



PUC Distribution Inc.
765 QUEEN STREET EAST, P.O. Box 9000
SAULT STE. MARIE, ONTARIO, P6A 6P2

April 4, 2013

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Ms. Walli

Re: PUC Distribution Inc. (PUC) 2013 Cost of Service Electricity Distribution Rate Application EB-2012-0162 - Interrogatory Responses

Please find attached PUC's 2013 Cost of Service Electricity Rate Application Interrogatory Responses.

Attached to this cover letter:

- 2 paper copies of the 2013 Cost of Service Electricity Distribution Rate Application Interrogatory Responses.
- A copy of the Responses and all excel workforms have been filed through the Web Portal.

In the event of any additional information, questions or concerns, please contact Jennifer Uchmanowicz, Rate and Regulatory Affairs Officer, at Jennifer.Uchmanowicz@ssmpuc.com or (705) 759-3009.

Sincerely,

Jennifer Uchmanowicz
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
Sault Ste. Marie Ont.
Email: Jennifer.uchmanowicz@ssmpuc.com
Phone: 705-759-3009

EXHIBIT 1 – GENERAL AND ADMINISTRATIVE DOCUMENTS

Exhibit 1 - Issue # 1– Implementation Date For New Rates

Board Staff IR 1-Staff-1

Ref: Exh 1-1-5

PUC is requesting rates effective May 1, 2013 and notes it requires the Rate Order by April 15, 2013 to implement rates on May 1, 2013.

- a) Will PUC be requesting the Board to declare its existing rates interim effective May 1, 2013 in the event that it appears that the new rates won't be available for a May 1, 2013 implementation?
- b) In the event that the new rates are not available for a May 1, 2013 implementation, will PUC be seeking recovery of forgone revenue?
- c) Please explain why PUC requires the final rate order two weeks in advance of May 1. Please identify the issuance date of the first bills reflecting May 1 consumption.

PUC Response

- a) PUC confirms it will be requesting the Board to declare its existing rates interim effective May 1, 2013 in the event that it appears the new rates won't be available for a May 1, 2013 implementation.
- b) In the event that new rates are not available May 1, 2013, PUC will seek forgone revenue.
- c) In Exhibit 1, Tab 2, Schedule 1, Page 3, PUC states "*To achieve rate implementation by a requested date (usually the 1st of a month) PUC requires the rate order by the 10th day of that month.*" To clarify, if a rate order was issued effective May 1st, 2013, PUC would require the rate order by May 10th, 2013.

Exhibit 1 - Issue # 2– RRWF

Board Staff - IR 1-Staff-2

Ref: RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

PUC Response

As a result of the interrogatories PUC proposes the following adjustments which are reflected in the RRWF, revised models, and bill impacts submitted with the IR responses.

1. Cost of Power Calculation

Energy Probe – IR 2-EP-11

PUC has changed the electricity prices used in the cost of power calculation to reflect the Regulated Price Plan Report for November 1, 2012 to October 31, 2013.

The RPP rate used in the revised cost of power calculation is \$0.07932 per kWh for RPP customers and \$0.08001 per kWh for Non-RPP customers (Forecast Wholesale Electricity Price \$20.65 per MWh plus the Impact of Global Adjustment \$59.36 per MWh).

In the revised cost of power calculation PUC also included the change in the forecast 2013 test year kWh's as stated in Exhibit 3 and in item #3 below for an adjustment in CDM savings.

PUC also revised the cost of power calculation for the Boards Decision issued March 21, 2013, EB-2013-0067 regarding the revised wholesale market service charges and rural or remote protection plan rate charges as in item #7 below.

The revised cost of power amount as a result of the interrogatory response is \$67,087,680 vs. 63,539,559 as originally filed in the application.

A full calculation is provided in Energy Probe IR 2-EP-11.

2. Cost of Capital Parameters

On February 14, 2013 the OEB issued updated cost of capital parameters for 2013 cost of service rate applications.

