

Undertakings from Technical Conference held March 28, 2011

JT1.1 - Energy Probe

To provide the revenue forecast by rate class, based on original forecast, at 2010 rates, and then a second column showing distribution revenue by class, based on response to Energy Probe interrogatory No. 15 at 2010 rates.

Response

The revenue based on the original 2011 forecast at existing 2010 rates that was included in the application was \$26,857,308. The revenue at existing rates, based on the updated forecast from Energy Probe Interrogatory #15 is \$26,872,216. This is an increase of \$14,907 in distribution revenue.

The following tables include the details of the two forecasts:

**Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions
Revenue At Existing Rates**

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	459,406,923		562,798		7,995,709	6,582,001	14,577,711		14,577,711	54.28%
GS < 50 kW	121,437,543		52,228		1,783,761	1,517,310	3,301,071		3,301,071	12.29%
GS >50	623,806,670	1,806,009	10,180		2,169,282	6,979,877	9,149,159	392,476	8,756,683	32.60%
Large Use	0	0	0		0	0	0	0	0	0.00%
Sentinel Lights	292,817	809		6,722	7,005	1,053	8,058		8,058	0.03%
Street Lighting	7,467,591	20,107		148,892	56,525	29,942	86,467		86,467	0.32%
USL	2,335,428			5,582	98,507	28,811	127,318		127,318	0.47%
	1,214,746,971	1,826,926	625,206	161,196	12,110,790	15,138,994	27,249,784	392,476	26,857,308	100%

**Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions
Revenue At Existing Rates - Revised Forecast as per Energy Probe Interrogatory #15**

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	463,017,953		46,337		7,887,916	6,631,111	14,519,027		14,519,027	54.03%
GS < 50 kW	121,995,611		52,956		1,818,187	1,522,891	3,341,078		3,341,078	12.43%
GS >50	627,404,464	1,816,517	10,188		2,171,515	7,011,530	9,183,045	392,476	8,790,570	32.71%
Large Use	0	0	0		0	0	0	0	0	0.00%
Sentinel Lights	305,633	824		4,776	4,865	1,067	5,932		5,932	0.02%
Street Lighting	7,462,120	20,069		149,772	56,807	29,877	86,684		86,684	0.32%
USL	2,331,508			5,652	100,154	28,771	128,925		128,925	0.48%
	1,222,517,289	1,837,410	109,481	160,200	12,039,444	15,225,248	27,264,691	392,476	26,872,216	100%

The table below summarizes the differences between the forecasts:

	Original		Updated per EP IR #15		Difference (%)	Change in Percentage
	2011 Forecast at Existing Rates	%	2011 Forecast at Existing Rates	%		
Residential	14,577,711	54.28%	14,519,027	54.03%	(58,684)	-0.25%
GS < 50 kW	3,301,071	12.29%	3,341,078	12.43%	40,006	0.14%
GS >50	8,756,683	32.60%	8,790,570	32.71%	33,886	0.11%
Large Use	-	0.00%	-	0.00%	0	0.00%
Sentinel Lights	8,058	0.03%	5,932	0.02%	(2,126)	-0.01%
Street Lighting	86,467	0.32%	86,684	0.32%	217	0.00%
USL	127,318	0.47%	128,925	0.48%	1,608	0.01%
Total	26,857,308	100.0%	26,872,216	100.0%	14,907	0.00%

The original 2011 cost of power forecast that was included in the application was \$99,990,611, which was based on the original 2011 weather normalized load forecast of 1,214,746,971 kWh.

The updated 2011 weather normalized load forecast, from Energy Probe Interrogatory #15, is 1,222,517,289 kWh. This corresponding 2011 cost of power forecast is \$100,628,989. Note: the other elements of the cost of power forecast, such as the supply cost and transmission rates, were not changed in this update.

The details of original cost of power forecast are shown in the following table:

<u>Electricity - Commodity</u>	2011 Forecasted	2011 Loss			
Class per Load Forecast	Metered kWhs - RPP	Factor	2011		
Residential	388,590,040	1.0560	410,347,303	\$0.06215	\$25,503,085
Street Lighting	6,569,845	1.0560	6,937,692	\$0.06215	\$431,178
Sentinel Lighting	179,047	1.0560	189,072	\$0.06215	\$11,751
GS<50kW	101,825,576	1.0560	107,526,818	\$0.06215	\$6,682,792
GS>50kW	88,078,213	1.0560	93,009,737	\$0.06215	\$5,780,555
Intermediate		1.0560	0	\$0.06215	\$0
Unmetered Scattered Load	1,211,706	1.0560	1,279,549	\$0.06215	\$79,524
TOTAL	586,454,426		619,290,171		\$38,488,884

<u>Electricity - Commodity</u>	2011 Forecasted	2011 Loss			
Class per Load Forecast	Metered kWhs - Non-RPP	Factor	2011		
Residential	70,816,883	1.0560	74,781,940	\$0.06062	\$4,533,281
Street Lighting	897,746	1.0560	948,011	\$0.06062	\$57,468
Sentinel Lighting	113,770	1.0560	120,140	\$0.06062	\$7,283
GS<50kW	19,611,967	1.0560	20,710,046	\$0.06062	\$1,255,443
GS>50kW	535,728,457	1.0560	565,724,040	\$0.06062	\$34,294,191
Intermediate		1.0560	0	\$0.06062	\$0
Unmetered Scattered Load	1,123,722	1.0560	1,186,640	\$0.06062	\$71,934
TOTAL	628,292,545		663,470,818		\$40,219,601

<u>Transmission - Network</u>		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	485,129,243	\$0.0053	\$2,571,185
Street Lighting		kW	20,107	\$1.5063	\$30,288
Sentinel Lighting		kW	809	\$1.5139	\$1,225
GS<50kW		kWh	128,236,864	\$0.0049	\$628,361
GS>50kW		kW	1,806,009	\$1.9973	\$3,607,143
Intermediate		kW		\$0.0000	\$0
Unmetered Scattered Load		kWh	2,466,189	\$0.0049	\$12,084
TOTAL					\$6,850,285

Transmission - Connection		Volume Metric	2011		
Class per Load Forecast					
Residential		kWh	485,129,243	\$0.0046	\$2,231,595
Street Lighting		kW	20,107	\$1.2583	\$25,301
Sentinel Lighting		kW	809	\$1.2847	\$1,039
GS<50kW		kWh	128,236,864	\$0.0041	\$525,771
GS>50kW		kW	1,806,009	\$1.6277	\$2,939,642
Intermediate		kW	0	\$0.0000	\$0
Unmetered Scattered Load		kWh	2,466,189	\$0.0041	\$10,111
TOTAL					\$5,733,459

Wholesale Market Service			2011		
Class per Load Forecast					
Residential		kWh	485,129,243	\$0.0052	\$2,522,672
Street Lighting		kWh	7,885,703	\$0.0052	\$41,006
Sentinel Lighting		kWh	309,212	\$0.0052	\$1,608
GS<50kW		kWh	128,236,864	\$0.0052	\$666,832
GS>50kW		kWh	658,733,777	\$0.0052	\$3,425,416
Intermediate		kWh	0	\$0.0052	\$0
Unmetered Scattered Load		kWh	2,466,189	\$0.0052	\$12,824
TOTAL					\$6,670,357

Rural Rate Assistance			2011		
Class per Load Forecast					
Residential		kWh	485,129,243	\$0.0013	\$630,668
Street Lighting		kWh	7,885,703	\$0.0013	\$10,251
Sentinel Lighting		kWh	309,212	\$0.0013	\$402
GS<50kW		kWh	128,236,864	\$0.0013	\$166,708
GS>50kW		kWh	658,733,777	\$0.0013	\$856,354
Intermediate		kWh	0	\$0.0013	\$0
Unmetered Scattered Load		kWh	2,466,189	\$0.0013	\$3,206
TOTAL					\$1,667,589

2011	
4705-Power Purchased	\$78,708,485
4708-Charges-WMS	\$6,670,357
4714-Charges-NW	\$6,850,285
4716-Charges-CN	\$5,733,459
4730-Rural Rate Assistance	\$1,667,589
4750-Low Voltage	\$360,512
TOTAL	99,990,688

The details of the updated cost of power forecast are as follows:

<u>Electricity - Commodity</u>	2011 Forecasted	2011 Loss			
Class per Load Forecast	Metered kWhs - RPP	Factor	2011		
Residential	391,644,435	1.0560	413,572,715	\$0.06215	\$25,703,544
Street Lighting	6,565,032	1.0560	6,932,610	\$0.06215	\$430,862
Sentinel Lighting	186,883	1.0560	197,347	\$0.06215	\$12,265
GS<50kW	102,293,517	1.0560	108,020,959	\$0.06215	\$6,713,503
GS>50kW	88,586,203	1.0560	93,546,169	\$0.06215	\$5,813,894
Intermediate		1.0560	0	\$0.06215	\$0
Unmetered Scattered Load	1,209,672	1.0560	1,277,402	\$0.06215	\$79,391
TOTAL	590,485,742		623,547,201		\$38,753,459

<u>Electricity - Commodity</u>	2011 Forecasted	2011 Loss			
Class per Load Forecast	Metered kWhs - Non-RPP	Factor	2011		
Residential	71,373,518	1.0560	75,369,741	\$0.06062	\$4,568,914
Street Lighting	897,088	1.0560	947,316	\$0.06062	\$57,426
Sentinel Lighting	118,750	1.0560	125,399	\$0.06062	\$7,602
GS<50kW	19,702,094	1.0560	20,805,220	\$0.06062	\$1,261,212
GS>50kW	538,818,261	1.0560	568,986,844	\$0.06062	\$34,491,982
Intermediate		1.0560	0	\$0.06062	\$0
Unmetered Scattered Load	1,121,836	1.0560	1,184,648	\$0.06062	\$71,813
TOTAL	632,031,547		667,419,168		\$40,458,950

<u>Transmission - Network</u>		Volume			
Class per Load Forecast		Metric	2011		
Residential		kWh	488,942,456	\$0.0053	\$2,591,395
Street Lighting		kW	20,069	\$1.5063	\$30,230
Sentinel Lighting		kW	824	\$1.5139	\$1,247
GS<50kW		kWh	128,826,179	\$0.0049	\$631,248
GS>50kW		kW	1,816,517	\$1.9973	\$3,628,129
Intermediate		kW		\$0.0000	\$0
Unmetered Scattered Load		kWh	2,462,050	\$0.0049	\$12,064
TOTAL					\$6,894,314

