced UCC	\$ -	\$ -	\$ -	\$ 16,980	\$ 24,621
CCA Rate Class	50				
CCA Rate	55%				
CCA	\$ -	\$ -	\$ -	\$ 9,339	\$ 13,542
Closing UCC	\$ -	\$ -	\$ -	\$ 24,621	\$ 11,080

Table Staff 16-1: Account 1555 Smart Meter Capital and Offset Account – Principal

Month	Opening Balance	SM Adder	Revenue Requirement	Closing Balance (excluding Stranded)
May-06	\$ -	\$ 645	\$ 122	\$ 522
Jun-06	-\$ 522	\$ 645	-\$ 122	\$ 1,044
Jul-06	-\$ 1,044	\$ 645	-\$ 122	\$ 1,567
Aug-06	-\$ 1,567	\$ 645	-\$ 122	\$ 2,089
Sep-06	-\$ 2,089	\$ 645	-\$ 122	\$ 2,611
Oct-06	-\$ 2,611	\$ 645	-\$ 122	\$ 3,133
Nov-06	-\$ 3,133	\$ 645	-\$ 122	\$ 3,655
Dec-06	-\$ 3,655	\$ 645	-\$ 122	\$ 4,178
Jan-07	-\$ 4,178	\$ 783	-\$ 287	\$ 4,673
Feb-07	-\$ 4,673	\$ 783	-\$ 287	\$ 5,169
Mar-07	-\$ 5,169	\$ 783	-\$ 287	\$ 5,665
Apr-07	-\$ 5,665	\$ 783	-\$ 287	\$ 6,161
May-07	-\$ 6,161	\$ 783	-\$ 287	\$ 6,656
Jun-07	-\$ 6,656	\$ 783	-\$ 287	\$ 7,152
Jul-07	-\$ 7,152	\$ 783	-\$ 287	\$ 7,648
Aug-07	-\$ 7,648	\$ 783	-\$ 287	\$ 8,144
Sep-07	-\$ 8,144	\$ 783	-\$ 287	\$ 8,640
Oct-07	-\$ 8,640	\$ 783	-\$ 287	\$ 9,135
Nov-07	-\$ 9,135	\$ 783	-\$ 287	\$ 9,631
Dec-07	-\$ 9,631	\$ 783	-\$ 287	\$ 10,127
Jan-08	-\$ 10,127	\$ 784	-\$ 517	\$ 10,394
Feb-08	-\$ 10,394	\$ 784	-\$ 517	\$ 10,662
Mar-08	-\$ 10,662	\$ 784	-\$ 517	\$ 10,929
Apr-08	-\$ 10,929	\$ 784	-\$ 517	\$ 11,196
May-08	-\$ 11,196	\$ 784	-\$ 517	\$ 11,464
Jun-08	-\$ 11,464	\$ 784	-\$ 517	\$ 11,731
Jul-08	-\$ 11,731	\$ 784	-\$ 517	\$ 11,998
Aug-08	-\$ 11,998	\$ 784	-\$ 517	\$ 12,266
Sep-08	-\$ 12,266	\$ 784	-\$ 517	\$ 12,533
Oct-08	-\$ 12,533	\$ 784	-\$ 517	\$ 12,800
Nov-08	-\$ 12,800	\$ 784	-\$ 517	\$ 13,068
Dec-08	-\$ 13,068	\$ 784	-\$ 517	\$ 13,335
Jan-09	-\$ 13,335	\$ 2,220	-\$ 4,671	\$ 10,883
Feb-09	-\$ 10,883	\$ 2,220	-\$ 4,671	\$ 8,432
Mar-09	-\$ 8,432	\$ 2,220	-\$ 4,671	\$ 5,980
Apr-09	-\$ 5,980	\$ 2,220	-\$ 4,671	\$ 3,528
May-09	-\$ 3,528	\$ 2,220	-\$ 4,671	\$ 1,077
Jun-09	-\$ 1,077	\$ 2,220	\$ 4,671	\$ 1,375
Jul-09	\$ 1,375	\$ 2,220	\$ 4,671	\$ 3,827
Aug-09	\$ 3,827	\$ 2,220	\$ 4,671	\$ 6,278
Sep-09	\$ 6,278	\$ 2,220	\$ 4,671	\$ 8,730

Oct-09	\$	8,730	-\$	2,220	\$	4,671	\$	11,182
Nov-09	\$	11,182	-\$	2,220	\$	4,671	\$	13,633
Dec-09	\$	13,633	-\$	2,220	\$	4,671	\$	16,085
Jan-10	\$	16,085	-\$	3,200	\$	7,385	\$	20,270
Feb-10	\$	20,270	-\$	3,200	\$	7,385	\$	24,455
Mar-10	\$	24,455	-\$	3,200	\$	7,385	\$	28,640
Apr-10	\$	28,640	-\$	3,200	\$	7,385	\$	32,825
May-10	\$	32,825	-\$	3,200	\$	7,385	\$	37,010
Jun-10	\$	37,010	-\$	3,200	\$	7,385	\$	41,195
Jul-10	\$	41,195	-\$	3,200	\$	7,385	\$	45,380
Aug-10	\$	45,380	-\$	3,200	\$	7,385	\$	49,565
Sep-10	\$	49,565	-\$	3,200	\$	7,385	\$	53,750
Oct-10	\$	53,750	-\$	3,200	\$	7,385	\$	57,936
Nov-10	\$	57,936	-\$	3,200	\$	7,385	\$	62,121
Dec-10	\$	62,121	-\$	3,200	\$	7,385	\$	66,306

2006	-\$	5,156	\$	979
2007	-\$	9,390	\$	3,441
2008	-\$	9,408	\$	6,200
2009	-\$	26,635	\$	56,055
2010	-\$	38,400	\$	88,620
	-\$	88,989	\$	155,295