PUC has updated the cost of cost of capital parameters as follows:

ROE 8.98%; Deemed LTD 4.12%; Deemed ST Debt Rate 2.07%

3. CDM Savings Adjustment in 2013 Test Year Load Forecast

Board Staff IR-3-Staff-24 and VECC IR3-VECC-19

In the application PUC applied for a 9,249,000 kWh manual adjustment in the 2013 test year to reflect CDM savings based on the *Electricity Conservation and Demand Targets* Board file number EB-2010-0216 issued June 22, 2012. Based on the CDM schedule from the OPA in 2013 the target conservation is 30% of the cumulative energy savings target of 30.83 GWh. As a result of the interrogatory responses, PUC has proposed changes to the CDM savings adjustment. PUC proposes the following adjustments:

- CDM adjustment is updated to include the 2011 actual CDM results and their persistence assumed in equal increments for 2012, 2013 and 2014 to achieved PUC's CDM target of 30.83GWh.
- Since the 2011 purchased energy used in the regression analysis is the actual data and already reflects the impact of the CDM programs implemented in 2011, it is essentially "double counting" the CDM adjustment and should be reduced by the 2011 CDM results.

Therefore, the manual adjustment for CDM savings to the 2013 test year kWh forecast purchases as a result of the interrogatories is 6,980,320 kWh vs the 9,249,000 in the original application.

4. LRAM Rate Rider

Board Staff IR-4-Staff-40 and VECC IR-VECC-41

As an oversight, PUC included the incorrect LRAM amounts in Table 14 of the additional information filed as part of the cost of service rate application. The total LRAM claim is \$102,281 and LRAMVA is \$37,753 for a total of \$140,034. As a result of the interrogatories, PUC has corrected the LRAM rate rider to reflect the \$102,281. PUC also changed the 2013 forecast kWh and kW to reflect the adjustment to CDM savings as noted in #3 above.

	Residential	GS<50	GS>50	Total
Pre 2011 - LRAM 2005 to 2010 program with persisting losses (\$)	84,586	10,191	6,082	100,859
Carrying LRAM (\$)	<u>1,192</u>	<u>144</u>	<u>86</u>	<u>1,422</u>
Sub Total	85,778	10,335	6,168	102,281
Annual Volume (2013 Forecast)	340,262,684	102,090,126	627,735	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAM for persisting losses until 2011	0.0003	0.0001	0.0098	
2011 LRAMVA (\$)	12,804	12,203	11,734	36,741
Carrying Charges LRAMVA (\$)	<u>353</u>	<u>336</u>	<u>323</u>	<u>1,012</u>
Sub Total	13,157	12,539	12,057	37,753
Annual Volume (2013 Forecast)	340,262,684	102,090,126	627,735	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAMVA	0.0000	0.0001	0.0192	
Total				140,034

5. Cost Allocation - Meter Reading Costs and Allocator

Board Staff IR 7-Staff-47 and IR 7-Staff-48

PUC has re-filed, with the interrogatory responses, a revised cost allocation model that reflects the allocator change to CWMR for meter reading costs and includes a completed sheet I7.2 with weighting factors for meter reads.

6. Retail Transmission Service Rates

Board Staff- IR 8-Staff-50 and VECC IR-VECC-38

As a result of the interrogatories, PUC has updated the RTSR workform to reflect the Uniform Transmission Rates effective January 1, 2013. A revised RTSR workform has been submitted as part of the interrogatory response as PUC Distribution_IRR_RTSR Model_20130404. A summary of the changes are in the table below.

Rate Class		As filed in the application	Proposed RTSR Network rates updated with January 1, 2013 approved rates
Residential	kWh	0.0058	0.0059
General Service Less Than 50 kW	kWh	0.0054	0.0055
General Service 50 to 4,999 kW	kW	2.2063	2.2434
General Service 50 to 4,999 kW – Interval Metered	kW	2.7747	2.8214
Unmetered Scattered Load	kWh	0.0054	0.0055
Sentinel Lighting	kW	1.6724	1.7006
Street Lighting	kW	1.6639	1.6919

7. Wholesale Market Service Charge and Rural or Remote Protection Rate

On March 21, 2013 the OEB issued its decision and rate order in proceeding EB-2013-0067 to change the level of the Wholesale Market Service and the Rural or Remote (RRRP) rate effective May 1, 2013. The rates are 0.44 cents/kWh for WMSR and 0.12 cents/kWh for RRRP. PUC has reflected the rate change for WMSC and RRRP in the interrogatory responses.

