

January 27, 2012

Ms. K. Walli
Board Secretary
Ontario Energy Board
Suite 2701
2300 Yonge Street
Toronto, Ontario M4P 1E4

**Re: Cost of Service Distribution Rate Application Board File No EB-2011-0322
- Chapleau Public Utilities Corporation License number 2002-0528.**

Dear Ms. Walli,

Chapleau Public Utilities Corporation (CPUC) is pleased to submit its Cost of Service Distribution Rate Application all in accordance with the Ontario Energy Boards directives and guidelines.

CPUC is requesting an effective date of May 1, 2012 for the implementation of the proposed Electricity Distribution Rates and Charges.

Enclosed with this letter are two (2) hard copies and an electronic version of the documents and Exhibits used to develop the 2012 Cost of Service Distribution Rates.

These documents have been filed on behalf of Chapleau Public Utilities Corporation.

Sincerely,

Peter Ioannou

Enclosure

cc: Marita Morin, Chapleau Public Utilities Corporation.
File

CHAPLEAU PUBLIC UTILITIES CORPORATION

LICENCE NO. ED-2002-0528

CHAPTER 2 - FILING REQUIREMENTS FOR ELECTRICITY

TRANSMISSION AND DISTRIBUTION COMPANIES

COST OF SERVICE RATE APPLICATIONS,

BASED ON A FORWARD YEAR BASIS

BOARD FILE NO. EB-2011-0322

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EXHIBIT 1 - ADMINISTRATIVE DOCUMENTS

1. ADMINISTRATIVE

Application

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B of the *Energy Competition Act, 1998*:

AND IN THE MATTER OF an Application by Chapleau Public Utilities Corporation (CPUC) for 2012 electricity distribution rates, effective May 1, 2012, in accordance with the Ontario Energy Board's "Chapter 2 of the Filing Requirements for Transmission and Distribution Applications" issued June 22, 2011.

The applicant, CPUC, is a corporation incorporated pursuant to the Ontario Business Corporation Act having its head office in the Town of Chapleau and carries on the business of electricity distribution within the municipal boundaries of the Town of Chapleau.

Chapleau Public Utilities Corporation License Number ED-2002-0528 renewed November 12, 2010 with Special License Conditions.

Publication Notice

CPUC proposes that the notice will appear in both French and English in Chapleau Express having a readership of approximately 2000 and circulation of approximately 1400.

Contact Information

| | |
|------------------|---|
| Key Contact: | Marita Morin Secretary -Treasurer |
| Mailing Address: | 110 Lorne Street South P. O. Box 670 Chapleau, Ontario P0M 1K0 |
| Phone: | 705-864-0111 |
| Fax: | 705-864-1962 |
| E-mail: | chec@onlink.net |
| Consultant | Peter Ioannou |
| Mailing Address: | 76 Agincourt Drive Toronto, Ontario, M1S 1M6 |
| Phone: | 416-293-0235 |
| E-mail: | peter.ioannou@bell.net |

Specific Approvals Requested

Chapleau Public Utilities Corporation (CPUC) is seeking in the **EB-2011-0322** Application for the following rate approvals effective May 1, 2012:

- Distribution Rates for existing rate classes
- Retail Transmission rates
- Total Loss Factor
- Smart Meter Disposition Rider (SMDR)
- Low Voltage rates
- Stranded Meters Rate Rider
- Lost Revenue Adjustment Mechanism (LRAM) rates
- Disposition of Deferral Variance account balances as at December 31, 2010 for the following:

- 1518 Retail Costs Variance Account Retail
- 1550 Low Voltage variance
- 1565 Conservation and Demand Management
- 1580 RSVA - Wholesale Market Services Charge
- 1584 RSVA - Transmission Network
- 1586 RSVA - Transmission Connection
- 1588 RSVA - Power (excluding Global Adjustment)
- 1588 RSVA - Power - Global Adjustment

CPUC does not have (or had) any Transmission Assets.

There are no Procedural Orders/Motions/Correspondence.

The Company does not have any Accounting Orders.

Chapleau Public Utilities Corporation is in compliance with Uniform Systems of Accounts.

This cost of service application is being filed on the basis of CGAAP. To file this application under a modified IFRS basis will impose an unreasonable burden on the Utility office staff of only 2 employees.

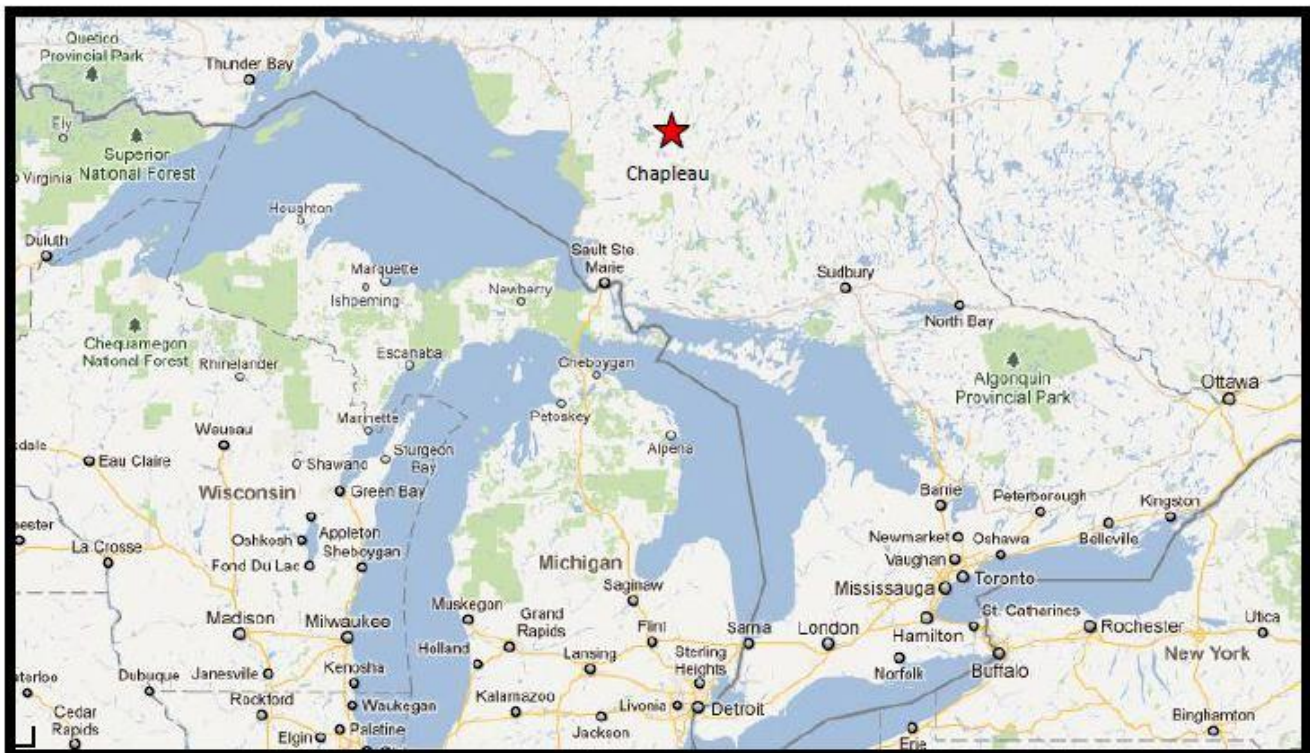
Location and Map of the Town of Chapleau

The Town of Chapleau is located in Northern Ontario, as shown in Map # 1, (partial map of Ontario) with a population of about 2,300 residents and has a customer base of just over 1,300 metered customers. The Town of Chapleau exists to service the logging/lumber industry and the Canadian Pacific Railway.

Chapleau is located:

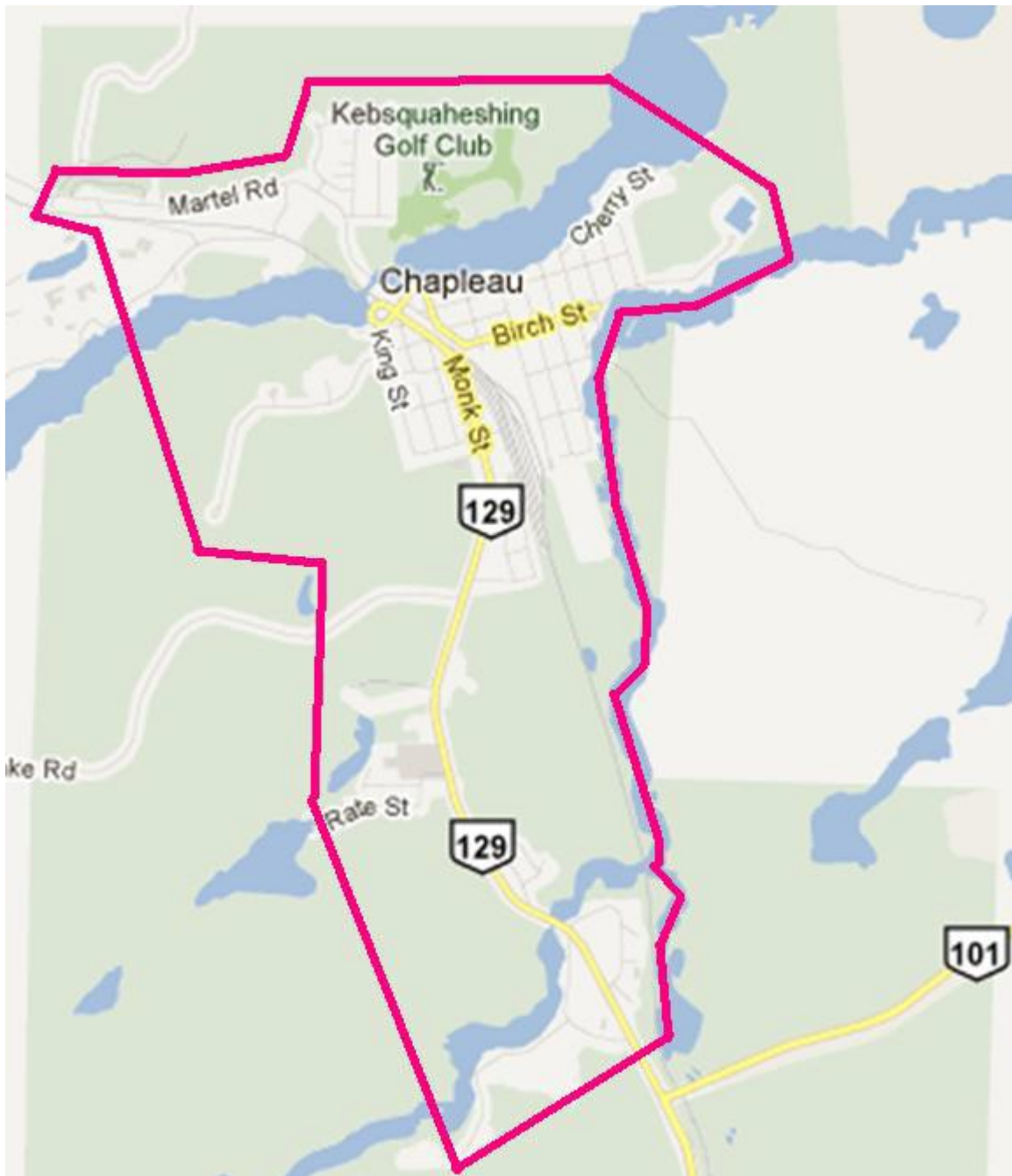
200 kilometers South West of Timmins
245 kilometers North East of Sault St Marie
410 kilometers North West of Sudbury
140 kilometers East of Wawa
790 kilometers North West of Toronto

Location of The Town of Chapleau



Partial map of Ontario- Map #1

CPUC's service territory is shown in Map # 2, servicing an area of 2 square kilometers and 27 kilometers of roads where distribution lines exist.

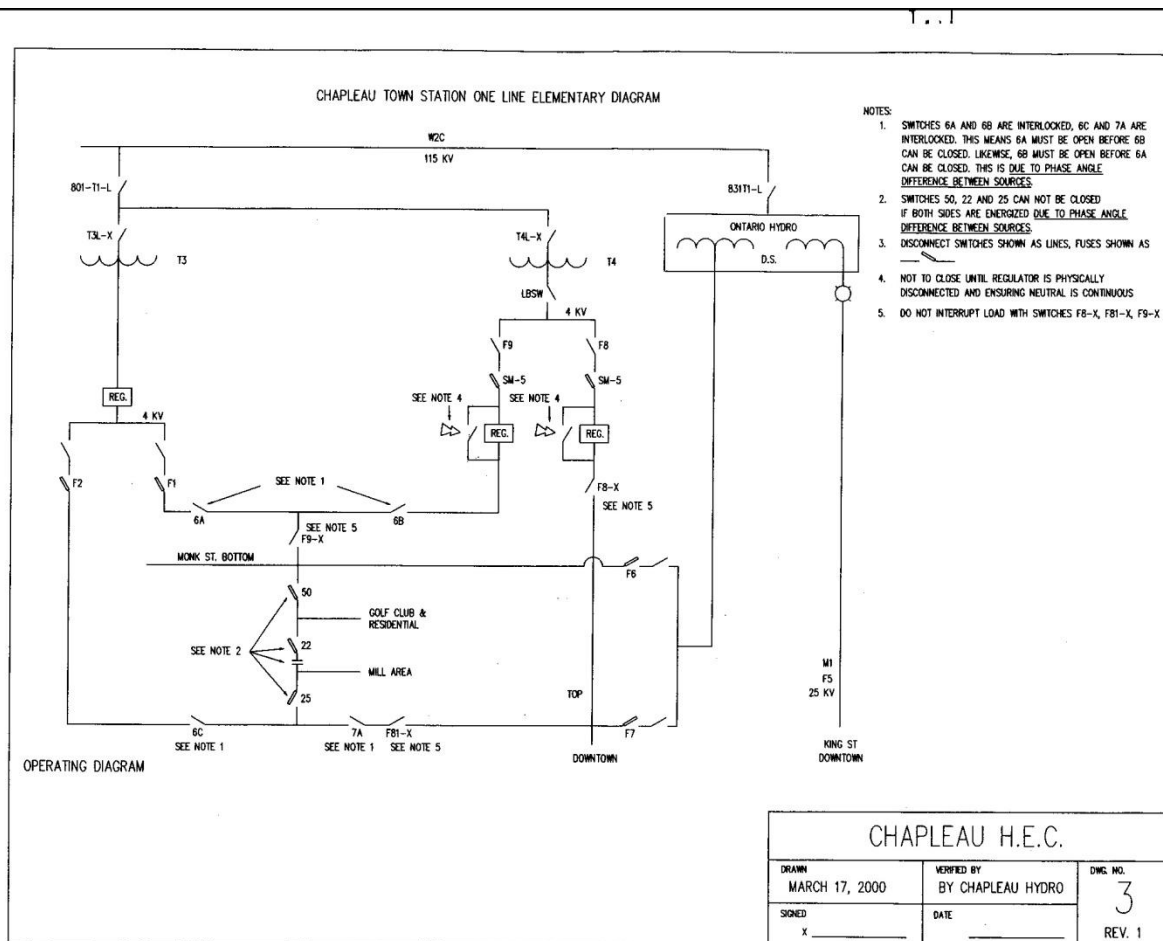


CPUC's Service Territory - Map # 2

Distribution System

CPUC's distribution system is connected to the 115 kV transmission system through Chapleau DS. The distribution system is comprised of two voltage systems: one at 4.16 kV and the other at 25 kV. CPUC owns two 115-4.16 kV transformers at the DS totalling 6.2 MVA which supply 3 feeders. In addition, CPUC has one 25 kV feeder supplied by Hydro One Networks Inc. which is limited to supplying approximately 3.5 MVA of capacity.

Approximately 60% of the distribution assets are rated at 4.16 kV and 40% are rated at 5 kV.



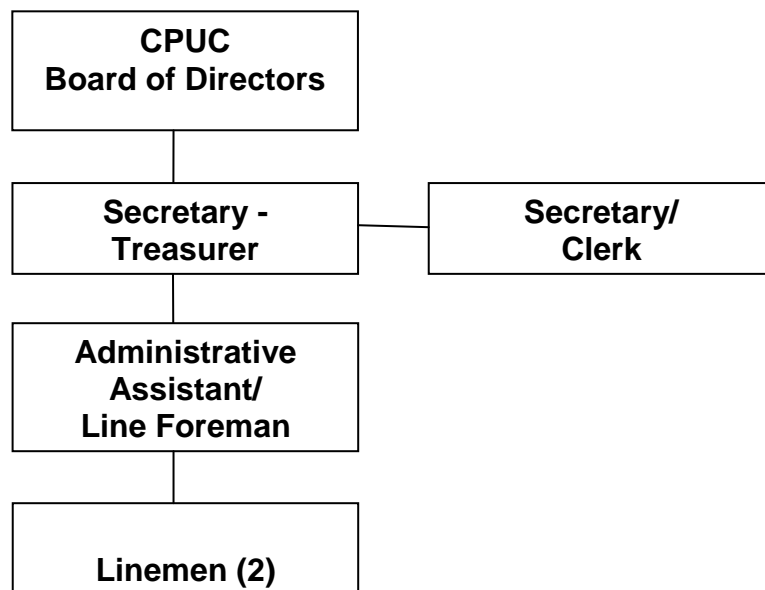
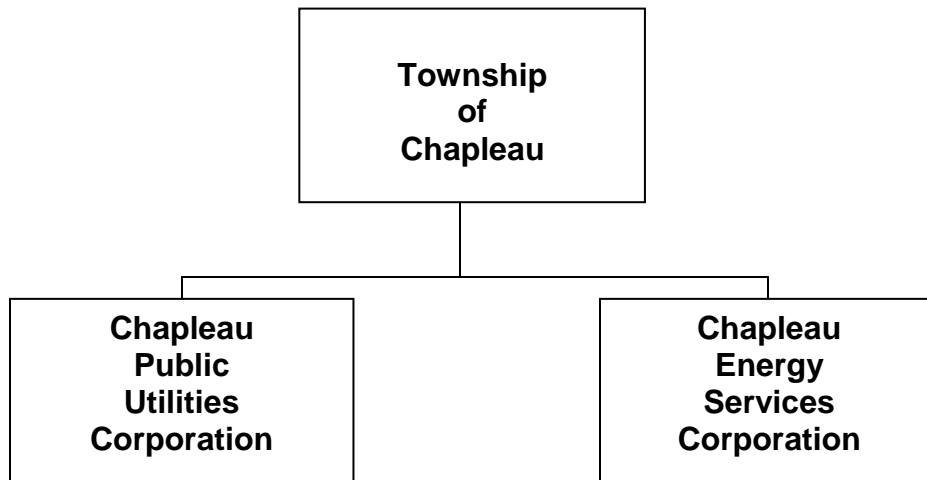
Neighboring Utilities

Hydro One Networks Inc.

Host or Embedded Utilities

Chapleau Public Utilities Corporation is a partially embedded utility receiving approximately 37% of its load from Hydro One Networks Inc.

Utility Organization Chart and Corporate Entities Relationship Chart



The Township of Chapleau owns 100% of Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation.

Chapleau Public Utilities Corporation (CPUC) is the local distribution company having 4 Board Members 2 of which represent the Shareholder, the Township of Chapleau; the Board and Management of the Utility reports to the shareholder annually at the Annual Shareholders meeting. The election of the Board members occurs at the Township of Chapleau Council Meeting. Qualified Board members are eligible for reelection.

Chapleau Energy Services Corporation (CESC) is the service company having 3 Board Members 2 of which represent the Shareholder, the Township of Chapleau. The Board and Management of the Service Company reports to the shareholder annually at the Annual Shareholders meeting and the election of the Board members occurs at the Township of Chapleau Council Meeting. Qualified Board members are eligible for re-election.

Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation have an operation and maintenance service agreement between the two companies. The Utility employ's the Services Company to supply material, labour and equipment required for new construction, repairs and maintenance of the Utility's distribution system, management support, billing and collection, rent, phone, postage and office equipment. All services are charged to the Distribution Company at direct cost plus applicable overhead (no mark-up).

There are no planned changes in corporate or operational structure at this time.

Chapleau Public Utilities Corporation has complied with all Board Directives from previous Board decisions and /or Orders.

Conditions of Service

CPUC's Conditions of Service was amended in 2010 in the following sections:

| | |
|---------|-----------------------------------|
| 1.5 | Contact Information |
| 2.3.2.7 | Emergency Service (trouble calls) |
| 2.3.7.2 | Current Transformer Boxes |
| 2.3.7.3 | Interval Metering |
| 2.5.1 | Customer Information |
| Table 1 | New Rates and charges for 2010 |
| 3.4 | Embedded Generation |
| 3.5 | Embedded Market Participant |
| 3.6 | Embedded Distributor |

In 2011 changes were made to the Conditions of Service to show the new rates and charges for 2011.

CPUC's rates and charges are documented in the Conditions of Service

CPUC does not expect any changes to the Conditions of Service as a result of approval of the application other than the new rates and charges for 2012.

A Copy of CPUC's revised Condition of Service Agreement is publicly available on the utility's website and at the utility's offices in hard copy format.

List of witnesses and their curriculum vitae will be made available if oral hearing is required.

2. OVERVIEW

Summary of the Application

The purpose of this application is to rebase Chapleau Public Utilities Corporation rates by applying current data with current revenue and cost requirements on a Cost Allocation basis to eliminate any cross subsidization that may exist between customer classes and to develop fair and reasonable distribution rates that will allow the utility and its customers to move forward during difficult economic times in a Northern Community.

The timing for rate approvals, of May 1, 2012, in this application will allow Chapleau Public Utilities Corporation (Company) to address (a) its revenue deficiency of \$200,442, and (b) repair and maintenance of the aging distribution system to improve safety, reliability and reduce its distribution system losses of 1.0671 to a more reasonable level.

The impact proposed rates will have to the average customer is as follows:

Monthly Average Customer Impact by class:

| Rate Class | Average Consumption | Increase (Decrease) | |
|---------------------------|-------------------------|---------------------|----------|
| | | \$ Amount | Percent |
| Residential | 1,072 kWh | 9.78 | 7.29 % |
| General Service <50 kW | 2,720 kWh | 16.72 | 5.18 % |
| General Service > 50 kW | 116.25 kW 45,589 kWh | (617.05) | (10.15)% |
| Un-metered Scattered Load | 101 kWh | 0.20 | 0.63% |
| Sentinel Lights | 0.23 kW 93 kWh | 4.52 | 30.32% |
| Street Lights | 0.19 kW 72 kWh | 1.78 | 13.84% |

Mitigation Plan Approaches: In order to mitigate increases of 10% or over, CPUC will make rate adjustments as follows:

For **Residential customers** CPUC is proposing to reduce the proposed monthly service rate from \$24.10 to \$21.28 for all 1133 customers per month from May 1, 2012 to April 30, 2013. 28 customers consuming 135 kWh or less per month will still be affected by 10.0% or \$5.02 or less. This approach will assist all residential customers cope with the increase.

For **GS <50 kWh**, 28 customers consuming 415 kWh or less are being affected by 10.0% or more. CPUC is proposing to reduce the monthly service rate from \$35.73 to \$34.00 per month from May 1, 2012 to April 30, 2013. There will be 16 customers consuming 155 kWh or less per month that will still be affected by 10.0% or \$5.02 or less.

The **Sentinel Lighting** class customers are being affected the most by the 2012 Cost of Service process. In the Cost Allocation model analysis, Sheet O1 "Revenue to Cost RR", it was identified that its cost ratio is at 61.46%. This ratio requires that it be at a minimum 80.0% and therefore CPUC will adjust this ratio in equal proportion over a 3 year period. The cost ratio will increase to 67.64% on May 1, 2012, 73.82% on May 1, 2013 and to 80.0% on May 1, 2014.

CPUC will adjust all 23 customer's Fixed Rate over 3 years as follows:

| Year | Fixed Rate | Total Cost | Increase \$ | Increase % | Loss of Revenue |
|-----------|------------|------------|-------------|------------|-----------------|
| 2011 Rate | \$4.41 | \$14.91 | | | |
| 2012 | \$4.83 | \$16.41 | \$1.50 | 10.06% | \$819.72 |
| 2013 | \$6.32 | \$17.92 | \$1.51 | 9.22% | \$408.48 |
| 2014 | \$7.80 | \$19.43 | \$1.51 | 8.43% | \$0.00 |

The above table is based on the average Sentinel Lighting customer consuming 0.23 kW and 93 kWh per month. Customers consuming less than the average will experience increases of over 10.0% however the \$ amounts will be approximately \$1.50 per month or less.

Budget Overview

Chapleau Public Utilities Corporation (Company) is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumption. The economy has not improved however economic levels have been maintained through 2006 and 2011.

The information compiled by CPUC during the Budgeting process was derived mostly from historical data from 2006 to 2011 for both 2011 Bridge Year and 2012 Test Year for 3 major components:

- Revenue Forecast
- Operating, Maintenance and Administration Expense Forecast
- Capital Budget

Revenue forecast was developed using energy sales over the previous 6 years and current economic conditions which have existed in the Chapleau area since 2006.

Operating, Maintenance and Administration Expense Forecast for the 2011 Bridge Year and the 2012 Test Year have been based on current operating priorities, influenced by prior-year experience, year to date results and expected changes that will occur in the near future. Each item was reviewed and analyzed individually during the budget/forecast process.

Capital Budget for 2011 forecast and 2012 Budget are influenced by the highest priority repair and maintenance requirement and CPUC's capacity to finance capital projects.

Revenue Deficiency/Sufficiency

The Revenue Requirement work form has been completed and can be viewed as APPENDIX A in this application.

Sheet #8, "Revenue Deficiency/Sufficiency" extracted from the Revenue Requirement work form shows CPUC's revenue deficiency calculations of \$200,442 for 2012 Test Year at the 2011 Board approved rates and the 2012 Test Year Revenue Requirement calculated at \$864,765.

Schedule of Revenue Sufficiency/Deficiency

| Line No. | Particulars | Initial Application | |
|----------|--|---------------------------|-------------------|
| | | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$200,442 |
| 2 | Distribution Revenue | \$622,588 | \$622,588 |
| 3 | Other Operating Revenue Offsets - net | \$41,735 | \$41,735 |
| 4 | Total Revenue | \$664,323 | \$864,765 |
| 5 | Operating Expenses | \$743,066 | \$743,066 |
| 6 | Deemed Interest Expense | \$54,591 | \$54,591 |
| | Total Cost and Expenses | \$797,657 | \$797,657 |
| 7 | Utility Income Before Income Taxes | (\$133,334) | \$67,108 |
| 8 | Tax Adjustments to Accounting Income per 2009 PILs | \$29,990 | \$29,990 |
| 9 | Taxable Income | (\$103,344) | \$97,098 |
| 10 | Income Tax Rate | 15.50% | 15.50% |
| 11 | Income Tax on Taxable Income | (\$16,018) | \$15,050 |
| 12 | Income Tax Credits | \$ - | \$ - |
| 13 | Utility Net Income | (\$117,316) | \$52,058 |
| 14 | Utility Rate Base | \$1,518,609 | \$1,518,609 |
| | Deemed Equity Portion of Rate Base | \$607,443 | \$607,443 |
| 15 | Income/(Equity Portion of Rate Base) | -19.31% | 8.57% |
| 16 | Target Return - Equity on Rate Base | 8.57% | 8.57% |
| 17 | Deficiency/Sufficiency in Return on Equity | -27.88% | 0.00% |
| 18 | Indicated Rate of Return | -4.13% | 7.02% |
| 19 | Requested Rate of Return on Rate Base | 7.02% | 7.02% |
| 20 | Deficiency/Sufficiency in Rate of Return | -11.15% | 0.00% |
| 21 | Target Return on Equity | \$52,058 | \$52,058 |
| 22 | Revenue Deficiency/(Sufficiency) | \$169,374 | \$0 |
| 23 | Gross Revenue Deficiency/(Sufficiency) | \$200,442 | |

3. FINANCE

Financial Information

**Chapleau PUC audited financial statements
for years
2008, 2009 and 2010**

Financial Statements of

**CHAPLEAU PUBLIC UTILITIES
CORPORATION**

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Chapleau Public Utilities Corporation

We have audited the accompanying financial statements of **Chapleau Public Utilities Corporation**, which comprise the balance sheet as at December 31, 2010 and the statements of income and comprehensive income and deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Chapleau Public Utilities Corporation as at December 31, 2010, and of its operating results and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

April 12, 2011
Sudbury, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Balance Sheet

December 31, 2010, with comparative figures for 2009

| | 2010 | 2009 |
|--|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 21,758 | \$ 53,755 |
| Investments | 404,294 | 395,642 |
| Trade receivables (note 2) | 57,377 | 55,449 |
| Plant materials and supplies | 46,011 | 48,965 |
| Prepaid expenses | 8,581 | 6,948 |
| Unbilled revenue - energy sales | 534,121 | 501,364 |
| Unbilled revenue - distribution | 47,094 | 43,507 |
| Advances to related company (note 3) | - | 4,694 |
| | 1,119,236 | 1,110,324 |
| Property, plant and equipment (note 4) | 2,236,084 | 2,226,567 |
| Less accumulated amortization | 1,426,415 | 1,386,047 |
| | 809,669 | 840,520 |
| Regulatory assets (note 5) | 487,582 | 545,646 |
| | \$ 2,416,487 | \$ 2,496,490 |

Liabilities and Shareholder's Equity

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | \$ 400,958 | \$ 367,469 |
| Advances from related company (note 3) | 25,099 | - |
| Current portion of regulatory liabilities (note 5) | 35,167 | 90,268 |
| | 461,224 | 457,737 |
| Other liabilities: | | |
| Regulatory liabilities (note 5) | 224,693 | 371,943 |
| Customer deposits | 24,144 | 23,019 |
| | 248,837 | 394,962 |
| Shareholder's equity: | | |
| Share capital (note 7) | 2,243,058 | 2,243,058 |
| Deficit | (536,632) | (599,267) |
| | 1,706,426 | 1,643,791 |
| Contingency (note 10) | | |
| Commitment (note 14) | | |
| | \$ 2,416,487 | \$ 2,496,490 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

CHAPLEAU PUBLIC UTILITIES CORPORATION

Statement of Income and Comprehensive Income and Deficit

Year ended December 31, 2010, with comparative figures for 2009

| | 2010 | 2009 |
|---|---------------------|---------------------|
| Revenue: | | |
| Energy sales (note 12) | \$ 2,155,984 | \$ 2,160,787 |
| Distribution services | 621,442 | 669,492 |
| | 2,777,426 | 2,830,279 |
| Expenses: | | |
| Power purchased (note 12) | 2,155,984 | 2,160,787 |
| Operations and maintenance | 296,393 | 238,270 |
| Administration and general | 187,853 | 212,702 |
| Billing and collection | 72,991 | 64,846 |
| Amortization of property, plant and equipment | 40,368 | 44,301 |
| | 2,753,589 | 2,720,906 |
| Earnings before the undernoted | 23,837 | 109,373 |
| Other income (expenses): | | |
| Interest earned | 17,231 | 17,854 |
| Late payment charges | 4,879 | 4,780 |
| Miscellaneous | 19,582 | 15,937 |
| Other interest | (2,894) | (6,165) |
| | 38,798 | 32,406 |
| Net income and comprehensive income | 62,635 | 141,779 |
| Deficit, beginning of year | (599,267) | (741,046) |
| Deficit, end of year | \$ (536,632) | \$ (599,267) |

See accompanying notes to financial statements.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Net income and comprehensive income | \$ 62,635 | \$ 141,779 |
| Item not involving cash: | | |
| Amortization of property, plant and equipment | 40,368 | 44,301 |
| | 103,003 | 186,080 |
| Change in non-cash operating working capital: | | |
| Increase in trade receivables | (1,928) | (5,589) |
| Decrease (increase) in plant materials and supplies | 2,954 | (10,006) |
| Decrease (increase) in prepaid expenses | (1,633) | 3,042 |
| Increase in unbilled revenue - energy sales | (32,757) | (22,280) |
| Increase in unbilled revenue - distribution | (3,587) | (2) |
| Increase (decrease) in accounts payable and accrued liabilities | 33,489 | (4,378) |
| Increase in customer deposits | 1,125 | 445 |
| | 100,666 | 147,312 |
| Financing: | | |
| Increase (decrease) in advances with related company | 29,793 | (24,227) |
| Investments: | | |
| Purchase of property, plant and equipment | (9,517) | (8,255) |
| Decrease in regulatory liabilities and assets | (144,287) | (455,012) |
| | (153,804) | (463,267) |
| Decrease in cash position | (23,345) | (340,182) |
| Cash position, beginning of year | 449,397 | 789,579 |
| Cash position, end of year | \$ 426,052 | \$ 449,397 |
| Represented by: | | |
| Cash | \$ 21,758 | \$ 53,755 |
| Investments | 404,294 | 395,642 |
| | \$ 426,052 | \$ 449,397 |

See accompanying notes to financial statements.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements

Year ended December 31, 2010

Chapleau Public Utilities Corporation (the "Corporation") was incorporated August 18, 1999 to operate as an electricity distribution company.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") including accounting principles prescribed by the Ontario Energy Board (the "OEB") in the Accounting Procedures Handbook (the "AP Handbook") for Electric Distribution Utilities, and reflect the significant accounting policies as summarized below:

(a) Change in accounting policies:

Effective January 1, 2009, the Corporation adopted the amended sections of CICA Handbook Section 1100, Generally Accepted Accounting Principles and Accounting Guideline 19 – "Disclosures by Entities Subject to Rate Regulation".

The amendment to CICA Handbook Section 1100 removed the temporary exemption pertaining to the application of that section to the recognition and measurement of assets and liabilities arising from rate regulation. In response to the removal of the exemption, the Corporation established accounting policies for the recognition and measurement of assets and liabilities arising from rate regulation. In accordance with the Canadian GAAP hierarchy guidance framework outlined in CICA Handbook Section 1100, the Corporation has determined that its assets and liabilities arising from rate regulation qualify for recognition under Canadian GAAP and this recognition is consistent with U.S. Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation ("FAS71"). The Corporation concluded that its policies for assets and liabilities arising from rate regulation were consistent with the primary sources of Canadian GAAP and were developed through the exercise of professional judgement.

(b) Regulation:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA") conferred on the Ontario Energy Board ("OEB") increased powers and responsibilities to regulate the electricity industry in Ontario. These powers and responsibilities include approving or fixing rates for the transmission and distribution of electricity, providing continued rate protection for rural and remote electricity consumers, and ensuring that distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to electricity distributors which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from Canadian generally accepted accounting principles ("GAAP") for enterprises operating in a non-rate regulated environment.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(b) Regulation (continued):

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

i) Regulatory assets and liabilities:

Regulatory assets represent costs that have been deferred because it is probable that they will be recovered from customers in future periods through the rate-making process. Regulatory liabilities represent future reduction in revenues or limitations of increase in revenues associated with amounts that are expected to be refunded to customers through the rate-making process.

ii) Payment in lieu of corporate income taxes and capital taxes:

The current tax-exempt status of the Corporation under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) reflects the fact that the Corporation is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the municipality ceases to own 90% or more of the shares or capital of the Corporation, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Corporation.

Commencing October 1, 2001, the Corporation is required, under the Electricity Act 1998, to make payments-in-lieu of corporate income taxes ("PILs") to Ontario Electricity Financial Corporation, which will be used to repay the stranded debt incurred by the former Ontario Hydro. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act 1998 and related regulations.

As a result of becoming subject to PILs, the Corporation's taxation year was deemed to have ended immediately beforehand and a new taxation year was deemed to have commenced immediately thereafter. The Corporation was therefore deemed to have disposed of each of its assets at their then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Corporation was deemed to have a new company and, as a result, tax credits or tax losses not previously utilized by the Corporation would not be available to it after the change in tax status. Essentially, the Corporation was taxed as though it had a "fresh start" at the time of its change in tax status.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(c) Revenue recognition and power purchased:

Revenue is recorded in the accounts to various dates on the basis of monthly or bi-monthly meter readings. At the end of an accounting cycle, there is energy used by consumers for which meter readings are not available. The unbilled revenue is estimated and recorded in the accounts at the end of each fiscal year. The related cost of energy is recorded on the basis of energy used.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is charged to operations using the following methods and annual rates:

| Asset | | Rate |
|---------------------------------------|-------------------|------|
| Computer equipment and software | Declining-balance | 55% |
| Meters | Declining-balance | 10% |
| Transmission and distribution systems | Declining-balance | 4% |

Amortization is taken at 50% of the above rate in the year of acquisition.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit adjusted risk free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long lived asset that is amortized over the remaining life of the asset.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(e) Asset retirement obligations (continued):

Some of the Corporation's transmission and distribution assets may have asset retirement obligations. As the Corporation expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates including changes as a result of future decisions made by the OEB, Minister of Energy, or the Minister of Finance.

(g) Customer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits which are held in trust by the Corporation.

(h) Pension plan:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan, which operates as the Ontario Municipal Employees Retirement Fund (the "Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. The Corporation recognizes the expense related to this plan as contributions are made.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

1. Significant accounting policies (continued):

(i) International Financial Reporting Standards "IFRS":

On February 13, 2008, The Accounting Standards Board of Canada ("AcSB") announced that publicly accountable enterprises will be required to change over to IFRS effective January 1, 2011.

In 2010, the change-over date was deferred to January 1, 2012 for regulated entities, at which time, the Corporation will be IFRS compliant.

Some of the converged standards will be implemented in Canada during the transition period with the remaining standards adopted at the change-over date. The Corporation has launched an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements.

(j) Financial instruments - recognition and measurement:

The Corporation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings.

The Corporation continues to disclose under CICA Handbook Section 3861 - Financial Instruments - Disclosure and Presentation.

(k) Comprehensive income:

In the event that the Corporation has any financial instruments that would impact other comprehensive earnings, a statement of comprehensive earnings would be included in the financial statements displaying the effects of the current period net income plus the impact on other comprehensive earnings resulting from these financial instruments.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

2. Trade receivables:

| | 2010 | 2009 |
|---------------------------------|-----------|-----------|
| Electrical | \$ 71,383 | \$ 69,312 |
| Provision for doubtful accounts | (14,006) | (13,863) |
| | \$ 57,377 | \$ 55,449 |

3. Advances to/from related company:

The amounts advanced to/from related company are non-interest bearing, unsecured and will be collected/paid within the next twelve months. The Corporation is related by virtue of common ownership.

4. Property, plant and equipment:

| | 2010 | | 2009 | |
|---------------------------------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 141 | \$ - | \$ 141 | \$ 141 |
| Computer equipment and software | 11,847 | 9,989 | 1,858 | 4,128 |
| Meters | 174,647 | 105,015 | 69,632 | 71,563 |
| Transmission and distribution systems | 2,049,449 | 1,311,411 | 738,038 | 764,688 |
| | \$ 2,236,084 | \$ 1,426,415 | \$ 809,669 | \$ 840,520 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

5. Regulatory assets and liabilities:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| (i) Regulatory assets consist of the following: | | |
| Long-term portion of regulatory assets: | | |
| Smart meter funding and cost recovery | \$ 396,334 | \$ 333,999 |
| Recovery of regulatory asset balance - principal | 23,069 | - |
| Retail settlement variance - connection charges | 22,008 | - |
| Retail settlement variance - network charges | 20,744 | 149 |
| IFRS transition and carrying costs | 15,104 | 15,000 |
| Special purpose voltage assessment | 7,131 | - |
| Retail settlement variance - retail services | 3,192 | 2,456 |
| Pension carrying costs | - | 448 |
| Retail settlement variance - power charges | - | 89,413 |
| Retail settlement variance - low voltage charges | - | 93,946 |
| Recovery of regulatory asset balance - interest | - | 954 |
| Hydro One OMERS | - | 8,320 |
| OEB carrying charges | - | 961 |
| Total regulatory assets | \$ 487,582 | \$ 545,646 |
| (ii) Regulatory liabilities consist of the following: | | |
| Current portion of regulatory liabilities: | | |
| Recovery of regulatory asset balance - principal | \$ 35,167 | \$ 72,645 |
| Hydro One - other regulatory | - | 15,246 |
| Other regulatory liabilities | - | 2,377 |
| | 35,167 | 90,268 |
| Long-term portion of regulatory liabilities: | | |
| Recovery of regulatory asset balance - principal | 63,222 | 85,417 |
| Retail settlement variance - power charges | 90,388 | - |
| Retail settlement variance - wholesale market charge | 41,539 | 67,948 |
| Retail settlement variance - low voltage charges | 24,813 | - |
| Conversion and demand management | 4,731 | 12,090 |
| Retail settlement variance - connection charges | - | 206,488 |
| | 224,693 | 371,943 |
| Total regulatory liabilities | \$ 259,860 | \$ 462,211 |

6. Accounts payable and accrued liabilities:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Independent Electricity System Operator | \$ 287,491 | \$ 251,282 |
| Miscellaneous | 113,467 | 116,187 |
| | \$ 400,958 | \$ 367,469 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

7. Share capital:

| | 2010 | 2009 |
|----------------------------------|--------------|--------------|
| Authorized: | | |
| Unlimited common shares | | |
| Unlimited class B special shares | | |
| Issued: | | |
| 1,121,529 class B special shares | \$ 1,121,529 | \$ 1,121,529 |
| 1,121,529 common shares | 1,121,529 | 1,121,529 |
| | \$ 2,243,058 | \$ 2,243,058 |

8. Payment in lieu of taxes:

For payment in lieu of tax purposes, the Corporation has losses of \$475,717 (2009 - \$498,146) carried forward which can be applied to reduce future years' taxable income. These losses will expire as follows:

| | |
|------|------------|
| 2014 | \$ 137,203 |
| 2015 | 338,514 |

9. Related party transactions:

The Corporation is related to the Township by virtue of the fact that the Township is the sole shareholder of the Corporation. The Corporation is related to Chapleau Energy Services Corporation by virtue of common ownership.

During the year, the Corporation billed the Township \$293,549 (2009 - \$300,708) for power purchased.

Also, the Corporation was charged \$390,680 (2009 - \$381,430) by Chapleau Energy Services Corporation, for the Corporation's portion of certain shared costs.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

10. Contingency:

Purchasers of electricity in Ontario are required to provide security to the IESO to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Corporation fails to make a payment required by default notice issued by the IESO. At December 31, 2010, no amounts have been drawn on this letter of credit in the amount of \$209,813.

11. Credit risk and financial instruments:

(a) Fair value of financial assets and financial liabilities

The carrying value of cash, investments, trade receivables, unbilled revenue, accounts payable and accrued liabilities, advances to/from related company and customer deposits approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(b) Credit risk

For distribution retail customers, credit losses are generally low across the sector. The Corporation provides for an allowance for doubtful accounts to absorb credit losses.

At December 31, 2010, there are no significant concentrations of credit risk with respect to any class of financial assets.

(c) Interest rate risk

Cash balances not required to meet day-to-day obligations of the Corporation are invested in Canadian money market instruments, with terms not more than one year or 365 days, exposing the Corporation to fluctuations in short-term interest rates. These fluctuations could affect the level of interest income earned by the Corporation.

12. Electric energy services:

| | 2010 | 2009 |
|-----------------------|---------------------|---------------------|
| Revenue: | | |
| Electricity | \$ 1,838,302 | \$ 1,820,231 |
| Transmission services | 317,682 | 340,556 |
| | <u>\$ 2,155,984</u> | <u>\$ 2,160,787</u> |
| Costs: | | |
| Electricity | \$ 1,838,302 | \$ 1,820,231 |
| Transmission services | 317,682 | 340,556 |
| | <u>\$ 2,155,984</u> | <u>\$ 2,160,787</u> |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2010

13. General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"), which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the Corporation was a member. To December 31, 2010, the Corporation has not been made aware of any additional assessments.