Table Staff 16-2: Account 1555 – Interest

Month	Opening Balance (excluding Stranded)	Days	Rate	Interest	To Date
May-06	\$ -	31	4.1400%	\$ -	\$ -
Jun-06	\$ 522	30	4.1400%	\$ 2	\$ 2
Jul-06	\$ 1,044	31	4.5900%	\$ 4	\$ 6
Aug-06	\$ 1,567	31	4.5900%	\$ 6	\$ 12
Sep-06	\$ 2,089	30	4.5900%	\$ 8	\$ 20
Oct-06	\$ 2,611	31	4.5900%	\$ 10	\$ 30
Nov-06	\$ 3,133	30	4.5900%	\$ 12	\$ 42
Dec-06	\$ 3,655	31	4.5900%	\$ 14	\$ 56
Jan-07	\$ 4,178	31	4.5900%	\$ 16	\$ 72
Feb-07	\$ 4,673	28	4.5900%	\$ 16	\$ 89
Mar-07	\$ 5,169	31	4.5900%	\$ 20	\$ 109
Apr-07	\$ 5,665	30	4.5900%	\$ 21	\$ 130
May-07	\$ 6,161	31	4.5900%	\$ 24	\$ 154
Jun-07	\$ 6,656	30	4.5900%	\$ 25	\$ 179
Jul-07	\$ 7,152	31	4.5900%	\$ 28	\$ 207
Aug-07	\$ 7,648	31	4.5900%	\$ 30	\$ 237
Sep-07	\$ 8,144	30	4.5900%	\$ 31	\$ 268
Oct-07	\$ 8,640	31	5.1400%	\$ 38	\$ 306
Nov-07	\$ 9,135	30	5.1400%	\$ 39	\$ 344
Dec-07	\$ 9,631	31	5.1400%	\$ 42	\$ 386
Jan-08	\$ 10,127	31	5.1400%	\$ 44	\$ 430
Feb-08	\$ 10,394	29	5.1400%	\$ 42	\$ 473
Mar-08	\$ 10,662	31	5.1400%	\$ 46	\$ 519
Apr-08	\$ 10,929	30	4.0800%	\$ 37	\$ 556
May-08	\$ 11,196	31	4.0800%	\$ 39	\$ 594
Jun-08	\$ 11,464	30	4.0800%	\$ 38	\$ 633
Jul-08	\$ 11,731	31	3.3500%	\$ 33	\$ 666
Aug-08	\$ 11,998	31	3.3500%	\$ 34	\$ 700
Sep-08	\$ 12,266	30	3.3500%	\$ 34	\$ 734
Oct-08	\$ 12,533	31	3.3500%	\$ 36	\$ 769
Nov-08	\$ 12,800	30	3.3500%	\$ 35	\$ 804
Dec-08	\$ 13,068	31	3.3500%	\$ 37	\$ 841
Jan-09	\$ 13,335	31	2.4500%	\$ 28	\$ 869
Feb-09	\$ 10,883	28	2.4500%	\$ 20	\$ 890
Mar-09	\$ 8,432	31	2.4500%	\$ 18	\$ 907
Apr-09	\$ 5,980	30	1.0000%	\$ 5	\$ 912
May-09	\$ 3,528	31	1.0000%	\$ 3	\$ 915
Jun-09	\$ 1,077	30	1.0000%	\$ 1	\$ 916
Jul-09	\$ 1,375	31	0.5500%	\$ 1	\$ 915
Aug-09	\$ 3,827	31	0.5500%	\$ 2	\$ 914
Sep-09	\$ 6,278	30	0.5500%	\$ 3	\$ 911
Oct-09	\$ 8,730	31	0.5500%	\$ 4	\$ 907
Nov-09	\$ 11,182	30	0.5500%	\$ 5	\$ 902
Dec-09	\$ 13,633	31	0.5500%	\$ 6	\$ 895
Jan-10	\$ 16,085	31	0.5500%	\$ 8	\$ 888
Feb-10	\$ 20,270	28	0.5500%	\$ 9	\$ 879
Mar-10	\$ 24,455	31	0.5500%	\$ 11	\$ 868
Apr-10	\$ 28,640	30	0.5500%	\$ 13	\$ 855
May-10	\$ 32,825	31	0.5500%	\$ 15	\$ 839
Jun-10	\$ 37,010	30	0.5500%	\$ 17	\$ 823
Jul-10	\$ 41,195	31	0.5500%	\$ 19	\$ 803
Aug-10	\$ 45,380	31	0.5500%	\$ 21	\$ 782
Sep-10	\$ 49,565	30	0.5500%	\$ 22	\$ 760
Oct-10	\$ 53,750	31	0.5500%	\$ 25	\$ 735
Nov-10	\$ 57,936	30	0.5500%	\$ 26	\$ 709
Dec-10	\$ 62,121	31	0.5500%	\$ 29	\$ 680
Jan-11	\$ 62,121	31	0.5500%	\$ 29	\$ 651
Feb-11	\$ 62,121	28	0.5500%	\$ 26	\$ 624
Mar-11	\$ 62,121	31	0.5500%	\$ 29	\$ 595
Apr-11	\$ 62,121	30	0.5500%	\$ 28	\$ 567

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>
10 –LRAM and SSM			
	1	1	Overview
		2	BECGI Report

Overview:

In 2010 PSP engaged the services of Burman Energy Consultants Group Inc. (BECGI) to review the LDC's preliminary LRAM and SSM and supporting information and assist in producing finalized calculations and report suitable to support an LRAM and SSM claim as part of its 2011 rates submission.

