

Response to Board Staff Interrogatories 2012 IRM3 Electricity Distribution Rates Niagara-on-the-Lake Hydro Inc. EB-2011-0186

Interrogatory 1

2012 Shared Tax Savings Workform

1. Ref: Sheet "5. Z-Factor Tax Changes" of the workform is reproduced below.

Summary - Sharing of Tax Change Forecast Amounts		
For the 2009 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)	\$	-
1. Tax Related Amounts Forecast from Capital Tax Rate Changes	2009	2012
Taxable Capital	\$ 21,183,511	\$ 21,183,511
Deduction from taxable capital up to \$15,000,000	\$ 15,000,000	\$ 15,000,000
Net Taxable Capital	\$ 6,183,511	\$ 6,183,511
Rate	0.225%	0.000%
Ontario Capital Tax (Deductible, not grossed-up)	\$ 13,868	\$ -
2. Tax Related Amounts Forecast from Income Tax Rate Changes	2009	2012
Regulatory Taxable Income	\$ 1,028,155	\$ 1,028,155
Corporate Tax Rate	24.72%	22.97%
Tax Impact	\$ 217,933	\$ 236,130
Grossed-up Tax Amount	\$ 289,506	\$ 306,529
Tax Related Amounts Forecast from Capital Tax Rate Changes	\$ 13,868	\$ -
Tax Related Amounts Forecast from Income Tax Rate Changes	\$ 289,506	\$ 306,529
Total Tax Related Amounts	\$ 303,373	\$ 306,529
Incremental Tax Savings		\$ 3,156
Sharing of Tax Savings (50%)		\$ 1,578

Board staff has been unable to verify the amounts entered into the taxable capital, regulatory taxable income, corporate tax rate and grossed-up tax amounts with NOTL's 2009 Revenue Requirement Workform. Please provide evidence supporting these amounts. If the reported amounts are in error, Board staff will make the necessary corrections to the model.

Response 1

Upon re-reading the Filing Requirements for Transmission and Distribution Applications, NOTL now realizes that the referenced values should have come

from the Revenue Requirement Work Form in EB-2008-0237 (not from NOTL's 2009 tax return, as was done in error in the current application).

The correct values from Sheets in the Revenue Requirement Work Form in EB-2008-0237 are:

Taxable capital	\$21,857,012	Sheet 1, cell K17
Regulatory taxable income	\$763,707	Sheet 3, cell I18
Corporate tax rate	31.53%	Sheet 3, cell I39
Grossed-up tax	\$351,762	Sheet 3, cell I29

The Work Form was submitted on April 6th, 2010 and can be found in the web-drawer:

2008-0237	2009_Rev_Reqt_Work_Form_NOTL_20090406	Submission	Monday, April 06, 2009
EB-2008-0237	NOTL_DRO_20090406	Draft Rate Order	Monday, April 06, 2009

Interrogatory 1 (cont'd)

Page 2 of 5

Ref: Sheet "6. Calc Tax Chg RRider Var" of the workform is reproduced below.

Rate Class	Total Revenue \$ by Rate Class A	Total Revenue % by Rate Class B = A / \$H	Total Z-Factor Tax Change\$ by Rate Class C = \$I * B	Billed kWh D	Billed kW E	Distribution Volumetric Rate kWh Rate Rider F = C / D	Distribution Volumetric Rate kW Rate Rider G = C / E
Residential	\$2,272,800.3777	49.39%	\$779	66,607,551	0	\$0.0000	
General Service Less Than 50 kW	\$1,127,105	24.49%	\$386	34,497,593	0	\$0.0000	
General Service 50 to 4,999 kW	\$1,005,006	21.84%	\$345	0	208,072		\$0.0015
Unmetered Scattered Load	\$25,440	0.55%	\$9	302,169	0	\$0.0000	
Street Lighting	\$171,035	3.72%	\$59	0	2,900		\$0.0202
	\$4,601,386	100.00%	\$1,578				

The total amount related to tax changes is \$(1,578), which results in a volumetric rate rider less than four decimal places for the Residential and General Service Less Than 50 kW rate classes. The Board has previously directed applicants to record immaterial amounts (as a result of tax changes) into account 1595 for future disposition. Please indicate whether NOTL has any issues with recording this amount in account 1595 for future disposition.

Response 1 cont'd

NOTL has no issues with recording this amount in account 1595 for future disposition.

Interrogatory 2

2012|IRM3 Rate Generator

2. Ref: A portion of Sheet "6. Current Rate_Riders" of the rate generator is reproduced below.

Street Lighting			
Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers	\$/KW	(0.03450)	April 30, 2012
Rate Rider for Deferral/Variance Account Disposition (2009)	\$/KW	0.09650	April 30, 2013
Rate Rider for Deferral/Variance Account Disposition (2011)	\$/KW	(1.55230)	April 30, 2012
Rate Rider for Tax Change	\$/KW	(0.69500)	April 30, 2012

Please confirm the "Rate Rider for Global Adjustment Sub-Account (2010) – Applicable only for Non-RPP Customers" selected from the drop-down menu should be "Rate Rider for Global Adjustment Sub-Account (2011) – Applicable only for Non-RPP Customers". If confirmed, Board staff will make the relevant correction.

Response 2

NOTL can confirm that the wrong drop-down selection was made in the application. It should be "Rate Rider for Global Adjustment Sub-Account (2011) – Applicable only for Non-RPP Customers".

Interrogatory 3

3. Ref: A portion of Sheet "10. Billing Det. for Def_Var" of the rate generator is reproduced below.

Rate Class	Unit	Metered kWh	Metered kW	Billed kWh for Non-RPP Customers	Estimated kW for Non-RPP Customers	Distribution Revenue ¹	1590 Recovery Share	1595 Recovery Share Proportion (2008) ²	1595 Recovery Share Proportion (2009) ²
Residential	\$/kWh	63,529,367		4,249,930	-	2,273,080	67%		
General Service Less Than 50 kW	\$/kWh	33,919,941		3,906,025	-	1,127,345	18%		
General Service 50 to 4,999 kW	\$/kW	74,700,317	194,671	65,250,483	170,044	1,050,873	14%		
Unmetered Scattered Load	\$/kWh	202,191		4,537	-	25,440	0%		
Street Lighting	\$/kW	1,124,575	2,864	1,023,824	2,607	101,261	0%		
Total		173,476,391	197,535	74,434,769	172,652	4,597,999	100%	0%	0%

Board staff is unable to verify the metered kWh and metered kW with NOTL's 2011 cost of service decision and/or 2.1.5 RRR report. Also, Board staff is unable to verify the distribution revenue inputted in for each rate class with NOTL's last cost of service application. Please provide evidence supporting these amounts.

