

Smart Meter Costs

2008 EDR Data Information

Deemed L-T Debt	56%
Deemed S-T Debt	4%
Deemed Equity	40%
Weighted L-T Debt Rate	5.26%
Weighted S-T Debt Rate	4.47%
Proposed ROE	8.57%
Weighted Average Cost of Capital	6.55%

2006 EDR Tax Rate

Corporate Income Tax Rate	33.50%
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Capital Data:

	1-May-07 to 31-Dec-07	1-Jan-08 to 31-Dec-08	Total to 31-Dec-08
Smart meter including installation	\$ 17,799,598	\$ 9,684,000	\$ 27,483,598
Tools and Equipment (Work force management)			\$ -
Computer Hardware Costs			\$ -
Computer Software			\$ -
Total Computer Costs	\$ 17,799,598	\$ 9,684,000	\$ 27,483,598

LDC Amortization Policy:

Smart Meter Amortization Rate	\$ 15 Years
Tools and Equipment (Work force management)	\$ 10 Years
Computer Hardware Amortization Rate	\$ 5 Years
Computer Software Amortization Rate	\$ 5 Years

Operating Expense Data:

	1-Jan-08 to 31-Dec-08
Incremental OM&A Expenses	\$ 740,018
Total Incremental Operating Expense	\$ 740,018

Smart Meter Revenue Requirement Calculation 2008

Average Asset Values

Net Fixed Assets Smart Meters
Net Fixed Assets Tools and Equipment
Net Fixed Assets Computer Hardware
Net Fixed Assets Computer Software
Total Net Fixed Assets

31-Dec-08	
\$	21,491,331
\$	-
\$	-
\$	-
\$	21,491,331
\$	21,491,331

Working Capital

Operation Expense
12.5 % Working Capital

\$	740,018	
\$	92,502	\$ 92,502

Smart Meters included in Rate Base

\$	21,583,834
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Return on Rate Base

Deemed L-T Debt
Deemed S-T Debt
Deemed Equity

56.0%	\$	12,086,947
4.0%	\$	863,353
40.0%	\$	8,633,533
	\$	21,583,834

Weighted L-T Debt Rate
Weighted S-T Debt Rate
Proposed ROE

5.3%	\$	635,532
4.5%	\$	38,592
8.6%	\$	739,894

Return on Rate Base

\$	1,414,017	\$	1,414,017
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Operating Expenses

Incremental Operating Expenses

\$	740,018
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Amortization Expenses

Amortization Expenses - Smart Meters
Amortization Expenses - Tools and equipment
Amortization Expenses - Computer Hardware
Amortization Expenses - Computer Software

\$	1,509,440
\$	-
\$	-
\$	-

Total Amortization Expenses

\$	1,509,440
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Revenue Requirement Before PILs

\$	3,663,475
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Calculation of Taxable Income

Incremental Operating Expenses
Depreciation Expenses
Interest Expense

-\$	740,018
-\$	1,509,440
-\$	635,532

Taxable Income For PILs

\$	778,486
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Grossed up PILs

\$	316,771
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Revenue Requirement Before PILs
Grossed up PILs

\$	3,663,475
\$	316,771

Revenue Requirement for Smart Meters

\$	3,980,247
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metered customers mid year 2008
Rate Adder per month per metered customer

290,258
1.14

PILs Calculation 2008

31-Dec-08

INCOME TAX

Net Income	\$ 778,486
Amortization	\$ 1,509,440
CCA - Class 47 (8%) Smart Meters	-\$ 1,773,355
CCA - Class 8 (20%) Tools and Equipment	\$ -
CCA - Class 45 (45%) Computers	\$ -
Change in taxable income	<u>\$ 514,570</u>
Tax Rate	<u>33.50%</u>
Income Taxes Payable	<u>\$ 172,381</u>

ONTARIO CAPITAL TAX

Smart Meters	\$ 25,578,612
Tools and Equipment	\$ -
Computer Hardware	\$ -
Computer Software	\$ -
Rate Base	<u>\$ 25,578,612</u>
Less: Exemption	<u>\$ -</u>
Deemed Taxable Capital	<u>\$ 25,578,612</u>
Ontario Capital Tax Rate	<u>0.225%</u>
Net Amount (Taxable Capital x Rate)	<u>\$ 57,552</u>

Gross Up

	PILs Payable	Gross Up	Grossed Up PILs
Change in Income Taxes Payable	\$ 172,381	33.50%	\$ 259,220
Change in OCT	\$ 57,552		\$ 57,552
PIL's	<u>\$ 229,933</u>		<u>\$ 316,771</u>