14. Commitment:

In support of the Province of Ontario's decision to install smart meters throughout Ontario by 2010 and pursuant to Ontario Regulation 427/06, the Corporation launched its smart meter initiative in 2009. The Corporation has committed to install 1,253 smart meters and supporting infrastructure by the end of 2010. Approximately 1,239 smart meters or 97% deployment was completed in 2010.

The OEB adopted the policy that specific funding for the capital cost of smart meters should be included in distribution rates by all Ontario electric distribution companies. The Board decided that "seed" funding equivalent to \$0.27 per customer per month be included in the Corporation's distribution rates commencing May 1, 2006. This funding was increased to \$1.00 per customer per month effective May 1, 2009 pursuant to OEB Decision and Order of March 10, 2009. Revenue has been reduced by the amount funded in rates, and have been deferred and netted against smart metering capital costs incurred in accordance with the AP Handbook. Unfunded costs including financing expense, are expected to be recovered through future distribution rates once the project is completed, pursuant to the Ontario Energy Board's guidelines.

15. Corporate income and capital taxes:

| | 2010 | 2009 |
|---|-----------|------------|
| Rate reconciliation: | | |
| Income from continuing operations before income taxes | \$ 62,635 | \$ 141,779 |
| Statutory Canadian Federal and Provincial income tax rate | 31.00% | 33.00% |
| Expected taxes on income | 19,420 | 46,787 |
| Decrease in income taxes resulting from: | | |
| Loss carry forwards applied | 19,420 | 46,787 |
| Income tax expense | - | - |
| Effective tax rate | 0% | 0% |

Financial Statements of

**CHAPLEAU PUBLIC UTILITIES
CORPORATION**

Year ended December 31, 2009



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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of **Chapleau Public Utilities Corporation** as at December 31, 2009 and the statements of income and comprehensive income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Sudbury, Canada

March 18, 2010

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Balance Sheet

December 31, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|--|--------------|--------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 53,755 | \$ 84,603 |
| Investments | 395,642 | 704,976 |
| Trade receivables (note 2) | 55,449 | 49,860 |
| Plant materials and supplies | 48,965 | 38,959 |
| Prepaid expenses | 6,948 | 9,990 |
| Unbilled revenue - energy sales | 501,364 | 479,084 |
| Unbilled revenue - distribution | 43,507 | 43,505 |
| Advances to related company (note 3) | 4,694 | - |
| | 1,110,324 | 1,410,977 |
| Property, plant and equipment (note 4) | 2,226,567 | 2,218,312 |
| Less accumulated amortization | 1,386,047 | 1,341,746 |
| | 840,520 | 876,566 |
| Regulatory assets (note 5) | 545,646 | 220,249 |
| | \$ 2,496,490 | \$ 2,507,792 |

Liabilities and Shareholder's Equity

| | | |
|--|--------------|--------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | \$ 367,469 | \$ 371,847 |
| Advances from related company (note 3) | - | 19,533 |
| Current portion of regulatory liabilities (note 5) | 90,268 | 126,313 |
| | 457,737 | 517,693 |
| Other liabilities: | | |
| Regulatory liabilities (note 5) | 371,943 | 465,513 |
| Customer deposits | 23,019 | 22,574 |
| Mortgage payable | - | 1,121,529 |
| Shareholder's equity: | | |
| Share capital (note 7) | 2,243,058 | 1,121,529 |
| Deficit | (599,267) | (741,046) |
| | 1,643,791 | 380,483 |
| Contingencies (note 10) | | |
| Commitments (note 14) | | |
| | \$ 2,496,490 | \$ 2,507,792 |

See accompanying notes to financial statements.

On behalf of the Board:

Director

CHAPLEAU PUBLIC UTILITIES CORPORATION

Statement of Income and Comprehensive Income and Deficit

Year ended December 31, 2009, with comparative figures for 2008

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Revenue: | | |
| Energy sales (note 12) | \$ 2,160,787 | \$ 1,978,596 |
| Distribution services | 669,492 | 595,173 |
| Miscellaneous | - | 21,905 |
| | <u>2,830,279</u> | <u>2,595,674</u> |
| Expenses: | | |
| Power purchased (note 12) | 2,160,787 | 1,978,596 |
| Operations and maintenance | 238,270 | 267,327 |
| Administration and general | 212,702 | 252,050 |
| Billing and collection | 64,846 | 78,384 |
| Amortization of property, plant and equipment | 44,301 | 38,607 |
| | <u>2,720,906</u> | <u>2,614,964</u> |
| Earnings (loss) before the undernoted | 109,373 | (19,290) |
| Other income (expenses): | | |
| Interest earned | 17,854 | 41,697 |
| Late payment charges | 4,780 | 4,609 |
| Miscellaneous | 15,937 | 19,179 |
| Other interest | (6,165) | (18,592) |
| | <u>32,406</u> | <u>46,893</u> |
| Net income and comprehensive income | 141,779 | 27,603 |
| Deficit, beginning of year | (741,046) | (768,649) |
| Deficit, end of year | \$ (599,267) | \$ (741,046) |

See accompanying notes to financial statements.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(b) Regulation (continued):

The following regulatory treatments have resulted in accounting treatments that differ from GAAP for enterprises operating in a non-regulated environment:

i) Regulatory assets and liabilities:

Regulatory assets represent costs that have been deferred because it is probable that they will be recovered from customers in future periods through the rate-making process. Regulatory liabilities represent future reduction in revenues or limitations of increase in revenues associated with amounts that are expected to be refunded to customers through the rate-making process.

ii) Payment in lieu of corporate income taxes and capital taxes:

The current tax-exempt status of the Corporation under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) reflects the fact that the Corporation is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the municipality ceases to own 90% or more of the shares or capital of the Corporation, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Corporation.

Commencing October 1, 2001, the Corporation is required, under the Electricity Act 1998, to make payments-in-lieu of corporate income taxes ["PILs"] to Ontario Electricity Financial Corporation, which will be used to repay the stranded debt incurred by the former Ontario Hydro. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act 1998 and related regulations.

ii) Payment in lieu of corporate income taxes and capital taxes (continued):

As a result of becoming subject to PILs, the Corporation's taxation year was deemed to have ended immediately beforehand and a new taxation year was deemed to have commenced immediately thereafter. The Corporation was therefore deemed to have disposed of each of its assets at their then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Corporation was deemed to have a new company and, as a result, tax credits or tax losses not previously utilized by the Corporation would not be available to it after the change in tax status. Essentially, the Corporation was taxed as though it had a "fresh start" at the time of its change in tax status.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(c) Revenue recognition and power purchased:

Revenue is recorded in the accounts to various dates on the basis of monthly or bi-monthly meter readings. At the end of an accounting cycle, there is energy used by consumers for which meter readings are not available. The unbilled revenue is estimated and recorded in the accounts at the end of each fiscal year. The related cost of energy is recorded on the basis of energy used.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is charged to operations on a declining-balance basis using the following methods and annual rates:

| Asset | | Rate |
|---------------------------------------|-------------------|------|
| Computer equipment and software | Declining-balance | 55% |
| Meters | Declining-balance | 10% |
| Transmission and distribution systems | Declining-balance | 4% |

Amortization is taken at 50% of the above rate in the year of acquisition.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long lived asset that is amortized over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit adjusted risk free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long lived asset that is amortized over the remaining life of the asset.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(e) Asset retirement obligations (continued):

Some of the Corporation's transmission and distribution assets may have asset retirement obligations. As the Corporation expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates including changes as a result of future decisions made by the OEB, Minister of Energy, or the Minister of Finance.

(g) Customer deposits:

Customers may be required to post security to obtain electricity or other services. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits which are held in trust by the Corporation.

(h) Pension plan:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ["OMERS"]. OMERS is a multi-employer pension plan, which operates as the Ontario Municipal Employees Retirement Fund [the "Fund"] and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. The Corporation recognizes the expense related to this plan as contributions are made.

(i) International Financial Reporting Standards "IFRS":

On February 13, 2008, the Accounting Standards Board of Canada ["AcSB"] announced that publicly accountable enterprises will be required to change over to IFRS effective January 1, 2011. Some of the converged standards will be implemented in Canada during the transition period with the remaining standards adopted at the change over date. The Corporation has launched an internal initiative to govern the conversion process and is currently in the process of evaluating the potential impact of the conversion to IFRS on its financial statements.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

1. Significant accounting policies (continued):

(j) Financial instruments - recognition and measurement:

The Corporation accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles.

The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Corporation has classified its financial instruments as follows:

| | |
|--|-----------------------|
| Cash | Held-for-trading |
| Investments | Held-for-trading |
| Trade receivables | Loans and receivables |
| Accounts payable and accrued liabilities | Other liabilities |
| Advances to/from related company | Other liabilities |
| Customer deposits | Other liabilities |

(k) Comprehensive income:

In the event that the Corporation has any financial instruments that would impact other comprehensive earnings, a statement of comprehensive earnings would be included in the financial statements displaying the effects of the current period net income plus the impact on other comprehensive earnings resulting from these financial instruments.

2. Trade receivables:

| | 2009 | 2008 |
|---------------------------------|-----------|-----------|
| Electrical | \$ 69,312 | \$ 62,036 |
| Provision for doubtful accounts | (13,863) | (12,176) |
| | \$ 55,449 | \$ 49,860 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

3. Advances to/from related company:

The amounts advanced to/from related company are non-interest bearing, unsecured and will be collected within the next twelve months. The Corporation is related by virtue of common ownership.

4. Property, plant and equipment:

| | 2009 | | 2008 | |
|---------------------------------------|--------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | \$ 141 | \$ - | \$ 141 | \$ 141 |
| Computer equipment and software | 11,847 | 7,719 | 4,128 | 8,110 |
| Meters | 169,148 | 97,585 | 71,563 | 79,515 |
| Transmission and distribution systems | 2,045,431 | 1,280,743 | 764,688 | 788,800 |
| | \$ 2,226,567 | \$ 1,386,047 | \$ 840,520 | \$ 876,566 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

5. Regulatory assets and liabilities:

| | 2009 | 2008 |
|---|-------------------|-------------------|
| (i) Regulatory assets consist of the following: | | |
| Long-term portion of regulatory assets: | | |
| Retail settlement variance - network charges | \$ 149 | \$ - |
| Retail settlement variance - power charges | 89,413 | 111,837 |
| Retail settlement variance - low voltage charges | 93,946 | 96,400 |
| Retail settlement variance - retail services | 2,456 | - |
| Recovery of regulatory asset balance - interest | 954 | 954 |
| Hydro One OMERS | 8,320 | 8,320 |
| Smart meter funding and cost recovery | 333,999 | - |
| IFRS transition costs | 15,000 | - |
| OEB carrying charges | 961 | 961 |
| Pension carrying costs | 448 | 448 |
| RCVA retail | - | 1,329 |
| Total regulatory assets | \$ 545,646 | \$ 220,249 |
| (ii) Regulatory liabilities consist of the following: | | |
| Current portion of regulatory liabilities: | | |
| Recovery of regulatory asset balance - principal | \$ 72,645 | \$ 72,645 |
| Hydro One - other regulatory | 15,246 | 45,792 |
| Other regulatory liabilities | 2,377 | 7,876 |
| | 90,268 | 126,313 |
| Long-term portion of regulatory liabilities: | | |
| Retail settlement variance - connection charges | 206,488 | 204,386 |
| Retail settlement variance - wholesale market charge | 67,948 | 55,605 |
| Recovery of regulatory asset balance-principal | 85,417 | 170,033 |
| Conversion and demand management | 12,090 | 12,090 |
| Retail settlement variance - network charges | - | 6,371 |
| Smart meters | - | 1,782 |
| Hydro One - other regulatory | - | 15,246 |
| | 371,943 | 465,513 |
| Total regulatory liabilities | \$ 462,211 | \$ 591,826 |

6. Accounts payable and accrued liabilities:

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Independent Electricity System Operator | \$ 251,282 | \$ 253,885 |
| Miscellaneous | 116,187 | 117,962 |
| | \$ 367,469 | \$ 371,847 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

7. Share capital:

| | 2009 | 2008 |
|----------------------------------|---------------------|---------------------|
| Authorized: | | |
| Unlimited common shares | | |
| Unlimited class B special shares | | |
| Issued: | | |
| 1,121,529 class B special shares | \$ 1,121,529 | \$ - |
| 1,121,529 common shares | 1,121,529 | 1,121,529 |
| | <u>\$ 2,243,058</u> | <u>\$ 1,121,529</u> |

During the year, the Corporation converted \$1,121,529 of its mortgage payable into 1,121,529 Class B special shares.

8. Payment in lieu of taxes:

For payment in lieu of tax purposes, the Corporation has losses of \$498,146 (2008 - \$647,374) carried forward which can be applied to reduce future years' taxable income. These losses will expire as follows:

| | |
|------|------------|
| 2014 | \$ 206,908 |
| 2015 | 266,099 |
| 2027 | 25,139 |

9. Related party transactions:

The Corporation is related to the Township by virtue of the fact that the Township is the sole shareholder of the Corporation. The Corporation is related to Chapleau Energy Services Corporation by virtue of common ownership.

During the year, the Corporation billed the Township \$300,708 (2008 - \$269,713) for power purchased.

Also, the Corporation was charged \$381,430 (2008 - \$412,614) by Chapleau Energy Services Corporation, for the Corporation's portion of certain shared costs.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration agreed to by the related parties.

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

10. Contingencies:

Purchasers of electricity in Ontario are required to provide security to the IESO to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Corporation fails to make a payment required by default notice issued by the IESO. At December 31, 2009, no amounts have been drawn on this letter of credit in the amount of \$209,813.

11. Credit risk and financial instruments:

(a) Fair value of financial assets and financial liabilities

The carrying value of cash, investments, trade receivables, unbilled revenue, accounts payable and accrued liabilities, advances to/from related company and customer deposits approximate their fair value due to the relatively short periods to maturity of these items.

(b) Credit risk

For distribution retail customers, credit losses are generally low across the sector. The Corporation provides for an allowance for doubtful accounts to absorb credit losses.

At December 31, 2009, there are no significant concentrations of credit risk with respect to any class of financial assets.

(c) Interest rate risk

Cash balances not required to meet day-to-day obligations of the Corporation are invested in Canadian money market instruments, with terms not more than one year or 365 days, exposing the Corporation to fluctuations in short-term interest rates. These fluctuations could affect the level of interest income earned by the Corporation.

12. Electric energy services:

| | 2009 | 2008 |
|-----------------------|---------------------|---------------------|
| Revenue | | |
| Electricity | \$ 1,820,231 | \$ 1,653,905 |
| Transmission services | 340,556 | 324,691 |
| | <u>\$ 2,160,787</u> | <u>\$ 1,978,596</u> |
| Costs | | |
| Electricity | \$ 1,820,231 | \$ 1,653,905 |
| Transmission services | 340,556 | 324,691 |
| | <u>\$ 2,160,787</u> | <u>\$ 1,978,596</u> |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

13. General liability insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ["MEARIE"], which is a pooling of general liability insurance risks. Members of MEARIE would be assessed on a pro-rata basis should losses be experienced by MEARIE, for the years in which the Corporation was a member. To December 31, 2009, the Corporation has not been made aware of any additional assessments.

14. Commitments:

In support of the Province of Ontario's decision to install smart meters throughout Ontario by 2010 and pursuant to Ontario Regulation 427/06, the Corporation launched its smart meter initiative in 2009. The Corporation has committed to install 1,253 smart meters and supporting infrastructure by the end of 2010. Approximately 1,184 smart meters or 95% deployment was completed in 2009.

The OEB adopted the policy that specific funding for the capital cost of smart meters should be included in distribution rates by all Ontario electric distribution companies. The Board decided that "seed" funding equivalent to \$0.27 per customer per month be included in the Corporation's distribution rates commencing May 1, 2006. This funding was increased to \$1.00 per customer per month effective May 1, 2009 pursuant to OEB Decision and Order of March 10, 2009. Revenue has been reduced by the amount funded in rates, and have been deferred and netted against smart metering capital costs incurred in accordance with the AP Handbook. Unfunded costs including financing expense, are expected to be recovered through future distribution rates once the project is completed, pursuant to the Ontario Energy Board's guidelines.

15. Corporate income and capital taxes:

| | 2009 | 2008 |
|---|------------|-----------|
| Rate reconciliation: | | |
| Income from continuing operations before income taxes | \$ 141,779 | \$ 27,603 |
| Statutory Canadian Federal and Provincial income tax rate | 33.00% | 33.50% |
| Expected taxes on income | \$ 46,787 | \$ 9,247 |
| Decrease in income taxes resulting from: | | |
| Loss carry forwards applied | \$ 46,787 | \$ 9,247 |
| Income tax expense | \$ - | \$ - |
| Effective tax rate | 0% | 0% |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2009

16. Change in estimate:

During 2009, the Corporation changed its estimate of the useful lives of the meters. The changes have been applied prospectively. The change in the basis of amortization has had the effect of increasing amortization expense by \$4,771 in 2009.

17. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted per the current year.

**Pro Forma Financial Statements
2011 Bridge Year and 2012 Test Year**

Pro Forma Financial Statements
Test Year 2012

CHAPLEAU PUBLIC UTILITIES CORPORATION

| | |
|--|-----------------|
| Balance Sheet | 2012 |
| Assets | |
| Current Assets | |
| Cash | 85,634 |
| Investments | 382,524 |
| Trade Receivables | 55,564 |
| Plant Material and Supplies | 46,011 |
| Prepaid Expenses | 8,850 |
| Unbilled Revenue - Energy Sales | 605,000 |
| Unbilled Revenue - Distribution | - |
| Advances to Related Company | - |
| | <hr/> 1,183,584 |
| Property Plant and Equipment | 2,583,670 |
| Less Accumulated Amortization | <hr/> 1,555,631 |
| | <hr/> 1,028,039 |
| Regulatory Assets | <hr/> 222,383 |
| | <hr/> 2,534,006 |
| Liabilities and Shareholders Equity | |
| Current Liabilities | |
| Accounts Payable and Accrued Liabilities | 380,500 |
| Advances from Related Company | - |
| Current Portion of Regulatory Liabilities | - |
| | <hr/> 380,500 |
| Other Liabilities | |
| Regulatory Liabilities | 154,540 |
| Customer Deposits | 25,366 |
| | <hr/> 179,906 |
| Shareholders Equity | |
| Share Capital | 2,243,059 |
| Deficit | <hr/> (369,459) |
| | <hr/> 1,873,600 |
| | <hr/> 2,434,006 |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Statement of Income

2012

Revenue

| | |
|-----------------------|-----------|
| Energy Sales | 2,548,354 |
| Distribution Services | 823,030 |
| | <hr/> |
| | 3,311,230 |

Expenses

| | |
|---|-----------|
| Power Purchased | 2,548,354 |
| Operations and Maintenance | 215,590 |
| Administration and General | 364,700 |
| Billing and Collection | 84,200 |
| Amortization of Property, Plant and Equipment | 75,576 |
| | <hr/> |
| | 3,288,420 |

Earnings Before the Undernoted

82,964

Other Income (Expenses)

| | |
|----------------------|---------|
| Interest Earned | 13,200 |
| Late Payment Charges | 5,190 |
| Miscellaneous | 23,345 |
| Other Interest | (3,000) |
| | <hr/> |
| | 38,735 |

Net Income

121,699

Deficit, Beginning of Year

(491,158)

Deficit, End of Year

(369,459)

CHAPLEAU PUBLIC UTILITIES CORPORATION
Uniform System of Accounts - Detail Accounts

| Acct # | Account Name | 2012 |
|--|--|---------------------|
| Current Assets | | |
| 1005 | Cash | 856,634.20 |
| 1010 | Cash Advances & Working Funds | |
| 1070 | Current Investments | 382,524.00 |
| 1100 | Customer Accounts Receivable | 70,000.00 |
| 1105 | Acct's Receivable - Merchandise, Jobbing | 0.00 |
| 1120 | Accrued Utility Revenues | 605,000.00 |
| 1130 | Accum. Provision for Uncollectable Accts | -14,436.00 |
| 1200 | Acct's Receivable from Associated Companies | 0.00 |
| | Total | 1,128,723.20 |
| Inventory | | |
| 1330 | Plant Materials & Operating Supplies | 46,011.00 |
| Other Assets & Deferred Charges | | |
| 1508 | Other Regulatory Assets | 33,398.00 |
| 1518 | RCVA Retail | 5,100.00 |
| 1521 | Special Purpose Charge Asses. Var | 0.00 |
| 1521 | Recovery Late Payment | 0.00 |
| 1550 | LV Variance Account | -18,000.00 |
| 1555 | Stranded Meters | 39,435.11 |
| 1555 | Smart Meter Cap & Recov Offset Var. | 0.00 |
| 1556 | Smart Meter OM&A Variance | 100,950.00 |
| 1562 | Deferred Payments in Lieu of Taxes | 0.00 |
| 1563 | Deferred Pils Contra Account | 0.00 |
| 1565 | Conservation & Demand Expend & Recov | -4,731.00 |
| 1580 | RSVAWMS | -48,000.00 |
| 1584 | RSVANW | 21,000.00 |
| 1586 | RSVACN | 22,500.00 |
| 1588 | RSVAPOWER | -70,000.00 |
| 1595 | Sub-Acct Disposition of Acct Bal Approved 2008 | -13,809.00 |
| | Total | 67,843.11 |

Uniform System of Accounts - Detail Accounts 2012

Transmission Plant

| | | |
|------|------|--------|
| 1705 | Land | 140.50 |
|------|------|--------|

Distribution Plant

| | | |
|------|--|--------------|
| 1815 | Distribution Station Equipment - > 50 kV | 482,581.71 |
| 1820 | Distribution Station Equipment - below 50 kV | |
| 1830 | Poles, Towers & Fixtures | 1,145,977.56 |
| 1840 | Underground Conduit | 77,510.59 |
| 1845 | Underground Conductors and Devices | 4,850.00 |
| 1850 | Line Transformers | 397,530.49 |
| 1860 | Meters | 28,101.56 |
| 1860 | Smart Meters | 374,974.00 |

General Plant

| | | |
|------|--|--------------|
| 1920 | Computer Equipment - Hardware | 661.42 |
| 1925 | Computer Software (includes Smart Meter) | 71,341.67 |
| 1990 | Other Tangible Property | 8,850.00 |
| | Total | 2,592,519.50 |

Accumulated Amortization

| | | |
|------|--|----------------|
| 2105 | Accum. Amortization Electric Utility Plant | --1,555,631.20 |
|------|--|----------------|

| | |
|---------------------|--------------|
| TOTAL ASSETS | 2,279,465.61 |
|---------------------|--------------|

Current Liabilities

| | | |
|------|--|-------------|
| 2205 | Accounts Payable | -310,000.00 |
| 2208 | Customer Credit Balances | -35,000.00 |
| 2220 | Misc Current & Accrued Liabilities | -20,000.00 |
| 2240 | Acct's Payable to Associated Companies | |
| 2250 | Debt Retirement Charges Payable | -19,000.00 |
| 2290 | Commodity Taxes | 3,500.00 |
| 2292 | Payroll Deductions/Expenses Payable | 0.00 |
| | Total | -380,500.00 |

Non-Current Liability

| | | |
|------|------------------------------|------------|
| 2335 | Long Term Customers Deposits | -25,365.88 |
|------|------------------------------|------------|

Shareholder's Equity

| | | |
|------|----------------------------------|---------------|
| 3005 | Common Shares Issued | -1,121,529.37 |
| 3008 | Preference Shares Issued | -1,121,529.36 |
| 3045 | Unappropriated Retained Earnings | 491,158.00 |
| 3046 | Balance Transferred From Income | -121,699.00 |
| | Total | -1,873,599.73 |

| | |
|--------------------------|---------------|
| TOTAL LIABILITIES | -2,279,465.61 |
|--------------------------|---------------|

Uniform System of Accounts - Detail Accounts 2012

Sales of Electricity

| | | | |
|------|-----------------------------|--------------|---|
| 4006 | Residential Energy Sales | 1,135,019.00 | - |
| 4025 | Street Light Energy Sales | -22,944.00 | |
| 4030 | Sentinel Light Energy Sales | -2,020.00 | |
| | | | - |
| 4035 | General Energy Sales | 1,006,240.00 | |
| 4050 | Revenue Adjustment | 0.00 | |
| 4055 | Energy Sales for Resale | 0.00 | |
| 4062 | Billed WMS | -154,349.00 | |
| 4066 | Billed NW | -169,797.00 | |
| 4068 | Billed CN | -41,985.00 | |
| 4075 | Billed LV | -16,000.00 | |
| | | | - |
| | Total | 2,548,354.00 | |

Revenue from Services - Distribution

| | | | |
|------|-------------------------------|-------------|--|
| 4080 | Distribution Services Revenue | -823,030.00 | |
| 4082 | Retail Services Revenues | -2,760.00 | |
| | Total | -825,790.00 | |

Other Operating Revenues

| | | | |
|------|-----------------------------|------------|--|
| 4210 | Rent from Electric Property | -7,265.00 | |
| 4225 | Late Payment Charges | -5,190.00 | |
| 4235 | Misc Service Revenues | -9,540.00 | |
| | Total | -21,995.00 | |

Other Income / Deductions

| | | | |
|------|--|-----------|--|
| 4325 | Revenues from Merchandise, Jobbing | -1,380.00 | |
| 4325 | Revenue from OPA | 0.00 | |
| 4330 | Costs & Expenses of Merchandising, Jobbing | -2,400.00 | |
| | Total | -3,780.00 | |

Investment Income

| | | | |
|------|----------------------------|------------|--|
| 4405 | Interest & Dividend Income | -13,200.00 | |
|------|----------------------------|------------|--|

Other Power Supply Expenses

| | | | |
|------|-----------------|--------------|--|
| 4705 | Power Purchased | 2,166,223.00 | |
| 4708 | Charges-WMS | 154,349.00 | |
| 4714 | Charges-NW | 169,797.00 | |
| 4716 | Charges-CN | 41,985.00 | |
| 4750 | Charges-LV | 16,000.00 | |
| | Total | 2,548,354.00 | |

2012

| Distribution Expenses - Operation | | |
|-----------------------------------|---|-------------------|
| 5016 | Dist. Station Equipment - Operation Labour | 4,500.00 |
| 5017 | Dist. Station Equipment - Operation Supplies | 1,200.00 |
| 5020 | OH Dist. Lines & Feeders - Operation Labour | 149,400.00 |
| 5025 | OH Dist. Lines & Feeders - Operation Supplies | 48,000.00 |
| 5065 | Meter Expense | 600.00 |
| 5095 | OH Dist. Lines & Feeders - Rental Paid | 1,740.00 |
| | Total | 205,440.00 |

| | | |
|------|-----------------------|------------------|
| 5310 | Meter Reading Expense | 29,000.00 |
| 5315 | Customer Billing | 51,600.00 |
| 5335 | Bad Debt Expense | 3,600.00 |
| | Total | 84,200.00 |

| | | |
|------|------------------------------|--------|
| 5410 | Community Relations - Sundry | 600.00 |
|------|------------------------------|--------|

| | | |
|------|-----------------------------------|-------------------|
| 5605 | Executive Salaries & Expenses | 13,200.00 |
| 5610 | Management Salaries & Expense | 60,840.00 |
| 5615 | General Admin Salaries & Expenses | 15,480.00 |
| 5620 | Office Supplies & Expense | 24,000.00 |
| 5630 | Outside Services Employed | 116,400.00 |
| 5635 | Property Insurance | 17,040.00 |
| 5640 | Injuries & Damages | 6,540.00 |
| 5645 | Employee Pensions & Benefits | 61,920.00 |
| 5655 | Regulatory Expenses | 14,520.00 |
| 5665 | Misc Gen Expenses | 32,160.00 |
| | Total | 362,100.00 |

| | | |
|------|---|-----------|
| 5705 | Amortization Expense-Property, Plant & Equip. | 75,576.00 |
|------|---|-----------|

| | | |
|------|------------------------|----------|
| 6035 | Other Interest Expense | 3,000.00 |
|------|------------------------|----------|

| | | |
|------|--|-----------|
| 6105 | Taxes Other Than Income Taxes | 10,150.00 |
| 6205 | Leap Funding (Low Energy Assistance program) | 2,000.00 |

-121,699.00

Pro Forma Financial Statements CPUC Bridge Year 2011

| | |
|--|------------------|
| Balance Sheet | 2011 |
| Assets | |
| Current Assets | |
| Cash | 88,838 |
| Investments | 248,595 |
| Trade Receivables | 55,564 |
| Plant Material and Supplies | 46,011 |
| Prepaid Expenses | 8,700 |
| Unbilled Revenue - Energy Sales | 550,000 |
| Unbilled Revenue - Distribution | - |
| Advances to Related Company | - |
| | <u>997,708</u> |
| Property Plant and Equipment | 2,096,750 |
| Less Accumulated Amortization | <u>1,370,105</u> |
| | <u>726,645</u> |
| Regulatory Assets | <u>583,183</u> |
| | <u>2,307,536</u> |
| Liabilities and Shareholders Equity | |
| Current Liabilities | |
| Accounts Payable and Accrued Liabilities | 380,500 |
| Advances from Related Company | - |
| Current Portion of Regulatory Liabilities | - |
| | <u>380,500</u> |
| Other Liabilities | |
| Regulatory Liabilities | 150,388 |
| Customer Deposits | <u>24,747</u> |
| | <u>175,135</u> |
| Shareholders Equity | |
| Share Capital | 2,243,059 |
| Deficit | <u>(491,158)</u> |
| | <u>1,751,901</u> |
| | <u>2,307,536</u> |

CHAPLEAU PUBLIC UTILITIES CORPORATION

| Statement of Income | 2011 |
|---|-----------------|
| Revenue | |
| Energy Sales | 2,480,229 |
| Distribution Services | 627,368 |
| | <hr/> |
| | 3,107,597 |
| Expenses | |
| Power Purchased | 2,480,229 |
| Operations and Maintenance | 217,098 |
| Administration and General | 308,510 |
| Billing and Collection | 58,874 |
| Amortization of Property, Plant and Equipment | 37,651 |
| | <hr/> |
| | 3,102,362 |
| Earnings Before the Undernoted Other Income (Expenses) | 5,235 |
| Interest Earned | 13,758 |
| Late Payment Charges | 9,681 |
| Miscellaneous | 19,415 |
| Other Interest | (2,616) |
| | <hr/> |
| | 40,238 |
| Net Income | 45,473 |
| Deficit, Beginning of Year | <hr/> (536,631) |
| Deficit, End of Year | <hr/> (491,158) |

CHAPLEAU PUBLIC UTILITIES CORPORATION

Uniform System of Accounts - Detail Accounts

| Acct # | Account Name | 2011 |
|--|--|-------------------|
| Current Assets | | |
| 1005 | Cash | 88,837.51 |
| 1010 | Cash Advances & Working Funds | |
| 1070 | Current Investments | 248,595.00 |
| 1100 | Customer Accounts Receivable | 70,000.00 |
| 1105 | Acct's Receivable - Merchandise, Jobbing | 0.00 |
| 1120 | Accrued Utility Revenues | 550,000.00 |
| 1130 | Accum. Provision for Uncollectable Accts | -14,436.00 |
| 1200 | Acct's Receivable from Associated Companies | 0.00 |
| | Total | 922,996.51 |
| Inventory | | |
| 1330 | Plant Materials & Operating Supplies | 46,011.00 |
| Other Assets & Deferred Charges | | |
| 1508 | Other Regulatory Assets | 24,398.00 |
| 1518 | RCVA Retail | (3,242.00) |
| 1521 | Special Purpose Charge Asses. Var | 7,169.00 |
| 1521 | Recovery Late Payment | 2,520.00 |
| 1550 | LV Variance Account | (42,287.00) |
| 1555 | Stranded Meters | 52,585.11 |
| 1555 | Smart Meter Cap & Recov Offset Var. | 381,912.00 |
| 1556 | Smart Meter OM&A Variance | 75,088.00 |
| 1562 | Deferred Payments in Lieu of Taxes | |
| 1563 | Deferred Pils Contra Account | |
| 1565 | Conservation & Demand Expend & Recov | (4,731.00) |
| 1580 | RSVAWMS | (29,527.00) |
| 1584 | RSVANW | 14,431.00 |
| 1586 | RSVACN | 25,081.00 |
| 1588 | RSVAPOWER | (67,787.00) |
| 1595 | Sub-Acct Disposition of Acct Bal Approved 2008 | (2,814.00) |
| | Total | 432,796.11 |

Uniform System of Accounts - Detail Accounts 2011

Transmission Plant

| | | |
|------|------|--------|
| 1705 | Land | 140.50 |
|------|------|--------|

Distribution Plant

| | | |
|------|--|--------------|
| 1815 | Distribution Station Equipment - > 50 kV | 462,816.71 |
| 1820 | Distribution Station Equipment - below 50 kV | |
| 1830 | Poles, Towers & Fixtures | 1,122,815.56 |
| 1840 | Underground Conduit | 77,510.59 |
| 1845 | Underground Conductors and Devices | 4,850.00 |
| 1850 | Line Transformers | 388,667.49 |
| 1860 | Meters | 28,101.56 |

General Plant

| | | |
|------|-------------------------------|---------------------|
| 1920 | Computer Equipment - Hardware | 661.42 |
| 1925 | Computer Software | 11,185.67 |
| 1990 | Other Tangible Property | 8,700.00 |
| | Total | 2,105,449.50 |

Accumulated Amortization

| | | |
|------|--|--------------|
| | | - |
| 2105 | Accum. Amortization Electric Utility Plant | 1,370,105.00 |

| | |
|---------------------|---------------------|
| TOTAL ASSETS | 2,157,147.93 |
|---------------------|---------------------|

Current Liabilities

| | | |
|------|--|--------------------|
| 2205 | Accounts Payable | -310,000.00 |
| 2208 | Customer Credit Balances | -35,000.00 |
| 2220 | Misc Current & Accrued Liabilities | -20,000.00 |
| 2240 | Acct's Payable to Associated Companies | |
| 2250 | Debt Retirement Charges Payable | -19,000.00 |
| 2290 | Commodity Taxes | 3,500.00 |
| 2292 | Payroll Deductions/Expenses Payable | 0.00 |
| | Total | -380,500.00 |

Non-Current Liability

| | | |
|------|------------------------------|------------|
| 2335 | Long Term Customers Deposits | -24,747.20 |
|------|------------------------------|------------|

Shareholder's Equity

| | | |
|------|----------------------------------|---------------------|
| | | - |
| 3005 | Common Shares Issued | 1,121,529.37 |
| | | - |
| 3008 | Preference Shares Issued | 1,121,529.36 |
| 3045 | Unappropriated Retained Earnings | 536,631.00 |
| 3046 | Balance Transferred From Income | -45,473.00 |
| | | - |
| | Total | 1,751,900.73 |

| | | |
|--------------------------|---------------------|---|
| | | - |
| TOTAL LIABILITIES | 2,157,147.93 | |

Uniform System of Accounts - Detail Accounts 2011

Sales of Electricity

| | | |
|------|-----------------------------|--------------|
| | | - |
| 4006 | Residential Energy Sales | 1,122,047.00 |
| 4025 | Street Light Energy Sales | -22,832.00 |
| 4030 | Sentinel Light Energy Sales | -2,023.00 |
| 4035 | General Energy Sales | -969,905.00 |
| 4050 | Revenue Adjustment | 0.00 |
| 4055 | Energy Sales for Resale | 0.00 |
| 4062 | Billed WMS | -150,828.00 |
| 4066 | Billed NW | -157,315.00 |
| 4068 | Billed CN | -41,279.00 |
| 4075 | Billed LV | -14,000.00 |
| | | - |
| | Total | 2,480,229.00 |

Revenue from Services - Distribution

| | | |
|------|-------------------------------|-------------|
| 4080 | Distribution Services Revenue | -627,368.00 |
| 4082 | Retail Services Revenues | -2,808.20 |
| | Total | -630,176.20 |

Other Operating Revenues

| | | |
|------|-----------------------------|------------|
| 4210 | Rent from Electric Property | -7,265.00 |
| 4225 | Late Payment Charges | -5,493.25 |
| 4235 | Misc Service Revenues | -8,650.00 |
| | Total | -21,408.25 |

Other Income / Deductions

| | | |
|------|--|-----------|
| 4325 | Revenues from Merchandise, Jobbing | -1,380.00 |
| 4325 | Revenue from OPA | 0.00 |
| 4330 | Costs & Expenses of Merchandising, Jobbing | -3500 |
| | Total | -4,880.00 |

Investment Income

| | | |
|------|----------------------------|-------------|
| 4405 | Interest & Dividend Income | (13,758.00) |
|------|----------------------------|-------------|

Other Power Supply Expenses

| | | |
|------|-----------------|--------------|
| 4705 | Power Purchased | 2,116,807.00 |
| 4708 | Charges-WMS | 150,828.00 |
| 4714 | Charges-NW | 157,315.00 |
| 4716 | Charges-CN | 41,279.00 |
| 4750 | Charges-LV | 14,000.00 |
| | Total | 2,480,229.00 |

Uniform System of Accounts - Detail Accounts 2011

Distribution Expenses - Operation

| | | |
|--------------|---|------------|
| 5016 | Dist. Station Equipment - Operation Labour | 4,229.74 |
| 5017 | Dist. Station Equipment - Operation Supplies | 500.00 |
| 5020 | OH Dist. Lines & Feeders - Operation Labour | 147,606.00 |
| 5025 | OH Dist. Lines & Feeders - Operation Supplies | 52,752.00 |
| 5065 | Meter Expense | 517.14 |
| 5095 | OH Dist. Lines & Feeders - Rental Paid | 1,611.91 |
| Total | | 207,216.79 |

Billing & Collecting

| | | |
|--------------|-----------------------|-----------|
| 5310 | Meter Reading Expense | 1,775.60 |
| 5315 | Customer Billing | 50,328.09 |
| 5335 | Bad Debt Expense | 6,770.00 |
| Total | | 58,873.69 |

Community Relations

| | | |
|------|------------------------------|--------|
| 5410 | Community Relations - Sundry | 350.00 |
|------|------------------------------|--------|

Administration & Gen Expense

| | | |
|--------------|-----------------------------------|------------|
| 5605 | Executive Salaries & Expenses | 13,200.00 |
| 5610 | Management Salaries & Expense | 59,652.00 |
| 5615 | General Admin Salaries & Expenses | 12,955.56 |
| 5620 | Office Supplies & Expense | 23,796.90 |
| 5630 | Outside Services Employed | 70,677.76 |
| 5635 | Property Insurance | 16,020.00 |
| 5640 | Injuries & Damages | 6,632.41 |
| 5645 | Employee Pensions & Benefits | 61,012.03 |
| 5655 | Regulatory Expenses | 7,866.36 |
| 5665 | Misc Gen Expenses | 34,346.55 |
| Total | | 306,159.57 |

Amortization Expenses

| | | |
|------|---|-----------|
| 5705 | Amortization Expense-Property, Plant & Equip. | 37,651.00 |
|------|---|-----------|

Interest Expenses

| | | |
|------|------------------------|----------|
| 6035 | Other Interest Expense | 2,615.98 |
|------|------------------------|----------|

Taxes

| | | |
|------|--|----------|
| 6105 | Taxes Other Than Income Taxes | 9,881.00 |
| 6205 | Leap Funding (Low Energy Assistance program) | 2,000.00 |

Net Income -45,474.42

4. MATERIALITY THRESHOLDS

Chapter 2 of the Filing Requirements issued by the Board June 28, 2011 states that default materiality thresholds as outlined in the "Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario Electricity Distributors of September 17, 2008" shall be:

"\$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million"

CPUC's distribution revenue requirement for 2012 Test Year is \$864,765 and therefore materiality threshold applicable is \$50,000.

EXHIBIT 2 - RATE BASE

1. RATE BASE OVERVIEW

Overview

For the purposes of calculating CPUC's revenue requirement, the rate base used is the average net book value of fixed assets at the beginning and at the end of the 2012 Test Year, plus the working capital allowance based on 15% of the cost of power and controllable expenses in accordance with the Filing Requirements. CPUC has not yet completed a lead-lag study.

Net fixed assets consist of distribution assets that are associated with activities that enable the conveyance of electricity for distribution purposes only. Controllable expenses consist of operations and maintenance, billing and collecting and administration expenses.

Below is a summary of CPUC rate base for the years 2008 board approved and actual, 2009 actual, 2010 actual, 2011 Bridge Year and 2012 Test Year.

| | 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Bridge Year 2011 | Test Year 2012 |
|--------------------------------------|------------------------------------|------------------------|------------------------|------------------------|---------------------------------|---------------------------|
| Gross fixed Assets | 2,249,202 | 2,218,312 | 2,226,567 | 2,236,084 | 2,096,750 | 2,583,670 |
| Accumulated Depreciation | 1,339,613 | 1,341,746 | 1,386,047 | 1,426,415 | 1,370,105 | 1,555,631 |
| Net Book Value | 909,589 | 876,566 | 840,520 | 809,669 | 726,645 | 1,028,039 |
| Average Net Book Value | 895,939 | 874,683 | 858,543 | 825,095 | 768,157 | 1,036,682 |
| Working Capital | 2,693,225 | 2,576,357 | 2,676,605 | 2,713,221 | 3,084,711 | 3,212,844 |
| Work. Capital Allowance (15%) | 403,984 | 386,454 | 401,491 | 406,903 | 462,707 | 481,927 |
| Rate Base | 1,299,923 | 1,261,137 | 1,265,526 | 1,233,231 | 1,230,864 | 1,518,609 |

The following is the breakdown of the working capital calculation used in the above table.

| | 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Bridge Year 2011 | Test Year 2012 |
|--------------------------------------|------------------------------------|------------------------|------------------------|--------------------|---------------------------------|-------------------------------|
| Cost of Power | 2,125,403 | 1,978,596 | 2,176,585 | 2,164,638 | 2,480,229 | 2,548,354 |
| Operation and Maintenance | 268,000 | 204,134 | 156,151 | 213,549 | 217,098 | 215,590 |
| Admin and General Expenses | 234,510 | 314,657 | 278,358 | 261,327 | 328,160 | 364,100 |
| Billing and Collecting | 64,112 | 78,384 | 64,846 | 72,991 | 58,874 | 84,200 |
| Community Relations | 1,200 | 587 | 665 | 715 | 350 | 600 |
| Working Capital | 2,693,225 | 2,576,357 | 2,676,605 | 2,713,221 | 3,084,711 | 3,212,844 |
| Work. Capital Allowance (15%) | 403,984 | 386,454 | 401,491 | 406,903 | 462,707 | 481,927 |

Changes in working capital year over year.

| | 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Bridge Year 2011 | Test Year 2012 |
|-------------------------------------|------------------------------------|------------------------|------------------------|------------------------|-----------------------------|-------------------------------|
| Cost of Power | 2,125,403 | 1,978,596 | 2,176,585 | 2,164,638 | 2,480,229 | 2,548,354 |
| Change - Increase (Decrease) | - | (146,807) | 197,989 | (11,947) | 315,591 | 68,125 |
| O M & A | 567,822 | 597,762 | 500,020 | 548,582 | 584,490 | 664,490 |
| Change - Increase (Decrease) | - | 29,940 | (97,742) | 48,582 | 35,908 | 80,009 |

Annual changes in working capital are attributed mainly to:

a) Cost of power: mainly due to changes in the market price of electricity and to the weather.

b) O M & A changes are: 2009, received \$22,743 from the "Northern Ontario Heritage Fund" (Northern Ontario youth Internship Program) via CESC for hiring 2 apprentice linemen (to replace 2 qualified linemen).

Increased costs in 2011 for "outside services employed" to prepare CPUC's GEA Plan and LRAM Plan for approximately \$11,500, increase in the preparation of 2012 COS rates for \$5,300, an increase of \$6,410 for pension and benefits and an increase in salaries and wages of \$5,700.