Response 3

The metered kWh and metered kW are as reported in the RRR 2.1.5 report submitted on the 29th April, 2010. A screenshot of this data from the OEB website is shown below:

November 4, 2011

Search

FAQ

Submit RRR Filing

SOP Application

SOP: View Work-In-Progress Application

My Cases

Case Documents

Submit Smart Meter

Filings

Submit an Application

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Ontario Energy Board E2.1.5 Performance Based Regulation

Performance Based Regulation Summary and Submit Labor Capital Supply and Delivery Information Customers, Demand and Revenue Utility Characteristics Incentive Rate Mechanism

Clicking Save or Apply will not automatically submit this filing. To SUBMIT this filing, scroll to the end of the page, select Yes in the Submit drop down then click the SAVE button.

Customers, Demand and Revenues

Rate Class	Customers/Connections	Billed kW	Billed kWh	Revenues Account (4080)
Residential Customers	6,507		63,529,367.00	2,214,848.63
General Service < 50 kW Customers	1,230		33,919,641.00	1,095,984.60
General Service >= 50 kW Customers	121	194,671	74,700,317.00	1,115,533.79
Large User (>5,000 kW) Customers				
Street Lighting Connections	1,915	2,864	1,124,575.00	87,560.89
Sentinel Lighting Connections	71	127	5,467.00	1,337.98
Sub Transmission Customers				
Scattered Unmetered Load Connections	22		202,191.00	11,950.96

SAVE SAVE & EXIT PRINT ALL Cancel

The distribution revenues for each rate class are taken from the Revenue Requirement Work Form in EB-2008-0237, Sheet A, cells S104 to S126. The Work Form can be found in the web-drawer, as mentioned above.

A screenshot of the relevant area of the Sheet is shown below:

Note re USL *
The change from Application to Board Decision includes the Board Findings [Page 23 of Rate Decision] to allocate the revenue requirement for the 39 re-assigned sentinel lights to the assigned classes, i.e. 25 sentinel lights (64%) go to USL and 14 lights (36%) go to streetlights. The relative impact on streetlights and USL of this re-assignment is different because of the relatively larger size (load) of the streetlight class. In the case of streetlights, the impact is offset by the net effect of various other changes made as a result of the interrogatory process.

The fixed and variable components are added together to obtain the values in the application, with the rounding allocated proportionately to the rate classes, as follows:

Note re USL *
The change from Application to Board Decision includes the Board Findings [Page 23 of Rate Decision] to allocate the revenue requirement for the 39 re-assigned sentinel lights to the assigned classes, i.e. 25 sentinel lights (64%) go to USL and 14 lights (36%) go to streetlights. The relative impact on streetlights and USL of this re-assignment is different because of the relatively larger size (load) of the streetlight class. In the case of streetlights, the

See Sheet 2 Note 3

Interrogatory 4

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Lost Revenue Adjustment Mechanism (LRAM)

4. Ref: Burman Energy LRAM Support Document, Sept. 6, 2011, Pg. 2, Section 2: Scope

Burman noted that in lieu of OPA published evaluation results for 2010, 2009 program results were used as a best estimate for 2010 program year results. It further states that adjustments to these estimates may be required to accurately reflect final OPA program evaluation results for 2010 programs.

a) If the 2010 OPA evaluation results have been made available to NOTL, please update the LRAM claim accordingly and make the 2010 OPA evaluation results available for review.

Response 4

Updated Attachments have been included ("Attachment A-D LRAM Application NOTLH r2.xls"). A slight change may be required to adjust values that persist into 2011 as the 2010 Final Detailed Report is yet to be released.

The Table that was provided on page 7 of NOTL's Manager's Summary is updated in Attachment C of Burman Energy's Excel file referred to above, as shown below:

	A	B	C	D
1	ATTACHMENT C			
2	LRAM Totals			
3				
4	Rate Class			
5		Updated LRAM \$	As Filed LRAM \$	
6	OPA Programs			
7	RESIDENTIAL	\$30,952.03	\$ 30,929.11	
8	GENERAL SERVICE <50KW	\$15,565.17	\$ 20,270.28	
9	GENERAL SERVICE >50KW	\$6,422.43	\$ 6,722.00	
10		\$52,939.63	\$ 57,921.39	
11				

The rate rider calculation that was provided on page 7 of NOTL's Manager's Summary is updated as per below:

2012 IRM - LRAM Rate Rider Calculation				
Rate Class	LRAM	Billing Determinants (2009 Audited RRR)	Metrics	One Year Rate Riders
	\$			\$/unit (kWh or kW)
<u>OPA Programs</u>				Rounded to 4 decimal places
Residential	\$30,952	63,529,367	kWh	0.0005
GS<50kW	\$15,565	33,919,641	kWh	0.0005
GS>50 kW	\$6,422	194,671	kW	0.0330
Total	\$52,940			

Interrogatory 5

5. Ref: Manager's Summary, Pg. 7

Ref: Burman Energy LRAM Support Document, Attachment A & B

NOTL contracted Burman Energy Consultants Group Inc. to prepare and critically assess an additional LRAM claim for program results to the end of 2010.

In Appendix A & B of the Burman LRAM Report there are two tables. Appendix A shows the CDM load impacts by class and program for both 2010 and 2011 and Appendix B shows the foregone revenue by class and program for both 2010 and 2011.

- a) Please provide the rationale for applying for recovery of 2011 lost revenues prior to the 2011 programs being completed and evaluated.
- b) Please discuss what evaluation results were used in calculating and verifying the foregone losses for the 2011 program year.
- c) Please provide all supporting documentation Burman Energy Consultants used in calculating the 2011 load impacts and foregone revenues.

Response 5 a

2011 Calculations are persistent values from 2006-2010 programs only (i.e. excluding results from 2011 program initiatives).

Because NOTL is not rebasing in 2012, there are persisting lost revenues from historical programs that haven't been accounted for in their load forecast. It is reasonable to include these amounts beyond 2010 until rebasing occurs consistent with 2011 filing requirements, specifically:

“Deadline for filing LRAM and SSM applications:

The Board has approved LRAM and SSM applications for many distributors since the beginning of the Third Tranche CDM period in 2005. The Board has stated its understanding that there may still be remaining distributors who have yet to apply to the Board for recovery of LRAM and/or SSM amounts related to CDM activities undertaken between 2005 and 2010. Distributors intending to file an LRAM or SSM application for CDM Programs funded through distribution rates, or an LRAM application for CDM Programs funded by the OPA between 2005 and 2010, shall do so as part of their 2012 rate application filings, either cost-of-service or IRM. If a distributor does not file for the recovery of LRAM or SSM amounts in its 2012 rate application, it will forego the opportunity to recover LRAM or SSM for this legacy period of CDM activity.”

In addition, the timeframe associated with processing final approval of NOTL's rate submission is not expected to be complete prior to 2011 year end. The 2011 lost revenue claim is therefore consistent with Section 5.0 of the GUIDELINES FOR ELECTRICITY DISTRIBUTOR CONSERVATION AND DEMAND MANAGEMENT EB-2008-0037:

“LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities in a prior year.”