Smart Meter Average Net Fixed Assets 2008

Net Fixed Assets - Smart Meters

	01-May-07 to 31-Dec-07	31-Dec-08
Opening Capital Investment	\$ -	\$ 17,799,598
Capital Investment Year 1	\$ 17,799,598	
Capital Investment Year 2		\$ 9,684,000
Closing Capital Investment	\$ 17,799,598	\$ 27,483,598
Opening Accumulated Amortization	\$ -	\$ 395,547
Amortization Year 1 (15 Years Straight Line)	\$ 395,547	\$ 1,186,640
Amortization Year 2 (15 Years Straight Line)		\$ 322,800
Closing Accumulated Amortization	\$ 395,547	\$ 1,904,986
Opening Net Fixed Assets	\$ -	\$ 17,404,051
Closing Net Fixed Assets	\$ 17,404,051	\$ 25,578,612
Average Net Fixed Assets	\$ 8,702,026	\$ 21,491,331

Net Fixed Assets - Tools and Equipment

	01-May-07 to 31-Dec-07	31-Dec-08
Opening Capital Investment	\$ -	\$ -
Capital Investment Year 1	\$ -	
Capital Investment Year 2		\$ -
Closing Capital Investment	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -
Amortization Year 1 (10 Years Straight Line)	\$ -	\$ -
Amortization Year 2 (10 Years Straight Line)		\$ -
Closing Accumulated Amortization	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -

Net Fixed Assets - Computer Hardware

	01-May-07 to 31-Dec-07	31-Dec-08
Opening Capital Investment	\$ -	\$ -
Capital Investment Year 1	\$ -	
Capital Investment Year 2		\$ -
Closing Capital Investment	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -
Amortization Year 2 (5 Years Straight Line)		\$ -
Closing Accumulated Amortization	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -

Net Fixed Assets - Computer Software

	01-May-07 to 31-Dec-07	31-Dec-08
Opening Capital Investment	\$ -	\$ -
Capital Investment Year 1	\$ -	
Capital Investment Year 2		\$ -
Closing Capital Investment	\$ -	\$ -
Opening Accumulated Amortization	\$ -	\$ -
Amortization Year 1 (5 Years Straight Line)	\$ -	\$ -
Amortization Year 2 (5 Years Straight Line)		\$ -
Closing Accumulated Amortization	\$ -	\$ -
Opening Net Fixed Assets	\$ -	\$ -
Closing Net Fixed Assets	\$ -	\$ -
Average Net Fixed Assets	\$ -	\$ -

Total Assets

Total Fixed Assets	\$ 17,799,598	\$ 27,483,598
Total Accumulated Amortization	\$ 395,547	\$ 1,904,986
Closing Net Fixed Assets	\$ 17,404,051	\$ 25,578,612

For PILs Calculation

UCC - Smart Meters

CCA Class 47 (8%)	01-May-07 to 31-Dec-07	31-Dec-08
Opening UCC	\$ -	\$ 17,324,942
Capital Additions	\$ 17,799,598	\$ 9,684,000
UCC Before Half Year Rule	\$ 17,799,598	\$ 27,008,942
Half Year Rule (1/2 Additions - Disposals)	\$ 8,899,799	\$ 4,842,000
Reduced UCC	\$ 8,899,799	\$ 22,166,942
CCA Rate Class 47	8%	8%
CCA	\$ 474,656	\$ 1,773,355
Closing UCC	\$ 17,324,942	\$ 25,235,587

UCC - Tools and Equipment

CCA Class 8 (20%)	01-May-07 to 31-Dec-07	31-Dec-08
Opening UCC	\$ -	\$ -
Capital Additions	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -
Reduced UCC	\$ -	\$ -
CCA Rate Class 8	20%	20%
CCA	\$ -	\$ -
Closing UCC	\$ -	\$ -

UCC - Computer Equipment

CCA Class 45 (45%)	31-Dec-07	31-Dec-08
Opening UCC	\$ -	\$ -
Capital Additions Hardware	\$ -	\$ -
Capital Additions Software	\$ -	\$ -
UCC Before Half Year Rule	\$ -	\$ -
Half Year Rule (1/2 Additions - Disposals)	\$ -	\$ -
Reduced UCC	\$ -	\$ -
CCA Rate Class 45	45%	45%
CCA	\$ -	\$ -
Closing UCC	\$ -	\$ -