

SUMMARY of 2008 RATE APPLICATION (Submitted to the OEB) vs. REVISED 2008 TEST YEAR (Per Agreement)

CAPITAL EXPENDITURES (000's)	Submitted to OEB	Per Agreement	Variance
	2008 EDR Rate Application	Revised 2008 Test Year	Variance to 2008 EDR
<i>System Capacity - Growth Driven Investment:</i>			
Subtransmission/Distribution Construction	5,850	5,850	-
Substation Construction	3,425	3,425	-
Total Growth Driven Investment	9,275	9,275	-
<i>System Maintenance - Reliability Driven Investment:</i>			
Subdivision Rebuilds	6,100	6,100	-
Overhead Distribution Upgrades	2,600	2,600	-
Underground Distribution Maintenance	2,200	2,200	-
Transformer Replacement	650	650	-
Protection and Control Upgrades (SCADA)	1,400	1,400	-
Total Reliability Driven Investment	12,950	12,950	-
Total System Expansion Investment	22,225	22,225	-
<i>System Expansion & Upgrades - Customer Driven Investment:</i>			
New Industrial/Commercial Customer Services	4,200	4,200	-
New Subdivisions	2,575	2,575	-
Road Projects	750	750	-
Metering & Customer Additions	1,864	1,864	-
Total Customer Driven Investment	9,389	9,389	-
<i>Non-System Requirements - Regulatory Driven Investment:</i>			
Conservation & Demand (3rd Tranche)	-	-	-
Wholesale Metering	145	145	-
Total Regulatory Driven Investment	145	145	-
<i>Non-System Requirements - Internally Driven Investment:</i>			
CIS	3,914	6,836	2,922
Rolling Stock	1,858	1,858	-
Major Tools	150	150	-
Information Technology	720	720	-
Engineering and Asset Systems	1,545	1,545	-
Grounds and Buildings (Capital Maintenance)	2,150	2,150	-
Grounds and Buildings (Land & Bldg)	2,500	2,500	-
Information Systems and Facilities Total	12,836	15,758	2,922
TOTAL CAPITAL EXPENDITURES	44,595	47,517	2,922

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RATE BASE (000's)	Submitted to OEB	Per Agreement	Variance
	2008 EDR Rate Application	Revised 2008 Test Year	Variance to 2008 EDR
<u>Property, Plant & Equipment</u>			
Asset Values at Cost	\$ 792,787	\$ 794,248	\$ 1,461
Less: Construction Work in Progress	\$ (5,182)	\$ (5,182)	\$ -
Accumulated Depreciation	\$ (378,678)	\$ (378,429)	\$ 249
Net Fixed Assets (2 yr average)	\$ 408,928	\$ 410,637	\$ 1,710
<u>Allowance for Working Capital</u>			
TOTAL COST OF POWER	\$ 601,101	\$ 605,573	\$ 4,472
TOTAL EXPENSES (excluding Depreciation)	\$ 42,076	\$ 40,476	\$ (1,600)
Total for consideration of Working Capital Allowance	\$ 643,178	\$ 646,049	\$ 2,872
	15.0%	13.3%	
Working Capital Allowance	\$ 96,477	\$ 85,925	\$ (10,552)
RATE BASE	\$ 505,404	\$ 496,562	\$ (8,842)

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TARGET NET INCOME AND DEEMED INTEREST EXPENSE (000's)			
	Submitted to OEB	Per Agreement	Variance
	2008 EDR Rate Application	Revised 2008 Test Year	Variance to 2008 EDR
Calculation of Return:			
Rate Base	\$ 505,404	\$ 496,562	\$ (8,842)
Calculation of Cost of Capital:			
Long Term Debt portion	60%	56%	
Equity portion	40%	40%	
Short Term Debt portion		4%	
Cost of Long Term Debt	6.44%	6.44%	
Cost of Equity - <i>To be updated in Qtr1 2008</i>	9.00%	8.39%	
Cost of Short Term Debt - <i>To be updated in Qtr1 2008</i>		4.59%	
Cost of Capital - <i>To be updated in Qtr1 2008</i>	7.464%	7.146%	-0.318%
Return on Rate Base	\$ 37,723	\$ 35,484	\$ (2,239)
Calculated Deemed Interest			
Rate Base	\$ 505,404	\$ 496,562	\$ (8,842)
Long Term Debt Component	60.00%	56.00%	
Short Term Debt Component		4.00%	
Long Term Debt Rate	6.44%	6.44%	
Short Term Debt Rate - <i>To be updated in Qtr1 2008</i>		4.59%	
Deemed Interest	\$ 19,529	\$ 18,820	\$ (709)
Target Net Income before consideration of PILS	\$ 18,195	\$ 16,665	\$ (1,530)