As a result, LRAM calculations included persistence until 2011 only.

A slight change may be required to adjust values that persist into 2011 as the 2010 Final Detailed Report is yet to be released.

Response 5 b

NOTL's 2010 program results have been updated to include the “2010 Final CDM Results Summary” released by the OPA September 16, 2011. The following two files were used to calculate the results for 2011; all results for 2011 are persistent values from 2006-2010 programs only:

- 2006-2009 Final OPA CDM Results-Update.Niagara-on-the-Lake Hydro Inc..xls*
- 2010 Final CDM Results Summary_Niagara-on-the-Lake Hydro Inc..pdf*

Response 5 c

The two files referred to in Response 5a were provided to NOTL by the OPA and are the supporting documentation:

- *2006-2009 Final OPA CDM Results-Update.Niagara-on-the-Lake Hydro Inc..xls*
- *2010 Final CDM Results Summary_Niagara-on-the-Lake Hydro Inc..pdf*

Interrogatory 6

Z-Factor Request for Recovery of Storm Costs

6. Ref: Manager's Summary, 2011 Wind-Storm Disaster Costs table, Pg. 16

- a) Please provide the method used to determine the level of incremental internal labour costs including the method for tracking overtime hours and labour rates. Please provide the breakdown by departments (ex. Line crews, engineering department, front office staff, management, etc.).

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- b) For each of the cost claims, please indicate whether NOTL intends to capitalize these costs or treat them as OM&A.

Response 6 a)

- **1st part**

NOTL's normal payroll process requires each employee, both management and non-management, to complete a time sheet each week for the prior week's work (weeks are counted as Monday to Sunday). The number of hours worked each day and any overtime hours worked each day are recorded on the time sheet against the relevant "job". Any truck hours used are also recorded on the timesheets. The regular and overtime hours spent on the wind-storm was tracked by using the job called "11WIND". The pay rates are as established under the collective agreement or at the normally applicable management hourly rates.

- **2nd part**

The breakdown is as follows:

Incremental Labour Breakdown by Department			
	Overtime (OT) Hours	Labour Rate for OT	Extended Cost
<u>Management Staff</u>			
Overtime Operations Mgr	24.00	119.95	\$ 2,879
Overtime Line Supervisor	34.00	112.20	\$ 3,815
Subtotal	58.00		\$ 6,694
<u>Front Office Staff</u>			
Administration	1.00	83.66	\$ 84
Customer Service - Step 3 rate	7.50	72.21	\$ 542
Customer Service - Step 3 rate	4.50	72.21	\$ 325
Customer Service - Step 2 rate	1.00	64.99	\$ 65
Subtotal	14.00		\$ 1,015
<u>Engineering Dept</u>			
Stores	1.50	79.69	\$ 120
Engineer - Step 3 rate	27.50	102.00	\$ 2,805
Engineer - Step 2 rate	14.50	95.31	\$ 1,382
Subtotal	43.50		\$ 4,307
<u>Line Crew</u>			
Lead Hand-Banking O.T.	21.50	102.00	\$ 2,193
Lead Hand- O.T.	12.50	102.00	\$ 1,275
Lead Hand - New Rate O.T.	2.00	103.43	\$ 207
Linemen- Banking O.T.	26.00	95.32	\$ 2,478
Linemen - O.T.	42.00	95.31	\$ 4,003
Linemen - New Rate O.T.	5.50	96.66	\$ 532
Linemen - Step 4 Banking O.T.	23.50	76.24	\$ 1,792
Linemen - Step 4 O.T.	10.50	76.24	\$ 801
Linemen - Step 4 New Rate O.T.	16.00	77.34	\$ 1,237
Subtotal	159.50		\$ 14,517
Total	275.00		\$ 26,533

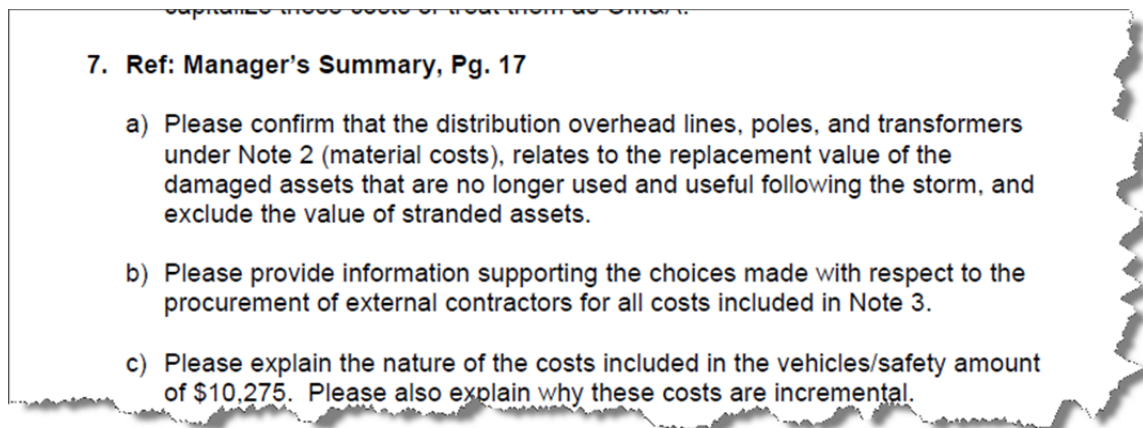
PLEASE NOTE:

Page 16 of the Manager's Summary stated the overtime hours were 346 hours. NOTL's payroll system (Microsoft Dynamics GP) takes the approach of recording banked overtime costs as double the hours worked times the regular pay rate. Paid-out overtime (i.e. not banked) records costs as double the regular pay rate times hours worked. Thus, the 346 hours reported overstated the hours worked – but the cost was correct. The Manager's Summary should have reported overtime hours as 275 hours as shown in the Table above.

Response 6 b)

NOTL intends to treat the entire cost claim as OM&A.

Interrogatory 7



Response 7.a)

NOTL utilized an averaging cost system in which material is charged out based on the average purchase cost. The material costs in Note 2 are average purchase costs. We would expect the replacement cost to be greater than the cost claimed, due to the effect of inflation.


The costs claimed do not include any stranded asset costs.

Response 7.b)

- *Cindy Osborne*
 - *Cindy Osborne is a self-employed contractor who NOTL calls in from time to time to provide customer service back-up for such as customer service staff vacations or sick days. Because of her familiarity with our company and territory, the urgent need for support and her availability, she was the most effective choice to assist with customer concerns regarding the power outages, as compared with requesting a person*

from a temporary agency. Her price (19 hours at \$15 per hour) was also lower than could be expected from a temporary agency with their included allowance for overhead costs.