The results of that review is a report from BECGI which is included in its entirety in this Exhibit including the supporting calculations used to calculate a rate rider which PSPI is requesting Board approval to recover over one year. The LRAM and SSM amounts proposed for recovery and the calculation of the rate rider is provided in the following table:

2011 Test Year - LRAM and SSM Rider

Rate Class	Amounts (Up to 2009)		Billing Units (2011)	Metrics	Rate Riders			Two Year Rate Rider	Three Year Rate Rider	Number of Years to Use (2 or 3)
	LRAM	SSM			LRAM	SSM	Total	Total	Total	
	\$	\$			\$/unit (kWh or kW)	\$/unit (kWh or kW)	\$/unit (kWh or kW)	\$/unit (kWh or kW)	\$/unit (kWh or kW)	
Residential	30,324.46	2,328.22	33,427,924	kWh	0.0009	0.0001	0.0010	0.0005	0.0003	1
GS < 50 kW	9,943.54	521.91	16,733,379	kWh	0.0006	0.0000	0.0006	0.0003	0.0002	
GS > 50	51,107.48		97,727	kW	0.5230	0.0000	0.5230	0.2615	0.1743	
Sentinel Lights			36	kW	0.0000	0.0000	0.0000	0.0000	0.0000	
Street Lighting			2,421	kW	0.0000	0.0000	0.0000	0.0000	0.0000	
USL	4,991.94	-450.71	58,750	kWh	0.0850	-0.0077	0.0773	0.0386	0.0258	
Total	96,367.42	2,399.42								

- 1 **Burman Energy Consultants Group Inc. Report:**
- 2 The BECGI report and accompanying schedules are provided below:
- 3



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Parry Sound Power Corporation.

LRAM and SSM Support

August 23, 2010

Prepared by: Bart Burman, MBA, BA.Sc. P.Eng., President

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Attachments

- Attachment A – CDM Load Impacts by Class and Program
- Attachment B - Foregone Revenue by Class and Program
- Attachment C – SSM Amounts by Class and Program
- Attachment D - LRAM & SSM Totals
- Attachment E - LRAM & SSM Input Assumptions

1. Introduction

Parry Sound Power Corporation (Parry Sound Power) initiated seventeen Conservation and Demand Management (CDM) programs since Third Tranche CDM funding commenced in 2005, and augmented those local programs through direct support and involvement with Ontario Power Authority (OPA) provincial programs. By the end of 2008, Parry Sound Power had completed the CDM programs in the residential, commercial/industrial and infrastructure segments from its Third Tranche funding of \$180,000. This commitment to CDM has returned energy savings of 1,025,807 kWh and reduced peak demand by more than 67 kW (as reported by Parry Sound Power in their 2008 CDM Annual Report).

With success in its CDM activities, Parry Sound Power has lost revenues that need to be addressed as part of its 2011 rates submission to the Ontario Energy Board (OEB). This process will ensure that future CDM investments are sustainable in the long term by becoming a standard element in future rate filings.

The Ontario Energy Board (OEB) introduced a process outlined in the March 28, 2008 Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037 ("CDM Guidelines") for rate-based applications to recover revenues lost to customer energy conservation, and to share in gains from effective CDM programs prior to the completion of Third Tranche CDM programs. The mechanism developed by the OEB to calculate lost revenue for savings is the Lost Revenue Adjustment Mechanism (LRAM) and the Shared Savings Mechanism (SSM).

SSM is calculated as 5% of the net present value of the future net benefits from CDM investments. LRAM calculations are made from the energy savings data from measured CDM program results, or other documented results as applied to the affected rate class. OPA sponsored programs, such as Every Kilowatt Counts, are not eligible for SSM because the OPA compensates LDCs through a contractual arrangement rather than the LDC recovering SSM amounts through rate riders. Results from OEB-approved (third tranche) CDM programs, OPA CDM programs and Parry Sound Power funded programs represent the potential for lost revenue to the LDC, and will be included in calculations under LRAM.

The application for LRAM and SSM compensation is part of Parry Sound Power's 2011 Cost of Service filing and is based on its 2005 to 2009 inclusive CDM results.

2. Required

Parry Sound Power requested that Burman Energy Consultants Group Inc. (BECGI) review the LDC's preliminary LRAM and SSM and supporting information and assist in producing finalized calculations and report suitable to support an LRAM and SSM claim as part of its 2011 rates submission. In completing the scope of work related to LRAM and SSM, BECGI committed to:

1. Review LRAM, SSM and Third Tranche Total Resource Cost (TRC) calculations and underlying data prepared by Parry Sound Power for annual year end CDM reports, and assess compliance with the CDM Guidelines, identifying variances and reconciliations.
2. Prepare and finalize LRAM and SSM calculations and assumptions consistent with CDM Guidelines and suitable for inclusion in Parry Sound Power's 2011 Cost of Service application, with supporting details.
3. Produce a report, recommendations, and supporting Attachments related to LRAM and SSM assessments/findings.

In performing the above tasks, BECGI's involvement is intended to constitute a third party review as specified in the OEB's CDM Guidelines.

3. About LRAM/SSM

The OEB issued GUIDELINES FOR ELECTRICITY DISTRIBUTOR CONSERVATION AND DEMAND MANAGEMENT, EB-2008-0037 were applied to the preparation of this LRAM application.

LRAM was calculated as the product of the demand/energy savings by customer class and the Board-approved variable distribution charge appropriate to each respective class (net of Regulatory Asset Recovery rate riders). Both Third Tranche and OPA sponsored program kW/kWhs savings were deemed eligible for consideration capacity of the LRAM claim.

For SSM, a distributor may seek to recover 5% of the net benefits (TRC) created by CDM portfolio investments. An SSM claim applies only to customer focused initiatives that reduce the demand for electricity and/or the amount of energy used. Programs designed to improve Distribution System efficiency (eg. loss reduction) and OPA sponsored programs (eg., Every Kilowatt Counts) are excluded from SSM considerations.