Transmission - Connection		Volume Metric	2011		
Class per Load Forecast					
Residential		kWh	488,942,456	\$0.0046	\$2,249,135
Street Lighting		kW	20,069	\$1.2583	\$25,253
Sentinel Lighting		kW	824	\$1.2847	\$1,059
GS<50kW		kWh	128,826,179	\$0.0041	\$528,187
GS>50kW		kW	1,816,517	\$1.6277	\$2,956,745
Intermediate		kW	0	\$0.0000	\$0
Unmetered Scattered Load		kWh	2,462,050	\$0.0041	\$10,094
TOTAL					\$5,770,473

Wholesale Market Service			2011		
Class per Load Forecast					
Residential		kWh	488,942,456	\$0.0052	\$2,542,501
Street Lighting		kWh	7,879,926	\$0.0052	\$40,976
Sentinel Lighting		kWh	322,745	\$0.0052	\$1,678
GS<50kW		kWh	128,826,179	\$0.0052	\$669,896
GS>50kW		kWh	662,533,013	\$0.0052	\$3,445,172
Intermediate		kWh	0	\$0.0052	\$0
Unmetered Scattered Load		kWh	2,462,050	\$0.0052	\$12,803
TOTAL					\$6,713,025

Rural Rate Assistance			2011		
Class per Load Forecast					
Residential		kWh	488,942,456	\$0.0013	\$635,625
Street Lighting		kWh	7,879,926	\$0.0013	\$10,244
Sentinel Lighting		kWh	322,745	\$0.0013	\$420
GS<50kW		kWh	128,826,179	\$0.0013	\$167,474
GS>50kW		kWh	662,533,013	\$0.0013	\$861,293
Intermediate		kWh	0	\$0.0013	\$0
Unmetered Scattered Load		kWh	2,462,050	\$0.0013	\$3,201
TOTAL					\$1,678,256

2011	
4705-Power Purchased	\$79,212,408
4708-Charges-WMS	\$6,713,025
4714-Charges-NW	\$6,894,314
4716-Charges-CN	\$5,770,473
4730-Rural Rate Assistance	\$1,678,256
4750-Low Voltage	\$360,512
TOTAL	100,628,989

The change in rate base that results from the higher cost of power forecast is given in the following tables:

Original		
2011		
Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	6.36%
Short-Term Debt	4.00%	2.07%
Return On Equity	40.00%	9.85%
Weighted Debt Rate		6.07%
Regulated Rate of Return		7.58%

WORKING CAPITAL ALLOWANCE FOR 2011	
Distribution Expenses	
Distribution Expenses - Operation	3,573,690
Distribution Expenses - Maintenance	2,568,416
Billing and Collecting	4,195,729
Community Relations	81,464
Administrative and General Expenses	3,876,135
Taxes Other than Income Taxes	222,474
Less: Capital Taxes within G& A Expenses	-
Total Eligible Distribution Expenses	14,517,909
Power Supply Expenses	99,990,688
Total Working Capital Expenses	114,508,597
Working Capital Allowance rate of 15%	17,176,290

RATE BASE CALCULATION FOR 2011	
Fixed Assets Opening Balance 2011	100,989,102
Fixed Assets Closing Balance 2011	102,948,206
Average Fixed Asset Balance for 2011	101,968,654
Working Capital Allowance	17,176,290
Rate Base	119,144,943
Regulated Rate of Return	7.58%
Regulated Return on Capital	9,034,456
Deemed Interest Expense	4,340,146
Deemed Return on Equity	4,694,311

**Updated for Revised 2011 forecast
based on 2010 Actual customer counts & kWh**

2011

Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	6.36%
Short-Term Debt	4.00%	2.07%
Return On Equity	40.00%	9.85%
Weighted Debt Rate		6.07%
Regulated Rate of Return		7.58%

WORKING CAPITAL ALLOWANCE FOR 2011

Distribution Expenses	
Distribution Expenses - Operation	3,573,690
Distribution Expenses - Maintenance	2,568,416
Billing and Collecting	4,195,729
Community Relations	81,464
Administrative and General Expenses	3,876,135
Taxes Other than Income Taxes	222,474
Less: Capital Taxes within G& A Expenses	-
Total Eligible Distribution Expenses	14,517,909
Power Supply Expenses	100,628,989
Total Working Capital Expenses	115,146,898
Working Capital Allowance rate of 15%	17,272,035

RATE BASE CALCULATION FOR 2011

Fixed Assets Opening Balance 2011	100,989,102
Fixed Assets Closing Balance 2011	102,948,206
Average Fixed Asset Balance for 2011	101,968,654
Working Capital Allowance	17,272,035
Rate Base	119,240,688
Regulated Rate of Return	7.58%
Regulated Return on Capital	9,041,716
Deemed Interest Expense	4,343,633
Deemed Return on Equity	4,698,083

The resulting change to the 2011 PILs calculation is shown below:

2011 PILs Schedule - Original

Description	Source or Input	Tax Payable
Accounting Income	11' Rev Def	6,419,587
Tax Adj to Accounting Income	11' Rev Def	(131,884)
Taxable Income		6,287,703
Combined Income Tax Rate	PILs Rates	28.250%
Total Income Taxes		1,776,276
Investment Tax Credits		11,000
Apprentice Tax Credits		40,000
Other Tax Credits		-
Total PILs		1,725,276

2011 PILs Schedule-Updated

Description	Source or Input	Tax Payable
Accounting Income	11' Rev Def	6,429,705
Tax Adj to Accounting Income	11' Rev Def	(131,884)
Taxable Income		6,297,821
Combined Income Tax Rate	PILs Rates	28.250%
Total Income Taxes		1,779,135
Investment Tax Credits		11,000
Apprentice Tax Credits		40,000
Other Tax Credits		-
Total PILs		1,728,135

The table below shows the original 2011 forecast at existing rates and the revenue deficiency from the application, compared to the forecast at existing rates and revenue deficiency based on the update:

Niagara Peninsula Energy Revenue Deficiency Determination		Original from Application		Updated per EP IR#15	
Description	2011 Test Existing Rates	2011 Test - Required Revenue	2011 Test Existing Rates	2011 Test - Required Revenue	
Revenue					
Revenue Deficiency	0	3,378,275	0	3,373,486	
Distribution Revenue	26,857,308	26,857,308	26,872,216	26,872,216	
Other Operating Revenue (Net)	2,185,747	2,185,747	2,185,747	2,185,747	
Total Revenue	29,043,055	32,421,330	29,057,962	32,431,448	
Costs and Expenses					
Administrative & General, Billing & Collecting	8,153,328	8,153,328	8,153,328	8,153,328	
Operation & Maintenance	6,142,107	6,142,107	6,142,107	6,142,107	
Depreciation & Amortization	7,143,688	7,143,688	7,143,688	7,143,688	
Property Taxes	222,474	222,474	222,474	222,474	
Capital Taxes	0	0	0	0	
Deemed Interest	4,340,146	4,340,146	4,340,146	4,340,146	
Total Costs and Expenses	26,001,743	26,001,743	26,001,743	26,001,743	
Less OCT Included Above	0	0	0	0	
Total Costs and Expenses Net of OCT	26,001,743	26,001,743	26,001,743	26,001,743	
Utility Income Before Income Taxes	3,041,312	6,419,587	3,056,219	6,429,705	
Income Taxes:					
Corporate Income Taxes	798,315	1,725,276	802,443	1,728,135	
Total Income Taxes	798,315	1,725,276	802,443	1,728,135	
Utility Net Income	2,242,997	4,694,311	2,253,776	4,701,571	
Capital Tax Expense Calculation:					
Total Rate Base	119,144,943	119,144,943	119,240,688	119,240,688	
Exemption	15,000,000	15,000,000	15,000,000	15,000,000	
Deemed Taxable Capital	104,144,943	104,144,943	104,240,688	104,240,688	
Ontario Capital Tax	0	0	0	0	
Income Tax Expense Calculation:					
Accounting Income	3,041,312	6,419,587	3,056,219	6,429,705	
Tax Adjustments to Accounting Income	(131,884)	(131,884)	(131,884)	(131,884)	
Taxable Income	2,909,428	6,287,703	2,924,335	6,297,821	
Income Tax Expense	798,315	1,725,276	802,443	1,728,135	
Tax Rate Reflecting Tax Credits	27.44%	27.44%	27.44%	27.44%	
Actual Return on Rate Base:					
Rate Base	119,144,943	119,144,943	119,240,688	119,240,688	
Interest Expense	4,340,146	4,340,146	4,340,146	4,340,146	
Net Income	2,242,997	4,694,311	2,253,776	4,701,571	
Total Actual Return on Rate Base	6,583,143	9,034,456	6,593,921	9,041,716	
Actual Return on Rate Base	5.53%	7.58%	5.53%	7.58%	
Required Return on Rate Base:					
Rate Base	119,144,943	119,144,943	119,240,688	119,240,688	
Return Rates:					
Return on Debt (Weighted)	6.07%	6.07%	6.07%	6.07%	
Return on Equity	9.85%	9.85%	9.85%	9.85%	
Deemed Interest Expense	4,340,146	4,340,146	4,343,633	4,343,633	
Return On Equity	4,694,311	4,694,311	4,698,083	4,698,083	
Total Return	9,034,456	9,034,456	9,041,716	9,041,716	
Expected Return on Rate Base	7.58%	7.58%	7.58%	7.58%	
Revenue Deficiency After Tax	2,451,313	0	2,447,795	0	
Revenue Deficiency Before Tax	3,378,275	0	3,373,486	0	

JT1.2 - Energy Probe

To provide an updated response to either Energy Probe IR 25 or to this Technical Conference Question No. 8 that reflects actual 2010 capital additions and actual 2010 depreciation that would match the \$7,427,000 and change in the IR 6(b) response.