- **CNP**
 - *CNP was requested to assist us at the height of the storm. After trying other utilities under the mutual aid agreement referred to in IR 8, CNP were the only utility that were not seriously damaged and thus were available to assist NOTL.*
 - *A scanned copy of the CNP invoice is shown below:*



CANADIAN NIAGARA POWER INC.
A FORTIS ONTARIO Company

**1130 Bertie Street, P.O. Box 1218
Fort Erie, Ontario, Canada L2A 5Y2
Telephone: (905) 871-0330**

RECEIVED JUL 14 2011

Billing address:

NIAGARA-ON-THE-LAKE HYDRO INC.
8 HENEGAN ROAD
VIRGIL ON LOS 1TO

Service address:

NIAGARA-ON-THE-LAKE HYDRO INC.
8 HENEGAN ROAD
VIRGIL ON LOS 1TO

INVOICE

Number/Date
90023511 / Jun. 29, 2011

Customer number
2373

Due Date: Jul. 15, 2011

Amount Due: \$ 9,268.58

Requirements:

Terms of payment Net Due 30 Days Currency: CAD

Material	Qty	Price	Price unit	Value
Debit memo request:				
012408 CNP LINE CREW	44.000 H	108.00	1 H	4,752.00
012407 GOODS ISSUED	307 EA	5.26	1 EA	1,614.82
012407 GOOD ISSUED	618 M	2.97	1 M	1,835.46
Total items				8,202.28
PST				0.00
HST	13.000 %			1,066.30
Final amount				9,268.58

- *Tiltran Services*
 - *Tiltran is a contractor that specializes in the maintenance and trouble-shooting of substation issues. An unidentified recurring fault caused by the storm forced us to continually reclose the breaker known as "F4" at the transformer station known as "NOTL MTS # 2". The fault was identified and eliminated and the F4 breaker was put back in service manually. However, the repeated reclosing of the breaker caused the failure of the wiring harness within the breaker. Tiltran was the only contractor with the specialized expertise to repair the harness.*
 - *Scanned copies of the Tiltran invoices itemizing the work done are shown below (please note that Tiltran incorrectly referred to F4 as F6 in the invoice below):*



TILTRAN SERVICES INC.
 Electrical Power System Specialists

Tiltran Services Inc.
 R.R. #3 - 14719 Bayham Drive
 Tillsonburg, ON N4G 4G8

Tel : (519)842-6458 Fax : (519)842-7688
 RBQ :

RECEIVED JUN 01 2011

SALES TO : NIAGARA ON THE LAKE HYDRO
 ATTN: Accounts Payable
 8 Henegan Road, PO Box 460
 Virgil, ON L0S 1T0

PROJECT : 24165LSP
 11 REPS NIAGARA ON THE LAKE CO
 Concession 5 Road
 Virgil, On

ATT.:

I N V O I C E

BILLING PERIOD		INVOICE NO : TIL 224997	DATE : May 18, 2011
FROM	TO		
REF :		PURCHASE ORDER :	PAYMENT REQUEST :

Description	Quant.	Unit Price	Total
As per Quote 11-0392			
Investigate F6 feeder recloser-May 9/11			
Labour-Travel (2 men)	10.00	71.00	710.00
Labour-Field (2 men reg)	12.00	97.50	1 170.00
Labour-Field (2 men ovt)	1.00	146.25	146.25
Labour-Admin	1.00	71.00	71.00
Investigate F6 recloser-including CT's-May 13/11			
Labour-Travel (2 men)	10.00	71.00	710.00
Labour-Field (2 men)	12.00	97.50	1 170.00
Instrument-#000	1.00	300.00	300.00
Ratio	1.00	75.00	75.00
Purchase Amount			4 352.25
Holdback			0.00
			4 352.25



TILTRAN SERVICES INC.
Electrical Power System Specialists

Tiltran Services Inc.
R.R. #3 - 14719 Bayham Drive
Tillsonburg, ON N4G 4G8

Tel : (519)842-6458 Fax : (519)842-7688
RBQ :

SALES TO : NIAGARA ON THE LAKE HYDRO
ATTN: Accounts Payable
8 Henegan Road, PO Box 460
Virgil, ON L0S 1T0

PROJECT : 24196LSP
11 REP NOTL HYDRO
Concession 5 Road
Virgil, On

ATT.:

I N V O I C E

BILLING PERIOD		INVOICE NO : TIL 225165	DATE : May 31, 2011
FROM	TO		
REF :		PURCHASE ORDER : 000160	PAYMENT REQUEST :

Description	Quant.	Unit Price	Total
As per Quote 11-0444			
Repairs on F4 Feeder Reclosure @ NOTL Concession 5 Station Completed May 31/11	1.00	1 670.00	1 670.00

Response 7.c)

The Table below explains the nature of the costs included. These costs are directly attributable to the wind-storm and are over and above what is budgeted and what would normally be incurred. As such, the costs are incremental.

	<u># Hours</u>	<u>Rate</u>	<u>Cost</u>	<u>Description</u>
Vehicle				
SUV Truck 5	34	\$ 5.10	\$ 173	Patrolling/ Escorting CNP Line crew to other areas
Service Van 6	33	\$ 5.10	\$ 168	Patrolling/ Escorting CNP Line crew to other areas
Service Truck 7	18.5	\$ 5.10	\$ 94	Patrolling/ Escorting CNP Line crew to other areas
Service Truck 8	66	\$ 5.10	\$ 337	Patrolling/ Escorting CNP Line crew to other areas
Line Truck 10	34	\$ 30.50	\$ 1,037	Cutting down trees/ repairing O/H lines/ replacing O/H lines and transformers
Line Truck 27	121.5	\$ 30.50	\$ 3,706	Cutting down trees/ repairing O/H lines/ replacing O/H lines and transformers
Line Truck 37	142.5	\$ 30.50	\$ 4,346	Cutting down trees/ repairing O/H lines/ replacing O/H lines and transformers
Total Vehicles			\$ 9,862	
Vendor				
Bickle Supply	2	\$ 139.00	\$ 278	5/8 * 600Ft Yellow Polypropylene Rope- Tying broken poles
Penner's	1	\$ 108.00	\$ 108	5/8 * 200Ft Polypropylene Rope- Tying broken poles
Penner's	2	\$ 13.88	\$ 28	Oil, Chain Light 4L Unival Winter- Chain saw used to cut broken branches and poles
Total Safety Supplies			\$ 414	
Total			\$ 10,275	

Interrogatory 8

<p>8. Ref: Manager's Summary, Pg. 19</p> <p>a) Please provide a copy of the Mutual Aid Agreement.</p>

Response 8

A pdf copy of the agreement is submitted as an Appendix to these IRRs.