4. Methodology

To optimize the calculation of LRAM and SSM amounts, BECGI:

1. Reviewed existing LRAM and SSM CDM Guidelines and precedents set through LDC submissions to the OEB, to identify the most prudent course for Parry Sound Power's LRAM and SSM application.
2. Sought counsel within OEB staff to validate assumptions and processes to complete LRAM submission consistent with other LDC submissions. Validation by each specific technology employed is included in the accompanying documentation.
3. Reviewed Parry Sound Power's CDM program results and TRC calculations, verified assumptions and calculations, identified variances with reported values, and recommended adjustments as appropriate to maintain consistency with the CDM Guidelines. Actual program results were provided by Parry Sound Power, including CDM Annual Reports, OPA program results reports, and supplemental information relevant to LRAM and SSM calculations.
4. Prepared report and recommendations related to LRAM and SSM calculations consistent with OEB CDM Guidelines which are in the accompanying documentation.

5. Results

A review of LDC CDM programs with Parry Sound Power verified that documentation exists to support participation levels associated with the LRAM or SSM for Third Tranche and Parry Sound Power funded programs.

The OPA has validated the results allocated to Parry Sound Power for OPA sponsored programs through Third Party Verification. Program results were confirmed to begin the year after program implementation.

The timing of results used in LRAM calculations for OPA sponsored programs are contained in the accompanying documentation under OPA Conservation Results, issued August 13, 2010.

The accompanying table below sets out the calculated amounts for LRAM and SSM for Parry Sound Power's Third Tranche and OPA CDM programming. The calculation of the results, by program and customer class as applicable, are explained in the text below, and detailed in the appended attachment.

Rate Class			
	LRAM \$	SSM \$	TOTAL \$
Third Tranche			
RESIDENTIAL	\$2,312.97	\$2,328.22	\$4,641.19
GENERAL SERVICE >50KW	\$1,616.81	\$659.37	\$2,276.18
UNMETERED SCATTERED LOAD	\$4,991.94	-\$450.71	\$4,541.23
OPA Programs			
RESIDENTIAL	\$28,011.49		\$28,011.49
GENERAL SERVICE <50KW	\$8,326.73		\$8,326.73
GENERAL SERVICE >50KW	\$51,107.48		\$51,107.48
	\$96,367.42	\$2,536.88	\$98,904.30

6. Determination of SSM Amount

For SSM, a distributor may recover 5% of the net benefits (TRC) created by CDM portfolio investments. As set out in the CDM Guidelines, program net benefits are determined by the present value of the avoided electricity costs over the technology's/program's life minus the present value of program costs. All results are net of free ridership. Incentive payments identified by Parry Sound Power are excluded from these calculations. For all programs/projects, the OEB Total Resource Cost Guide, Section 5, Assumptions and Measures List September 8, 2005 were used in TRC calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009.

BECGI has validated applied TRC methodology against the CDM Guidelines (included in documentation) and calculated net TRC benefits for each CDM program. CDM incremental general administrative costs were included as part of overall portfolio TRC costs. BECGI's TRC Calculator © was used to ensure appropriate application of avoided costs, free ridership, discounted future benefits, and energy efficiency technology life.

Utility-side programs, such as Loss Reduction on the Distribution System and Smart Metering Pilot Project are not eligible for SSM treatment and were excluded from these calculations. Also excluded were results from OPA sponsored programs (e.g., Every Kilowatt Counts).

Programs considered for this application are described in annually submitted year-end CDM reports for 2006, 2007 and 2008. For each eligible program, net load reductions were calculated (net of free ridership) for both SSM and LRAM calculations. Attachment A summarizes these load reductions.

For the purpose of TRC calculation to derive SSM, the applied discount rates for Parry Sound Power (approved Weighted Average Cost of Capital) were 8.125% (2005-2007) and 8.07% (2008). The sum of all program NPVs, is \$47,988.34 resulting in the SSM claim of \$2,399.42.

Attachment C summarizes the calculation of the SSM amounts by program, technology and in total. The supporting source data and TRC calculations are set out in detail in the documentation accompanying this report.

7. Determination of LRAM Amount

LRAM amounts were identified by rate class consistent with the CDM Guidelines for programs that impacted revenues from 2006 to 2009, for both Third Tranche and OPA CDM programs. No forecast or other adjustment for the effects of CDM programs was made to the load quantities used in the preparation of Parry Sound Power's rate cases in prior years. The entire actual load reduction achieved by the eligible Third Tranche CDM programs is subject to LRAM treatment. All results are net of free ridership. For all programs/projects, the most recently published OPA assumptions and measures list were used in LRAM calculations in accordance with OEB's direction letter, Conservation and Demand Management ("CDM") Input Assumptions Board File No.: EB-2008-0352, January 27, 2009 and consistent with recent Decision and Order EB-2009-0192 for Horizon Utilities Corporation that directed LRAM calculations use the most current available input assumptions for all CDM programs.

OPA sponsored programs also represent lost revenue through their successful implementation and are included in LRAM calculations. Lost revenue from results attributable to Parry Sound Power funded programs were also included in the LRAM calculations. Although not specifically addressed in the CDM Guidelines, this assessment was considered to be consistent with the CDM Guideline intention of removing the disincentive of eroding distributor revenues due to lower than forecast revenues.

The sum of all program LRAM calculations, including OPA sponsored programs is \$96,367.42

Attachment A summarizes load impacts by class and program. Attachment B (Foregone Revenue By Class and Program) summarizes the CDM load impacts by program and rate class and the resultant revenue impacts.

8. Allocation and Manner of Recovery for LRAM Amounts

The LRAM and SSM amounts arising from CDM programs in each respective rate class are allocated to that class for recovery. LRAM and SSM rate riders should be combined and expressed as a single rate rider for each class, based on approaches taken by other LDCs

9. Recommendations

BECGI recommends the following:

1. LRAM/SSM amounts arising from CDM programs in each rate class be allocated to that class for recovery.
2. Incorporate impacts of CDM programming which occurred during the period 2005 to 2008 In future Cost of Service rate applications inclusive. This recognizes CDM as an established customer service element in the years ahead, with identifiable costs and benefits.
3. Use TRC/SSM calculation as one of the methods to assess the potential value of CDM programs considered for implementation.
4. Monitor savings attributed to 2009 OPA program implementation. LRAM calculations include preliminary 2009 results for programs implemented in 2009 as well as final results for programs implemented between 2006 to 2008. This report did not consider any OPA programs implemented or operated during 2010, as the results for these programs will not be available until sometime in 2011.