Response

The 2010 fixed asset continuity schedule from Energy Probe Interrogatory 6 b) is as follows:

Niagara Peninsula Energy Inc.
EB-2010-0138
Undertakings from Technical Conference
Filed March 31, 2011
Page 13 of 30

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

Cost						Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	507,274	0	0	507,274	0	0	0	0	507,274
1806	Land Rights	1,598,170	0	0	1,598,170	633,336	56,850	0	690,185	907,984
1808	Buildings and Fixtures	111,638	0	0	111,638	91,869	9,661	0	101,530	10,108
1810	Leasehold Improvements	0	0	0	0	0	0	0	0	0
1815	Transformer Station Equipment - Normally Primary	6,558,514	43,487	0	6,602,001	757,613	146,065	0	903,678	5,698,323
1820	Distribution Station Equipment - Normally Primary	4,507,465	476,632	0	4,984,097	2,809,726	144,935	0	2,954,661	2,029,436
1825	Storage Battery Equipment	0	0	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	28,665,012	1,960,627	0	30,625,639	14,461,696	853,783	0	15,315,479	15,310,160
1835	Overhead Conductors and Devices	31,395,023	1,528,973	0	32,923,995	15,490,537	1,204,418	0	16,694,955	16,229,040
1840	Underground Conduit	10,367,640	1,123,895	0	11,491,536	3,142,094	193,919	0	3,336,013	8,155,523
1845	Underground Conductors and Devices	54,396,854	1,943,735	0	56,340,589	28,314,738	2,350,896	0	30,665,633	25,674,956
1850	Line Transformers	31,103,686	1,075,315	0	32,179,000	15,981,171	1,138,826	0	17,119,997	15,059,003
1855	Services	3,459,629	394,289	0	3,853,918	626,179	154,154	0	780,333	3,073,584
1860	Meters	6,677,338	4,374,664	3,163,008	7,888,994	3,921,874	319,459	2,204,477	2,036,856	5,852,139
1865	Other Installations on Customer's Premises	440	0	0	440	0	0	0	0	440
1905	Land	508,970	0	0	508,970	0	0	0	0	508,970
1906	Land Rights	0	0	0	0	0	0	0	0	0
1908	Buildings and Fixtures	12,391,184	67,188	0	12,458,371	1,817,234	210,181	0	2,027,415	10,430,956
1910	Leasehold Improvements	120,252	0	0	120,252	120,252	0	0	120,252	(0)
1915	Office Furniture and Equipment	1,107,299	35,091	0	1,142,390	628,664	74,505	0	703,169	439,221
1920	Computer Equipment - Hardware	2,624,840	257,960	0	2,882,799	1,953,498	271,600	0	2,225,098	657,701
1925	Computer Software	1,920,006	250,022	0	2,170,029	1,735,390	389,828	0	2,125,218	44,810
1930	Transportation Equipment	5,484,897	869,037	0	6,353,934	3,706,634	455,515	0	4,162,149	2,191,786
1935	Stores Equipment	200,261	26,336	0	226,597	182,660	5,198	0	187,858	38,739
1940	Tools, Shop and Garage Equipment	1,566,110	94,973	0	1,661,083	1,257,226	67,354	0	1,324,580	336,503
1945	Measurement and Testing Equipment	183,146	5,700	0	188,846	133,421	28,686	0	162,107	26,739
1950	Power Operated Equipment	0	0	0	0	0	0	0	0	0
1955	Communication Equipment	158,934	9,662	0	168,596	92,379	20,926	0	113,305	55,291
1960	Miscellaneous Equipment	67,903	5,049	0	72,952	46,643	6,952	0	53,595	19,356
1970	Load Management Controls - Customer Premises	0	0	0	0	0	0	0	0	0
1975	Load Management Controls - Utility Premises	0	0	0	0	0	0	0	0	0
1980	System Supervisory Equipment	128,961	0	0	128,961	128,961	0	0	128,961	0
1985	Sentinel Lighting Rentals	0	0	0	0	0	0	0	0	0
1990	Other Tangible Property	0	0	0	0	0	0	0	0	0
1995	Contributions and Grants	(16,320,649)	(1,160,428)	0	(17,481,077)	(3,370,553)	(676,163)	0	(4,046,716)	(13,434,361)
2005	Property under Capital Lease	143,036	0	0	143,036	0	0	0	0	143,036
	Total before Work in Process	189,633,833	13,382,205	3,163,008	199,853,030	94,663,241	7,427,549	2,204,477	99,886,313	99,966,717
	Work in Process	0	0	0	0	0	0	0	0	0
	Total after Work in Process	189,633,833	13,382,205	3,163,008	199,853,030	94,663,241	7,427,549	2,204,477	99,886,313	99,966,717

The table below is in the format of Energy Probe interrogatory #25, but corresponds to the actual 2010 data:

Niagara Peninsula Energy Inc.
EB-2010-0138
Undertakings from Technical Conference
Filed March 31, 2011
Page 14 of 30

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Disposal	Additions	Closing Balance 2010	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense	Adjustments	Total Depreciation
		(a)	(b)	© =(a) - (b)	(c1)	(d)		(e)= (©-c1)+1.0x(d)	(f)	(g)=1/(f)	(h)=(e)/(f)	(i)	(j)=(h)+(i)
1805	Land	507,274	0	507,274			507,274	507,274			0	0	0
1806	Land Rights	1,598,170	0	1,598,170			1,598,170	1,598,170	25	0.04	63,927	(7,077)	56,850
1808	Buildings and Fixtures	111,638	0	111,638			111,638	111,638	25	0.04	4,466	5,196	9,661
1810	Leasehold Improvements	0	0	0			0	0			0	0	0
1815	Transformer Station Equipment - Normally Primary above 50 kV	6,558,514	0	6,558,514		43,487	6,602,001	6,602,001	40	0.03	165,050	(18,985)	146,065
1820	Distribution Station Equipment - Normally Primary below 50 kV	4,507,465	924,634	3,582,831		476,632	4,984,097	4,059,463	25	0.04	162,379	(17,443)	144,935
1825	Storage Battery Equipment	0	0	0			0	0			0	0	0
1830	Poles, Towers and Fixtures	28,665,012	8,329,566	20,335,446		1,960,627	30,625,639	22,296,073	25	0.04	891,843	(38,060)	853,783
1835	Overhead Conductors and Devices	31,395,023	2,048,498	29,346,525		1,528,973	32,923,995	30,875,497	25	0.04	1,235,020	(30,602)	1,204,418
1840	Underground Conduit	10,367,640	0	10,367,640		1,123,895	11,491,536	11,491,536	25	0.04	459,661	(265,743)	193,919
1845	Underground Conductors and Devices	54,396,854	321,277	54,075,577		1,943,735	56,340,589	56,019,312	25	0.04	2,240,772	110,123	2,350,896
1850	Line Transformers	31,103,686	3,366,951	27,736,735		1,075,315	32,179,000	28,812,049	25	0.04	1,152,482	(13,656)	1,138,826
1855	Services	3,459,629	0	3,459,629		394,289	3,853,918	3,853,918	25	0.04	154,157	(2)	154,154
1860	Meters	6,677,338	1,340,931	5,336,407	958,531	4,374,664	10,093,471	8,752,540	25	0.04	350,102	(30,643)	319,459
1865	Other Installations on Customer's Premises	440	0	440			440	440	25	0.04	18	(18)	0
1905	Land	508,970	0	508,970			508,970	508,970			0	0	0
1906	Land Rights	0	0	0			0	0			0	0	0
1908	Buildings and Fixtures	12,391,184	1,817,234	10,573,950		67,188	12,458,371	10,641,137	60	0.02	177,352	32,829	210,181
1910	Leasehold Improvements	120,252	120,252	(0)			120,252	(0)	3	0.33	(0)	0	0
1915	Office Furniture and Equipment	1,107,299	628,664	478,635		35,091	1,142,390	513,726	10	0.10	51,373	23,133	74,505
1920	Computer Equipment - Hardware	2,624,840	1,953,498	671,341		257,960	2,882,799	929,301	5	0.20	185,860	85,739	271,600
1925	Computer Software	1,920,006	1,735,390	184,616		250,022	2,170,029	434,638	1	1.00	434,638	(44,810)	389,828
1930	Transportation Equipment	5,484,897	3,706,634	1,778,263		869,037	6,353,934	2,647,301	8	0.13	330,913	124,602	455,515
1935	Stores Equipment	200,261	182,660	17,601		26,336	226,597	43,937	10	0.10	4,394	804	5,198
1940	Tools, Shop and Garage Equipment	1,566,110	1,257,226	308,884		94,973	1,661,083	403,857	10	0.10	40,386	26,969	67,354
1945	Measurement and Testing Equipment	183,146	133,421	49,725		5,700	188,846	55,425	5	0.20	11,085	17,601	28,686
1950	Power Operated Equipment	0	0	0			0	0			0	0	0
1955	Communication Equipment	158,934	92,379	66,555		9,662	168,596	76,217	4	0.25	19,054	1,872	20,926
1960	Miscellaneous Equipment	67,903	46,643	21,260		5,049	72,952	26,309	5	0.20	5,262	1,691	6,952
1970	Load Management Controls - Customer Premises	0	0	0			0	0			0	0	0
1975	Load Management Controls - Utility Premises	0	0	0			0	0			0	0	0
1980	System Supervisory Equipment	128,961	128,961	0			128,961	0	15	0.07	0	0	0
1985	Sentinel Lighting Rentals	0	0	0			0	0			0	0	0
1990	Other Tangible Property	0	0	0			0	0			0	0	0
1995	Contributions and Grants	(16,320,649)	0	(16,320,649)		(1,160,428)	(17,481,077)	(17,481,077)	25	0.04	(699,243)	23,080	(676,163)
2005	Property under Capital Lease	143,036	143,036	0			143,036	0	25	0.04	0	0	0
	Total before Work in Process	189,633,833	28,277,856	161,355,977	958,531	13,382,205	202,057,507	173,779,652			7,440,949	(13,400)	7,427,549
	Work in Process												
	Total after Work in Process	189,633,833	28,277,856	161,355,977	958,531	13,382,205	202,057,507	173,779,652			7,440,949	(13,400)	7,427,549

JT1.3 – VECC

To provide a response to VECC Technical question number 8c.