Interrogatory 9

Z-Factor Request for Recovery of Storm Costs and International Financial Reporting Standards

9. Ref: Manager's Summary, Pg. 18

Issue 1 from the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (EB-2008-0408), dated June 13, 2011, indicates that information supporting rate adjustments during an IRM period should be provided in the same basis of accounting as the information upon which the rates were set. This means that if rates were set on CGAAP, the financial information supporting the adjustment must be provided under CGAAP, and the adjustment to rates will be made on the basis of the CGAAP filing.

In addition, a reconciliation of the CGAAP-based financial information to the relevant information in the last annual RRR reporting under modified IFRS is required. Where the distributor has adopted IFRS for financial reporting but has not yet made an annual RRR reporting under modified IFRS, the financial information mentioned above must be provided in both CGAAP and modified IFRS format, and a reconciliation provided between the two accounting standards.

- a) On what basis was the Z-Factor adjustment prepared, CGAAP or modified IFRS? If the accounting basis to support the Z-Factor was not based on CGAAP, please explain why.

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- b) Please confirm when NOTL plans to adopt IFRS for financial reporting purpose.
- c) Please confirm when NOTL plans to file its RRR reporting under modified IFRS.
- d) Please provide the storm costs in both CGAAP and modified IFRS formats and provide a reconciliation between the two accounting bases and explanations for the differences.

Response – 9. a)

The Z-factor adjustment was prepared on the CGAAP basis.

Response – 9. b)

NOTL plans to adopt IFRS for financial reporting effective January 1, 2012.

Response – 9. c)

In accordance with "Schedule A – Amended Board Policy on Transition to IFRS", paragraph 10.1, issued by OEB letter on Nov 8, 2010, NOTL plans to file its RRR reporting under MIFRS in 2012.

Response – 9. d)

Based on our understanding of the June 13, 2011 OEB report cited in this interrogatory, and given NOTL's planned IFRS adoption date of 2012, the financial information in the application is provided in CGAAP format as per the first paragraph in the citation.

From the second paragraph in the citation, since NOTL has not yet adopted IFRS, our understanding is that the circumstances requiring a reconciliation of the storm costs between CGAAP and MIFRS are not present. We assume that IR 9 d) was included in case NOTL had adopted IFRS in 2011.

Interrogatory 10

Account 1521 – Special Purpose Charge ("SPC")

10.Ref: Manager's Summary, Pg. 30

- a) Please confirm NOTL's SPC assessment amount and provide a copy of the original SPC invoice.
- b) Please explain why the interest claim on account 1521 was forecasted to April 30, 2013.
- c) Please complete the following table related to the SPC.

SPC Assessment (Principal balance)	Amount recovered from customers in 2010	Carrying Charges for 2010	December 31, 2010 Year End Principal Balance	December 31, 2010 Year End Carrying Charges Balance	Amount recovered from customers in 2011	Carrying Charges for 2011	Forecasted December 31, 2011 Year End Principal Balance	Forecasted December 31, 2011 Carrying Charges Balance	Total for Disposition (Principal & Interest)

Response – 10. a)

NOTL's SPC assessment was \$68,090 as per the copy of the invoice below:

Revised Invoice
Ministry of Energy and Infrastructure
Conservation and Renewable Energy Program Costs

To: Niagara-on-the-Lake Hydro Inc.
#8 Henegan Road, P.O. Box 460
Virgil, ON L0S 1T0
Attn: J. Huntingdon, General Manager

Item Description:

Assessment for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs.
Quote-part pour les coûts des programme de conservation et d'énergie renouvelable du ministère de l'Énergie et de l'Infrastructure.

Customer No./No du client 472765
Customer Site No./ N° d'emplacement du client 1061031
Invoice Date/Date de la facture April 16, 2010
Invoice No./ N° de la facture 50050
Due Date/ Date d'échéance July 30, 2010
Payment Amount/ Montant remis CAD \$ 68,090

Questions related to the remittance should be directed to the Non-Tax Revenue Management Branch Contact Centre at 1-877-535-0554 or Fax (416) 326-5177. Les questions concernant la remise doivent être posées à l'InfoCentre de la Direction de la gestion des revenus non fiscaux au 1 877 535-0554 ou par télécopieur au 416 326-5177.

This assessment was calculated by the Ontario Energy Board, 2300 Yonge St. 27th Floor, P.O. Box 2319, Toronto, ON M4P 1E4. Questions related to the invoice should be directed to the Market Operations Hotline 416-440-7604. La présente quote-part a été fixée par la Commission de l'énergie de l'Ontario, 2300, rue Yonge, 27^e étage, case postale 2319, Toronto (Ontario) M4P 1E4. Les questions relatives à la facture doivent être posées au service de téléassistance du service Activités du marché : 416 440-7604.

Payments are to be made to the Minister of Finance not the Ontario Energy Board.
Les paiements doivent être faits au ministre des Finances et non à la Commission de l'énergie de l'Ontario.

Response – 10. b)

Upon review of the application, NOTL realizes the interest claim should be only to April 30, 2012, consistent with the methodology in the IRM rate generator model Sheet 9, column BU. It should not have been until the last month (April 2013) of the application of the requested rate rider, which was the rationale for the calculation in the application. This was an inadvertent error.

Response – 10. c)

The following data is provided for this interrogatory. This data is consistent with the Table on page 18 of the application, except that carrying charges from May 2012 to April 2013 are removed, as per Response 10 b) above. Please also note that an extra cell is included in the Table below to capture the carrying charges from January 2012 to April 2012 in the total for disposition, consistent with Response 10 b).

<i>SPC Assessment (Principal balance)</i>	<i>Amount recovered from customers in 2010</i>	<i>Carrying Charges for 2010</i>	<i>Dec 31, 2010 Year End Principal Balance</i>	<i>Dec 31, 2010 Year End Carrying Charges Balance</i>	
\$68,090	\$42,302	\$184	\$25,788	\$184	
<i>Amount recovered from customers in 2011</i>	<i>Carrying Charges for 2011</i>	<i>Forecasted Dec 31, 2011 Year End Principal Balance</i>	<i>Forecasted Dec 31, 2011 Year End Carrying Charges Balance</i>	<i>Carrying Charges for 2012 (to Apr 30, 2012)</i>	<i>Total for Disposition (Principal and Interest)</i>
\$28,762	\$63	(\$2,975)	\$247	(\$15)	(\$2,743)

APPENDIX - MUTUAL AID AGREEMENT

(Pursuant to Interrogatory 8)

NEPA SERVICES AGREEMENT

BETWEEN

Brant County Power Inc., Brantford Power Inc., Canadian Niagara Power Inc., Grimsby Power Inc., Haldimand County Hydro Inc., Horizon Utilities Corporation, Niagara Falls Hydro Holding Co. Inc., Norfolk Power Distribution Inc., Peninsula West Utilities Limited, and Welland Hydro-Electric System Corp.

– AND –

Niagara-on-the-Lake Hydro Inc.

MADE AS OF

October 31, 2006

SERVICE PROVIDER: NIAGARA-ON-THE-LAKE HYDRO INC.