8. Loss Factors

Board Staff IR-Staff-51

Board Staff noted the total loss factor for the primary metered customer less than 5,000 kW should be 99% of the total loss factor for the secondary metered customer less than 5,000kW. PUC agrees with Board Staff and the revised loss factors are included below:

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0489
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0385

9. HST/OVAT

Board Staff IR 9-Staff-52

PUC has updated the HST savings on OM&A and capital amounts until April 30, 2013. Based on the revised calculation in IR 9-Staff-52, PUC is requesting a disposition amount of \$250,915 be returned to customers in the form of a rate rider.

10. Estimated kW for Sub-account Global Adjustment Disposition

Board Staff – IR 9-Staff-54

PUC has revised the kW allocator for the Non-RPP GS>50 to 544,238 kW instead of the 675,864 kW as in the original application. The change has been reflected in the interrogatories.

11. Withdraw Request for PP&E Account 1575 and Request Amount for 1576 Variance

Board Staff IR 9-Staff-58; Board Staff IR 9-Staff-59; Energy Probe IR 9-EP-24

PUC confirms it has decided to stay on CGAAP and defer implementation of IFRS, therefore the bridge and test year should be filed under CGAAP. PUC is requesting the Board to approve its 2013 cost of service rate application under CGAAP.

Although not electing to implement IFRS for reporting purposes, PUC did adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year. The change in accounting policies for the asset useful lives and capitalization of overheads is outlined in OEB notice to distributors issued July 17, 2012.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing to the original application to file under CGAAP is the removal of the 1575 deferred PP&E account.

PUC is proposing the impacts of the changes in the useful lives and overhead capitalization policies effective January 1 2012 be recorded in account 1576 – *Accounting changes under CGAAP*.

Based on the Boards July 2012 APH-FAQs guidance on account 1576, PUC is proposing \$335,332 be included in the 1576 variance account and be amortized over a 4 year period. PUC has included in the interrogatory response a reduction in depreciation expense of \$83,833 (355,332/4).

12. Revised Models Filed with the Interrogatory Responses

- PUC Distribution_IRR_Chapter 2 Appendices
- PUC Distribution_IRR_Weather Normalization Regression Model
- PUC Distribution_IRR_Cost Allocation Model
- PUC Distribution_IRR_EDDVAR_Continuity Schedule
- PUC Distribution_IRR_RTSM Model
- PUC Distribution_IRR_Income Tax_PILs_Workform
- PUC Distribution_IRR_Rev_Reqt_Work_Form

Exhibit 1 - Issue # 3 – Bill Impacts

SEC - IR 1-SEC-4

[Ex. 1/1/2, p. 2]

Please confirm that, for a school in the GS>50 kW class with a 100 kW load, the Applicant is proposing to increase its basic charges (monthly fixed charge plus volumetric rate) from \$7,068.96 per year to \$8,514.36 per year, totaling \$1,445.40 per year, an increase of 20.45% from existing rates. Please reconcile this proposed increase with the comparison above of existing GS>50 kW rates for other similar-sized distributors.

PUC Response

PUC confirms, as calculated above, the proposed increase per year totaling \$1,445.40 for the basic charge (monthly fixed service charge plus volumetric rate) for the GS>50 kW rate class customers with a 100 kW load.

There are many factors that influence and skew the ability to provide an accurate and meaningful comparison of similar sized distributors. For example, Board approved revenue to cost ratios differ, the percentage change applied for varies depending on an IRM application vs. a cost of service rate application and final rate orders and decisions have not been issued for 2013 rates for many utilities.

PUC has included below the proposed bill impact from the original application for a GS>50 kW customer consuming 100 kW. The total bill impact for the GS>50 kW customer consuming 100 kW is an increase of 0.96% before any adjustments as a result of the interrogatories are reflected.

Bill Impacts

Customer Class: **General Service > 50kW**

Consumption ☒ 52339 kWh ☐ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after April 30)