Parry Sound Power Corporation
EB-2010-0140
Exhibit 10
Tab 1
Schedule 2
Page 10 of 17
Filed: October 15, 2010

ATTACHMENT A

CDM Load Impacts by Class and Program

		NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS		NET		GROSS		
Class Program	Year Implemented	2006		2006		2007		2007		2008		2008		2009		2009		Total kWh	Total kW	Total kWh	Total kW	
		kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW	kWh	kW					
Third Tranche																						
RESIDENTIAL																						
LIGHTEN YOUR ELECTRICITY BILL		2005	15,621	0.95	16,680	0.98	15,621	0.95	16,680	0.98	15,621	0.95	16,680	0.98	15,621	0.95	16,680	0.98	62,485	3.81	66,719	3.90
15W CFL			7,815	0.18	8,683	0.20	7,815	0.18	8,683	0.20	7,815	0.18	8,683	0.20	7,815	0.18	8,683	0.20	31,260	0.72	34,733	0.80
LED Christmas Lights 5W			2,166	0.00	2,280	0.00	2,166	0.00	2,280	0.00	2,166	0.00	2,280	0.00	2,166	0.00	2,280	0.00	8,654	0.00	9,120	0.00
LED Christmas Lights Mini Lights			267	0.00	281	0.00	267	0.00	281	0.00	267	0.00	281	0.00	267	0.00	281	0.00	1,070	0.00	1,126	0.00
Programmable Thermostat - Space Heating			4,126	0.00	4,126	0.00	4,126	0.00	4,126	0.00	4,126	0.00	4,126	0.00	4,126	0.00	4,126	0.00	16,503	0.00	16,503	0.00
Programmable Thermostat - Space Cooling			690	0.76	690	0.76	690	0.76	690	0.76	690	0.76	690	0.76	690	0.76	690	0.76	2,760	3.02	2,760	3.02
Timer - Outdoor Light			37	0.00	41	0.00	37	0.00	41	0.00	37	0.00	41	0.00	37	0.00	41	0.00	148	0.00	164	0.00
Timer - Indoor Light			197	0.01	219	0.01	197	0.01	219	0.01	197	0.01	219	0.01	197	0.01	219	0.01	788	0.03	876	0.03
Ceiling Fan			323	0.01	359	0.01	323	0.01	359	0.01	323	0.01	359	0.01	323	0.01	359	0.01	1,293	0.04	1,437	0.05
LIGHTBULB GIVEAWAY		2006					11,664	0.27	12,960	0.30	24,883	0.58	27,648	0.64	24,883	0.58	27,648	0.64	61,430	1.42	68,256	1.58
		2006					11,664	0.27	12,960	0.30					11,664	0.27	12,960	0.30	34,992	0.81	38,880	0.90
		2007									13,219	0.31	14,688	0.34	13,219	0.31	14,688	0.34	26,438	0.61	29,376	0.68
PROMOTIONAL KITS		2007									17,451	0.63	19,390	0.70	17,451	0.63	19,390	0.70	34,902	1.26	38,780	1.40
BLACK OUT DAY GREAT CLOTHES LINE GIVE-A-WAY															8,244	0.82	9,160	0.92	8,244	0.82	9,160	0.92
SHOWER HEAD TECHNOLOGY PROMOTION		2007													33,930	2.61	37,700	2.90	33,930	2.61	37,700	2.90
RESIDENTIAL TIMER PROGRAM		2008													3,699	0.00	4,110	0.00	3,699	0.00	4,110	0.00
GENERAL SERVICE < 50 KW																						
SOCIAL HOUSING - REFRIGERATOR PROGRAM		2008													991	0.10	1,101	0.11	991	0.10	1,101	0.11
LOW INCOME RETROFITS		2007								7,465	1.47	9,176	1.82	7,465	1.47	9,176	1.82	14,930	2.94	18,353	3.65	
TBs										6,350	1.36	7,938	1.70	6,350	1.36	7,938	1.70					
Energy Star Refrigerator										1,115	0.11	1,238	0.13	1,115	0.11	1,238	0.13					
SCHOOL PROGRAM		2007								39,658	0.92	44,064	1.02	39,658	0.92	44,064	1.02	79,315	1.84	88,128	2.04	
WINDOW TREATMENT FILM		2007								25,650	8.05	36,643	11.50	25,650	8.05	36,643	11.50	51,300	16.10	73,286	23.00	
UNMETERED SCATTERED LOAD																						
TRAFFIC LIGHTS		2007								68,366	7.85	97,665	11.22	68,366	7.85	97,665	11.22	136,731	15.71	195,330	22.44	
OPA Programs																						
A Copy of the Program Measures by Year, Unit kWh Savings, Useful Life, & # of Units can be found on "OPA MEASURES" Tab																						
Residential																						
Secondary Fridge Retirement Pilot		2006	4,594	1.04	5,105	1.16	4,594	1.04	5,105	1.16	4,594	1.04	5,105	1.16	4,594	1.04	5,105	1.16	18,377	4.17	20,419	3.47
Cool & Hot Savings Rebate		2006 - 2008	11,341	10.51	14,368	12.78	29,546	22.66	50,124	38.28	29,546	22.66	50,124	38.28	29,546	22.66	50,124	38.28	99,981	78.48	164,739	114.83
Cool Savings Rebate Program		2006					29,546		50,124		19,677		34,254		50,570		87,431		70,247		121,685	
Every Kilowatt Counts		2006	29,428	3.47	326,983	3.86	403,412	7.70	475,862	9.97	40,208	7.30	473,435	9.25	402,078	7.30	473,435	9.25	875,126	25.77	1,749,715	28.48
Great Refrigerator Roundup		2007-2008					24,375	4.37	60,446	10.54	54,390	7.59	115,813	16.55	78,393	10.81	165,393	23.26	157,159	22.77	341,652	50.34
Aboriginal		2007					149,400	0.71	149,400	7.14	149,400	7.14	149,400	7.14	149,400	7.14	149,400	7.14				
peaksaver®		2007, 2008																	0	0.00	0	0.00
Summer Savings		2007					104	58.12	865	484.30	17	17.33	146	144.43	7	8.34	55	69.54	128	83.79	1,066	698.28
Social Housing - Pilot		2007					9,918	1.17	9,918	1.17	9,918	1.17	9,918	1.17	9,918	1.17	9,918	1.17	29,755	3.50	29,755	3.50
Affordable Housing - Pilot		2007					10,450		10,450		10,450		10,450		10,450		10,450					
Summer Sweepstakes		2008								5	5.00	25,485	6.45	2	2.87	9,196	3.70	7	7.87	34,682	10.14	
Every Kilowatt Counts Power Savings Event		2008								99,885	5.45	247,729	13.05	126,170	7.38	287,280	16.77	226,054	12.82	535,009	29.81	
General Service<50kW																						
OPA Conservation Programs																						
High Performance New Construction		2008								188	0.22	269	0.32	5,997	2.77	8,567	3.96	6,185	2.99	8,836	4.28	
Power Savings Blitz		2008												746,233	101.64	802,401	109.29	746,233	101.64	802,401	109.29	
General Service<50kW to 4,999kW																						
OPA Conservation Programs																						
Demand Response 1		2006 - 2008		175.62		175.62		209.68		209.68		288.50		288.50		115.03		115.03	0	788.83	0	613.21
Demand Response 2																100.42		100.42				
Demand Response 3		2008									55.79		55.79		111.58		111.58	0	167.37	0	167.37	
Electricity Retrofit Incentive Program		2007, 2008								6,219	0.33	14,634	0.71	15,225	2.40	30,162	4.28	21,445	2.74	44,796	4.99	
Electricity Resources Demand Response		2007, 2008		9		8.60		17.45		17.45		19.42		19.42		21.26		21.26	0	66.73	0	58.13

