

Exhibit 4:

OPERATING COSTS

Exhibit 4: Operating Costs

Tab 1 (of 10): Manager's Summary

OVERALL COST TRENDS

THI's operating costs trend table is provided at E4/T1/S1/Att1.

Operation, Maintenance and Administration ("OM&A")

An overview of THI's OM&A is provided in E4/T3/S1. As that table indicates, THI's proposed OM&A for 2013TY, after adjusting for one-time items, reflects a 3.1% (E4/T2/S1/Att3) increase over its 2012BY - CGAAP results. THI submits that the realized growth in its spending was prudent and reasonable, as it related principally to the need to recruit, train and retain qualified staff to support safety, reliability and effective management.

Employee Compensation (E4/T4/S1/Att1)

THI utilizes .62 FTE in 2013TY of Town of Tillsonburg Executive staff and has no dedicated FTE. Aggregate compensation for the Executive FTE for 2013TY is \$92k. This is an increase of 2.2% from the 2012BY.

THI utilizes 2.65 FTE in 2013TY of Town of Tillsonburg Management staff and has no dedicated FTE. Aggregate compensation for Management FTE for 2013TY is \$276k. This is an increase of 3.4% from the 2012BY.

THI utilizes 16.55 FTE in 2013TY of Town of Tillsonburg Non-union staff and has no dedicated FTE. Aggregate compensation for Non-union FTE for 2013TY is \$1,361k. This is an increase of 1.9% from the 2012BY.

THI completed a Transfer Pricing Study (E4/T2/S2/Att1) in 2012BY that resulted in additional indirect employee compensation costs in 2012BY of \$81k. Prior to 2012BY, the costs borne by THI were understated and absorbed by the shareholder. Further, the Transfer Pricing Study reaffirmed the CSR FTE allocation increase in 2010 of 1.1 FTE or \$67k and \$70k in 2011.

1 **Provision In Lieu of Taxes (“PILs”)**

2 Actual PILs expense in 2009 was less than the Board-approved amount due to lower
3 distribution revenues offset by non-utility activity revenues earned, OM&A expenses that
4 were denied rate recovery and offset by actual interest significantly less than deemed.
5 PILs expense increased in 2010 due to higher distribution revenue which was offset by
6 non-capitalization of a portion of the management fee, and a one-time settlement cost.
7 2011 remained consistent with 2010 due to lower distribution revenues, higher
8 operations costs. 2012BY is expected to be lower due to lower miscellaneous revenues,
9 and lower capitalization of labour costs. 2013TY PILs is deemed to be \$Nil due a
10 regulatory loss for tax purposes. The regulatory loss is the result of the MIFRS
11 amortization recovery being significantly lower than the CCA deduction allowed.

12

13 Further details on PILs expenses are provided in E4/T8/S2.

14

15 **Capitalization**

16

17 E4/T2/S1/Att3 shows that OM&A expenses increased 7.4% from the 2012BY to
18 the 2013 TY, of which only 3.1% was due to increased expenditures. The
19 remaining difference was due to changes in the allocation of expenses between
20 capital and OM&A.

21

22 **Extraordinary and Other Items**

23 THI has not recorded and does not foresee any extraordinary or other spending.

EB-2012-0168

Exhibit 4

Tab 1

Schedule 1

Attachment 1

Profit and Loss Variance Analysis - MIFRS

X12 Profit & Loss Variance Analysis

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2013 @ new dist. rates	2013 @ existing rates	Var \$	Var %
3000-Sales of Electricity	17,212,690	17,212,690	0	0.0%
3050-Revenues From Services - Distribution	3,476,881	2,975,996	500,884	16.8%
3100-Other Operating Revenues	79,869	79,869	0	0.0%
3150-Other Income & Deductions	0	0	0	0.0%
3200-Investment Income	18,000	18,000	0	0.0%
3350-Power Supply Expenses	(17,212,690)	(17,212,690)	0	0.0%
Net Revenues	3,574,749	3,073,865	500,884	16.3%
3500-Distribution Expenses - Operation	1,093,436	1,093,436	0	0.0%
3550-Distribution Expenses - Maintenance	275,312	275,312	0	0.0%
3650-Billing and Collecting	596,505	596,505	0	0.0%
3700-Community Relations	900	900	0	0.0%
3800-Administrative and General Expenses	748,929	748,929	0	0.0%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,715,082	2,715,082	0	0.0%
3850-Amortization Expense	282,539	282,539	0	0.0%
Earnings Before Interest & Taxes	577,128	76,244	500,884	656.9%
3900-Interest Expense	57,531	57,531	0	0.0%
Earnings Before Tax	519,597	18,713	500,884	2676.7%
4000-Income Taxes	0	0	0	0.0%
Net Income excluding Extraordinary Items	519,597	18,713	500,884	2676.7%
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	519,597	18,713	500,884	2676.7%

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2013 @ existing rates	2012 □ Projection	Var \$	Var %
3000-Sales of Electricity	17,212,690	16,473,238	739,453	4.5%
3050-Revenues From Services - Distribution	2,975,996	2,982,605	(6,608)	(0.2%)
3100-Other Operating Revenues	79,869	79,869	0	0.0%
3150-Other Income & Deductions	0	0	0	0.0%
3200-Investment Income	18,000	30,000	(12,000)	(40.0%)
3350-Power Supply Expenses	(17,212,690)	(16,473,238)	(739,453)	(4.5%)
Net Revenues	3,073,865	3,092,473	(18,608)	(0.6%)
3500-Distribution Expenses - Operation	1,093,436	1,053,216	40,220	3.8%
3550-Distribution Expenses - Maintenance	275,312	269,390	5,922	2.2%
3650-Billing and Collecting	596,505	599,164	(2,659)	(0.4%)
3700-Community Relations	900	1,000	(100)	(10.0%)
3800-Administrative and General Expenses	748,929	712,501	36,428	5.1%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,715,082	2,635,271	79,811	3.0%
3850-Amortization Expense	282,539	202,569	79,970	39.5%
Earnings Before Interest & Taxes	76,244	254,634	(178,390)	(70.1%)
3900-Interest Expense	57,531	55,000	2,531	4.6%
Earnings Before Tax	18,713	199,634	(180,921)	(90.6%)
4000-Income Taxes	0	0	0	0.0%
Net Income excluding Extraordinary Items	18,713	199,634	(180,921)	(90.6%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	18,713	199,634	(180,921)	(90.6%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2012 <input type="checkbox"/> Projection	2011 <input type="checkbox"/> Actual	Var \$	Var %
3000-Sales of Electricity	16,473,238	16,738,417	(265,180)	(1.6%)
3050-Revenues From Services - Distribution	2,982,605	2,960,821	21,784	0.7%
3100-Other Operating Revenues	79,869	128,922	(49,054)	(38.0%)
3150-Other Income & Deductions	0	50,064	(50,064)	(100.0%)
3200-Investment Income	30,000	46,055	(16,055)	(34.9%)
3350-Power Supply Expenses	(16,473,238)	(16,738,417)	265,180	1.6%
Net Revenues	3,092,473	3,185,863	(93,389)	(2.9%)
3500-Distribution Expenses - Operation	1,053,216	744,387	308,828	41.5%
3550-Distribution Expenses - Maintenance	269,390	205,657	63,733	31.0%
3650-Billing and Collecting	599,164	563,328	35,836	6.4%
3700-Community Relations	1,000	5,365	(4,365)	(81.4%)
3800-Administrative and General Expenses	712,501	709,134	3,367	0.5%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,635,271	2,227,871	407,400	18.3%
3850-Amortization Expense	202,569	596,701	(394,132)	(66.1%)
Earnings Before Interest & Taxes	254,634	361,291	(106,658)	(29.5%)
3900-Interest Expense	55,000	42,340	12,660	29.9%
Earnings Before Tax	199,634	318,951	(119,318)	(37.4%)
4000-Income Taxes	0	85,557	(85,557)	(100.0%)
Net Income excluding Extraordinary Items	199,634	233,394	(33,761)	(14.5%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	199,634	233,394	(33,761)	(14.5%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2011 Actual	2010 Actual	Var \$	Var %
3000-Sales of Electricity	16,738,417	15,397,529	1,340,888	8.7%
3050-Revenues From Services - Distribution	2,960,821	3,187,497	(226,675)	(7.1%)
3100-Other Operating Revenues	128,922	139,227	(10,304)	(7.4%)
3150-Other Income & Deductions	50,064	(41,895)	91,959	219.5%
3200-Investment Income	46,055	15,911	30,144	189.5%
3350-Power Supply Expenses	(16,738,417)	(15,397,529)	(1,340,888)	(8.7%)
Net Revenues	3,185,863	3,300,739	(114,876)	(3.5%)
3500-Distribution Expenses - Operation	744,387	897,447	(153,060)	(17.1%)
3550-Distribution Expenses - Maintenance	205,657	170,839	34,817	20.4%
3650-Billing and Collecting	563,328	484,560	78,769	16.3%
3700-Community Relations	5,365	1,967	3,398	172.7%
3800-Administrative and General Expenses	709,134	647,967	61,167	9.4%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,227,871	2,202,780	25,091	1.1%
3850-Amortization Expense	596,701	653,359	(56,658)	(8.7%)
Earnings Before Interest & Taxes	361,291	444,600	(83,309)	(18.7%)
3900-Interest Expense	42,340	10,049	32,291	321.4%
Earnings Before Tax	318,951	434,552	(115,600)	(26.6%)
4000-Income Taxes	85,557	83,488	2,069	2.5%
Net Income excluding Extraordinary Items	233,394	351,064	(117,669)	(33.5%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	233,394	351,064	(117,669)	(33.5%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2010 Actual	2009 Actual	Var \$	Var %
3000-Sales of Electricity	15,397,529	15,174,062	223,467	1.5%
3050-Revenues From Services - Distribution	3,187,497	2,721,228	466,269	17.1%
3100-Other Operating Revenues	139,227	90,208	49,019	54.3%
3150-Other Income & Deductions	(41,895)	28,053	(69,948)	(249.3%)
3200-Investment Income	15,911	13,384	2,527	18.9%
3350-Power Supply Expenses	(15,397,529)	(15,174,062)	(223,467)	(1.5%)
Net Revenues	3,300,739	2,852,874	447,866	15.7%
3500-Distribution Expenses - Operation	897,447	853,629	43,818	5.1%
3550-Distribution Expenses - Maintenance	170,839	186,094	(15,255)	(8.2%)
3650-Billing and Collecting	484,560	434,918	49,642	11.4%
3700-Community Relations	1,967	0	1,967	0.0%
3800-Administrative and General Expenses	647,967	398,456	249,511	62.6%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,202,780	1,873,097	329,683	17.6%
3850-Amortization Expense	653,359	551,911	101,448	18.4%
Earnings Before Interest & Taxes	444,600	427,866	16,734	3.9%
3900-Interest Expense	10,049	14,844	(4,796)	(32.3%)
Earnings Before Tax	434,552	413,022	21,530	5.2%
4000-Income Taxes	83,488	21,641	61,847	285.8%
Net Income excluding Extraordinary Items	351,064	391,381	(40,317)	(10.3%)
4100-Extraordinary & Other Items	0	222,616	(222,616)	(100.0%)
Net Income	351,064	168,765	182,299	108.0%

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$17,874 are shown in bold

Account Grouping	2009 Actual	2009 Approved	Var \$	Var %
3000-Sales of Electricity	15,174,062	14,430,134	743,928	5.2%
3050-Revenues From Services - Distribution	2,721,228	2,420,803	300,425	12.4%
3100-Other Operating Revenues	90,208	94,066	(3,858)	(4.1%)
3150-Other Income & Deductions	28,053	0	28,053	0.0%
3200-Investment Income	13,384	6,000	7,384	123.1%
3350-Power Supply Expenses	(15,174,062)	(14,428,910)	(745,152)	(5.2%)
Net Revenues	2,852,874	2,522,093	330,781	13.1%
3500-Distribution Expenses - Operation	853,629	714,543	139,086	19.5%
3550-Distribution Expenses - Maintenance	186,094	186,092	2	0.0%
3650-Billing and Collecting	434,918	501,622	(66,704)	(13.3%)
3700-Community Relations	0	0	0	0.0%
3800-Administrative and General Expenses	398,456	459,981	(61,525)	(13.4%)
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	1,873,097	1,862,238	10,859	0.6%
3850-Amortization Expense	551,911	491,357	60,554	12.3%
Earnings Before Interest & Taxes	427,866	168,498	259,368	153.9%
3900-Interest Expense	14,844	37,213	(22,369)	(60.1%)
Earnings Before Tax	413,022	131,285	281,737	214.6%
4000-Income Taxes	21,641	22,239	(598)	(2.7%)
Net Income excluding Extraordinary Items	391,381	109,046	282,335	258.9%
4100-Extraordinary & Other Items	222,616	0	222,616	0.0%
Net Income	168,765	109,046	59,719	54.8%

EB-2012-0168

Exhibit 4

Tab 1

Schedule 1

Attachment 2

Profit and Loss Variance Analysis - CGAAP

X12 Profit & Loss Variance Analysis

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2013 @ new dist. rates	2013 @ existing rates	Var \$	Var %
3000-Sales of Electricity	17,213,386	17,213,386	0	0.0%
3050-Revenues From Services - Distribution	3,791,272	2,975,996	815,276	27.4%
3100-Other Operating Revenues	79,869	79,869	0	0.0%
3150-Other Income & Deductions	0	0	0	0.0%
3200-Investment Income	18,000	18,000	0	0.0%
3350-Power Supply Expenses	(17,213,386)	(17,213,386)	0	0.0%
Net Revenues	3,889,141	3,073,865	815,276	26.5%
3500-Distribution Expenses - Operation	974,196	974,196	0	0.0%
3550-Distribution Expenses - Maintenance	275,312	275,312	0	0.0%
3650-Billing and Collecting	596,505	596,505	0	0.0%
3700-Community Relations	900	900	0	0.0%
3800-Administrative and General Expenses	748,929	748,929	0	0.0%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,595,842	2,595,842	0	0.0%
3850-Amortization Expense	672,026	672,026	0	0.0%
Earnings Before Interest & Taxes	621,272	(194,003)	815,276	420.2%
3900-Interest Expense	57,531	57,531	0	0.0%
Earnings Before Tax	563,741	(251,534)	815,276	324.1%
4000-Income Taxes	51,814	0	51,814	0.0%
Net Income excluding Extraordinary Items	511,927	(251,534)	763,462	303.5%
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	511,927	(251,534)	763,462	303.5%

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2013 @ existing rates	2012 □ Projection	Var \$	Var %
3000-Sales of Electricity	17,213,386	16,473,238	740,149	4.5%
3050-Revenues From Services - Distribution	2,975,996	2,982,605	(6,608)	(0.2%)
3100-Other Operating Revenues	79,869	79,869	0	0.0%
3150-Other Income & Deductions	0	0	0	0.0%
3200-Investment Income	18,000	30,000	(12,000)	(40.0%)
3350-Power Supply Expenses	(17,213,386)	(16,473,238)	(740,149)	(4.5%)
Net Revenues	3,073,865	3,092,473	(18,608)	(0.6%)
3500-Distribution Expenses - Operation	974,196	911,002	63,194	6.9%
3550-Distribution Expenses - Maintenance	275,312	269,390	5,922	2.2%
3650-Billing and Collecting	596,505	599,164	(2,659)	(0.4%)
3700-Community Relations	900	1,000	(100)	(10.0%)
3800-Administrative and General Expenses	748,929	712,501	36,428	5.1%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,595,842	2,493,057	102,785	4.1%
3850-Amortization Expense	672,026	524,223	147,803	28.2%
Earnings Before Interest & Taxes	(194,003)	75,193	(269,197)	(358.0%)
3900-Interest Expense	57,531	55,000	2,531	4.6%
Earnings Before Tax	(251,534)	20,193	(271,728)	(1345.6%)
4000-Income Taxes	0	6,341	(6,341)	(100.0%)
Net Income excluding Extraordinary Items	(251,534)	13,852	(265,387)	(1915.8%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	(251,534)	13,852	(265,387)	(1915.8%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2012 Projection	2011 Actual	Var \$	Var %
3000-Sales of Electricity	16,473,238	16,738,417	(265,180)	(1.6%)
3050-Revenues From Services - Distribution	2,982,605	2,960,821	21,784	0.7%
3100-Other Operating Revenues	79,869	128,922	(49,054)	(38.0%)
3150-Other Income & Deductions	0	50,064	(50,064)	(100.0%)
3200-Investment Income	30,000	46,055	(16,055)	(34.9%)
3350-Power Supply Expenses	(16,473,238)	(16,738,417)	265,180	1.6%
Net Revenues	3,092,473	3,185,863	(93,389)	(2.9%)
3500-Distribution Expenses - Operation	911,002	744,387	166,615	22.4%
3550-Distribution Expenses - Maintenance	269,390	205,657	63,733	31.0%
3650-Billing and Collecting	599,164	563,328	35,836	6.4%
3700-Community Relations	1,000	5,365	(4,365)	(81.4%)
3800-Administrative and General Expenses	712,501	709,134	3,367	0.5%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,493,057	2,227,871	265,186	11.9%
3850-Amortization Expense	524,223	596,701	(72,478)	(12.1%)
Earnings Before Interest & Taxes	75,193	361,291	(286,098)	(79.2%)
3900-Interest Expense	55,000	42,340	12,660	29.9%
Earnings Before Tax	20,193	318,951	(298,758)	(93.7%)
4000-Income Taxes	6,341	85,557	(79,216)	(92.6%)
Net Income excluding Extraordinary Items	13,852	233,394	(219,542)	(94.1%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	13,852	233,394	(219,542)	(94.1%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2011 Actual	2010 Actual	Var \$	Var %
3000-Sales of Electricity	16,738,417	15,397,529	1,340,888	8.7%
3050-Revenues From Services - Distribution	2,960,821	3,187,497	(226,675)	(7.1%)
3100-Other Operating Revenues	128,922	139,227	(10,304)	(7.4%)
3150-Other Income & Deductions	50,064	69,425	(19,361)	(27.9%)
3200-Investment Income	46,055	15,911	30,144	189.5%
3350-Power Supply Expenses	(16,738,417)	(15,397,529)	(1,340,888)	(8.7%)
Net Revenues	3,185,863	3,412,059	(226,196)	(6.6%)
3500-Distribution Expenses - Operation	744,387	897,447	(153,060)	(17.1%)
3550-Distribution Expenses - Maintenance	205,657	170,839	34,817	20.4%
3650-Billing and Collecting	563,328	484,560	78,769	16.3%
3700-Community Relations	5,365	1,967	3,398	172.7%
3800-Administrative and General Expenses	709,134	647,967	61,167	9.4%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,227,871	2,202,780	25,091	1.1%
3850-Amortization Expense	596,701	653,359	(56,658)	(8.7%)
Earnings Before Interest & Taxes	361,291	555,920	(194,629)	(35.0%)
3900-Interest Expense	42,340	10,049	32,291	321.4%
Earnings Before Tax	318,951	545,872	(226,920)	(41.6%)
4000-Income Taxes	85,557	83,488	2,069	2.5%
Net Income excluding Extraordinary Items	233,394	462,384	(228,989)	(49.5%)
4100-Extraordinary & Other Items	0	0	0	0.0%
Net Income	233,394	462,384	(228,989)	(49.5%)