2012 Test Year increases consist of \$30,000 for "outside services employed" to prepare and implement CPUC's Asset Management Plan, \$28,600 for the Wide Area Network (WAN) maintenance contract with Sensus Metering Systems Inc. to monitor and operate smart meter infrastructure (previously charged to operating expenses for Smart Meters), an increase in regulatory (intervenor) costs for \$6,720 and increases for employee pension and benefits for \$3,340.

Gross Assets - Property Plant and Equipment

2008 Continuity Schedule - Assets at Cost

| CCA Class | OEB | Description | Depreciation Rate | Opening Balance | 2008 | | Closing Balance |
|-----------|------|---|-------------------|---------------------|------------------|-------------|---------------------|
| | | | | | Additions | Disposals | |
| N/A | 1805 | Land | | \$ 140.50 | | | \$ 140.50 |
| 47 | 1808 | Buildings | | | | | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | 4.00% | \$ 457,508 | | | \$ 457,508 |
| 47 | 1825 | Storage Battery Equipment | | | | | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | 4.00% | \$ 1,112,199 | \$ 4,530 | | \$ 1,116,729 |
| 47 | 1835 | Overhead Conductors & Devices | | | | | \$ - |
| 47 | 1840 | Underground Conduit | 4.00% | \$ 77,300 | | | \$ 77,300 |
| 47 | 1845 | Underground Conductors & Devices | | | | | \$ - |
| 47 | 1850 | Line Transformers | 4.00% | \$ 360,940 | \$ 25,362 | | \$ 386,303 |
| 47 | 1855 | Services (Overhead & Underground) | | | | | \$ - |
| 47 | 1860 | Meters | 4.00% | \$ 167,852 | \$ 1,296 | | \$ 169,148 |
| 47 | 1860 | Meters (Smart Meters) | | | | | \$ - |
| N/A | 1905 | Land | | | | | \$ - |
| CEC | 1906 | Land Rights | | | | | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | | | | | \$ - |
| 12 | 1925 | Computer Software | 55.00% | \$ - | \$ 11,186 | | \$ 11,186 |
| 10 | 1930 | Transportation Equipment | | | | | \$ - |
| 8 | 1935 | Stores Equipment | | | | | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | | \$ - |
| 8 | 1955 | Communications Equipment | | | | | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | | \$ - |
| 47 | 1995 | Contributions & Grants | | | | | \$ - |
| | | Total | | \$ 2,175,939 | \$ 42,374 | \$ - | \$ 2,218,312 |

2008 Continuity Schedule - Accumulated Depreciation

| | | | | | 2008 | | |
|-----------|------|---|----------------------|-------------------|-------------|----------------------|-------------------|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | | | | \$ - | \$ 140.50 |
| 47 | 1808 | Buildings | | | | \$ - | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | \$ - | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | -\$ 172,537 | -\$ 11,399 | | -\$ 183,936 | \$ 273,572 |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | -\$ 767,024 | -\$ 13,898 | | -\$ 780,922 | \$ 335,807 |
| 47 | 1835 | Overhead Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1840 | Underground Conduit | -\$ 46,927 | -\$ 1,215 | | -\$ 48,142 | \$ 29,158 |
| 47 | 1845 | Underground Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1850 | Line Transformers | -\$ 230,305 | -\$ 5,733 | | -\$ 236,039 | \$ 150,264 |
| 47 | 1855 | Services (Overhead & Underground) | | | | \$ - | \$ - |
| 47 | 1860 | Meters | -\$ 86,347 | -\$ 3,286 | | -\$ 89,633 | \$ 79,515 |
| 47 | 1860 | Meters (Smart Meters) | | | | \$ - | \$ - |
| N/A | 1905 | Land | | | | \$ - | \$ - |
| CEC | 1906 | Land Rights | | | | \$ - | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | \$ - | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | \$ - | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | | | | \$ - | \$ - |
| 12 | 1925 | Computer Software | | -\$ 3,076 | | -\$ 3,076 | \$ 8,110 |
| 10 | 1930 | Transportation Equipment | | | | \$ - | \$ - |
| 8 | 1935 | Stores Equipment | | | | \$ - | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | \$ - | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | \$ - | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | \$ - | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | | | | \$ - | \$ - |
| | | Total | -\$ 1,303,140 | -\$ 38,607 | \$ - | -\$ 1,341,746 | \$ 876,566 |

2009 Continuity Schedule - Assets at Cost

| CCA Class | OEB | Description | Depreciation Rate | Opening Balance | 2009 | | Closing Balance |
|-----------|------|---|-------------------|---------------------|-----------------|-------------|---------------------|
| | | | | | Additions | Disposals | |
| N/A | 1805 | Land | | \$ 141 | | | \$ 141 |
| 47 | 1808 | Buildings | | | | | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | 4.00% | \$ 457,508 | \$ 3,081 | | \$ 460,589 |
| 47 | 1825 | Storage Battery Equipment | | | | | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | 4.00% | \$ 1,116,729 | \$ 1,936 | | \$ 1,118,665 |
| 47 | 1835 | Overhead Conductors & Devices | | | | | \$ - |
| 47 | 1840 | Underground Conduit | 4.00% | \$ 77,300 | \$ 211 | | \$ 77,511 |
| 47 | 1845 | Underground Conductors & Devices | | | | | \$ - |
| 47 | 1850 | Line Transformers | 4.00% | \$ 386,303 | \$ 2,365 | | \$ 388,667 |
| 47 | 1855 | Services (Overhead & Underground) | | | | | \$ - |
| 47 | 1860 | Meters | 10.00% | \$ 169,148 | | | \$ 169,148 |
| 47 | 1860 | Meters (Smart Meters) | | | | | \$ - |
| N/A | 1905 | Land | | | | | \$ - |
| CEC | 1906 | Land Rights | | | | | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | 55.00% | \$ - | \$ 661 | | \$ 661 |
| 12 | 1925 | Computer Software | 55.00% | \$ 11,186 | | | \$ 11,186 |
| 10 | 1930 | Transportation Equipment | | | | | \$ - |
| 8 | 1935 | Stores Equipment | | | | | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | | \$ - |
| 8 | 1955 | Communications Equipment | | | | | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | | \$ - |
| 47 | 1995 | Contributions & Grants | | | | | \$ - |
| | | Total | | \$ 2,218,312 | \$ 8,255 | \$ - | \$ 2,226,567 |

2009 Continuity Schedule - Accumulated Depreciation

| CCA Class | OEB | Description | Opening Balance | Additions | 2009 | | Net Book Value |
|-----------|------|---|---------------------|-------------------|-------------|---------------------|----------------------|
| | | | | | Disposals | Closing Balance | |
| N/A | 1805 | Land | | | | \$ - | \$ 140.50 |
| 47 | 1808 | Buildings | | | | \$ - | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | \$ - | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | -\$ 183,936 | -\$ 11,005 | | -\$ 194,941 | \$ 265,648.00 |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | -\$ 780,922 | -\$ 13,471 | | -\$ 794,393 | \$ 324,272.00 |
| 47 | 1835 | Overhead Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1840 | Underground Conduit | -\$ 48,142 | -\$ 1,171 | | -\$ 49,313 | \$ 28,198.00 |
| 47 | 1845 | Underground Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1850 | Line Transformers | -\$ 236,039 | -\$ 6,058 | | -\$ 242,096 | \$ 146,571.00 |
| 47 | 1855 | Services (Overhead & Underground) | | | | \$ - | \$ - |
| 47 | 1860 | Meters | -\$ 89,633 | -\$ 7,952 | | -\$ 97,585 | \$ 71,563.00 |
| 47 | 1860 | Meters (Smart Meters) | | | | \$ - | \$ - |
| N/A | 1905 | Land | | | | \$ - | \$ - |
| CEC | 1906 | Land Rights | | | | \$ - | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | \$ - | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | \$ - | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | | -\$ 182 | | -\$ 182 | \$ 479.63 |
| 12 | 1925 | Computer Software | -\$ 3,076 | -\$ 4,461 | | -\$ 7,536 | \$ 3,649.37 |
| 10 | 1930 | Transportation Equipment | | | | \$ - | \$ - |
| 8 | 1935 | Stores Equipment | | | | \$ - | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | \$ - | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | \$ - | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | \$ - | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | | | | \$ - | \$ - |
| | | Total | -\$1,341,746 | -\$ 44,300 | \$ - | -\$1,386,046 | \$ 840,521.50 |

2010 Continuity Schedule - Assets at Cost

| CCA Class | OEB | Description | Depreciation Rate | Opening Balance | 2010 | | Closing Balance |
|-----------|------|---|-------------------|---------------------|-----------------|-------------|---------------------|
| | | | | | Additions | Disposals | |
| N/A | 1805 | Land | | \$ 141 | | | \$ 141 |
| 47 | 1808 | Buildings | | | | | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | 4.00% | \$ 460,589 | \$ 2,228 | | \$ 462,817 |
| 47 | 1825 | Storage Battery Equipment | | | | | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | 4.00% | \$ 1,118,665 | \$ 1,790 | | \$ 1,120,455 |
| 47 | 1835 | Overhead Conductors & Devices | | | | | \$ - |
| 47 | 1840 | Underground Conduit | 4.00% | \$ 77,511 | | | \$ 77,511 |
| 47 | 1845 | Underground Conductors & Devices | | | | | \$ - |
| 47 | 1850 | Line Transformers | 4.00% | \$ 388,667 | | | \$ 388,667 |
| 47 | 1855 | Services (Overhead & Underground) | | | | | \$ - |
| 47 | 1860 | Meters | 10.00% | \$ 169,148 | \$ 5,500 | | \$ 174,647 |
| 47 | 1860 | Meters (Smart Meters) | | | | | \$ - |
| N/A | 1905 | Land | | | | | \$ - |
| CEC | 1906 | Land Rights | | | | | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | 55.00% | \$ 661 | | | \$ 661 |
| 12 | 1925 | Computer Software | 55.00% | \$ 11,186 | | | \$ 11,186 |
| 10 | 1930 | Transportation Equipment | | | | | \$ - |
| 8 | 1935 | Stores Equipment | | | | | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | | \$ - |
| 8 | 1955 | Communications Equipment | | | | | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | | \$ - |
| 47 | 1995 | Contributions & Grants | | | | | \$ - |
| | | Total | | \$ 2,226,567 | \$ 9,517 | \$ - | \$ 2,236,084 |

2010 Continuity Schedule - Accumulated Depreciation

| CCA Class | OEB | Description | Opening Balance | Additions | 2010 | | Net Book Value |
|-----------|------|---|----------------------|-------------------|-------------|---------------------|-------------------|
| | | | | | Disposals | Closing Balance | |
| N/A | 1805 | Land | | | | \$ - | \$ 141 |
| 47 | 1808 | Buildings | | | | \$ - | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | | | | \$ - | \$ - |
| 47 | 1820 | Distribution Station Equipment <50 kV | -\$ 194,941 | -\$ 10,670 | | -\$ 205,611 | \$ 257,206 |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | -\$ 794,393 | -\$ 13,007 | | -\$ 807,400 | \$ 313,055 |
| 47 | 1835 | Overhead Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1840 | Underground Conduit | -\$ 49,313 | -\$ 1,128 | | -\$ 50,441 | \$ 27,070 |
| 47 | 1845 | Underground Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1850 | Line Transformers | -\$ 242,096 | -\$ 5,863 | | -\$ 247,959 | \$ 140,708 |
| 47 | 1855 | Services (Overhead & Underground) | | | | \$ - | \$ - |
| 47 | 1860 | Meters | -\$ 97,585 | -\$ 7,431 | | -\$ 105,015 | \$ 69,632 |
| 47 | 1860 | Meters (Smart Meters) | | | | \$ - | \$ - |
| N/A | 1905 | Land | | | | \$ - | \$ - |
| CEC | 1906 | Land Rights | | | | \$ - | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | \$ - | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | \$ - | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | -\$ 182 | -\$ 264 | | -\$ 445.38 | \$ 216 |
| 12 | 1925 | Computer Software | -\$ 7,537 | -\$ 2,006 | | -\$ 9,543.71 | \$ 1,642 |
| 10 | 1930 | Transportation Equipment | | | | \$ - | \$ - |
| 8 | 1935 | Stores Equipment | | | | \$ - | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | \$ - | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | \$ - | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | \$ - | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | | | | \$ - | \$ - |
| | | Total | -\$ 1,386,047 | -\$ 40,368 | \$ - | -\$1,426,415 | \$ 809,670 |

2011 (Bridge Year) Continuity Schedule - Assets at Cost

| CCA Class | OEB | Description | Depreci ation Rate | Opening Balance | 2011 (Bridge) | | Closing Balance |
|--------------|------|---|--------------------------|---------------------|-----------------|------------------|---------------------|
| | | | | | Additions | Disposals | |
| N/A | 1805 | Land | | \$ 140.50 | | | \$ 140.50 |
| 47 | 1808 | Buildings | | | | | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | 4.00% | \$ 462,817 | | | \$ 462,817 |
| 47 | 1820 | Distribution Station Equipment <50 kV | | | | | \$ - |
| 47 | 1825 | Storage Battery Equipment | | | | | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | 4.00% | \$ 1,120,455 | \$ 2,361 | | \$ 1,122,816 |
| 47 | 1835 | Overhead Conductors & Devices | | | | | \$ - |
| 47 | 1840 | Underground Conduit | 4.00% | \$ 77,511 | | | \$ 77,511 |
| 47 | 1845 | Underground Conductors & Devices | 4.00% | \$ - | \$ 4,850 | | \$ 4,850 |
| 47 | 1850 | Line Transformers | 4.00% | \$ 388,667 | | | \$ 388,667 |
| 47 | 1855 | Services (Overhead & Underground) | | | | | \$ - |
| 47 | 1860 | Meters | 10.00% | \$ 174,647 | | \$146,548 | \$ 28,102 |
| 47 | 1860 | Meters (Smart Meters) | | | | | \$ - |
| N/A | 1905 | Land | | | | | \$ - |
| CEC | 1906 | Land Rights | | | | | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | 55.00% | \$ 661 | | | \$ 661 |
| 12 | 1925 | Computer Software | 55.00% | \$ 11,186 | | | \$ 11,186 |
| 10 | 1930 | Transportation Equipment | | | | | \$ - |
| 8 | 1935 | Stores Equipment | | | | | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | | \$ - |
| 8 | 1955 | Communications Equipment | | | | | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | | \$ - |
| 47 | 1995 | Contributions & Grants | | | | | \$ - |
| | | Total | | \$ 2,236,084 | \$ 7,211 | \$146,548 | \$ 2,096,750 |

2011 (Bridge Year) Continuity Schedule - Accumulated Depreciation

| CCA Class | OEB | Description | Opening Balance | Additions | 2011 (Bridge) | | Net Book Value |
|-----------|------|---|----------------------|-------------------|------------------|----------------------|-------------------|
| | | | | | Disposals | Closing Balance | |
| N/A | 1805 | Land | | | | \$ - | \$ 140.50 |
| 47 | 1808 | Buildings | | | | \$ - | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | -\$ 205,611 | -\$ 10,288 | | -\$ 215,899 | \$ 246,918 |
| 47 | 1820 | Distribution Station Equipment <50 kV | | | | \$ - | \$ - |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | -\$ 807,400 | -\$ 12,569 | | -\$ 819,969 | \$ 302,847 |
| 47 | 1835 | Overhead Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1840 | Underground Conduit | -\$ 50,441 | -\$ 1,083 | | -\$ 51,523 | \$ 25,987 |
| 47 | 1845 | Underground Conductors & Devices | \$ - | -\$ 97 | | -\$ 97 | \$ 4,753 |
| 47 | 1850 | Line Transformers | -\$ 247,959 | -\$ 5,628 | | -\$ 253,588 | \$ 135,080 |
| 47 | 1855 | Services (Overhead & Underground) | | | | \$ - | \$ - |
| 47 | 1860 | Meters | -\$ 105,015 | -\$ 6,963 | -\$93,961 | -\$ 18,018 | \$ 10,084 |
| 47 | 1860 | Meters (Smart Meters) | | | | \$ - | \$ - |
| N/A | 1905 | Land | | | | \$ - | \$ - |
| CEC | 1906 | Land Rights | | | | \$ - | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | \$ - | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | \$ - | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | -\$ 445 | -\$ 119 | | -\$ 564 | \$ 97 |
| 12 | 1925 | Computer Software | -\$ 9,544 | -\$ 903 | | -\$ 10,447 | \$ 739 |
| 10 | 1930 | Transportation Equipment | | | | \$ - | \$ - |
| 8 | 1935 | Stores Equipment | | | | \$ - | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | \$ - | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | \$ - | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | \$ - | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | | | | \$ - | \$ - |
| | | Total | -\$ 1,426,415 | -\$ 37,651 | \$ 93,961 | -\$ 1,370,105 | \$ 726,645 |

2012 (Test Year) Continuity Schedule - Assets at Cost

| CCA Class | OEB | Description | Depreciation Rate | Opening Balance | 2012 (Test Year) | | Closing Balance |
|-----------|------|---|-------------------|---------------------|------------------|-------------|---------------------|
| | | | | | Additions | Disposals | |
| N/A | 1805 | Land | | \$ 141 | | | \$ 141 |
| 47 | 1808 | Buildings | | | | | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | 4.00% | \$ 462,817 | \$ 19,765 | | \$ 482,582 |
| 47 | 1820 | Distribution Station Equipment <50 kV | | | | | \$ - |
| 47 | 1825 | Storage Battery Equipment | | | | | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | 4.00% | \$ 1,122,816 | \$ 23,162 | | \$ 1,145,978 |
| 47 | 1835 | Overhead Conductors & Devices | | | | | \$ - |
| 47 | 1840 | Underground Conduit | 4.00% | \$ 77,511 | | | \$ 77,511 |
| 47 | 1845 | Underground Conductors & Devices | 4.00% | \$ 4,850 | | | \$ 4,850 |
| 47 | 1850 | Line Transformers | 4.00% | \$ 388,667 | \$ 8,863 | | \$ 397,530 |
| 47 | 1855 | Services (Overhead & Underground) | | | | | \$ - |
| 47 | 1860 | Meters | 10.00% | \$ 28,102 | | | \$ 28,102 |
| 47 | 1860 | Meters (Smart Meters) | 10.00% | \$ 373,474 | \$ 1,500 | | \$ 374,974 |
| N/A | 1905 | Land | | | | | \$ - |
| CEC | 1906 | Land Rights | | | | | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | 55.00% | \$ 661 | | | \$ 661 |
| 12 | 1925 | Computer Software (includes Smart Meter) | 55.00% | \$ 66,342 | \$ 5,000 | | \$ 71,342 |
| 10 | 1930 | Transportation Equipment | | | | | \$ - |
| 8 | 1935 | Stores Equipment | | | | | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | | \$ - |
| 8 | 1955 | Communications Equipment | | | | | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | | \$ - |
| 47 | 1995 | Contributions & Grants | | | | | \$ - |
| | | Total | | \$ 2,525,380 | \$ 58,290 | \$ - | \$ 2,583,670 |

2012 (Test Year) Continuity Schedule - Accumulated Depreciation

| | | | | | | 2012 (Test Year) | |
|-----------|------|---|---------------------|-------------------|-------------|----------------------|---------------------|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| N/A | 1805 | Land | | | | \$ - | \$ 140.50 |
| 47 | 1808 | Buildings | | | | \$ - | \$ - |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | -\$ 215,899 | -\$ 10,272 | | -\$ 225,776 | \$ 256,411 |
| 47 | 1820 | Distribution Station Equipment <50 kV | | | | \$ - | \$ - |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | -\$ 819,969 | -\$ 12,577 | | -\$ 832,379 | \$ 313,432 |
| 47 | 1835 | Overhead Conductors & Devices | | | | \$ - | \$ - |
| 47 | 1840 | Underground Conduit | -\$ 51,523 | -\$ 1,040 | | -\$ 52,563 | \$ 24,948 |
| 47 | 1845 | Underground Conductors & Devices | -\$ 97 | -\$ 190 | | -\$ 287 | \$ 4,563 |
| 47 | 1850 | Line Transformers | -\$ 253,588 | -\$ 5,580 | | -\$ 259,085 | \$ 138,362 |
| 47 | 1855 | Services (Overhead & Underground) | | | | \$ - | \$ - |
| 47 | 1860 | Meters | -\$ 18,018 | -\$ 1,008 | | -\$ 19,026 | \$ 9,075 |
| 47 | 1860 | Meters (Smart Meters) | -\$ 79,529 | -\$ 29,470 | | - \$ 108,998 | \$ 265,976 |
| N/A | 1905 | Land | | | | \$ - | \$ - |
| CEC | 1906 | Land Rights | | | | \$ - | \$ - |
| 47 | 1908 | Buildings & Fixtures | | | | \$ - | \$ - |
| 13 | 1910 | Leasehold Improvements | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (10 years) | | | | \$ - | \$ - |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | \$ - | \$ - |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | -\$ 564 | -\$ 53 | | -\$ 617 | \$ 44 |
| 12 | 1925 | Computer Software (includes Smart Meters) | -\$ 40,868 | -\$ 15,385 | | -\$ 56,253 | \$ 333 |
| 10 | 1930 | Transportation Equipment | | | | \$ - | \$ - |
| 8 | 1935 | Stores Equipment | | | | \$ - | \$ - |
| 8 | 1940 | Tools, Shop & Garage Equipment | | | | \$ - | \$ - |
| 8 | 1945 | Measurement & Testing Equipment | | | | \$ - | \$ - |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | | | | \$ - | \$ - |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | | | | \$ - | \$ - |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | | | | \$ - | \$ - |
| | | Total | -\$1,480,055 | -\$ 75,576 | \$ - | -\$ 1,555,631 | \$ 1,028,039 |

2012 Test Year Capital Budget

Project #1 - Location - Laneway behind old Sportman's Hotel

Priority - Low

Replace one 45 foot class 3 pole - cost \$1,123.

Replace one 75 kV line transformer - cost \$2,900.

Total Project Cost - \$4,023.

Project #2 - Location - Planner Road in front of Fournier's house, beside old crossing

Priority - Low

Replace one 40 foot class 3 pole - cost \$1,379.

Replace one 25 kV line transformer - cost \$1,803.

Total Project Cost - \$3,182.

Project #3 - Location - Ski Hill.

Priority - Low.

Rebuild pole line: Five 40 foot class 4 poles and two 40 foot class 3 poles - Cost \$12,320

Total Project Cost - \$12,320.

Project #4 - Location - Demers Street

Priority - Low.

Rebuild pole line: Five 40 foot class 4 poles and four 40 foot class 3 poles - Cost \$8,340.

Replace two 50 kV pole mount transformers - cost \$4,160

Total Project Cost - \$12,500.

Project #5 - Transformer Stations T3 and T4

Priority - Moderate

"T3" and "T4" stations require insulating oil reinhibited. "T3" requires a hot oil clean procedure - cost \$19,765.

Total Project Cost - \$19,765

Total 2012 Test Year Capital Budget - \$51,790.

Summary of Assets at cost - 2008 Board approved, 2008, 2009, 2010 Actual, 2011 Bridge Year and 2012 Test Year and year over year variances.

| OEB | Description | Assets at cost | | | | | |
|------|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Bridge Year | 2012 Test Year |
| 1805 | Land | \$ 141 | \$ 141 | \$ 141 | \$ 141 | \$ 141 | \$ 141 |
| 1808 | Buildings | | | | | | |
| 1810 | Leasehold Improvements | | | | | | |
| 1815 | Transformer Station Equipment >50 kV | \$ 457,508 | \$ 457,508 | \$ 460,589 | \$ 462,817 | \$ 462,817 | \$ 482,582 |
| 1820 | Distribution Station Equipment <50 kV | | | | | | |
| 1825 | Storage Battery Equipment | | | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 1,118,699 | \$ 1,116,729 | \$ 1,118,665 | \$ 1,120,455 | \$ 1,122,816 | \$ 1,145,978 |
| 1835 | Overhead Conductors & Devices | \$ 23,500 | | | | | |
| 1840 | Underground Conduit | \$ 77,300 | \$ 77,300 | \$ 77,511 | \$ 77,511 | \$ 77,511 | \$ 77,511 |
| 1845 | Underground Conductors & Devices | | | | \$ - | \$ 4,850 | \$ 4,850 |
| 1850 | Line Transformers | \$ 374,842 | \$ 386,303 | \$ 388,667 | \$ 388,667 | \$ 388,667 | \$ 397,530 |
| 1855 | Services (Overhead & Underground) | | | | | | |
| 1860 | Meters | \$ 197,213 | \$ 169,148 | \$ 169,148 | \$ 174,647 | \$ 28,102 | \$ 28,102 |
| 1860 | Meters (Smart Meters) | | | | | | \$ 374,974 |
| 1905 | Land | | | | | | |
| 1906 | Land Rights | | | | | | |
| 1908 | Buildings & Fixtures | | | | | | |
| 1910 | Leasehold Improvements | | | | | | |
| 1915 | Office Furniture & Equipment (10 years) | | | | | | |
| 1915 | Office Furniture & Equipment (5 years) | | | | | | |
| 1920 | Computer Equipment - Hardware | | | | | | |
| 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | | |
| 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | \$ - | \$ 661 | \$ 661 | \$ 661 | \$ 661 |
| 1925 | Computer Software(inc. Smart Meters) | \$ - | \$ 11,186 | \$ 11,186 | \$ 11,186 | \$ 11,186 | \$ 71,342 |
| 1930 | Transportation Equipment | | | | | | |
| 1935 | Stores Equipment | | | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | | | | |
| 1945 | Measurement & Testing Equipment | | | | | | |
| 1950 | Power Operated Equipment | | | | | | |
| 1955 | Communications Equipment | | | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | | | | |
| 1960 | Miscellaneous Equipment | | | | | | |
| 1975 | Load Management Controls Utility Premises | | | | | | |
| 1980 | System Supervisor Equipment | | | | | | |
| 1985 | Miscellaneous Fixed Assets | | | | | | |
| 1995 | Contributions & Grants | | | | | | |
| | Total | \$ 2,249,202 | \$ 2,218,312 | \$ 2,226,567 | \$ 2,236,084 | \$ 2,096,750 | \$ 2,583,670 |

| OEB | Description | Year over Year Variances | | | | | |
|------|---|-----------------------------------|---------------------------|---------------------------|---------------------------|------------------------------|--|
| | | 2008 Board Approved & 2008 Actual | 2008 Actual & 2009 Actual | 2009 Actual & 2010 Actual | 2010 Actual & 2011 Bridge | 2011 Bridge & 2012 Test Year | |
| 1805 | Land | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 1808 | Buildings | | | | | | |
| 1810 | Leasehold Improvements | | | | | | |
| 1815 | Transformer Station Equipment >50 kV | \$ - | \$ 3,081 | \$ 2,228 | \$ - | \$ 19,765 | |
| 1820 | Distribution Station Equipment <50 kV | | | | | | |
| 1825 | Storage Battery Equipment | | | | | | |
| 1830 | Poles, Towers & Fixtures | -\$ 1,970 | \$ 1,936 | \$ 1,790 | \$ 2,361 | \$ 23,162 | |
| 1835 | Overhead Conductors & Devices | -\$ 23,500 | \$ - | \$ - | \$ - | \$ - | |
| 1840 | Underground Conduit | \$ - | \$ 211 | \$ - | \$ - | \$ - | |
| 1845 | Underground Conductors & Devices | \$ - | \$ - | \$ - | \$ 4,850 | \$ - | |
| 1850 | Line Transformers | \$ 11,461 | \$ 2,365 | \$ - | \$ - | \$ 8,863 | |
| 1855 | Services (Overhead & Underground) | | | | | | |
| 1860 | Meters | -\$ 28,065 | \$ - | \$ 5,500 | -\$ 146,545 | | |
| 1860 | Meters (Smart Meters) | | | | | \$ 374,974 | |
| 1905 | Land | | | | | | |
| 1906 | Land Rights | | | | | | |
| 1908 | Buildings & Fixtures | | | | | | |
| 1910 | Leasehold Improvements | | | | | | |
| 1915 | Office Furniture & Equipment (10 years) | | | | | | |
| 1915 | Office Furniture & Equipment (5 years) | | | | | | |
| 1920 | Computer Equipment - Hardware | | | | | | |
| 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | | | | | | |
| 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | \$ 661 | \$ - | \$ - | \$ - | |
| 1925 | Computer Software | \$ 11,186 | \$ - | \$ - | \$ - | \$ 60,156 | |
| 1930 | Transportation Equipment | | | | | | |
| 1935 | Stores Equipment | | | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | | | | |
| 1945 | Measurement & Testing Equipment | | | | | | |
| 1950 | Power Operated Equipment | | | | | | |
| 1955 | Communications Equipment | | | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | | | | |
| 1960 | Miscellaneous Equipment | | | | | | |
| 1975 | Load Management Controls Utility Premises | | | | | | |
| 1980 | System Supervisor Equipment | | | | | | |
| 1985 | Miscellaneous Fixed Assets | | | | | | |
| 1995 | Contributions & Grants | | | | | | |
| | Total | -\$ 30,889 | \$ 8,255 | \$ 9,517 | -\$139,334 | \$ 486,920 | |

Year over year **variances** for:

2008 actual and 2008 Board approved of (\$30,889) is mainly due to the priority of replacement of line transformers and computer G/L accounting software to enable the use of sub-accounts instead of overhead conductors and devices and the purchase of meters. Reduction in capital expenditure is due to unavailability of cash and labour resources.

2009 actual and 2008 actual of \$8,255 is well below CPUC's materiality threshold of \$50,000.

2010 actual and 2009 actual of \$9,517 is well below CPUC's materiality threshold of \$50,000.

2011 Bridge Year and 2010 actual of (\$139,333) is due to the removal of the value for the stranded meters of (\$146,546). The balance of \$7,213 is well below CPUC's materiality threshold of \$50,000.

2012 Test Year and 2011 Bridge Year of \$486,920 is mainly due to the transfer of \$435,130 Smart Meters and computer software from the Deferral Variance Account 1555. The balance of \$51,790 expenditure is required for the replacement of old poles and line transformers for \$32,025 and for the repair of two station transformers for \$19,765.

Accumulated Depreciation

Accumulated depreciation continuity statements shown in Pages 71 to 84 above are reconcilable to the calculated depreciation expenses.

Allowance for Working Capital

Chapleau PUC has not been directed by the Board to undertake a lead/lag study therefore the allowance for working capital is calculated at 15% of the sum of Cost of Power and Controllable Expenses.

Treatment of Stranded Assets Related to Smart Meter Deployment

The accounting treatment of stranded meters related to the installation of smart meters, chosen by CPUC is to leave them in rate base, account 1860.

There were no stranded meters removed from service as of December 31, 2010 however an adjustment will be made for removals at December 31, 2011 as identified below.

The following shows the Stranded Meter Treatment before adjustments.

Appendix 2-R
Stranded Meter Treatment

| Year | Gross Asset Value | Accumulated Amortization | Contributed Capital (Net of Amortization) | Net Asset (D) = (A) - (B) - (C) | Proceeds on Disposition | Residual Net Book Value (F) = (D) - (E) |
|------|-------------------|--------------------------|---|------------------------------------|-------------------------|--|
| | (A) | (B) | (C) | | (E) | (F) = (D) - (E) |
| 2006 | | | \$ - | | \$ - | |
| 2007 | | | \$ - | | \$ - | |
| 2008 | | | \$ - | | \$ - | |
| 2009 | | | \$ - | | \$ - | |
| 2010 | | | \$ - | | \$ - | |
| 2011 | \$ 146,546 | \$ 93,961 | \$ - | \$ 52,585 | \$ - | \$ 52,585 |

Note that there were no sales of meters.

Depreciation expenses continued in order to reduce the net book value through accumulated depreciation. Total provision for depreciation expenses for the period from the time that the meters became stranded to December 31, 2010 was \$7,430.88.

The estimated amount of the pooled residual net book value of the removed from service meters, at December 31, 2010 is unknown. All smart meters have been fully deployed as of November 2011 and as at December 31, 2011 the pooled residual NBV was calculated to be \$52,585 (unaudited actual).

The following table shows the make, meter type, quantity and net book value of stranded meters.

Sangamo

| Meter Type | | Qty | \$ Value |
|--------------|--|------------|------------------|
| C-J-S | Single Phase - 100 Amp | 10 | 350.90 |
| C-J-A | Single Phase - 100 Amp | 9 | 315.81 |
| J-5-S | Single Phase Transformer Type | 2 | 897.54* |
| K-2-S | Single Phase - 200 Amp | 558 | 19,580.22 |
| K-Y-S | Three Phase - Network | 26 | 4,105.53** |
| C-J-3-S | Single Phase - 100 Amp | 35 | 1,228.15 |
| C-J-3-A | Single Phase - 100 Amp | 1 | 35.09 |
| K-2-A | Single Phase - 200 Amp | 36 | 1,263.24 |
| Total | Estimated Net Book Value at Dec. 31, 2011 | 677 | 27,776.48 |

Ferranti Packard

| Meter Type | | Qty | \$ Value |
|--------------|--|------------|------------------|
| B-4-S | Single Phase - 200 Amp | 140 | 4,912.60 |
| B-3-S | Single Phase - 100 Amp | 107 | 3,754.63 |
| B-5-S | Single Phase - 200 Amp | 90 | 3,158.10 |
| B-2-S | Single Phase - 100 Amp | 13 | 456.17 |
| B-2-A | Single Phase - 100 Amp | 3 | 105.27 |
| B-3-A | Single Phase - 100 Amp | 7 | 245.63 |
| Total | Estimated Net Book Value at Dec. 31, 2011 | 360 | 12,632.40 |

Schlumberger

| Meter Type | | Qty | \$ Value |
|--------------|--|-----|---------------|
| M-1-S | Single Phase - 100 Amp | 9 | 315.81 |
| Total | Estimated Net Book Value at Dec. 31, 2011 | | 315.81 |

General Electric

| Meter Type | | Qty | \$ Value |
|--------------|--|-----------|-----------------|
| I-70-S | Single Phase Transformer Type | 21 | 3,684.45* |
| I--60-S | Single Phase - 200 Amp | 11 | 385.99 |
| I-55-A | Single Phase - 100 Amp | 3 | 105.27 |
| Total | Estimated Net Book Value at Dec. 31, 2011 | 35 | 4,175.71 |

Westinghouse

| Meter Type | | Qty | \$ Value |
|--------------|--|------------|-----------------|
| D-2-S | Single Phase - 100 Amp | 60 | 2,105.40 |
| D-3-S | Single Phase - 100 Amp | 31 | 1,087.79 |
| D-2-A | Single Phase - 100 Amp | 12 | 421.08 |
| D-4-S | Single Phase - 100 Amp | 1 | 35.09 |
| D-5-S | Single Phase - 200 Amp | 115 | 4,035.35 |
| Total | Estimated Net Book Value at Dec. 31, 2011 | 219 | 7,684.71 |

| | | | |
|--------------------|--|--------------|------------------|
| Grand Total | Estimated Net Book Value at Dec. 31, 2011 | 1,300 | 52,585.11 |
|--------------------|--|--------------|------------------|

The following estimated adjustments will be made at December 31, 2011 to fixed asset account 1860 to remove the value for Gross Asset and Accumulated Depreciation as follows:

| | |
|--------------------------|--------------|
| Gross Asset | \$146,545.92 |
| Accumulated Depreciation | \$93,960.81 |
| Net Book Value | \$52,585.11 |

CPUC will transfer the actual (unaudited) Net Book Value of \$52,585.11 of the stranded meter cost from account 1860 to Sub-account Stranded Meter Costs account 1555 and will also track recoveries from a separate rate rider, reducing the balance in the sub-account.

CPUC will allocate recovery of the actual (unaudited) NBV of the stranded meter cost applicable to the residential and the general service <50 kW classes.

The rationale is that these 2 classes are the only classes that used the above meters and allocation of meter cost is made based on the type of meter from the above inventory, as follows:

| Customer class | * Transformer Type Meters | **Network Type Meters | 100 & 200 Amp Meters | Total Allocated |
|------------------------|---------------------------|-----------------------|----------------------|-----------------|
| Residential | - | \$3,316.01 | \$38,435.83 | \$41,751.84 |
| General Service <50 kW | \$4,581.99 | \$789.53 | \$5,461.76 | \$10,833.28 |
| | \$4,581.99 | \$4,105.53 | \$43,897.59 | \$52,585.11 |

Note: Allocation of the 100 & 200 Amp Meters is based on the number of customers in each class.

Meter costs have always been included in the utilities monthly charge and therefore the rate riders applicable will be developed on a per customer per month basis.

The following are the applicable rate riders per month, per customer, determined on the basis of the number of customers in each class for the 2012 Test Year.

| Customer class | Number Customers | Allocation Amount | Rate Rider - 1 Year | Rate Rider - 2 Years | Rate Rider - 3 Years | Rate Rider - 4 Years |
|-------------------------|------------------|-------------------|---------------------|----------------------|----------------------|----------------------|
| Residential | 1,133 | \$41,751.84 | \$3.07 | \$1.54 | \$1.02 | \$0.77 |
| Average Customer Impact | | | 2.33% | 1.16% | 0.77% | 0.58% |
| General Service <50 kW | 161 | \$10,833.28 | \$5.61 | \$2.80 | \$1.87 | \$1.40 |
| Average Customer Impact | | | 1.77% | 0.88% | 0.59% | 0.44% |

Based on the above impacts to customers, CPUC requests that a 4 year rate-rider be approved for the recovery of stranded meter costs.

2. CAPITAL EXPENDITURES

Overview

CPUC summary of capital expenditures from 2006 to 2010 actual, 2011 Bridge Year and 2012 Test Year

| USoA # | Description | CCA Class | Actual | | | | | Bridge Yr | Test Yr |
|--------------|---|-----------|------------------|-------------|------------------|-----------------|-----------------|-----------------|------------------|
| | | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 1805 | Land | | | | | | | | |
| 1806 | Land Rights | | | | | | | | |
| 1808 | Land and Buildings | | | | | | | | |
| 1810 | Leasehold Improvements | | | | | | | | |
| 1815 | Transformer Station Equipment - Normally > 50 kV | | | | | | | | |
| 1820 | Distribution Station Equipment - Normally < 50 kV | 1 | \$ - | \$ - | \$ - | \$ 3,081 | \$ 2,228 | \$ - | \$19,765 |
| 1830 | Poles Towers and Fixtures | 1 | \$ 1,551 | \$ - | \$ 4,530 | \$ 1,936 | \$ 1,790 | \$ 2,361 | \$ 23,162 |
| 1840 | Underground Conduit | 1 | \$ - | \$ - | \$ - | \$ 211 | \$ - | \$ - | \$ - |
| 1845 | Underground Conductors/Devices | 1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,850 | \$ - |
| 1850 | Line Transformers | 1 | \$ 21,899 | \$ - | \$ 25,362 | \$ 2,365 | \$ - | \$ - | \$ 8,863 |
| 1860 | Meters and Smart Meters | 1 | \$ 842 | \$ - | \$ 1,296 | \$ - | \$ 5,500 | \$ - | \$ 1,500 |
| 1920 | Computer Equipment | 39 | \$ - | \$ - | \$ - | \$ 661 | \$ - | \$ - | \$ - |
| 1925 | Computer Software | 39 | \$ - | \$ - | \$ 11,186 | \$ - | \$ - | \$ - | \$ 5,000 |
| | | | | | | | | | |
| ... | etc. | | | | | | | | |
| | | | | | | | | | |
| 1995 | Contributions and Grants - Credit | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | | | \$ 24,292 | \$ - | \$ 42,374 | \$ 8,254 | \$ 9,518 | \$ 7,211 | \$ 58,290 |

Chapleau Public Utilities Corporation is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumption. The economy has not improved however economic levels have been maintained through 2006 and 2011.

There are no new housing or commercial / industrial developments in the Township of Chapleau currently or in the foreseeable future.

All capital projects in Chapleau PUC are necessitated by the following:

- Replacement of old equipment and devices for the improvement of safety and system reliability.
- Replacement of equipment and devices due to inclement weather conditions.
- Replacement of equipment and devices for conservation purposes.

There are no projects over the applicable materiality threshold of \$50,000.

Year over year variances:

Variance between 2007 and 2006 of (\$24,292) is because there were no capital expenditures during 2007.

Variance between 2008 and 2007 of \$42,374 is due to the replacement of equipment and devices to improve safety and system reliability and the purchase of G/L accounting system software for \$11,186 to enable the use of sub-accounts (there were also no capital expenditures during 2007)

Variance between 2008 actual and 2008 Board approved of (\$30,889) is mainly due to the priority for the replacement of line transformers and computer software instead of overhead conductors and devices and the purchase of meters. Reduction in capital expenditure is due to the unavailability of cash and labour resources.

Variance between 2009 and 2008 of (\$34,120) is due to the unavailability of cash and labour resources.

Variance between 2010 and 2009 of \$1,262 is mainly due to the need to purchase additional meters.

Variance between 2011 Bridge Year and 2010 actual of (\$2,307) is due to the unavailability of cash and labour resources.

Variance between 2012 Test Year and 2011 Bridge Year of \$51,079 expenditure is mostly required for the replacement of old poles and line transformers, the repair of two station transformers and additional expenditures for Smart Meters.

Chapleau PUC **Capitalization Policy:**

Policy is to capitalize costs incurred in excess of \$750 deemed to have a future benefit to the Corporation.

Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is charged to operations using the following methods and annual rates:

Computer equipment and software - Declining-balance at 55%

Meters - Declining-balance at 10%

Transmission and distribution systems - Declining-balance at 4%

Amortization is taken at 50% of the above rate in the year of acquisition.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit adjusted risk free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long lived asset that is amortized over the remaining life of the asset.

Asset Management Plan

CPUC does not have an asset management plan however staff are very aware of the condition, age and maintenance requirement of their assets.

A record is being kept of maintenance activity on all major assets as follows:

Distribution system assets - Annual Infra Red Scanning, monthly patrols of distribution system to identify immediate problems or plan for future maintenance work and recording of all outages by location to track distribution system problem areas.

Transformers and substation - monthly visual inspections, temperature and pressure readings taken, oil samples taken for testing, oil replacement or top-up, regulators checked for tap changes and oil levels, performance readings and monitoring.

Prioritization of capital projects is currently based entirely on the results of the above, the age, condition and performance (outages) of the asset.

CPUC Board of Directors and management is very aware of the importance of an asset management plan and has engaged Burman Energy Consultants Group Inc. who will develop the following, starting in 2012:

Asset Management Plan - cost expenditure in 2012 \$20,000

Asset Condition Assessment and Data Gathering - cost expenditure \$10,000 per year for 2012, 2013, 2014 and 2015 (total \$40,000)

Perform Investigation for automated Asset Management function \$20,000 in 2013.

Procurement of Solution and staff training - Computer hardware and software \$50,000 in 2014.

It is expected that this study will result in determining the condition of all assets and will help management develop a program prioritizing the replacement and/or maintenance requirement of transformers, substation, conductors, poles etc.

With the additional revenue requirement being requested in 2012 and beyond, Board and management expects capital expenditures to exceed \$200,000 over the next 4 years. Current capital expenditures average is \$15,882 based over the last 7 years 2006 to 2011.