Response

Technical question 8c from VECC is asking NPEI to provide the materials provided by the third party which underpin NPEI's assertion that "NPEI's pay rates are competitive with other like-sized utilities in the Niagara Region"

The pre-filed evidence in Exhibit 4 pages 73 and 74 where this statement was made is as follows:

Union

The former Niagara Falls Hydro Inc. unionized staff and the office workers of the former Peninsula West Utilities Limited were represented by the IBEW Local 636. The linemen and engineering departments of the former Peninsula West Utilities were represented by the Construction Workers Union Local 303. Upon commencement of the merger on January 1, 2008, there were three union contracts in place. A formal set of contract negotiations was conducted and resulted in a harmonized three year collective agreement effective April 1, 2008. All NPEI unionized staff are now represented by the International Brotherhood of Electrical Workers Union (IBEW) Local 636. The settlement included annual wage increases of 3% per year and improvements to the benefits package as well as wage and benefit harmonization of all job classifications. All union increases in the 2011 budget are based on historical estimates as the current

union contract expires March 31, 2011. NPEI's pay rates are competitive with other like-sized LDCs in the Niagara Region.

As a result of the merger the pay equity plan was updated with the assistance of an outside consulting company in 2009. The unionized female dominated job classifications were evaluated with updated job descriptions. The result of the pay equity review was an increase in pay for two job classifications; billing clerk and customer service clerk. The payment was made in June 2010 and represented the period from November 1, 2008 to June 30, 2010. The total pay equity adjustment was \$49,000 or \$29,400 per year.

The pay equity project was completed by Cyr & Associates and the process was as follows;

A presentation to all staff by Cyr & Associates describing job evaluation, pay equity and the Employee position questionnaires was made in 2008.

Employee position questionnaires were completed by the union employees and reviewed by all levels of management.

All Employee position questionnaires were then forwarded to the consultant for the preparation of job descriptions.

Job descriptions were then reviewed by the unionized employees and all levels of management and corrections were made, if any.

The committee described in TCQ 8a commenced the process of point allocation into the following categories Know-How, Problem Solving, Accountability and Working Conditions.

Applying the Hay Guide Chart, points were allocated first to the Receptionist position in each of the above noted categories, which is the lowest job on the wage classification/position schedule.

The next position for point allocation was the Cashier. Points were then compared to the Receptionist position for reasonability. This process was continued up to the highest wage classification which is Lead Hand Lineman.

A summary spreadsheet reflecting the points allocated in each of the above noted categories by employee position was prepared by the consultant.

This spreadsheet was then reviewed and discussed by the committee identified in response to VECC TCQ 8a.

The final spreadsheet was approved and signed by the Business Union Manager and the President.

The method and result of pay equity has been included in Appendix A.

To answer the VECC's TCQ 8c, there was no material provided by the third party consultant related to the pay equity project that underpins NPEI's assertion that "NPEI's pay rates are competitive with other like-sized utilities in the Niagara Region".

The statement of "NPEI's pay rates are competitive with other like-sized utilities in the Niagara Region" is the last line of the first paragraph under the heading **Union**. The first paragraph describes the merging of the three unions into one in 2008 with the result of a harmonized union contract and the competitive statement was made. The second paragraph describes the pay equity project.

The competitive statement is referring to the first paragraph which is a process used by NPEI during labour negotiations. NPEI compares its lineman rate to other utilities in the province. Included in Appendix A is the spreadsheet used during the 2008 labour negotiation process. The lines highlighted in purple are the utilities in the Niagara Region and utilities of like-sized customer base and/or geographic area that NPEI compared itself to. NPEI is neither the leader nor trailer in its lineman rate and has competitive pay rates within the Niagara Region and with other like-sized utilities.

JT1.4 – SEC

To provide a revised table to that of the table provided in response to SEC technical conference question No. 1, attached to KT1.4 as Appendix A, taking fair market value out where it is still in.

Response

Please see below a revised Table 1.3 Revenue Deficiency 2006 to 2011 with 2010 Actuals updated to remove the following;

2008 – Removed \$1,161,103 of FMV depreciation expense – revised depreciation expense = \$6,571,652

2009 – Removed \$1,111,638 of FMV depreciation expense – revised depreciation expenses = \$6,642,438

Depreciation expense changed, Utility Income before Income Taxes changed, Corporate Income Taxes and Tax Adjustments to Accounting Income have been updated.

Revised Table 1.3 with FMV depreciation removed for 2008 and 2009

Niagara Peninsula Energy Revenue Deficiency Determination							Bridge vs 2010 Actual	2011 Test Existing Rates	2011 Test - Required Revenue
Description	2006	2007	2008	2009	2010 Bridge	2010 Actual			
Revenue									
Revenue Deficiency	0	0	0	0	0	0		0	3,378,275
Distribution Revenue	24,283,344	25,802,563	25,731,545	25,714,295	25,989,747	25,851,420	(138,327)	26,857,308	26,857,308
Other Operating Revenue (Net)	2,260,825	2,503,646	1,960,023	2,300,073	1,999,852	1,972,628	(27,224)	2,185,747	2,185,747
Total Revenue	26,544,169	28,306,209	27,691,568	28,014,368	27,989,599	27,824,048	(165,551)	29,043,055	32,421,330
Costs and Expenses									
Administrative & General, Billing & Collecting	6,996,933	7,271,213	7,272,731	7,528,149	7,766,452	7,837,306	70,853	8,153,328	8,153,328
Operation & Maintenance	5,555,764	5,950,110	5,519,882	5,542,515	5,935,146	5,690,750	(244,396)	6,142,107	6,142,107
Depreciation & Amortization	6,667,024	6,896,734	6,571,652	6,642,438	7,000,940	7,014,282	13,342	7,143,688	7,143,688
Property Taxes	194,863	201,207	231,271	215,254	232,000	219,631	(12,369)	222,474	222,474
Capital Taxes	219,248	193,300	207,218	250,731	83,846	83,846	0	0	0
Deemed Interest	3,357,626	3,470,003	3,874,940	4,375,681	4,100,818	4,133,886	33,069	4,340,146	4,340,146
Total Costs and Expenses	22,991,458	23,982,567	23,677,694	24,554,768	25,119,202	24,979,700	(139,502)	26,001,743	26,001,743
Less OCT Included Above	(219,248)	(193,300)	(207,218)	(250,731)	(83,846)	(83,846)	0	0	0
Total Costs and Expenses Net of OCT	22,772,210	23,789,267	23,470,476	24,304,037	25,035,356	24,895,854	(139,502)	26,001,743	26,001,743
Utility Income Before Income Taxes	3,771,959	4,516,942	4,221,092	3,710,331	2,954,243	2,928,194	(26,049)	3,041,312	6,419,587
Income Taxes:									
Corporate Income Taxes	1,987,152	1,520,059	1,579,153	1,072,822	893,733	698,485	(195,249)	798,315	1,725,276
Total Income Taxes	1,987,152	1,520,059	1,579,153	1,072,822	893,733	698,485	(195,249)	798,315	1,725,276
Utility Net Income	1,784,806	2,996,883	2,641,938	2,637,509	2,060,510	2,229,709	169,199	2,242,997	4,694,311
Capital Tax Expense Calculation:									
Total Rate Base	94,183,053	97,335,286	101,964,324	108,236,325	114,503,962	115,427,312	923,350	119,144,943	119,144,943
Exemption	10,000,000	12,500,000	15,000,000	15,000,000	15,000,000	15,000,000	0	15,000,000	15,000,000
Deemed Taxable Capital	84,183,053	84,835,286	86,964,324	93,236,325	99,503,962	100,427,312	923,350	104,144,943	104,144,943
Ontario Capital Tax	219,248	193,300	207,218	250,731	83,846	83,846	0	0	0
Income Tax Expense Calculation:									
Accounting Income	3,771,959	4,516,942	4,221,092	3,710,331	2,954,243	2,928,194	(26,049)	3,041,312	6,419,587
Tax Adjustments to Accounting Income	1,870,700	(167,454)	574,244	(304,881)	93,207	(300,064)	(393,270)	(131,884)	(131,884)
Taxable Income	5,642,659	4,349,488	4,795,336	3,405,450	3,047,450	2,628,130	(419,320)	2,909,428	6,287,703
Income Tax Expense	1,987,152	1,520,059	1,579,153	1,072,822	893,733	698,485	(195,249)	798,315	1,725,276
Tax Rate Reflecting Tax Credits	35.22%	34.95%	32.93%	31.50%	29.33%	26.58%	(2.75)	27.44%	27.44%
Actual Return on Rate Base:									
Rate Base	94,183,053	97,335,286	101,964,324	108,236,325	114,503,962	115,427,312	923,350	119,144,943	119,144,943
Interest Expense	3,357,626	3,470,003	3,874,940	4,375,681	4,100,818	4,133,886	33,069	4,340,146	4,340,146
Net Income	1,784,806	2,996,883	2,641,938	2,637,509	2,060,510	2,229,709	169,199	2,242,997	4,694,311
Total Actual Return on Rate Base	5,142,432	6,466,886	6,516,878	7,013,189	6,161,327	6,363,595	202,268	6,583,143	9,034,456
Actual Return on Rate Base	5.46%	6.64%	6.39%	6.48%	5.38%	5.51%	0.13	5.53%	7.58%
Required Return on Rate Base:									
Rate Base	94,183,053	97,335,286	101,964,324	108,236,325	114,503,962	115,427,312	923,350	119,144,943	119,144,943
Return Rates:									
Return on Debt (Weighted)	6.64%	6.62%	6.85%	6.09%	5.97%	5.97%	0.00	6.07%	6.07%
Return on Equity	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	0.00	9.85%	9.85%
Deemed Interest Expense	3,357,626	3,470,003	3,874,940	4,375,681	4,100,818	4,133,886	33,069	4,340,146	4,340,146
Return on Equity	4,238,237	4,380,088	4,285,561	4,217,970	4,122,143	4,155,383	33,241	4,694,311	4,694,311
Total Return	7,595,863	7,850,091	8,160,501	8,593,650	8,222,960	8,289,269	66,309	9,034,456	9,034,456
Expected Return on Rate Base	8.07%	8.07%	8.00%	7.94%	7.18%	7.18%	0.00	7.58%	7.58%
Revenue Deficiency After Tax	2,453,431	1,383,205	1,643,622	1,580,461	2,061,633	1,925,674	(135,958)	2,451,313	0
Revenue Deficiency Before Tax	3,787,129	2,126,306	2,450,645	2,307,347	2,917,154	2,622,722	(294,432)	3,378,275	0

Corporate Income Taxes for 2008 and 2009 are as follows:

2008 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	11' Rev Def	4,221,092
Tax Adj to Accounting Income	11' Rev Def	574,244
Taxable Income		4,795,336
Combined Income Tax Rate	PILs Rates	33.500%
Total Income Taxes		1,606,437
Investment Tax Credits		6,000
Apprentice Tax Credits		21,284
Other Tax Credits		-
Total PILs		1,579,153

2009 PILs Schedule

Description	Source or Input	Tax Payable
Accounting Income	11' Rev Def	3,710,331
Tax Adj to Accounting Income	11' Rev Def	(304,881)
Taxable Income		3,405,450
Combined Income Tax Rate	PILs Rates	33.000%
Total Income Taxes		1,123,798
Investment Tax Credits		11,039
Apprentice Tax Credits		39,937
Other Tax Credits		-
Total PILs		1,072,822

See Appendix B for the Tax Adjustments to Accounting Income for 2008 and 2009 and Appendix C for the 2008 and 2009 T2S(1)'s

JT1.5 – SEC

To provide fuller explanation as to why the table it shows, when the rate base is going up, depreciation is going down, and to include the actual numbers and what they relate to.