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2010 Actual	2009 Actual	Var \$	Var %
3000-Sales of Electricity	15,397,529	15,174,062	223,467	1.5%
3050-Revenues From Services - Distribution	3,187,497	2,721,228	466,269	17.1%
3100-Other Operating Revenues	139,227	90,208	49,019	54.3%
3150-Other Income & Deductions	69,425	28,053	41,372	147.5%
3200-Investment Income	15,911	13,384	2,527	18.9%
3350-Power Supply Expenses	(15,397,529)	(15,174,062)	(223,467)	(1.5%)
Net Revenues	3,412,059	2,852,874	559,186	19.6%
3500-Distribution Expenses - Operation	897,447	853,629	43,818	5.1%
3550-Distribution Expenses - Maintenance	170,839	186,094	(15,255)	(8.2%)
3650-Billing and Collecting	484,560	434,918	49,642	11.4%
3700-Community Relations	1,967	0	1,967	0.0%
3800-Administrative and General Expenses	647,967	398,456	249,511	62.6%
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	2,202,780	1,873,097	329,683	17.6%
3850-Amortization Expense	653,359	551,911	101,448	18.4%
Earnings Before Interest & Taxes	555,920	427,866	128,054	29.9%
3900-Interest Expense	10,049	14,844	(4,796)	(32.3%)
Earnings Before Tax	545,872	413,022	132,850	32.2%
4000-Income Taxes	83,488	21,641	61,847	285.8%
Net Income excluding Extraordinary Items	462,384	391,381	71,003	18.1%
4100-Extraordinary & Other Items	0	222,616	(222,616)	(100.0%)
Net Income	462,384	168,765	293,619	174.0%

X12 Profit & Loss Variance

Variances > 10% (min \$2,000) or \$19,446 are shown in bold

Account Grouping	2009 Actual	2009 Approved	Var \$	Var %
3000-Sales of Electricity	15,174,062	14,430,134	743,928	5.2%
3050-Revenues From Services - Distribution	2,721,228	2,420,803	300,425	12.4%
3100-Other Operating Revenues	90,208	94,066	(3,858)	(4.1%)
3150-Other Income & Deductions	28,053	0	28,053	0.0%
3200-Investment Income	13,384	6,000	7,384	123.1%
3350-Power Supply Expenses	(15,174,062)	(14,428,910)	(745,152)	(5.2%)
Net Revenues	2,852,874	2,522,093	330,781	13.1%
3500-Distribution Expenses - Operation	853,629	714,543	139,086	19.5%
3550-Distribution Expenses - Maintenance	186,094	186,092	2	0.0%
3650-Billing and Collecting	434,918	501,622	(66,704)	(13.3%)
3700-Community Relations	0	0	0	0.0%
3800-Administrative and General Expenses	398,456	459,981	(61,525)	(13.4%)
3950-Taxes Other Than Income Taxes	0	0	0	0.0%
OM&A Expenses	1,873,097	1,862,238	10,859	0.6%
3850-Amortization Expense	551,911	491,357	60,554	12.3%
Earnings Before Interest & Taxes	427,866	168,498	259,368	153.9%
3900-Interest Expense	14,844	37,213	(22,369)	(60.1%)
Earnings Before Tax	413,022	131,285	281,737	214.6%
4000-Income Taxes	21,641	22,239	(598)	(2.7%)
Net Income excluding Extraordinary Items	391,381	109,046	282,335	258.9%
4100-Extraordinary & Other Items	222,616	0	222,616	0.0%
Net Income	168,765	109,046	59,719	54.8%

OM&A TEST YEAR LEVELS

As explained in E4/T3/S1, THI's proposed expenses in 2013TY for Operations, Maintenance and Administration ("OM&A") include one-time impacts for rate filings and the elimination of the Provincial Sales Tax ("PST"). The following table presents THI's OM&A expenses from 2009 Actual to 2013TY, adjusted for one-time costs and savings:

Table 1: 2009 Actual – 2013 TY OM&A Expenses (E4/T2/S1/Att3)

OM&A - One-time adjustments ('000's)

OM&A	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
<i>Reporting Basis</i>	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Total OM&A	\$ 1,873	\$ 2,161	\$ 2,198	\$ 2,493	\$ 2,715
Adjustments for one-time costs/savings:					
2009 Rate Application	\$ (18)	\$ (27)	\$ (27)	\$ (27)	\$ -
2013 Rate Application	\$ -	\$ -	\$ -	\$ -	\$ (45)
Employee Benefit Settlement	\$ -	\$ (128)	\$ -	\$ -	\$ -
Employee Retirement Costs	\$ -	\$ (29)	\$ -	\$ -	\$ -
Strategic Plan	\$ (51)	\$ -	\$ -	\$ -	\$ -
Governance	\$ -	\$ (15)	\$ -	\$ -	\$ -
Elimination of PST	\$ -	\$ -	\$ -	\$ -	\$ 35
CGAAP TO IFRS Costs previously capitalized	\$ -	\$ -	\$ -	\$ -	\$ (119)
Adjusted OM&A	\$ 1,804	\$ 1,962	\$ 2,171	\$ 2,466	\$ 2,586

%year/year change	8.8%	10.7%	13.6%	4.9%
% compound annual growth				9.4%

1 The specific reasons for the increase in "Adjusted OM&A" (excluding one-time costs and
2 savings) are included in THI's Cost Drivers, as explained at E4/T1/S4. The most
3 significant factors driving this increase are:

- 4 - The recruitment of the Operations Regulatory Affairs position
- 5 - Salary adjustments to bring compensation levels in line with the pay grid
- 6 - Increased staff allocations response to the new billing system, smart meter
7 implementation, and to reflect the time study results
- 8 - Movement to a flat management fee

CONSERVATION & DEMAND MANAGEMENT PROGRAMS

THI offers a number of the OPA – contracted province wide CDM programs. The program names and descriptions offered are provided below.

1.1 PROGRAM DESCRIPTIONS

1.1.1 RESIDENTIAL PROGRAM

1.1.1.1 APPLIANCE RETIREMENT INITIATIVE (Exhibit D)

Target Customer Type(s): Residential Customers

Initiative Frequency: Year round

Objectives: Achieve energy and demand savings by permanently decommissioning certain older inefficient refrigeration appliances.

Description: This is an energy efficiency Initiative that offers individuals and businesses free pick-up and decommissioning of old large refrigerators and freezers. Window air conditioners and portable dehumidifiers will also be picked up if a refrigerator or a freezer is being collected.

Targeted End Uses: Large refrigerators, large freezers, window air conditioners and portable dehumidifiers.

Delivery: OPA centrally contracts for the province-wide marketing, call centre, appliance pick-up and decommissioning process. LDC's provide local marketing and coordination with municipal pick-up where available.

1.1.1.2 APPLIANCE EXCHANGE INITIATIVE (Exhibit E)

Target Customer Type(s): Residential Customers

Initiative Frequency: Spring and Fall

1 **Objective:** The objective of this Initiative is to remove and permanently decommission
2 older, inefficient window air conditioners and portable dehumidifiers.

3 **Description:** This Initiative involves appliance exchange events. Exchange events are
4 held at local retail locations and customers are encouraged to bring in their old room air
5 conditioners (AC) and dehumidifiers in exchange for coupons/discounts towards the
6 purchase of new energy efficient equipment.

7 **Targeted End Uses:** Window air conditioners and portable dehumidifiers

8 **Delivery:** OPA contracts with participating retailers for collection of eligible units. LDC's
9 provide local marketing.

11 1.1.1.3 **HVAC INCENTIVES INITIATIVE (Exhibit B)**

13 **Target Customer Type(s):** Residential Customers

14 **Initiative Frequency:** Year round

15 **Objective:** The objective of this Initiative is to encourage the replacement of existing
16 heating systems with high efficiency furnaces equipped with Electronically Commutated
17 Motors (ECM), and to replace existing central air conditioners with ENERGY STAR
18 qualified systems and products.

19 **Description:** This is an energy efficiency Initiative that provides rebates for the
20 replacement of old heating or cooling systems with high efficiency furnaces (equipped
21 with ECM) and Energy Star qualified central air conditioners by approved Heating,
22 Refrigeration, and Air Conditioning Institute (HRAI) qualified contractors.

23 **Targeted End Uses:** Central air conditioners and furnaces

24 **Delivery:** OPA contracts centrally for delivery of the program. LDCs provide local
25 marketing and encourage local contractors to participate in the Initiative.

27 1.1.1.4 **CONSERVATION INSTANT COUPON BOOKLET INITIATIVE (Exhibit A)**

29 **Target Customer Type(s):** Residential Customers

30 **Initiative Frequency:** Year round

1 **Objective:** The objective of this Initiative is to encourage households to purchase
2 energy efficient products by offering discounts.

3 **Description:** This Initiative provides customers with year round coupons. The coupons
4 offer instant rebates towards the purchase of a variety of low cost, easy to install energy
5 efficient measures and can be redeemed at participating retailers. Booklets were
6 directly mailed to customers and were also available at point-of-purchase. Downloadable
7 coupons were also available at www.saveoneenergy.ca.

8 **Targeted End Uses:** ENERGY STAR® qualified standard compact fluorescent lights
9 (CFLs), ENERGY STAR® qualified light fixtures, lighting control products, weather-
10 stripping, hot water pipe wrap, electric water heater blanket, heavy duty plug-in timers,
11 advanced power bars, clothesline, baseboard programmable thermostats.

12 **Delivery:** The OPA contracts centrally for the distribution of the coupon booklets across
13 Ontario. LDCs distribute coupons at local events and market the Initiative locally. The
14 OPA enters into agreements with retailers to honour the coupons.

15
16 1.1.1.5 **BI-ANNUAL RETAILER EVENT INITIATIVE (Exhibit C)**
17

18 **Target Customer Type(s):** Residential Customers

19 **Initiative Frequency:** Bi-annual events

20 **Objective:** The objective of this Initiative is to provide instant point of purchase
21 discounts to individuals at participating retailers for a variety of energy efficient products.

22 **Description:** Twice a year (Spring and Fall), participating retailers host month-long
23 rebate events. During the months of April and October, customers are encouraged to
24 visit participating retailers where they can find coupons redeemable for instant rebates
25 towards a variety of low cost, easy to install energy efficient measures.

26 **Targeted End Uses:** As per the Conservation Instant Coupon Booklet Initiative

27 **Delivery:** The OPA enters into arrangements with participating retailers to promote the
28 discounted products, and to post and honour related coupons. LDCs also refer retailers
29 to the OPA and market this Initiative locally.
30

1.1.1.6 **NEW CONSTRUCTION PROGRAM (Schedule B-2)**

Target Customer Type(s): Residential Customers

Initiative Frequency: Year round

Objective: The objective of this Initiative is to provide incentives to participants for the purpose of promoting the construction of energy efficient residential homes in the Province of Ontario.

Description: This is an energy efficiency Initiative that provides incentives to homebuilders for constructing new homes that are efficient, smart, and integrated (applicable to new single family dwellings). Incentives are provided in two key categories as follows:

- Incentives for homebuilders who install electricity efficiency measures as determined by a prescriptive list or via a custom option.
- Incentives for homebuilders who meet or exceed aggressive efficiency standards using the EnerGuide performance rating system.

Targeted End Uses: All-off switch, ECM motors, ENERGY STAR qualified central a/c, lighting control products, lighting fixtures, Energuide 83 whole home, energuide 85 whole homes

Delivery: Local engagement of builders will be the responsibility of the LDC and will be supported by OPA air coverage driving builders to their LDC for additional information.

1.1.1.7 **RESIDENTIAL DEMAND RESPONSE PROGRAM (Schedule B-3)**

Target Customer Type(s): Residential and Small Commercial Customers

Initiative Frequency: Year round

1 **Objective:** *The objectives of this Initiative are to enhance the reliability of the IESO-*
2 *controlled grid by accessing and aggregating specified residential and small commercial*
3 *end uses for the purpose of load reduction, increasing consumer awareness of the*
4 *importance of reducing summer demand and providing consumers their current*
5 *electricity consumption and associated costs.*

6 **Description:** In **peaksaverPLUS**™ participants are eligible to receive a free
7 programmable thermostat or switch, including installation. Participants also receive
8 access to price and real-time consumption information on an In Home Display (IHD).
9 LDCs were given the choice to continue to offer the standard load control program
10 (programmable thermostat or switch with a \$25 bill credit) for the first 8 months of 2011
11 (referred to as **peaksaver@Extension**). After August 2011, the Extension ended and the
12 program (including marketing) ceased until new IHD product were available.

13 **Targeted End Uses:** Central air conditioning, electric hot water heaters and pool pumps

14 **Delivery:** LDC's recruit customers and procure technology
15

16 **1.1.2 COMMERCIAL AND INSTITUTIONAL PROGRAM** 17

18 1.1.2.1 **EFFICIENCY: EQUIPMENT REPLACEMENT INCENTIVE (ERII) (Schedule** 19 **C-2)** 20

21 **Target Customer Type(s):** Commercial, Institutional, Agricultural and Industrial
22 Customers

23 **Initiative Frequency:** Year round

24 **Objective:** The objective of this Initiative is to offer incentives to non-residential
25 distribution customers to achieve reductions in electricity demand and consumption by
26 upgrading to more energy efficient equipment for lighting, space cooling, ventilation and
27 other measures.

28 **Description:** The Equipment Replacement Incentive Initiative (ERII) offers financial
29 incentives to customers for the upgrade of existing equipment to energy efficient
30 equipment. Upgrade projects can be classified into either: 1) prescriptive projects where
31 prescribed measures replace associated required base case equipment; 2) engineered
32 projects where energy and demand savings and incentives are calculated for associated
33 measures; or 3) custom projects for other energy efficiency upgrades.

1 **Targeted End Uses:** Lighting, space cooling, ventilation and other measures

2 **Delivery:** LDC delivered.

4 1.1.2.2 **DIRECT INSTALL INITIATIVE(DIL) (Schedule C-3)**

6 **Target Customer Type(s):** Small Commercial, Institutional, Agricultural facilities and
7 multi-family buildings

8 **Initiative Frequency:** Year round

9 **Objective:** The objective of this Initiative is to offer a free installation of eligible lighting
10 and water heating measures of up to \$1,000 to eligible owners and tenants of
11 commercial, institutional, agricultural and multi-family facilities, for the purpose of
12 achieving electricity and peak demand savings.

13 **Description:** The Direct Installed Lighting Initiative targets customers in the General
14 Service <50kW account category. This Initiative offers turnkey lighting and electric hot
15 water heater measures with a value up to \$1,000 at no cost to qualifying small
16 businesses. In addition, standard prescriptive incentives are available for eligible
17 equipment beyond the initial \$1,000 limit.

18 **Target End Uses:** Lighting and electric water heating measures

19 **Delivery:** Participants can enroll directly with the LDC, or would be contacted by the
20 LDC/LDC-designated representative.

22 1.1.2.3 **EXISTING BUILDING COMMISSIONING INCENTIVE INITIATIVE (Schedule**
23 **C-6)**

25 **Target Customer Type(s):** Commercial, Institutional, and Agricultural Customers

26 **Initiative Frequency:** Year round

27 **Objective:** The objective of this Initiative is to offer incentives for optimizing (but not
28 replacing) existing chilled water systems for space cooling in non-residential facilities for
29 the purpose of achieving implementation phase energy savings, implementation phase
30 demand savings, or both.

31 **Description:** This Initiative offers Participants incentives for the following:

- scoping study phase
- investigation phase
- implementation phase
- hand off/completion phase

Targeted End Uses: Chilled water systems for space cooling

Delivery: LDC delivered.

1.1.2.4 **NEW CONSTRUCTION AND MAJOR RENOVATION INITIATIVE (HPNC)**
(Schedule C-4)

Target Customer Type(s): Commercial, Institutional, Agricultural and Industrial Customers

Initiative Frequency: Year round

Objective: The objective of this Initiative is to encourage builders of commercial, institutional, and industrial buildings (including multi-family buildings and agricultural facilities) to reduce electricity demand and/or consumption by designing and building new buildings with more energy-efficient equipment and systems for lighting, space cooling, ventilation and other Measures.

Description: The New Construction Initiative provides incentives for new buildings to exceed existing codes and standards for energy efficiency. The Initiative uses both a prescriptive and custom approach.

Targeted End Uses: Building modeling, lighting, space cooling, ventilation and other Measures

Delivery: LDC delivers to customers and design decision makers.

1.1.2.5 **ENERGY AUDIT INITIATIVE (Schedule C-1)**

Target Customer Type(s): Commercial, Institutional, Agricultural and Industrial Customers

Initiative Frequency: Year round

Objective: The objective of this Initiative is to offer incentives to owners and lessees of commercial, institutional, multi-family buildings and agricultural facilities for the purpose

of undertaking assessments to identify all possible opportunities to reduce electricity demand and consumption within their buildings or premises.

Description: This Initiative provides participants incentives for the completion of energy audits of electricity consuming equipment located in the facility. Energy audits include development of energy baselines, use assessments and performance monitoring and reporting.

Targeted End Uses: Various

Delivery: LDC delivered.

1.1.3 INDUSTRIAL PROGRAM

1.1.3.1 PROCESS & SYSTEMS UPGRADES INITIATIVE (PSUI) (Schedule D-1)

Target Customer Type(s): Industrial, Commercial, Institutional and Agricultural Customers

Initiative Frequency: Year round

Objectives: The objectives of this Initiative are to:

- Offer customers capital incentives and enabling Initiatives to assist with the implementation of large projects and project portfolios;
- Implement system optimization project in systems which are intrinsically complex and capital intensive; and
- Increase the capability of customers to implement energy management and system optimization projects.