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SCHEDULE “A”

SCHEDULE “B”

SERVICE PROVIDER: NIAGARA-ON-THE-LAKE HYDRO INC.

NEPA SERVICES AGREEMENT

THIS AGREEMENT is made as of October 31, 2006

BETWEEN:

Brant County Power Inc., Brantford County Power Inc., Canadian Niagara Power Inc., Grimsby Power Inc., Haldimand County Hydro Inc., Horizon Utilities Corporation, Niagara Falls Hydro Holding Co. Inc., Norfolk Power Distribution Inc., Peninsula West Utilities Limited, and Welland Hydro-Electric System Corp., corporations incorporated under the laws of the Province of Ontario (the "Corporations"),

– and –

Niagara-on-the-Lake Hydro Inc., a corporation incorporated under the laws of the Province of Ontario (the "Service Provider").

WHEREAS The Niagara Erie Power Alliance ("NEPA") is a cooperative venture of eleven local distribution companies in south eastern Ontario licensed by the Ontario Energy Board ("OEB") with a common goal to address common industry issues, share resources, increase efficiencies, reduce operating costs and where possible, provide a substantial, uniform voice to the government, the OEB, media and the public;

AND WHEREAS the members of NEPA include the Corporations and the Service Provider;

AND WHEREAS the Corporations and the Service Provider desire to enter into a services agreement on the terms set out herein;

THIS AGREEMENT WITNESSES that, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE 1 – GENERAL

1.01 Services

Subject to the terms and conditions hereof, the Corporations shall retain the Service Provider to carry out services and the Service Provider shall render any one or more of the following services to the Corporations:

- a) electric utility operation and management services, including distribution and transmission systems;
- b) repair and maintenance of lines and facilities;
- c) emergency assistance in the form of personnel or equipment to aid in maintaining or restoring electric utility service when such service has been disrupted by acts of the elements, equipment malfunctions, accidents, sabotage, or any other occurrences where the parties deem emergency assistance to be necessary or desirable; and

SERVICE PROVIDER: NIAGARA-ON-THE-LAKE HYDRO INC.

- d) such other services as may from time to time be agreed upon between the parties.

The Service Provider is not under any obligation to furnish emergency assistance and will only furnish such assistance if personnel and/or equipment is available, such availability to be determined by the Service Provider.

1.02 Term of Agreement

The provision of services by the Service Provider to the Corporations hereunder shall commence on October 31, 2006, and shall terminate on October 30, 2011, or earlier if terminated by the parties hereto as set forth in Article 4 hereof.

ARTICLE 2 – REMUNERATION OF SERVICE PROVIDER

2.01 Fee for Services

The Corporation(s) receiving the services shall pay to the Service Provider for the services provided under the Agreement a fee which shall be in an amount equal to the costs and expenses incurred by the Service Provider at the charges and rates internally used by the Service Provider in accordance with the method provided for in Schedule "B" of this Agreement.

2.02 Extraordinary Expenses

The Corporations shall reimburse the Service Provider for all extraordinary expenses actually and properly incurred by the Service Provider in the performance of the services hereunder provided that such expenses shall be paid in accordance with the normal practices of the Corporations in force from time to time. Extraordinary expenses would include, by way of non-exhaustive example, travel time and disbursements outside the Niagara Region and long-distance telephone.

2.03 Invoices

Payment shall be made to the Service Provider with respect to the fees and expenses referred to in Sections 2.01 and 2.02 within 10 days from receipt by the Corporations of proper invoices and vouchers, all of which shall be submitted by the Service Provider to the Corporations by the last day of the following month during the term of this Agreement.

ARTICLE 3 – COVENANTS OF SERVICE PROVIDER

3.01 Services

The Service Provider shall render performance of the services hereunder to the best of the Service Provider's ability and in a competent and professional manner.

3.02 Time of Services

The Service Provider shall devote such of its time and attention to the business of the Corporation as may be agreed to by the Service Provider and the Corporations. The Time of Services to be provided hereunder by the Service Provider shall be as agreed to from time to time by the Corporations and the Service Provider. Subject to the

SERVICE PROVIDER: NIAGARA-ON-THE-LAKE HYDRO INC.

obligations of the Service Provider hereunder, the Service Provider shall be free to offer such services to any other person.

3.03 Licences and Permits

The Service Provider shall be responsible for obtaining all necessary licences and permits and for complying with all applicable federal, provincial and municipal laws, codes and regulations in connection with the provision of the services hereunder and the Service Provider shall, when requested, provide the Corporations with adequate evidence of his compliance with this Section 3.03.

3.04 Rules and Regulations

The Service Provider shall (subject to applicable exemptions) comply, while on the premises used by the Corporations, with all the rules and regulations of the Corporations from time to time in force which are brought to its notice or of which it could reasonably be aware, and the applicable provision of the *Electricity Act, 1998* (Ontario) and the regulations thereunder, the *Ontario Energy Board Act, 1998* (Ontario) and the regulations thereunder, applicable licences from the Ontario Energy Board, IESO market rules, the Affiliate Relationships Code, the Distribution System Code, the Transmission System Code, the Retail Settlement Code, and the Standard Service Supply Code and such other applicable codes, rules and regulations, which from time to time shall come into force.

3.05 Regulatory Compliance

The Service Provider shall ensure that any order or measure made or taken by the Ontario Energy Board:

- (i) that is brought to its attention or of which it becomes aware;
- (ii) that is directed at or affects the Corporations; and
- (iii) that, in order to be implemented or complied with, is dependent in whole or in part upon any service or task that the Service Provider is obligated to perform hereunder;

shall be fully implemented or complied with to the extent of its obligations hereunder. In connection with this section, the Corporations agrees that it (they) will promptly notify the Service Provider of any order or measure of the Ontario Energy Board directed at or affecting the Corporations.

Nothing in this Agreement will prevent the Corporations from taking any steps, including without limitation using the Corporations own resources or those of a third party, that are necessary to implement or comply with the applicable Ontario Energy Board licence, or any other applicable provisions of the applicable legislation, regulations and market rules, or any order or measure made or taken by the Ontario Energy Board.

3.06 Insurance

The Service Provider shall pay for and maintain for the benefit of the Service Provider appropriate insurance concerning the operations and liabilities of the Service Provider relevant to this Agreement including, without limiting the generality of the foregoing, workers' compensation and employment insurance in conformity with applicable statutory requirements in respect of any remuneration payable by the Service Provider to

any employees of the Service Provider and public liability and property damage insurance. Each party to this Agreement shall satisfy itself of the adequacy of its insurance protection to cover any additional exposures that may come about when participating in this Agreement.