		100 kW							
	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 146.7400	1	\$ 146.74	\$ 177.4400	1	\$ 177.44	\$ 30.70	20.92%
Smart Meter Disposition Rider	Monthly	\$ 37.3500	1	\$ 37.35		1	\$ -	-\$ 37.35	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 80.7000	1	\$ 80.70	\$ 80.70	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 4.4234	100	\$ 442.34	\$ 5.3209	100	\$ 532.09	\$ 89.75	20.29%
			52339	\$ -		52339	\$ -	\$ -	
LRAM & SSM Rate Rider	per kW		52339	\$ -		52339	\$ -	\$ -	
LRAM Rate Rider	per kW		52339	\$ -	\$ 0.0569	100	\$ 5.69	\$ 5.69	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
Sub-Total A				\$ 626.43			\$ 795.92	\$ 169.49	27.06%
Deferral/Variance Account	per kW	-\$ 0.4259	100	-\$ 42.59	-\$ 1.4454	100	-\$ 144.54	-\$ 101.95	239.38%
Disposition Rate Rider			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
Low Voltage Service Charge			52339	\$ -		52339	\$ -	\$ -	
Smart Meter Entity Charge						52339	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 583.84			\$ 651.38	\$ 67.54	11.57%
RTSR - Network	per kW	\$ 2.4921	105	\$ 260.52	\$ 2.2063	105	\$ 231.42	-\$ 29.11	-11.17%
RTSR - Line and Transformation Connection			54715	\$ -			\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 844.36			\$ 882.80	\$ 38.43	4.55%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	54715	\$ 284.52	\$ 0.0052	54898	\$ 285.47	\$ 0.95	0.33%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	54715	\$ 60.19	\$ 0.0011	54898	\$ 60.39	\$ 0.20	0.33%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	54715	\$ 109.43	\$ 0.0020	54898	\$ 109.80	\$ 0.37	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	54115	\$ 4,762.14	\$ 0.0880	54298	\$ 4,778.26	\$ 16.12	0.34%
TOU - Off Peak		\$ 0.0650	35018	\$ 2,276.15	\$ 0.0650	35135	\$ 2,283.77	\$ 7.62	0.33%
TOU - Mid Peak		\$ 0.1000	9849	\$ 984.87	\$ 0.1000	9882	\$ 988.17	\$ 3.30	0.33%
TOU - On Peak		\$ 0.1170	9849	\$ 1,152.30	\$ 0.1170	9882	\$ 1,156.16	\$ 3.86	0.33%
Total Bill on RPP (before Taxes)				\$ 6,105.89			\$ 6,161.96	\$ 56.08	0.92%
HST	13%			\$ 793.77	13%		\$ 801.06	\$ 7.29	0.92%
Total Bill (including HST)				\$ 6,899.65			\$ 6,963.02	\$ 63.37	0.92%
<i>Ontario Clean Energy Benefit ¹</i>				-\$ 689.97			-\$ 696.30	-\$ 6.33	0.92%
Total Bill on RPP (including OCEB)				\$ 6,209.68			\$ 6,266.72	\$ 57.04	0.92%
Total Bill on TOU (before Taxes)				\$ 5,712.08			\$ 5,766.81	\$ 54.73	0.96%
HST	13%			\$ 742.57	13%		\$ 749.69	\$ 7.12	0.96%
Total Bill (including HST)				\$ 6,454.65			\$ 6,516.49	\$ 61.85	0.96%
<i>Ontario Clean Energy Benefit ¹</i>				-\$ 645.46			-\$ 651.65	-\$ 6.19	0.96%
Total Bill on TOU (including OCEB)				\$ 5,809.19			\$ 5,864.84	\$ 55.66	0.96%

Loss Factor (%)

4.5400%

4.8900%

Board Staff - IR 1-Staff-3

Ref: Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

PUC Response

PUC has provided below the revised bill impacts as a result of the interrogatories. The adjustments made by PUC are listed at Board Staff - IR 1-Staff-2 and a revised Chapter 2 Appendices has been filed with the interrogatory responses.

Bill Impacts

Customer Class: **Residential**

Consumption **966** kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after April 30, 2013)