Description: PSUI is an energy management Initiative that includes three Initiatives: (preliminary engineering study, detailed engineering study, and project incentive Initiative). The incentives are available to large distribution connected customers with projects or portfolio projects that are expected to generate at least 350 MWh of annualized electricity savings or, in the case of Micro-Projects, 100 MWh of annualized electricity savings. The capital incentive for this Initiative is the lowest of:

a) \$200/MWh of annualized electricity savings

b) 70% of projects costs

c) A one year pay back

1 **Targeted End Uses:** Process and systems

2 **Delivery:** LDC delivered with Key Account Management support, in some cases.

4 1.1.3.2 **MONITORING & TARGETING INITIATIVE (Schedule D-2)**

6 **Target Customer Type(s):** Industrial, Commercial, Institutional and Agricultural
7 Customers

8 **Initiative Frequency:** Year round

9 **Objective:** This Initiative offers access to funding for the installation of Monitoring and
10 Targeting systems in order to deliver a minimum savings target at the end of 24 months,
11 and sustained for the term of the M&T Agreement.

12 **Description:** This Initiative offers customers funding for the installation of a Monitoring
13 and Targeting system to help them understand how their energy consumption might be
14 reduced. A facility energy manager, who regularly oversees energy usage, will now be
15 able to use historical energy consumption performance to analyze and set targets.

16 **Targeted End Uses:** Process and systems

17 **Delivery:** LDC delivered with Key Account Management support, in some cases.

19 1.1.3.3 **ENERGY MANAGER INITIATIVE (Schedule D-3)**

21 **Target Customer Type(s):** Industrial, Commercial, Institutional and Agricultural
22 Customers

23 **Initiative Frequency:** Year round

24 **Objective:** The objective of this Initiative is to provide customers and LDCs the
25 opportunity to access funding for the engagement of energy managers in order to deliver
26 a minimum annual savings target.

27 **Description:** This Initiative provides customers the opportunity to access funding to
28 engage an on-site, full time embedded energy manager, or an off-site roving energy
29 manager who is engaged by the LDC. The role of the energy manager is to take control
30 of the facility's energy use by monitoring performance, leading awareness programs,
31 and identifying opportunities for energy consumption improvement, and spearheading

1 projects. Participants are funded 80% of the embedded energy manager's salary up to
2 \$100,000 plus 80% of the energy manager's actual reasonable expenses incurred up to
3 \$8,000 per year. Each embedded energy manager has a target of 300 kW/year of
4 energy savings from one or more facilities. LDCs receive funding of up to \$120,000 for a
5 Roving Energy Manager plus \$8,000 for expenses.

6 **Targeted End Uses:** Process and systems

7 **Delivery:** LDC delivered with Key Account Management support, in some cases.

9 1.1.3.4 **KEY ACCOUNT MANAGER (KAM) (Schedule D-4)**
10

11 **Target Customer Type(s):** Industrial, Commercial, Institutional and Agricultural
12 Customers

13 **Initiative Frequency:** Year round

14 **Objective:** This Initiative offers LDCs the opportunity to access funding for the
15 employment of a KAM in order to support them in fulfilling their obligations related to the
16 PSUI. The KAM is considered to be a key element in assisting the consumer in
17 overcoming traditional barriers related to energy management and help them achieve
18 savings since the KAM can build relationships and become a significant resource of
19 knowledge to the customer.

20 **Description:** LDC delivered

21 **Targeted End Uses:** Process and systems
22

23 1.1.3.5 **DEMAND RESPONSE 3 (Schedule D-6)**
24

25 **Target Customer Type(s):** Industrial, Commercial, Institutional and Agricultural
26 Customers

27 **Initiative Frequency:** Year round

28 **Objective:** This Initiative provides for Demand Response (DR) payments to contracted
29 participants to compensate them for reducing their electricity consumption by a pre-
30 defined amount during a demand response event.

1 **Description:** Demand Response 3 (DR3) is a demand response Initiative for
2 commercial and industrial customers, of 50 kW or greater, to reduce the amount of
3 power being used during certain periods of the year. The DR3 Initiative is a contractual
4 resource that is an economic alternative to procurement of new generation capacity.
5 DR3 comes with specific contractual obligations requiring participants to reduce their use
6 of electricity relative to a baseline when called upon. This Initiative makes payments for
7 participants to be on standby and payments for the actual electricity reduction provided
8 during a demand response event. Participants are scheduled to be on standby
9 approximately 1,600 hours per calendar year for possible dispatch of up to 100 hours or
10 200 hours within that year depending on the contract.

11 **Targeted End Uses:** Commercial and Industrial Operations

12 **Delivery:** DR3 is delivered by Demand Response Providers (DRPs), under contract to
13 the OPA. The OPA administers contracts with all DRPs and Direct Participants (who
14 provide in excess of 5 MW of demand response capacity). OPA provides administration
15 including settlement, measurement and verification, and dispatch. LDCs are responsible
16 for local customer outreach and marketing efforts.

18 **1.1.4 LOW INCOME INITIATIVE (HOME ASSISTANCE PROGRAM) (Schedule E)**

19

20 **Target Customer Type(s):** Income Qualified Residential Customers

21 **Initiative Frequency:** Year round

22 **Objective:** The objective of this Initiative is to offer free installation of energy efficiency
23 measures to income qualified households for the purpose of achieving electricity and
24 peak demand savings.

25 **Description:** This is a turnkey Initiative for income qualified customers. It offers
26 residents the opportunity to take advantage of free installation of energy efficient
27 measures that improve the comfort of their home, increase efficiency, and help them
28 save money. All eligible customers receive a Basic and Extended Measures Audit, while
29 customers with electric heat also receive a Weatherization Audit. The Initiative is
30 designed to coordinate efforts with gas utilities.

- 1 **Targeted End Uses:** End use measures based on results of audit (i.e. compact
- 2 fluorescent light bulbs)
- 3 **Delivery:** LDC delivered.

COST DRIVERS

The impact of significant cost drivers on Operations, Maintenance and Administration ("OM&A") expenses is presented in E4/T2/S1/Att3.

Projected OM&A expenses in 2013TY are approximately \$517k (E4/T3/S1/Att2) higher than the 2011 actual amount. The most significant drivers of this increase are as follows, the detail of which can be found at E4/T2/S1/Att3:

- Increased costs for staff compensation [\$115k] largely due to salary adjustments as staff move along the pay grid, increased costs based on a time study (see transfer pricing study at E4T2/S2/Att1), and a reduction in FTE in 2013TY
- Increased rent costs [\$42k] due to a market study completed (see transfer pricing study at E4T2/S2/Att1)
- Decrease capitalization of labour and fleet [\$182k] due to lower anticipated capital projects compared to 2011 actual.
- Indirect costs that can no longer be capitalized due to the shift to MIFRS [\$119k]
- Increased training costs due to retirements and turnover of experienced staff [\$12k]
- PST Expense savings [(\$35k)]
- Smart Meter incremental costs no longer deferred [\$22k]
- Recovery of current rate application costs exceeding 2009 Board approved recovery existing in rates [\$19k]
- Increased legal costs [\$20k]
- All other net increases [\$21k]

Exhibit 4: Operating Costs

Tab 2 (of 10): Summary and Cost Driver Tables

1

OM&A EXPENSE TABLES

2 The following tables provide further details and analysis of historical and projected
3 OM&A expenses:

4

- 5 • E4/T2/S1/Att1: Summary of Recoverable OM&A expenses
- 6 • E4/T2/S1/Att2: Detailed Account by Account OM&A Expenses
- 7 • E4/T2/S1/Att3: OM&A Cost Drivers
- 8 • E4/T2/S1/Att4: Regulatory Costs
- 9 • E4/T2/S1/Att5: OM&A per Customer and per Full Time Equivalent

Appendix 2-I
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2009 BA)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Operations	\$ 714,543	\$ 853,629	\$ 897,447	\$ 744,387	\$ 946,316	\$ 1,093,436
Maintenance	\$ 186,092	\$ 186,094	\$ 170,839	\$ 205,657	\$ 269,390	\$ 275,312
SubTotal	\$ 900,635	\$ 1,039,723	\$ 1,068,286	\$ 950,044	\$ 1,215,706	\$ 1,368,748
%Change (year over year)			2.7%	-11.1%	28.0%	12.6%
%Change (Test Year vs Last Rebasing Year - Actual)						31.6%
Billing and Collecting	\$ 501,622	\$ 434,918	\$ 484,560	\$ 563,328	\$ 599,164	\$ 596,505
Community Relations			\$ 1,967	\$ 5,365	\$ 1,000	\$ 900
Administrative and General	\$ 459,981	\$ 398,456	\$ 606,026	\$ 678,934	\$ 712,501	\$ 748,929
SubTotal	\$ 961,603	\$ 833,374	\$ 1,092,553	\$ 1,247,627	\$ 1,312,665	\$ 1,346,334
%Change (year over year)			31.1%	14.2%	5.2%	2.6%
%Change (Test Year vs Last Rebasing Year - Actual)						61.6%
Total	\$ 1,862,238	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371	\$ 2,715,082
%Change (year over year)			15.4%	1.7%	15.0%	7.4%

	Last Rebasing Year (2009 BA)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Operations	\$ 714,543	\$ 853,629	\$ 897,447	\$ 744,387	\$ 946,316	\$ 1,093,436
Maintenance	\$ 186,092	\$ 186,094	\$ 170,839	\$ 205,657	\$ 269,390	\$ 275,312
Billing and Collecting	\$ 501,622	\$ 434,918	\$ 484,560	\$ 563,328	\$ 599,164	\$ 596,505
Community Relations	\$ -	\$ -	\$ 1,967	\$ 5,365	\$ 1,000	\$ 900
Administrative and General	\$ 459,981	\$ 398,456	\$ 606,026	\$ 678,934	\$ 712,501	\$ 748,929
Total	\$ 1,862,238	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371	\$ 2,715,082
%Change (year over year)			15.4%	1.7%	15.0%	7.4%

Appendix 2-I
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2009 BA)	Last Rebasing Year (2009 Actuals)	Variance 2009 BA – 2009 Actuals	2010 Actuals	Variance 2010 Actuals vs. 2009 Actuals	2011 Actuals	Variance 2011 Actuals vs. 2010 Actuals	2012 Bridge Year	Variance 2012 Bridge vs. 2011 Actuals	2013 Test Year	Variance 2013 Test vs. 2012 Bridge
Operations	\$ 714,543	\$ 853,629	-\$ 139,086	\$ 897,447	\$ 43,818	\$ 744,387	-\$ 153,060	\$ 946,316	\$ 201,928	\$ 1,093,436	\$ 147,120
Maintenance	\$ 186,092	\$ 186,094	-\$ 2	\$ 170,839	-\$ 15,255	\$ 205,657	\$ 34,818	\$ 269,390	\$ 63,733	\$ 275,312	\$ 5,922
Billing and Collecting	\$ 501,622	\$ 434,918	\$ 66,704	\$ 484,560	\$ 49,642	\$ 563,328	\$ 78,768	\$ 599,164	\$ 35,836	\$ 596,505	-\$ 2,659
Community Relations	\$ -	\$ -	\$ -	\$ 1,967	\$ 1,967	\$ 5,365	\$ 3,398	\$ 1,000	-\$ 4,365	\$ 900	-\$ 100
Administrative and General	\$ 459,981	\$ 398,456	\$ 61,525	\$ 606,026	\$ 207,570	\$ 678,934	\$ 72,908	\$ 712,501	\$ 33,566	\$ 748,929	\$ 36,428
Total OM&A Expenses	\$ 1,862,238	\$ 1,873,097	-\$ 10,859	\$ 2,160,839	\$ 287,742	\$ 2,197,671	\$ 36,832	\$ 2,528,371	\$ 330,699	\$ 2,715,082	\$ 186,712
Variance from previous year				\$ 287,742		\$ 36,832		\$ 330,699		\$ 186,712	
Percent change (year over year)				15%		2%		15%		7%	
Percent Change:						23.54%					
Test year vs. Most Current Actual											
Simple average of % variance for all years						44.95%					10%
Compound Annual Growth Rate for all years											1431.3%
Compound Growth Rate (2011 Actuals vs. 2009 Actuals)						17.33%					

Note:

- 1 "BA" = Board-Approved
- 2 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- 3 Recoverable OM&A that is included on these tables should be identical to the recoverable OM&A that is shown for the corresponding periods on Appendix 2-H.

File Number: EB-2012-0168

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Date: 28-Sep-12

Appendix 2-G
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

Account Description	2009	2010	2011 Actual ²	Bridge Year 2012 ³	Bridge Year 2012 ³	Test Year 2013
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Operations						
5005 Operation Supervision and Engineering	\$ 248,397	\$ 161,859	\$ 159,632	\$ 169,015	\$ 169,015	\$ 177,503
5010 Load Dispatching	\$ 1,303	\$ 1,615	\$ 2,395	\$ 2,180	\$ 2,180	\$ 2,010
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						
5017 Distribution Station Equipment - Operation Supplies and Expenses	\$ 18,723	\$ 25,057	\$ 23,635	\$ 27,902	\$ 27,902	\$ 26,130
5020 Overhead Distribution Lines and Feeders - Operation Labour						
5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 67,421	\$ 44,346	\$ 14,961	\$ 43,431	\$ 43,431	\$ 44,100
5030 Overhead Sub-transmission Feeders - Operation						
5035 Overhead Distribution Transformers - Operation	\$ 20,283	\$ 6,991	\$ 5,777	\$ 18,847	\$ 18,847	\$ 18,700
5040 Underground Distribution Lines and Feeders - Operation Labour						
5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 16,881	\$ 5,802	\$ 3,409	\$ 11,754	\$ 11,754	\$ 11,775
5050 Underground Sub-transmission Feeders - Operation						
5055 Underground Distribution Transformers - Operation	\$ 5,577	\$ 13,531	\$ 6,509	\$ 43,572	\$ 43,572	\$ 34,600
5060 Street Lighting and Signal System Expense						
5065 Meter Expense	\$ 86,544	\$ 75,993	\$ 105,494	\$ 144,106	\$ 144,106	\$ 102,370
5070 Customer Premises - Operation Labour						
5075 Customer Premises - Operation Materials and Expenses	\$ 73,205	\$ 75,971	\$ 70,859	\$ 88,287	\$ 88,287	\$ 90,000
5085 Miscellaneous Distribution Expenses	\$ 315,295	\$ 484,361	\$ 346,757	\$ 395,222	\$ 502,122	\$ 584,148
5090 Underground Distribution Lines and Feeders - Rental Paid						
5095 Overhead Distribution Lines and Feeders - Rental Paid		\$ 1,921	\$ 4,958	\$ 2,000	\$ 2,000	\$ 2,100
5096 Other Rent						
Total - Operations	\$ 853,629	\$ 897,447	\$ 744,387	\$ 946,316	\$ 1,053,216	\$ 1,093,436

File Number: EB-2012-0168

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Date: 28-Sep-12

Appendix 2-G
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

Account Description	2009	2010	2011 Actual ²	Bridge Year 2012 ³	Bridge Year 2012 ³	Test Year 2013
Maintenance						
5105 Maintenance Supervision and Engineering	\$ 7,725	\$ 9,692	\$ 27,004	\$ 16,000	\$ 16,000	\$ 17,000
5110 Maintenance of Buildings and Fixtures - Distribution Stations						
5112 Maintenance of Transformer Station Equipment						
5114 Maintenance of Distribution Station Equipment	\$ 1,348	\$ 2,733	\$ 4,788	\$ 5,667	\$ 5,667	\$ 5,250
5120 Maintenance of Poles, Towers and Fixtures	\$ 18,199	\$ 23,981	\$ 20,201	\$ 33,000	\$ 33,000	\$ 33,950
5125 Maintenance of Overhead Conductors and Devices	\$ 31,051	\$ 21,925	\$ 11,021	\$ 26,680	\$ 26,680	\$ 27,300
5130 Maintenance of Overhead Services	\$ 17,995	\$ 9,339	\$ 27,685	\$ 20,000	\$ 20,000	\$ 21,000
5135 Overhead Distribution Lines and Feeders - Right of Way	\$ 66,220	\$ 48,559	\$ 68,125	\$ 108,291	\$ 108,291	\$ 108,850
5145 Maintenance of Underground Conduit						
5150 Maintenance of Underground Conductors and Devices	\$ 18,112	\$ 15,758	\$ 7,387	\$ 10,230	\$ 10,230	\$ 10,400
5155 Maintenance of Underground Services	\$ 10,149	\$ 11,125	\$ 9,567	\$ 11,160	\$ 11,160	\$ 12,970
5160 Maintenance of Line Transformers	\$ 15,295	\$ 27,071	\$ 28,622	\$ 35,283	\$ 35,283	\$ 35,500
5165 Maintenance of Street Lighting and Signal Systems						
5170 Sentinel Lights - Labour						
5172 Sentinel Lights - Materials and Expenses						
5175 Maintenance of Meters		\$ 656	\$ 1,257	\$ 3,079	\$ 3,079	\$ 3,092
5178 Customer Installations Expenses - Leased Property						
5195 Maintenance of Other Installations on Customer Premises						
Total - Maintenance	\$ 186,094	\$ 170,839	\$ 205,657	\$ 269,390	\$ 269,390	\$ 275,312
Billing and Collecting						
5305 Supervision						
5310 Meter Reading Expense	\$ 50,240	\$ 57,790	\$ 76,879	\$ 69,477	\$ 69,477	\$ 70,000
5315 Customer Billing	\$ 241,819	\$ 332,837	\$ 414,542	\$ 428,312	\$ 428,312	\$ 419,305
5320 Collecting		\$ 782	\$ 88	\$ 1,000	\$ 1,000	\$ 1,000
5325 Collecting - Cash Over and Short						
5330 Collection Charges						
5335 Bad Debt Expense	\$ 26,312	\$ 21,758	\$ 26,860	\$ 27,000	\$ 27,000	\$ 27,000
5340 Miscellaneous Customer Accounts Expenses	\$ 116,547	\$ 71,391	\$ 44,959	\$ 73,375	\$ 73,375	\$ 79,200
Total - Billing and Collecting	\$ 434,918	\$ 484,560	\$ 563,328	\$ 599,164	\$ 599,164	\$ 596,505