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PILs (000's)	Submitted to OEB	Per Agreement	Variance
	2008 EDR Rate Application	Revised 2008 Test Year	Variance to 2008 EDR
PILs: (Subject to change upon Cost of Capital update in Qtr 1)			
Net Income before Interest Expense & Income Taxes	\$ 37,723	\$ 35,484	\$ (2,239)
Less: Interest Expense for accounting purposes	\$ 19,529	\$ 18,820	\$ (709)
	\$ 18,195	\$ 16,665	\$ (1,530)
Less: Provision for Payment in Lieu of Income Taxes	\$ -	\$ -	\$ -
Net Income / (Loss)	\$ 18,195	\$ 16,665	\$ (1,530)
Reconciliation of accounting income to taxable income			
<u>Additions to Net Income</u>			
Provision for income taxes - current	\$ -	\$ -	\$ -
Amortization of tangible assets	\$ 34,357	\$ 34,108	\$ (249)
Recovery of deferred costs & amortization of regulatory assets	\$ 2,850	\$ -	\$ (2,850)
Reserves from financial statements (end of year)	\$ 3,534	\$ 3,534	\$ -
Capital tax expensed per accounts	\$ 1,482	\$ 1,475	\$ (7)
Other additions	\$ 468	\$ 468	\$ -
Total Additions	\$ 42,690	\$ 39,584	\$ (3,106)
<u>Deductions to Net Income</u>			
Capital cost allowance	\$ 33,541	\$ 37,332	\$ 3,791
Cumulative eligible capital deduction	\$ 1,356	\$ 1,356	\$ -
Capital tax per CT23	\$ 1,482	\$ 1,475	\$ (7)
Reserves from financial statements (beginning of year)	\$ 3,054	\$ 3,054	\$ -
Deferred RCVA costs & interest income on regulated assets	\$ 87	\$ 87	\$ -
AFUDC - Interest Capitalized to Book	\$ 302	\$ 302	\$ -
Other deductions	\$ 250	\$ 250	\$ -
Total Deductions	\$ 40,072	\$ 43,856	\$ 3,784
Total Additions less Deductions	\$ 2,618	\$ (4,272)	\$ (6,890)
Taxable Income / (Loss)	\$ 20,812	\$ 12,393	\$ (8,419)
Tax Rate	36.12%	33.50%	
Total Income Tax (Before Gross-up)	\$ 7,517	\$ 4,152	\$ (3,366)
Total Income Tax (Grossed up)	\$ 11,768	\$ 6,243	\$ (5,525)
Total Capital Taxes - To be updated for Legislative changes	\$ 1,482	\$ 1,475	\$ (7)
TOTAL INCOME & CAPITAL TAXES	\$ 13,250	\$ 7,718	\$ (5,532)

SUMMARY of 2008 RATE APPLICATION (Submitted to the OEB) vs. REVISED 2008 TEST YEAR (Per Agreement)

Revenue Requirement (000's)	Submitted to OEB	Per Agreement	Variance
	2008 EDR Rate Application	Revised 2008 Test Year	Variance to 2008 EDR
Revenue Requirement:			
<u>Cost of Service</u>			
Operating, Maintenance & Administration	\$ 42,076	\$ 40,476	\$ (1,600)
Depreciation & Amortization	\$ 34,357	\$ 34,108	\$ (249)
Capital Taxes - <i>To be updated for Legislative changes</i>	\$ 1,482	\$ 1,475	\$ (7)
Income Taxes - <i>Subject to change upon Cost of Capital update in Qtr 1</i>	\$ 11,768	\$ 6,243	\$ (5,525)
	\$ 89,683	\$ 82,302	\$ (7,381)
<u>Less: Non-Rate Revenues</u>			
Total Revenue Offsets	\$ 5,341	\$ 5,341	\$ -
Sub-Total	\$ 84,342	\$ 76,961	\$ (7,381)
<u>Return on Capital</u>			
Rate Base	\$ 505,404	\$ 496,562	\$ (8,842)
Cost of Capital - <i>To be updated in Qtr1 2008</i>	<u>7.464%</u>	<u>7.146%</u>	
Return on Capital	\$ 37,723	\$ 35,484	\$ (2,239)
TOTAL REVENUE REQUIREMENT	\$ 122,066	\$ 112,445	\$ (9,620)
Rate Riders	(\$5,118)	(\$5,612)	\$ (494)
Specific Revenue	\$ 5,341	\$ 5,341	\$ -
Transformer Allowance	\$ 2,042	\$ 2,042	\$ -
TOTAL SERVICE REVENUE REQUIREMENT	\$ 124,330	\$ 114,216	\$ (10,114)

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REVENUE DEFICIENCY (000's)	Submitted to OEB	Per Agreement	Variance
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Revenue at Current Rates	\$109,708	\$110,399	\$691
Less Transformer Ownership	(\$2,042)	(\$2,042)	\$0
Distribution Base Revenue	\$107,666	\$108,357	\$691
<u>Cost of Service</u>			
Operating, Maintenance & Administration	\$42,076	\$40,476	(\$1,600)
Depreciation & Amortization	\$34,357	\$34,108	(\$249)
Capital Taxes - To be updated for Legislative changes	\$1,482	\$1,475	(\$7)
Income Taxes - Subject to change upon Cost of Capital update in Qtr 1	\$11,768	\$6,243	(\$5,525)
Total Cost of Service	\$89,683	\$82,302	(\$7,381)
Less: Non-Rate Revenues	\$5,341	\$5,341	\$0
Rate Base	\$505,404	\$496,562	(\$8,842)
Cost of Capital - To be updated in Qtr1 2008	7.464%	7.146%	-0.318%
Return on Capital	\$37,723	\$35,484	(\$2,239)
Total Revenue Requirement	\$122,066	\$112,445	(\$9,620)
REVENUE DEFICIENCY	(\$14,400)	(\$4,088)	

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