Response

As per the above revised Table 1.3 the 2007 Depreciation expense is \$6,896,734 and the updated 2008 Depreciation expense after removing the depreciation for the FMV bump is \$6,571,652. Depreciation decreased \$325,082. In 2008, the net additions to capital assets per Table 2-10 of Exhibit 2 page 40 was \$11,683,477 see below. Below please see Table 2-9 2007 Fixed Asset Continuity Schedule and Table 2-8 2008 Fixed Asset Continuity Schedule of the pre-filed evidence, Exhibit 2 pages 39 and 40.

Niagara Peninsula Energy Inc.
EB-2010-0138
Undertakings from Technical Conference
Filed March 31, 2011
Page 23 of 30

EB-2010-0138
Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2007

Cost						Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	508,596	0	1,322	507,274	0	0	0	0	507,274
1806	Land Rights	1,568,139	30,031	0	1,598,170	463,824	55,811	0	519,636	1,078,534
1808	Buildings and Fixtures	420,799	18,296	327,457	111,638	335,758	64,246	327,457	72,547	39,091
1810	Leasehold Improvements	0	0	0	0	0	0	0	0	0
1815	Transformer Station Equipment - Normally Prim	6,558,514	0	0	6,558,514	317,498	149,784	0	467,282	6,091,232
1820	Distribution Station Equipment - Normally Prima	4,230,984	0	0	4,230,984	2,427,739	132,474	0	2,560,214	1,670,771
1825	Storage Battery Equipment	0	0	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	21,924,921	2,901,140	0	24,826,061	11,645,050	1,404,991	0	13,050,041	11,776,020
1835	Overhead Conductors and Devices	23,941,437	2,527,454	0	26,468,891	11,890,795	1,070,561	0	12,961,356	13,507,535
1840	Underground Conduit	8,585,316	660,180	0	9,245,495	2,465,699	397,315	0	2,863,014	6,382,482
1845	Underground Conductors and Devices	48,479,520	1,978,131	0	50,457,651	22,021,746	1,879,270	0	23,901,017	26,556,635
1850	Line Transformers	27,303,981	2,048,116	105,800	29,246,297	13,467,775	1,018,706	105,800	14,380,682	14,865,615
1855	Services	2,090,647	701,366	0	2,792,013	226,879	79,824	0	306,703	2,485,310
1860	Meters	6,539,118	334,706	48,681	6,825,143	3,725,600	215,730	48,681	3,892,649	2,932,494
1865	Other Installations on Customer's Premises	440	0	0	440	0	0	0	0	440
1905	Land	287,879	0	58,415	229,465	0	0	0	0	229,465
1906	Land Rights	0	0	0	0	0	0	0	0	0
1908	Buildings and Fixtures	5,753,399	430,422	324,974	5,858,847	1,596,450	113,329	183,719	1,526,060	4,332,787
1910	Leasehold Improvements	120,252	0	0	120,252	119,367	885	0	120,252	(0)
1915	Office Furniture and Equipment	857,495	18,181	0	875,676	581,761	69,624	0	651,385	224,291
1920	Computer Equipment - Hardware	1,812,356	101,762	0	1,914,118	1,379,596	168,175	0	1,547,771	366,346
1925	Computer Software	2,006,402	62,326	0	2,068,728	1,706,355	216,665	0	1,923,020	145,708
1930	Transportation Equipment	4,172,236	227,707	30,345	4,369,598	2,910,096	268,303	30,345	3,148,054	1,221,544
1935	Stores Equipment	182,171	0	0	182,171	177,140	1,717	0	178,857	3,314
1940	Tools, Shop and Garage Equipment	1,418,505	60,052	0	1,478,557	1,011,737	89,528	0	1,101,265	377,292
1945	Measurement and Testing Equipment	164,903	0	0	164,903	51,477	14,131	0	65,608	99,295
1950	Power Operated Equipment	0	0	0	0	0	0	0	0	0
1955	Communication Equipment	117,971	1,866	0	119,837	81,606	1,942	0	83,548	36,289
1960	Miscellaneous Equipment	38,089	0	0	38,089	38,089	0	0	38,089	0
1970	Load Management Controls - Customer Premises	0	0	0	0	0	0	0	0	0
1975	Load Management Controls - Utility Premises	0	0	0	0	0	0	0	0	0
1980	System Supervisory Equipment	128,961	0	0	128,961	111,765	8,598	0	120,363	8,598
1985	Sentinel Lighting Rentals	0	0	0	0	0	0	0	0	0
1990	Other Tangible Property	0	0	0	0	0	0	0	0	0
1995	Contributions and Grants	(11,726,656)	(1,683,128)	0	(13,409,784)	(1,633,889)	(524,878)	0	(2,158,767)	(11,251,017)
2005	Property under Capital Lease	143,036	0	0	143,036	0	0	0	0	143,036
	Total before Work in Process	157,629,412	10,418,607	896,994	167,151,025	77,119,914	6,896,734	696,003	83,320,645	83,830,379
0	Work in Process	0			0	0	0	0	0	0
	Total after Work in Process	157,629,412	10,418,607	896,994	167,151,025	77,119,914	6,896,734	696,003	83,320,645	83,830,379

EB-2010-0138
Fixed Asset Continuity Schedule (Distribution & Operations)
As at December 31, 2008

Cost						Accumulated Depreciation				
OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
1805	Land	507,274	0	0	507,274	0	0	0	0	507,274
1806	Land Rights	1,598,170	0	0	1,598,170	519,636	56,850	2,649	573,837	1,024,333
1808	Buildings and Fixtures	111,638	0	0	111,638	72,547	9,661	0	82,208	29,430
1810	Leasehold Improvements	0	0	0	0	0	0	0	0	0
1815	Transformer Station Equipment - Normally Prim	6,558,514	0	0	6,558,514	467,282	145,353	0	612,635	5,945,879
1820	Distribution Station Equipment - Normally Prima	4,230,984	0	0	4,230,984	2,560,214	123,642	0	2,683,856	1,547,129
1825	Storage Battery Equipment	0	0	0	0	0	0	0	0	0
1830	Poles, Towers and Fixtures	24,826,061	1,856,704	0	26,682,765	13,050,041	1,099,411	0	14,149,452	12,533,313
1835	Overhead Conductors and Devices	26,468,891	2,865,321	0	29,334,212	12,961,356	882,310	0	13,843,666	15,490,546
1840	Underground Conduit	9,245,495	650,997	0	9,896,492	2,863,014	130,117	0	2,993,131	6,903,362
1845	Underground Conductors and Devices	50,457,651	1,738,623	0	52,196,274	23,901,017	2,136,042	0	26,037,059	26,159,216
1850	Line Transformers	29,246,297	1,189,608	311,755	30,124,150	14,380,682	1,057,917	311,755	15,126,844	14,997,306
1855	Services	2,792,013	342,962	0	3,134,975	306,703	181,093	0	487,796	2,647,179
1860	Meters	6,825,143	200,905	0	7,026,048	3,892,649	221,880	0	4,114,529	2,911,519
1865	Other Installations on Customer's Premises	440	0	0	440	0	0	0	0	440
1905	Land	229,465	0	0	229,465	0	0	0	0	229,465
1906	Land Rights	0	0	0	0	0	0	0	0	0
1908	Buildings and Fixtures	5,858,847	4,146,632	0	10,005,479	1,526,060	169,300	0	1,695,360	8,310,119
1910	Leasehold Improvements	120,252	0	0	120,252	120,252	0	0	120,252	(0)
1915	Office Furniture and Equipment	875,676	174,930	104,959	945,647	651,385	50,620	139,460	562,545	383,102
1920	Computer Equipment - Hardware	1,914,118	525,453	0	2,439,571	1,547,771	189,220	0	1,736,991	702,579
1925	Computer Software	2,068,728	208,496	726,433	1,550,791	1,923,020	276,982	726,433	1,473,569	77,222
1930	Transportation Equipment	4,369,598	576,543	0	4,946,141	3,148,054	280,151	0	3,428,205	1,517,936
1935	Stores Equipment	182,171	0	0	182,171	178,857	1,717	0	180,574	1,597
1940	Tools, Shop and Garage Equipment	1,478,557	38,218	0	1,516,775	1,101,265	87,362	0	1,188,627	328,148
1945	Measurement and Testing Equipment	164,903	6,083	0	170,986	65,608	40,663	0	106,271	64,715
1950	Power Operated Equipment	0	0	0	0	0	0	0	0	0
1955	Communication Equipment	119,837	28,326	34,501	113,662	83,548	1,145	0	84,693	28,969
1960	Miscellaneous Equipment	38,089	24,228	0	62,317	38,089	3,654	0	41,743	20,574
1970	Load Management Controls - Customer Premis	0	0	0	0	0	0	0	0	0
1975	Load Management Controls - Utility Premises	0	0	0	0	0	0	0	0	0
1980	System Supervisory Equipment	128,961	0	0	128,961	120,363	8,598	0	128,961	0
1985	Sentinel Lighting Rentals	0	0	0	0	0	0	0	0	0
1990	Other Tangible Property	0	0	0	0	0	0	0	0	0
1995	Contributions and Grants	(13,409,784)	(1,712,904)	0	(15,122,688)	(2,158,767)	(582,036)	0	(2,740,803)	(12,381,885)
2005	Property under Capital Lease	143,036	0	0	143,036	0	0	0	0	143,036
	Total before Work in Process	167,151,025	12,861,125	1,177,648	178,834,502	83,320,645	6,571,652	1,180,297	88,712,000	90,122,501
	Work in Process	0	0	0	0	0	0	0	0	0
	Total after Work in Process	167,151,025	12,861,125	1,177,648	178,834,502	83,320,645	6,571,652	1,180,297	88,712,000	90,122,501

The main reason depreciation expense decreased in 2008 from 2007 was due to Accounts 1830 and 1835 depreciation expense decreasing.