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Date: 28-Sep-12

Appendix 2-G
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

Account Description	2009	2010	2011 Actual ²	Bridge Year 2012 ³	Bridge Year 2012 ³	Test Year 2013
Community Relations						
5405 Supervision						
5410 Community Relations - Sundry						
5415 Energy Conservation		\$ 1,967	\$ 5,365	\$ 1,000	\$ 1,000	\$ 900
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	\$ -	\$ 1,967	\$ 5,365	\$ 1,000	\$ 1,000	\$ 900
Account Description	2009	2010	2011 Actual ²	Bridge Year 2012 ³	Bridge Year 2012 ³	Test Year 2013

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Appendix 2-G
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

Administrative and General Expenses						
5605 Executive Salaries and Expenses						
5610 Management Salaries and Expenses						
5615 General Administrative Salaries and Expenses	\$ 94,257	\$ 136,558	\$ 146,560	\$ 179,105	\$ 179,105	\$ 202,405
5620 Office Supplies and Expenses						
5625 Administrative Expense Transferred - Credit						
5630 Outside Services Employed	\$ 59,445	\$ 152,525	\$ 140,004	\$ 140,004	\$ 140,004	\$ 140,004
5635 Property Insurance						
5640 Injuries and Damages						
5645 OMERS Pensions and Benefits						
5646 Employee Pensions and OPEB						
5647 Employee Sick Leave						
5650 Franchise Requirements						
5655 Regulatory Expenses	\$ 27,877	\$ 44,732	\$ 52,570	\$ 49,877	\$ 49,877	\$ 68,800
5660 General Advertising Expenses		\$ 2,625	\$ 5,240	\$ 7,000	\$ 7,000	\$ 7,000
5665 Miscellaneous General Expenses	\$ 118,856	\$ 163,243	\$ 203,674	\$ 159,096	\$ 159,096	\$ 187,900
5670 Rent	\$ 91,900	\$ 90,144	\$ 90,144	\$ 132,620	\$ 132,620	\$ 132,620
5672 Lease Payment Charge						
5675 Maintenance of General Plant						
5680 Electrical Safety Authority Fees	\$ 6,121	\$ 2,458	\$ 2,458	\$ 6,200	\$ 6,200	\$ 6,200
5681 Special Purpose Charge Expense		\$ 41,941	\$ 30,199			
5685 Independent Electricity System Operator Fees and Penalties						
5695 OM&A Contra Account		\$ 13,741	\$ 34,452	\$ 35,000	\$ 35,000	\$ -
6205 Donations						
6205 Donations, Sub-account LEAP Funding			\$ 3,833	\$ 3,599	\$ 3,599	\$ 4,000
Total - Administrative and General Expenses	\$ 398,456	\$ 647,967	\$ 709,134	\$ 712,501	\$ 712,501	\$ 748,929
Total OM&A	\$ 1,873,097	\$ 2,202,780	\$ 2,227,871	\$ 2,528,371	\$ 2,635,271	\$ 2,715,082

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Appendix 2-G
Detailed, Account by Account, OM&A Expense Table
(excluding Depreciation and Amortization)

Adjustments for non-recoverable items						
5681 Special Purpose Charge Expense	\$ -	\$ 41,941	\$ 30,199	\$ -	\$ -	\$ -
6205 Donations ¹						
Total Recoverable OM&A	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371	\$ 2,635,271	\$ 2,715,082

¹ Account 6205 - Donations is generally non-recoverable. However, the sub-account LEAP funding of account 6205 is generally recoverable. \$ 330,699

Note:

- 1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- 2 If the applicant is adopting IFRS or an alternate accounting standard as of January 1, 2012 for financial reporting purposes, 2011 must be presented on both a CGAAP and MIFRS (or alternate accounting standard) basis.
- 3 If the applicant is adopting IFRS or an alternate accounting standard as of January 1, 2013 for financial reporting purposes, 2012 must be presented on both a CGAAP and MIFRS (or alternate accounting standard) basis.

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**Appendix 2-J
OM&A Cost Driver Table**

OM&A	Last Rebasings Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Opening Balance	\$ 1,862,236	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371
Operation Regulatory Affairs position	\$ 55,000	\$ 40,000			
Linesperson Apprentice	\$ 57,000				
Employee Retirement costs		\$ 29,000	\$ (29,000)		
FTE Reductions			\$ (70,000)		\$ (22,000)
Increased CSR hours & Labour allocation		\$ 67,000	\$ 70,000		
Indirect Labour allocation increase due to transfer pricing study				\$ 81,000	
Pay Grid Movement	\$ 19,000	\$ 42,000	\$ 58,000	\$ -	\$ 56,000
Board of Directors (2 members)	\$ 10,000		\$ (10,000)		
Additional Officer - President			\$ 8,000		
Former PUC Employee Benefits Settlement		\$ 128,000	\$ (128,000)		
Strategic Plan	\$ 51,000	\$ (51,000)			
Increased Legal costs		\$ 21,000	\$ (21,000)		\$ 20,000
Board Governance		\$ 15,000	\$ (15,000)		
Billing system capitalized and amortized	\$ (55,000)				
Late Payment Contingency Reduction	\$ (45,000)	\$ 15,000	\$ 60,000	\$ (30,000)	
Partial amortization of 2009 Rate App Costs during fiscal 2009	\$ (9,000)	\$ 9,000			
Rate Application cost recovery					\$ 19,000
Increased Training					\$ 12,000
Elimination of PST					\$ (35,000)
Billing System Upgrade Training Costs					\$ 5,000
Rent cost increase due to Transfer Pricing study				\$ 42,000	
Smart Meter Stranded Inventory Costs				\$ 35,000	\$ (35,000)
Smart Meter Incremental Operating Costs					\$ 22,000
Other	\$ 21,861	\$ 22,742	\$ 38,832	\$ 10,700	\$ 35,711
	\$ 104,861	\$ 337,742	\$ (38,168)	\$ 138,700	\$ 77,711
	5.6%	18.0%	-1.8%	6.3%	3.1%
CSC Charge to Smart Meter project		\$ (30,000)	\$ 30,000		
Decreased Capitalization of Costs due to shift from GAAP to IFRS					\$ 119,000
Decreased Capitalization of Management Fee		\$ 55,000			
Decreased (Increased) Capitalization of Labour	\$ (118,000)	\$ (76,000)	\$ 67,000	\$ 207,000	\$ (39,000)
Decreased (Increased) Capitalization of Fleet	\$ 24,000	\$ 1,000	\$ (22,000)	\$ (15,000)	\$ 29,000
	\$ (94,000)	\$ (50,000)	\$ 75,000	\$ 192,000	\$ 109,000
Closing Balance	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371	\$ 2,715,082
		15.4%	1.7%	15.0%	7.4%
				Annual Growth Average	45.0%
					9.7%

Staff Compensation
\$ (22,000)

\$ 81,000
\$ 56,000
\$ 115,000

All other Net Increases

\$ (30,000)
\$ 5,000
\$ 10,700
\$ 35,711
\$ 21,411

Capitalization Allocations

\$ 207,000
\$ (39,000)
\$ (15,000)
\$ 29,000
\$ 182,000

Notes:

- For each year, a detailed explanation for each cost driver and associated amount is required.
- The closing balance for each year becomes the opening balance for the next year.
- If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- Opening Balance for "Last Rebasings Year" (cell B15) should be equal to the Board-Approved amount.

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Appendix 2-M Regulatory Cost Schedule

Regulatory Cost Category	USoA Account	USoA Account Balance (2009 Board Approved)	Ongoing or One-time Cost? ²	Last Rebasing Year (2009 Board Approved)	Most Current Actuals Year 2011	2012 Bridge Year	Annual % Change	2013 Test Year	Annual % Change
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1 OEB Annual Assessment	5655	\$ 43,544	On-Going	\$ 16,244	\$ 18,091	\$ 20,973	15.93%	\$ 22,000	4.90%
2 OEB Section 30 Costs (Applicant-originated)									
3 OEB Section 30 Costs (OEB-initiated)	5655		On-Time		\$ 673	\$ 1,000	48.67%	\$ 1,000	0.00%
4 Expert Witness costs for regulatory matters									
5 Legal costs for regulatory matters									
6 Consultants' costs for regulatory matters	5655	\$ 43,544	On-Time	\$ 18,750	\$ 24,596	\$ 18,746	-23.78%	\$ 33,750	80.04%
7 Operating expenses associated with staff resources allocated to regulatory matters	5655		On-Time					\$ 2,500	
8 Operating expenses associated with other resources allocated to regulatory matters ¹									
9 Other regulatory agency fees or assessments	5680	\$ 3,602	On-Going	\$ 3,602	\$ 2,458	\$ 6,200	152.24%	\$ 6,200	0.00%
10 Any other costs for regulatory matters (Distribution Licence)	5655	\$ 43,544	On-Going	\$ 800	\$ 800	\$ 800	0.00%	\$ 800	0.00%
11 Intervenor costs	5655	\$ 43,544	On-Time	\$ 7,750	\$ 8,410	\$ 8,358	-0.62%	\$ 8,750	4.70%
12 Sub-total - Ongoing Costs ³		\$ -		\$ -	\$ -	\$ -		\$ -	
13 Sub-total - One-time Costs ⁴		\$ -		\$ -	\$ -	\$ -		\$ -	
14 Total		\$ -		\$ -	\$ -	\$ -		\$ -	

¹ Please identify the resources involved.

² Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.

³ Sum of all ongoing costs identified in rows 1 to 11 inclusive.

⁴ Sum of all one-time costs identified in rows 1 to 11 inclusive.

Please fill out the following table for all one-time costs related to this cost of service application

	Historical Year(s)	2012 Bridge Year	2013 Test Year
4 Expert Witness costs for regulatory matters		\$ -	\$ -
6 Consultants' costs for regulatory matters		\$ 18,746	\$ 33,750
7 Operating expenses associated with staff resources allocated to regulatory matters		\$ -	\$ 2,500
8 Operating expenses associated with other resources allocated to regulatory matters ¹		\$ -	\$ -
11 Intervenor costs		\$ 8,358	\$ 8,750

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Appendix 2-L

Recoverable OM&A Cost per Customer and per FTEE

	Last Rebasing Year (2009 Board- Approved)	Last Rebasing Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS
Number of Customers	6,759	6,790	6,844	6,887	6,900	6,940
Total Recoverable OM&A from Appendix 2-I	\$ 1,862,238	\$ 1,873,097	\$ 2,160,839	\$ 2,197,671	\$ 2,528,371	\$ 2,715,082
OM&A cost per customer	\$ 275.52	275.8610854	315.7275044	319.1043081	366.4305072	391.2221902
Number of FTEEs	17.05	18.83	20.47	19.42	20.11	19.81
Customers/FTEEs	396.42	360.59	334.34	354.63	343.10	350.24
OM&A Cost per FTEE	109,222.17	99,474.07	105,561.26	113,165.36	125,723.28	137,022.93

Notes:

- 1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
- 2 The method of calculating the number of customers must be identified.
- 3 The method of calculating the number of FTEEs must be identified. See also Appendix 2-K
- 4 The number of customers and the number of FTEEs should correspond to mid-year or average of January 1 and December 31 figures.

ONE-TIME COSTS

THI projects incremental one-time costs in 2013 for this cost of service rate application, and the costs of the Transfer Pricing Study (E4/T2/S2/Att1) for recovery in this application. The costs to complete the transition to International Financial Reporting Standards ("IFRS") are being tracked for future recovery.

THI has undertaken a transfer pricing study to satisfy the Board's direction to complete a review of the provisions in the MSA with respect to the mark up provision for goods and services supplied by third parties for the exclusive use by THI and the appropriateness of the 5% management fee that was in effect at the time of filing the 2009 Cost of Service application, and that the review should either involve or at a minimum include an opinion by a reputable third party on such matters. THI was to file this evidence at the time of its next rebasing application. THI engaged a consultant at an estimated cost of \$5K. As the Board stated that THI may request recovery of the prudently spent amounts regarding this initiative, 25% of this amount being \$1,250 has been included in 2013TY in Account 5655 – Regulatory Expenses.

THI has considered its overall projected incremental costs for the 2013 rate application of \$175K (\$135k + \$35k + \$10k = \$175k [E4/T2/S3]) and included 25% of that amount in its 2013TY in Account 5655-Regulatory Expenses, to enable full recovery over four years.

THI has tracked incremental costs to date in account 1508 – IFRS Cost. As total IFRS conversion costs are not yet known THI proposes to continue tracking its incremental costs for future recovery.

EB-2012-0168

Exhibit 4

Tab 2

Schedule 2

Attachment 1

Transfer Pricing Study

**TILLSONBURG HYDRO INC.
TRANSFER PRICING STUDY
2012**

SCRIMGEOUR CONSULTING GROUP

ALLOCATION OF CORPORATE AND SHARED COSTS TO TILLSONBURG HYDRO INC.

1. SUMMARY OF STUDY AND FINDINGS

Tillsonburg Hydro Inc. ("THI"), an independent legal entity, is an electricity distribution business owned 100% by the Corporation of the Town of Tillsonburg ("Town"). The Town operates water and wastewater systems, a library board and other municipal services as separate business units and also operates THI through a Master Services Agreement ("MSA"). To maximize available efficiencies of scale, certain administration and general functions are shared by the business units. As part of the Ontario Energy Board's ("OEB") decision in EB-2008-0246, it was agreed that a reputable third party review would result in the provision of an opinion on the appropriateness of the management fee level. In order to prepare appropriate revenue requirements for its 2013 distribution rate application, THI in conjunction with the Town, retained the services of Scrimgeour Consulting Group ("SCG") to assess the reasonability of the management fee and the annual lease rate charged by the Town. If approved by the OEB, the management fee and the annual lease rate to THI will become part of the revenue requirement and inclusion in the distribution rate charge for THI in 2013.

Based on the information provided by THI and the Town and the methodology used in this assessment, SCG has concluded that both the management fee and the annual lease rate are reasonable upon the acceptance of the increase.

2. INTRODUCTION AND SCOPE

THI was incorporated in Ontario on October 26, 2000 to distribute electrical power in accordance with Section 144 of the Electricity Act, 1998. The Town owns 100% of the shares in THI, which is licenced and regulated as to rates by the OEB. THI is required to gain approval of the OEB for the 2013 distribution rates and as part of the process, to establish and submit to the OEB cost information in support of the revenue requirements. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period.

A MSA between THI and the Town covered the period of January 1, 2009 to December 31, 2011. The current MSA covers the period January 1, 2012 to December 31, 2015, and if extended to December 31, 2017. It governs the working relationship, listing both the service provisions and payment procedures. Clause 6.03 in the MSA provides for an annual fixed management fee of \$140,000 and the OEB has required a review of the appropriateness of this management fee with an opinion by a third party.

The MSA schedule A lists the services to be provided by the Town to THI. Clause 7.01 of the MSA specifies that THI shall pay the Town for the costs experienced and invoiced by the Town for performing services; these costs are directly attributed to THI and as such are not part of this study. Within the Town, management and specialist staff, and certain key systems are shared to maximize efficiencies of scale, avoid duplication, and provide the required skills and expertise to each business unit. Examples of the shared functions are executive management, administrative support functions (finance, human resources, and information technology) and asset management. These activities

support and provide benefits to all of the Town's business units and are the focus of this study. Refer to section 5 for the methodology and shared services reviewed in this study.

THI retained the services of SCG to provide an opinion on the reasonableness of the management fee. In addition, THI requested SCG review the lease rate for Hydro's use of the Customer Services building. SCG was not requested to comment on the overall level of the costs or on the degree to which operational synergies are achieved by this arrangement. The preceding information about THI's corporate and operational structure and shared functions was provided by THI and the Town to SCG.

3. CONSULTANT QUALIFICATIONS

SCG is a management consulting firm that has been in existence for over 10 years. The Principals of SCG have provided cost analysis to many corporations, including electricity, water and wastewater sectors. These include work for THI, the former Middlesex Power Corporation, Municipality of Middlesex Centre and the Municipality of Southwest Middlesex. In addition, SCG has prepared cost analysis for many private and not for profit corporations.

Christene Scrimgeour, Principal, of SCG prepared this study. Christene is a Chartered Accountant with over 30 years experience and is a graduate of Western University.

She is Vice President of the Institute of Chartered Accountants of Ontario Small Practice Advisory Group. As such, she has been actively involved in providing input and review of standard setting for Chartered Accountants.

4. APPROACH TO THE ASSIGNMENT

Costs directly attributable to THI are recorded in THI's cost centres and accounts through THI's normal accounting procedures. This includes staff and equipment which are shared, but for which the time or usage is recorded directly to a work order or allocated to THI through the budgeting process. No allocation is necessary for direct costs. These costs are not part of the management fee.

The purpose of this study was to review those costs which are shared, and which *cannot be directly attributed to a single business unit*. The shared cost functions to be allocated primarily include the administrative and general expenses (management fee) and the facility (annual lease rate).

Costs allocated in this study are based on generally accepted accounting principles (GAAP) for cost allocation methodology. This GAAP refers to the basis for the 2011 audited financial statements.

SCG met with key staff members of THI and the Town, June 26, 2012 to review the scope and nature of the shared services and the information available on which to base an allocation approach. From these discussions, a general methodology was indicated. Refer to Section 5 for the allocation methodology for the shared costs included in this study. Section 5.1 relates to the annual lease rate and Sections 5.2 relates to the management fee. THI and the Town's staff then proceeded to gather the required information for this study. Costs by function were taken from the financial records that formed the basis for the 2011 audited financial statements and the 2012 - 2016 financial plan provided by THI and the Town.

5. METHODOLOGY

5.1 Facility

The shared general facility, Customer Service Centre, annual lease rate includes:

- Rent
- Building maintenance
- Cleaning
- Other building expenses

The Town owns the building, referred to as the Customer Service Centre (CSC) located at 10 Lisgar Avenue, Tillsonburg Ontario, that THI utilizes for its operations. THI leases this facility from the Town. The annual lease rate includes building maintenance, cleaning costs and any other building related expenses. These expenses are paid by the Town. This facility is not exclusively used by THI, as water/wastewater, engineering, by law enforcement and taxation departments of the Town also utilize office, common area, and garage space in the building.

Based on estimated square footage utilized by THI and comparable rental rate in the area, an annual historic lease charge of \$90,144 was assessed for reasonability.