Three year forecast of capital expenditures 2013 to 2015 as follows, may change based on the implementation of the asset management plan:

Forecast of Capital Expenditures - 2013

| | |
|---|--------------------|
| Project # 1 - Pole # 145 Lansdowne St. South Priority - Low Replace 45 ft., class 3 pole and 50kV transformer | \$ 3,471.00 |
| Project # 2 - Pole # 118 Birch St. East Priority - Low Replace 40 ft., class 3 pole and 50 kV transformer | \$3,413.00 |
| Project # 3 - Pole # 661 Martel Road Priority - Low Replace 40 ft., class 4 pole | \$ 726.00 |
| Project # 4 - Pole # 643 Martel Road Priority - Low Replace 40 ft., class 3 pole and 25 kV transformer | \$2,678.00 |
| Project # 5 - Pole # 462 Trailer Park - second pole in. Priority - Low Replace 35 ft., class 3 pole | \$989.00 |
| Project # 6 - Pole # 103 Aberdeen Street South Priority - Low Replace Cross Arm 6' 4" | \$ 554.00 |
| Project # 7 - Mill Road Priority - Low Replace Cross Arms and Insulators | \$40,000.00 |
| Total 2013 Estimated Expenditures | \$51,831.00 |

Forecast of Capital Expenditures - 2014

| | |
|--|--------------------|
| Project # 1 - Location – Aberdeen Lane South Priority - Low Replace 4 Poles & relocate 1 transformer with another tx 2 – 40 ‘ Class 3 Poles 2 - 40 ‘ Class 4 Poles | \$5,314.00 |
| Project # 2 - Location – Corner of Pine & Young St. Priority - Low Install new pole top extension | \$240.00 |
| Project # 3 Location – Pole # 603 Planer Road Priority - Low Replace Pole – 40’ Class 4 | \$846.00 |
| Project # 4 - Location – Pole # 635 Martel Road Priority - Low Replace Pole – 40’ Class 4 | \$851.00 |
| Project # 5 - Location – Pole # 631 – Martel Road Priority - Low Replace 40’ Class 4 Pole and switches (2-100 amp cutouts) | \$1,326.00 |
| Project - Location – Pole # 464 – Trailer Park Priority - Low Replace Corner Pole – 40’ Class 4 Pole | \$1,326.00 |
| Project - Location – Substation Road Priority - Low Replace Pole & relocate transformer – 40’ Class 4 pole | \$966.00 |
| Project - Asset Management implementation Priority - Low Purchase hardware and software (includes training) | \$50,000.00 |
| Total 2014 Estimated Expenditures | \$60,869.00 |

Forecast of Capital Expenditures - 2015

| | |
|---|--------------------|
| Project #1 - Location – Pole # 222 – Behind Home Hardware | |
| Priority - Low | |
| Replace 45' Class 3 Pole & 3 - 50 kVA transformers | |
| 45 ' Class 3 Poles | |
| 3 - 50 kVA transformers | \$9,720.00 |
| Location – Pole # 581 – Martel Rd. | |
| Priority - Low | |
| Change 40' Class 3 Pole & 50 kV Transformer | |
| 40' Class 3 Pole | |
| 50 kV Transformer | \$3,868.00 |
| Location – Pole #169 – Lorne St. S. | |
| Priority - Low | |
| Change 40' Class 3 Pole and move Transformer | |
| 40' Class 3 Pole | \$1,091.00 |
| Location – Mill Road | |
| Priority - Low | |
| Replace Cross Arms & Insulators | \$35,000.00 |
| Total 2015 Estimated Expenditures | \$49,679.00 |

Harmonized Sales Tax ("HST")

Chapleau PUC, in preparing its last 2 years budgets (Bridge and Test Years) has ensured that capital and OM&A costs contained in the COS application exclude all impacts of PST previously embedded in costs for the historical years submitted in evidence.

Year over year cost comparisons include a discussion of PST embedded in historical years costs.

Green Energy Act Plan Capital Expenditures

Chapleau PUC's "Basic Green Energy Plan" prepared in September 2011 by the Burman Energy Consultants Group Inc. for the period 2012 to 2016 and the Letter of Comment to Chapleau PUC's Basic GEA Plan from the Ontario Power Authority.

CPUC has been informed that no applications for renewable generators have been received by the OPA through the FIT program within the CPUC service area. Further, CPUC has not received any requests for microFIT connection or consultation. Consequently, there has been no requirement for any development of the system to accommodate the connection of renewable generation. The OPA has advised there are no regional planning issues that would impact Chapleau PUC in the near future.

Chapleau PUC is seeking a prudence review and approval of the Basic GEA plan for the years 2012 to 2015. Chapleau PUC is proposing to recover the cost for the Basic GEA plan through a deferral variance account.

3. SERVICE QUALITY AND RELIABILITY PERFORMANCE

Please note that Chapleau PUC has 1,308 metered customers with approximately 2,300 residents in the Town of Chapleau and that approximately 37% of the utility's supply of electricity is embedded to Hydro One Networks Inc.

Reliability Indices

The following are the Reliability Indices as previously supplied to the Ontario Energy Board.

| Last 3 years Service Reliability Indices - Including Supply | | | | | |
|--|--------|--|------|--|------|
| | 2010 | | 2009 | | 2008 |
| SAIDI | 101.68 | | 8.22 | | 3.89 |
| SAIFI | 3.25 | | 2.16 | | 1.05 |
| CAIDI | 31.26 | | 3.8 | | 3.71 |
| | | | | | |
| | | | | | |
| Last 3 yrs Loss of Supply Adjusted Service Reliability Indices | | | | | |
| | 2010 | | 2009 | | 2008 |
| SAIDI | 1.98 | | 4.1 | | 3.89 |
| SAIFI | 0.92 | | 1.27 | | 1.05 |
| CAIDI | 2.15 | | 3.22 | | 3.71 |
| | | | | | |

Chapleau experienced a forest fire on May 27 that brought down a 115 kV line (supply) that affected the entire Town and lasted for 4 days (94.0 hours).

During 2010 the utility experienced 8 (out of 28) outages or 28.6%, due to equipment failure and is, in the future, planning to change all open secondary to aluminum and to change porcelain insulators to polymer.

Over the next 4 Years Chapleau PUC intends spending over \$200,000 in capital expenditures which will include approximately \$75,000 to replace cross arms and insulators, approximately \$28,000 to replace distribution transformers and approximately \$20,000 to improve the utility's transformer stations. The expenditures will also improve the utility's reliability and safety.

Service Quality Requirements

Chapleau PUC's performance for Service Quality far exceeds OEB minimum requirements as specified in the revised Distribution System Code.

The following are the Service Quality Requirements as previously supplied to the Ontario Energy Board.

| Service Quality Requirements | | | | | | |
|---|--|--|--|-------|-----------|---------|
| | | 2010 | | 2009 | | 2008 |
| | | Connections of New Services - Low Voltage | | | | |
| OEB Approved Standard: at least 90% on a yearly basis | | | | | | |
| Annual # of new LV services connected within 5 days | | 10 | | 11 | | 21 |
| Annual # of LV services requested | | 10 | | 11 | | 21 |
| Annual % new LV services connected within 5 days | | 100 | | 100 | | 100 |
| | | | | | | |
| | | Connections of New Services - High Voltage | | | | |
| OEB Approved Standard: at least 90% on a yearly basis | | | | | | |
| Annual # of new HV services connected within 10 days | | 0 | | 0 | | 0 |
| Annual # of HV services requested | | 0 | | 0 | | 0 |
| Annual % new HV services connected within 10 days | | 0 | | 0 | | 0 |
| | | | | | | |
| | | Appointment Scheduling | | | U/G Cable | |
| OEB Approved Standard: at least 90% on a yearly basis | | | | | | Locates |
| Annual # of appointments scheduled/completed as required | | 11 | | 7 | | 13 |
| Annual # of appointment requests received | | 11 | | 7 | | 13 |
| Annual % appointments scheduled/completed as required | | 100 | | 100 | | 100 |
| | | | | | | |
| OEB Approved Standard: at least 90% on a yearly ba | | Appointments Met | | | | |
| Annual # of appointments completed as required | | 11 | | 7 | | 6 |
| Annual # of appointments scheduled with customer/represen | | 11 | | 7 | | 6 |
| Annual % appointments met | | 100 | | 100 | | 100 |
| | | | | | | |
| OEB Approved Standard: at least 100% on a yearly b | | Rescheduling a missed appointment | | | | |
| Annual # of appointments rescheduled as required | | 0 | | 0 | | |
| Annual # of missed/about to be missed appointments | | 0 | | 0 | | |
| Annual % appointments rescheduled | | 0 | | 0 | | |
| | | | | | | |
| OEB Approved Standard: at least 65% on a yearly ba | | Telephone Accessibility | | | | |
| Annual # of qualified incoming calls answered within 30 secon | | 1,007 | | 1,087 | | 1,184 |
| Annual # qualified incoming calls | | 1,007 | | 1,087 | | 1,184 |
| Annual % qualified incoming calls answered within 30 seconds | | 100 | | 100 | | 100 |
| | | | | | | |
| OEB Approved Standard: at least 10% on a yearly ba | | Telephone Call Abandon Rate | | | | |
| Annual # of qualified incoming calls abandoned after 30 sec's | | 0 | | 0 | | |
| Annual # of qualified incoming calls | | 0 | | 0 | | |
| Annual % qualified incoming calls abandoned after 30 sec's | | 0 | | 0 | | |

| Service Quality Requirements (continued) | | | | | |
|--|---------------------------------------|--|------|--|------|
| | 2010 | | 2009 | | 2008 |
| OEB Approved Standard: at least 80% on a yearly basis | Written responses to Enquiries | | | | |
| Annual # of written responses provided within 10 days | 10 | | 9 | | 34 |
| Annual # of qualified enquiries received | 10 | | 9 | | 34 |
| Annual% written responses provided within 10 days | 100 | | 100 | | 100 |
| | | | | | |
| | Emergency Response Urban | | | | |
| OEB Approved Standard: at least 80% on a yearly basis | | | | | |
| Annual # of urban emergency calls responded within 60 min. | 1 | | 0 | | 0 |
| Annual # of urban emergency calls | 1 | | 0 | | 0 |
| Annual % urban emergency calls responded within 60 min. | 100 | | 0 | | 0 |
| | | | | | |
| | Emergency Response Rural | | | | |
| OEB Approved Standard: at least 80% on a yearly basis | | | | | |
| Annual # of rural emergency calls responded within 120 min. | 0 | | 0 | | 0 |
| Annual # of rural emergency calls | 0 | | 0 | | 0 |
| Annual % rural emergency calls responded within 120 min. | 0 | | 0 | | 0 |

EXHIBIT 3 - OPERATING REVENUE

1. LOAD AND REVENUE FORECASTS

Overview

Chapleau Public Utilities Corporation is a rural Northern Ontario electrical distribution company operating within the Township of Chapleau. Its main industry is forestry and the Canadian Pacific Railway. Several plant closures prior to 2006 in the forestry industry caused a population reduction of 16.9% resulting in 17.1% reduction in CPUC's customer consumption. The economy has not improved however economic levels have been maintained through 2006 and 2011.

There are no new housing or commercial / industrial developments in the Township of Chapleau currently or in the foreseeable future. Customer base and current economic conditions dictate that the Utility's market has and will remain constant in the foreseeable future.

Load Forecast

Chapleau PUC's Load Forecast was developed using actual historical data from 2006 to 2010; a forecast for 2011 Bridge Year was developed using actual data to August 2011 and forecast from September to December (average monthly consumptions 2008 to 2010). For Revenue and Load Forecast for 2012 Test Year the average of actual historical data from 2006 to 2010 was used.

Forecast Number of Customers:

The forecast number of customers in 2011 Bridge Year and 2012 Test Year for Residential and General Service <50 kW customers was developed as follows:

| Rate Class | Opening 2011 | Current Actual | Net Additions | Closing 2011 | Average 2011 |
|---------------------------|-----------------|-------------------|------------------|-----------------|-----------------|
| Residential | 1,132 | 1,131 | 2 | 1,133 | 1,133 |
| General Service <50 kW | 160 | 160 | 1 | 161 | 161 |
| General Service > 50 kW | 14 | 14 | 0 | 14 | 14 |
| Un-metered Scattered Load | 6 | 6 | 0 | 6 | 6 |
| Sentinel Lights | 23 | 23 | 0 | 23 | 23 |
| Street Lights | 341 | 341 | 0 | 341 | 341 |
| Total Customers | 1,676 | 1,675 | 2 | 1,678 | 1,678 |

In the 2012 Test Year no changes will occur between opening and closing balances and therefore customer numbers will remain the same as 2011 Bridge Year.

The following shows the historical average number of customers and connections for 2006 to 2010 actual, the 2008 Historical Board Approved (LRY), 2011 Bridge and 2012 Test Years.

| Average Number of Customers/Connections | | | | | | | | | |
|---|----------------|----------------|-----------------------------|----------------|----------------|----------------|---------------------------------|-------------------------|-----------------------|
| Customer Classes | 2006 Actual | 2007 Actual | LRY 2008 Brd Approved | 2008 Actual | 2009 Actual | 2010 Actual | Average Actuals 2006-2010 | *2011 Bridge Year | *2012 Test Year |
| Residential Customers | 1,136 | 1,159 | 1164 | 1,148 | 1,144 | 1,132 | 1,144 | 1,133 | 1,133 |
| Gen Service <50 kW Customer | 159 | 159 | 166 | 167 | 162 | 160 | 161 | 161 | 161 |
| Gen Service >50 kW Customer | 15 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Unmetered Scattered Load | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sentinel Lighting | 24 | 26 | 24 | 25 | 23 | 23 | 24 | 23 | 23 |
| Street Lighting | 341 | 341 | 341 | 341 | 341 | 341 | 341 | 341 | 341 |
| TOTAL Customers/Connection | 1,681 | 1,705 | 1,715 | 1,701 | 1,690 | 1,676 | 1,691 | 1678 | 1,678 |
| *2011 is current actuals + 2 res. and 1 <50kW customers | | | | | | | | | |
| *2012 is the same as 2011 - no change expected | | | | | | | | | |

Variance Analysis - Number of Customers.

| Rate Class | 2008 Board Approved vs 2008 Actual | 2007 actual vs 2008 actual | 2008 Actual vs 2009 Actual | 2009 actual vs 2010 actual | 2010 actual vs 2011 Bridge Year | 2011 Bridge Year vs 2012 Test Year |
|---------------------------|--|----------------------------------|-------------------------------------|----------------------------------|---------------------------------------|---|
| Residential | (16) | (11) | (4) | (12) | 1 | 0 |
| General Service <50 kW | 1 | 8 | (5) | (2) | 0 | 0 |
| General Service > 50 kW | 0 | 0 | 0 | 0 | 0 | 0 |
| Un-metered Scattered Load | 0 | 0 | 0 | 0 | 0 | 0 |
| Sentinel Lights | 1 | (1) | (2) | 0 | 0 | 0 |
| Street Lights | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Customer Variance | (14) | (4) | (11) | (14) | 1 | 0 |
| Total Customer Change % | (.008%) | (.002%) | (.006%) | (.008%) | 0% | 0% |

Residential Customers:

Customer variances for residential customers of the 2008 Board Approved versus 2008 Actual of (16) is due to higher actual customer numbers used from historical years 2001 to 2006 in order to develop 2008 Board Approved.
A small decline in customers was experienced between 2008 and 2010.

General Service - <50 kW Customers:

There was a 5.0% increase in the General Service <50 kW class in 2008 over 2007, however this gain was lost in the following 2 years 2009 and 2010.

There were no significant variance in the number of customers for all other customer classes.

Overall the total customer variances were not significant, being less than 1% per year.

Forecast kWh and kW consumptions:

Chapleau PUC's Load Forecast was developed using actual historical data from 2006 to 2010; a forecast for 2011 Bridge Year was developed using actual data to August 2011 and forecast from September to December (average monthly consumptions 2008 to 2010). For Revenue and Load Forecast for 2012 Test Year the average of actual historical data from 2006 to 2010 was used.

Year-over-year changes are miniscule; the Utility's market remains constant. Chapleau's customer mix is unique in that it remains virtually static; there is little change in community make-up socially or structurally. Energy consumption remains virtually static year-over-year and weather normalization forecast modelling is therefore unnecessary.

The following shows the historical kWh and kW (sales) consumptions for 2006 to 2010 actual, the 2008 Historical Board Approved (LRY), 2011 Bridge and 2012 Test Years.

Actual kWh Consumptions 2006 to 2010, Bridge Year and Test Year

| Customer Classes | 2006 Actual | 2007 Actual | LRY 2008 Brd Approved | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Bridge Year | 2012 Test Year |
|------------------------------------|-------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|------------------------|----------------------|
| Residential Customers | 14,654,854 | 15,018,918 | 14,611,894 | 15,056,281 | 15,271,942 | 13,585,926 | 14,430,938 | 14,574,912 |
| Gen Service <50 kW Customer | 5,541,976 | 5,438,894 | 5,477,013 | 5,268,961 | 5,199,427 | 4,875,282 | 5,099,927 | 5,255,040 |
| Gen Service >50 kW Customer | 7,907,099 | 7,740,511 | 7,786,008 | 7,928,332 | 7,871,532 | 7,374,502 | 7,367,030 | 7,658,952 |
| Scattered Unmetered Load | 7,248 | 7,286 | 6,991 | 7301 | 7,212 | 7,391 | 7,243 | 7,272 |
| Sentinel Lighting | 23,346 | 24,801 | 23,871 | 25,159 | 27,861 | 28,521 | 26,021 | 25,944 |
| Street Lighting | 240,967 | 294,664 | 295,064 | 295,998 | 296,713 | 296,344 | 293,647 | 294,624 |
| TOTAL Customers/Connections | 28,375,490 | 28,525,074 | 28,200,841 | 28,582,032 | 28,674,687 | 26,167,966 | 27,224,806 | 27,816,744 |

Actual kW Consumptions 2006 to 2010, Bridge Year and Test Year

| Customer Classes | 2006 Actual | 2007 Actual | LRY 2008 Brd Approved | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Bridge Year | 2012 Test Year |
|--|----------------|----------------|-----------------------------|----------------|----------------|----------------|------------------------|----------------------|
| Residential Customers | | | | | | | | |
| Gen Service <50 kW Customers | | | | | | | | |
| Gen Service >50 kW Customers | 21,243 | 19,178 | 21,169 | 20,115 | 19,966 | 18,567 | 19,462 | 19,530 |
| Scattered Unmetered Load | | | | | | | | |
| Sentinel Lighting | 64 | 67 | 66 | 69 | 65 | 66 | 66 | 66 |
| Street Lighting | 780 | 780 | 780 | 780 | 780 | 780 | 780 | 780 |
| TOTAL Customers/Connections | 22,087 | 20,025 | 22,015 | 20,964 | 20,811 | 19,413 | 20,308 | 20,376 |

The following shows the historical average kWh and kW consumptions per customer for 2006 to 2010 actual, the 2008 Historical Board Approved (LRY), 2011 Bridge and 2012 Test Years.

| | Average Monthly kWh Consumptions per customer/connection | | | | | | | | |
|--|--|----------------|-------------------------------|----------------|----------------|----------------|---------------------------------|-------------------------|-----------------------|
| Customer Classes | 2006 Actual | 2007 Actual | LRY 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Average Actuals 2006-2010 | *2011 Bridge Year | *2012 Test Year |
| Residential Customers | 1,075 | 1,080 | 1,046 | 1,093 | 1,112 | 1,000 | 1,072 | 1,061 | 1,072 |
| Gen Service <50 kW Customers | 2,905 | 2,851 | 2,750 | 2,629 | 2,675 | 2,539 | 2,720 | 2,643 | 2,720 |
| Gen Service >50 kW Customers | 43,928 | 46,074 | 46,345 | 47,192 | 46,854 | 43,896 | 45,589 | 43,851 | 45,589 |
| Unmetered Scattered Load | 101 | 101 | 97 | 101 | 100 | 103 | 101 | 101 | 101 |
| Sentinel Lighting | 81 | 79 | 83 | 84 | 101 | 103 | 90 | 94 | 94 |
| Street Lighting | 59 | 72 | 72 | 72 | 73 | 72 | 70 | 72 | 72 |
| Average Monthly kWh Consumption | 1,407 | 1,394 | 1,370 | 1,400 | 1,414 | 1,301 | 1,383 | 1,352 | 1,383 |

*2011 is actual to August and Budget for Sept to Dec. 2011 (Budget is average for last 3 years 2008 to 2010)

*2012 is the average of last 5 years 2006 to 2010

| | Average Monthly kW Consumptions per customer or connection | | | | | | | | |
|---------------------------------|--|----------------|-------------------------------|----------------|----------------|----------------|---------------------------------|-------------------------|-----------------------|
| Customer Classes | 2006 Actual | 2007 Actual | LRV 2008 Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Average Actuals 2006-2010 | *2011 Bridge Year | *2012 Test Year |
| Residential Customers | | | | | | | - | | |
| Gen Service <50 kW Customers | | | | | | | - | | |
| Gen Service >50 kW Customers | 118.02 | 114.15 | 126.01 | 119.73 | 118.85 | 110.52 | 116.25 | 115.85 | 116.25 |
| Unmetered Scattered Load | | | | | | | - | | |
| Sentinel Lighting | 0.22 | 0.21 | 0.23 | 0.23 | 0.24 | 0.24 | 0.23 | 0.24 | 0.23 |
| Street Lighting | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 |
| Average Monthly kW Consumptions | 4.84 | 4.38 | 4.84 | 4.60 | 4.59 | 4.28 | 4.54 | 4.48 | 4.54 |

Variance Analysis - kWh and kW 2008 Board Approved vs 2008 Actual:

| Customer Classes | | | | | Variance 2008 actual/ 2008 Board approved | | | |
|------------------------------|---------------------|--------|-------------|--------|--|--------|---------|--------|
| | 2008 Board Approved | | 2008 Actual | | | | | |
| | kWh | kW | kWh | kW | kWh | % | kW | % |
| Residential Customers | 14,611,894 | | 15,056,281 | | 444,387 | 3.04% | | |
| Gen Service <50 kW Customers | 5,477,013 | | 5,268,961 | | -208,052 | -3.80% | | |
| Gen Service >50 kW Customers | 7,786,008 | 21,169 | 7,928,332 | 20,115 | 142,324 | 1.83% | -1,054 | -4.98% |
| Scattered Unmetered Load | 6,991 | | 7301 | | 310 | 4.43% | | |
| Sentinel Lighting | 23,871 | 66 | 25,159 | 69 | 1,288 | 5.40% | 3 | 4.55% |
| Street Lighting | 295,064 | 780 | 295,998 | 780 | 934 | 0.32% | - | 0.00% |
| | | | | | | | - | |
| TOTAL kWh - kW | 28,200,841 | 22,015 | 28,582,032 | 20,964 | 381,191 | 1.35% | (1,051) | -4.77% |

Residential customer consumptions were generated using low kWh consumption per customer to develop the 2008 Board Approved levels therefore the increase in consumption of 3.04%.

General Service <50 kWh consumptions generated for the 2008 Board Approved year is due to higher actual consumptions used from historical years 2001 to 2006 in order to develop 2008 Board Approved. Therefore lower consumption of 3.8%.

General Service >50 kW consumptions for kW, were generated for the 2008 Board Approved year is due to higher actual consumptions used from historical years 2001 to 2006 in order to develop 2008 Board Approved. Therefore lower kW consumption of 4.98%%.

There were no significant variances in kWh and kW consumptions for all other customer classes.

Variance Analysis - kWh and kW 2007 Actual vs 2008 Actual:

| | Variance Analysis - kWh and kW consumptions | | | | | | | | | |
|------------------------------|---|--------|-------------|--------|-------------|--------|--------------------|--------|-----|-------|
| | 2006 Actual | | 2007 Actual | | 2008 Actual | | Variance 2008/2007 | | | |
| Customer Classes | kWh | kW | kWh | kW | kWh | kW | kWh | % | kW | % |
| | | | | | | | | | | |
| Residential Customers | 14,654,854 | | 15,018,918 | | 15,056,281 | | 37,363 | 0.25% | | |
| Gen Service <50 kW Customers | 5,541,976 | | 5,438,894 | | 5,268,961 | | -169,933 | -3.12% | | |
| Gen Service >50 kW Customers | 7,907,099 | 21,243 | 7,740,511 | 19,178 | 7,928,332 | 20,115 | 187,821 | 2.43% | 937 | 4.89% |
| Scattered Unmetered Load | 7,248 | | 7,286 | | 7301 | | 15 | 0.21% | | |
| Sentinel Lighting | 23,346 | 64 | 24,801 | 67 | 25,159 | 69 | 358 | 1.44% | 2 | 2.99% |
| Street Lighting | 240,967 | 780 | 294,664 | 780 | 295,998 | 780 | 1,334 | 0.45% | 0 | 0.00% |
| | | | | | | | | | | |
| TOTAL kWh - kW | 28,375,490 | 22,087 | 28,525,074 | 20,025 | 28,582,032 | 20,964 | 56,958 | 0.20% | 939 | 4.69% |

There were no significant explainable variances in kWh and kW consumptions for all customer classes.

Variance Analysis - kWh and kW 2008 Actual and 2009 Actual:

| | | | | | Variance 2009 actual/ 2008 Actual | | | |
|-----------------------------|-------------|--------|-------------|--------|--------------------------------------|--------|-------|--------|
| Customer Classes | 2008 Actual | | 2009 Actual | | 2008 Actual | | | |
| | kWh | kW | kWh | kW | kWh | % | kW | % |
| | | | | | | | | |
| Residential Customers | 15,056,281 | | 15,271,942 | | 215,661 | 1.43% | | |
| Gen Service <50 kW Customer | 5,268,961 | | 5,199,427 | | -69,534 | -1.32% | | |
| Gen Service >50 kW Customer | 7,928,332 | 20,115 | 7,871,532 | 19,966 | -56,800 | -0.72% | -149 | -0.74% |
| Scattered Unmetered Load | 7301 | | 7,212 | | -89 | -1.22% | | |
| Sentinel Lighting | 25,159 | 69 | 27,861 | 65 | 2,702 | 10.74% | (4) | -5.80% |
| Street Lighting | 295,998 | 780 | 296,713 | 780.00 | 715 | 0.24% | - | 0.00% |
| | | | | | | | | |
| TOTAL kWh - kW | 28,582,032 | 20,964 | 28,674,687 | 20,811 | 92,655 | 0.32% | (153) | -0.73% |

There were no significant variances in kWh and kW consumptions for all customer classes.

Variance Analysis - kWh and kW 2009 Actual vs 2010 Actual:

| Customer Classes | | | | | Variance 2010 actual/ 2009 Actual | | | |
|--|-------------|--------|-------------|--------|--------------------------------------|---------|---------|--------|
| | 2009 Actual | | 2010 Actual | | | | | |
| | kWh | kW | kWh | kW | kWh | % | kW | % |
| Residential Customers | 15,271,942 | | 13,585,926 | | -1,686,016 | -11.04% | | |
| Gen Service <50 kW Customers | 5,199,427 | | 4,875,282 | | -324,145 | -6.23% | | |
| Gen Service >50 kW Customers | 7,871,532 | 19,966 | 7,374,502 | 18,567 | -497,030 | -6.31% | -1,399 | -7.01% |
| Scattered Unmetered Load | 7,212 | | 7,391 | | 179 | 2.48% | | |
| Sentinel Lighting | 27,861 | 65 | 28,521 | 66 | 660 | 2.37% | 1 | 1.54% |
| Street Lighting | 296,713 | 780 | 296,344 | 780 | -369 | -0.12% | - | 0.00% |
| TOTAL kWh - kW | 28,674,687 | 20,811 | 26,167,966 | 19,413 | -2,506,721 | -8.74% | (1,398) | -6.72% |

Residential customer consumptions were lower due to the loss of 12 customers and a minimal change in monthly consumption levels.

Small monthly consumption losses occurred during the year for both **General Service classes <50 kW and >50kW**.

There were no significant variances in kWh and kW consumptions for all other customer classes.

Variance Analysis - kWh and kW 2010 Actual vs 2011 Bridge Year

| Customer Classes | | | | | 2011 Bridge Year/ 2010 Actual | | | |
|--|-------------|--------|------------------|--------|----------------------------------|--------|-----|-------|
| | 2010 Actual | | 2011 Bridge Year | | | | | |
| | kWh | kW | kWh | kW | kWh | % | kW | % |
| Residential Customers | 13,585,926 | | 14,430,938 | | 845,012 | 6.22% | | |
| Gen Service <50 kW Customers | 4,875,282 | | 5,099,927 | | 224,645 | 4.61% | | |
| Gen Service >50 kW Customers | 7,374,502 | 18,567 | 7,367,030 | 19,462 | -7,472 | -0.10% | 895 | 4.82% |
| Unmetered Scattered Load | 7,391 | | 7,243 | | -148 | -2.00% | | |
| Sentinel Lighting | 28,521 | 66 | 26,021 | 66 | -2,500 | -8.77% | - | 0.00% |
| Street Lighting | 296,344 | 780 | 293,647 | 780 | -2,697 | -0.91% | - | 0.00% |
| TOTAL kWh - kW | 26,167,966 | 19,413 | 27,224,806 | 20,308 | 1,056,840 | 4.04% | 895 | 4.61% |

There were no explainable variances in kWh and kW consumptions for all customer classes.

Variance Analysis - kWh and kW 2011 Bridge Year vs 2012 Test Year

| Customer Classes | | | | | 2012 Test Year/ 2011 Bridge Year | | | |
|--|------------------|--------|----------------|--------|-------------------------------------|--------|----|-------|
| | 2011 Bridge Year | | 2012 Test Year | | 2011 Bridge Year | | | |
| | kWh | kW | kWh | kW | kWh | % | kW | % |
| Residential Customers | 14,430,938 | | 14,574,912 | | 143,974 | 1.00% | | |
| Gen Service <50 kW Customers | 5,099,927 | | 5,255,040 | | 155,113 | 3.04% | | |
| Gen Service >50 kW Customers | 7,367,030 | 19,462 | 7,658,952 | 19,530 | 291,922 | 3.96% | 68 | 0.35% |
| Unmetered Scattered Load | 7,243 | | 7,272 | | 29 | 0.40% | | |
| Sentinel Lighting | 26,021 | 66 | 25,944 | 66 | -77 | -0.30% | - | 0.00% |
| Street Lighting | 293,647 | 780 | 294,624 | 780 | 977 | 0.33% | - | 0.00% |
| | | | | | | | | |
| TOTAL kWh - kW | 27,224,806 | 20,308 | 27,816,744 | 20,376 | 591,938 | 2.17% | 68 | 0.33% |

There were no explainable variances in kWh and kW consumptions for all customer classes.

Average Customers and Average Consumption per Customer per Month

| | Average Number of Customers/Connections | | | | | | | | |
|------------------------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| | | | LRY | | | | Average | *2011 | *2012 |
| Customer Classes | 2006 | 2007 | 2008 Brd | 2008 | 2009 | 2010 | Actuals | Bridge | Test |
| | Actual | Actual | Approved | Actual | Actual | Actual | 2006-2010 | Year | Year |
| Residential Customers | 1,136 | 1,159 | 1164 | 1,148 | 1,144 | 1,132 | 1,144 | 1,133 | 1,133 |
| Gen Service <50 kW Customers | 159 | 159 | 166 | 167 | 162 | 160 | 161 | 161 | 161 |
| Gen Service >50 kW Customers | 15 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Unmetered Scattered Load | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sentinel Lighting | 24 | 26 | 24 | 25 | 23 | 23 | 24 | 23 | 23 |
| Street Lighting | 341 | 341 | 341 | 341 | 341 | 341 | 341 | 341 | 341 |
| | | | | | | | | | |
| TOTAL Customers/Connections | 1,681 | 1,705 | 1,715 | 1,701 | 1,690 | 1,676 | 1,691 | 1678 | 1,678 |

Average kWh Consumption per Customer/connection per Month

| | Average Monthly kWh Consumptions per customer or connection | | | | | | | | |
|-----------------------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | LRY 2008 | | | | Average | *2011 | *2012 |
| Customer Classes | 2006 | 2007 | Board | 2008 | 2009 | 2010 | Actuals | Bridge | Test |
| | Actual | Actual | Approved | Actual | Actual | Actual | 2006-2010 | Year | Year |
| Residential Customers | 1,075 | 1,080 | 1,046 | 1,093 | 1,112 | 1,000 | 1,072 | 1,061 | 1,072 |
| Gen Service <50 kW Customers | 2,905 | 2,851 | 2,750 | 2,629 | 2,675 | 2,539 | 2,720 | 2,643 | 2,720 |
| Gen Service >50 kW Customers | 43,928 | 46,074 | 46,345 | 47,192 | 46,854 | 43,896 | 45,589 | 43,851 | 45,589 |
| Unmetered Scattered Load | 101 | 101 | 97 | 101 | 100 | 103 | 101 | 101 | 101 |
| Sentinel Lighting | 81 | 79 | 83 | 84 | 101 | 103 | 90 | 94 | 94 |
| Street Lighting | 59 | 72 | 72 | 72 | 73 | 72 | 70 | 72 | 72 |
| | | | | | | | | | |
| Average Monthly kWh Consum | 1,407 | 1,394 | 1,370 | 1,400 | 1,414 | 1,301 | 1,383 | 1,352 | 1,383 |

Average kW Consumption per Customer/connection per Month

| | Average Monthly kW Consumptions per customer or connection | | | | | | | | |
|------------------------------|--|--------|----------------|-------------|-------------|-------------|-------------------|-------------|-----------|
| | 2006 | 2007 | LRV 2008 | | | | Average | *2011 | *2012 |
| Customer Classes | Actual | Actual | Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | Actuals 2006-2010 | Bridge Year | Test Year |
| Residential Customers | | | | | | | - | | |
| Gen Service <50 kW Customers | | | | | | | - | | |
| Gen Service >50 kW Customers | 118.02 | 114.15 | 126.01 | 119.73 | 118.85 | 110.52 | 116.25 | 115.85 | 116.25 |
| Unmetered Scattered Load | | | | | | | - | | |
| Sentinel Lighting | 0.22 | 0.21 | 0.23 | 0.23 | 0.24 | 0.24 | 0.23 | 0.24 | 0.23 |
| Street Lighting | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 |
| | | | | | | | | | |
| Average Monthly kW Consumpt | 4.84 | 4.38 | 4.84 | 4.60 | 4.59 | 4.28 | 4.54 | 4.48 | 4.54 |

Cost of Power

Load forecast for 2011 Bridge Year and 2012 Test Year was developed using the monthly average consumptions per customer or connection for both kWh and kW multiplied by the number of customers or connections.

To determine the Utility's Cost of Power for 2011 Bridge Year, the current loss factor of 1.0654% was used. To determine cost of power for 2012 test year, the Utility's new loss factor was used of 1.0671%, and is discussed later in this submission.

The following tables illustrate the Utility's purchases of kWh from the IESO and Hydro One (embedded) 2011 Bridge Year and 2012 Test Year:

Load Forecast 2011 Bridge Year

| Customer Classes | 2011 Bridge Year | | Loss Factor | Load Forecast 2011 kWh |
|------------------------------------|-------------------|---------------|---------------|------------------------|
| | kWh | kW | | |
| Residential Customers | 14,430,938 | | 1.0654 | 15,374,721 |
| Gen Service <50 kW Customers | 5,099,927 | | 1.0654 | 5,433,462 |
| Gen Service >50 kW Customers | 7,367,030 | 19,462 | 1.0654 | 7,848,834 |
| Unmetered Scattered Load | 7,243 | | 1.0654 | 7,717 |
| Sentinel Lighting | 26,021 | 66 | 1.0654 | 27,723 |
| Street Lighting | 293,647 | 780 | 1.0654 | 312,852 |
| TOTAL Customers/Connections | 27,224,806 | 20,308 | 1.0654 | 29,005,308 |

Load Forecast 2012 Test Year

| Customer Classes | 2012 Test Year | | Loss Factor | Load Forecast 2012 kWh |
|------------------------------------|-------------------|---------------|----------------|------------------------|
| | kWh | kW | | |
| Residential Customers | 14,574,912 | | 1.0671 | 15,552,889 |
| Gen Service <50 kW Customers | 5,255,040 | | 1.0671 | 5,607,653 |
| Gen Service >50 kW Customers | 7,658,952 | 19,530 | 1.0671 | 8,172,868 |
| Unmetered Scattered Load | 7,272 | | 1.0671 | 7,760 |
| Sentinel Lighting | 25,944 | 66 | 1.0671 | 27,685 |
| Street Lighting | 294,624 | 780 | 1.0671 | 314,393 |
| TOTAL Customers/Connections | 27,816,744 | 20,376 | 1.06710 | 29,683,248 |

Revenues

Revenue forecast was developed using the Ontario Energy Board's "2012 Revenue Requirement Work Form" sheet 8 "Revenue Deficiency Sufficiency" and is duplicated as follows:

Schedule of Revenue Sufficiency/Deficiency

| Line No. | Particulars | Initial Application | |
|----------|--|---------------------------|-------------------|
| | | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$200,442 |
| 2 | Distribution Revenue | \$622,588 | \$622,588 |
| 3 | Other Operating Revenue Offsets - net | \$41,735 | \$41,735 |
| 4 | Total Revenue | \$664,323 | \$864,765 |
| 5 | Operating Expenses | \$743,066 | \$743,066 |
| 6 | Deemed Interest Expense | \$54,591 | \$54,591 |
| | Total Cost and Expenses | \$797,657 | \$797,657 |
| 7 | Utility Income Before Income Taxes | (\$133,334) | \$67,108 |
| 8 | Tax Adjustments to Accounting Income per 2009 PILs | \$29,990 | \$29,990 |
| 9 | Taxable Income | (\$103,344) | \$97,098 |
| 10 | Income Tax Rate | 15.50% | 15.50% |
| 11 | Income Tax on Taxable Income | (\$16,018) | \$15,050 |
| 12 | Income Tax Credits | \$ - | \$ - |
| 13 | Utility Net Income | (\$117,316) | \$52,058 |
| 14 | Utility Rate Base | \$1,518,609 | \$1,518,609 |
| | Deemed Equity Portion of Rate Base | \$607,443 | \$607,443 |
| 15 | Income/(Equity Portion of Rate Base) | -19.31% | 8.57% |
| 16 | Target Return - Equity on Rate Base | 8.57% | 8.57% |
| 17 | Deficiency/Sufficiency in Return on Equity | -27.88% | 0.00% |
| 18 | Indicated Rate of Return | -4.13% | 7.02% |
| 19 | Requested Rate of Return on Rate Base | 7.02% | 7.02% |
| 20 | Deficiency/Sufficiency in Rate of Return | -11.15% | 0.00% |
| 21 | Target Return on Equity | \$52,058 | \$52,058 |
| 22 | Revenue Deficiency/(Sufficiency) | \$169,374 | \$0 |
| 23 | Gross Revenue Deficiency/(Sufficiency) | \$200,442 | |

Revenue at existing rates was developed using current (2011) rates times forecast billing quantities for 2012 Test Year less transformer ownership allowance as follows:

2012 Test Year Revenue at Current Rates

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Current Rates Effective May 1, 2011 | | Fixed/Variable Rev. at Current Rates | | Total Revenue |
|--|--------------------------------|-------------|------------|--|------------|---|------------|------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential Customers | 1,133 | 14,574,912 | | \$ 18.46 | \$ 0.0102 | \$ 250,982 | \$ 148,664 | \$ 399,646 |
| Gen Service <50 kW Customer | 161 | 5,255,040 | | \$ 30.00 | \$ 0.0122 | \$ 57,960 | \$ 64,111 | \$ 122,071 |
| Gen Service >50 kW Customer | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 2.6064 | \$ 31,705 | \$ 50,903 | \$ 82,608 |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.13 | \$ 0.0125 | \$ 1,449 | \$ 91 | \$ 1,540 |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 4.41 | \$ 6.7270 | \$ 1,217 | \$ 444 | \$ 1,661 |
| Street Lighting | 341 | 294,624 | 780 | \$ 3.10 | \$ 14.4120 | \$ 12,685 | \$ 11,241 | \$ 23,927 |
| Total Gross Revenue | \$ 1,678 | 27,816,744 | \$ 20,376 | | | \$ 355,999 | \$ 275,455 | \$ 631,454 |
| Transformer Ownership Allowance from "sheet I6.1 Revenue" in CA Model | | | | | | | | \$ 8,866 |
| Total Net Revenue | | | | | | | | \$ 622,588 |

Revenue at proposed rates was developed using proposed 2012 rates times forecast billing quantities for 2012 Test Year, less transformer ownership allowance as follows:

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Proposed Rates Effective May 1, 2012 | | Fixed/Variable Rev. at Current Rates | | Total Revenue |
|--|--------------------------------|-------------|------------|---|------------|---|------------|------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential Customers | 1,133 | 14,574,912 | | \$ 24.10 | \$ 0.0137 | \$ 327,664 | \$ 199,676 | \$ 527,340 |
| Gen Service <50 kW Customer | 161 | 5,255,040 | | \$ 35.73 | \$ 0.0176 | \$ 69,030 | \$ 92,489 | \$ 161,519 |
| Gen Service >50 kW Customer | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 3.8220 | \$ 31,705 | \$ 74,644 | \$ 106,349 |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.01 | \$ 0.0176 | \$ 1,441 | \$ 128 | \$ 1,569 |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 7.80 | \$ 11.6879 | \$ 2,153 | \$ 771 | \$ 2,924 |
| Street Lighting | 341 | 294,624 | 780 | \$ 5.50 | \$ 11.6979 | \$ 22,506 | \$ 9,124 | \$ 31,630 |
| Total Gross Revenue | \$ 1,678 | 27,816,744 | \$ 20,376 | | | \$ 454,498 | \$ 376,832 | \$ 831,331 |
| Transformer Ownership Allowance from "sheet I6.1 Revenue" in CA Model | | | | | | | | \$ 8,866 |
| Total Net Revenue | | | | | | | | \$ 822,465 |

Revenue Requirement from the Schedule of Revenue Sufficiency/Deficiency shows a revenue requirement of \$823,030 while the above total net revenue calculation shows \$822,465. Variance of \$565 is due to rate rounding.

Proposed rates are discussed in detail in Exhibit 8 Rate Design.

2. OTHER REVENUE

Other Operating Revenue

The following is the breakdown of each of the other distribution revenue accounts as per appendix 2-C and is duplicated as follows:

| Other Operating Revenue | | | | | | |
|-------------------------|---------------------------------|-----------|-----------|-----------|-------------------|-----------------|
| USoA # | USoA Description | 2008 | 2009 | 2010 | 2011 Bridge Yr | 2012 Test Yr |
| 4235 | Specific Service Charges | \$ 12,287 | \$ 8,475 | \$ 7,913 | \$ 8,650 | \$ 9,540 |
| 4225 | Late Payment Charges | \$ 4,609 | \$ 4,780 | \$ 4,879 | \$ 5,493 | \$ 5,190 |
| 4082 | Retail Services Revenues | \$ 2,647 | \$ 2,846 | \$ 3,099 | \$ 2,808 | \$ 2,760 |
| 4405 | Interest & Dividend Income | \$ 41,697 | \$ 17,854 | \$ 17,231 | \$ 13,758 | \$ 13,200 |
| 4210 | Rent from Electric Property | \$ 8,264 | \$ 7,089 | \$ 7,261 | \$ 7,265 | \$ 7,265 |
| 4325 | Revenues from Merchandising | \$ 1,951 | \$ 48 | \$ - | \$ 1,380 | \$ 1,380 |
| 4330 | Cost & Expense of Merchandising | \$ 2,681 | \$ 323 | \$ 4,407 | \$ 3,500 | \$ 2,400 |
| | | | | | | |
| | Total | \$ 74,136 | \$ 41,417 | \$ 44,791 | \$ 42,854 | \$ 41,735 |
| | | | | | | |
| | Specific Service Charges | \$ 12,287 | \$ 8,475 | \$ 7,913 | \$ 8,650 | \$ 9,540 |
| | Late Payment Charges | \$ 4,609 | \$ 4,780 | \$ 4,879 | \$ 5,493 | \$ 5,190 |
| | Other Operating Revenues | \$ 10,912 | \$ 9,936 | \$ 10,360 | \$ 10,073 | \$ 10,025 |
| | Other Income or Deductions | \$ 46,329 | \$ 18,226 | \$ 21,639 | \$ 18,638 | \$ 16,980 |
| | Total | \$ 74,136 | \$ 41,417 | \$ 44,791 | \$ 42,854 | \$ 41,735 |

| Comparison of Other Operating Revenue Year Over Year | | | | | |
|--|---------------------------------|-----------------|-----------------|------------------------|----------------------|
| USoA # | USoA Description | 2009 vs 2008 | 2010 vs 2009 | 2011 Bridge vs 2010 | 2012 Test vs 2011 |
| 4235 | Specific Service Charges | -\$ 3,812 | -\$ 562 | \$ 737 | \$ 890 |
| 4225 | Late Payment Charges | \$ 171 | \$ 99 | \$ 614 | -\$ 303 |
| 4082 | Retail Services Revenues | \$ 199 | \$ 253 | -\$ 291 | -\$ 48 |
| 4405 | Interest & Dividend Income | -\$ 23,843 | -\$ 623 | -\$ 3,473 | -\$ 558 |
| 4210 | Rent from Electric Property | -\$ 1,175 | \$ 172 | \$ 4 | \$ - |
| 4325 | Revenues from Merchandising | -\$ 1,903 | -\$ 48 | \$ 1,380 | \$ - |
| 4330 | Cost & Expense of Merchandising | -\$ 2,358 | \$ 4,084 | -\$ 907 | -\$ 1,100 |
| | | | | | |
| | Total | -\$ 32,719 | \$ 3,376 | -\$ 1,936 | -\$ 1,119 |

Total Variance of (\$32,719) between 2009 and 2008 actual is mainly due to cash purchases of Smart Meters and therefore reduces interest income in 2009. Available cash and investments at December 31, 2008 was \$789,500 reducing to \$449,000 at December 31, 2009.