The Total Depreciation expense for Accounts 1830 and 1835 for 2007 was \$2,475,552 (\$1,404,991 + \$1,070,561) of which Peninsula West Utilities portion was \$1,525,773 and Niagara Falls Hydro's portion was \$949,779.

The Total Depreciation expense for Accounts 1830 and 1835 for 2008 was \$1,981,721 (1,099,411+882,310) which included 2008 additions of \$4,722,025 (1,856,704+2,865,321) of which Peninsula West Utilities portion was \$865,671.

Total Depreciation expense for both of the former utilities in 2007 and the merger NPEI for Accounts 1830 and 1835 can be summarized as follows:

Account	2007	2008	Difference
1830	1,404,991	1,099,411	305,580
1835	1,070,561	882,310	188,251
	<u>2,475,552</u>	<u>1,981,721</u>	<u>493,831</u>

Separate deprecation schedules exist for Peninsula West Utilities and Niagara Falls Hydro.

The following Table summarizes the depreciation expense by account for Peninsula West Utilities for 2007 and 2008.

All additions of the merged company NPEI are being accounted for on the former Niagara Falls Hydro depreciation spreadsheets and the former Peninsula West Utilities spreadsheets will remain constant and be accounted for until the assets are fully depreciated.

Depreciation Summary

		2007	2008	2008	Total	Difference in
		PWU only	PWU only	old NF+new additions		PWU only from 2007 to 2008
Buildings & Building Fixtures Victoria Ave.	1808			9,661	9,661	-
Buildings Transmission Station	1708/1740/1745			76,435	76,435	-
Transmission Station Equipment	1715/1815			68,918	68,918	-
Land Rights - PW Easement	1801	55,811	56,850		56,850	(1,039)
Distribution Station	1820			88,709	88,709	-
Distribution Station - Pelham	1820	3,132	3,132		3,132	-
Distribution Station - Station	1820	15,536	15,536		15,536	-
Distribution Station - Smithville	1820	2,579	2,579		2,579	-
Distribution Station - Campden	1820	8,740	5,207		5,207	3,533
Distribution Station - Jordan	1820	8,082	4,991		4,991	3,091
Distribution Station - Greenlane	1820	5,696	3,488		3,488	2,208
Dist Station Overhead: Poles PW	1830-1835 PW	1,525,773	865,671		865,671	660,103
Dist Station Overhead: Conductors & Devices	1830-1835			1,115,264	1,115,264	-
Dist Station U/G: Conductors & Device	1840			130,117	130,117	-
Dist Station Underground	1845			1,802,416	1,802,416	-
Services Underground	1840-1845 PW	407,784	389,322		389,322	18,462
Line Transformers	1850-1851-1852			690,400	690,400	-
Line Transformers PW	1850 PW	380,351	367,518		367,518	12,832
Services	1855-1856	31,853	31,853	93,543	125,396	-
Meters	1860			134,733	134,733	-
Meters PW	1860 PW	87,147	87,147		87,147	-
Street Lights and Signal	1875			786	786	-
Contributed Capital	1995			(350,345)	(350,345)	-
Contributed Capital PW	1995	(267,783)	(231,691)		(231,691)	(36,092)
Building & Fixtures Pin Oak	1908			169,300	169,300	-
Leasehold Improvement	1910	885	-		-	885
Office Equipment	1915	27,307	21,600	29,020	50,620	5,707
Computer Equip	1920	32,356	39,600	149,620	189,220	(7,244)
Computer Software	1925	156,562	73,578	203,404	276,982	82,984
Automobile	1930	123,382	128,400		128,400	(5,018)
Vehicles: <3 Ton	1931			33,002	33,002	-
Vehicles: >3 Ton	1932			115,729	115,729	-
Vehicles: Other	1933			3,020	3,020	-
Stores Equipment	1935			1,717	1,717	-
Tools	1940	24,165	22,800	64,562	87,362	1,365
Measurement & Testing Equip	1945	12,545	13,200	27,463	40,663	(655)
Communication Equipment	1955			1,145	1,145	-
Miscellaneous Equip	1960			3,654	3,654	-
System Supervisory Equip	1980			8,597	8,597	-
Per F/S		2,641,905	1,900,782	4,670,870	6,571,652	741,124

The total depreciation expense for PWU of \$2,641,905 agrees to its 2007 audited financial statements in the pre-filed evidence Exhibit 1 page 148. The decrease in 2008's depreciation expense of the merged utility is arising from the former PWU accounts 1830 and 1835.

As stated in the Technical Conference hearing beginning on page 14 line 27, there were Hydro One assets purchased by the former PWU that dropped off the depreciation schedules in 2007. I incorrectly stated these assets were from 2000 and had a life of eight years. These assets were from 1998 and had a life of 10 years. However, these assets are the main reason depreciation expense decreased.

Attached in Appendix D is the former PWU depreciation spreadsheet for accounts 1830 and 1835. Under the column labeled Ont. Hydro 1998, highlighted in pink, these assets had an annual depreciation expense of \$843,134 in 2007 and then decreased to \$184,329 in 2008 resulting in a decrease of \$658,805.

JT1.6 – SEC

To provide calculation of change in deemed interest.

Response

Please see Table a) below detailing the calculation of Deemed Interest of \$4,340,146 for 2011 Test at Existing Rates and Table b) detailing the calculation of Deemed Interest of \$3,604,634 for 2011 Test at Existing Rates using a weighted average cost of debt of 5.25%.

Table a)

2011		
Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	6.36%
Short-Term Debt	4.00%	2.07%
Return On Equity	40.00%	9.85%
Weighted Debt Rate		6.07%
Regulated Rate of Return		7.58%

WORKING CAPITAL ALLOWANCE FOR 2011	
Distribution Expenses	
Distribution Expenses - Operation	3,573,690
Distribution Expenses - Maintenance	2,568,416
Billing and Collecting	4,195,729
Community Relations	81,464
Administrative and General Expenses	3,876,135
Taxes Other than Income Taxes	222,474
Less: Capital Taxes within G& A Expenses	-
Total Eligible Distribution Expenses	14,517,909
Power Supply Expenses	99,990,688
Total Working Capital Expenses	114,508,597
Working Capital Allowance rate of 15%	17,176,290

RATE BASE CALCULATION FOR 2011	
Fixed Assets Opening Balance 2011	100,989,102
Fixed Assets Closing Balance 2011	102,948,206
Average Fixed Asset Balance for 2011	101,968,654
Working Capital Allowance	17,176,290
Rate Base	119,144,943
Regulated Rate of Return	7.58%
Regulated Return on Capital	9,034,456
Deemed Interest Expense	4,340,146
Deemed Return on Equity	4,694,311

Table b)

2011		
Description	Deemed Portion	Effective Rate
Long-Term Debt	56.00%	5.25%
Short-Term Debt	4.00%	2.07%
Return On Equity	40.00%	9.85%
Weighted Debt Rate		5.04%
Regulated Rate of Return		6.97%

WORKING CAPITAL ALLOWANCE FOR 2011	
Distribution Expenses	
Distribution Expenses - Operation	3,573,690
Distribution Expenses - Maintenance	2,568,416
Billing and Collecting	4,195,729
Community Relations	81,464
Administrative and General Expenses	3,876,135
Taxes Other than Income Taxes	222,474
Less: Capital Taxes within G& A Expenses	-
Total Eligible Distribution Expenses	14,517,909
Power Supply Expenses	99,990,688
Total Working Capital Expenses	114,508,597
Working Capital Allowance rate of 15%	17,176,290

RATE BASE CALCULATION FOR 2011	
Fixed Assets Opening Balance 2011	100,989,102
Fixed Assets Closing Balance 2011	102,948,206
Average Fixed Asset Balance for 2011	101,968,654
Working Capital Allowance	17,176,290
Rate Base	119,144,943
Regulated Rate of Return	6.97%
Regulated Return on Capital	8,298,945
Deemed Interest Expense	3,604,634
Deemed Return on Equity	4,694,311

Appendix A – Pay Equity and Lineman pay rate comparison 2008

**Niagara Peninsula Energy Inc.
& Local 636 IBEW
2009 Pay Equity Plan**

Niagara Peninsula Energy Inc. 2009 Pay Equity Plan - Amended Posting

A. Date of Posting

Pay Equity Maintenance Posting – November 1st, 2008

B. Establishment

This plan refers to all employees of Niagara Peninsula Energy Inc. represented by Local 636 of the International Brotherhood of Electrical Workers located at 7447 Pin Oak Drive, Niagara Falls, Ontario, L2E 6S9.

C. Jobs Classes Covered by this Plan

Female and Male Dominated Job classes in this bargaining unit as at November 1st, 2008 are listed below:

Female:

Male:

Receptionist/ Switchboard Operator	Labourer
Cashier	Storekeeper
Operations Assistant	Maintenance Handyman
Engineering Assistant	GIS Technician
Business Development Coordinator	Groundman/Assistant Storekeeper
Customer Service Clerk	GIS Technologist
Junior Accounting Clerk	Engineering Technician
Billing Clerk	Meter Technician
Retail Settlement Clerk	Control Centre Technician
	Lead Hand Utility Technician
	Quality Assurance Specialist
	Vehicle Technician
	Senior Engineering Technician
	Lead Vehicle Technician
	Journeyman Lineman
	Lead Hand Lineman

Note: There are no gender-neutral jobs in this bargaining unit as of the date of the plan.

D. Method of Comparison

The original method of comparison used in 1999 was the Hay Chart/Guide method of job evaluation. We have continued to use this plan to evaluate jobs in the organization, with the intention of updating and maintaining the plan. This is a Point Factor Job Evaluation plan incorporating measures of skill, effort, responsibility and working conditions. This method of job evaluation is described in more detail in Appendix A.