Square footage by area was provided by the Town. Allocation of the square footage was based on the Customer Service full time equivalent time ("FTE") spent on THI as a % of total time and employees in the department utilized by THI for all areas excluding the server area and inventory procurement. Refer to 5.2 for the FTE analysis. This time allocation was based on actual time sheets prepared by key personnel for a selected month, which was deemed to be an accurate reflection of a typical month by the Town. The server area square footage was assessed at 10% based on the actual area and inventory procurement was assessed at 70% based on June 26, 2012 discussions with the Town's staff. Customer service FTE is a reasonable basis for allocation since FTE time relates to the space used in performing the job functions associated with leasing that space.

The lease rate used in the analysis was from the Town's lease agreement for the Town Centre Mall office space, with First Capital Asset Management. The locations are close in proximity thus it is assumed that the lease rate would be comparable within the same area. While there are some differences in the properties, First Capital Asset Management lease rate is independent and due to the lack of comparable properties and access to specific lease rate information in the area, the annual lease rate appears to be a reasonable estimate.

SCG analysis concludes that the historic lease rate of \$90,144 should be increased to \$132,620 which is reasonable and representative of the actual costs.

5.2 Administrative and General Expenses

The shared functions include:

- Executive
- Central Communications
- Regulatory
- Finance
- Information Technology
- Health & Safety Administration
- Human Resources Management
- Board of Directors
- Fleet and Transportation
- Building Expenses

The review task was to examine each function and determine a measure of either resource inputs or benefits on which to base an allocation. On review, it became clear that all of these cost functions consist primarily of staff salaries, benefits, supplies, and the cost of facilities (building, equipment and systems) necessary to support the activities of those staff. The resource input that was considered the best allocator was FTE.

The corporate administrative department, due to the nature of the job function, work on all parts of the organization, and as such it is assumed that using this department is a reasonable estimate for the allocation of shared costs. Where allocation is based on the corporate administration department, an average of the department's hours and wages were used to mitigate the inherent limitation in using either of these measures separately.

Wage rates including benefits, were assessed using the 2012 – 2016 financial plan provided by THI and the Town. These represent the costs of the shared employees in 2012 and thus provide a reasonable estimate of the shared employee costs. The specific, detailed examination in this report was carried out by THI staff, and updated by SCG to include 2012 pay equity and rate changes as well as updates for key staff member changes using information provided by the Town. SCG also assessed the reasonability of the wage rates and benefits provided. The report allocates wages to THI based on the budgeted allocation percentage of employee time spent on THI. The budgeted allocations to THI are directly charged to THI. As such SCG assessed the reasonability of the allocated percentages based on staff members time survey, which estimated time spent on each of the business units in a representative period. These time estimates in terms of FTEs were used as the basis for allocation. Where time studies were not available, a reasonable percentage was allocated based on assessment of the department and for three key employees time was allocated based on the average of corporate administrative department's FTE hours and wages. The variance from the budgeted allocation to THI and the actual (time study) is considered an indirect shared cost and included in the review of the management fee.

Shared costs, other than wages, were assessed using 2011 Town actual departmental costs. These specific cost categories were selected based on SCG familiarity and financial expertise related to both the Town and THI as well as through discussions with management. As an example, dispatch costs were allocated based on the number of calls received in a representative month related to THI versus the total number of calls received in that month.

5.2.1 Executive

Staff members in the executive cost function completed a time survey estimating time spent on each of the business units in a representative period. These time estimates in terms of FTEs were used as the basis for determining the variance from time directly charged to THI and the shared costs to be allocated through the management fee. One time study not available, time was allocated based on the average of corporate department's FTE hours and wages.

5.2.2 Central Communications

Dispatch communication costs are shared among the Towns business units including fire and police services. A measure of the resource input in this function relate to the number of cases or complaints that are handled by central dispatch. Using a representative period, one year January 1, 2011 through December 31, 2011, THI cases verses total cases forms a reasonable basis for the allocation of central communication costs.

5.2.3 Regulatory

One staff member identified as their main job function to maintain regulatory compliance for OEB, employed by the Town. This staff member completed a time survey estimating time spent on each of the business units in a representative period and has been allocated based on this study.

5.2.4 Finance

Accounting costs, legal, consulting, and audit fees are directly charged to THI for services provided and are therefore, not included in this study. Indirect shared costs are comprised of corporate administrative personnel that are shared which have been allocated based on time studies. The corporate administrative, customer service and operational administrative departmental costs have been allocated based on the corporate administration department's average FTE hours and wages.

5.2.5 Information Technology

The main server for Hydro and related billing software is directly paid for by Hydro and is not part of this analysis. The IT costs considered in this review are licensing, hardware, and consultant. This consultant replaces an employee relationship and provides information technology oversight for the Town. For information technology hardware and software, it was determined through discussion with department staff that costs are driven by the number of workstations. A reasonable estimate is allocating based on the average FTE hours and wages based corporate administrative function, since this department works on all aspects of the organization and is deemed representative of the shared IT resources.

5.2.5 Health & Safety Administration

These functions provided an indirect benefit by serving and supporting staff across all Town business units. These costs have been indirectly included through the wage allocation of the employees who provide this service.

5.2.6 Human Resources Management

Human Resources management (HR) time study was not representative of the amount of time spent on THI annually, as the month selected for review was not representative of the entire year and could not be directly broken down between each business unit. As a result, it was determined that a more accurate reflection of HR's time should be based on the average of the corporate department's FTE hours and wages. Other costs associated with HR were also allocated based on the average of corporate department's FTE hours and wages. Corporate administration due to the nature of the job function, work on all parts of the organization, which is similar in nature to the HR function thus is a reasonable estimate.

5.2.7 Fleet and Transportation

With regard to transportation and work equipment owned by the Town, an hourly rate is charged for vehicle use and hourly time is also directly billed. The square footage for the garage and bays, in the CSC building, has been accounted for in the CSC annual lease rate within the facilities section. There are no other shared costs to consider as these are directly billed.

5.2.8 The Board of Directors

The board of directors are charged directly to THI. These are not part of this study.

5.2.9 Building Expenses

The building expenses associated with CSC, are part of the facility section and charged to THI through the annual lease rate.

Shared building expenses for the use of Town Centre which houses the Town's corporate administration were allocated based on the average of corporate department's FTE hours and wages. Corporate administration, due to the nature of the job function, work on all parts of the organization as required and is located exclusively in these offices. Therefore, it is reasonable to estimate the Town Centre Mall's lease, insurance and other building expenses based on FTE percentage to THI. Corporate FTE is a reasonable basis for allocation since FTE time relates to the space used in performing their job function, thus the costs associated with leasing that space.

Based on the computation of the indirect shared costs, SCG assessed the \$140,000 annual management fee is reasonable. SCG considers the approach reasonable and consistent with GAAP cost allocation methodology. SCG analysis concludes that the management fee of \$140,000 is reasonable.

However, SCG concludes that the indirect labour for 2012 of \$627,768 which is billed directly to THI from the Town as part of the budget process should be increased to \$708,469 based on the representative time studies completed and actual wage and benefit rates to reflect the actual costs related to this indirect labour component.

6. CONCLUSION

In conclusion, the findings of this report for 2012 are as follows:

1. The lease rate should be increased to \$132,620 which is reasonable and representative of the actual costs.
2. Based on the computation of the indirect shared costs, the \$140,000 annual management fee is reasonable.
3. The indirect labour charge should be increased to \$708,469 which is representative of the actual wage and benefit rates and actual time studies completed.

7. AUTHOURSHIP AND USE

This report was written and submitted by Christene Scrimgeour, CA, BA, based on her analysis of the information provided by THI and Town, and is intended for use by THI in support of its application to the Ontario Energy Board for approval of 2013 rates and charges.

REGULATORY COSTS

THI has provided its regulatory costs in the format of Board Appendix 2-M E4/T2/S1/Att4.

THI has undertaken a transfer pricing study to satisfy the Board's direction to complete a review of the provisions in the MSA with respect to the mark up provision for goods and services supplied by third parties for the exclusive use by THI and the appropriateness of the 5% management fee that was in effect at the time of filing the 2009 Cost of Service application, and that the review should either involve or at a minimum include an opinion by a reputable third party on such matters. THI was to file this evidence at the time of its next rebasing application. THI engaged a consultant at an estimated cost of \$5K. As the Board stated that THI may request recovery of the prudently spent amounts regarding this initiative, 25% of this amount being \$1,250 has been included in 2013TY in Account 5655 – Regulatory Expenses.

THI estimates consulting fees of approximately \$130K to complete this 2013 cost of service rate application. THI engaged the services of Elenchus Research Associates ("Elenchus") to assist in this process, given the complexity of such an extensive application. 25% of this cost is included in the 2013TY.

THI has estimated intervenor costs of \$35k to be claimed due to involvement in THI's rate application. 25% of this cost is included in the 2013TY.

THI has also reflected \$10k for staff incremental costs for overtime incurred in the completion of the rate application. 25% of this cost is included in the 2013TY

LOW-INCOME ENERGY ASSISTANCE PROGRAM (LEAP)

In 2008, the Ontario Energy Board started consultation with stakeholders to consider the need for, and the nature of, policies that could assist low-income energy consumers. Through that consultation, the OEB identified three components of a “Low-Income Energy Assistance Program”, that could assist low-income energy customers better manage their bill payments and energy costs. These components are: (1) emergency financial assistance; (2) customer service rules; and, (3) targeted conservation and demand management programs.

The delivery of LEAP relies heavily on the cooperation between utilities and social service agencies. It is expected that as agencies screen and assess applicants in need, that they may refer customer not only for LEAP, but also for customer service measures and/or conservation programs.

THI has enlisted the service of The Salvation Army as its social service agency. The table below shows the amount of funds given in a year, the number of customers assisted and the month the funds were depleted.

YEAR	TOTAL FUNDS	# OF CUSTOMERS	MONTH FUNDS WERE DEPLETED
2011	\$4k	22	OCTOBER, 2011
2012	\$4k	21	MAY, 2012
2013	\$4k	TBD	

THI acknowledges that Account 6205 Donations is generally non-recoverable. However, THI has included \$4k in its 2013TY as the sub account LEAP funding of Account 6205 is generally recoverable.

CHARGES RELATED TO THE GREEN ENERGY AND GREEN ECONOMY ACT

THI expects to comply with all licensing conditions and other regulatory requirements arising from the implementation of the *Green Energy and Green Economy Act, 2009*. At this time, there is no proposed budget with respect to connection of renewable generation. Based on the anticipated uptake of the program and our assessment of our systems capabilities, THI is forecasting sufficient capacity to accommodate anticipated connections. THI will undertake an annual review of the anticipated renewable generation connection project schedule as well as related costs. THI proposes to record any significant costs associated with initiatives under this legislation to the appropriate Board-approved deferral accounts:

- 1531 – Renewable Connection Capital Deferral Account
- 1532 – Renewable Connection OM&A Deferral Account
- 1534 – Smart Grid Capital Deferral Account
- 1535 – Smart Grid OM&A Deferral Account

1

CDM COSTS

- 2 THI intends to only offer the OPA – contracted province wide CDM programs. Only a
3 minimal amount of staff time has been allocated to other CDM related activities.

CHARITABLE DONATIONS

1

2 THI has not made any charitable donations in prior years, and did not reflect any in the
3 2013TY, except for the Low-Income Energy Assistance Program ("LEAP"). THI has
4 contributed 0.12% of its distribution revenue for 2011 and 2012 financial assistance to
5 ratepayers through LEAP of \$4k per year. The 2013TY reflects \$4k as well. These
6 amounts are recorded in account 6205 – Donations, Sub-account LEAP Funding
7 (E4/T2/S1/Att2).

Exhibit 4: Operating Costs

Tab 3 (of 10): OM&A Variance Analysis

OM&A VARIANCES TABLE

Detailed information on THI's OM&A variances is provided at E4/T3/S1/Att2.

The following sections provide explanations for material year over year variances.

2013TY vs 2012BY MIFRS

OM&A expenses in 2013TY are expected to increase by \$80k (E4/T3/S1/Att1) over 2012BY MIFRS. The variance consists primarily of increases in labour costs due to pay grid movement of existing staff moving closer to job rate, offset by a reduction in FTE, increased capitalization of labour, incremental costs of smart meters, and rate application costs.

- Pay Grid Movement \$56k (E4/T3/S1/Att3). Every position is graded and assigned a level on a multi-level pay grid. Based on seniority and performance, staff can earn increases along the grid.

- FTE Reduction (\$22k) (E4/T3/S1/Att3). CSR allocations were reduced by 0.30 FTE since smart meter implementation is now complete.

- Decreased net capitalization of labour and fleet (\$39k) and \$29k (E4/T3/S1/Att3). Due to the costs projected for the capital projects in 2013TY.

- Training costs increased \$12k (E4/T3/S1/Att3) due to recent and anticipated retirements of experienced staff.

- PST Expense savings (\$35k) (E4/T3/S1/Att3).

- Smart Meter incremental costs \$22k (E4/T3/S1/Att3). Smart Meter incremental costs will no longer be deferred in USoA Account 1556.

- Stranded meter inventory write off (\$35k) (E4/T3/S1/Att3).

- Increase Rate Application costs \$19k (E4/T3/S1/Att3). The 2013 Rate Application is anticipated to cost \$180k (\$5k + \$130k + 35k + \$10k = \$180k)

1 [E4/T2/S3]) compared to the \$106k (per Board Decision dated July 10, 2009 for
2 EB-2008-0246) allowed for the 2009 Rate Application. And 25% of the costs
3 have been reflected in the 2013TY.

4 - Increased Legal costs \$20k (E4/T3/S1/Att3).

5 **2012BY MIFRS vs 2012 BY CGAAP**

6 The difference between 2012BY MIFRS and 2012BY CGAAP are indirect costs of
7 capital projects that can no longer be capitalized of \$107k.

8 **2012BY CGAAP vs 2011 Actual**

9 OM&A expenses in the 2012 BY increased \$331k (\$437k [E4/T3/S1/Att1] less \$107K
10 MIFRS adjustment = \$331k) from 2011 actual expenses. The variances consists
11 primarily reflecting the results of the transfer pricing study [E4/T2/S2/Att1] which
12 determined that labour charges were understated, the management fee was overstated,
13 and the rent charge was understated; decreased capitalization of labour and fleet;
14 increased training to staff retirements and turnover; the late-payment penalty being a
15 one-time charge in 2011; and stranded meter inventory write off.

16 **2011 Actual vs 2010 Actual**

17 OM&A expenses in 2011 Actual were \$33k (E4/T3/S1/Att1) higher than in 2010. The
18 increase was mainly impacted by an increase in CSR department hours and other labour
19 allocations, offset by the reduction of one lineperson FTE due a retirement in the prior
20 year, retirement costs of the prior year being a one-time charge, an employee benefit
21 settlement payment in the prior year being a one-time charge, the late payment penalty
22 contingency was adjusted, and a one-time increase in legal fees in the prior year.

23 **2010 Actual vs 2009 Actual**

24 OM&A expenses in 2010 Actual were \$288k (E4/T3/S1/Att1) higher than 2009 Actual.
25 The increase was due to one-time costs related to an employee benefit settlement,
26 increase legal fees, and costs due to the retirement of an employee. Other increases

1 include pay grid movement, increased CSR time allocations due to the required
2 replacement of the billing system and adjustments to the late payment penalty
3 contingency. The increase was mitigated due increased capitalization of labour and
4 fleet, a portion of the incremental CSR time was assigned to the smart meter project,
5 and the one-time governance costs incurred in the prior year.

6

7 **2009 Actual vs 2009 EDR Board Approved**

8 OM&A expenses in 2009 Actual were \$11k (E4/T3/S1/Att1) higher than 2009 EDR
9 Board Approved. The increase was due to costs removed by the Board related to two
10 staff positions and two THI Board of Director members; pay grid movement; one-time
11 strategic plan costs; increased capitalization of labour and fleet and the capitalization
12 and amortization of the billing. The Board's decision in EB-2008-0246 approved that the
13 billing system would be capitalized and amortized over 4 years. However, the costs
14 were presented as an operating cost in final rates, rather than a capital amortization,
15 benefitting the ratepayer.