Variances for other years are not significant.

CPUC does not propose new other distribution charges and/or changes to rates and there are no new rules that apply to existing specific service charges.

EXHIBIT 4 - OPERATING COSTS

1. MANAGERS SUMMARY

It must be noted that Chapleau Public Utilities Corporation (CPUC) and Chapleau Energy Services Corporation (CESC) has an operation and maintenance service agreement between the two companies. The Utility (CPUC) employ's the Services Company (CESC) to supply all material, labour and equipment required for new construction, repairs and maintenance of the Utility's distribution system, management support, billing and collection, rent, phone, postage and office equipment. All services are charged to the Distribution Company at direct cost plus applicable overhead (no mark-up).

Hydro One Networks Inc. also employs the services of CESC employees during times of emergency to repair their distribution system outside of the Towns boundaries. The supply of material, labour and equipment required for these repairs is charged out at an agreed upon cost.

Emergency situations, i.e. power outages, always take priority to repair, whether in or outside CPUC's distribution system area.

CPUC employs 3 linemen and when not involved in power-outage and repairs, their time is allocated to new construction and maintenance of the distribution system.

There have been no significant changes relative to historical and Bridge Years to the company's distribution system, customer base, consumption level, etc. OM&A costs in Test Year 2012 will rise by a total of \$72,320 over a normal year, \$28,600 for the Wide Area Network (WAN) maintenance contract with Sensus Metering Systems Inc. that was previously charged to Smart Meters, an increase of \$7,000 to Outside Services Employed due to the filing of the 2012 Test Year COS application, intervenor costs of \$6,720 and \$30,000 to Outside Services Employed due to the requirement to implement an asset management program starting in 2012 to be completed by 2015. Chapleau PUC has engaged the services of Burman Energy Consultants Group Inc.

The total budgeted cost to implement this is \$130,000 broken up into capital of \$50,000 and \$80,000 expense as follows:

| | 2012 | 2013 | 2014 | 2015 | Total |
|---------|----------|----------|----------|----------|-----------|
| Expense | \$30,000 | \$30,000 | \$10,000 | \$10,000 | \$80,000 |
| Capital | 0 | 0 | \$50,000 | 0 | \$50,000 |
| Total | \$30,000 | \$30,000 | \$60,000 | \$10,000 | \$130,000 |

The overall trend in costs is that they remain fairly constant from year to year as maintenance work performed is consistent with the number of hours available to do the work.

CPUC did not consider an inflation rate for an overall increase in costs, instead it considered a salaries and wage increase of 2.0% to coincide with the negotiated increase in 2012 to the Town's unionized employees (this is a standard practice). Some of the costs for 2012 are already known, i.e. pension plan costs. The balance is based on prior year(s) experience plus a minor cost increase by rounding. No expense item includes a harmonized sales tax (HST) amount.

CPUC's staffing levels of 5 employees (employed by CESC) has remained constant for the last several years. Salaries and Wages increased by a total of 11.9% or \$32,008 of which 2.7% was merit Increases. Benefits increased by 32.8% or \$20,746 during the same period.

There have been no changes to the business environment within or the immediate area surrounding the Township of Chapleau.

The materiality threshold applicable to Chapleau PUC is \$50,000.

Chapter 2 of the Filing Requirements issued by the Board June 28, 2011 states that default materiality thresholds as outlined in the "Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario Electricity Distributors of September 17, 2008" shall be:

"\$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million".

CPUC's distribution revenue requirement for 2012 Test Year is \$864,765 and therefore materiality threshold applicable is \$50,000.

2. SUMMARY AND COST DRIVER TABLES

Summary of OM & A Expenses

| | LRY - 2008 | LRY - 2008 | Variance | Percentage Change |
|--------------------------------|-------------------|-------------------|------------------|-------------------|
| | Board-approved | Actuals | \$ | % |
| Operations | \$ 229,570 | \$ 204,134 | -\$ 25,436 | -11.08% |
| Maintenance | \$ - | \$ - | \$ - | |
| Billing and Collecting | \$ 65,572 | \$ 78,384 | \$ 12,812 | 19.54% |
| Community Relations | \$ 1,200 | \$ 587 | -\$ 613 | -51.08% |
| Administrative and General | \$ 271,490 | \$ 314,657 | \$ 43,167 | 15.90% |
| Total OM&A Expenses | \$ 567,832 | \$ 597,762 | \$ 29,930 | 5.27% |
| Inflation Rate | | | | 2.30% |

| | LRY - 2008 | Year 1 - 2008 | Variance | Percentage Change |
|--------------------------------|-------------------|-------------------|-------------|-------------------|
| | Actuals | Actuals | \$ | % |
| Operations | \$ 204,134 | \$ 204,134 | \$ - | 0.00% |
| Maintenance | \$ - | \$ - | \$ - | |
| Billing and Collecting | \$ 78,384 | \$ 78,384 | \$ - | 0.00% |
| Community Relations | \$ 587 | \$ 587 | \$ - | 0.00% |
| Administrative and General | \$ 314,657 | \$ 314,657 | \$ - | 0.00% |
| Total OM&A Expenses | \$ 597,762 | \$ 597,762 | \$ - | 0.00% |
| Inflation Rate | | | | 2.30% |

| | Year 1 - 2008 | Year 2 - 2009 | Variance | Percentage Change |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Actuals | Actuals | \$ | % |
| Operations | \$ 204,134 | \$ 156,151 | -\$ 47,983 | -23.51% |
| Maintenance | \$ - | \$ - | \$ - | |
| Billing and Collecting | \$ 78,384 | \$ 64,846 | -\$ 13,538 | -17.27% |
| Community Relations | \$ 587 | \$ 665 | \$ 78 | 13.29% |
| Administrative and General | \$ 314,657 | \$ 278,358 | -\$ 36,299 | -11.54% |
| Total OM&A Expenses | \$ 597,762 | \$ 500,020 | -\$ 97,742 | -16.35% |
| Inflation Rate | | | | 1.30% |

| | Year 2 2009 | Year 3 - 2010 | Variance | Percentage Change |
|----------------------------|-------------|---------------|------------|-------------------|
| | Actuals | Actuals | \$ | % |
| Operations | \$ 156,151 | \$ 213,549 | \$ 57,398 | 36.76% |
| Maintenance | \$ - | | \$ - | |
| Billing and Collecting | \$ 64,846 | \$ 72,991 | \$ 8,145 | 12.56% |
| Community Relations | \$ 665 | \$ 715 | \$ 50 | 7.52% |
| Administrative and General | \$ 278,358 | \$ 261,327 | -\$ 17,031 | -6.12% |
| Total OM&A Expenses | \$ 500,020 | \$ 548,582 | \$ 48,562 | 9.71% |
| Inflation Rate | | | | 1.30% |

| | Year 3 - 2010 | Bridge Year | Variance | Percentage Change |
|----------------------------|---------------|-------------|------------|-------------------|
| | Actuals | Actuals | \$ | % |
| Operations | \$ 213,549 | \$ 217,098 | \$ 3,549 | 1.66% |
| Maintenance | \$ - | \$ - | \$ - | |
| Billing and Collecting | \$ 72,991 | \$ 58,873 | -\$ 14,118 | -19.34% |
| Community Relations | \$ 715 | \$ 350 | -\$ 365 | -51.05% |
| Administrative and General | \$ 261,327 | \$ 308,160 | \$ 46,833 | 17.92% |
| Total OM&A Expenses | \$ 548,582 | \$ 584,481 | \$ 35,899 | 6.54% |
| Inflation Rate | | | | |

| | Bridge Year | Test Year | Variance | Percentage Change |
|----------------------------|-------------|------------|-----------|-------------------|
| | Actuals | Forecast | \$ | % |
| Operations | \$ 217,098 | \$ 215,590 | -\$ 1,508 | -0.69% |
| Maintenance | \$ - | | \$ - | |
| Billing and Collecting | \$ 58,873 | \$ 84,200 | \$ 25,327 | 43.02% |
| Community Relations | \$ 350 | \$ 600 | \$ 250 | 71.43% |
| Administrative and General | \$ 308,160 | \$ 364,100 | \$ 55,940 | 18.15% |
| Total OM&A Expenses | \$ 584,481 | \$ 664,490 | \$ 80,009 | 13.69% |
| Inflation Rate | | | | |

Table 2: Additional Total OM&A Expense Comparative Information Table
Required Total OM&A Comparison

| | Year 3 - 2010 | Test Year | Variance | Percentage Change |
|--|----------------|------------|------------|-------------------|
| | Actuals | Forecast | \$ | % |
| Test Year versus Most Current Actuals | \$ 548,582 | \$ 664,490 | \$ 115,908 | 21.13% |
| | LRY 2008 | Test Year | Variance | Percentage Change |
| | Board-approved | Forecast | \$ | % |
| Test Year versus LRY Board-approved | \$ 567,832 | \$ 664,490 | \$ 96,658 | 17.02% |
| Simple average of % variance for all years | | | | 2.72% |
| Compound annual growth rate for all years | | | | 0 |

Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

| | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|------------|------------|---------------|---------------|-------------|------------|
| Accour Description | 2007 | LRY Actual | Actual Year 2 | Actual Year 1 | Bridge Year | Test Year |
| Operations | | | | | | |
| 5005 Operation Supervision and Engineering | | | | | | |
| 5010 Load Dispatching | | | | | | |
| 5012 Station Buildings and Fixtures Expense | | | | | | |
| 5014 Transformer Station Equipment - Operation Labour | | | | | | |
| 5015 Transformer Station Equipment - Operation Supplies and Expenses | | | | | | |
| 5016 Distribution Station Equipment - Operation Labour | \$ 1,620 | \$ 2,860 | \$ 3,499 | \$ 4,834 | \$ 4,230 | \$ 4,500 |
| 5017 Distribution Station Equipment - Operation Supplies and Expenses | \$ 864 | \$ 388 | \$ 1,491 | \$ 1,473 | \$ 500 | \$ 1,200 |
| 5020 Overhead Distribution Lines and Feeders - Operation Labour | \$ 138,543 | \$ 137,904 | \$ 109,510 | \$ 148,124 | \$ 147,606 | \$ 149,400 |
| 5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | \$ 101,832 | \$ 56,711 | \$ 38,442 | \$ 51,560 | \$ 62,633 | \$ 58,150 |
| 5030 Overhead Sub-transmission Feeders - Operation | | | | | | |
| 5035 Overhead Distribution Transformers - Operation | | | | | | |
| 5040 Underground Distribution Lines and Feeders - Operation Labour | | | | | | |
| 5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses | | | | | | |
| 5050 Underground Sub-transmission Feeders - Operation | | | | | | |
| 5055 Underground Distribution Transformers - Operation | | | | | | |
| 5060 Street Lighting and Signal System Expense | | | | | | |
| 5065 Meter Expense | \$ 2,721 | \$ 5,555 | \$ 1,480 | \$ 5,658 | \$ 517 | \$ 600 |
| 5070 Customer Premises - Operation Labour | | | | | | |
| 5075 Customer Premises - Operation Materials and Expenses | | | | | | |
| 5085 Miscellaneous Distribution Expenses | | | | | | |
| 5090 Underground Distribution Lines and Feeders - Rental Paid | | | | | | |
| 5095 Overhead Distribution Lines and Feeders - Rental Paid | \$ 715 | \$ 715 | \$ 1,729 | \$ 1,900 | \$ 1,612 | \$ 1,740 |
| 5096 Other Rent | | | | | | |
| Total - Operations | \$ 246,295 | \$ 204,134 | \$ 156,151 | \$ 213,549 | \$ 217,098 | \$ 215,590 |

| | | | | | | | |
|---------------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Maintenance | | | | | | | |
| 5105 | Maintenance Supervision and Engineering | | | | | | |
| 5110 | Maintenance of Buildings and Fixtures - Distribution Stations | | | | | | |
| 5112 | Maintenance of Transformer Station Equipment | | | | | | |
| 5114 | Maintenance of Distribution Station Equipment | | | | | | |
| 5120 | Maintenance of Poles, Towers and Fixtures | | | | | | |
| 5125 | Maintenance of Overhead Conductors and Devices | | | | | | |
| 5130 | Maintenance of Overhead Services | | | | | | |
| 5135 | Overhead Distribution Lines and Feeders - Right of Way | | | | | | |
| 5145 | Maintenance of Underground Conduit | | | | | | |
| 5150 | Maintenance of Underground Conductors and Devices | | | | | | |
| 5155 | Maintenance of Underground Services | | | | | | |
| 5160 | Maintenance of Line Transformers | | | | | | |
| 5165 | Maintenance of Street Lighting and Signal Systems | | | | | | |
| 5170 | Sentinel Lights - Labour | | | | | | |
| 5172 | Sentinel Lights - Materials and Expenses | | | | | | |
| 5175 | Maintenance of Meters | | | | | | |
| 5178 | Customer Installations Expenses - Leased Property | | | | | | |
| 5195 | Maintenance of Other Installations on Customer Premises | | | | | | |
| Total - Maintenance | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Account | Description | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Billing and Collecting | | | | | | | |
| 5305 | Supervision | | | | | | |
| 5310 | Meter Reading Expense | \$ 16,937 | \$ 17,459 | \$ 15,498 | \$ 7,955 | \$ 1,776 | \$ 29,000 |
| 5315 | Customer Billing | \$ 43,372 | \$ 49,364 | \$ 42,121 | \$ 65,036 | \$ 50,328 | \$ 51,600 |
| 5320 | Collecting | | | | | | |
| 5325 | Collecting - Cash Over and Short | | | | | | |
| 5330 | Collection Charges | | | | | | |
| 5335 | Bad Debt Expense | \$ 9,422 | \$ 11,561 | \$ 7,227 | \$ - | \$ 6,770 | \$ 3,600 |
| 5340 | Miscellaneous Customer Accounts Expenses | | | | | | |
| Total - Billing and Collecting | | \$ 69,731 | \$ 78,384 | \$ 64,846 | \$ 72,991 | \$ 58,873 | \$ 84,200 |

| Account | Description | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Community Relations | | | | | | | |
| 5405 | Supervision | | | | | | |
| 5410 | Community Relations - Sundry | \$ 520 | \$ 587 | \$ 665 | \$ 715 | \$ 350 | \$ 600 |
| 5415 | Energy Conservation | | | | | | |
| 5420 | Community Safety Program | | | | | | |
| 5425 | Miscellaneous Customer Service and Informational Expenses | | | | | | |
| 5505 | Supervision | | | | | | |
| 5510 | Demonstrating and Selling Expense | | | | | | |
| 5515 | Advertising Expenses | | | | | | |
| 5520 | Miscellaneous Sales Expense | | | | | | |
| Total - Community Relations | | \$ 520 | \$ 587 | \$ 665 | \$ 715 | \$ 350 | \$ 600 |
| Account | Description | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Administrative and General Expenses | | | | | | | |
| 5605 | Executive Salaries and Expenses | \$ 13,200 | \$ 13,200 | \$ 13,757 | \$ 11,543 | \$ 13,200 | \$ 13,200 |
| 5610 | Management Salaries and Expenses | \$ 49,260 | \$ 51,942 | \$ 50,953 | \$ 53,986 | \$ 59,652 | \$ 60,840 |
| 5615 | General Administrative Salaries and Expenses | | | | | | |
| 5620 | Office Supplies and Expenses | \$ 19,483 | \$ 23,557 | \$ 19,773 | \$ 19,905 | \$ 23,797 | \$ 24,000 |
| 5625 | Administrative Expense Transferred - Credit | | | | | | |
| 5630 | Outside Services Employed | \$104,672 | \$100,386 | \$ 73,118 | \$ 43,607 | \$ 70,678 | \$116,400 |
| 5635 | Property Insurance | \$ 12,495 | \$ 12,044 | \$ 11,532 | \$ 15,598 | \$ 16,020 | \$ 17,040 |
| 5640 | Injuries and Damages | | | | | | |
| 5645 | Employee Pensions and Benefits | \$ 90,106 | \$ 63,194 | \$ 66,321 | \$ 74,190 | \$ 80,600 | \$ 83,940 |
| 5650 | Franchise Requirements | | | | | | |
| 5655 | Regulatory Expenses | \$ 6,672 | \$ 13,374 | \$ 5,795 | \$ 6,834 | \$ 7,866 | \$ 14,520 |
| 5660 | General Advertising Expenses | | | | | | |
| 5665 | Miscellaneous General Expenses | \$ 32,557 | \$ 39,225 | \$ 37,109 | \$ 35,664 | \$ 34,347 | \$ 32,160 |
| 5670 | Rent | | | | | | |
| 5675 | Maintenance of General Plant | | | | | | |
| 5680 | Electrical Safety Authority Fees | \$ 69 | \$ 183 | \$ - | \$ - | \$ - | \$ - |
| 5685 | Independent Electricity System Operator Fees and Penalties | | | \$ - | \$ - | \$ - | \$ - |
| 5695 | OM&A Contra Account | | -\$ 2,448 | | | | |
| 6205 | Donations (Charitable Contributions) | \$ - | \$ - | \$ - | \$ - | \$ 2,000 | \$ 2,000 |
| Total - Administrative and General Expenses | | \$328,514 | \$314,657 | \$278,358 | \$261,327 | \$308,160 | \$364,100 |
| Total OM&A | | \$645,059 | \$597,762 | \$500,019 | \$548,582 | \$584,481 | \$664,490 |

OM&A Cost Driver Table

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--------------|---------------|---------------|-------------|------------|
| OM&A | LRY - Actual | Actual Year 2 | Actual Year 1 | Bridge Year | Test Year |
| Opening Balance-07 | \$ 645,059 | \$ 597,762 | \$ 500,019 | \$ 548,582 | \$ 584,481 |
| | | | | | |
| 5020-O/H Distribution Lines - Labour | | -\$ 28,394 | \$ 38,614 | | |
| 5025-O/H Distribution Lines & Feeders - Supplies | -\$ 45,121 | -\$ 18,269 | \$ 13,118 | \$ 11,073 | -\$ 4,483 |
| 5065-Meter Expense | | -\$ 4,075 | \$ 4,178 | -\$ 5,141 | |
| 5610-Mangmt. Salaries and Expense | | | | \$ 5,666 | |
| 5620-Office Supplies and Expenses | \$ 4,074 | | | | |
| 5630-Outside Services Employed | -\$ 4,286 | -\$ 27,268 | -\$ 29,511 | \$ 27,071 | \$ 45,722 |
| 5635-Property Insurance | | | \$ 4,066 | | |
| 5645-Employee Pensions abd Benefits | -\$ 26,912 | | \$ 7,869 | \$ 6,410 | |
| 5655-Regulatory Expenses | \$ 6,702 | -\$ 7,579 | | | \$ 6,654 |
| 5665-Misc. General Expenses | \$ 6,668 | | | | |
| 5310-Meter Reading Expense | | | -\$ 7,543 | -\$ 6,179 | \$ 27,224 |
| 5315- Customer Billing | \$ 5,992 | -\$ 7,243 | \$ 22,915 | -\$ 14,708 | |
| 5335-Bad Debt Expense | | -\$ 4,334 | -\$ 7,227 | \$ 6,770 | |
| | | | | | |
| Other | \$ 5,586 | -\$ 581 | \$ 2,084 | \$ 4,937 | \$ 4,892 |
| | | | | | |
| Closing Balance | \$ 597,762 | \$ 500,019 | \$ 548,582 | \$ 584,481 | \$ 664,490 |

Variance Analysis:

Outside Services Employed variance of \$45,722 is mostly due to the additional cost of filing the 2012 COS application for \$7,000 and implementation of an asset management program for \$30,000.

Customer Billing expense variance of \$27,224 is due the Wide Area Network (WAN) maintenance contract with Sensus for \$28,600 annually.

Regulatory Expenses variance of \$6,654 is due to intervenor costs.

Regulatory Cost Schedule

| Regulatory Cost Category | | USoA Account | USoA Account Balance | Ongoing or One-time Cost? ² | Last Rebasings Year 2008 | Last Year of Actuals 2010 | Bridge Year 2011 | Annual % Change | Test Year 2012 | Annual % Change |
|--------------------------|---|--------------|----------------------|--|--------------------------|---------------------------|------------------|--------------------|----------------|--------------------|
| (A) | | (B) | (C) | (D) | (E) | (F) | (G) | H) = [(G)-(F)]/(F) | (I) | J) = [(I)-(G)]/(G) |
| 1 | OEB Annual Assessment | 5655 | \$ - | On-Going | \$ 4,048 | \$ 4,212 | \$ 4,479 | 6.34% | \$ 5,100 | 13.86% |
| 2 | OEB Hearing Assessments (applicant-originated) | | | On-Time | | | | | | |
| 3 | OEB Section 30 Costs (OEB-initiated) | 5655 | \$ - | On-Time | \$ 60 | \$ - | \$ - | | | |
| 4 | Expert Witness costs for regulatory matters | | | On-Time | \$ - | \$ - | | | | |
| 5 | Legal costs for regulatory matters | | | On-Time | \$ - | \$ - | | | | |
| 6 | Consultants' costs for regulatory matters | 5630 | \$ - | On-Going | \$ 34,866 | \$ 14,426 | \$ 19,713 | 36.65% | \$ 17,000 | -13.76% |
| 7 | Operating expenses associated with staff resources allocated to regulatory matters | | | On-Time | \$ - | | | | | |
| 8 | Operating expenses associated with other resources allocated to regulatory matters ¹ | | | On-Time | \$ - | | | | | |
| 9 | Other regulatory agency fees or assessments | 5655 | \$ - | On-Going | \$ 1,659 | \$ 1,670 | \$ 1,680 | 0.60% | \$ 1,700 | 1.19% |
| 10 | Any other costs for regulatory matters (please define) OEB licence fee, cost awards | 5655 | \$ - | On-Going | \$ 1,076 | \$ 952 | \$ 954 | 0.18% | \$ 1,000 | 4.83% |
| 11 | Intervenor costs | 5655 Sub | | On-Going | \$ 6,591 | \$ - | \$ - | | \$ 6,720 | |
| 12 | Sub-total - Ongoing Costs ³ | | \$ - | | \$ 48,241 | \$ 21,260 | \$ 26,826 | 26.18% | \$ 31,520 | 17.50% |
| 13 | Sub-total - One-time Costs ⁴ | | \$ - | | \$ 60 | \$ - | \$ - | | \$ - | |
| 14 | Total | | \$ - | | \$ 48,301 | \$ 21,260 | \$ 26,826 | 26.18% | \$ 31,520 | 17.50% |

OM&A Cost per Customer and per FTEE

| | LRV - Board Approved | 2008 LRV - Actual | 2009 Year 2 Actual | 2010 Year 1 Actual | 2011 Bridge Year | 2012 Test Year |
|------------------------------|----------------------|-------------------|--------------------|--------------------|------------------|----------------|
| Number of Customers | 1,375 | 1,361 | 1,350 | 1,336 | 1,338 | 1,338 |
| Total OM&A from Appendix 2-G | \$ 548,850 | \$ 597,762 | \$ 500,019 | \$ 548,582 | \$ 584,481 | \$ 664,490 |
| OM&A cost per customer | \$ 399.16 | 439.21 | 370.38 | 410.62 | 436.83 | 496.63 |
| Number of FTEs | 5 | 5 | 5 | 5 | 5 | 5 |
| Customers/FTEs | 275.00 | 272.20 | 270.00 | 267.20 | 267.60 | 267.60 |
| OM&A Cost per FTEE | 109,770 | 119,552 | 100,004 | 109,716 | 116,896 | 132,898 |

One Time Costs

There are no one-time costs included in the Test Year.

Regulatory Costs

Regulatory cost breakdown of regulatory expenses for the last 4 years.

| | 2009 | 2010 | 2011 | 2012 | Average |
|------------------------|--------|--------|--------|--------|---------|
| OEB Cost Assessment | 3,146 | 4,212 | 4,479 | 5,100 | 4,234 |
| Consultants costs | 10,740 | 14,426 | 19,713 | 17,000 | 15,470 |
| Other Reg. Agency Fees | 1,663 | 1,670 | 1680 | 1,700 | 1,678 |
| OEB License Fee | 986 | 952 | 954 | 1,000 | 973 |
| Intervenor Costs | 0 | 0 | 0 | 6,720 | 1,680 |
| Total | 16,535 | 21,260 | 26,826 | 31,520 | 24,035 |

Low Income Energy Assistance Programs ("LEAP")

CPUC has included \$2,000 in its 2012 OM &A being the greater of 0.12% of CPUC's distribution revenue requirement of \$797,384 (\$957) and \$2,000, to the Low Income Energy Assistance Program as per the "LEAP Report".

Charitable Donations

CPUC has not made any charitable donations or political contributions.

3. VARIANCE ANALYSES

Test Year OM &A Expenses and 2008 and 2010 Actual

OM&A Variance Analysis (excluding Depreciation and Amortization)

| Account | Description | Last Board-approved Rebasing Year (2008 Actuals) | Most Current Actual Year (2010) | Test Year (2012) | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
|--------------------|---|---|--|---------------------|-----------------------------------|--------------------------|--|------------------------------|
| | | | | | Variance (\$) | Percentage Change (%) | Variance (\$) | Percentag e Change (%) |
| Operations | | | | | | | | |
| | 5005 Operation Supervision and Engineering | | | | \$ - | | \$ - | |
| | 5010 Load Dispatching | | | | \$ - | | \$ - | |
| | 5012 Station Buildings and Fixtures Expense | | | | \$ - | | \$ - | |
| | 5014 Transformer Station Equipment - Operation Labour | | | | \$ - | | \$ - | |
| | 5015 Transformer Station Equipment - Operation Supplies and Expenses | | | | \$ - | | \$ - | |
| | 5016 Distribution Station Equipment - Operation Labour | \$ 2,860 | \$ 4,834 | \$ 4,500 | \$ 1,640 | 57.32% | -\$ 334 | -6.91% |
| | 5017 Distribution Station Equipment - Operation Supplies and | \$ 388 | \$ 1,473 | \$ 1,200 | \$ 812 | 209.00% | -\$ 273 | -18.52% |
| | 5020 Overhead Distribution Lines and Feeders - Operation Lab | \$ 137,904 | \$ 148,124 | \$ 149,400 | \$ 11,496 | 8.34% | \$ 1,276 | 0.86% |
| | 5025 Overhead Distribution Lines and Feeders - Operation Sup | \$ 56,711 | \$ 51,560 | \$ 58,150 | \$ 1,439 | 2.54% | \$ 6,590 | 12.78% |
| | 5030 Overhead Sub-transmission Feeders - Operation | | | | \$ - | | \$ - | |
| | 5035 Overhead Distribution Transformers - Operation | | | | \$ - | | \$ - | |
| | 5040 Underground Distribution Lines and Feeders - Operation Labour | | | | \$ - | | \$ - | |
| | 5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses | | | | \$ - | | \$ - | |
| | 5050 Underground Sub-transmission Feeders - Operation | | | | \$ - | | \$ - | |
| | 5055 Underground Distribution Transformers - Operation | | | | \$ - | | \$ - | |
| | 5060 Street Lighting and Signal System Expense | | | | \$ - | | \$ - | |
| | 5065 Meter Expense | \$ 5,555 | \$ 5,658 | \$ 600 | -\$ 4,955 | -89.20% | -\$ 5,058 | -89.40% |
| | 5070 Customer Premises - Operation Labour | | | | \$ - | | \$ - | |
| | 5075 Customer Premises - Operation Materials and Expenses | | | | \$ - | | \$ - | |
| | 5085 Miscellaneous Distribution Expenses | | | | \$ - | | \$ - | |
| | 5090 Underground Distribution Lines and Feeders - Rental Paid | | | | \$ - | | \$ - | |
| | 5095 Overhead Distribution Lines and Feeders - Rental Paid | \$ 715 | \$ 1,900 | \$ 1,740 | \$ 1,025 | 143.27% | -\$ 160 | -8.44% |
| | 5096 Other Rent | | | | \$ - | | \$ - | |
| Total - Operations | | \$ 204,134 | \$ 213,549 | \$ 215,590 | \$ 11,456 | 5.61% | \$ 2,041 | 0.96% |

| Account | Description | | | | | | | |
|---------------------------------------|---|-----------|-----------|-----------|-----------|---------|-----------|---------|
| Maintenance | | | | | | | | |
| 5105 | Maintenance Supervision and Engineering | | | | \$ - | | \$ - | |
| 5110 | Maintenance of Buildings and Fixtures - Distribution Stations | | | | \$ - | | \$ - | |
| 5112 | Maintenance of Transformer Station Equipment | | | | \$ - | | \$ - | |
| 5114 | Maintenance of Distribution Station Equipment | | | | \$ - | | \$ - | |
| 5120 | Maintenance of Poles, Towers and Fixtures | | | | \$ - | | \$ - | |
| 5125 | Maintenance of Overhead Conductors and Devices | | | | \$ - | | \$ - | |
| 5130 | Maintenance of Overhead Services | | | | \$ - | | \$ - | |
| 5135 | Overhead Distribution Lines and Feeders - Right of Way | | | | \$ - | | \$ - | |
| 5145 | Maintenance of Underground Conduit | | | | \$ - | | \$ - | |
| 5150 | Maintenance of Underground Conductors and Devices | | | | \$ - | | \$ - | |
| 5155 | Maintenance of Underground Services | | | | \$ - | | \$ - | |
| 5160 | Maintenance of Line Transformers | | | | \$ - | | \$ - | |
| 5165 | Maintenance of Street Lighting and Signal Systems | | | | \$ - | | \$ - | |
| 5170 | Sentinel Lights - Labour | | | | \$ - | | \$ - | |
| 5172 | Sentinel Lights - Materials and Expenses | | | | \$ - | | \$ - | |
| 5175 | Maintenance of Meters | | | | \$ - | | \$ - | |
| 5178 | Customer Installations Expenses - Leased Property | | | | \$ - | | \$ - | |
| 5195 | Maintenance of Other Installations on Customer Premises | | | | \$ - | | \$ - | |
| Total - Maintenance | | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| Billing and Collecting | | | | | | | | |
| 5305 | Supervision | | | | \$ - | | \$ - | |
| 5310 | Meter Reading Expense | \$ 17,459 | \$ 7,955 | \$ 29,000 | \$ 11,541 | 66.10% | \$ 21,045 | 264.54% |
| 5315 | Customer Billing | \$ 49,364 | \$ 65,036 | \$ 51,600 | \$ 2,236 | 4.53% | \$ 13,436 | -20.66% |
| 5320 | Collecting | | | | \$ - | | \$ - | |
| 5325 | Collecting - Cash Over and Short | | | | \$ - | | \$ - | |
| 5330 | Collection Charges | | | | \$ - | | \$ - | |
| 5335 | Bad Debt Expense | \$ 11,561 | \$ - | \$ 3,600 | \$ 7,961 | -68.86% | \$ 3,600 | |
| 5340 | Miscellaneous Customer Accounts Expenses | | | | \$ - | | \$ - | |
| Total - Billing and Collecting | | \$ 78,384 | \$ 72,991 | \$ 84,200 | \$ 5,816 | 7.42% | \$ 11,209 | 15.36% |

| Acct | Description | | | | | | | |
|--|--|------------|------------|------------|-----------|----------|------------|---------|
| Community Relations | | | | | | | | |
| 5405 | Supervision | | | | \$ - | | \$ - | |
| 5410 | Community Relations - Sundry | \$ 587 | \$ 715 | \$ 600 | \$ 13 | 2.21% | \$ 115 | -16.08% |
| 5415 | Energy Conservation | | | | \$ - | | \$ - | |
| 5420 | Community Safety Program | | | | \$ - | | \$ - | |
| 5425 | Miscellaneous Customer Service and Informational Expenses | | | | \$ - | | \$ - | |
| 5505 | Supervision | | | | \$ - | | \$ - | |
| 5510 | Demonstrating and Selling Expense | | | | \$ - | | \$ - | |
| 5515 | Advertising Expenses | | | | \$ - | | \$ - | |
| 5520 | Miscellaneous Sales Expense | | | | \$ - | | \$ - | |
| Total - Community Relations | | \$ 587 | \$ 715 | \$ 600 | \$ 13 | 2.21% | \$ 115 | -16.08% |
| Administrative and General Expenses | | | | | | | | |
| 5605 | Executive Salaries and Expenses | \$ 13,200 | \$ 11,543 | \$ 13,200 | \$ - | 0.00% | \$ 1,657 | 14.36% |
| 5610 | Management Salaries and Expenses | \$ 51,942 | \$ 53,986 | \$ 60,840 | \$ 8,898 | 17.13% | \$ 6,854 | 12.70% |
| 5615 | General Administrative Salaries and Expenses | | | | \$ - | | \$ - | |
| 5620 | Office Supplies and Expenses | \$ 23,557 | \$ 19,905 | \$ 24,000 | \$ 443 | 1.88% | \$ 4,095 | 20.57% |
| 5625 | Administrative Expense Transferred - Credit | | | | \$ - | | \$ - | |
| 5630 | Outside Services Employed | \$ 100,386 | \$ 43,607 | \$ 116,400 | \$ 16,014 | 15.95% | \$ 72,793 | 166.93% |
| 5635 | Property Insurance | \$ 12,044 | \$ 15,598 | \$ 17,040 | \$ 4,996 | 41.48% | \$ 1,442 | 9.24% |
| 5640 | Injuries and Damages | | | | \$ - | | \$ - | |
| 5645 | Employee Pensions and Benefits | \$ 63,194 | \$ 74,190 | \$ 83,940 | \$ 20,746 | 32.83% | \$ 9,750 | 13.14% |
| 5650 | Franchise Requirements | | | | \$ - | | \$ - | |
| 5655 | Regulatory Expenses | \$ 13,374 | \$ 6,834 | \$ 14,520 | \$ 1,146 | 8.57% | \$ 7,686 | 112.46% |
| 5660 | General Advertising Expenses | | | | \$ - | | \$ - | |
| 5665 | Miscellaneous General Expenses | \$ 39,225 | \$ 35,664 | \$ 32,160 | \$ 7,065 | -18.01% | \$ 3,504 | -9.83% |
| 5670 | Rent | | | | \$ - | | \$ - | |
| 5675 | Maintenance of General Plant | | | | \$ - | | \$ - | |
| 5680 | Electrical Safety Authority Fees | \$ 183 | \$ - | \$ - | \$ 183 | -100.00% | \$ - | |
| 5685 | Independent Electricity System Operator Fees and Penalties | \$ 2,448 | \$ - | \$ - | \$ 2,448 | -100.00% | \$ - | |
| 5695 | OM & A Contra Account | | | | \$ - | | \$ - | |
| 6205 | Donations (Charitable Contributions)(LEAP) | \$ - | \$ - | \$ 2,000 | \$ 2,000 | | \$ 2,000 | |
| Total - Administrative and General Expenses | | \$ 314,657 | \$ 261,327 | \$ 364,100 | \$ 49,443 | 15.71% | \$ 102,773 | 39.33% |
| Total OM & A | | \$ 597,762 | \$ 548,582 | \$ 664,490 | \$ 66,728 | 11.16% | \$ 115,908 | 21.13% |

Variance Analyses of Test Year OM &A Expenses and 2008 Actual

Account 5020 - Increase of \$11,496 or 8.34% is due to a reduction in payroll. Two qualified linemen left and hired 2 new apprentices.

Account 5065 - Reduction of (\$4,955) or (89.20%) is due to the installation of Smart Meters.

Account 5310 - Increase of \$11,541 or 66.10% is the reduction of meter reading expenses of (\$17,059) due to the installation of Smart Meters and additional expense of \$28,600 for the Wide Area Network (WAN) maintenance contract with Sensus to monitor and operate smart meter infrastructure. This charge has previously been charged to account 1556.

Account 5335 - Reduction of (\$7,961) or (68.86%) is due to more write offs in 2008 because of business bankruptcies.

Account 5610 - Increase of \$8,898 or 17.13% is due to 4 years of general salary increases and a merit increase for management employee.

Account 5630 - Increase of \$16,014 or 15.95% is due to implementation of the asset management plan expenditures of \$30,000 in 2012.

Account 5635 - Increase of \$4,996 or 41.48% is due to an increase in insurance premiums.

Account 5645 - Increase of \$20,746 or 32.83% is due to 4 years of inflationary increases and increase from single to family coverage for 1 employee.

Account 5665 - Reduction of (\$7,065) or (18.01%) is due to the 2 (new) linemen are now qualified and no longer require to go for training (Orangeville).

Variance Analyses of Test Year OM &A Expenses and 2010 Actual

Account 5025 - Increase of \$6,590 or 12.78% is due to material cost in 2010 was less than other years.

Account 5065 - Reduction of (\$5,058) or (89.4%) is due to the installation of Smart Meters.

Account 5310 - Increase of \$21,045 or 264.54% is the further reduction of meter reading expenses of (\$7,555) due to the installation of Smart Meters and additional expense of \$28,600 for the Wide Area Network (WAN) maintenance contract with Sensus Metering Systems Inc. to monitor and operate smart meter infrastructure. This charge has previously been charged to account 1556.

Account 5315 - Reduction of (\$13,436) or (20.66%) is due to a year-end adjustment made in 2010 to transfer \$17,831 from a/c 5630, Purchased Services, to a/c 5315 Customer Billing. (See also a/c 5630 below)

Account 5610 - Increase of \$6,854 or 12.70% is due to a merit increase for management employee.

Account 5620 - Increase of \$4,095 or 20.57% is due to less office supplies required in 2010 than other years.

Account 5630 - Increase of \$72,793 or 166.93% is due to implementation of the asset management plan expenditures of \$30,000 in 2012, additional consulting costs for the 2012 COS application of 2,574 and a year-end adjustment made in 2010 to transfer \$17,831 from Purchased Services (charge from Peterborough Utilities to read and analyze wholesale meters) to a/c 5315 Customer Billing.

Account 5645 - Increase of \$9,750 or 13.14% is due to increases in all pension and benefit plans

Account 5655 - Increase of \$7,686 or 112.46% is due to additional consulting costs for the 2012 COS application of 2,574 and intervenor costs of \$6,720.

4. EMPLOYEE COMPENSATION BREAKDOWN

Employee Costs

| | LRY - Board | LRY - Actual | Historical Year | Historical Year | Bridge Year | Test Year |
|---|-------------|--------------|-----------------|-----------------|-------------|------------|
| Number of Employees (FTEs including Part-Time) | | | | | | |
| Executive | | | | | | |
| Management | 1 | 1 | 1 | 1 | 1 | 1 |
| Non-Union | 4 | 4 | 4 | 4 | 4 | 4 |
| Union | | | | | | |
| Total | 5 | 5 | 5 | 5 | 5 | 5 |
| Number of Part-Time Employees | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | | | | | | |
| Union | | | | | | |
| Total | - | - | - | - | - | - |
| Total Salary and Wages | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 219,676 | \$ 244,012 | \$ 209,481 | \$ 250,765 | \$ 243,299 | \$ 251,684 |
| Union | | | | | | |
| Total | \$ 219,676 | \$ 244,012 | \$ 209,481 | \$ 250,765 | \$ 243,299 | \$ 251,684 |
| Current Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 29,281 | \$ 23,905 | \$ 30,239 | \$ 34,333 | \$ 34,734 | \$ 39,536 |
| Union | | | | | | |
| Total | \$ 29,281 | \$ 23,905 | \$ 30,239 | \$ 34,333 | \$ 34,734 | \$ 39,536 |
| Accrued Pension and Post-Retirement Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 16,585 | \$ 17,544 | \$ 17,319 | \$ 20,373 | \$ 23,583 | \$ 21,916 |
| Union | | | | | | |
| Total | \$ 16,585 | \$ 17,544 | \$ 17,319 | \$ 20,373 | \$ 23,583 | \$ 21,916 |
| Total Benefits (Current + Accrued) | | | | | | |
| Executive | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Management | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Non-Union | \$ 45,866 | \$ 41,448 | \$ 47,558 | \$ 54,706 | \$ 58,317 | \$ 61,452 |
| Union | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 45,866 | \$ 41,448 | \$ 47,558 | \$ 54,706 | \$ 58,317 | \$ 61,452 |
| Total Compensation (Salary, Wages, & Benefits) | | | | | | |
| Executive | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Management | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Non-Union | \$ 265,542 | \$ 285,460 | \$ 257,039 | \$ 305,471 | \$ 301,616 | \$ 313,136 |
| Union | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 265,542 | \$ 285,460 | \$ 257,039 | \$ 305,471 | \$ 301,616 | \$ 313,136 |

| Compensation - Average Yearly Base Wages | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 50,616 | \$ 52,332 | \$ 50,933 | \$ 54,585 | \$ 56,321 | \$ 58,302 |
| Union | | | | | | |
| Total | | | | | | |
| Compensation - Average Yearly Overtime | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 287 | \$ 594 | \$ 510 | \$ 690 | \$ 685 | \$ 647 |
| Union | | | | | | |
| Total | \$ 287 | \$ 594 | \$ 510 | \$ 690 | \$ 685 | \$ 647 |
| Compensation - Average Yearly Incentive Pay | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Union | | | | | | |
| Total | | | | | | |
| Compensation - Average Yearly Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 9,173 | \$ 8,290 | \$ 9,512 | \$ 10,941 | \$ 11,663 | \$ 12,290 |
| Union | | | | | | |
| Total | \$ 9,173 | \$ 8,290 | \$ 9,512 | \$ 10,941 | \$ 11,663 | \$ 12,290 |
| | | | | | | |
| Total Compensation | \$ 265,542 | \$ 285,460 | \$ 257,039 | \$ 305,471 | \$ 301,616 | \$ 313,136 |
| Total Compensation Charged to OM&A | | | | | | |
| Total Compensation Capital | \$ 265,542 | \$ 285,460 | \$ 257,039 | \$ 305,471 | \$ 301,616 | \$ 313,136 |

CPUC has a total of 5 employees - 1 management, 1 clerical, 1 line foreman and 2 linemen (all are non union) and therefore has aggregated all categories into the "Non Union" category.