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 8.8100	1	\$ 8.81	\$ 10.6200	1	\$ 10.62	\$ 1.81	20.54%
Smart Meter Disposition Rider	Monthly	\$ 3.0300	1	\$ 3.03	\$ -	1	\$ -	-\$ 3.03	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 1.9900	1	\$ 1.99	\$ 1.99	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0152	966	\$ 14.68	\$ 0.0183	966	\$ 17.68	\$ 2.99	20.39%
			966	\$ -		966	\$ -	\$ -	
LRAM & SSM Rate Rider	per kWh	\$ 0.0015	966	\$ 1.45		966	\$ -	-\$ 1.45	-100.00%
LRAM	per kWh		966	\$ -	\$ 0.0003	966	\$ 0.29	\$ 0.29	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
Sub-Total A				\$ 27.97			\$ 30.58	\$ 2.61	9.31%
Deferral/Variance Account	per kWh	-\$ 0.0013	966	\$ 1.26	-\$ 0.0044	966	\$ 4.25	-\$ 2.99	238.46%
Disposition Rate Rider			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
			966	\$ -		966	\$ -	\$ -	
Low Voltage Service Charge			966	\$ -		966	\$ -	\$ -	
Smart Meter Entity Charge						966	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 26.72			\$ 26.33	-\$ 0.39	-1.46%
RTSR - Network	per kWh	\$ 0.0066	1010	\$ 6.67	\$ 0.0059	1013	\$ 5.98	-\$ 0.69	-10.31%
RTSR - Line and Transformation Connection			1010	\$ -		1013	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 33.38			\$ 32.31	-\$ 1.08	-3.22%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	1010	\$ 5.25	\$ 0.0044	1013	\$ 4.46	-\$ 0.79	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	1010	\$ 1.11	\$ 0.0012	1013	\$ 1.22	\$ 0.11	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	1010	\$ 2.02	\$ 0.0020	1013	\$ 2.03	\$ 0.01	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	410	\$ 36.07	\$ 0.0880	413	\$ 36.36	\$ 0.30	0.82%
TOU - Off Peak		\$ 0.0650	646	\$ 42.01	\$ 0.0650	648	\$ 42.15	\$ 0.14	0.33%
TOU - Mid Peak		\$ 0.1000	182	\$ 18.18	\$ 0.1000	182	\$ 18.24	\$ 0.06	0.33%
TOU - On Peak		\$ 0.1170	182	\$ 21.27	\$ 0.1170	182	\$ 21.34	\$ 0.07	0.33%
Total Bill on RPP (before Taxes)				\$ 123.08			\$ 121.62	-\$ 1.46	-1.19%
HST		13%		\$ 16.00	13%		\$ 15.81	-\$ 0.19	-1.19%
Total Bill (including HST)				\$ 139.08			\$ 137.43	-\$ 1.65	-1.19%
Ontario Clean Energy Benefit ¹				-\$ 13.91			-\$ 13.74	\$ 0.17	-1.22%
Total Bill on RPP (including OCEB)				\$ 125.17			\$ 123.69	-\$ 1.48	-1.18%
Total Bill on TOU (before Taxes)				\$ 123.47			\$ 121.98	-\$ 1.48	-1.20%
HST		13%		\$ 16.05	13%		\$ 15.86	-\$ 0.19	-1.20%
Total Bill (including HST)				\$ 139.52			\$ 137.84	-\$ 1.68	-1.20%
Ontario Clean Energy Benefit ¹				-\$ 13.95			-\$ 13.78	\$ 0.17	-1.22%
Total Bill on TOU (including OCEB)				\$ 125.57			\$ 124.06	-\$ 1.51	-1.20%