EB-2012-0168

Exhibit 4

Tab 3

Schedule 1

Attachment 1

OM&A Variances Table

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

Table 4.3.1. OM&A Variance Table*Review highlighted variances (no input on this sheet)*

				Variances > 10% (min \$2,000) or \$17,874 are shown in bold				Variances > 10% (min \$2,000) or \$17,874 are shown in bold				Variances > 10% (m	
Account Grouping	Account Description	2013 @ existing rates	2012 Projection	Var \$	Var %	2012 Projection	2011 Actual	Var \$	Var %	2011 Actual	2010 Actual		
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	177,503	169,015	8,488	5.0%	169,015	159,632	9,383	5.9%	159,632	161,859		
	5010-Load Dispatching	2,010	2,180	(170)	(7.8%)	2,180	2,395	(215)	(9.0%)	2,395	1,615		
	5017-Distribution Station Equipment - Operation Supplies and Expenses	26,130	27,902	(1,772)	(6.4%)	27,902	23,635	4,267	18.1%	23,635	25,057		
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	44,100	43,431	669	1.5%	43,431	14,961	28,470	190.3%	14,961	44,346		
	5035-Overhead Distribution Transformers- Operation	18,700	18,847	(147)	(0.8%)	18,847	5,777	13,070	226.2%	5,777	6,991		
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	11,775	11,754	21	0.2%	11,754	3,409	8,345	244.8%	3,409	5,802		
	5055-Underground Distribution Transformers - Operation	34,600	43,572	(8,972)	(20.6%)	43,572	6,509	37,063	569.4%	6,509	13,531		
	5065-Meter Expense	102,370	144,106	(41,736)	(29.0%)	144,106	105,494	38,611	36.6%	105,494	75,993		
	5075-Customer Premises - Materials and Expenses	90,000	88,287	1,713	1.9%	88,287	70,859	17,428	24.6%	70,859	75,971		
	5085-Miscellaneous Distribution Expense	584,148	502,122	82,026	16.3%	502,122	346,757	155,365	44.8%	346,757	484,361		
	5095-Overhead Distribution Lines and Feeders - Rental Paid	2,100	2,000	100	5.0%	2,000	4,958	(2,958)	(59.7%)	4,958	1,921		
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	17,000	16,000	1,000	6.3%	16,000	27,004	(11,004)	(40.8%)	27,004	9,692		
	5114-Maintenance of Distribution Station Equipment	5,250	5,667	(417)	(7.4%)	5,667	4,788	879	18.4%	4,788	2,733		
	5120-Maintenance of Poles, Towers and Fixtures	33,950	33,000	950	2.9%	33,000	20,201	12,799	63.4%	20,201	23,981		
	5125-Maintenance of Overhead Conductors and Devices	27,300	26,680	620	2.3%	26,680	11,021	15,659	142.1%	11,021	21,925		
	5130-Maintenance of Overhead Services	21,000	20,000	1,000	5.0%	20,000	27,685	(7,685)	(27.8%)	27,685	9,339		
	5135-Overhead Distribution Lines and Feeders - Right of Way	108,850	108,291	559	0.5%	108,291	68,125	40,166	59.0%	68,125	48,559		
	5150-Maintenance of Underground Conductors and Devices	10,400	10,230	170	1.7%	10,230	7,387	2,843	38.5%	7,387	15,758		
	5155-Maintenance of Underground Services	12,970	11,160	1,810	16.2%	11,160	9,567	1,593	16.7%	9,567	11,125		
	5160-Maintenance of Line Transformers	35,500	35,283	217	0.6%	35,283	28,622	6,661	23.3%	28,622	27,071		
	5175-Maintenance of Meters	3,092	3,079	13	0.4%	3,079	1,257	1,822	144.9%	1,257	656		
	5310-Meter Reading Expense	70,000	69,477	523	0.8%	69,477	76,879	(7,402)	(9.6%)	76,879	57,790		
3650-Billing and Collecting	5315-Customer Billing	419,305	428,312	(9,007)	(2.1%)	428,312	414,542	13,770	3.3%	414,542	332,837		
	5320-Collecting	1,000	1,000	0	0.0%	1,000	88	912	1037.7%	88	782		
	5335-Bad Debt Expense	27,000	27,000	0	0.0%	27,000	26,860	140	0.5%	26,860	21,758		
	5340-Miscellaneous Customer Accounts Expenses	79,200	73,375	5,825	7.9%	73,375	44,959	28,416	63.2%	44,959	71,391		
	5415-Energy Conservation	900	1,000	(100)	(10.0%)	1,000	5,365	(4,365)	(81.4%)	5,365	1,967		
	5615-General Administrative Salaries and Expenses	202,405	179,105	23,300	13.0%	179,105	146,560	32,545	22.2%	146,560	136,558		
3700-Community Relations	5630-Outside Services Employed	140,004	140,004	0	0.0%	140,004	140,004	0	0.0%	140,004	152,525		
	5655-Regulatory Expenses	68,800	49,877	18,923	37.9%	49,877	52,570	(2,693)	(5.1%)	52,570	44,732		
	5660-General Advertising Expenses	7,000	7,000	0	0.0%	7,000	5,240	1,760	33.6%	5,240	2,625		
	5665-Miscellaneous General Expenses	187,900	159,096	28,804	18.1%	159,096	203,674	(44,578)	(21.9%)	203,674	163,243		
	5670-Rent	132,620	132,620	0	0.0%	132,620	90,144	42,476	47.1%	90,144	90,144		
	5680-Electrical Safety Authority Fees	6,200	6,200	0	0.0%	6,200	2,458	3,742	152.2%	2,458	2,458		
	5695-Smart Meters OM&A Contra	0	35,000	(35,000)	(100.0%)	35,000	34,452	548	1.6%	34,452	13,741		
		2,711,082	2,631,672	79,410		2,631,672	2,193,838	437,833		2,193,838	2,160,839		
3800-Administrative and General Expenses													

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

Table 4.3.1. OM&A Variance Table*Review highlighted variances (no input on this sheet)*

		in \$2,000 or \$17,874 are shown in bold		Variances > 10% (min \$2,000) or \$17,874 are shown in bold		Variances > 10% (min \$2,000) or \$17,874 are shown in bold		Variances > 10% (min \$2,000) or \$17,874 are shown in bold			
Account Grouping	Account Description	Var \$	Var %	2010 Actual	2009 Actual	Var \$	Var %	2009 Actual	2009 Approved	Var \$	Var %
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	(2,227)	(1.4%)	161,859	248,397	(86,538)	(34.8%)	248,397	146,397	102,000	69.7%
	5010-Load Dispatching	780	48.3%	1,615	1,303	312	23.9%	1,303	1,303	0	0.0%
	5017-Distribution Station Equipment - Operation Supplies and Expenses	(1,422)	(5.7%)	25,057	18,723	6,334	33.8%	18,723	18,723	0	0.0%
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	(29,385)	(66.3%)	44,346	67,421	(23,075)	(34.2%)	67,421	67,421	0	0.0%
	5035-Overhead Distribution Transformers-Operation	(1,213)	(17.4%)	6,991	20,283	(13,292)	(65.5%)	20,283	20,283	0	0.0%
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	(2,393)	(41.2%)	5,802	16,881	(11,079)	(65.6%)	16,881	16,881	0	0.0%
	5055-Underground Distribution Transformers - Operation	(7,022)	(51.9%)	13,531	5,577	7,954	142.6%	5,577	5,577	0	0.0%
	5065-Meter Expense	29,501	38.8%	75,993	86,544	(10,551)	(12.2%)	86,544	86,544	0	0.0%
	5075-Customer Premises - Materials and Expenses	(5,112)	(6.7%)	75,971	73,205	2,766	3.8%	73,205	73,205	0	0.0%
	5085-Miscellaneous Distribution Expense	(137,604)	(28.4%)	484,361	315,295	169,066	53.6%	315,295	278,209	37,086	13.3%
	5095-Overhead Distribution Lines and Feeders - Rental Paid	3,037	158.1%	1,921	0	1,921	0.0%	0	0	0	0.0%
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	17,312	178.6%	9,692	7,725	1,967	25.5%	7,725	7,725	0	0.0%
	5114-Maintenance of Distribution Station Equipment	2,055	75.2%	2,733	1,348	1,385	102.8%	1,348	1,348	0	0.0%
	5120-Maintenance of Poles, Towers and Fixtures	(3,780)	(15.8%)	23,981	18,199	5,782	31.8%	18,199	18,198	1	0.0%
	5125-Maintenance of Overhead Conductors and Devices	(10,905)	(49.7%)	21,925	31,051	(9,126)	(29.4%)	31,051	31,051	0	0.0%
	5130-Maintenance of Overhead Services	18,346	196.5%	9,339	17,995	(8,656)	(48.1%)	17,995	17,994	1	0.0%
	5135-Overhead Distribution Lines and Feeders - Right of Way	19,566	40.3%	48,559	66,220	(17,661)	(26.7%)	66,220	66,220	0	0.0%
	5150-Maintenance of Underground Conductors and Devices	(8,370)	(53.1%)	15,758	18,112	(2,354)	(13.0%)	18,112	18,112	0	0.0%
	5155-Maintenance of Underground Services	(1,558)	(14.0%)	11,125	10,149	976	9.6%	10,149	10,149	0	0.0%
	5160-Maintenance of Line Transformers	1,550	5.7%	27,071	15,295	11,776	77.0%	15,295	15,295	0	0.0%
	5175-Maintenance of Meters	601	91.7%	656	0	656	0.0%	0	0	0	0.0%
	5310-Meter Reading Expense	19,089	33.0%	57,790	50,240	7,550	15.0%	50,240	50,240	0	0.0%
3650-Billing and Collecting	5315-Customer Billing	81,705	24.5%	332,837	241,819	91,018	37.6%	241,819	306,006	(64,187)	(21.0%)
	5320-Collecting	(695)	(88.8%)	782	0	782	0.0%	0	0	0	0.0%
	5335-Bad Debt Expense	5,102	23.4%	21,758	26,312	(4,554)	(17.3%)	26,312	17,000	9,312	54.8%
	5340-Miscellaneous Customer Accounts Expenses	(26,432)	(37.0%)	71,391	116,547	(45,156)	(38.7%)	116,547	128,376	(11,829)	(9.2%)
3700-Community Relations	5415-Energy Conservation	3,398	172.7%	1,967	0	1,967	0.0%	0	0	0	0.0%
3800-Administrative and General Expenses	5615-General Administrative Salaries and Expenses	10,002	7.3%	136,558	94,257	42,301	44.9%	94,257	167,988	(73,731)	(43.9%)
	5630-Outside Services Employed	(12,521)	(8.2%)	152,525	59,445	93,080	156.6%	59,445	0	59,445	0.0%
	5655-Regulatory Expenses	7,837	17.5%	44,732	27,877	16,855	60.5%	27,877	51,181	(23,304)	(45.5%)
	5660-General Advertising Expenses	2,615	99.7%	2,625	0	2,625	0.0%	0	0	0	0.0%
	5665-Miscellaneous General Expenses	40,431	24.8%	163,243	118,856	44,387	37.3%	118,856	145,520	(26,664)	(18.3%)
	5670-Rent	0	0.0%	90,144	91,900	(1,756)	(1.9%)	91,900	91,900	0	0.0%
	5680-Electrical Safety Authority Fees	0	0.0%	2,458	6,121	(3,662)	(59.8%)	6,121	3,392	2,729	80.4%
	5695-Smart Meters OM&A Contra	20,711	150.7%	13,741	0	13,741	0.0%	0	0	0	0.0%
		32,999		2,160,839	1,873,097	287,742		1,873,097	1,862,238	10,859	

File Number: EB-2012-0168
Exhibit: 4
Tab: 3
Schedule: 1
Attachment: 2
Date: 28-Sep-12

Appendix 2-H
OM&A Detailed Variance Analysis
(excluding Depreciation and Amortization)

		Last Board- approved Rebasing Year	Most Current Actuals Year 2011	Test Year 2013	Test Year Versus Last Rebasing		Test Year Versus Most Current Actuals	
Account	Description				Variance (\$)	Percentage Change (%)	Variance (\$)	Percentage Change (%)
Reporting Basis		CGAAP	CGAAP	MIFRS				
Operations								
	5005 Operation Supervision and Engineering	\$ 146,397	\$ 159,632	\$ 177,503	\$ 31,106	21.25%	\$ 17,871	11.20%
	5010 Load Dispatching	\$ 1,303	\$ 2,395	\$ 2,010	\$ 707	54.26%	\$ 385	-16.08%
	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		\$ -	\$ -	\$ -		\$ -	
	5017 Distribution Station Equipment - Operation Supplies and Expenses	\$ 18,723	\$ 23,635	\$ 26,130	\$ 7,407	39.56%	\$ 2,495	10.56%
	5020 Overhead Distribution Lines and Feeders - Operation Labour		\$ -	\$ -	\$ -		\$ -	
	5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 67,421	\$ 14,961	\$ 44,100	\$ 23,321	-34.59%	\$ 29,139	194.77%
	5030 Overhead Sub-transmission Feeders - Operation		\$ -	\$ -	\$ -		\$ -	
	5035 Overhead Distribution Transformers - Operation	\$ 20,283	\$ 5,777	\$ 18,700	\$ 1,583	-7.80%	\$ 12,923	223.68%
	5040 Underground Distribution Lines and Feeders - Operation Labour		\$ -	\$ -	\$ -		\$ -	
	5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$ 16,881	\$ 3,409	\$ 11,775	\$ 5,106	-30.25%	\$ 8,366	245.39%
	5050 Underground Sub-transmission Feeders - Operation		\$ -	\$ -	\$ -		\$ -	
	5055 Underground Distribution Transformers - Operation	\$ 5,577	\$ 6,509	\$ 34,600	\$ 29,023	520.41%	\$ 28,091	431.56%
	5060 Street Lighting and Signal System Expense		\$ -	\$ -	\$ -		\$ -	
	5065 Meter Expense	\$ 86,544	\$ 105,494	\$ 102,370	\$ 15,826	18.29%	\$ 3,124	-2.96%
	5070 Customer Premises - Operation Labour		\$ -	\$ -	\$ -		\$ -	
	5075 Customer Premises - Operation Materials and Expenses	\$ 73,205	\$ 70,859	\$ 90,000	\$ 16,795	22.94%	\$ 19,141	27.01%
	5085 Miscellaneous Distribution Expenses	\$ 278,209	\$ 346,757	\$ 584,148	\$ 305,939	109.97%	\$ 237,391	68.46%
	5090 Underground Distribution Lines and Feeders - Rental Paid		\$ -	\$ -	\$ -		\$ -	
	5095 Overhead Distribution Lines and Feeders - Rental Paid		\$ 4,958	\$ 2,100	\$ 2,100		\$ 2,858	-57.65%
	5096 Other Rent		\$ -	\$ -	\$ -		\$ -	
Total - Operations		\$ 714,543	\$ 744,387	\$ 1,093,436	\$ 378,893	53.03%	\$ 349,049	46.89%
Account Description								
Maintenance								
	5105 Maintenance Supervision and Engineering	\$ 7,725	\$ 27,004	\$ 17,000	\$ 9,275	120.06%	\$ 10,004	-37.05%
	5110 Maintenance of Buildings and Fixtures - Distribution Stations		\$ -	\$ -	\$ -		\$ -	
	5112 Maintenance of Transformer Station Equipment		\$ -	\$ -	\$ -		\$ -	
	5114 Maintenance of Distribution Station Equipment	\$ 1,348	\$ 4,788	\$ 5,250	\$ 3,902	289.47%	\$ 462	9.66%
	5120 Maintenance of Poles, Towers and Fixtures	\$ 18,198	\$ 20,201	\$ 33,950	\$ 15,752	86.56%	\$ 13,749	68.06%
	5125 Maintenance of Overhead Conductors and Devices	\$ 31,051	\$ 11,021	\$ 27,300	\$ 3,751	-12.08%	\$ 16,279	147.72%
	5130 Maintenance of Overhead Services	\$ 17,994	\$ 27,685	\$ 21,000	\$ 3,006	16.71%	\$ 6,685	-24.15%
	5135 Overhead Distribution Lines and Feeders - Right of Way	\$ 66,220	\$ 68,125	\$ 108,850	\$ 42,630	64.38%	\$ 40,725	59.78%
	5145 Maintenance of Underground Conduit		\$ -	\$ -	\$ -		\$ -	
	5150 Maintenance of Underground Conductors and Devices	\$ 18,112	\$ 7,387	\$ 10,400	\$ 7,712	-42.58%	\$ 3,013	40.78%
	5155 Maintenance of Underground Services	\$ 10,149	\$ 9,567	\$ 12,970	\$ 2,821	27.80%	\$ 3,403	35.57%
	5160 Maintenance of Line Transformers	\$ 15,295	\$ 28,622	\$ 35,500	\$ 20,205	132.10%	\$ 6,878	24.03%
	5165 Maintenance of Street Lighting and Signal Systems		\$ -	\$ -	\$ -		\$ -	
	5170 Sentinel Lights - Labour		\$ -	\$ -	\$ -		\$ -	
	5172 Sentinel Lights - Materials and Expenses		\$ -	\$ -	\$ -		\$ -	
	5175 Maintenance of Meters		\$ 1,257	\$ 3,092	\$ 3,092		\$ 1,835	145.93%
	5178 Customer Installations Expenses - Leased Property		\$ -	\$ -	\$ -		\$ -	
	5195 Maintenance of Other Installations on Customer Premises		\$ -	\$ -	\$ -		\$ -	
Total - Maintenance		\$ 186,092	\$ 205,657	\$ 275,312	\$ 89,220	47.94%	\$ 69,655	33.87%
Account Description								
Billing and Collecting								
	5305 Supervision		\$ -	\$ -	\$ -		\$ -	
	5310 Meter Reading Expense	\$ 50,240	\$ 76,879	\$ 70,000	\$ 19,760	39.33%	\$ 6,879	-8.95%
	5315 Customer Billing	\$ 306,006	\$ 414,542	\$ 419,305	\$ 113,299	37.03%	\$ 4,763	1.15%
	5320 Collecting		\$ 88	\$ 1,000	\$ 1,000		\$ 912	1037.66%
	5325 Collecting - Cash Over and Short		\$ -	\$ -	\$ -		\$ -	
	5330 Collection Charges		\$ -	\$ -	\$ -		\$ -	
	5335 Bad Debt Expense	\$ 17,000	\$ 26,860	\$ 27,000	\$ 10,000	58.82%	\$ 140	0.52%
	5340 Miscellaneous Customer Accounts Expenses	\$ 128,376	\$ 44,959	\$ 79,200	\$ 49,176	-38.31%	\$ 34,241	76.16%
Total - Billing and Collecting		\$ 501,622	\$ 563,328	\$ 596,505	\$ 94,883	18.92%	\$ 33,177	5.89%
Account Description								
Community Relations								
	5405 Supervision		\$ -	\$ -	\$ -		\$ -	
	5410 Community Relations - Sundry		\$ -	\$ -	\$ -		\$ -	
	5415 Energy Conservation		\$ 5,365	\$ 900	\$ 900		\$ 4,465	-83.22%
	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		\$ -	\$ 5,365	\$ 900	\$ 900		\$ 4,465	-83.22%
Account Description								

Appendix 2-H
OM&A Detailed Variance Analysis
(excluding Depreciation and Amortization)

		Last Board- approved Rebasing Year	Most Current Actuals Year 2011	Test Year 2013	Test Year Versus Last Rebasing		Test Year Versus Most Current Actuals	
Account	Description				Variance (\$)	Percentage Change (%)	Variance (\$)	Percentage Change (%)
Reporting Basis		CGAAP	CGAAP	MIFRS				
Administrative and General Expenses								
5605	Executive Salaries and Expenses		\$ -	\$ -	\$ -		\$ -	
5610	Management Salaries and Expenses		\$ -	\$ -	\$ -		\$ -	
5615	General Administrative Salaries and Expenses	\$ 167,988	\$ 146,560	\$ 202,405	\$ 34,417	20.49%	\$ 55,845	38.10%
5620	Office Supplies and Expenses		\$ -	\$ -	\$ -		\$ -	
5625	Administrative Expense Transferred - Credit		\$ -	\$ -	\$ -		\$ -	
5630	Outside Services Employed		\$ 140,004	\$ 140,004	\$ 140,004		\$ -	0.00%
5635	Property Insurance		\$ -	\$ -	\$ -		\$ -	
5640	Injuries and Damages		\$ -	\$ -	\$ -		\$ -	
5645	OMERS Pensions and Benefits		\$ -	\$ -	\$ -		\$ -	
5646	Employee Pensions and OPEB		\$ -	\$ -	\$ -		\$ -	
5647	Employee Sick Leave		\$ -	\$ -	\$ -		\$ -	
5650	Franchise Requirements		\$ -	\$ -	\$ -		\$ -	
5655	Regulatory Expenses	\$ 51,181	\$ 52,570	\$ 68,800	\$ 17,619	34.42%	\$ 16,230	30.87%
5660	General Advertising Expenses		\$ 5,240	\$ 7,000	\$ 7,000		\$ 1,760	33.59%
5665	Miscellaneous General Expenses	\$ 145,520	\$ 203,674	\$ 187,900	\$ 42,380	29.12%	\$ 15,774	-7.74%
5670	Rent	\$ 91,900	\$ 90,144	\$ 132,620	\$ 40,720	44.31%	\$ 42,476	47.12%
5672	Lease Payment Charge		\$ -	\$ -	\$ -		\$ -	
5675	Maintenance of General Plant		\$ -	\$ -	\$ -		\$ -	
5680	Electrical Safety Authority Fees	\$ 3,392	\$ 2,458	\$ 6,200	\$ 2,808	82.78%	\$ 3,742	152.23%
5681	Special Purpose Charge Expense		\$ 30,199	\$ -	\$ -		\$ 30,199	
5685	Independent Electricity System Operator Fees and Penalties		\$ -	\$ -	\$ -		\$ -	
5695	OM&A Contra Account		\$ 34,452	\$ -	\$ -		\$ 34,452	-100.00%
6205	Donations		\$ -	\$ -	\$ -		\$ -	
6205	Donations, Sub-account LEAP Funding		\$ 3,833	\$ 4,000	\$ 4,000		\$ 167	4.35%
Total - Administrative and General Expenses		\$ 459,981	\$ 709,134	\$ 748,929	\$ 288,948	62.82%	\$ 39,795	5.61%
Total OM&A		\$ 1,862,238	\$ 2,227,871	\$ 2,715,082	\$ 852,844	45.80%	\$ 487,211	21.87%
Adjustments for non-recoverable items								
5681	Special Purpose Charge Expense		\$ 30,199	\$ -	\$ -		\$ 30,199	-100.00%
6205	Donations ¹		\$ -	\$ -	\$ -		\$ -	
			\$ -	\$ -	\$ -		\$ -	
			\$ -	\$ -	\$ -		\$ -	
			\$ -	\$ -	\$ -		\$ -	
Total Recoverable OM&A		\$ 1,862,238	\$ 2,197,671	\$ 2,715,082	\$ 852,844	45.80%	\$ 517,411	23.54%

¹ Account 6205 - Donations is generally non-recoverable. However, the sub-account LEAP funding of account 6205 is generally recoverable.