Employee Benefits

The following shows benefits breakdown for the 2008 Board Approved, 2008 to 2010 Actual, 2011 Bridge Year and 2012 Test Year.

| Benefit | Account # | 2008 LRY Board Approved | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Bridge Year | 2012 Test Year |
|----------------------------------|-----------|-------------------------------|------------------|------------------|------------------|------------------------|----------------------|
| EHT Expense | 5610.003 | 3,450 | 4,414 | 3,594 | 3,823 | 3,900 | 3,900 |
| WSIB | 5610.005 | 2,500 | 3,121 | 2,600 | 2,776 | 2,497 | 2,640 |
| CPP Expense | 5615.001 | 8,000 | 9,455 | 8,429 | 8,643 | 9,632 | 10,440 |
| EI Expense | 5615.002 | 4,050 | 4,756 | 4,139 | 4,242 | 5,046 | 5,160 |
| OMERS Employee Pensions | 5645.000 | 16,585 | 14,561 | 14,119 | 16,862 | 18,879 | 21,000 |
| Group Insurance | 5645.100 | 26,281 | 23,905 | 30,239 | 34,333 | 36,850 | 36,890 |
| Post Retirement - Life Insurance | 5645.100 | 3,000 | 2,982 | 3,200 | 3,511 | 3,796 | 3,910 |
| Total Employee Benefits | | \$ 63,866 | \$ 63,194 | \$ 66,321 | \$ 74,190 | \$ 80,600 | \$ 83,940 |

5. SHARED SERVICES/CORPORATE COST ALLOCATION

Chapleau Public Utilities Corporation and Chapleau Energy Services Corporation have an operation and maintenance service agreement between the two companies and have a cost base pricing methodology.

CPUC employs the Services Company to supply material, labour and equipment required for new construction, repairs and maintenance of the Utility's distribution system, management support, billing and collection, rent, phone, postage and office equipment. All services are charged to the Distribution Company at direct cost plus applicable overhead (no mark-up).

There are no Board of Director related costs for affiliates included in CPUC's costs.

Shared Services/Corporate Cost Allocation

Year: 2008

| Name of Compar | | Account Number | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | Percentage Allocation |
|----------------|------|----------------|--|---------------------|-----------------------|----------------------|-----------------------|
| From | To | | | | \$ | \$ | % |
| CESC | CPUC | 5016 | Distribution Station Equipment - Operation Labour | At cost | 2,118 | 2,118 | 100 |
| CESC | CPUC | 5017 | Distribution Station Equipment - Operation Supplies and Expens | At cost | - | - | |
| CESC | CPUC | 5020 | Overhead Distribution Lines and Feeders - Operation Labour | At cost | 110,133 | 110,133 | 100 |
| CESC | CPUC | 5020.006 | Holidays and Sick Time | At cost | 19,371 | 19,371 | 85.6 |
| CESC | CPUC | 5020.100 | Undistributed Expenses - On Call | At cost | 8,400 | 8,400 | 100 |
| CESC | CPUC | 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | At cost | 14,433 | 14,433 | 85.6 |
| CESC | CPUC | 5025.100 | Truck Depreciation & Expenses | At cost | 29,981 | 29,981 | 85.6 |
| CESC | CPUC | 5065 | Meter Expense | At cost | 3,339 | 3,339 | 100 |
| CESC | CPUC | 5310 | Meter Reading Expense | At cost | 17,459 | 17,459 | 100 |
| CESC | CPUC | 5315 | Customer Billing | At cost | 39,075 | 39,075 | 85.6 |
| CESC | CPUC | 5610 | Management Salaries and Expenses | At cost | 51,942 | 51,942 | 85.6 |
| CESC | CPUC | 5610.003 | EHT Expense | At cost | 4,414 | 4,414 | 85.6 |
| CESC | CPUC | 5610.005 | WSIB | At cost | 3,121 | 3,121 | 85.6 |
| CESC | CPUC | 5615.001 | CPP Expense | At cost | 9,420 | 9,420 | 85.6 |
| CESC | CPUC | 5615.002 | EI Expense | At cost | 4,756 | 4,756 | 85.6 |
| CESC | CPUC | 5620 | Office Supplies and Expenses | At cost | 19,580 | 19,580 | 85.6 |
| CESC | CPUC | 5630 | Outside Services Employed | At cost | 12,188 | 12,188 | 85.6 |
| CESC | CPUC | 5635 | Property Insurance | At cost | 924 | 924 | 85.6 |
| CESC | CPUC | 5645 | OMERS - Employee Pensions and Benefits | At cost | 14,561 | 14,561 | 85.6 |
| CESC | CPUC | 5645.100 | Group Insurance | At cost | 27,286 | 27,286 | 85.6 |
| CESC | CPUC | 5665 | Miscellaneous General Expenses | At cost | 13,370 | 13,370 | 85.6 |
| CESC | CPUC | 6105 | Taxes Other than Income Taxes | At cost | 6,744 | 6,744 | 85.6 |
| | | | | | | | |
| CESC | CPUC | | Fixed Assets - Poles Towers and Fixtures | At cost | 2,286 | 2,286 | 100 |
| | | | | | | | |
| | | | Total | | 414,900 | 414,900 | |
| | | | | | | | |

Shared Services/Corporate Cost Allocation

Year: 2009

| Name of Company | | Account Number | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | Percentage Allocation |
|-----------------|------|----------------|---|---------------------|-----------------------|----------------------|-----------------------|
| From | To | | | | \$ | \$ | % |
| CESC | CPUC | 5016 | Distribution Station Equipment - Operation Labour | At cost | 2,285 | 2,285 | 100 |
| CESC | CPUC | 5017 | Distribution Station Equipment - Operation Supplies and Expenses | At cost | - | - | |
| CESC | CPUC | 5020 | Overhead Distribution Lines and Feeders - Operation Labour | At cost | 108,002 | 108,002 | 100 |
| CESC | CPUC | 5020.006 | Holidays and Sick Time | At cost | 16,100 | 16,100 | 82.7 |
| CESC | CPUC | 5020.100 | Undistributed Expenses - On Call | At cost | 8,150 | 8,150 | 100 |
| CESC | CPUC | 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | At cost | 8,212 | 8,212 | 82.7 |
| CESC | CPUC | 5025.100 | Truck Depreciation & Expenses | At cost | 24,793 | 24,793 | 82.7 |
| CESC | CPUC | 5065 | Meter Expense | At cost | 1,282 | 1,282 | 100 |
| CESC | CPUC | 5310 | Meter Reading Expense | At cost | 15,498 | 15,498 | 100 |
| CESC | CPUC | 5315 | Customer Billing | At cost | 37,474 | 37,474 | 82.7 |
| CESC | CPUC | 5610 | Management Salaries and Expenses | At cost | 50,953 | 50,953 | 82.7 |
| CESC | CPUC | 5610.003 | EHT Expense | At cost | 3,594 | 3,594 | 82.7 |
| CESC | CPUC | 5610.005 | WSIB | At cost | 2,600 | 2,600 | 82.7 |
| CESC | CPUC | 5615.001 | CPP Expense | At cost | 8,395 | 8,395 | 82.7 |
| CESC | CPUC | 5615.002 | EI Expense | At cost | 4,139 | 4,139 | 82.7 |
| CESC | CPUC | 5620 | Office Supplies and Expenses | At cost | 18,016 | 18,016 | 82.7 |
| CESC | CPUC | 5630 | Outside Services Employed | At cost | 12,652 | 12,652 | 82.7 |
| CESC | CPUC | 5635 | Property Insurance | At cost | 893 | 893 | 82.7 |
| CESC | CPUC | 5645 | OMERS - Employee Pensions and Benefits | At cost | 14,119 | 14,119 | 82.7 |
| CESC | CPUC | 5645.100 | Group Insurance | At cost | 33,844 | 33,844 | 82.7 |
| CESC | CPUC | 5665 | Miscellaneous General Expenses | At cost | 15,177 | 15,177 | 82.7 |
| CESC | CPUC | 6105 | Taxes Other than Income Taxes | At cost | 7,488 | 7,488 | 82.7 |
| | | | | | | | |
| CESC | CPUC | 1555 | Smart Meter Capital Cost | At cost | 1,006 | 1,006 | 100 |
| CESC | CPUC | 5020 | O/H Distr. Lines and Feeders - Op. Labor - Northern Heritage Fund | At cost | - 22,743 | - 22,743 | 82.7 |
| | | | | | | | |
| | | | Total | | 371,928 | 371,928 | |
| | | | | | | | |

Shared Services/Corporate Cost Allocation

Year: 2010

| Name of Compar | | Account Number | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | Percentage Allocation |
|----------------|------|----------------|---|---------------------|-----------------------|----------------------|-----------------------|
| From | To | | | | \$ | \$ | % |
| CESC | CPUC | 5016 | Distribution Station Equipment - Operation Labour | At cost | 4,388 | 4,388 | 100 |
| CESC | CPUC | 5017 | Distribution Station Equipment - Operation Supplies and Expense | At cost | 610 | 610 | 100 |
| CESC | CPUC | 5020 | Overhead Distribution Lines and Feeders - Operation Labour | At cost | 123,772 | 123,772 | 100 |
| CESC | CPUC | 5020.006 | Holidays and Sick Time | At cost | 16,702 | 16,702 | 84.1 |
| CESC | CPUC | 5020.100 | Undistributed Expenses - On Call | At cost | 7,650 | 7,650 | 100 |
| CESC | CPUC | 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | At cost | 4,861 | 4,861 | 84.1 |
| CESC | CPUC | 5025.100 | Truck Depreciation & Expenses | At cost | 24,278 | 24,278 | 84.1 |
| CESC | CPUC | 5065 | Meter Expense | At cost | 1,492 | 1,492 | 100 |
| CESC | CPUC | 5310 | Meter Reading Expense | At cost | 7,955 | 7,955 | 100 |
| CESC | CPUC | 5315 | Customer Billing | At cost | 36,304 | 36,304 | 84.1 |
| CESC | CPUC | 5610 | Management Salaries and Expenses | At cost | 53,986 | 53,986 | 84.1 |
| CESC | CPUC | 5610.003 | EHT Expense | At cost | 3,823 | 3,823 | 84.1 |
| CESC | CPUC | 5610.005 | WSIB | At cost | 2,776 | 2,776 | 84.1 |
| CESC | CPUC | 5615.001 | CPP Expense | At cost | 8,623 | 8,623 | 84.1 |
| CESC | CPUC | 5615.002 | EI Expense | At cost | 4,242 | 4,242 | 84.1 |
| CESC | CPUC | 5620 | Office Supplies and Expenses | At cost | 18,925 | 18,925 | 84.1 |
| CESC | CPUC | 5630 | Outside Services Employed | At cost | 7,297 | 7,297 | 84.1 |
| CESC | CPUC | 5635 | Property Insurance | At cost | 909 | 909 | 84.1 |
| CESC | CPUC | 5645 | OMERS - Employee Pensions and Benefits | At cost | 16,862 | 16,862 | 84.1 |
| CESC | CPUC | 5645.100 | Group Insurance | At cost | 38,248 | 38,248 | 84.1 |
| CESC | CPUC | 5665 | Miscellaneous General Expenses | At cost | 11,410 | 11,410 | 84.1 |
| CESC | CPUC | 6105 | Taxes Other than Income Taxes | At cost | 7,720 | 7,720 | 84.1 |
| | | | | | | | |
| | | | Total | | 402,833 | 402,833 | |
| | | | | | | | |

Shared Services/Corporate Cost Allocation

Year: Bridge Year 2011

| Name of Comparison | | Account Number | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | Percentage Allocation |
|--------------------|------|----------------|---|---------------------|-----------------------|----------------------|-----------------------|
| From | To | | | | \$ | \$ | % |
| CESC | CPUC | 5016 | Distribution Station Equipment - Operation Labour | At cost | 4,230 | 4,230 | 100 |
| CESC | CPUC | 5017 | Distribution Station Equipment - Operation Supplies and Expense | At cost | 500 | 500 | 100 |
| CESC | CPUC | 5020 | Overhead Distribution Lines and Feeders - Operation Labour | At cost | 119,390 | 119,390 | 100 |
| CESC | CPUC | 5020.006 | Holidays and Sick Time | At cost | 17,190 | 17,190 | 84 |
| CESC | CPUC | 5020.100 | Undistributed Expenses - On Call | At cost | 7,750 | 7,750 | 100 |
| CESC | CPUC | 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | At cost | 6,500 | 6,500 | 84 |
| CESC | CPUC | 5025.100 | Truck Depreciation & Expenses | At cost | 25,000 | 25,000 | 84 |
| CESC | CPUC | 5065 | Meter Expense | At cost | 517 | 517 | 100 |
| CESC | CPUC | 5310 | Meter Reading Expense | At cost | 1,776 | 1,776 | 100 |
| CESC | CPUC | 5315 | Customer Billing | At cost | 39,000 | 39,000 | 84 |
| CESC | CPUC | 5610 | Management Salaries and Expenses | At cost | 52,000 | 52,000 | 84 |
| CESC | CPUC | 5610.003 | EHT Expense | At cost | 3,473 | 3,473 | 84 |
| CESC | CPUC | 5610.005 | WSIB | At cost | 2,497 | 2,497 | 84 |
| CESC | CPUC | 5615.001 | CPP Expense | At cost | 8,669 | 8,669 | 84 |
| CESC | CPUC | 5615.002 | EI Expense | At cost | 4,275 | 4,275 | 84 |
| CESC | CPUC | 5620 | Office Supplies and Expenses | At cost | 19,000 | 19,000 | 84 |
| CESC | CPUC | 5630 | Outside Services Employed | At cost | 11,500 | 11,500 | 84 |
| CESC | CPUC | 5635 | Property Insurance | At cost | 925 | 925 | 84 |
| CESC | CPUC | 5645 | OMERS - Employee Pensions and Benefits | At cost | 17,000 | 17,000 | 84 |
| CESC | CPUC | 5645.100 | Group Insurance | At cost | 40,646 | 40,646 | 84 |
| CESC | CPUC | 5665 | Miscellaneous General Expenses | At cost | 13,000 | 13,000 | 84 |
| CESC | CPUC | 6105 | Taxes Other than Income Taxes | At cost | 7,797 | 7,797 | 84 |
| | | | | | | | |
| | | | Total | | 402,635 | 402,635 | |
| | | | | | | | |

Shared Services/Corporate Cost Allocation

Year: Test Year 2012

| Name of Compar | | Account Number | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | Percentage Allocation |
|----------------|------|----------------|---|---------------------|-----------------------|----------------------|-----------------------|
| From | To | | | | \$ | \$ | % |
| CESC | CPUC | 5016 | Distribution Station Equipment - Operation Labour | At cost | 4,500 | 4,500 | 100 |
| CESC | CPUC | 5017 | Distribution Station Equipment - Operation Supplies and Expense | At cost | 1,200 | 1,200 | 100 |
| CESC | CPUC | 5020 | Overhead Distribution Lines and Feeders - Operation Labour | At cost | 121,200 | 121,200 | 100 |
| CESC | CPUC | 5020.006 | Holidays and Sick Time | At cost | 17,400 | 17,400 | 84 |
| CESC | CPUC | 5020.100 | Undistributed Expenses - On Call | At cost | 7,800 | 7,800 | 100 |
| CESC | CPUC | 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | At cost | 7,000 | 7,000 | 84 |
| CESC | CPUC | 5025.100 | Truck Depreciation & Expenses | At cost | 30,000 | 30,000 | 84 |
| CESC | CPUC | 5065 | Meter Expense | At cost | 600 | 600 | 100 |
| CESC | CPUC | 5310 | Meter Reading Expense | At cost | 1,680 | 1,680 | 100 |
| CESC | CPUC | 5315 | Customer Billing | At cost | 40,000 | 40,000 | 84 |
| CESC | CPUC | 5610 | Management Salaries and Expenses | At cost | 54,000 | 54,000 | 84 |
| CESC | CPUC | 5610.003 | EHT Expense | At cost | 3,900 | 3,900 | 84 |
| CESC | CPUC | 5610.005 | WSIB | At cost | 2,640 | 2,640 | 84 |
| CESC | CPUC | 5615.001 | CPP Expense | At cost | 8,770 | 8,770 | 84 |
| CESC | CPUC | 5615.002 | EI Expense | At cost | 4,335 | 4,335 | 84 |
| CESC | CPUC | 5620 | Office Supplies and Expenses | At cost | 19,500 | 19,500 | 84 |
| CESC | CPUC | 5630 | Outside Services Employed | At cost | 12,000 | 12,000 | 84 |
| CESC | CPUC | 5635 | Property Insurance | At cost | 925 | 925 | 84 |
| CESC | CPUC | 5645 | OMERS - Employee Pensions and Benefits | At cost | 17,640 | 17,640 | 84 |
| CESC | CPUC | 5645.100 | Group Insurance | At cost | 40,800 | 40,800 | 84 |
| CESC | CPUC | 5665 | Miscellaneous General Expenses | At cost | 14,096 | 14,096 | 84 |
| CESC | CPUC | 6105 | Taxes Other than Income Taxes | At cost | 7,950 | 7,950 | 84 |
| | | | | | | | |
| | | | Total | | 417,936 | 417,936 | |
| | | | | | | | |

Variance Analysis

Variance Analyses of 2012 Test Year Shared Services/Corporate Cost allocation and 2008 and 2010 Actual

| Account | Description | Last Board-approved Rebasings Year (2008 Actuals) | Most Current Actual Year (2010) | Test Year (2012) | Test Year Versus Last Rebasings | | Test Year Versus Most Current Actuals | |
|----------|--|---|---------------------------------|------------------|---------------------------------|-----------------------|---------------------------------------|-----------------------|
| | | | | | Variance (\$) | Percentage Change (%) | Variance (\$) | Percentage Change (%) |
| 5016 | Distribution Station Equipment - Operation Labour | 2,118 | 4,388 | 4,500 | \$ 2,382 | 112.42% | \$ 112 | 2.56% |
| 5017 | Distribution Station Equipment - Operation Supplies and Expenses | - | 610 | 1,200 | \$ 1,200 | | \$ 590 | 96.72% |
| 5020 | Overhead Distribution Lines and Feeders - Operation Labour | 110,133 | 123,772 | 121,200 | \$ 11,067 | 10.05% | \$ 2,572 | -2.08% |
| 5020.006 | Holidays and Sick Time | 19,371 | 16,702 | 17,400 | -\$ 1,971 | -10.18% | \$ 698 | 4.18% |
| 5020.10 | Undistributed Expenses - On Call | 8,400 | 7,650 | 7,800 | -\$ 600 | -7.14% | \$ 150 | 1.96% |
| 5025 | Overhead Distribution Lines and Feeders - Oper. Supp. & Exp | 14,433 | 4,861 | 7,000 | -\$ 7,433 | -51.50% | \$ 2,139 | 44.01% |
| 5025.10 | Truck Depreciation & Expenses | 29,981 | 24,278 | 30,000 | \$ 19 | 0.06% | \$ 5,722 | 23.57% |
| 5065 | Meter Expense | 3,339 | 1,492 | 600 | -\$ 2,739 | -82.03% | -\$ 892 | -59.79% |
| 5310 | Meter Reading Expense | 17,459 | 7,955 | 1,680 | -\$ 15,779 | -90.38% | \$ 6,275 | -78.88% |
| 5315 | Customer Billing | 39,075 | 36,304 | 40,000 | \$ 926 | 2.37% | \$ 3,696 | 10.18% |
| 5610 | Management Salaries and Expenses | 51,942 | 53,986 | 54,000 | \$ 2,058 | 3.96% | \$ 14 | 0.03% |
| 5610.003 | EHT Expense | 4,414 | 3,823 | 3,900 | -\$ 514 | -11.64% | \$ 77 | 2.02% |
| 5610.005 | WSIB | 3,121 | 2,776 | 2,640 | -\$ 481 | -15.40% | -\$ 136 | -4.91% |
| 5615.001 | CPP Expense | 9,420 | 8,623 | 8,770 | -\$ 650 | -6.90% | \$ 147 | 1.70% |
| 5615.002 | EI Expense | 4,756 | 4,242 | 4,335 | -\$ 421 | -8.85% | \$ 93 | 2.20% |
| 5620 | Office Supplies and Expenses | 19,580 | 18,925 | 19,500 | -\$ 80 | -0.41% | \$ 575 | 3.04% |
| 5630 | Outside Services Employed | 12,188 | 7,297 | 12,000 | -\$ 188 | -1.54% | \$ 4,703 | 64.45% |
| 5635 | Property Insurance | 924 | 909 | 925 | \$ 1 | 0.10% | \$ 16 | 1.81% |
| 5645 | OMERS - Employee Pensions and Benefits | 14,561 | 16,862 | 17,640 | \$ 3,079 | 21.14% | \$ 778 | 4.61% |
| 5645.10 | Group Insurance | 27,286 | 38,248 | 40,800 | \$ 13,514 | 49.53% | \$ 2,552 | 6.67% |
| 5665 | Miscellaneous General Expenses | 13,370 | 11,410 | 14,096 | \$ 726 | 5.43% | \$ 2,686 | 23.55% |
| 6105 | Taxes Other than Income Taxes | 6,744 | 7,720 | 7,950 | \$ 1,206 | 17.89% | \$ 230 | 2.98% |
| | | | | | \$ - | | \$ - | |
| | Fixed Assets - Poles Towers and Fixtures | 2,286 | | | -\$ 2,286 | | \$ - | |
| | | | | | \$ - | | \$ - | |
| | Total | 414,900 | 402,833 | 417,936 | \$ 3,036 | 0.73% | \$ 15,103 | 3.75% |
| | | | | | \$ - | | \$ - | |

Variance Analysis of 2012 Test Year Shared Services/Corporate Cost Allocation and 2008 (LRY) actual.

Account numbers 5016, 5020, 5020.006, 5020.10 and 5310 (all are labour accounts) total net variance reduction of (\$4,901) or (3.11%). More distribution system labour performed and less labour for meter reading, due to the installation of smart meters.

Account 5025- reduction of (\$7,433) or (51.5%) is due to more distribution line material and supplies required in 2008 than other years.

Account 5065 - Reduction of (\$2,739) or (82.03%) is due to the installation of smart meters.

Account 5645 - increase of \$3,079 or 21.4% is due to inflationary and economic increases by OMERS to sustain future benefits.

Account 5645.10 - Increase of \$13,514 or 49.53% is due to an increase from single to family coverage for 1 employee, 4 years of inflationary increases and increase in group insurance premiums above inflation.

Total increase for 2012 Test Year and 2008 LRY actual is an increase of \$3,036 or 0.73%

Variance Analysis of 2012 Test Year Shared Services/Corporate Cost Allocation and 2010 actual.

Account 5025.10 increase of \$5,722 or 23.57% is due to lower than expected truck expenses in 2010.

Account 5310 - reduction of (\$6,275) or (78.88%) is due to less labour for meter reading, due to the installation of smart meters.

Account 5630 - increase of \$4,703 or 64.45% is due to lower than expected costs in 2010.

Account 5665 - increase of \$2,686 or 23.55% is due to lower than expected costs in 2010.

Total increase for 2012 Test Year and 2010 actual is an increase of \$15,103 or 3.75%

6. PURCHASE OF NON-AFFILIATE SERVICES

CPUC has not incurred utility expenses through the purchase of services from non-affiliate firms.

7. DEPRECIATION/AMORTIZATION/DEPLETION FOR HISTORICAL 2006 TO 2010, 2011 BRIDGE AND 2012 TEST YEARS.

CPUC adheres to the Board's guidelines on amortization/depreciation rates and includes a policy statement in the annual Audited Financial Statements, as to the treatment of its assets, depreciation/amortization and depletion as follows:

"Chapleau's capitalization policy is to capitalize costs incurred in excess of \$750 deemed to have a future benefit to the Corporation.

Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is charged to operations using the following methods and annual rates:

Computer equipment and software - Declining-balance at 55%

Meters - Declining-balance at 10%

Transmission and distribution systems - Declining-balance at 4%

Amortization is taken at 50% of the above rate in the year of acquisition.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Asset retirement obligations:

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is amortized over the life of the asset.

The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at a credit adjusted risk free interest rate. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the related long lived asset that is amortized over the remaining life of the asset."

As identified in the above policy statement CPUC abides by the Board's general policy for electricity distribution rate setting that capital additions would normally attract six months of depreciation expense when they enter service and has applied the "half-year" rule to historical years and the 2012 Test Year.

The following are the annual depreciation/amortization tables for historical years, 2006 to 2010, 2011 Bridge Year and 2012 Test Year. As identified in Appendix 2 under "Treatment of Stranded Assets Related to Smart Meter Deployment" 2012 Bridge Year meter assets has been adjusted to remove the value of the stranded meters and their depreciation as at December 31, 2011.

Depreciation and Amortization Expense

Year: **2006**

| Account | Description | Opening Balance (a) | Less Fully Depreciated ¹ (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d) ² | Years (f) | Depreciation Rate (g) = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|---------|--|------------------------|--|---|------------------|--|--------------|------------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 141 | | \$ 141 | | | | No |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 | \$ 309,214 | | \$ 309,214 | | \$ 309,214 | 25.00 | \$ 0.04 | \$ 12,369 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 372,955 | | \$ 372,955 | \$ 1,551 | \$ 373,731 | 25.00 | \$ 0.04 | \$ 14,949 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 32,957 | | \$ 32,957 | | \$ 32,957 | 25.00 | \$ 0.04 | \$ 1,318 | No |
| 1845 | Underground Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1850 | Line Transformers | \$ 119,393 | | \$ 119,393 | \$ 21,899 | \$ 130,343 | 25.00 | \$ 0.04 | \$ 5,214 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 87,579 | | \$ 87,579 | \$ 842 | \$ 88,000 | 25.00 | \$ 0.04 | \$ 3,520 | No |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 19/07) | | | \$ - | | \$ - | | | | |
| 1925 | Computer Software | | | \$ - | | \$ - | | | | |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 922,238 | \$ - | \$ 922,238 | \$ 24,292 | \$ 934,384 | | | \$ 37,370 | |

Depreciation and Amortization Expense

Year: **2007**

| Account | Description | Opening Balance (a) | Less Fully Depreciated (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d)² | Years (f) | Depreciation Rate (g) = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|---------|--|------------------------|-------------------------------|---|------------------|--|--------------|------------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 141 | | \$ 141 | | | | No |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 296,845 | | \$ 296,845 | | \$ 296,845 | 25.00 | \$ 0.04 | \$ 11,874 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 359,557 | | \$ 359,557 | | \$ 359,557 | 25.00 | \$ 0.04 | \$ 14,382 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 31,639 | | \$ 31,639 | | \$ 31,639 | 25.00 | \$ 0.04 | \$ 1,266 | No |
| 1845 | Underground Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1850 | Line Transformers | \$ 136,078 | | \$ 136,078 | | \$ 136,078 | 25.00 | \$ 0.04 | \$ 5,443 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 84,901 | | \$ 84,901 | | \$ 84,901 | 25.00 | \$ 0.04 | \$ 3,396 | No |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 19/07) | | | \$ - | | \$ - | | | | |
| 1925 | Computer Software | | | \$ - | | \$ - | | | | |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 909,161 | \$ - | \$ 909,161 | \$ - | \$ 909,161 | | | \$ 36,361 | |

Depreciation and Amortization Expense

Year: **2008**

| Acco | Description | Opening Balance (a) | Less Fully Depreciated ¹ (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d) ² | Years (f) | Depreciation Rate (g) = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|------|--|------------------------|--|---|------------------|--|--------------|------------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 141 | | \$ 141 | | | | No |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 284,971 | | \$ 284,971 | | \$ 284,971 | 25.00 | \$ 0.04 | \$ 11,399 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 345,175 | | \$ 345,175 | \$ 4,530 | \$ 347,440 | 25.00 | \$ 0.04 | \$ 13,898 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 30,373 | | \$ 30,373 | | \$ 30,373 | 25.00 | \$ 0.04 | \$ 1,215 | No |
| 1845 | Underground Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1850 | Line Transformers | \$ 130,635 | | \$ 130,635 | \$ 25,362 | \$ 143,316 | 25.00 | \$ 0.04 | \$ 5,733 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 81,505 | | \$ 81,505 | \$ 1,296 | \$ 82,153 | 25.00 | \$ 0.04 | \$ 3,286 | No |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 19/07) | | | \$ - | | \$ - | | | | |
| 1925 | Computer Software | \$ - | | \$ - | \$ 11,186 | \$ 5,593 | 1.82 | \$ 0.55 | \$ 3,076 | No |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 872,799 | \$ - | \$ 872,799 | \$ 42,374 | \$ 893,986 | | | \$ 38,607 | |

Appendix 2-M Depreciation and Amortization Expense

Year: **2009**

| Account | Description | Opening Balance (a) | Less Fully Depreciated ¹ (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + 1/2 x (d) ² | Years (f) | Depreciation Rate g) = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|---------|--|------------------------|--|---|------------------|--|--------------|-----------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 140.50 | | \$ 140.50 | | | | No |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 273,572 | | \$ 273,572.00 | \$ 3,081 | \$ 275,112.50 | 25.00 | \$ 0.04 | \$ 11,004.50 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 335,807 | | \$ 335,807.00 | \$ 1,937 | \$ 336,775.50 | 25.00 | \$ 0.04 | \$ 13,471.02 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 29,158 | | \$ 29,158.00 | \$ 211 | \$ 29,263.50 | 25.00 | \$ 0.04 | \$ 1,170.54 | No |
| 1845 | Underground Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1850 | Line Transformers | \$ 150,264 | | \$ 150,264.00 | \$ 2,365 | \$ 151,446.50 | 25.00 | \$ 0.04 | \$ 6,057.86 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 79,515 | | \$ 79,515.00 | | \$ 79,515.00 | 10.00 | \$ 0.10 | \$ 7,951.50 | Yes |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 19/07) | | | \$ - | \$ 661 | \$ 330.50 | 1.82 | \$ 0.55 | \$ 181.79 | No |
| 1925 | Computer Software | \$ 8,110 | | \$ 8,110.00 | | \$ 8,110.00 | 1.82 | \$ 0.55 | \$ 4,460.95 | No |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 876,567 | \$ - | \$ 876,566.50 | \$ 8,255 | \$ 880,694.00 | | | \$ 44,298.16 | |

Depreciation and Amortization Expense

Year: **2010**

| Account | Description | Opening Balance (a) | Less Fully Depreciated (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d) ² | Years (f) | Depreciation Rate g = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|---------|--|------------------------|-------------------------------|---|------------------|--|--------------|----------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 140.50 | | \$ 140.50 | | | | |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 265,648 | | \$ 265,648.00 | \$ 2,228.00 | \$ 266,762.00 | 25.00 | \$ 0.04 | \$ 10,670.48 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 324,272 | | \$ 324,272.00 | \$ 1,789.00 | \$ 325,166.50 | 25.00 | \$ 0.04 | \$ 13,006.66 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 28,198 | | \$ 28,198.00 | | \$ 28,198.00 | 25.00 | \$ 0.04 | \$ 1,127.92 | No |
| 1845 | Underground Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1850 | Line Transformers | \$ 146,571 | | \$ 146,571.00 | | \$ 146,571.00 | 25.00 | \$ 0.04 | \$ 5,862.84 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 71,563 | | \$ 71,563.00 | \$ 5,500.00 | \$ 74,313.00 | 10.00 | \$ 0.10 | \$ 7,431.30 | Yes |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | \$ 479 | | \$ 479.21 | | \$ 479.21 | 1.82 | \$ 0.55 | \$ 263.59 | No |
| 1925 | Computer Software | \$ 3,649 | | \$ 3,649.00 | | \$ 3,649.00 | 1.82 | \$ 0.55 | \$ 2,007.15 | No |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 840,521 | \$ - | \$ 840,520.71 | \$ 9,517.00 | \$ 845,279.21 | | | \$ 40,369.94 | |

Appendix 2-M Depreciation and Amortization Expense

Year: **2011**

| Acco | Description | Opening Balance (a) | Less Fully Depreciated ¹ (b) | Net for Depreciation (c) = (a) - (b) | Additions (d) | Total for Depreciation (e) = (c) + (d) | Years (f) | Depreciation Rate (g) = 1 / (f) | Depreciation Expense (h) = (e) / (f) | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|------|--|------------------------|--|---|------------------|---|--------------|------------------------------------|---|--|
| 1805 | Land | \$ 141 | | \$ 140.50 | | \$ 140.50 | | | | |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 257,206 | | \$ 257,206.00 | | \$ 257,206.00 | 25.00 | \$ 0.04 | \$ 10,288.24 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 313,055 | | \$ 313,055.00 | \$ 2,361.00 | \$ 314,235.50 | 25.00 | \$ 0.04 | \$ 12,569.42 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 27,070 | | \$ 27,070.00 | | \$ 27,070.00 | 25.00 | \$ 0.04 | \$ 1,082.80 | No |
| 1845 | Underground Conductors & Devices | \$ - | | \$ - | \$ 4,850.00 | \$ 2,425.00 | 25.00 | \$ 0.04 | \$ 97.00 | No |
| 1850 | Line Transformers | \$ 140,708 | | \$ 140,708.00 | | \$ 140,708.00 | 25.00 | \$ 0.04 | \$ 5,628.32 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 69,632 | | \$ 69,632.00 | | \$ 69,632.00 | 10.00 | \$ 0.10 | \$ 6,963.20 | Yes |
| 1860 | Meters (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | \$ 216 | | \$ 216.00 | | \$ 216.00 | 1.82 | \$ 0.55 | \$ 118.81 | No |
| 1925 | Computer Software | \$ 1,642 | | \$ 1,642.00 | | \$ 1,642.00 | 1.82 | \$ 0.55 | \$ 903.19 | No |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 809,670 | \$ - | \$ 809,669.50 | \$ 7,211.00 | \$ 813,275.00 | | | \$ 37,650.98 | |

Depreciation and Amortization Expense

Year: **2012**

| Account | Description | Opening Balance | Less Fully Depreciated ¹ | Net for Depreciation | Additions | Total for Depreciation | Years | Depreciation Rate | Depreciation Expense | Did Depreciation Rate in "g" Change (Yes/No)? ³ |
|---------|--|-----------------|-------------------------------------|----------------------|--------------|------------------------------------|-------|-------------------|----------------------|--|
| | | (a) | (b) | (c) = (a) - (b) | (d) | (e) = (c) + 1/2 x (d) ² | (f) | g) = 1 / (f) | (h) = (e) / (f) | |
| 1805 | Land | \$ 141 | | \$ 141 | | \$ 141 | | | | |
| 1808 | Buildings | | | \$ - | | \$ - | | | | |
| 1810 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1815 | Transformer Station Equipment >50 kV | | | \$ - | | \$ - | | | | |
| 1820 | Distribution Station Equipment <50 kV | \$ 246,918 | | \$ 246,918 | \$ 19,765.00 | \$ 256,800 | 25.00 | \$ 0.04 | \$ 10,272.01 | No |
| 1825 | Storage Battery Equipment | | | \$ - | | \$ - | | | | |
| 1830 | Poles, Towers & Fixtures | \$ 302,847 | | \$ 302,847 | \$ 23,162.00 | \$ 314,428 | 25.00 | \$ 0.04 | \$ 12,577.10 | No |
| 1835 | Overhead Conductors & Devices | | | \$ - | | \$ - | | | | |
| 1840 | Underground Conduit | \$ 25,987 | | \$ 25,987 | | \$ 25,987 | 25.00 | \$ 0.04 | \$ 1,039.49 | No |
| 1845 | Underground Conductors & Devices | \$ 4,753 | | \$ 4,753 | | \$ 4,753 | 25.00 | \$ 0.04 | \$ 190.12 | No |
| 1850 | Line Transformers | \$ 135,080 | | \$ 135,080 | \$ 8,863.00 | \$ 139,511 | 25.00 | \$ 0.04 | \$ 5,580.45 | No |
| 1855 | Services (Overhead and Underground) | | | \$ - | | \$ - | | | | |
| 1860 | Meters | \$ 10,084 | | \$ 10,084 | | \$ 10,084 | 10.00 | \$ 0.10 | \$ 1,008.37 | Yes |
| 1860 | Meters (Smart Meters) | \$ 293,945 | | \$ 293,945 | \$ 1,500.00 | \$ 294,695 | 10.00 | \$ 0.10 | \$ 29,470 | No |
| 1905 | Land | | | \$ - | | \$ - | | | | |
| 1906 | Land Rights | | | \$ - | | \$ - | | | | |
| 1908 | Buildings & Fixtures | | | \$ - | | \$ - | | | | |
| 1910 | Leasehold Improvements | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (10 Years) | | | \$ - | | \$ - | | | | |
| 1915 | Office Furniture & Equipment (5 Years) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equipment - Hardware | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | | | \$ - | | \$ - | | | | |
| 1920 | Computer Equip. - Hardware (Post Mar. 22/04) | \$ 97 | | \$ 97 | | \$ 97 | 1.82 | \$ 0.55 | \$ 53.48 | No |
| 1925 | Computer Software | \$ 25,474 | | \$ 25,474 | \$ 5,000.00 | \$ 27,974 | 1.82 | \$ 0.55 | \$ 15,387 | No |
| 1930 | Transportation Equipment | | | \$ - | | \$ - | | | | |
| 1935 | Stores Equipment | | | \$ - | | \$ - | | | | |
| 1940 | Tools, Shop & Garage Equipment | | | \$ - | | \$ - | | | | |
| 1945 | Measurement & Testing Equipment | | | \$ - | | \$ - | | | | |
| 1950 | Power Operated Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communications Equipment | | | \$ - | | \$ - | | | | |
| 1955 | Communication Equipment (Smart Meters) | | | \$ - | | \$ - | | | | |
| 1960 | Miscellaneous Equipment | | | \$ - | | \$ - | | | | |
| 1975 | Load Management Controls Utility Premises | | | \$ - | | \$ - | | | | |
| 1980 | System Supervisor Equipment | | | \$ - | | \$ - | | | | |
| 1985 | Miscellaneous Fixed Assets | | | \$ - | | \$ - | | | | |
| 1995 | Contributions & Grants | | | \$ - | | \$ - | | | | |
| | Total | \$ 1,045,325 | \$ - | \$ 1,045,325 | \$ 58,290.00 | \$ 1,074,470 | | | \$ 75,578 | |

8. TAXES/PILS

Taxes (Payments In Lieu of Taxes ("PILs"), Capital Tax and Property Taxes)

CPUC has completed the PILs model and is included in this application as APPENDIX B.

Also included in this application are the most recent (2010) Federal and Provincial tax returns as APPENDIX C.

For Payment In Lieu of Taxes, CPUC has losses of \$475,717 (2009 - \$498,146) carried forward which can be applied to reduce future years' taxable income. These losses will expire, \$137,203 in 2014 and \$338,514 in 2015.

9. GREEN ENERGY ACT PLAN O&M COSTS

CPUC has been informed that no applications for renewable generators have been received by the OPA through the FIT program within the CPUC service area. Further, CPUC has not received any requests for micro FIT connection or consultation. Consequently there has been no requirement for any development of the system to accommodate the connection of renewable generation.

The OPA has advised there are no regional planning issues that would impact Chapleau PUC in the near future.

Below is the Report by Burman Energy Consultants Group Inc. and the response from the Ontario Power Authority which are also included as APPENDIX D.

CHAPLEAU PUBLIC UTILITIES CORP.

GREEN ENERGY ACT PLAN

SEPTEMBER 2011



INTRODUCTION

Chapleau Public Utilities Corporation (CPUC) is a licensed electricity distributor for the Town of Chapleau servicing approximately 1,300 customers. As a condition of license and in accordance with the Ontario Energy Board's (OEB) filing requirements of EB-2009-0397, Distribution System Plans – Filing under Deemed Conditions of License, CPUC has prepared a basic Green Energy Act Plan (GEA Plan) for its franchise area for the 2012 to 2016 period.

The GEA Plan is intended to provide information to the OEB and interested stakeholders regarding the preparedness of CPUC's distribution system to accommodate the connection of renewable generation and the expansion or reinforcement necessary to accommodate renewable generation and the development of the smart grid.

Chapleau is located in northern Ontario as shown in Figure 1 below. The service territory for CPUC is primarily the municipal boundaries of the town and is shown in Figure 2.

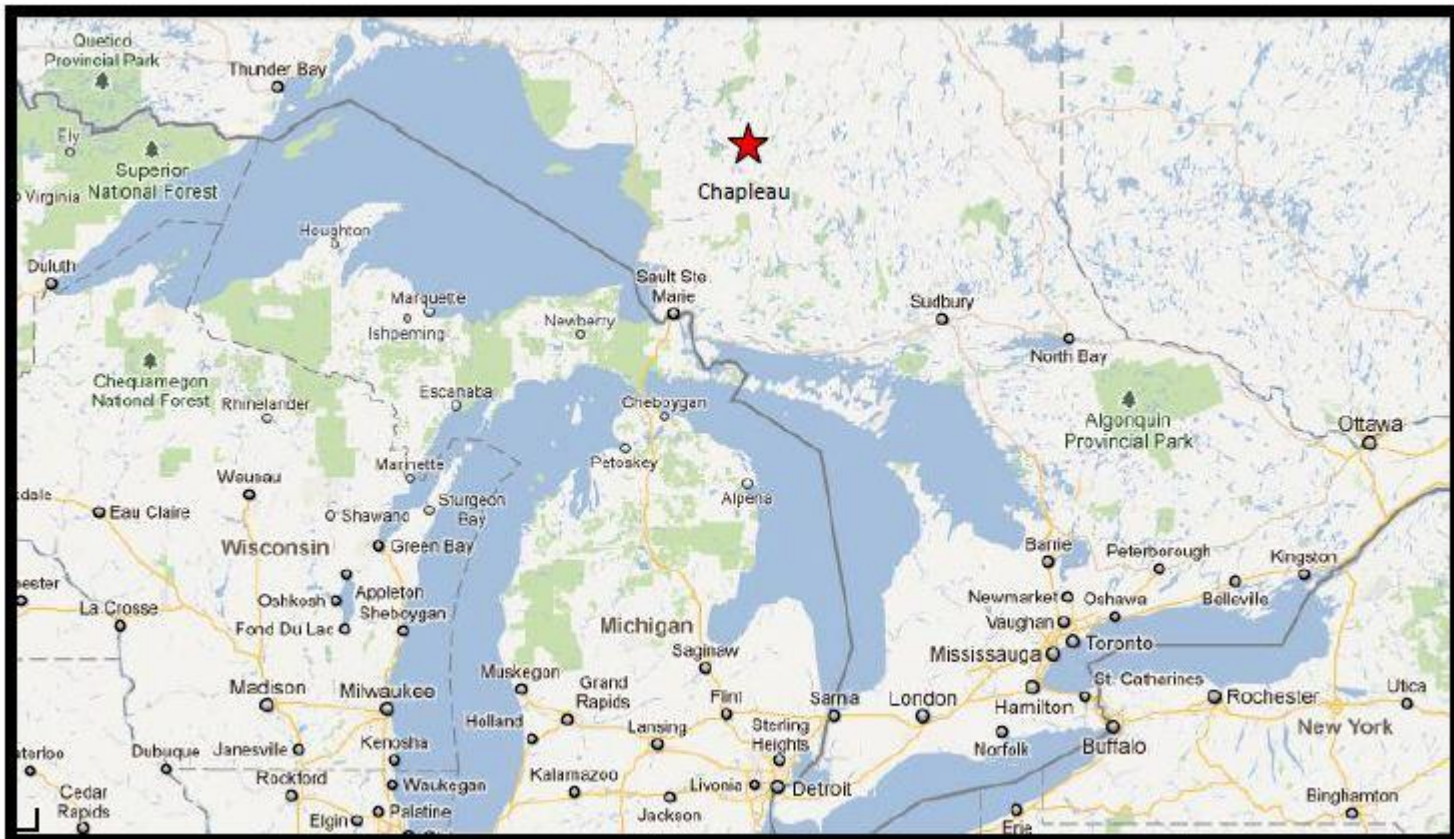


Figure 1 – Partial map of Ontario



Figure 2 – PUC's service territory

In preparing this document CPUC consulted with Hydro One Networks Inc. (HONI) & the Ontario Power Authority (OPA).