3.07 Non-disclosure and Confidentiality

The Service Provider shall not (either during the term of this Agreement or at any time thereafter) disclose any information relating to the private or confidential affairs of the Corporations or relating to any secrets of the Corporations to any person other than with the consent of the Corporations. Furthermore, the Service Provider shall not engage in any communications or public announcements to media or other public entities without the express written consent of the Corporation receiving services from the Service Provider.

The Corporations shall not (either during the term of this Agreement or at any time thereafter) disclose any information relating to the private or confidential affairs of the Service Provider or relating to any secrets of the Service Provider to any person other than with the consent of the Service Provider.

3.08 Access to Confidential Information

All confidential information must be protected. Access to a utility's information services shall include appropriate computer data management and data access protocols. The employees of each party to this Agreement shall be bound to maintain the confidentiality of information provided for herein, except as otherwise required by applicable law.

3.09 Indemnity

- (a) The Service Provider shall indemnify and save the Corporations harmless from and against any and all claims, actions, losses, expenses (including without limitation reasonable fees and disbursements of lawyers), costs or damages of every nature and kind whatsoever excluding, however, loss of profits and other consequential or indirect losses (all covered categories are hereinafter referred to collectively as "Losses"), which the Corporations or its officers, employees or agents may suffer as a result of the negligence of the Service Provider in the performance of, or the non-performance of, this Agreement. The indemnity by the Service Provider in this Section 3.09 shall be limited to \$75,000.
- (b) The Corporations shall indemnify and save the Service Provider harmless from and against all Losses which the Service Provider or its officers, employees or agents may suffer as a result of any claims made against the Service Provider arising out of or connected to this Agreement by any individual or entity other than (i) the Corporations, (ii) officers, employees, agents and affiliates of the Service Provider and (iii) energy regulatory agencies, and other than Losses that are found by the relevant tribunal to have been substantially caused by the negligence or willful misconduct of the Service Provider (all covered claims are hereinafter referred to as "Claims").
- (c) The obligation hereunder of the Corporations to indemnify the Service Provider in respect of Claims will be subject to the following terms and conditions:
 - (i) The Service Provider will:

- (A) give the Corporations written notice of any Claim promptly after learning of it and keep the Corporations at all times fully informed of all relevant facts and circumstances from time to time, provided, however, that failure to give prompt notice shall lessen the Corporations' indemnity obligation hereunder only to the extent of actual prejudice to the Corporation;
 - (B) give such co-operation as is reasonably requested by the Corporations (including but without limitation meeting with and reviewing matters with Corporations) to take such action, or allow the Corporations (using professional advisers nominated by the Corporations) to take such action on behalf of the Service Provider, as the Corporations may reasonably request to dispute, resist, appeal, compromise, defend, remedy or mitigate the matter, or to enforce against any third party the Service Provider's rights in relation to the relevant matter.
- (ii) The Corporations may at their option undertake the defense of any Claim by representatives of its own choosing. If the Corporations, following notice of a Claim, fails to assume on a timely basis and in any event no later than 30 days after notice of such Claim, the defense of a Claim, the Service Provider will (upon further notice to the Corporations) have the right to undertake the defense, compromise or settlement of such claim on behalf of and for the account and risk, and at the expense, of the Corporations, subject to the right of the Corporations to assume the defense of such Claim at any time prior to settlement, compromise or final determination thereof.
- (iii) Notwithstanding the Corporations' election to assume the defense of a Claim, the Service Provider shall have the right to employ separate counsel and to participate in the defense of such Claim. The Corporations shall bear the reasonable fees, costs and expenses of such separate counsel if: (i) the use of counsel chosen by the Corporations to represent the Service Provider would present counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such Claim include both the Corporations and the Service Provider and the Service Provider shall have reasonably concluded that there may be legal defenses available to it that are different from or additional to those available to the Corporations (in which case the Corporations shall not have the right to assume the defense of such Claim on the Service Provider's behalf), or (iii) the Corporations shall not have employed counsel reasonably satisfactory to the Service Provider to represent the Service Provider within a reasonable time after written notice of the institution of such Claim.
- (iv) (A) the Service Provider shall not acknowledge the validity or quantum of any claim or settle or compromise any claim or proceedings for which it is indemnified without the prior written consent of the Corporations, which consent shall not be unreasonably withheld, and (B) the Corporations shall not enter into any settlement or compromise of any action, suit or proceeding or consent to the entry of any judgment for other than monetary damages to be borne by the Corporations without the prior

written consent of the Service Provider, which consent shall not be unreasonably withheld.

ARTICLE 4 – TERMINATION

4.01 Termination by Corporations or Service Provider for Cause

The Corporations or the Service Provider may terminate this Agreement at any time in the event of the failure of the other party to comply with any of the provisions hereunder upon such other party being notified in writing by the party alleging such failure and failing to remedy such failure within 30 days of receiving such notice.

4.02 Termination by Corporations or Service Provider on Notice

The Corporations or the Service Provider may terminate this Agreement upon the giving of 60 days written notice to the other party. Notwithstanding the foregoing, the Corporations may terminate this Agreement immediately upon paying to the Service Provider 60 days' fee for services in lieu of such notice.

4.03 Provisions which Operate Following Termination

Notwithstanding any termination of this Agreement for any reason whatsoever and with or without cause, the provisions of Sections 3.07, 3.08 and 3.09 shall continue in full force and effect following any such termination.

ARTICLE 5 – ARBITRATION

5.01 Arbitration of Disputes

Any disputes arising between the parties relating to the interpretation of any provision of this Agreement, or other matters which under the provisions of this Agreement are to be referred to arbitration, shall be settled by arbitration in accordance with the provisions of Section 5.02.

5.02 Appointment of Arbitrator and Arbitration Procedures

- a) In the event of disagreement, litigation or dispute with respect to the interpretation, application or execution of one or the other of the provisions of this Agreement the parties hereto renounce their right to institute legal proceedings and undertake to submit such disagreement, litigation or dispute to the final decision pursuant to Arbitration in accordance with Schedule "A" hereto.
- b) The fees and disbursements of the arbitrator shall be shared equally by the parties to this Agreement.
- c) The arbitration provided for in this Agreement is subject to the provisions of the *Arbitration Act* (Ontario), to the extent that such provisions are not incompatible herewith.

ARTICLE 6 – INTERPRETATION AND ENFORCEMENT

6.01 Sections and Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

6.02 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporation and *vice versa*.

6.03 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon successors and assigns of the Service Provider and the Corporations, respectively.

6.04 Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, forms, conditions, undertakings or collateral agreements, express implied or statutory between the parties other than as expressly set forth in this Agreement.

6.05 Amendments and Waivers

No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.

6.06 Assignment

Except as may be expressly provided in this Agreement, neither party hereto may assign his or its rights or obligations under this Agreement without the prior written consent of the other parties hereto.

6.07 Severability

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

6.08 Notices

Any demand, notice or other communication to be made or given in connection with this Agreement shall be made or given in writing and may be made or given by personal delivery or by registered mail addressed to the recipient as follows:

To the Corporations:

Brant County Power Inc.