- Note:**
- If the applicant is adopting IFRS or an alternate accounting standard as of January 1, 2013 for financial reporting purposes, Column D "Most Current Actual Year" must be provided on CGAAP.
 - If the applicant is adopting IFRS or an alternate accounting standard as of January 1, 2012 for financial reporting purposes, Column D "Most Current Actual Year" must be provided on that standard.

Exhibit 4: Operating Costs

Tab 4 (of 10): Employee Compensation

STAFFING AND COMPENSATION LEVELS

THI provides its electricity distribution service by relying on staff employed by the Town of Tillsonburg. THI does not have any employees of its own. The following table provides a summary of the annual FTE's provided by the Town:

TABLE 1 (E1/T1/S7/Att2)

	Full Time Equivalent Allocated to THI					
	2009TY	2009HY	2010HY	2011HY	2012BY	2013TY
Executive	0.55	0.55	0.55	0.45	0.62	0.62
Management	1.85	2.43	2.98	2.56	2.65	2.65
Non-Union	<u>14.65</u>	<u>15.85</u>	<u>16.95</u>	<u>16.42</u>	<u>16.85</u>	<u>16.55</u>
Total	17.05	18.83	20.47	19.42	20.11	19.81

In 2009, the Town of Tillsonburg started a review of the salaries for all employees. As a result of this review, the Town approved a new pay grid in and salary adjustments that started in 2010. Staff is placed on the grid based on years of experience in their current role. As a result, annual increases greater than the cost of living occur can occur.

In August 2008, two apprentice linespersons were hired in preparation for the retirement of a foreperson and a linesperson. The Board only approved funding of one of the positions in the 2009 Rate Application. The foreperson retired in late 2010 and a linesperson was promoted. This linesperson position was eliminated. In August 2012, a linesperson retired and the position has yet to be filled.

In June 2009, the Town of Tillsonburg filled the position of Operations Regulatory Affairs. The position had been included in the 2009 Rate Application, but the Board's Decision and Order dated July 12, 2009 denied its funding. Responsibilities of this position

1 include assisting in maintaining the accuracy of the Customer Information System; assist
2 in the collection of operational data required for rate applications; regular operational
3 filings to the IESO, OEB, OPA, and the Ministry of Energy; process the daily reports from
4 the MDM/R with regard to smart meters; and has taken on the role of Conservation
5 Officer for THI.

6
7 With the implementation of the new customer information system in 2009, staff time
8 required to maintain and bill increased. CSR allocations were increased to reflect the
9 additional complexities.

10
11 For the 2013TY, THI has reduced CSR time by .30 FTE with a shift of staff in positions
12 as a cost savings measure.

13
14 The Town of Tillsonburg pays 100% of the cost of the extended health care plan, dental
15 plan, vision plan, life insurance and long term disability plan that is appropriately
16 attributed by to THI. All electricity distributors in Ontario are required to participate in the
17 retirement plan administered by the Ontario Municipal Employees Retirement System
18 ("OMERS"), under which employees fund 50% of plan contributions with the employer
19 funding the other 50%.

File Number: EB-2012-0168
Exhibit: 4
Tab: 4
Schedule: 1
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Date: 28-Sep-12

Appendix 2-K Employee Costs

	Last Rebasings Year (2009 Board Approved)	Last Rebasings Year (2009 Actuals)	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS
Number of Employees (FTEs including Part-Time)¹						
Executive	0.55	0.55	0.55	0.45	0.62	0.62
Management	1.85	2.43	2.98	2.56	2.65	2.65
Non-Union	14.65	15.85	16.95	16.42	16.85	16.55
Union						
Total	17.05	18.83	20.47	19.42	20.11	19.81
Number of Part-Time Employees						
Executive						
Management						
Non-Union						
Union						
Total	-	-	-	-	-	-
Total Salary and Wages						
Executive	\$ 49,000	\$ 59,000	\$ 61,000	\$ 51,000	\$ 74,000	\$ 76,000
Management	\$ 124,000	\$ 193,000	\$ 252,000	\$ 218,000	\$ 212,000	\$ 221,000
Non-Union	\$ 719,000	\$ 917,000	\$ 1,040,000	\$ 1,012,000	\$ 1,051,000	\$ 1,078,000
Union						
Total	\$ 892,000	\$ 1,169,000	\$ 1,353,000	\$ 1,281,000	\$ 1,337,000	\$ 1,375,000
Current Benefits						
Executive	\$ 15,000	\$ 13,000	\$ 13,000	\$ 11,000	\$ 16,000	\$ 16,000
Management	\$ 42,000	\$ 48,000	\$ 60,000	\$ 55,000	\$ 55,000	\$ 55,000
Non-Union	\$ 223,000	\$ 252,000	\$ 281,000	\$ 272,000	\$ 284,000	\$ 283,000
Union						
Total	\$ 280,000	\$ 313,000	\$ 354,000	\$ 338,000	\$ 355,000	\$ 354,000
Accrued Pension and Post-Retirement Benefits						
Executive						
Management						
Non-Union						
Union						
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Benefits (Current + Accrued)						
Executive	\$ 15,000	\$ 13,000	\$ 13,000	\$ 11,000	\$ 16,000	\$ 16,000
Management	\$ 42,000	\$ 48,000	\$ 60,000	\$ 55,000	\$ 55,000	\$ 55,000
Non-Union	\$ 223,000	\$ 252,000	\$ 281,000	\$ 272,000	\$ 284,000	\$ 283,000
Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 280,000	\$ 313,000	\$ 354,000	\$ 338,000	\$ 355,000	\$ 354,000
Total Compensation (Salary, Wages, & Benefits)						
Executive	\$ 64,000	\$ 72,000	\$ 74,000	\$ 62,000	\$ 90,000	\$ 92,000
Management	\$ 166,000	\$ 241,000	\$ 312,000	\$ 273,000	\$ 267,000	\$ 276,000
Non-Union	\$ 942,000	\$ 1,169,000	\$ 1,321,000	\$ 1,284,000	\$ 1,335,000	\$ 1,361,000
Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 1,172,000	\$ 1,482,000	\$ 1,707,000	\$ 1,619,000	\$ 1,692,000	\$ 1,729,000
Compensation - Average Yearly Base Wages						
Executive	\$ 90,000	\$ 107,000	\$ 111,000	\$ 113,000	\$ 120,000	\$ 123,000
Management	\$ 67,000	\$ 79,000	\$ 85,000	\$ 85,000	\$ 80,000	\$ 84,000
Non-Union	\$ 49,000	\$ 58,000	\$ 61,000	\$ 62,000	\$ 62,000	\$ 65,000
Union						
Total	\$ 69,000	\$ 79,000	\$ 83,000	\$ 83,000	\$ 84,000	\$ 87,000
Compensation - Average Yearly Overtime						
Executive						
Management						
Non-Union	\$ 2,000	\$ 3,000	\$ 3,000	\$ 5,000	\$ 1,000	\$ 1,000
Union						
Total	\$ 2,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 1,000	\$ 1,000
Compensation - Average Yearly Incentive Pay						
Executive						
Management						
Non-Union						
Union						
Total						
Compensation - Average Yearly Benefits						
Executive	\$ 27,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 26,000	\$ 26,000
Management	\$ 23,000	\$ 20,000	\$ 20,000	\$ 22,000	\$ 21,000	\$ 21,000
Non-Union	\$ 15,000	\$ 16,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Union						
Total	\$ 16,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 18,000	\$ 18,000
Total Compensation	\$ 1,172,000	\$ 1,482,000	\$ 1,707,000	\$ 1,619,000	\$ 1,692,000	\$ 1,729,000
Total Compensation Capitalized (CGAAP)	\$ 131,000	\$ 296,000	\$ 372,000	\$ 306,000	\$ 99,000	
Total Compensation Charged to OM&A (CGAAP)	\$ 1,041,000	\$ 1,186,000	\$ 1,335,000	\$ 1,313,000	\$ 1,593,000	
Total Compensation Capitalized (MIFRS)				\$ 306,000	\$ 99,000	\$ 138,000
Total Compensation Charged to OM&A (MIFRS)				\$ 1,313,000	\$ 1,593,000	\$ 1,591,000

¹ If an applicant wishes to use headcount, it must also file the same schedule on an FTE basis.

Note:

1 Please report compensation on a CGAAP and MIFRS basis for your transition year.

Exhibit 4: Operating Costs

Tab 5 (of 10): Corporate Cost Allocations

1 **SHARED SERVICES & CORPORATE COST** 2 **ALLOCATIONS**

3 THI shares services with its corporate parent, the Town of Tillsonburg. Under the MSA
4 agreement the Town provides THI with the goods and services required to support the
5 provision of electricity distribution service (E1/T2/S9/Att1). THI does not provide any
6 goods or services to the Town for its use.

7
8 THI's corporate costs are incurred pursuant to the Master Service Agreement
9 (E1/T2/S9/Att1) between THI and the Town of Tillsonburg. The costing for each year of
10 operations and capital costs shall be directly incurred costs. In 2012 THI completed a
11 transfer pricing study (E4/T2/S2/Att1). The study showed that the charge for indirect
12 labour and rent was understated and the fixed management fee was reasonable. The
13 management fee was fixed at \$140K for 2010 and later years. The current MSA
14 continues until 2015. The charge for indirect labour and rent, starting in 2012, was
15 increased to the amount determined by the transfer pricing study.

16 17 Description and Assumptions

18
19 THI is provided with the following corporate services pursuant to the MSA:

- 20 • Senior management;
- 21 • Financial management, Treasury services and Risk Management Services;
- 22 • Legal and Audit services;
- 23 • Procurement and Stores services;
- 24 • Records Management services;
- 25 • Human Resources services;
- 26 • Information Technology management and administration services; and
- 27 • All aspects of Customer Care services including Billing and Collections;
- 28 • Facilities

1 These services are provided by staff employed by the Town of Tillsonburg who use
2 appropriate assets (eg. computer hardware and software, facilities) that are owned by
3 the Town. THI forecasts the level of services that will be required and agrees to pay the
4 costs incurred by the Town in providing these services.

5

6 The type, level and quality of services to be provided by the Town is documented and
7 enforced through the MSA. The level of services provided is to be consistent with good
8 utility practice. THI projects its needs for corporate services based on prior periods
9 needs and adjusts for known changes.

File Number: EB-2012-0168
 Exhibit: 4
 Tab: 5
 Schedule: 1
 Attachment: 1

 Date: 28-Sep-12

Appendix 2-N Shared Services and Corporate Cost Allocation

Year: 2009

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
the Town of Tillsonburg	Tillsonburg Hydro Inc.	Capital	Actual + 5%	100%	\$ 1,320,585
		Operations	Fixed Anually	100%	\$ 1,798,406

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

File Number: EB-2012-0168
Exhibit: 4
Tab: 5
Schedule: 1
Attachment: 1

Date: 28-Sep-12

Appendix 2-N Shared Services and Corporate Cost Allocation

Year: 2010

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
the Town of Tillsonburg	Tillsonburg Hydro Inc.	Management Fee	Fixed	100%	\$ 140,004
		Capital & Operations	Actual	100%	\$ 3,948,796

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

File Number: EB-2012-0168
 Exhibit: 4
 Tab: 5
 Schedule: 1
 Attachment: 1

 Date: 28-Sep-12

Appendix 2-N
Shared Services and Corporate Cost Allocation
 Year: 2011

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
the Town of Tillsonburg	Tillsonburg Hydro Inc.	Management Fee	Fixed	100%	\$ 140,004
		Capital & Operations	Actual	100%	\$ 3,221,221

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

File Number: EB-2012-0168
 Exhibit: 4
 Tab: 5
 Schedule: 1
 Attachment: 1

 Date: 28-Sep-12

Appendix 2-N
Shared Services and Corporate Cost Allocation
 Year: 2012

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
the Town of Tillsonburg	Tillsonburg Hydro Inc.	Management Fee	Fixed	100%	\$ 140,004
		Capital & Operations	Actual	100%	\$ 3,081,981

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

File Number: EB-2012-0168
Exhibit: 4
Tab: 5
Schedule: 1
Attachment: 1

Date: 28-Sep-12

Appendix 2-N
Shared Services and Corporate Cost Allocation
 Year: 2013

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			\$	\$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	\$
the Town of Tillsonburg	Tillsonburg Hydro Inc.	Management Fee	Fixed	100%	\$ 140,004
		Capital & Operations	Actual	100%	\$ 3,276,482

Note:

1

This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years.

Exhibit 4: Operating Costs

Tab 6 (of 10): Purchase of Non-Affiliate Services

PURCHASES FROM SUPPLIERS

THI purchases supplies and services from third parties in order to distribute electricity to its customers. E4/T6/S1/Att1 lists THI's expenditures on purchased products and services in 2011 in excess of \$50,000 from any single supplier. While spending projections are not prepared on this basis, THI expects its pattern of expenditures to remain generally consistent with recent history, except for material variances in expenses for Operations, Maintenance and Administration.

THI's procurement policy appears as E4/T6/S1/Att2 to this schedule. THI purchases equipment, materials and services in a cost effective manner with full consideration given to price as well as product quality, the ability to deliver on time, reliability, compliance with engineering specifications and quality of services. Vendors are screened to ensure knowledge, reputation, and the capability to meet THI's needs. The procurement of goods and services for THI is carried out with the highest of ethical standards and consideration to the public nature of the expenditures.

Attachment 1 (of 2):

Table of Purchases by Supplier

2011 Purchases by Supplier			
Supplier	Annual Expenditure Amount	Nature of Goods and Service Provided	Mechanism
Westburne Ruddy	\$193K	Capital and OM&A	Request for Quotation, purchase order
HD Utility Supplies	\$99K	Capital and OM&A	Request for Quotation, purchase order
Noramco	\$97K	Capital and OM&A	Request for Quotation, purchase order
Lakeport Power	\$61K	Capital and OM&A	Request for Quotation, purchase order

EB-2012-0168

Exhibit 4

Tab 6

Schedule 1

Attachment 2

Procurement Policy

**CORPORATION OF THE
TOWN OF TILLSONBURG**

BY-LAW NO. 3521

**BEING A BY-LAW TO ADOPT A
POLICY ON PROCUREMENT**

WHEREAS the Municipal Act, S.O. 2001 requires a municipality to have a procurement policy;

AND WHEREAS the Council of the Town Of Tillsonburg recognizes the need for a clear and concise set of policies concerning procurement;

**THEREFORE THE COUNCIL OF THE CORPORATION OF THE TOWN OF TILLSONBURG
ENACTS AS FOLLOWS:**

1. **THAT** effective upon passage the Policy on Procurement attached hereto as Schedule "A" and forming part of this By-law is hereby adopted as the policies and procedures for procurement for the Town of Tillsonburg.
2. **THAT** this Procurement Policy By-law may be amended from time to time as directed and deemed necessary by the Council of the Corporation of the Town of Tillsonburg.
3. **THAT** any procurement or purchasing policies previously adopted through By-law 3140 are hereby repealed;
4. **AND THAT** this by-law shall come into full force and effect upon final passing.

READ A FIRST AND SECOND TIME THIS 27th DAY OF JUNE, 2011.

READ A THIRD AND FINAL TIME AND PASSED THIS 11TH DAY OF JULY, 2011.

MAYOR

CLERK

Schedule "A" to By-Law 3521 Procurement Policy

OBJECTIVES

1. The objective of this procurement policy is to outline the procedures for the municipality to ensure that all purchases of materials, supplies and services provide the lowest costs consistent with the required quality and service.
2. The guiding principal is that procurement decisions will be made using a competitive process that is objective, open, transparent and equitable.
3. This procurement policy will promote and maintain the integrity of the purchasing process and protect Council, vendors and staff involved in the process by providing clear direction and accountabilities.
4. Local vendors will be evaluated the same as any other vendor who responds to the procurement requirements as outlined in this policy.
5. Where appropriate, potential vendors should identify the source of goods and services and the overall level of Canadian content as part of responding to the procurement requirements.