Parry Sound Power Corporation
EB-2010-0140
Exhibit 10
Tab 1
Schedule 2
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Filed: October 15, 2010

ATTACHMENT B
Foregone Revenue by Class and Program

Class Program	2006				2007				2008				2009				Total Revenue
	Load Unit	kWh or kW	Rate per Unit	Revenue	Load Unit	kWh or kW	Rate per Unit	Revenue	Load Unit	kWh or kW	Rate per Unit	Revenue	Load Unit	kWh or kW	Rate per Unit	Revenue	
Third Tranche																	
RESIDENTIAL																	
LIGHTEN YOUR ELECTRICITY BILL	15,621	kWh	0.0142	\$222.99	15,621	kWh	0.0143	\$222.86	15,621	kWh	0.0143	\$223.39	15,621	kWh	0.0144	\$224.43	\$447.81
LIGHTBULB GIVEAWAY					11,664	kWh	0.0143	\$166.41	24,883	kWh	0.0143	\$355.83	24,883	kWh	0.0144	\$357.49	\$713.32
PROMOTIONAL KITS									17,451	kWh	0.0143	\$249.55	17,451	kWh	0.0144	\$250.71	\$500.26
BLACK OUT DAY GREAT CLOTHES LINE GIVE-A-WAY													8,244	kWh	0.0144	\$118.44	\$118.44
SHOWER HEAD TECHNOLOGY PROMOTION													33,930	kWh	0.0144	\$487.46	\$487.46
RESIDENTIAL TIMER PROGRAM													3,699	kWh	0.0144	\$53.14	\$53.14
																	\$2,320.43
GENERAL SERVICE < 50 KW																	
SOCIAL HOUSING - REFRIGERATOR PROGRAM													991	kWh	0.0111	\$10.96	\$10.96
LOW INCOME RETROFITS									7,465	kWh	0.0110	\$82.11	7,465	kWh	0.0111	\$82.61	\$164.73
SCHOOL PROGRAM									39,658	kWh	0.0110	\$436.23	39,658	kWh	0.0111	\$438.88	\$875.11
WINDOW TREATMENT FILM									25,650	kWh	0.0110	\$282.15	25,650	kWh	0.0111	\$283.86	\$566.01
																	\$1,616.81
UNMETERED SCATTERED LOAD																	
TRAFFIC LIGHTS									68,365.50	kWh	0.0530	\$3,625.65	25,650.00	kWh	0.0534	\$1,366.29	\$4,991.94
OPA Programs																	
Residential																	
Secondary Fridge Retirement Pilot	4,594	kWh	0.0142	\$65.58	4,594	kWh	0.0143	\$65.55	4,594	kWh	0.0143	\$65.70	4,594	kWh	0.0144	\$66.01	\$262.83
Cool & Hot Savings Rebate	11,341	kWh	0.0142	\$161.90	29,546	kWh	0.0143	\$421.53	29,546	kWh	0.0143	\$422.51	29,546	kWh	0.0144	\$424.48	\$1,430.42
Cool Savings Rebate Program									19,677	kWh	0.0143	\$281.38	50,570	kWh	0.0144	\$726.52	\$1,007.90
Every Kilowatt Counts	29,428	kWh	0.0142	\$420.09	403,412	kWh	0.0143	\$5,755.35	40,208	kWh	0.0143	\$574.97	402,078	kWh	0.0144	\$5,776.51	\$12,526.92
Great Refrigerator Roundup					24,375	kWh	0.0143	\$347.75	54,390	kWh	0.0143	\$777.78	78,393	kWh	0.0144	\$1,126.25	\$2,251.78
Aboriginal					149,400	kWh	0.0143	\$2,131.44	149,400	kWh	0.0143	\$2,136.42	149,400	kWh	0.0144	\$2,146.38	\$6,414.24
peaksaver*									0	kWh	0.0143	\$0.00	0	kWh	0.0144	\$0.00	\$0.00
Summer Savings					104	kWh	0.0143	\$1.48	17	kWh	0.0143	\$0.25	7	kWh	0.0144	\$0.10	\$1.83
Social Housing – Pilot					9,918	kWh	0.0143	\$141.50	9,918	kWh	0.0143	\$141.83	9,918	kWh	0.0144	\$142.49	\$425.83
Affordable Housing - Pilot					10,450	kWh	0.0143	\$149.09	10,450	kWh	0.0143	\$149.44	10,450	kWh	0.0144	\$150.13	\$448.65
Summer Sweepstakes									5	kWh	0.0143	\$0.07	2	kWh	0.0144	\$0.03	\$0.10
Every Kilowatt Counts Power Savings Event									99,885	kWh	0.0143	\$1,428.35	126,170	kWh	0.0144	\$1,812.64	\$3,240.99
																	\$28,011.49
GENERAL SERVICE Less Than 50KW																	
OPA Conservation Programs																	
High Performance New Construction									188	kWh	0.0110	\$2.06	5,997	kWh	0.0111	\$66.36	\$68.42
Power Savings Blitz													746,233	kWh	0.0111	\$8,258.31	\$8,326.73
General Service>50KW to 4,989KW																	
OPA Conservation Programs																	
Demand Response 1	175.62	kW	3.7803	\$7,597.70	209.68	kW	3.8143	\$9,568.92	288.50	kW	3.8105	\$13,196.48	115.03	kW	3.8407	\$5,287.52	\$35,650.62
Demand Response 2													100.42	kW	3.8407	\$4,616.21	\$4,616.21
Demand Response 3									55.79	kW	3.8105	\$2,551.93	111.58	kW	3.8407	\$5,129.12	\$7,681.05
Electricity Retrofit Incentive Program									0.33	kW	3.8105	\$15.26	2.40	kW	3.8407	\$110.50	\$125.75
Electricity Resources Demand Response	8.60	kW	3.7803	\$371.88	17.45	kW	3.8143	\$796.32	19.42	kW	3.8105	\$888.23	21.26	kW	3.8407	\$977.41	\$3,033.84
																	\$51,107.48
																	\$96,374.89