Further, each job has been evaluated and rated when the plan was established, or through a maintenance process by the Joint Job Evaluation Committee comprised of employees and representatives of the bargaining unit as well as management trained on job evaluation with the organization. For each unique job class, Job Questionnaires were completed by job incumbents, signed off by managers and incumbents and approved by the Joint Job Evaluation Committee.

The male comparators for female dominated positions are listed below in Section E. If no appropriate male comparator existed, the Proportional Value method was used. This method normally includes all male job classes or a representative group of male job classes within the pay equity plan and proportionally compares the evaluated points and subsequent pay to those of the female dominated position to determine if any adjustment is required.

E. Pay Equity Maintenance Results & Status

The original Pay Equity plan was created in approximately 1999. As a result of changes in the business and the normal evolution of jobs in the organization, the plan has been updated and revised. Some changes and adjustments were required for maintenance purposes.

The following chart outlines the pay equity maintenance status for job classes effective November 1st, 2008:

Job Class and Pay Equity Adjustments as of September 1st, 2009:

Female Job Class	Male Comparator	Pay Equity Adjustment Required to Maintain Pay Equity as at November 1 st , 2008.
Receptionist	No male comparator – PV Analysis	None
Cashier	No male comparator – PV Analysis	None
Operations Assistant	Labourer	None
Engineering Assistant	Labourer	None
Business Development Coordinator	No male comparator – PV Analysis	None
Customer Service Clerk	No male comparator – PV Analysis	\$0.80 per hour
Junior Accounting Clerk	No male comparator – PV Analysis	None
Billing Clerk	No male comparator – PV Analysis	\$1.03 per hour
Retail Settlement Clerk	No male comparator – PV Analysis	\$0.09 per hour

F. Permissible Differences

There are no positions currently being paid above the posted levels in the union agreement.

G. Further Information

For further information, please contact Paula Milot, Human Resources Manager.

H. Approval

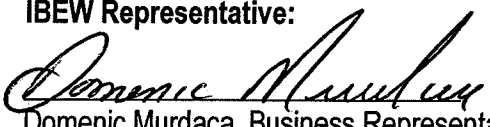
Management:



Brian Wilkie, President & CEO

June 10/10
Date

IBEW Representative:



Domenic Murdaca, Business Representative

June 10/10
Date

Appendix A - The Hay Method of Job Evaluation

The Hay Method of job evaluation provides a means of measuring the four essential factors specified in the Ontario Pay Equity Act. Each factor, as defined, is free of gender bias and is widely applicable. The focus of the job evaluation process is on the nature and requirements of the job itself, and not on the skills, educational background, personal characteristics or current pay level of the job holder.

The Hay Method is based on the notion that jobs can be measured on the basis of their relative contribution to the overall objectives of the organization. This is reflected in the use of four factors which include the knowledge and skill required to do the job, the thinking needed to solve the problems faced, the answerability for actions and their consequences and the working conditions associated with the job.

The four factors used by Hay are:

A. Know-How

This factor is used to measure the total of every kind of knowledge and skill, however acquired, needed for acceptable job performance by considering three dimensions:

- Practical procedures and knowledge, specialized techniques and learned skills;
- Planning, coordinating, directing and controlling the activities and resources associated with an organizational unit or function;
- Active, practising, person-to-person skills in the area of human relationships.

B. Problem-Solving

This factor measures the thinking required in the job by considering two dimensions:

- The environment in which the thinking takes place; and
- The challenge by the thinking to be done.

C. Accountability

This factor measures the relative degree to which the job performed competently, can affect the end results of the organization or a unit within the organization. The opportunity to contribute to the organization is reflected through several factors:

- The nature and degree of the decision-making or influence of the job; and
- The unit or function most clearly affected by the job and the nature of that effect.

D. Working Conditions

This factor measures the conditions under which the job is performed by considering:

- Physical Effort – jobs require levels of physical activity that vary in intensity, duration and frequency or any combination of these factors that contribute to physical stress and fatigue.
- Physical Environment – jobs may include progressive degrees of exposure of varying intensities to unavoidable physical and environmental factors which increase the risk of accident, ill health or discomfort.

- Sensory Attention – jobs may require levels of sensory attention (seeing, hearing, smelling, tasting or touching), during the work process that vary in intensity, duration and frequency.
- Mental Stress – mental stress refers to progressive degrees of exposure to varying intensities of factors inherent in the work process or environment which increase the risk of such things as tension or anxiety.

By focusing on the important aspects of the content of each job and the context in which it is performed, the Hay Method provides a vehicle for systematically assessing the relationships among various positions and their relative value to the organization. The factor definitions described above have evolved over time to more accurately reflect changing values, perceptions and jobs and legal requirements.

The Weighting of the Factors:

This is a frequently asked question. The answer is there is no universal weighting system as the weighting differs from job to job and organization to organization. In the Hay Method, the Factors and dimensions are assigned pre-established weights in order to remain consistent.

The Joint Job Evaluation Committee works on the basis of consensus in evaluating the jobs. Once trained, each member participates in the rating of the jobs. Each job is rated on current documentation which describes the content of the job and the environment in which it is performed. The Committee works together to obtain a full understanding of the job. Using the definitions and measures provided, each job is given a rating on the basis of the four factors in total, in relation to other jobs in the organization.

30-Jan-08							
EMPLOYER	UNION	2007	%CHG	2008	%CHG	2009	% CHG
Barrie	CUPE	31.02	3.00%	31.95	3.00%	33.07	
Brampton	CAW	33.70					
Brant County Power	PWU	29.46	5.00%	30.93			
Brantford	CUPE		5.00%				
Burlington	IBEW	32.66	3.00%	33.64			
Cambridge	IBEW	32.77	3.00%	33.76	3.00%	34..72	
Cdn Niag Power	IBEW	32.77	3.00%	33.75	3.00%	34.76	
Centre Wellington	IBEW	30.55	3.00%	31.50	3.00%	32.48	
Chatham Kent	IBEW						
Clinton	IBEW	30.43	3.00%	31.34			
Collingwood	IBEW	30.54	.20 + 3%	31.66	3.25%	32.69	
Cornwall	IBEW						
Eastern Ont Pwr	CUPE	29.15	3.00%	30.02			
Elk Energy	IBEW	26.69	3.00%	27.42			
En Win	IBEW	30.93	3.25%	31.94	3.25%	32.97	
Erie Thames	IBEW	29.83	3.25%	30.80			
Essex Power	CUPE	31.39					
Festival	IBEW	30.77					
Fort Francis	IBEW	30.77					
Goderich	IBEW						
Great Lakes	CUPE						
Greater Sudbury	CUPE						
Grimsby	CUPE	30.71					
Guelph	CUPE	31.55	3.00%	32.50	3.00%	33.48	
Haldimand County	IBEW	28.80	4.00%	29.95		29.95	
Halton Hills	IBEW	33.02	3.00%	34.01	3.00%	35.03	
Hawkesbury	CUPE	26.32	3.00%	27.11	3.00%	27.92	
Horizon	CUPE						
Hydro One	IBEW	32.52					
Kingston	CUPE	36.11					
Kit-Wilmot	IBEW	28.86	3.00%	29.73			
Lakeland	PWU	31.41	3.30%	32.45			
London	CUPE			32.76		33.82	
Midland	CUPE	32.76	3.25%	33.82			
Milton	IBEW	28.14	3.70%	31.78			
Mississauga	CUPE	30.75	3.10%	31.78	3.10%		
Newmarket	IBEW	33.43	3.00%	34.43	3.25%	35.55	
Niag On The Lake	CUPE	32.45	3.00%	33.43	3.00%	34.43	
NPEI	IBEW	32.21	3.00%	33.18			
Norfolk	IBEW	32.21	3.00%	33.18			
North Bay	CUPE	28.93	3.25%	29.87	3.25%	30.84	
Oakville	CUPE			32.72		33.70	
Orangeville	IBEW	32.72	3.00%	33.70	3.00%	34.71	
Orillia	PWU						
Oshawa	IBEW						
Ottawa	IBEW	31.37	3.25%	32.39	3.25%	33.44	
Parry Sound	IBEW	27.57	3.00%	28.40			
Peterborough	CUPE	30.88	3.00%	31.81			
Power Stream	IBEW	32.87					
Renfrew	IBEW	32.97					
Sarnia	IBEW						
St. Thomas	IBEW						
Thunder Bay	IBEW	30.75					
Toronto	IBEW	30.64					
Veridian	CUPE	34.07	3.25%	35.18			
Wasaga Beach	IBEW	32.22					
Waterloo	IBEW	31.23	3.30%	32.26	3.30%	33.32	
Welland	IBEW	31.23	3.30%	32.26	3.30%	33.32	
Westario Power	IBEW	29.72	3.00%	30.61	3.00%	31.53	3.5
Whitby	CUPE	32.24	3.00%	33.21			
Woodstock	CUPE						
Veridan	IBEW	32.22					

* TRIGGERED COLA

Appendix B – Tax Adjustments to Accounting Income for 2008 and 2009

Determination of Tax Adjustments to Accounting Income for 2008

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Interest and penalties on taxes	103	22,235	0	22,235
Amortization of tangible assets	104	6,571,652	0	6,571,652
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	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	0
Non-deductible meals and entertainment expense	121	0	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	11,246,810	0	11,246,810
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	0
Other Additions (Apprenticeship Tax Credits)	295	8,905	0	8,905
Total Additions		17,849,602	0	17,849,602

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Deductions:				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	5,947,892	0	5,947,892
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	105,652	0	105,652
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	11,200,173	0	11,200,173
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	21,641	0	21,641
Total Deductions		17,275,358	0	17,275,358
Other Adjustments to Taxable Income				
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		574,244	0	574,244

Determination of Tax Adjustments to Accounting Income for 2009

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Additions:				
Interest and penalties on taxes	103	8,655	0	8,655
Amortization of tangible assets	104	6,642,438	0	6,642,438
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	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	0
Non-deductible meals and entertainment expense	121	0	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	11,241,890	0	11,241,890
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	0
Other Additions (Apprenticeship Tax Credits)	295	48,002	0	48,002
Total Additions		17,940,985	0	17,940,985

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
Deductions:				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	6,870,911	0	6,870,911
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	98,256	0	98,256
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	11,200,173	0	11,200,173
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	76,526	0	76,526
Total Deductions		18,245,866	0	18,245,866
Other Adjustments to Taxable Income				
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		(304,881)	0	(304,881)

Appendix C – 2008 and 2009 T2S(1)

Canada Revenue Agency
Agence du revenu du Canada2008
NET INCOME (LOSS) FOR INCOME TAX PURPOSES**SCHEDULE 1**

Corporation's name	Business Number	Tax year end Year Month Day
NIAGARA PENINSULA ENERGY INC.	87196 9127 RC0001	2008-12-31

- 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.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the Income Tax Act.