RESPONSIBILITIES

6. Council has ultimate authority for all expenditures. Council delegates this authority by the authorization of budgets or by specific resolution. Finance cannot pay for any item that has not been authorized by Council through budget appropriation or specific resolution. This purchasing policy provides guidelines outlining how this spending authority is to be used.
7. The Department Head, a Director/Fire Chief, or the CAO are responsible for approval of accounts within the approved budget for the department. Approval is authorized through the signature on the original invoice. In all cases, the authorization is to be obtained from the next level up in the structure, so as to maintain independence during the authorization process. This includes the authorization of expenditures made through the corporate visa accounts whereby the CAO will approve the Directors, Fire Chief's and Chief Librarian's visa statement and the Mayor will approve the CAO's visa statement. At no time can personal charges be made to a corporate visa account.
8. This purchasing policy may be overridden by Council if Council, in its' sole discretion, determines it to be appropriate and in the best interests of the Town.

PROCEDURES

9. Prior to the approval of the current year's business plan and budget, a department may incur normal operating expenditures that are required to maintain services. This shall include the payment of expenditures on previously approved capital items and projects.
10. Council approval of the current budget shall be sufficient authority for departments to proceed with the procurement of materials, supplies and contractors, subject to the procedures and limitations contained herein.

11. All purchasing shall be conducted by the Department Head or his/her designate in accordance with the policies and procedures established herein.
12. Purchases of a small value, i.e. under \$100, may be made by a Department Head or his/her designate via a petty cash fund.
13. A Department Head or his/her designate shall:
 - a. For purchases up to \$1,000.00, comparison pricing should be done where practical.
 - b. For purchases between \$1,000.00 and \$5,000.00, three (3) verbal quotations shall be obtained whenever possible. The supplier shall be selected consistent with the standard terms and conditions as determined by the Finance Department.
14. A Director, Fire Chief, CAO or his/her designate shall:
 - a. For purchases between \$5,000.00 and \$25,000.00, three (3) informal, written quotations shall be obtained whenever possible. The supplier shall be selected consistent with the standard terms and conditions as determined by the Finance Department. All purchases of new equipment, tools and/or chemicals must meet Health and Safety regulatory compliance.
 - b. Annually, collective purchases where the anticipated volume on a Town wide basis is above \$25,000 (for example stationery and supplies) will be tendered and reported to Council. Alternatively, participation in the Ontario Supply Chain Management program where the Province determines, through their formal tender process, the applicable vendors of record.
15. A Director, Fire Chief, CAO or his/her designate shall:
 - a. For purchases greater than \$25,000.00, select one of the following procedures to gather quotation information:
 - i) formal invitation to quote/request for quotation/request for proposal OR
 - ii) sealed tenders.

The quotations, requests or tenders shall be submitted by the Director, Fire Chief or CAO to Council along with a recommendation for supplier. A request for proposal may be used when goods or services cannot be specifically stipulated or when alternative methods are being sought to perform certain functions or services.
 - b. Notwithstanding the forgoing, Council may, by resolution, direct the method of obtaining quotation information.
 - c. Staff reports and resolutions recommending the approval of operating expenditures not contained in the annual budget, or capital expenditures, shall contain the purpose of the expenditure, cost estimates, a cost/benefit analysis if applicable, and the appropriate funding source(s). All staff reports recommending such resolutions shall contain the CAO's endorsement.
 - d. All purchases of new equipment, tools and/or chemicals must meet Health and Safety regulatory compliance and should involve a Health and Safety Committee Representative.

EXCEPTIONS

16. Where an emergency occurs that, in the opinion of the Director, Fire Chief, Department Head or his/her designate, constitutes immediate danger to health, safety, life or property, or requires the immediate procurement of goods and services, the Department Head or his/her designate may purchase such goods or services through the open market upon consultation with the Director and in the Director's absence, the CAO. The CAO will decide whether a report to Council is required.
17. A tendering process may not be required where the goods or services are proprietary to one vendor, where there is only one supplier that can meet the Town's needs within a reasonable distance or where the cost of changing suppliers for a product or service already in place is deemed to be exorbitant. Upon staff recommendations, Council shall, in its' sole discretion, determine whether a tender process may be forgone for these reasons. Such exemption may be granted by resolution.
18. Notwithstanding the provisions of this policy, the following expenditures must be made subject to budget constraints and may be made without following the formal purchasing procedures detailed herein:
 - a. petty cash items;
 - b. training and education including conferences, courses and seminars.
 - c. mileage, travel and accommodation;
 - d. payroll related expenses.
 - e. utilities;
 - f. maintenance and support for existing computer hardware and software previously presented to Council subject to all new hardware and software purchases must be presented to Council;
 - g. other professional and special services including:
 - i) legal costs for general issues;
 - ii) planning consultant for general issues;
 - iii) engineering consultants for general issues.

GOALS

19. Objectivity

Quotations and tenders shall be solicited, reviewed and selected in an unbiased atmosphere. A team approach, crossing multiple departments, to the review and selection of higher dollar or higher profile quotations and tenders should be considered by the department initiating the quotation or tender.

Staff and Council members involved with the solicitation, review and selection process for any particular bid shall not submit their own, personal bid for consideration. Further, should a bid be submitted from an immediate family member (parent, spouse, same-sex partner or any child) of the staff or Council member involved with the process, it should be disclosed to Council in the final recommendation report.

Personal preferences shall not be given priority unless the bid submitted demonstrates that it is the lowest priced, compliant bid.

20. Equity

The terms of selection and evaluation criteria shall be detailed in the procurement documents and shall be applied equally to all bidders. Tenders, quotations and requests for proposals or quotations shall be

advertised in such mediums that are considered appropriate by the department head involved. For example, local newspapers, publications, Town, industry and association websites, or via direct invitation for specialized services. No action shall be undertaken by staff or Council that would give any bidder an unfair advantage.

21. Openness and Transparency

The Town's specifications and the terms of selection shall be clearly defined in each invitation or tender document. The decision for the successful bidder shall be based solely on the specifications requirements as documented and the bidder's documents..

22. Accountability

The CAO shall maintain accountability on behalf of Council during the procurement process. Informal contact with staff or Council members not specified as official contacts in the tender/request for proposal documents shall be considered unethical and may threaten the validity of that supplier's bid or even the process as a whole.

Sealed bids, quotations, tenders or proposals, marked with the time and date of receipt, shall be maintained until the time specified in the procurement documents.

If the lowest bidder's price is higher than the Town's budget, this will be brought to Council's attention at the time of the final recommendation report and Council, in its' sole discretion, will decide whether to proceed or to investigate alternatives.

23. Risk Management

Suppliers will be required to provide proof of insurance along with a WSIB clearance certificate (or municipal waiver, if applicable) for all contracts. Insurance minimums are \$2 million for each of general liability, automobile liability and/or homeowners (for rental of facilities) and will be defined in the procurement documents and must be adhered to throughout the term of the contract. The level of insurance will ultimately be arrived at depending on the associated risks of the project as assessed by the Director or Fire Chief. The policy must contain a cross liability clause or endorsement; an endorsement certifying that the Town of Tillsonburg as additional insured; and an endorsement to the effect that the policy or policies will not be altered, cancelled or allowed to lapse without thirty days prior written notice to the Town of Tillsonburg.

Professional liability and errors and omissions insurance shall be maintained by a successful consulting firm for a limit not less than \$2 million.

Performance bonds may be required and will be disclosed during the procurement process. These bonds will be held by the Town until end-of-contract indicators are in place (ie. final clearance certificates are issued) at which time they will be released.

ADMINISTRATION

24.

- a. The Town shall endeavour to define its' needs in a clear and simple format to minimize the occurrence of amendments to bidding documents or changes to contracts once in place. A listing of all changes required shall be maintained with the contract documents for review.
- b. No contract or purchase shall be divided to avoid any requirements of this policy.

- c. For all purchases, price shall be the prime selection criteria prior to any special provisions, providing that all specification requirements are met. All factors influencing the purchasing decision are to be included in the specifications.
- d. The Town of Tillsonburg may participate with other municipalities, their agencies or public authorities in co-operative purchase ventures when the best interest of the Town will be served.
- e. Performance evaluations may be undertaken on suppliers and providers of service.
- f. All invoices and accounts from vendors shall be authorized prior to payment. Authorization in the form of signatures of the CAO, Director, Fire Chief or Department Manager must be in place.
- g. The Town shall have the right to reject the lowest or any bid at its absolute discretion. The Town also reserves the right to reissue the procurement documents in its original format or modified as best suits the requirements of the Town.

25. Review

This policy shall be reviewed every five (5) years.

Exhibit 4: Operating Costs

Tab 7 (of 10): Depreciation and Amortization

DEPRECIATION RATES AND METHODOLOGY

THI's Depreciation Policy is at E2/T2/S3. Until the end of 2012, amortization is consistent with Canadian GAAP, the requirements of the CICA, and the requirements of the OEB. It is described in Note 1 to THI's audited financial statements (E1/T3/S1/Att1). Capital assets are amortized on a straight line basis, applying the half-year rule in the year of addition, over the deemed life of the assets as follows:

Table 1 Canadian GAAP Asset Life

Substation Equipment	25 years
Distribution Lines and Equipment	25 years
Distribution Meters	25 years
Computer Hardware	2 years
Computer Software	2 years

For 2013, THI's amortization will be consistent with MIFRS. Under MIFRS, costs are amortized over the assets useful life, subject to the half-year rule on additions. Due to the transition to MIFRS, THI will amortize the opening net book value of assets over their average remaining life. THI was a member of Western District LDC Working Group and used the Board sponsored Kinectrics study as a guide. THI confirms that the useful lives for its asset groups fall within the range allowed in the Board sponsored Kinectrics study.

Table 2 MIFRS Asset Useful Life

Substation Equipment	40 years
Poles, Towers and Fixtures	50 years
Overhead Conductors	60 years
Overhead Devices	40 years
Underground Conduit	50 years

Underground Conductors and Devices	30 years
Line Transformers	40 years
Overhead Services	50 years
Underground Services	40 years
Conventional Meters	25 years
Meters – Smart	15 years
Distribution Meters	25 years
Computer Hardware	5 years
Computer Software	5 years

1

2 E4/T7/S1/Att1 provides a summary of the amortization of capital assets.

EB-2012-0168

Exhibit 4

Tab 7

Schedule 1

Attachment 1

Amortization of Capital Assets

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets
Enter breakdown of historical balance and adjustments for retirements/other

Capital Asset Account	2009 Opening Balance	2009 Approved		
		Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(315,212)			(315,212)
1830-Poles, Towers and Fixtures	(2,605,026)			(2,605,026)
1835-Overhead Conductors and Devices	(263,393)			(263,393)
1840-Underground Conduit	(2,102,307)			(2,102,307)
1845-Underground Conductors and Devices	(195,252)			(195,252)
1850-Line Transformers	(1,725,343)			(1,725,343)
1855-Services	(104,837)			(104,837)
1860-Meters	(561,297)			(561,297)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware				
1925-Computer Software				
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets
Enter breakdown of historical balance and adjustments for retirements/other

Capital Asset Account	2009 Opening Balance	2009 Approved		
		Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	288,906			288,906
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(7,583,761)			(7,583,761)
Accumulated Amortization on Balance Sheet				
Amortization Expense Adjustment				
Amortization Expense				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2009 Opening Balance	2009 Actual		
		Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(315,212)	(8,664)		(323,876)
1830-Poles, Towers and Fixtures	(2,605,026)	(160,199)		(2,765,225)
1835-Overhead Conductors and Devices	(263,393)	(48,536)		(311,929)
1840-Underground Conduit	(2,102,307)	(124,027)		(2,226,334)
1845-Underground Conductors and Devices	(195,252)	(53,442)		(248,694)
1850-Line Transformers	(1,725,343)	(120,168)		(1,845,511)
1855-Services	(104,837)	(31,882)		(136,719)
1860-Meters	(561,297)	(26,879)		(588,176)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware		(2,883)		(2,883)
1925-Computer Software		(74,161)		(74,161)
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets
Enter breakdown of historical balance and adjustments for

Capital Asset Account	2009 Opening Balance	2009 Actual		
		Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	288,906	98,930		387,836
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(7,583,761)	(551,911)		(8,135,672)
Accumulated Amortization on Balance Sheet				
Amortization Expense Adjustment				
Amortization Expense				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2009 Actual	2010 Actual		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(323,876)	(8,664)		(332,540)
1830-Poles, Towers and Fixtures	(2,765,225)	(166,129)		(2,931,354)
1835-Overhead Conductors and Devices	(311,929)	(54,342)		(366,271)
1840-Underground Conduit	(2,226,334)	(125,067)		(2,351,401)
1845-Underground Conductors and Devices	(248,694)	(55,436)		(304,130)
1850-Line Transformers	(1,845,511)	(129,369)		(1,974,880)
1855-Services	(136,719)	(35,547)		(172,266)
1860-Meters	(588,176)	(27,290)		(615,466)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware	(2,883)	(5,766)		(8,649)
1925-Computer Software	(74,161)	(148,322)		(222,483)
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets
Enter breakdown of historical balance and adjustments for

Capital Asset Account	2009 Actual	2010 Actual		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	387,836	102,573		490,409
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(8,135,672)	(653,359)		(8,789,031)
Accumulated Amortization on Balance Sheet				
Amortization Expense Adjustment				
Amortization Expense				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2010 Actual	2011 Actual		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(332,540)	(4,096)		(336,636)
1830-Poles, Towers and Fixtures	(2,931,354)	(172,136)		(3,103,490)
1835-Overhead Conductors and Devices	(366,271)	(57,659)		(423,930)
1840-Underground Conduit	(2,351,401)	(128,179)		(2,479,580)
1845-Underground Conductors and Devices	(304,130)	(58,622)		(362,752)
1850-Line Transformers	(1,974,880)	(138,437)		(2,113,317)
1855-Services	(172,266)	(40,277)		(212,543)
1860-Meters	(615,466)	(28,088)		(643,554)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware	(8,649)	(2,883)		(11,532)
1925-Computer Software	(222,483)	(74,160)		(296,643)
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2010 Actual	2011 Actual		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	490,409	107,836		598,245
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(8,789,031)	(596,701)		(9,385,732)
Accumulated Amortization on Balance Sheet		1.1600-Accumulated Amortization		
Amortization Expense Adjustment				
Amortization Expense		596,701		

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2011 Actual	2012 Projection		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(336,636)	(3,434)		(340,070)
1830-Poles, Towers and Fixtures	(3,103,490)	(178,285)		(3,281,775)
1835-Overhead Conductors and Devices	(423,930)	(61,230)		(485,160)
1840-Underground Conduit	(2,479,580)	(131,893)		(2,611,473)
1845-Underground Conductors and Devices	(362,752)	(61,770)		(424,522)
1850-Line Transformers	(2,113,317)	(146,229)		(2,259,546)
1855-Services	(212,543)	(44,768)		(257,311)
1860-Meters	(643,554)	(8,153)		(651,707)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware	(11,532)			(11,532)
1925-Computer Software	(296,643)			(296,643)
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

Tillsonburg Hydro Inc. (ED-2003-0026)

2013 EDR Application (EB-2012-0168) version: 1

August 31, 2012

B3 Amortization of Capital Assets
Enter breakdown of historical balance and adjustments for

Capital Asset Account	2011 Actual	2012 Projection		
	Ending Balance	Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	598,245	111,539		709,784
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(9,385,732)	(524,223)		(9,909,955)
Accumulated Amortization on Balance Sheet		1.1600-Accumulated Amortization		
Amortization Expense Adjustment				
Amortization Expense		524,223		

Tillsonburg Hydro Inc. (ED-2003-0026)

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B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2012 Projection Ending Balance	2013 Projection		
		Amortization Expense	Retirements / Other	Ending Balance
1610-Miscellaneous Intangible Plant				
1805-Land				
1806-Land Rights				
1808-Buildings and Fixtures				
1810-Leasehold Improvements				
1815-Transformer Station Equipment - Normally Primary above 50 kV				
1820-Distribution Station Equipment - Normally Primary below 50 kV	(340,070)	(3,434)		(343,504)
1830-Poles, Towers and Fixtures	(3,281,775)	(185,511)		(3,467,286)
1835-Overhead Conductors and Devices	(485,160)	(66,978)		(552,138)
1840-Underground Conduit	(2,611,473)	(134,496)		(2,745,969)
1845-Underground Conductors and Devices	(424,522)	(64,482)		(489,004)
1850-Line Transformers	(2,259,546)	(155,216)		(2,414,762)
1855-Services	(257,311)	(48,055)		(305,366)
1860-Meters	(651,707)	(69,338)	451,839	(269,206)
1905-Land				
1906-Land Rights				
1908-Buildings and Fixtures				
1910-Leasehold Improvements				
1915-Office Furniture and Equipment				
1920-Computer Equipment - Hardware	(11,532)	(2,753)	(4,519)	(18,803)
1925-Computer Software	(296,643)	(56,731)	(127,254)	(480,628)
1930-Transportation Equipment				
1935-Stores Equipment				
1940-Tools, Shop and Garage Equipment				
1945-Measurement and Testing Equipment				
1950-Power Operated Equipment				
1955-Communication Equipment				
1960-Miscellaneous Equipment				
1965-Water Heater Rental Units				

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B3 Amortization of Capital Assets

Enter breakdown of historical balance and adjustments for

Capital Asset Account	2012 Projection Ending Balance	2013 Projection		
		Amortization Expense	Retirements / Other	Ending Balance
1970-Load Management Controls - Customer Premises				
1975-Load Management Controls - Utility Premises				
1980-System Supervisory Equipment				
1985-Sentinel Lighting Rental Units				
1990-Other Tangible Property				
1995-Contributions and Grants - Credit	709,784	114,967		824,751
2005-Property Under Capital Leases				
1609-Capital Contributions Paid				
1611-Computer Software				
1612-Land Rights				
1861-1860-Meters - Smart Meter Sub-Account				
TOTAL	(9,909,955)	(672,026)	320,066	(10,261,915)
Accumulated Amortization on Balance Sheet				
Amortization Expense Adjustment				
Amortization Expense		672,026		