65 Dundas Street East
Paris, Ontario N3L 3H1
Attention: President, Deborah Sleeth
Fax: (519) 442-3701

Brantford Power Inc.

84 Market Street – Box 308
Brantford, Ontario N3T 5N8
Attention: President, George Mychailenko
Fax: (519) 753-6130

Canadian Niagara Power Inc.

1130 Bertie Street – P. O. Box 1218
Fort Erie, Ontario L2A 5Y2
Attention: President, William J. Daley
Fax: (905) 871-8676

Grimsby Power Inc.

231 Roberts Road
Grimsby, Ontario L3M 5N2
Attention: President, Brian Weber
Fax: (905) 945-9933

Haldimand County Hydro Inc.

1 Greendale Drive
Caledonia, Ontario N3W 2J3
Attention: President, Lloyd Payne
Fax: (905) 765-8211

Horizon Utilities Corporation

55 John Street North – Box 2249, LCD 1
Hamilton, Ontario L8N 3E4
Attention: President, Max Cananzi
Fax: (905) 522-3076

Niagara Falls Hydro Holding Co. Inc.

7447 Pin Oak Drive – Box 120
Niagara Falls, Ontario L2E 6S9
Attention: President, Brian Wilkie
Fax: (905) 356-0118

Norfolk Power Distribution Inc.

70 Victoria Street – Box 588
Simcoe, Ontario N3Y 4N6
Attention: President, Fred Druyf
Fax: (519) 426-4514

Peninsula West Utilities Limited

4548 Ontario Street – Unit 2
Beamsville, Ontario L0R 1B5
Attention: COO, Karen Bubish
Fax: (905) 563-9140

Welland Hydro-Electric System Corp.

950 East Main Street – Box 280
Welland, Ontario L3B 5P6
Attention: President, Ross Peever
Fax: (905) 732-0123

To the Service Provider:

Niagara-on-the-Lake Hydro Inc.

8 Henegan Road – Box 460
Virgil, Ontario L0S 1T0
Attention: President, Jim Huntingdon
Fax: (905) 468-3861

or such other address or individual as may be designated by notice by either party to the other. Any demand, notice or other communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if made or given by registered mail, on the 5th day, other than a Saturday, Sunday or statutory holiday in the province of the Service Provider, following the deposit thereof in the mail. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of the mail, any such demand, notice or other communication shall not be mailed but shall be made or given by personal delivery.

6.09 Further Assurances

Each party must from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario, and the laws of Canada applicable therein.

SERVICE PROVIDER: NIAGARA-ON-THE-LAKE HYDRO INC.

6.11 Attornment

For the purpose of all legal proceedings this Agreement shall be deemed to have been performed in the Province of Ontario and, subject to Article 5 of this Agreement, the courts of the Province of Ontario shall have jurisdiction to entertain any action arising under this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement.

Brant County Power Inc.

Per: 

Brantford Power Inc.

Per: _____

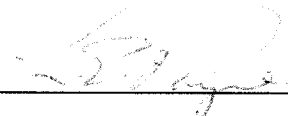
Canadian Niagara Power Inc.

Per: 

Grimsby Power Inc.

Per: 

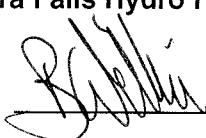
Haldimand County Hydro Inc.

Per: 

Horizon Utilities Corporation

Per: 

Niagara Falls Hydro Holding Co. Inc.

Per: 

Norfolk Power Distribution Inc.

Per: 

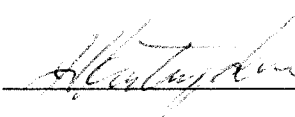
Peninsula West Utilities Limited

Per: 

Welland Hydro-Electric System Corp.

Per: _____

Niagara-on-the-Lake Hydro Inc.

Per: 

SCHEDULE "A"

ARBITRATION

Any dispute between the parties hereto, or any matter to be submitted to arbitration hereunder, whether arising during the period of this Agreement or at any time thereafter which touches upon the validity, construction, meaning, performance or effect of this Agreement or the rights and liabilities of the parties hereto or any matter arising out of or connected with this Agreement shall be subject to arbitration pursuant to the *Arbitration Act* (Ontario) and as provided in this Schedule A and the decision shall be final and binding as between the parties hereto and shall not be subject to appeal.

Any arbitration to be carried out under this Schedule A shall be subject to the following provisions, namely:

The party desiring arbitration shall nominate one (1) arbitrator and shall notify the other party hereto of such nomination. Such notice shall set forth a brief description of the matter submitted for arbitration and, if appropriate, the paragraph hereof pursuant to which such matter is so submitted. Such other party shall within thirty (30) days after receiving such notice nominate an arbitrator and the two (2) arbitrators shall select a chairman of the arbitral tribunal to act jointly with them. If the said arbitrators shall be unable to agree in the selection of such chairman, the chairman shall be designated by a Judge of the Superior Court of Justice or any successor thereto upon an application. The arbitration shall take place in the Town of Fort Erie, Regional Municipality of Niagara, and the chairman shall fix the time and place in the Town of Fort Erie for the purpose of hearing such evidence and representations as either of the parties may present and, subject to provisions hereto, the decision of the arbitrators and chairman or any of two (2) of them in writing shall be binding upon the parties both in respect of procedure and the conduct of the parties during the proceedings and the final determination of the issues herein. Said arbitrators and chairman shall, after hearing any evidence and representations that the parties may submit, make their decision and reduce the same to writing and deliver one (1) copy thereof to each of the parties hereto. The majority of the chairman and arbitrators may determine any matters of procedure for the arbitration not specified herein.

If the party hereto receiving the notice of the nomination of an arbitrator by the party desiring arbitration fails within the thirty (30) days to nominate an arbitrator, then the arbitrator nominated by the party desiring arbitration may proceed alone to determine the dispute in such manner and at such time as he shall think fit and his decision shall, subject to the provisions hereof, be binding upon the parties.

Notwithstanding the foregoing, any arbitration may be carried out by a single arbitrator if the parties hereto so agree, in which event the provisions of this paragraph shall apply, *mutatis mutandis*.

SCHEDULE "B"

FEE FOR SERVICES METHODOLOGY

Labour Rates

Labour rates shall reflect the Service Provider's actual hourly rates plus applicable pension costs (for regular hours only), employer health tax, plus a 10% mark-up.

Truck and Other Equipment Rates

Equipment rates should reflect the Service Provider's normal equipment hourly rate plus the applicable internal mark-up.

Material Charges

Material costs should reflect the Service Provider's actual material costs plus the applicable internal mark-up. It is also understood that the Corporation receiving the applicable material has the option based on mutual agreement with the Service Provider to replenish the Service Provider's material inventory on a like-for-like basis in lieu of a monetary reimbursement.