ATTACHMENT C

SSM Amounts by Class and Program

Class Program	Total Costs \$	Total Benefits \$	Net Benefits \$ NPV	Benefits/C ost Ratio	SSM Amount \$
Third Tranche					
RESIDENTIAL					
LIGHTEN YOUR ELECTRICITY BILL	\$1,681.10	\$8,933.55	\$7,252.45	5.31	\$362.62
15W CFL	\$361.80	\$4,533.97	\$4,172.17		\$208.61
LED Christmas Lights 5W	\$76.00	\$748.16	\$672.16		\$33.61
LED Christmas Lights Mini Lights	\$74.10	\$279.18	\$205.08		\$10.25
Programmable Thermostat - Space Heating	\$108.00	\$1,960.70	\$1,852.70		\$92.64
Programmable Thermostat - Space Cooling	\$270.00	\$942.99	\$672.99		\$33.65
Timer - Outdoor Light	\$18.00	\$213.96	\$195.96		\$9.80
Timer - Indoor Light	\$18.00	\$96.34	\$78.34		\$3.92
Ceiling Fan	\$169.20	\$158.25	-\$10.95		-\$0.55
Program Costs	\$586.00	\$0.00	-\$586.00		-\$29.30
EDUCATION AND PROMOTION	\$10,108.30	\$0.00	-\$10,108.30		-\$505.42
ENERGY MANAGEMENT AUDIT PROGRAM	\$900.00	\$0.00	-\$900.00		-\$45.00
WEBSITE	\$4,839.87	\$0.00	-\$4,839.87		-\$241.99
LIGHTBULB GIVEAWAY	\$1,152.00	\$14,441.37	\$13,289.37	\$12.54	\$664.47
2006	\$540.00	\$6,764.23	\$6,224.23		\$311.21
2007	\$612.00	\$7,677.14	\$7,065.14		\$353.26
APPLIANCE SATURATION SURVEY	\$4,000.00	\$0.00	-\$4,000.00		-\$200.00
BLUELINE MONITOR PROGRAM	\$3,604.28	\$0.00	-\$3,604.28		-\$180.21
PROMOTIONAL KITS	\$7,889.64	\$7,950.32	\$60.68	\$1.01	\$3.03
BLACK OUT DAY GREAT CLOTHES LINE GIVE-A-WAY	\$2,340.00	\$4,846.99	\$2,506.99	2.07	\$125.35
SHOWER HEAD TECHNOLOGY PROMOTION	\$630.00	\$31,570.66	\$30,940.66	50.11	\$1,547.03
PHANTOM LOAD POWER BAR PROGRAM	\$2,535.60	\$0.00	-\$2,535.60		-\$126.78
RESIDENTIAL TIMER PROGRAM	\$4,447.35	\$22,949.67	\$18,502.32	5.16	\$925.12
GENERAL SERVICE < 50 KW					
SOCIAL HOUSING - REFRIGERATOR PROGRAM	\$1,008.00	\$1,038.37	\$30.37	1.03	\$1.52
LOW INCOME RETROFITS	\$1,984.50	\$3,747.90	\$1,763.40	1.89	\$88.17
T8s	\$850.50	\$2,602.60	\$1,752.10		\$87.60
Energy Star Refrigerator	\$1,134.00	\$1,145.30	\$11.30		\$0.56
SCHOOL PROGRAM	\$11,637.75	\$23,031.42	\$11,393.67	1.98	\$569.68
WINDOW TREATMENT FILM	\$10,000.00	\$7,250.76	-\$2,749.24	0.73	-\$137.46
UNMETERED SCATTERED LOAD					
TRAFFIC LIGHTS	-\$31,000.00	-\$40,014.28	-\$9,014.28	1.29	-\$450.71
TOTALS	\$37,758.39	\$85,746.73	\$47,988.34		\$2,399.42