OVERVIEW OF CHAPLEAU's DISTRIBUTION SYSTEM

CPUC's distribution system is connected to the 115 kV transmission system through Chapleau DS. The distribution system is comprised of two voltage systems: one at 4.16 kV and the other at 25 kV. CPUC owns two 115-4.16 kV transformers at the DS totalling 6.2 MVA which supply 3 feeders. In addition, CPUC has one 25 kV feeder supplied by HONI which is limited to supplying approximately 3.5 MVA of capacity.

Approximately 60% of the distribution assets are rated at 4.16 kV and 40% are rated at 25 kV.

CURRENT ASSESSMENT OF CPUC's DISTRIBUTION SYSTEM

Both distribution systems are capable of accepting connections for renewable generation. There have been no formal engineering studies conducted with respect to the quantity of renewable generation that may be connected to CPUC's distribution system; however the following general information is provided for the two distribution voltages.

For the 25 kV system, HONI has advised that as of July of this year Chapleau DS is currently among the list of stations under restricted status and no offers to connect may be provided until the station status changes. With respect to the 4.16 kV distribution system, the capacity for renewable generation connections has been set at 930 kW representing 15% of the rating of the distribution transformers and does not reflect any 115 kV transmission constraints. This value will be adjusted as applications are received and will be balanced against any constraints on the transmission system identified by HONI.

There are no expenditures related to renewable generation connections or smart grid that are included in capital plans, funded in current rates, or tracked in deferral accounts.

There are no relevant unique challenges or opportunities associated with the distribution system as it is currently configured.

PLANNED DEVELOPMENT OF THE SYSTEM

CPUC has been informed that no applications for renewable generators have been received by the OPA through the FIT program within the CPUC service area. Further, CPUC has not received any requests for micro FIT connection or consultation. Consequently, there has been no requirement for any development of the system to accommodate the connection of renewable generation. The OPA has advise there is no regional planning issues that would impact Chapleau PUC in the near future.

OPA Letter of Comment:

Chapleau
Public
Utilities
Corporation

Basic Green
Energy Act
Plan

October 5, 2011



Introduction

On March 25, 2010, The Ontario Energy Board (“the OEB”) issued its Filing Requirements for Distribution System Plans. As a condition of Licence, Ontario Distributors are required to file a Green Energy Act Plan as part of their cost of service application.

The Filing Requirements distinguish between Basic and Detailed Green Energy Act Plans (“Plan” or “GEA Plan”) and outline the specific information and level of detail which must be provided for each type of Plan.

Recognizing the importance of coordinated planning in achieving the goals of the *Green Energy and Green Economy Act, 2009* (the “GEA”), distributors must consult with embedded and host distributors, upstream transmitters and the OPA in preparing their Plans. For both Basic and Detailed Plans, distributors are required to submit as part of the Plan, a letter of comment from the OPA.

The OPA will review distributors’ Basic Plans to ensure consistency with regard to FIT and microFIT applications received, as well as with integrated Plans for the region or the system as a whole.

Chapleau Public Utilities Corporation - Basic Green Energy Act Plan

On September 26, 2011, the OPA received a Basic GEA Plan from Chapleau Public Utilities Corporation (“CPUC”). The OPA has reviewed CPUC’s Plan and has provided its comments below.

OPA FIT/microFIT Applications Received

Chapleau Public Utilities Corporation’s Plan identifies no micro FIT applications and no FIT applications received by CPUC. This is mentioned under the heading *Planned Development of the System*.

Up to September 26, 2011, the OPA has not received any FIT applications connecting to CPUC’s system. After CPUC’s initial consultation with the OPA in August while preparing its GEA Plan, 4 new microFIT applications were submitted to the OPA in September 2011, totalling 40 kW.

Upstream Transmission Constraints The OPA notes that CPUC’s supply point at Chapleau DS is currently constrained by the Northeast area limit.

This constraint poses limitations for Capacity Allocation Required FIT applications connecting to CPUC’s system as well as elsewhere in the Northeast region. The OPA is unable to award contracts to Capacity Allocation Required projects in the Northeast region due to this constraint.

Economic Connection Test Results

There has been no Economic Connection Test performed to date.

Opportunities for Integrated Solutions

There are no known corresponding expansions among neighbouring LDCs that could be addressed through integrated transmission solutions at this time.

Conclusion

The OPA finds that the Chapleau Public Utilities Corporation's GEA Plan is reasonably consistent with the OPA's information regarding renewable energy generation applications to date.

The OPA appreciates the opportunity to comment on CPUC's Basic GEA Plan.

10. CONSERVATION AND DEMAND MANAGEMENT ("CDM") COSTS

Lost Revenue Adjustment Mechanism (LRAM)

CPUC is hereby filing, as part of the 2012 rate application, an LRAM to recover lost revenue from 2006 to 2010 for OPA sponsored programs consistent with the CDM guidelines.

The following report by the Burman Energy Consultants Group Inc. reproduced below identifies total LRAM amounts by customer class.

The report and attachments are included as APPENDIX E

Based on the information supplied by Burman Energy Consultants Inc. it was determined that revenue losses of \$23,131.15 affected the residential and general service classes as follows:

| Customer Class | Amount |
|------------------------|-------------|
| Residential | \$22,221.91 |
| General service <50 kW | \$189.02 |
| General service >50 kW | \$720.22 |
| Total | \$23,131.15 |

Based on the above CPUC calculated a rate rider to be applied in 2012 as follows:

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | LRAM \$ 2006 -2010 | Volumetric Rate Rider | Billing Determinants |
|----------------------------|--------------------------------|-------------------|------------------|--------------------------|--------------------------|-------------------------|
| Residential | 1,133 | 14,574,912 | | \$ 22,222 | \$ 0.00152 | kWh |
| Gen Service <50 kW | 161 | 5,255,040 | | \$ 189 | \$ 0.00004 | kWh |
| Gen Service >50 kW | 14 | 7,658,952 | 19,530 | \$ 720 | \$ 0.03688 | kW |
| Unmetered Scattered Load | 6 | 7,272 | | \$ - | \$ - | kWh |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ - | \$ - | kW |
| Street Lighting | 341 | 294,624 | 780 | \$ - | \$ - | kW |
| Total Gross Revenue | \$ 1,678 | 27,816,744 | \$ 20,376 | \$ 23,131 | | |

The customer impact based on the above Rate Rider rates a Residential customer consuming an average of 1072 kWh will pay \$1.61 or 1.21%. GS <50 kW will not be impacted and GS >50 kW customer consuming an average of 116.25 kW and 45,589 kWh will pay \$4.29 or 0.08%.



Chapleau PUC

LRAM Support

October 19, 2011

Prepared by: Bart Burman, MBA, BA.Sc. P.Eng., President

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Attachments

Attachment A – CDM Load Impacts by Class and Program

Attachment B - LRAM Amounts

Attachment C – LRAM Totals

Attachment D - OPA Assumptions

1. Introduction

With success in its CDM activities, Chapleau PUC has lost revenues that need to be addressed as part of its 2012 rates submission to the Ontario Energy Board (OEB). This process will ensure that future CDM investments are sustainable in the long term by becoming a standard element in future rate filings.

The Ontario Energy Board (OEB) introduced a process outlined in the March 28, 2008 Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037) ("CDM Guidelines") for rate-based applications to recover revenues lost to customer energy conservation, and to share in gains from effective CDM programs prior to the completion of Third Tranche CDM programs. The mechanism developed by the OEB to calculate lost revenue for savings is the Lost Revenue Adjustment Mechanism (LRAM).

2. Scope

Chapleau PUC requested that Burman Energy Consultants Group Inc. (Burman Energy) prepare and critically assess an additional LRAM claim for program results to the end of 2010. The most recently published OPA 2010 Final CDM Results Summary, released September 16, 2011, were used to calculate LRAM amounts.

Burman Energy committed to providing the following:

1. Review available suitability of published Chapleau PUC data for determining appropriate input assumptions.
2. Prepare and finalize LRAM calculations and assumptions consistent with CDM Guidelines and suitable for inclusion in Chapleau PUC' 2012 COS application, with supporting details.
3. Produce a report, recommendations, and support related to LRAM assessments/findings.

In performing the above tasks, Burman Energy's involvement is intended to constitute a third party review as specified in the OEB's CDM Guidelines.

3. LRAM Principles

The OEB issued GUIDELINES FOR ELECTRICITY DISTRIBUTOR CONSERVATION AND DEMAND MANAGEMENT, EB-2008-0037 were applied to the preparation of this LRAM application.

LRAM was calculated as the product of the demand/energy savings by customer class and the Board-approved variable distribution charge appropriate to each respective class (net of Regulatory Asset Recovery rate riders) for Chapleau PUC. The OPA published program evaluation reports were utilized where available in the validation of input assumptions.

4. Process

In calculating LRAM, Burman Energy:

1. Reviewed existing LRAM CDM Guidelines and precedents set through LDC submissions to the OEB, to identify the most prudent course for Chapleau PUC LRAM.
2. Sought counsel within OEB staff to validate assumptions and processes to complete LRAM submission consistent with other LDC submissions.
3. Reviewed Chapleau PUC's CDM program results and input assumptions.
4. Verified correct input assumptions were applied in LRAM calculations.
5. Prepared report and recommendations related to LRAM calculations consistent with OEB CDM Guidelines which are in the accompanying documentation.

5. Results

A review of Chapleau PUC's CDM program supporting data verified that documentation exists to support the use of OPA program evaluations as the basis for LRAM calculations. Input assumptions and free ridership rates for the 2010 program were not provided in the September 16, 2011 OPA 2010 Final CDM Results Summary. These input assumptions will be updated once the 2010 Final CDM Results Detailed report is released. Input assumptions and free ridership rates for 2006-2009 programs are identified in Attachment D

The accompanying table below summarizes the calculated amounts for LRAM for Chapleau PUC's OPA programs. The calculation of the results, by program and customer class as applicable, are explained in the text below, and detailed in the appended attachment.

Rate Class

| | LRAM \$ |
|---------------------------------|-------------|
| OPA Programs | |
| RESIDENTIAL | \$22,221.91 |
| GENERAL SERVICE <50KW | \$189.02 |
| GENERAL SERVICE >50KW | \$720.22 |
| | \$23,131.15 |

6. Calculation of LRAM

OPA sponsored programs represent lost revenue through their successful implementation and are included in LRAM calculations.

LRAM amounts were identified by rate class consistent with the CDM Guidelines for programs that impacted revenues from 2006 to 2010 for OPA programs. No adjustments were made to incorporate impacts for any kW/kWh reductions assumed in current Board approved load forecasts.

The sum of all program LRAM calculations, including OPA sponsored programs is \$23,131.15

Attachment A summarizes load impacts by class and program. Attachment B (Foregone Revenue By Class and Program) summarizes the CDM load impacts by program and rate class and the resultant revenue impacts.

The LRAM amounts arising from CDM programs in each respective rate class are allocated to that class for recovery.

7. Recommendations

Burman Energy recommends the following:

1. LRAM amounts arising from CDM programs in each rate class be allocated to that class for recovery.
2. Prepare adjustments to account for any kW/kWh savings amounts included in current load forecasts.
3. Rate impacts, proposed rate riders and respective terms to mitigate LRAM recovery be addressed by Chapleau PUC

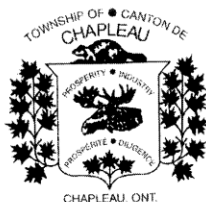
EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE

CPUC wishes to adopt the OEB's guidelines for the cost of capital and confirm that the cost of capital parameters will be updated in accordance with the OEB guidelines at the time of the Board's decision.

1. CAPITAL STRUCTURE

The only change made to capital structure was in 2009 when the Corporation converted \$1,121,529 of its mortgage payable into \$1,121,529 Class B special shares.

The following is the Order in Council number 8 - 97 of The Township of Chapleau approving the conversion with the passing of the resolution.



CENTRE CIVIQUE DE CHAPLEAU CIVIC CENTRE
P.O. BOX - C.P. 129
CHAPLEAU, ONTARIO
P0M 1K0
TEL. (705) 864-1330
FAX (705) 864-1824
www.chapleau.ca

THE TOWNSHIP OF CHAPLEAU

Chapleau, On

March 9, 2009

Order in Council

No. 8-97

Moved by A. Byham

Seconded by D. Greig

WHEREAS the Corporation of the Township of Chapleau (the "Township") has previously passed Resolution 4-58 to convert loans payable by the Chapleau Public Utilities Corporation (the "PUC") and Chapleau Energy Services ("Energy Services") to the Township into common shares of the PUC and Energy Services; And

WHEREAS it has been determined prudent to convert the balance of loans payable by the PUC and Energy Services to the Township into Class B Special Shares of the PUC and Energy Services:

NOW THEREFORE, Council confirms approval for the conversion of debt owing at December 31, 2008, into Class B Special Shares of the PUC and Energy Services.

Certified to be a true copy

Allan Pellow, CAO/AMCT
March 11, 2009

Carried..x....

Defeated

Tabled

.....
Mayor E. Freeborn

"Friendliest Town in the North"
"Ville la plus accueillante du nord"

The following is the Capital Structure (appendix 2-N) for the 2008 Board approved Test Year, 2008 to 2010 actual, 2011 Bridge Year and 2012 Test Year.

| Capitalization/Cost of Capital | | | | | |
|--------------------------------|------------------|----------------------|-------------|-----------|-----------|
| 2008 Board Approved | | | | | |
| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
| Application | | | | | |
| | | (%) | (\$) | (%) | (\$) |
| Debt | | | | | |
| 1 | Long-term Debt | 49.30% | \$1,183,970 | 6.10% | \$72,222 |
| 2 | Short-term Debt | 4.00% (1) | \$96,062 | 4.47% | \$4,294 |
| 3 | Total Debt | 53.3% | \$1,280,032 | 5.98% | \$76,516 |
| Equity | | | | | |
| 4 | Common Equity | 0.00% | \$ - | 0.00% | \$ - |
| 5 | Preferred Shares | 46.70% | \$1,121,529 | 8.57% | \$96,115 |
| 6 | Total Equity | 46.7% | \$1,121,529 | 8.57% | \$96,115 |
| 7 | Total | 100.0% | \$2,401,561 | 7.19% | \$172,631 |

| Capitalization/Cost of Capital | | | | | |
|--------------------------------|------------------|----------------------|-------------|-----------|-----------|
| 2008 Actual | | | | | |
| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
| | Application | | | | |
| | | (%) | (\$) | (%) | (\$) |
| Debt | | | | | |
| 1 | Long-term Debt | 49.30% | \$1,105,828 | 6.10% | \$67,455 |
| 2 | Short-term Debt | 4.00% (1) | \$89,722 | 4.47% | \$4,011 |
| 3 | Total Debt | 53.3% | \$1,195,550 | 5.98% | \$71,466 |
| Equity | | | | | |
| 4 | Common Equity | 0.00% | \$ - | 0.00% | \$ - |
| 5 | Preferred Shares | 46.70% | \$1,047,508 | 8.57% | \$89,771 |
| 6 | Total Equity | 46.7% | \$1,047,508 | 8.57% | \$89,771 |
| 7 | Total | 100.0% | \$2,243,058 | 7.19% | \$161,238 |

Capitalization/Cost of Capital

2009 Actual

| Line No. | Particulars | Capitalization Ratio | Cost Rate | Return |
|--------------------|---------------------|----------------------|-------------|--------|
| Application | | | | |
| | | (%) | (%) | (%) |
| Debt | | | | |
| 1 | Long-term Debt | 52.70% | \$1,182,092 | 6.10% |
| 2 | Short-term Debt | 4.00% (1) | \$89,722 | 4.47% |
| 3 | Total Debt | 56.7% | \$1,271,814 | 5.99% |
| Equity | | | | |
| 4 | Common Equity | 43.30% | \$971,244 | 8.57% |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% |
| 6 | Total Equity | 43.3% | \$971,244 | 8.57% |
| 7 | Total | 100.0% | \$2,243,058 | 7.10% |

Capitalization/Cost of Capital

2010 Actual

| Line No. | Particulars | Capitalization Ratio | Cost Rate | Return |
|--------------------|---------------------|----------------------|-------------|--------|
| Application | | | | |
| | | (%) | (%) | (%) |
| Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$1,256,112 | 6.10% |
| 2 | Short-term Debt | 4.00% (1) | \$89,722 | 4.47% |
| 3 | Total Debt | 60.0% | \$1,345,835 | 5.99% |
| Equity | | | | |
| 4 | Common Equity | 40.00% | \$897,223 | 8.57% |
| 5 | Preferred Shares | 0.00% | \$18 | 0.00% |
| 6 | Total Equity | 40.0% | \$897,241 | 8.57% |
| 7 | Total | 100.0% | \$2,243,058 | 7.02% |

Capitalization/Cost of Capital

2011 Bridge Year

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|------------------|----------------------|-------------|-----------|-----------|
| | | Application | | | |
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$1,256,112 | 6.10% | \$76,623 |
| 2 | Short-term Debt | 4.00% (1) | \$89,722 | 4.47% | \$4,011 |
| 3 | Total Debt | 60.0% | \$1,345,835 | 5.99% | \$80,633 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$897,223 | 8.57% | \$76,892 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 40.0% | \$897,223 | 8.57% | \$76,892 |
| 7 | Total | 100.0% | \$2,243,058 | 7.02% | \$157,525 |

Capitalization/Cost of Capital

2012 Test Year

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|------------------|----------------------|-------------|-----------|-----------|
| | Application | | | | |
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$1,256,112 | 6.10% | \$76,623 |
| 2 | Short-term Debt | 4.00% (1) | \$89,722 | 4.47% | \$4,011 |
| 3 | Total Debt | 60.0% | \$1,345,835 | 5.99% | \$80,633 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$897,223 | 8.57% | \$76,892 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | \$ - |
| 6 | Total Equity | 40.0% | \$897,223 | 8.57% | \$76,892 |
| 7 | Total | 100.0% | \$2,243,058 | 7.02% | \$157,525 |

2. COST OF CAPITAL

Return on Equity and Cost of Debt

CPUC had no promissory notes or other debt arrangements with affiliates or with a third party during historical years.

CPUC has no promissory notes or other debt arrangements with affiliates or with a third party currently.

CPUC has not forecasted for any debt with affiliates or with a third party during the 2011 Bridge Year or 2012 Test Year.

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY

1. DETERMINATION OF NET UTILITY INCOME

Revenue Deficiency

To determine Net Utility Income the deficiency or sufficiency for revenue of the utility was calculated. In the following table shows that a revenue deficiency after tax of \$200,442 exists - the difference between the 2012 Test Year revenue requirement of \$864,765 and 2012 Test Year revenue requirement at the approved 2011 rates of \$664,323.

CPUC's Revenue requirement consists of Administrative Expenses, Billing and Collecting Expenses, Distribution Maintenance Expenses, Depreciation Expense, Property Taxes PILs, Deemed Interest and Return on Equity.

This revenue requirement consists of revenue received through distribution rates and offset from Board approved specific service charges from late payments, interest and other operating income.

Revenue Deficiency/Sufficiency Table

| | 2012 Test Year at Existing Rates | 2012 Test Year Required Revenue |
|------------------------------------|-------------------------------------|------------------------------------|
| Revenue Deficiency | \$ - | \$ 200,442 |
| Distribution Revenue @ current rat | \$ 622,588 | \$ 622,588 |
| Other Operating Revenue | \$ 41,735 | \$ 41,735 |
| Total Revenue | \$ 664,323 | \$ 864,765 |
| Operation and Maintenance | \$ 205,440 | \$ 205,440 |
| Administration and General | \$ 364,700 | \$ 364,700 |
| Billing and Collection | \$ 84,200 | \$ 84,200 |
| Depreciation - Plant and Equipmen | \$ 75,576 | \$ 75,576 |
| Property Taxes | \$ 10,150 | \$ 10,150 |
| Other Expenses | \$ 3,000 | \$ 3,000 |
| Deemed Interest | \$ 54,591 | \$ 54,591 |
| Total Costs and Expenses | \$ 797,657 | \$ 797,657 |
| Income Before Income Taxes | -\$ 133,334 | \$ 67,108 |

Continued from previous page.

| | | | | |
|-------------------------------------|-----|------------|-----|------------|
| Corporate Income Taxes | -\$ | 16,018 | \$ | 15,050 |
| Net Income | -\$ | 117,316 | \$ | 52,058 |
| Total Rate Base | \$ | 1,518,609 | \$ | 1,518,609 |
| Exemption | \$ | 15,000,000 | \$ | 15,000,000 |
| Deemed Taxable Capital | -\$ | 13,481,391 | -\$ | 13,481,391 |
| Ontario Capital Tax | \$ | - | \$ | - |
| Income Before Taxes | -\$ | 133,334 | \$ | 67,108 |
| Tax Adjustments to Income | \$ | 29,990 | \$ | 29,990 |
| Taxable Income | -\$ | 103,344 | \$ | 97,098 |
| Income Tax Expense | -\$ | 16,018 | \$ | 15,050 |
| Tax rate Reflecting Tax Credit | | 15.50% | | 15.50% |
| Rate Base | \$ | 1,518,609 | \$ | 1,518,609 |
| Interest Expense | \$ | 54,591 | \$ | 54,591 |
| Net Income | -\$ | 117,316 | \$ | 52,058 |
| Actual Return on Rate Base | -\$ | 62,725 | \$ | 106,649 |
| Actual Return on Rate Base | | -4.13% | | 7.02% |
| Required Return on Rate Base | | | | |
| Rate Base | \$ | 1,518,609 | \$ | 1,518,609 |
| Return Rates | | | | |
| Return on Debt (weighted) | | 5.99% | | 5.99% |
| Return on Equity | | 8.57% | | 8.57% |
| Deemed Interest Expense | \$ | 54,591 | \$ | 54,591 |
| Return On Equity | \$ | 52,058 | \$ | 52,058 |
| Total return | \$ | 106,649 | \$ | 106,649 |
| Expected Return on Rate Base | | 7.02% | | 7.02% |
| Revenue Deficiency Before Tax | \$ | 169,374 | \$ | - |
| Revenue Deficiency After Tax | \$ | 200,442 | \$ | - |

2. DETERMINATION OF RATE BASE

Rate Base

Rate Base in the above table was calculated as follows and as shown in the table below.

The 2012 Test Year average of opening and closing of gross assets, less the 2012 Test Year accumulated depreciation. The net result is the 2012 Test Year Average of Net Fixed Assets of \$1,036,682.

To this 15% of the Working Capital Base which includes the cost of power and operating expenses is added for a total of \$1,518,609.

| | Test Year 2012 |
|--------------------------------------|------------------|
| Gross fixed Assets | 2,583,670 |
| Accumulated Depreciation | 1,555,631 |
| Net Book Value | 1,028,039 |
| Average Net Book Value | 1,036,682 |
| Working Capital | 3,212,844 |
| Work. Capital Allowance (15%) | 481,927 |
| Rate Base | 1,518,609 |

| | Test Year 2012 |
|--------------------------------------|------------------|
| Cost of Power | 2,548,354 |
| Operation and Maintenance | 215,590 |
| Admin and General Expenses | 364,100 |
| Billing and Collecting | 84,200 |
| Community Relations | 600 |
| Working Capital Base | 3,212,844 |
| Work. Capital Allowance (15%) | 481,927 |

The actual return on Rate Base is (4.13%) as calculated in the above Revenue Deficiency/Sufficiency Table.

The indicated Rate of Return is 7.02% as calculated in the above Revenue Deficiency/Sufficiency Table.

The Requested Rate of Return is 7.02% as calculated in the above Revenue Deficiency/Sufficiency Table.

Deficiency or Sufficiency in Revenue is \$169,374 as calculated in the above Revenue Deficiency/Sufficiency Table.

Gross Deficiency or Sufficiency in Revenue is \$200,442 as calculated in the above Revenue Deficiency/Sufficiency Table.

Drivers for 2012 Test Year

Several factors contributed to CPUC's revenue deficiency of \$200,442. These are the most notable as identified below.

Salaries, Wages and Benefits

CPUC experienced salary and wage increases of \$32,008 since 2008 inclusive of a merit increase of \$6,000 to management. Benefits also increased during the same period by \$20,074. Further details can be found in Exhibit 4 under Managers Summary.

Asset Management Plan

CPUC is committed to developing an asset management plan and is committed to spend \$30,000 during 2012 and another \$100,000 from 2013 to 2015. Further details can be found in Exhibit 4 under Managers Summary.

Smart Meter - WAN Contract

The installation of Smart Meters added an additional expense of \$28,600 for the Wide Area Network (WAN) maintenance contract with Sensus Metering Systems Inc. to monitor and operate smart meter infrastructure. Further details can be found in Exhibit 4 under Managers Summary.

Rate Base

Rate Base increased by \$299,705 in 2012 due to the inclusion of Smart Meter assets and depreciation expense increase of \$44,449 contributing to an additional revenue requirement of \$67,381.

Working Capital

Increase in the 2012 Working Capital from 2008 of \$519,619 contributing to an additional revenue requirement of \$5,472.

Income Taxes

Difference between Gross Revenue before taxes and Revenue Deficiency of \$20,625 was not previously considered in 2008 COS application. The 2008 application for Target Return on Equity considered to be Taxable Income instead of Net Income. Further details can be found in Exhibit 6 under Determination of Net Income.

EXHIBIT 7 - COST ALLOCATION

1. COST ALLOCATION STUDY REQUIREMENTS

CPUC has followed the Board's cost allocation policies and has completed the Board's 2011 updated Cost Allocation Study using approved methodology.

Weighting Factors

An area of concern for CPUC is sheet I5.1 line items D.15 and D.16 "km of Roads in Service Area Where Distribution Lines Exist". The model recognizes changes in the km of roads in the service area for every 22 km (0 to 22, 22 to 44, 44 to 66 etc) to proportion Miscellaneous Revenue, Total Expenses, Allocated Net Income, Total Net Plant and OM & A Expenses accordingly. CPUC is one of the smallest Utilities in Ontario and has only 27 km of roads in its service area and therefore falls into the 22 to 44 km category.

To allocate costs more accurately CPUC has determined the cost differential between the 0 - 22 and 22-44 km on a per km basis in the above categories and apportioned costs for 27 km.

Adjustments were made to sheet O1 in the Cost allocation Model for all customer classes as follows, as per the Excel spreadsheet included below:

Miscellaneous Revenue adjustments in Line 19 for columns D to L.

Total Expenses adjustments in Line 34 for columns D to L.

Allocated Net Income adjustments in Line 38 for columns D to L.

Total Net Plant adjustments in Line 51 for columns D to L.

OM & A Expenses adjustments in Line 57 for columns D to L.

Adjustments Required to Sheet O1 in CA Model to reassess revenue, costs and net asset applications for actual 27 km.

| Adjustment Detail | TOTAL | Res | <50 kW | >50kW | Street L | Sentinel L | USL |
|---|--------------|------------|------------|------------|------------|------------|----------|
| Misc Revenue - COS for 0 - 22 km | \$ 41,735 | \$ 27,828 | \$ 8,253 | \$ 3,859 | \$ 1,481 | \$ 211 | \$ 104 |
| Misc Revenue - COS for 22 - 44 km | \$ 41,735 | \$ 28,085 | \$ 7,896 | \$ 3,424 | \$ 1,972 | \$ 245 | \$ 113 |
| Difference | \$ - | -\$ 257 | \$ 357 | \$ 435 | -\$ 492 | -\$ 34 | -\$ 9 |
| Adj. Required to Misc Revenue for 27 km | -\$ 0 | -\$ 199 | \$ 276 | \$ 336 | -\$ 380 | -\$ 26 | -\$ 7 |
| Total Expenses - COS for 0 - 22 km | \$ 812,706 | \$ 533,724 | \$ 161,395 | \$ 80,479 | \$ 31,865 | \$ 3,645 | \$ 1,599 |
| Total Expenses - COS for 22 - 44 km | \$ 812,706 | \$ 538,195 | \$ 153,583 | \$ 72,701 | \$ 42,098 | \$ 4,347 | \$ 1,782 |
| Difference | \$ - | -\$ 4,471 | \$ 7,812 | \$ 7,778 | -\$ 10,233 | -\$ 702 | -\$ 183 |
| Adj. Required to Total Expenses for 27 km | -\$ 0 | -\$ 3,455 | \$ 6,036 | \$ 6,010 | -\$ 7,907 | -\$ 542 | -\$ 141 |
| Allocated Net Income - COS Model for 0 -22 | \$ 52,058 | \$ 34,116 | \$ 10,118 | \$ 6,006 | \$ 1,670 | \$ 117 | \$ 31 |
| Allocated Net Income - COS Model for 22 - 4 | \$ 52,058 | \$ 34,263 | \$ 9,784 | \$ 5,740 | \$ 2,087 | \$ 146 | \$ 38 |
| Difference | \$ - | -\$ 147 | \$ 334 | \$ 266 | -\$ 417 | -\$ 29 | -\$ 7 |
| Adj. Required to Allocated Net Income for 2 | \$ - | -\$ 114 | \$ 258 | \$ 206 | -\$ 322 | -\$ 22 | -\$ 5 |
| Total Net Plant - COS Model for 0 - 22 km | \$ 1,036,683 | \$ 679,393 | \$ 201,486 | \$ 119,605 | \$ 33,250 | \$ 2,336 | \$ 614 |
| Total Net Plant - COS Model for 22 - 44 km | \$ 1,036,683 | \$ 682,306 | \$ 194,842 | \$ 114,303 | \$ 41,563 | \$ 2,906 | \$ 763 |
| Difference | \$ - | -\$ 2,913 | \$ 6,644 | \$ 5,302 | -\$ 8,313 | -\$ 570 | -\$ 149 |
| Adj. Required to Total Net Plant for 27 km | -\$ 0 | -\$ 2,251 | \$ 5,134 | \$ 4,097 | -\$ 6,425 | -\$ 440 | -\$ 115 |
| OM&A Expenses - COS Model for 0 - 22 km | \$ 664,490 | \$ 433,845 | \$ 132,933 | \$ 65,127 | \$ 27,709 | \$ 3,353 | \$ 1,522 |
| OM&A Expenses - COS Model for 22 - 44 km | \$ 664,490 | \$ 437,951 | \$ 125,952 | \$ 58,012 | \$ 36,903 | \$ 3,984 | \$ 1,687 |
| Difference | \$ - | -\$ 4,106 | \$ 6,981 | \$ 7,115 | -\$ 9,194 | -\$ 631 | -\$ 165 |
| Adj. Required to OM&A Expenses for 27 km | \$ 0 | -\$ 3,173 | \$ 5,394 | \$ 5,498 | -\$ 7,104 | -\$ 488 | -\$ 128 |

Weighting Factors for Allocation of Costs

CPUC calculated weighting factors for Services reflecting costs to install service to premises.

CPUC calculated weighting factors for Billing and Collecting reflecting costs to prepare and mail bills, record revenues and other incidental costs.

| | Residential | GS <50 kW | GS >50 kW | USL | Sentinel Lights | Street Lights |
|---|-------------|-----------|-----------|-----|-----------------|---------------|
| Weighting Factor - Services | 1 | 2 | 4 | 1 | 1 | 1 |
| Weighting Factor - Billing and Collecting | 1 | 2 | 4 | 2 | 2 | 1 |

2. REVENUE TO COST RATIOS

The Board revised what it considered to be the appropriate ranges of revenue to cost ratios which are summarized below and provides CPUC's revenue to cost ratios from the updated 2012 cost allocation study.

| Customer Classes | Revenue to Cost Ratios per Sheet O1 | Proposed revenue to Cost Ratios | Boards Target Revenue to Cost Ratios |
|-------------------|-------------------------------------|---------------------------------|--------------------------------------|
| Residential | 97.77% | 97.64% | 85% to 115% |
| GS < 50 kW | 99.93% | 99.93% | 80% to 120% |
| GS > 50 kW | 119.59% | 119.59% | 80% to 120% |
| USL | 127.93% | 100.00% | 80% to 120% |
| Sentinel Lighting | 61.46% | 80.00% | 80% to 120% |
| Street Lighting | 92.40% | 92.40% | 70% to 120% |

There are two classes out of range, the Unmetered Scattered Load class and the Sentinel Lighting class.

The Unmetered Scattered Load class will be adjusted from 127.93% down to 100.0% in 2012 by reducing the revenue requirement for the class by \$467.00.

For the Sentinel Lighting class, CPUC is proposing bringing this class into range over a three year period by increasing its revenue to cost ratio of 61.46% by 6.18% or \$243.00 annually . For 2012, ratio will be 67.64%, for 2013, ratio will be 73.82% and for 2014 ratio will be 80.00%.

To equalize revenue, the offset from both classes will be to the Residential class to reduce its proposed revenue by \$261.00 (\$728.00 - \$467.00) and by so doing its revenue to cost ratio will reduce from 97.77% to 97.72%.

Proposed Revenue to Cost Ratios

| Customer Classes | Proposed Revenue to Cost Ratios | | | | Policy Range |
|-------------------|---------------------------------|--------|--------|--------|--------------|
| | From Sheet 01 in CA | 2012 % | 2013 % | 2014 % | |
| Residential | 97.77 | 97.72 | - | - | 85-115 |
| GS < 50 kW | 99.93 | 99.93 | - | - | 80-120 |
| GS > 50 kW | 119.59 | 119.59 | - | - | 80-120 |
| USL | 127.93 | 100.00 | - | - | 80-120 |
| Sentinel Lighting | 61.46 | 67.64 | 73.82 | 80.00 | 80-120 |
| Street Lighting | 92.90 | 92.40 | - | - | 70-120 |

Proposed Base Revenue

The resulting 2012 proposed base revenue will be the amount used in Exhibit 8 to design the proposed distribution rates in this application.

The following provides information on calculated class revenue.

| Customer Classes | 2012 Base Revenue at Existing Rates | 2012 Proposed Base Revenue Allocated at Existing Rates Proportion | 2012 Proposed Base Revenue |
|-------------------|-------------------------------------|---|----------------------------|
| Residential | \$399,646 | \$528,312 | \$528,052 |
| GS < 50 kW | \$122,071 | \$161,372 | \$161,372 |
| GS > 50 kW | \$73,742 | \$97,484 | \$97,483 |
| USL | \$1,540 | \$2,036 | \$1,569 |
| Sentinel Lighting | \$1,661 | \$2,196 | \$2,924 |
| Street Lighting | \$23,927 | \$31,630 | \$31,630 |
| TOTAL | \$622,588 | \$823,030 | \$823,030 |

EXHIBIT 8 - RATE DESIGN

1. FIXED/VARIABLE PROPORTION

Current and Proposed Fixed/Variable Proportions

The current fixed and variable proportion for each rate class is calculated using current load (2012) at current 2011 rates and does not include rate adders, funding adders and rate riders.

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Current Rates Effective May 1, 2011 | | Revenue at Current Rates | | Total Revenue at Current Rates |
|---------------------------------|--------------------------------|-------------|------------|--|------------|-----------------------------|------------|--------------------------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential | 1,133 | 14,574,912 | | \$ 18.46 | \$ 0.0102 | \$ 250,982 | 148,664 | \$ 399,646 |
| Fixed / Variable Split | | | | | | 62.80% | 37.20% | |
| Gen Service <50 kW | 161 | 5,255,040 | | \$ 30.00 | \$ 0.0122 | \$ 57,960 | 64,111 | \$ 122,071 |
| Fixed / Variable Split | | | | | | 47.48% | 52.52% | |
| Gen Service >50 kW | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 2.6064 | \$ 31,705 | 50,903 | \$ 82,608 |
| Fixed / Variable Split | | | | | | 38.38% | 61.62% | |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.13 | \$ 0.0125 | \$ 1,449 | 91 | \$ 1,540 |
| Fixed / Variable Split | | | | | | 94.10% | 5.90% | |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 4.41 | \$ 6.7270 | \$ 1,217 | 444 | \$ 1,661 |
| Fixed / Variable Split | | | | | | 73.27% | 26.73% | |
| Street Lighting | 341 | 294,624 | 780 | \$ 3.10 | \$ 14.4120 | \$ 12,685 | 11,241 | \$ 23,927 |
| Fixed / Variable Split | | | | | | 53.02% | 46.98% | |
| TOTAL | 1,678 | 27,816,744 | 20,376 | | | \$ 355,999 | \$ 275,455 | \$ 631,454 |
| Fixed Variable Split | | | | | | 56.38% | 43.62% | 100.00% |

The proposed fixed and variable proportion for each rate class is as follows:

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Proposed Rates Effective May 1, 2012 | | Revenue at Proposed Rates | | Total Rev. at Proposed Rates |
|-----------------------------|--------------------------------|-------------------|---------------|---|-----------|------------------------------|-------------------|------------------------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential | 1,133 | 14,574,912 | | \$ 24.10 | \$ 0.0137 | \$ 327,664 | 199,676 | \$ 527,340 |
| Fixed / Variable Split | | | | | | 62.14% | 37.86% | |
| Gen Service <50 kW | 161 | 5,255,040 | | \$ 35.73 | \$ 0.0176 | \$ 69,030 | 92,489 | \$ 161,519 |
| Fixed / Variable Split | | | | | | 42.74% | 57.26% | |
| Gen Service >50 kW | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 3.8220 | \$ 31,705 | 74,644 | \$ 106,349 |
| Fixed / Variable Split | | | | | | 29.81% | 70.19% | |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.01 | \$ 0.0176 | \$ 1,441 | 128 | \$ 1,569 |
| Fixed / Variable Split | | | | | | 91.84% | 8.16% | |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 7.80 | \$11.6879 | \$ 2,153 | 771 | \$ 2,924 |
| Fixed / Variable Split | | | | | | 73.62% | 26.38% | |
| Street Lighting | 341 | 294,624 | 780 | \$ 5.50 | \$11.6979 | \$ 22,506 | 9,124 | \$ 31,630 |
| Fixed / Variable Split | | | | | | 71.15% | 28.85% | |
| TOTAL | 1,678 | 27,816,744 | 20,376 | | | \$ 454,498 | \$ 376,832 | \$ 831,331 |
| Fixed Variable Split | | | | | | 54.67% | 45.33% | 100.00% |

Comparison of Current and Proposed Fixed/Variable proportion

| Customer Class | Current | | Proposed | |
|-------------------|---------------|---------------|---------------|---------------|
| | | | | |
| Residential | 62.80% | 37.20% | 62.14% | 37.86% |
| GS < 50 kW | 47.48% | 52.52% | 42.74% | 57.26% |
| GS > 50 kW | 38.38% | 61.62% | 29.81% | 70.19% |
| USL | 94.10% | 5.90% | 91.84% | 8.16% |
| Sentinel Lighting | 73.27% | 26.73% | 73.62% | 26.38% |
| Street Lighting | 53.02% | 46.98% | 71.15% | 28.85% |
| TOTAL | 56.38% | 43.62% | 54.67% | 45.33% |

Comparison of Current and Proposed Rates

| Customer Class | Current Rates | | Proposed Rates | | Unit cost/Mth Fixed From CA Sheet O2 \$ |
|-------------------|---------------|-------------|----------------|------------|--|
| | Fixed \$ | Variable \$ | Fixed \$ | Variable % | |
| Residential | 18.46 | 0.0102 | 24.10 | 0.0137 | 24.10 |
| GS < 50 kW | 30.00 | 0.0122 | 35.73 | 0.0176 | 35.73 |
| GS > 50 kW | 188.72 | 2.6064 | 188.72 | 3.8220 | 90.66 |
| USL | 20.13 | 0.0125 | 20.01 | 0.0176 | 25.00 |
| Sentinel Lighting | 4.41 | 6.7270 | 7.80 | 11.6879 | 16.03 |
| Street Lighting | 3.10 | 14.4120 | 5.50 | 11.6979 | 10.79 |

Explanation of changes from current Proportions:

Residential Class - Unable to hold fixed and variable charge at the same proportion due to maximum allowed as per the Cost Allocation Model, Sheet O2. Therefore fixed charge increased to maximum allowed of \$24.10.

General Service Classes, <50 kW - Unable to hold fixed and variable charge at the same proportion due to maximum allowed as per the Cost Allocation Model, Sheet O2. Therefore fixed charge increased to maximum allowed of \$35.73.

General Service Classes, >50 kW - Fixed charge is over the maximum allowed as per the Cost Allocation Model, Sheet O2, therefore change was made to variable charge only.

Unmetered Scattered Load - The objective was to keep the variable rate the same as the General Service <50 kW class at \$0.0176, provided the fixed charge did not go over the maximum allowed as per the Cost Allocation Model, Sheet O2.

Street Lighting Class - CPUC felt that the fixed charge of \$3.10 was too low as compared to the maximum allowed as per the Cost Allocation Model, Sheet O2 of \$10.79, and the variable charge of \$14.4120 appears to be too high as compared to other classes. CPUC increased the fixed rate to be approximately half of the maximum allowed as per the Cost Allocation Model, Sheet O2 to \$5.50 and the variable rate reduced to \$11.6979.

Sentinel Lighting Class - The objective was to keep the variable rate approximately the same as the Street Lighting class at \$11.6879 provided the fixed charge did not go over the maximum allowed as per the Cost Allocation Model, Sheet O2.

Comparison of Current and Proposed Fixed Rates

The following table compares current fixed rates to proposed rates and proposed rates to the fixed rates as calculated in the cost allocation study.

| Customer Class | Current Fixed Rate \$ | Proposed Fixed Rate \$ | Unit cost/ Month Fixed From CA Sheet O2 \$ |
|-------------------|-----------------------------|------------------------------|--|
| Residential | 18.46 | 24.10 | 24.10 |
| GS < 50 kW | 30.00 | 35.73 | 35.73 |
| GS > 50 kW | 188.72 | 188.72 | 90.66 |
| USL | 20.13 | 20.01 | 25.00 |
| Sentinel Lighting | 4.41 | 7.80 | 16.03 |
| Street Lighting | 3.10 | 5.50 | 10.79 |

Explanation of fixed charges exceeding the rate as calculated in the cost allocation study:

The General Service >50 kW class is the only class that exceeds the fixed rate as calculated in the cost allocation study. This rate has been at this level for some time and will not be increased beyond its current level until such time as the cost allocation study or the OEB will allow.

2. RETAIL TRANSMISSION SERVICE RATES

CPUC has completed the filing module as per the Boards instructions and has calculated class specific retail transmission service rates for 2012. As an embedded utility to Hydro One Networks Inc. CPUC does not incur transformation connection charges. The following are the class specific RTSRs as calculated by the Model:

| Customer Class | Unit of Measure | Current RTSR | | Proposed RTSR | |
|-------------------|-----------------|--------------|------------|---------------|------------|
| | | Network | Connection | Network | Connection |
| Residential | kWh | 0.0061 | 0.0015 | 0.0061 | 0.0015 |
| GS < 50 kW | kWh | 0.0054 | 0.0014 | 0.0054 | 0.0014 |
| GS > 50 kW | kW | 2.2191 | 0.5269 | 2.2191 | 0.5366 |
| USL | kWh | 0.0054 | 0.0014 | 0.0054 | 0.0014 |
| Sentinel Lighting | kW | 1.6822 | 0.4159 | 1.6822 | 0.4236 |
| Street Lighting | kW | 1.6737 | 0.4074 | 1.6737 | 0.4149 |

3. RETAIL SERVICE CHARGES

CPUC is not proposing any changes to the retail service charges at this time.

4. WHOLESALE MARKET SERVICE RATE

CPUC is not proposing any changes to the Wholesale Market Service Rate at this time.

5. SPECIFIC SERVICE CHARGES

CPUC is not proposing any change to the Specific Service Charges at this time.

6. LOW VOLTAGE SERVICE CHARGES

Hydro One Networks Inc. is the host distributor to CPUC and charges for Common Sub-Transmission lines (ST) and High Voltage Distribution Service (HVDS) and for 3 connections to the distribution station.