Net income (loss) after taxes and extraordinary items per financial statements 2,592,942 A

Add:

Provision for income taxes – current	101	2,090,933	
Provision for income taxes – deferred	102	-618,152	
Interest and penalties on taxes	103	22,235	
Amortization of tangible assets	104	7,732,754	
Subtotal of additions		9,227,770	9,227,770

Depreciation
FmV Bump
= 1,161,102 = 6,571,652**Other additions:****Miscellaneous other additions:**

600 Change in Employee Future Benefits	290	46,637	
601 Previous years apprentice tax credit claimed	291	5,616	
602 Smart meter and other regulator	292	392,115	
603.1 Regulatory Asset recovery		1,566,541	
603.2 Ontario Specified Tax Credits		21,284	
Total		1,587,825	
604.1 PILS - Carrying Charges	293	1,587,825	
604.2 Retail cost Variances		176,326	
604.3 Low voltage Variances		732,220	
604.4 Interest on capital lease		3,289	
Total		1,021,817	
Subtotal of other additions	199	3,054,010	3,054,010
Total additions	500	12,281,780	12,281,780

Reserve
End
11,246,810 - 11,200,173**Deduct:**

Capital cost allowance from Schedule 8	403	5,947,894	
Cumulative eligible capital deduction from Schedule 10	405	105,652	
Subtotal of deductions		6,053,546	6,053,546

Other deductions:**Miscellaneous other deductions:**

700 Retail settlement variances	390	2,211,340	
702 Conservation and Demand Management	392	275,275	
703 Prior year reserve	393	45,000	
704.1 Total Capital lease payments		21,641	
Total		21,641	
Subtotal of other deductions	499	2,553,256	2,553,256
Total deductions	510	8,606,802	8,606,802
Net income (loss) for income tax purposes – enter on line 300 of the T2 return			6,267,920

* For reference purposes only

T2 SCH 1 E (08)

≤ ① = 8905

Canada

2009
NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

Canada Revenue Agency
Agence du revenu du Canada

Corporation's name

NIAGARA PENINSULA ENERGY INC.

Business Number

87196 9127 RC0001

Tax year end
Year Month Day

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

2,672,624 A

Add:

Provision for income taxes – current	101	2,509,116	
Provision for income taxes – deferred	102	-1,035,543	
Interest and penalties on taxes	103	8,655	Fmv Bump
Amortization of tangible assets	104	7,754,076	- 1,111,638 = 6,642,438
Subtotal of additions		9,236,304	9,236,304

Other additions:

Miscellaneous other additions:

600 Change in Employee Future Benefits	290	41,717	Reserve End of Year (11,241,890 - 11,200,173) = 41,717
601 Previous years apprentice tax credit claimed	291	6,000	
602 Regulatory Asset Variances	292	2,668,754	
OITC/ORDTC/BCRDTC/ABRDTC from prior year - 12(1)(x)		39,937	
Total	293	39,937	
604			
Interest on capital lease		2,065	
Total	294	2,065	
Subtotal of other additions	199	2,758,473	
Total additions	500	11,994,777	

Deduct:

Capital cost allowance from Schedule 8	403	6,870,909	
Cumulative eligible capital deduction from Schedule 10	405	98,256	
Subtotal of deductions		6,969,165	6,969,165

Other deductions:

Miscellaneous other deductions:

700 Apprenticeship and Co-op credits included in F/S income	390	27,284	
704 Total Capital lease payments		49,242	
Total	394	49,242	
Subtotal of other deductions	499	76,526	76,526
Total deductions	510	7,045,691	7,045,691
Net income (loss) for income tax purposes -- enter on line 300 of the T2 return			7,621,710

* For reference purposes only

T2 SCH 1 E (09)

Canada

Σ ① = 48002

Σ ② = 76,526

**Appendix D – Peninsula West Utility depreciation
spreadsheet for Accounts 1830 and 1835 combined**

NIAGARA PENINSULA ENERGY INC.
G/L 1830 and 1835
As At December 31, 2008

O/H Lines (Straight Line 25 years)

Ontario Hydro Assets (S.L. 10 years)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Cost	8,483.35	12,037.94	8,933.10	28,222.36	22,348.20	8,869.11	72,274.33	51,004.06	141,937.64	84,753.55	144,134.83
DEPRECIATION PROVISION 01-800-5705-01-00											
1980	339.00										
1981	339.00	469.94									
1982	339.00	482.00	357.00								
1983	339.00	482.00	357.00	1,126.36							
1984	339.00	482.00	357.00	1,129.00	892.20						
1985	339.00	482.00	357.00	1,129.00	894.00	347.11					
1986	339.00	482.00	357.00	1,129.00	894.00	357.00	2,891.00				
1987	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00			
1988	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,689.64		
1989	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,393.55	
1990	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,774.83
1991	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1992	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1993	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1994	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1995	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1996	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1997	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1998	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
1999	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2000 (10 months)	282.50	401.67	297.50	940.83	745.00	295.83	2,409.17	1,700.00	4,730.83	2,825.00	4,804.17
2000 (2 months)	56.50	80.33	59.50	188.17	149.00	59.17	481.83	340.00	946.17	565.00	960.83
2001	254.50	361.50	267.75	846.75	670.50	266.25	2,168.25	1,530.00	4,257.75	2,542.50	4,323.75
2001	84.50	120.50	89.25	282.25	223.50	88.75	722.75	510.00	1,419.25	847.50	1,441.25
2002	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2003 ADJUST. TO G/L											
2003	339.00	482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2004		482.00	357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2005			357.00	1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2006				1,129.00	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2007				95.36	894.00	355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2008						355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2009						355.00	2,891.00	2,040.00	5,677.00	3,390.00	5,765.00
2010								2,040.00	5,677.00	3,390.00	5,765.00
2011									5,677.00	3,390.00	5,765.00
2012										3,390.00	5,765.00
2013											5,765.00
2014											
2015											
2016											
2017											
2018											
2019											
2020											
2021											
2022											
2023											
2024											
2025											
2026											
2027											
2028											
2029											
Accumulated Depreciation	8,136.00	11,555.94	8,568.00	27,188.72	21,454.20	8,869.11	69,384.00	48,960.00	136,260.64	81,363.55	138,369.83
Net Book Value	347.35	482.00	365.10	1,033.64	894.00	-	2,890.33	2,044.06	5,677.00	3,390.00	5,765.00

ADJUSTING TO GL PER AUDITORS										
2000	2000	2001	2002	2003	2003	2004	2005	2006	2007	Total
413,462.29	78,328.29	897,927.36	1,241,691.03	614,482.64	122,888.92	949,008.46	263,827.40	1,809,465.03	2,964,582.51	25,545,095.85
										339.00
										808.94
										1,178.00
										2,304.36
										3,199.20
										3,548.11
										6,449.00
										8,487.00
										14,176.64
										17,557.55
										23,328.83
										25,182.61
										26,246.22
										32,391.04
										36,407.96
										39,817.83
										43,513.62
										49,165.00
										472,968.49
										903,366.63
										3,115,746.40
13,782.08										195,520.35
2,756.42	522.19									879,841.80
12,403.87	2,349.85									329,197.38
4,134.62	783.28	35,917.09								1,258,706.81
16,538.49	3,133.13	35,917.09	49,667.64							534,068.51
					534068.51					534,068.51
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56					1,288,201.67
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34				1,325,823.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10			1,335,894.10
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60		1,407,915.71
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,891.15	1,525,773.22
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	865,670.70
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	681,342.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	678,096.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	676,056.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	670,379.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	666,989.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	661,224.01
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	521,179.88
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	402,280.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	402,081.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	398,032.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	394,636.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	390,951.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	390,951.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	385,294.18
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	383,057.69
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	374,226.55
16,538.49	3,133.13	35,917.09	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	357,688.06
		-	49,667.64	24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	318,637.84
		-		24,579.31	4,915.56	37,960.34	10,553.10	72,378.60	118,583.30	268,970.20
						37,960.34	10,553.10	72,378.60	118,583.30	239,475.34
							10,553.10	72,378.60	118,583.30	201,515.00
								72,378.60	118,583.30	190,961.90
									118,583.30	118,583.30
413,462.26	78,850.44	897,927.25	1,241,691.00	614,482.64	656,957.43	949,008.46	263,827.40	1,809,465.03	2,964,890.36	25,545,403.70
0.03	(522.15)	0.11	0.03	-	(534,068.51)	-	-	-	(307.85)	(307.85)

Prior year accumulated depreciation	\$14,907,124.99
Depreciation to date	865,670.70
Total accumulated depreciation to date	15,772,795.68

Total Accumulated Depreciation

\$339.00
\$1,147.94
\$2,325.94
\$4,630.30
\$7,829.50
\$11,377.61
\$17,826.61
\$26,313.61
\$40,490.25
\$58,047.80
\$81,376.63
\$106,559.24
\$132,805.46
\$165,196.50
\$201,604.46
\$241,422.29
\$284,935.91
\$334,100.91
\$807,069.40
\$1,710,436.03
\$4,826,182.43
\$5,021,702.79
\$5,901,544.59
\$6,230,741.97
\$7,489,448.78
\$8,023,517.29
\$9,311,718.96
\$10,637,541.96
\$11,973,436.07
\$13,381,351.77
\$14,907,124.99
\$15,772,795.68
\$16,454,137.69
\$17,132,233.69
\$17,808,289.70
\$18,478,668.71
\$19,145,657.71
\$19,806,881.72
\$20,328,061.59
\$20,730,341.77
\$21,132,422.95
\$21,530,455.12
\$21,925,091.30
\$22,316,042.48
\$22,706,993.65
\$23,092,287.83
\$23,475,345.52
\$23,849,572.07
\$24,207,260.13
\$24,525,897.96
\$24,794,868.16
\$25,034,343.50
\$25,235,858.50
\$25,426,820.40
\$25,545,403.70