ATTACHMENT D
LRAM & SSM Totals

Rate Class

	LRAM \$	SSM \$	TOTAL \$
<u>Third Tranche</u>			
RESIDENTIAL	\$2,320.43	\$2,328.22	\$4,648.66
GENERAL SERVICE >50KW	\$1,616.81	\$521.91	\$2,138.72
UNMETERED SCATTERED LOAD	\$4,991.94	-\$450.71	\$4,541.23
<u>OPA Programs</u>			
RESIDENTIAL	\$28,011.49		\$28,011.49
GENERAL SERVICE <50KW	\$8,326.73		\$8,326.73
GENERAL SERVICE >50KW	\$51,107.48		\$51,107.48
	\$96,374.89	\$2,399.42	\$98,774.31

ATTACHMENT E
LRAM & SSM Input Assumptions

Class	Free Rider Rate		Number of Units		Table Applied ¹		Discount Factor		Technology Life	
	LRAM	SSM	LRAM	SSM	LRAM	SSM	LRAM	SSM	LRAM	SSM
Third Tranche										
RESIDENTIAL										
LIGHTEN YOUR ELECTRICITY BILL										
15W CFL	10%		201			OEB	8.13%		8	4
LED Christmas Lights 5W	5%		40		OPA	OEB	8.13%		30	
LED Christmas Lights Mini Lights	5%		39		OPA	OEB	8.13%		30	
Programmable Thermostat - Space Heating	0%	10%	2		OPA	OEB	8.13%		15	18
Programmable Thermostat - Space Cooling	0%	10%	5		OPA	OEB	8.13%		15	18
Timer - Outdoor Light	10%		1		OPA	OEB	8.13%		10	20
Timer - Indoor Light	10%		1		OPA	OEB	8.13%		10	
Ceiling Fan	10%		4			OPA	8.13%		10	
LIGHTBULB GIVEAWAY										
	2006	10%	300		OPA	OEB	8.13%		8	4
	2007	10%	340		OPA	OEB	8.13%		8	4
PROMOTIONAL KITS										
BLACK OUT DAY GREAT CLOTHES LINE GIVE-A-WAY		10%	40		OPA	OEB	8.07%		10	
SHOWER HEAD TECHNOLOGY PROMOTION		10%	100		OPA	OEB	8.07%		10	12
RESIDENTIAL TIMER PROGRAM										
GENERAL SERVICE 50 TO 4,999 kW										
SOCIAL HOUSING - REFRIGERATOR PROGRAM		10%	16		OPA	OEB	8.07%		14	19
LOW INCOME RETROFITS										
T8s		10%	18			OEB	8.13%		5	
Energy Star Refrigerator		10%	18		OPA	OEB	8.13%		14	19
SCHOOL PROGRAM		10%	1,020		OPA	OEB	8.13%		8	4
WINDOW TREATMENT FILM						Direct Input	8.13%		1	
UNMETERED SCATTERED LOAD										
TRAFFIC LIGHTS						Direct Input	8.13%		5	

¹Tables

OEB: OEB Total Resource Cost Guide, Section 5, Assumptions and Measures List, September 8, 2005 - File: cdm_assumptionsmeasureslist_08092005.xls
OPA: 2009 Mass Market Measures and Assumptions, V1.02 April 2009, Ontario Power Authority - 16080_V_1_02_2009_MA_List_-_MM_14Apr_2009.pdf

PARRY SOUND POWER

Electricity Distribution Rates (Net of Regulatory Assets)

Rate Class		2009	2008	2007	2006	2005
RESIDENTIAL						
Distribution Charge	\$/kWh		0.0134		0.0142	0.0145
GENERAL SERVICE (< 50 kW Demand)						
Distribution Charge	\$/kWh		0.0103		0.0109	0.0117
GENERAL SERVICE (50 TO 4,999 kW)						
Distribution Charge	\$/kW		3.5778		3.7803	4.0404
UNMETERED SCATTERED LOAD						
Distribution Charge	\$/kWh		0.0498		0.0526	0.0516
SENTINEL LIGHTING						
Distribution Charge	\$/kW		6.6395		7.0153	6.9848
STREET LIGHTING						
Distribution Charge	\$/kW		4.1548		4.3899	4.5684

PARRY SOUND POWER

Approved Weighted Average Cost of Capital (WACC)

2005	%
2006	%
2007	%
2008	%

PARRY SOUND POWER

THIRD TRANCHE PROGRMS BY YEAR

	LRAM	SSM
2005		
Lighten Your Electricity Bill		
15W CFL	x	x
5W SLEDs	x	x
MINI SLEDs	x	x
Pstat - Space Heating	x	x
Pstat - Space Cooling	x	x
Timer - Outdoor Light	x	x
Timer - Indoor Light	x	x
Timer - Indoor Air Conditioner	x	x
Ceiling Fan	x	x
Energy Management Audit Program		x
2006		
Website		x
Education and Promotion		x
Light Bulb Giveaway - 13W	x	x
Appliance Saturation Survey		x
<u>Not Included</u>		
Spring EKC		
Fall EKC		
Smart Meter Development		
2007		
Website		x
Education and Promotion		x
Low Income Retrofits		
T8's	x	x
Energy Efficient Refrigerator	x	x
BlueLine Monitor Program		x
School Program - Dearness Environmental Study		x
Promotional Kits	x	x
Light Bulb Giveaway 13W	x	x
Conversion of Traffic Lights	x	x
Window Treatment Film	x	x
<u>Not Included</u>		
Spring EKC		
Fall EKC		

* Need to

Smart Meter Development		
2008		
Social Housing - Refrigerator Program	x	x
Blackout Day Great Clothes Line Give-a-way	x	x
Shower Heat Technology Promotion	x	x
Phantom Load Power Bar Program	x	x
Residential Timer Program	x	x
<u>Not Included</u>		
Smart Meter Development		