Current Low Voltage charges from the host distributor and kW volumes for the last 12 months are:

| Month | kW ST Lines | kW HVDS Lines | # of Connections |
|--------------|-------------|---------------|------------------|
| January | 157 | 157 | 3 |
| February | 162 | 162 | 3 |
| March | 155 | 155 | 3 |
| April | 175 | 175 | 3 |
| May | 208 | 208 | 3 |
| June | 196 | 196 | 3 |
| July | 211 | 211 | 3 |
| August | 204 | 204 | 3 |
| September | 189 | 189 | 3 |
| October | 162 | 162 | 3 |
| November | 164 | 164 | 3 |
| December | 164 | 164 | 3 |
| Total kW | 2,167 | 2,167 | 36 |
| Cost/kW/each | \$0.68 | \$1.6250 | \$297.75 |
| Total | \$1,474 | \$3,521 | \$10,719 |
| Total Cost | | | \$15,714 |

Based on the above most recent costs, from December 2010 to November 2011, CPUC does not expect an increase in kW consumption levels and estimates that their total charge for 2012 will be an estimate of \$16,000.

The basis for determining class specific Low Voltage rates for 2012 is the kWh consumptions by class and rate rider charge is then determined per kW or per kWh as follows:

| Customer Classes | Billing Determinants | 2012 Number of Customers | 2012 kWh | 2012 kW | 2012 Low Voltage Charges | Proposed Volumetric Rate Rider | Current Volumetric Rate Rider |
|---------------------------------|---------------------------------|---|---------------------|--------------------|---|---|--|
| Residential | kWh | 1,133 | 14,574,912 | | \$ 8,383 | \$ 0.0006 | 0.0012 |
| Gen Service <50 kW | kWh | 161 | 5,255,040 | | \$ 3,023 | \$ 0.0006 | 0.0011 |
| Gen Service >50 kW | kW | 14 | 7,658,952 | 19,530 | \$ 4,405 | \$ 0.2256 | 0.4424 |
| Unmetered Scattered Load | kWh | 6 | 7,272 | | \$ 4 | \$ 0.0006 | 0.0011 |
| Sentinel Lighting | kW | 23 | 25,944 | 66 | \$ 15 | \$ 0.2261 | 0.3492 |
| Street Lighting | kW | 341 | 294,624 | 780 | \$ 169 | \$ 0.2173 | 0.3420 |
| Total | | 1,678 | 27,816,744 | 20,376 | \$ 16,000 | | |

7. LOSS ADJUSTMENT FACTORS

CPUC has completed Appendix 2-P using the average wholesale and retail kWh for the 5 historical years 2006 to 2010 and is reproduced below. The result of this analysis is that the proposed average Total Loss factor is 1.0671%. This represents an increase of 0.0017% from the current loss factor of 1.0654%.

The Supply Facilities Loss Factor (SFLF) shown on line "H" below of 1.015% represents the losses from the supply points to CPUC.

With the additional revenue requirement being requested in 2012 and beyond, Board and management expects capital expenditures to exceed \$200,000 over the next 4 years and expect to spend a sizeable amount for new transformers, insulators etc. that may help improve the utility's loss factor.

| | | Historical Years | | | | | 5-Year Average |
|------|---|------------------|-------------|-------------|-------------|-------------|----------------|
| | | 2006 | 2007 | 2008 | 2009 | 2010 | |
| | Losses Within Distributor's System | | | | | | |
| A(1) | "Wholesale" kWh delivered to distributor (higher value) | 0 | 0 | 0 | 0 | 0 | 0 |
| A(2) | "Wholesale" kWh delivered to distributor (lower value) | 29569274 | 29857234 | 30257407 | 29917187 | 27909701 | 29502160.6 |
| B | Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s) | 0 | 0 | 0 | 0 | 0 | 0 |
| C | Net "Wholesale" kWh delivered to distributor = A(2) - B | 29569274 | 29857234 | 30257407 | 29917187 | 27909701 | 29502160.6 |
| D | "Retail" kWh delivered by distributor | 28375490 | 28525074 | 28582032 | 28674687 | 26167966 | 28065049.8 |
| E | Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s) | 0 | 0 | 0 | 0 | 0 | 0 |
| F | Net "Retail" kWh delivered by distributor = D - E | 28375490 | 28525074 | 28582032 | 28674687 | 26167966 | 28065049.8 |
| G | Loss Factor in Distributor's system = C / F | 1.042070956 | 1.046701369 | 1.058616371 | 1.0433309 | 1.066559816 | 1.051206423 |
| | Losses Upstream of Distributor's System | | | | | | |
| H | Supply Facilities Loss Factor | 1.015088229 | 1.015088815 | 1.015088522 | 1.015088522 | 1.015086766 | 1.015088171 |
| | Total Losses | | | | | | |
| I | Total Loss Factor = G x H | 1.057793962 | 1.062494852 | 1.074589328 | 1.059073221 | 1.082650754 | 1.067067205 |

CPUC proposes that the Total Loss Factor for Secondary Metered Customers <5,000 kW be set 1.0671.

8. REVENUE RECONCILIATION

Rate Schedules - Current

Residential Service Classification

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively by a single family unit, non-commercial. This can be a separately metered living accommodation, town-house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 18.46 |
| Smart Meter Funding Adder | \$ | 2.50 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 0.26 |
| Distribution Volumetric Rate | \$/kWh | 0.0102 |
| Low Voltage Service Charge | \$/kWh | 0.0012 |
| Rate Rider for Global Adjustment Sub-Account Disposition (2011) effective until April 30, 2012 Applicable only to Non-RPP Customers | \$/kWh | 0.0170 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kWh | (0.0029) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0057 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0015 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

General Service less than 50 kW Service Classification

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly average peak demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 30.00 |
| Smart Meter Funding Adder | \$ | 2.50 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 0.53 |
| Distribution Volumetric Rate | \$/kWh | 0.0122 |
| Low Voltage Service Charge | \$/kWh | 0.0011 |
| Rate Rider for Global Adjustment Sub-Account Disposition (2011) effective until April 30, 2012 Applicable only to Non-RPP Customers | \$/kWh | 0.0170 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kWh | (0.0029) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0051 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0014 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

General Service 50 to 4,999 kW Service Classification

This classification applies to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 188.72 |
| Smart Meter Funding Adder | \$ | 2.50 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 3.40 |
| Distribution Volumetric Rate | \$/kW | 2.6064 |
| Low Voltage Service Charge | \$/kW | 0.4424 |
| Rate Rider for Global Adjustment Sub-Account Disposition (2011) effective until April 30, 2012 Applicable only to Non-RPP Customers | \$/kW | 6.6959 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kW | (1.1418) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.0860 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.5269 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Unmetered Scattered Load Service Classification

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is un-metered. Such connections include cable TV, power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 20.13 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 0.18 |
| Distribution Volumetric Rate | \$/kWh | 0.0125 |
| Low Voltage Service Charge | \$/kWh | 0.0011 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kWh | (0.0029) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0051 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0014 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Sentinel Lighting Service Classification

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|---|-------|---------|
| Service Charge | \$ | 4.41 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 0.03 |
| Distribution Volumetric Rate | \$/kW | 6.7270 |
| Low Voltage Service Charge | \$/kW | 0.3492 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kW | (1.226) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.5813 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.4159 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Street Lighting Service Classification

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 3.10 |
| Rate Rider for Recovery of Late Payment Penalty Litigation Costs - effective until April 30, 2012 | \$ | 0.03 |
| Distribution Volumetric Rate | \$/kW | 14.4120 |
| Low Voltage Service Charge | \$/kW | 0.3420 |
| Rate Rider for Deferral/Variance Account Disposition (2011) effective until April 30, 2012 | \$/kW | (1.1018) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.5733 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.4074 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

MicroFIT Generator Service Classification

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|----------------|----|------|
| Service Charge | \$ | 5.25 |
|----------------|----|------|

Allowances

| | | |
|---|-------|--------|
| Transformer Allowances for Ownership - per kW of billing demand/month | \$/kW | (0.60) |
| Primary Metering Allowance for Transformer losses - applied to measured demand and energy | % | (1.00) |

Specific Service Charges

Customer Administration

| | | |
|---|----|-------|
| Arrears Certificate | \$ | 15.00 |
| Credit Reference/credit check (plus credit agency costs) | \$ | 15.00 |
| Returned Cheque (plus bank charges) | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Special meter reads | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |

Non-payment of account

| | | |
|---|----|-------|
| Late payment - per month | % | 1.50 |
| Late payment - per annum | % | 19.56 |
| Collection of account charge - no disconnection | \$ | 30.00 |
| Disconnect/reconnect at meter - during regular hours | \$ | 65.00 |
| Install/Remove load control device - during regular hours | \$ | 65.00 |
| Specific Charge for Access to the Power Poles - per pole/year | \$ | 22.35 |

Retail Service Charges (if applicable)

| | | |
|--|---------|--------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 100.00 |
| Monthly Fixed Charge, per retailer | \$ | 20.00 |
| Monthly Variable Charge, per customer, per retailer | \$/cust | 0.50 |
| Distributor-consolidated billing charge, per customer, per retailer | \$/cust | 0.30 |
| Retailer-consolidated billing credit, per customer, per retailer | \$/cust | (0.30) |

Service Transaction Requests (STR)

| | | |
|--|----|------|
| Request fee, per request, applied to the requesting party | \$ | 0.25 |
| Processing fee, per request, applied to the requesting party | \$ | 0.50 |

Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party

| | |
|---|-----------|
| Up to twice a year | no charge |
| More than twice a year, per request (plus incremental delivery costs) | \$ 2.00 |

Loss Factors

| | |
|---|--------|
| Total Loss Factor - Secondary Metered Customer < 5,000 kW | 1.0654 |
| Total Loss Factor - Primary Metered Customer < 5,000 kW | 1.0506 |

Rate Schedules – Proposed

Residential Service Classification

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively by a single family unit, non-commercial. This can be a separately metered living accommodation, town-house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 24.10 |
| Smart Meter Disposition Rider | \$ | 1.98 |
| Stranded Meters - Rate Rider | \$ | 0.77 |
| Distribution Volumetric Rate | \$/kWh | 0.0137 |
| Low Voltage Service Charge | \$/kWh | 0.0006 |
| LRAM and SSM Rider | \$/kWh | 0.0015 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kWh | (0.0042) |
| Rate Rider Global Adjustment Non-RPP - effective until April 30, 2013 | \$/kWh | 0.0001 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0061 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0015 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

General Service less than 50 kW Service Classification

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly average peak demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 35.73 |
| Smart Meter Disposition Rider | \$ | 1.98 |
| Stranded Meters - Rate Rider | \$ | 1.40 |
| Distribution Volumetric Rate | \$/kWh | 0.0176 |
| Low Voltage Service Charge | \$/kWh | 0.0006 |
| LRAM and SSM Rider | \$/kWh | 0.0 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kWh | (0.0043) |
| Rate Rider Global Adjustment Non-RPP - effective until April 30, 2013 | \$/kWh | 0.0001 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0054 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0014 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

General Service 50 to 4,999 kW Service Classification

This classification applies to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 188.72 |
| Smart Meter Disposition Rider | \$ | 1.98 |
| Stranded Meters - Rate Rider | \$ | 0.00 |
| Distribution Volumetric Rate | \$/kW | 3.8220 |
| Low Voltage Service Charge | \$/kW | 0.2256 |
| LRAM and SSM Rider | \$/kW | 0.0369 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kW | (1.7146) |
| Rate Rider Global Adjustment Non-RPP - effective until April 30, 2013 | \$/kW | 0.4590 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.2191 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.5366 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Unmetered Scattered Load Service Classification

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is un-metered. Such connections include cable TV, power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 21.01 |
| Distribution Volumetric Rate | \$/kWh | 0.0176 |
| Low Voltage Service Charge | \$/kWh | 0.0006 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kWh | (0.0044) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0054 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0014 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Sentinel Lighting Service Classification

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 7.80 |
| Distribution Volumetric Rate | \$/kW | 11.6879 |
| Low Voltage Service Charge | \$/kW | 0.2261 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kW | (1.7121) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.6822 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.4236 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

Street Lighting Service Classification

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Condition of Service.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 5.50 |
| Distribution Volumetric Rate | \$/kW | 11.6979 |
| Low Voltage Service Charge | \$/kW | 0.2173 |
| Rate Rider for Deferral/Variance Account Disposition (2012) effective until April 30, 2013 | \$/kW | (1.6526) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.6737 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 0.4149 |

MONTHLY RATES AND CHARGES - Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administration Charge (if applicable) | \$ | 0.25 |

MicroFIT Generator Service Classification

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system.

MONTHLY RATES AND CHARGES - Delivery Component

| | | |
|----------------|----|------|
| Service Charge | \$ | 5.25 |
|----------------|----|------|

Allowances

| | | |
|---|-------|--------|
| Transformer Allowances for Ownership - per kW of billing demand/month | \$/kW | (0.60) |
| Primary Metering Allowance for Transformer losses - applied to measured demand and energy | % | (1.00) |

Specific Service Charges

Customer Administration

| | | |
|---|----|-------|
| Arrears Certificate | \$ | 15.00 |
| Credit Reference/credit check (plus credit agency costs) | \$ | 15.00 |
| Returned Cheque (plus bank charges) | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Special meter reads | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |

Non-payment of account

| | | |
|---|----|-------|
| Late payment - per month | % | 1.50 |
| Late payment - per annum | % | 19.56 |
| Collection of account charge - no disconnection | \$ | 30.00 |
| Disconnect/reconnect at meter - during regular hours | \$ | 65.00 |
| Install/Remove load control device - during regular hours | \$ | 65.00 |
| Specific Charge for Access to the Power Poles - per pole/year | \$ | 22.35 |

Retail Service Charges (if applicable)

| | | |
|--|---------|-----------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 100.00 |
| Monthly Fixed Charge, per retailer | \$ | 20.00 |
| Monthly Variable Charge, per customer, per retailer | \$/cust | 0.50 |
| Distributor-consolidated billing charge, per customer, per retailer | \$/cust | 0.30 |
| Retailer-consolidated billing credit, per customer, per retailer | \$/cust | (0.30) |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | \$ | 0.25 |
| Processing fee, per request, applied to the requesting party | \$ | 0.50 |
| Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party | | |
| Up to twice a year | | no charge |
| More than twice a year, per request (plus incremental delivery costs) | \$ | 2.00 |

Loss Factors

| | |
|---|--------|
| Total Loss Factor - Secondary Metered Customer < 5,000 kW | 1.0671 |
| Total Loss Factor - Primary Metered Customer < 5,000 kW | |

Distribution Revenue Reconciliation

The following are the detailed calculations of revenue per rate class under:

Current Rates - Effective May 1, 2011

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Current Rates Effective May 1, 2011 | | Fixed/Variable Revenue at Current Rates | | Total Base Revenue |
|---|--------------------------------|-------------------|------------------|--|------------|--|-------------------|--------------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential | 1,133 | 14,574,912 | | \$ 18.46 | \$ 0.0102 | \$ 250,982 | \$ 148,664 | \$ 399,646 |
| Gen Service <50 kW | 161 | 5,255,040 | | \$ 30.00 | \$ 0.0122 | \$ 57,960 | \$ 64,111 | \$ 122,071 |
| Gen Service >50 kW | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 2.6064 | \$ 31,705 | \$ 50,903 | \$ 82,608 |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.13 | \$ 0.0125 | \$ 1,449 | \$ 91 | \$ 1,540 |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 4.41 | \$ 6.7270 | \$ 1,217 | \$ 444 | \$ 1,661 |
| Street Lighting | 341 | 294,624 | 780 | \$ 3.10 | \$ 14.4120 | \$ 12,685 | \$ 11,241 | \$ 23,927 |
| Total Gross Revenue | \$ 1,678 | 27,816,744 | \$ 20,376 | | | \$ 355,999 | \$ 275,455 | \$ 631,454 |
| Transformer Ownership Allowance from "sheet I6.1 Revenue" in CA Model | | | | | | | | \$ 8,866 |
| Total Net Revenue | | | | | | | | \$ 622,588 |

Proposed Rates - Effective May 1, 2012

| Customer Classes | 2012 Number of Customers | 2012 kWh | 2012 kW | Proposed Rates Effective May 1, 2012 | | Fixed/Variable Revenue at Current Rates | | Total Base Revenue |
|---|--------------------------------|-------------------|------------------|---|------------|--|-------------------|--------------------------|
| | | | | Fixed | Variable | Fixed | Variable | |
| Residential Customers | 1,133 | 14,574,912 | | \$ 24.10 | \$ 0.0137 | \$ 327,664 | \$ 199,676 | \$ 527,340 |
| Gen Service <50 kW Customers | 161 | 5,255,040 | | \$ 35.73 | \$ 0.0176 | \$ 69,030 | \$ 92,489 | \$ 161,519 |
| Gen Service >50 kW Customers | 14 | 7,658,952 | 19,530 | \$ 188.72 | \$ 3.8220 | \$ 31,705 | \$ 74,644 | \$ 106,349 |
| Unmetered Scattered Load | 6 | 7,272 | | \$ 20.01 | \$ 0.0176 | \$ 1,441 | \$ 128 | \$ 1,569 |
| Sentinel Lighting | 23 | 25,944 | 66 | \$ 7.80 | \$ 11.6879 | \$ 2,153 | \$ 771 | \$ 2,924 |
| Street Lighting | 341 | 294,624 | 780 | \$ 5.50 | \$ 11.6979 | \$ 22,506 | \$ 9,124 | \$ 31,630 |
| Total Gross Revenue | \$ 1,678 | 27,816,744 | \$ 20,376 | | | \$ 454,498 | \$ 376,832 | \$ 831,331 |
| Transformer Ownership Allowance from "sheet I6.1 Revenue" in CA Model | | | | | | | | \$ 8,866 |
| Total Net Revenue | | | | | | | | \$ 822,465 |

Revenue Reconciliation

| Customer Classes | Revenue at Proposed Rates | | Total Base Revenue | Transformer Ownership Allowance | 2012 Revenue At Proposed Rates | 2012 Revenue Requirement |
|-------------------|---------------------------|----------------|--------------------|---------------------------------|--------------------------------|--------------------------|
| | Fixed \$ | Variable \$ | | | | |
| Residential | 327,664 | 199,676 | \$527,340 | | \$527,340 | \$528,313 |
| GS < 50 kW | 69,030 | 92,489 | \$161,519 | | \$161,519 | \$161,372 |
| GS > 50 kW | 31,705 | 74,644 | \$106,349 | -\$8,866 | \$97,483 | \$97,483 |
| USL | 1,441 | 128 | \$1,569 | | \$1,569 | \$2,036 |
| Sentinel Lighting | 2,153 | 771 | \$2,924 | | \$2,924 | \$2,196 |
| Street Lighting | 22,506 | 9,124 | \$31,630 | | \$31,630 | \$31,630 |
| TOTAL | 454,498 | 376,832 | \$831,331 | -\$8,866 | \$822,465 | \$823,030 |

Variance of (\$565) loss is due to Rate Rounding

9. BILL IMPACTS

Selected Monthly Customer Impacts by class

| Rate Class | Average Consumption | Increase (Decrease) | |
|--|----------------------|---------------------|----------|
| | | \$ Amount | Percent |
| Residential | 800 kWh | 8.81 | 8.35 % |
| General Service <50 kW | 2,000 kWh | 13.92 | 5.65 % |
| General Service > 50 kW | 150 kW 75,000 kWh | (958.53) | (10.05)% |
| Un-metered Scattered Load | 150 kWh | 0.37 | 1.01% |
| Sentinel Lights | 0.75 kW 200 kWh | 6.92 | 24.32% |
| Street Lights (Total 341 Connections) | 65 kW 24,552 kWh | 605.09 | 13.78% |

Monthly Average Customer consumption Impacts by class

| Rate Class | Average Consumption | Increase (Decrease) | |
|---------------------------|-------------------------|---------------------|----------|
| | | \$ Amount | Percent |
| Residential | 1,072 kWh | 9.78 | 7.29 % |
| General Service <50 kW | 2,720 kWh | 16.72 | 5.18 % |
| General Service > 50 kW | 116.25 kW 45,589 kWh | (617.05) | (10.15)% |
| Un-metered Scattered Load | 101 kWh | 0.20 | 0.63% |
| Sentinel Lights | 0.23 kW 93 kWh | 4.52 | 30.32% |
| Street Lights | 0.19 kW 72 kWh | 1.78 | 13.84% |

10. MITIGATION PLAN APPROACHES

Customer Class Consumptions impacted by 10.0% and over

| Rate Class | Consumptions Less Than | Number of Customers or Connections |
|-----------------|------------------------|------------------------------------|
| Residential | 550 kWh | 128 |
| GS <50 kW | 415 kWh | 28 |
| Sentinel Lights | ALL | 23 |
| Street Lights | ALL | 341 |

Mitigation Plan

To mitigate customer impacts of 10.0% and over, CPUC will make rate adjustments as follows:

For Residential customers CPUC is proposing to reduce the proposed monthly service rate from \$24.10 to \$21.28 for all 1133 customers per month from May 1, 2012 to April 30, 2013. There will be 28 customers consuming 135 kWh or less per month that will still be affected by 10.0% or \$5.02 or less. This approach will assist all residential customers cope with the increase.

There are 1133 customers that will be affected by this adjustment, therefore loss of revenue to CPUC will be \$38,340.72 ($1,133 \times \2.82×12).

For GS <50 kWh, 28 customers consuming 415 kWh or less are being affected by 10.0% or more. CPUC is proposing to reduce the monthly service rate from \$35.73 to \$34.00 per month from May 1, 2012 to April 30, 2013. There will be 16 customers consuming 155 kWh or less per month that will still be affected by 10.0% or \$5.02 or less.

There are 28 customers that will be affected by this adjustment, therefore loss of revenue to CPUC will be \$581.28 ($28 \times \1.73×12).

The Sentinel Lighting class customers are being affected the most by the 2012 Cost of Service process. In the Cost Allocation model analysis, Sheet O1

"Revenue to Cost RR", it was identified that its cost ratio is at 61.46%. This ratio requires that it be at a minimum 80.0% and therefore CPUC will adjust this ratio in equal proportion over a 3 year period. The cost ratio will increase to 67.64% on May 1, 2012, 73.82% on May 1, 2013 and to 80.0% on May 1, 2014.

CPUC will adjust all 23 customer's Fixed Rate over 3 years as follows:

| Year | Fixed Rate | Total Cost | Increase \$ | Increase % | Loss of Revenue |
|-----------|------------|------------|-------------|------------|-----------------|
| 2011 Rate | \$4.41 | \$14.91 | | | |
| 2012 | \$4.83 | \$16.41 | \$1.50 | 10.06% | \$819.72 |
| 2013 | \$6.32 | \$17.92 | \$1.51 | 9.22% | \$408.48 |
| 2014 | \$7.80 | \$19.43 | \$1.51 | 8.43% | \$0.00 |

The above table is based on the average Sentinel Lighting customer consuming 0.23 kW and 93 kWh per month. Customers consuming less than the average will experience increases of over 10.0% however the \$ amounts will be approximately \$1.50 per month or less.

There are 23 customers that will be affected therefore loss of revenue over 2 years will be \$1,288.92 calculated as follows:

For 2012 $\$7.80 - \$4.83 = \$2.97 \times 12 \times 23 = \819.72
For 2013 $\$7.80 - \$6.32 = \$1.48 \times 12 \times 23 = \408.48

For the Street Lighting customer class CPUC is proposing to reduce the proposed monthly service rate from \$5.50 to \$4.65 per month for the 341 connections from May 1, 2012 to April 30, 2013.

There are 341 connections that will be affected by this adjustment, therefore loss of revenue to CPUC will be \$3,478.20 ($341 \times \0.85×12).

Loss of Revenue Requirement

| Customer Class | 2012 | 2013 |
|-------------------|-------------|----------|
| Residential | \$38,340.72 | |
| GS <50 kWh | \$581.28 | |
| USL | \$257.76 | |
| Sentinel Lighting | \$819.72 | \$408.48 |
| Street Lighting | \$3,478.20 | |
| | | |
| TOTAL | \$43,219.92 | \$408.48 |

The above adjustments will cause a total revenue loss to CPUC of \$43,628.40 and therefore CPUC requests the recovery of the Residential and Street Lighting class revenue losses, of \$38,340.72 and \$3,478.20, commencing on May 1, 2013 to April 30, 2014. CPUC intends placing these losses in a variance account during 2012, accumulating interest and will be collected from the same classes that benefited from the adjustments by means of a monthly charge.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

1. ACCOUNT BALANCES AS AT DECEMBER 31, 2010

CPUC has completed the "2012 EDDVAR Continuity Schedule Ver. 3" as per the OEB instructions listing all outstanding Deferral and variance accounts and sub-accounts.

Adjustments were made to the "Continuity Schedule" in column BN lines 53 (a/c 1555) and 56 (a/c 1556) that require explanation.

Depreciation was not recorded to 2010 for \$22,368 and a minor adjustment to correct a wrong posting made to a/c 1556 instead of 1555 during 2010 for \$1,059.

Balances for 2010 should be:

$$\text{a/c 1555} = \$381,912 - \$22,368 + 1,059 = \$360,603$$

$$\text{a/c 1556} = \$49,130 + \$22,368 - 1,059 = \$70,440$$

The following Table shows the account balances as at December 31, 2010 and reconciled to the 2010 year end balances for RRR filing 2.1.7 trial balance as filed with the OEB.

| Account Description | A/C # | Principal Amounts Amount as at Dec. 31 2010 | Interest Amount Amount as at Dec. 31 2010 | Total as at Dec. 31 2010 |
|---|-------|---|---|--------------------------------|
| Group 1 Accounts | | | | |
| LV Variance Account | 1550 | (24,781) | (32) | (24,813) |
| RSVA - Wholesale Market Service Charge | 1580 | (41,222) | (316) | (41,538) |
| RSVA - Retail Transmission Network Charge | 1584 | 20,586 | 157 | 20,743 |
| RSVA - Retail Transmission Connection Charge | 1586 | 26,577 | (4,569) | 22,008 |
| RSVA - Power (Excluding Global Adjustment) | 1588 | (89,057) | (2,246) | (91,303) |
| RSVA - Power (Global Adjustment Sub-account) | 1588 | 1,995 | (1,080) | 915 |
| Recovery of Regulatory Asset Balances | 1590 | 0 | 0 | 0 |
| Disposition and Recovery of Regulatory Balances (2008) | 1595 | (38,314) | 2,349 | (35,965) |
| Disposition and Recovery of Regulatory Balances (2009) | 1595 | (39,068) | (287) | (39,355) |
| Sub-Total - Group 1 Accounts | | (183,284) | (6,024) | (189,308) |
| Group 2 Accounts | | | | |
| Other Regulatory Assets - Sub-Account - OEB Cost Assessments | | | | |
| Other Regulatory Assets - Sub-Account - Pension Contributions | 1508 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account Deferred IFRS Transition Costs | 1508 | 15,000 | 104 | 15,104 |
| Other Regulatory Assets - Sub-Account - Other | 1508 | 0 | 0 | 0 |
| Other Regulatory Assets - Sub-Account - Other | 1508 | 0 | 0 | 0 |
| Retail Cost Variance Account - Retail | 1518 | 3,141 | 51 | 3,192 |
| Misc. Deferred Debits | 1525 | 0 | 0 | 0 |
| Renewable Generation Connection Capital Deferral Account | 1531 | 0 | 0 | 0 |
| Renewable Generation Connection OM&A Deferral Account | 1532 | 0 | 0 | 0 |
| Renewable Generation Connection Funding Adder Deferral Account | 1533 | 0 | 0 | 0 |
| Smart Grid Capital Deferral Account | 1534 | 0 | 0 | 0 |
| Smart Grid OM&A Deferral Account | 1535 | 0 | 0 | 0 |
| Smart Grid Funding Adder Deferral Account | 1536 | 0 | 0 | 0 |
| Retail Cost Variance Account - STR | 1548 | 0 | 0 | 0 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital | 1555 | 381,912 | 0 | 381,912 |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries | 1555 | (37,728) | 3,019 | (34,709) |
| Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs | 1555 | 0 | 0 | 0 |
| Smart Meter OM&A Variance | 1556 | 48,849 | 282 | 49,131 |
| Conservation and Demand Management Expenditures and Recoveries | 1565 | (4,731) | 0 | (4,731) |
| CDM Contra | 1566 | 0 | 0 | 0 |
| RSVA - One-time | 1582 | 0 | 0 | 0 |
| Other Deferred Credits | 2425 | 0 | 0 | 0 |
| Sub-Total - Group 2 Accounts | | 406,443 | 3,456 | 409,899 |
| Deferred Payments in Lieu of Taxes | 1562 | 0 | 0 | 0 |
| PILs and Tax Variance for 2006 and Subsequent Years | 1592 | 0 | 0 | 0 |
| PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT | 1592 | 0 | 0 | 0 |
| Total of Group 1 and Group 2 Accounts (including 1562 and 1592) | | 223,159 | (2,568) | 220,591 |
| Special Purpose Charge Assessment Variance Account | 1521 | 7,077 | 54 | 7,131 |
| Total of all Deferral and Variance Accounts as at December 31, 2010 | | 230,236 | (2,514) | 227,722 |

A completed version of the continuity schedule has been completed and is included in this application.

The following is the continuity schedule after the last disposition to the present, showing separate itemization of opening balances and interest to December 31, 2012.

| | Account Number | Principal | Interest to Dec. 31 2010 | Interest | | Total | Principal and Interest for Disposition |
|--|----------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--|
| | | Amounts at Dec. 31, 2010 | | Jan. 1, to Dec. 31 2011 | Jan. 1, to Apr. 30, 2012 | Interest for Disposition | |
| Low Voltage Variance Account | 1550 | -\$ 24,781 | -\$ 32 | -\$ 364 | -\$ 121 | -\$ 517 | -\$ 25,298 |
| RSVA - Wholesale Market Service Charge | 1580 | -\$ 41,222 | -\$ 316 | -\$ 606 | -\$ 202 | -\$ 1,124 | -\$ 42,346 |
| RSVA - Retail Transmission Network | 1584 | \$ 20,586 | \$ 157 | \$ 303 | \$ 101 | \$ 561 | \$ 21,147 |
| RSVA - Retail Transmission Connection | 1586 | \$ 26,577 | -\$ 4,569 | \$ 391 | \$ 130 | -\$ 4,048 | \$ 22,529 |
| RSVA - Power (exluding Global Adjustment) | 1588 | -\$ 89,057 | -\$ 2,246 | -\$ 1,309 | -\$ 436 | -\$ 3,991 | -\$ 93,048 |
| RSVA - Power - Sub-A/C Global Adjustment | 1588 | \$ 1,995 | -\$ 1,080 | \$ 29 | \$ 10 | -\$ 1,041 | \$ 954 |
| Retail Costs Variance Account Retail | 1518 | \$ 3,141 | \$ 51 | \$ 46 | \$ 15 | \$ 112 | \$ 3,253 |
| Conservation and Demand Management | 1565 | -\$ 4,731 | \$ - | \$ - | \$ - | \$ - | -\$ 4,731 |
| | | -\$ 107,492 | -\$ 8,035 | -\$ 1,510 | -\$ 503 | -\$ 10,048 | -\$ 117,540 |

Interest rates applied to calculate the carrying charges for each regulatory deferral and variance account on a quarterly basis, to December 31, 2012, are as follows:

| Year & Qrt | Interest Rate |
|------------|---------------|
| | |
| 2006 Q 2 | 4.14% |
| 2006 Q 3 | 4.59% |
| 2006 Q 4 | 4.59% |
| 2007 Q 1 | 4.59% |
| 2007 Q 2 | 4.59% |
| 2007 Q 3 | 4.59% |
| 2007 Q 4 | 5.14% |
| 2008 Q 1 | 5.14% |
| 2008 Q 2 | 4.08% |
| 2008 Q 3 | 3.35% |
| 2008 Q 4 | 3.35% |
| 2009 Q 1 | 2.45% |
| 2009 Q 2 | 1.00% |
| 2009 Q 3 | 0.55% |
| 2009 Q 4 | 0.55% |
| 2010 Q 1 | 0.55% |
| 2010 Q 2 | 0.55% |
| 2010 Q 3 | 0.89% |
| 2010 Q 4 | 1.20% |
| 2011 Q 1 | 1.47% |
| 2011 Q 2 | 1.47% |
| 2011 Q 3 | 1.47% |
| 2011 Q 4 | 1.47% |
| 2012 Q 1 | 1.47% |
| 2012 Q 2 | 1.47% |
| 2012 Q 3 | 1.47% |
| 2012 Q 4 | 1.47% |

Differences in the continuity schedule from the trial balance reported through the Electricity Reporting and Record Keeping Requirements and Audited Financial Statements.

Group 1 Accounts

Accounts 1580, 1584, 1586, 1588, 1590 and 1595 show minor variances that are due to rounding. Total net variance is \$2.99

Group 2 Accounts

Accounts 1508, 1518, 1555, 1556 and 1570 show minor variances that are due to rounding. Total net variance is \$0.76

CPUC is requesting the continuation of the following deferral or variance accounts:

Group 1

- 1550 – Low Voltage Variance
- 1580 – RSVA-Wholesale Market Service Charge
- 1584 – RSVA-Retail Transmission Network Charge
- 1586 – RSVA-Retail Transmission Connection Charge
- 1588 – RSVA-Power and Sub-Account Global Adjustment
- 1595 – Disposition and Recovery of Regulatory Balances - Sub-Account 2008
- 1595 – Disposition and Recovery of Regulatory Balances - Sub-Account 2009
- 1595 – Disposition and Recovery of Regulatory Balances - Sub-Account 2010

Group 2

- 1508 – Other Regulatory Assets - Sub-Account Deferred IFRS Transition Costs
- 1518 – Retail Cost Variance Account - Retail
- 1555 - Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital
- 1555 - Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries
- 1555 - Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs
- 1556 - Smart Meter OM& A Variance
- 1521 – Special Purpose Charge Assessment

2. SPECIAL PURPOSE CHARGE ASSESSMENT

CPUC requests the Board to allow account 1521 to remain open until such time as CPUC files its 2013 IRM rate application at which time the Utility will apply to the Board for an order to clear any audited debit or credit balance remaining in account 1521.

3. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

CPUC requests disposition of the following accounts, comprised of the 2010 balances as of December 31, 2010 and the forecasted interest to December 31, 2012 over a one year period:

| Description | Account # | Total at Dec. 31, 2010 | Interest to Dec. 31, 2012 | Amount for Disposition |
|--|-----------|------------------------|---------------------------|------------------------|
| Low Voltage Variance Account | 1550 | -\$ 24,813 | -\$ 485 | -\$ 25,298 |
| RSVA - Wholesale Market Service Charge | 1580 | -\$ 41,538 | -\$ 808 | -\$ 42,346 |
| RSVA - Retail Transmission Network | 1584 | \$ 20,743 | \$ 404 | \$ 21,147 |
| RSVA - Retail Transmission Connection | 1586 | \$ 22,008 | \$ 521 | \$ 22,529 |
| RSVA - Power (excluding Global Adjustment) | 1588 | -\$ 91,303 | -\$ 1,745 | -\$ 93,048 |
| RSVA - Power - Sub-A/C Global Adjustment | 1588 | \$ 915 | \$ 39 | \$ 954 |
| Retail Costs Variance Account Retail | 1518 | \$ 3,192 | \$ 61 | \$ 3,253 |
| Conservation and Demand Management | 1565 | -\$ 4,731 | \$ 0 | -\$ 4,731 |
| | | | | |
| TOTAL | | -\$ 115,527 | -\$ 2,023 | -\$ 117,540 |

The above balances proposed for disposition, before forecasted interest to December 31, 2012, match the 2010 Audited Financial Statements.

4. ALLOCATORS AND METHOD OF DISPOSITION

| 2012 Data by Class | Total Billed kWh | Total Billed kW | Non RPP Billed kWh | Non RPP Billed kW | Customer Numbers | Total Base Revenue |
|------------------------------|------------------------|-----------------------|--------------------------|-------------------------|---------------------|--------------------------|
| Residential Customers | 14,574,912 | | 416,388 | | \$ 1,133 | \$ 528,052 |
| Gen Service <50 kW Customers | 5,255,040 | | 68,712 | | \$ 161 | \$ 161,372 |
| Gen Service >50 kW Customers | 7,658,952 | 19,530 | 7,497,050 | 19,530 | \$ 14 | \$ 97,483 |
| Unmetered Scattered Load | 7,272 | | 0 | | \$ - | \$ 1,569 |
| Sentinel Lighting | 25,944 | 66 | 0 | | \$ - | \$ 2,924 |
| Street Lighting | 294,624 | 780 | 0 | | \$ - | \$ 31,630 |
| TOTAL | 27,816,744 | 20,376 | 7,982,150 | 19,530 | \$ 1,308 | \$ 823,030 |

| Allocators | Total | | Non RPP | | Customer | Total |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| | Billed kWh % | Billed kW % | Billed kWh % | Billed kW % | Numbers % | Base Revenue % |
| Residential Customers | 52.396% | | 5.216% | | 86.621% | 64.160% |
| Gen Service <50 kW Customers | 18.892% | | 0.861% | | 12.309% | 19.607% |
| Gen Service >50 kW Customers | 27.534% | 95.848% | 93.923% | 100.000% | 1.070% | 11.844% |
| Unmetered Scattered Load | 0.026% | | | | 0.000% | 0.191% |
| Sentinel Lighting | 0.093% | 0.324% | | 0.000% | 0.000% | 0.355% |
| Street Lighting | 1.059% | 3.828% | | 0.000% | 0.000% | 3.843% |
| TOTAL | 100.000% | 100.000% | 100.000% | 100.000% | 100.000% | 100.000% |

Group 1 and Group 2 Deferral and Variance Account Balances and Group 1 Deferral and Variance Account Balances - non RPP showing allocations of variances to applicable classes.

| Group 1 Deferral and Variance Account Balances | A/C # | Allocator | Total | Residential | GS < 50 kW | GS > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|---|----------|-----------|-------------------|-------------------|-------------------|-------------------|--------------------------------|----------------------|--------------------|
| kWh % Allocation | | | 100% | 52.396% | 18.892% | 27.534% | 0.026% | 0.093% | 1.059% |
| Low Voltage Variance Account | 1550 | kWh | -\$ 25,298 | - 13,255 | - 4,779 | - 6,965 | - 7 | - 24 | - 268 |
| RSVA - Wholesale Market Service Charge | 1580 | kWh | -\$ 42,346 | - 22,188 | - 8,000 | - 11,659 | - 11 | - 39 | - 449 |
| RSVA - Retail Transmission Network | 1584 | kWh | \$ 21,147 | 11,080 | 3,995 | 5,823 | 6 | 20 | 224 |
| RSVA - Retail Transmission Connection | 1586 | kWh | \$ 22,529 | 11,804 | 4,256 | 6,203 | 6 | 21 | 239 |
| RSVA - Power (exclud. Global Adjustment) | 1588 | kWh | -\$ 93,048 | - 48,754 | - 17,578 | - 25,619 | - 24 | - 87 | - 986 |
| Total | | | -\$117,016 | -\$ 61,312 | -\$ 22,106 | -\$ 32,219 | -\$ 31 | -\$ 109 | -\$ 1,239 |

| Group 2 Deferral and Variance Account Balances | A/C # | Allocator | Total | Residential | GS < 50 kW | GS > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|---|----------|-----------|------------------|---------------|----------------|------------------|--------------------------------|----------------------|--------------------|
| kWh % Allocation | | | 100% | 52.396% | 18.892% | 27.534% | 0.026% | 0.093% | 1.059% |
| Customer Allocation | | | 100% | 86.621% | 12.309% | 1.070% | 0% | 0% | 0% |
| Retail Costs Variance Account - Retail | 1518 | Customers | \$ 3,253 | 2,818 | 400 | 35 | - | - | - |
| Conservation and Demand Management | 1565 | kWh | -\$ 4,731 | - 2,479 | - 894 | - 1,303 | - 1 | - 4 | - 50 |
| Total | | | -\$ 1,478 | \$ 339 | -\$ 493 | -\$ 1,268 | -\$ 1 | -\$ 4 | -\$ 50 |

| Group 1 Deferral and Variance Account Balances Non-RPP | A/C # | Allocator | Total | Residential | GS < 50 kW | GS > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|---|----------|-------------|---------------|--------------|---------------|---------------|--------------------------------|----------------------|--------------------|
| % Allocation | | | 100% | 5.216% | 0.861% | 93.923% | 0.000% | 0.000% | 0.000% |
| RSVA - Power Sub-A/C Global Adjustment | 1588 | Non RPP kWh | \$ 954 | \$ 50 | \$ 8 | \$ 896 | \$ - | \$ - | \$ - |
| Total | | | \$ 954 | \$ 50 | \$ 8 | \$ 896 | \$ - | \$ - | \$ - |

Deferral and Variance Account Rate Riders

| Customer Classes | Residential | GS < 50 kW | GS > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|--|-------------|---------------|---------------|--------------------------------|----------------------|--------------------|
| Billing Determinants | kWh | kWh | kW | kWh | kW | kW |
| Consumptions - kWh or kW | 14,574,912 | 5,255,040 | 19,530 | 7,272 | 66 | 780 |
| Disposition Amount | -\$ 60,973 | -\$ 22,599 | -\$ 33,487 | -\$ 32 | -\$ 113 | -\$ 1,289 |
| Deferral and Variance Account Rate Rider | -\$ 0.0042 | -\$ 0.0043 | -\$ 1.7146 | -\$ 0.0044 | -\$ 1.7121 | -\$ 1.6526 |

| Customer Classes | Residential | GS < 50 kW | GS > 50 kW | Unmetered Scattered Load | Sentinel Lighting | Street Lighting |
|--|-------------|---------------|---------------|--------------------------------|----------------------|--------------------|
| Billing Determinants | kWh | kWh | kW | kWh | kW | kW |
| Consumptions Non-RPP kWh or kW | 416,388 | 68,712 | 19,530 | - | - | - |
| Disposition Amount | \$ 50 | \$ 8 | \$ 896 | \$ - | \$ - | \$ - |
| Rate Rider - Global Adj. Non-RPP Cust. | \$ 0.0001 | \$ 0.0001 | \$ 0.0459 | \$ - | \$ - | \$ - |

5. DEFERRED PILS - 1562

"Chapter 2 of the Filing Requirements for Transmission and Distribution Applications" on page 47 states that "Distributors should not file applications for disposition of account 1562 balances until further instructions are received from the Board". CPUC will abide by the Boards decision.

6. SMART METERS

CPUC has completed the model provided by the Ontario Energy Board to determine the revenue requirement for the smart meter project from 2006 to 2011.

The following table summarizes the revenue requirement from 2006 to 2011 and the value of the smart meter funding adder collected by CPUC from May 2006 to April 2012 inclusive of carrying costs.

| Year | Revenue Requirement |
|---|---------------------|
| Revenue Requirement - 2006 | - |
| Revenue Requirement - 2007 | - |
| Revenue Requirement - 2008 | \$ 722.66 |
| Revenue Requirement - 2009 | \$ 41,173.09 |
| Revenue Requirement - 2010 | \$ 77,124.82 |
| Revenue Requirement - 2011 | \$ 85,134.51 |
| Total | \$ 204,155.09 |
| Smart Meter Funding Adder Revenues and Carrying Costs | (\$79,918.02) |
| | |
| Deferred Revenue Requirement | \$ 124,237.07 |
| | |
| Smart Meter Disposition Rider May 1, 2012 to April 30, 2016 | \$ 1.98 |
| | |

The smart meter disposition rider per metered customer per month of \$1.98 will be collected over a four year period to mitigate customer impact. This will replace the current Smart Meter Funding Adder of \$2.50