Loss Factor (%) **4.5400%**

4.8900%

Bill Impacts

Customer Class: Residential

Consumption 800 kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed a

		Current Board-Approved			Proposed			Impact	
	Charge Unit	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 8.8100	1	\$ 8.81	\$ 10.6200	1	\$ 10.62	\$ 1.81	20.54%
Smart Meter Disposition Rider	Monthly	\$ 3.0300	1	\$ 3.03	-	1	\$ -	-\$ 3.03	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 1.9900	1	\$ 1.99	\$ 1.99	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0152	800	\$ 12.16	\$ 0.0183	800	\$ 14.64	\$ 2.48	20.39%
			800	\$ -		800	\$ -	\$ -	
LRAM & SSM Rate Rider	per kWh	\$ 0.0015	800	\$ 1.20		800	\$ -	-\$ 1.20	-100.00%
LRAM	per kWh		800	\$ -	\$ 0.0003	800	\$ 0.24	\$ 0.24	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
Sub-Total A				\$ 25.20			\$ 27.49	\$ 2.29	9.09%
Deferral/Variance Account Disposition Rate Rider	per kWh	-\$ 0.0013	800	-\$ 1.04	-\$ 0.0044	800	-\$ 3.52	-\$ 2.48	238.46%
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
			800	\$ -		800	\$ -	\$ -	
Low Voltage Service Charge			800	\$ -		800	\$ -	\$ -	
Smart Meter Entity Charge						800	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 24.16			\$ 23.97	-\$ 0.19	-0.79%
RTSR - Network	per kWh	\$ 0.0066	836	\$ 5.52	\$ 0.0059	839	\$ 4.95	-\$ 0.57	-10.31%
RTSR - Line and Transformation Connection			836	\$ -		839	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 29.68			\$ 28.92	-\$ 0.76	-2.56%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	836	\$ 4.35	\$ 0.0044	839	\$ 3.69	-\$ 0.66	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	836	\$ 0.92	\$ 0.0012	839	\$ 1.01	\$ 0.09	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	836	\$ 1.67	\$ 0.0020	839	\$ 1.68	\$ 0.01	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	236	\$ 20.80	\$ 0.0880	239	\$ 21.04	\$ 0.25	1.18%
TOU - Off Peak		\$ 0.0650	535	\$ 34.79	\$ 0.0650	537	\$ 34.91	\$ 0.12	0.33%
TOU - Mid Peak		\$ 0.1000	151	\$ 15.05	\$ 0.1000	151	\$ 15.10	\$ 0.05	0.33%
TOU - On Peak		\$ 0.1170	151	\$ 17.61	\$ 0.1170	151	\$ 17.67	\$ 0.06	0.33%
Total Bill on RPP (before Taxes)				\$ 102.67			\$ 101.59	-\$ 1.08	-1.05%
HST		13%		\$ 13.35	13%		\$ 13.21	-\$ 0.14	-1.05%
Total Bill (including HST)				\$ 116.01			\$ 114.80	-\$ 1.22	-1.05%
Ontario Clean Energy Benefit ¹				-\$ 11.60			-\$ 11.48	\$ 0.12	-1.03%
Total Bill on RPP (including OCEB)				\$ 104.41			\$ 103.32	-\$ 1.10	-1.05%
Total Bill on TOU (before Taxes)				\$ 104.33			\$ 103.23	-\$ 1.10	-1.05%
HST		13%		\$ 13.56	13%		\$ 13.42	-\$ 0.14	-1.05%
Total Bill (including HST)				\$ 117.89			\$ 116.65	-\$ 1.24	-1.05%
Ontario Clean Energy Benefit ¹				-\$ 11.79			-\$ 11.67	\$ 0.12	-1.02%
Total Bill on TOU (including OCEB)				\$ 106.10			\$ 104.98	-\$ 1.12	-1.06%

Loss Factor (%)

4.5400%

4.8900%

Bill Impacts

Customer Class: **General Service < 50**

Consumption kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed at

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 15.0000	1	\$ 15.00	\$ 18.0800	1	\$ 18.08	\$ 3.08	20.53%
Smart Meter Disposition Rider	Monthly	\$ 18.3800	1	\$ 18.38		1	\$ -	-\$ 18.38	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 6.5100	1	\$ 6.51	\$ 6.51	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0180	2493	\$ 44.87	\$ 0.0217	2493	\$ 54.10	\$ 9.22	20.56%
			2493	\$ -		2493	\$ -	\$ -	
LRAM & SSM Rate Rider	per kWh	\$ 0.0001	2493	\$ 0.25		2493	\$ -	-\$ 0.25	-100.00%
LRAM	per kWh		2493	\$ -	\$ 0.0001	2493	\$ 0.25	\$ 0.25	
LRAMVA	per kWh		2493	\$ -	\$ 0.0001	2493	\$ 0.25	\$ 0.25	
			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
Sub-Total A				\$ 78.50			\$ 79.19	\$ 0.68	0.87%
Deferral/Variance Account	per kWh	-\$ 0.0013	2493	-\$ 3.24	-\$ 0.0041	2493	-\$ 10.22	-\$ 6.98	215.38%
Disposition Rate Rider			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
			2493	\$ -		2493	\$ -	\$ -	
Low Voltage Service Charge			2493	\$ -		2493	\$ -	\$ -	
Smart Meter Entity Charge						2493	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 75.26			\$ 68.97	-\$ 6.30	-8.37%
RTSR - Network	per kWh	\$ 0.0061	2606	\$ 15.90	\$ 0.0055	2615	\$ 14.38	-\$ 1.52	-9.53%
RTSR - Line and Transformation Connection			2606	\$ -		2615	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 91.16			\$ 83.35	-\$ 7.81	-8.57%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	2606	\$ 13.55	\$ 0.0044	2615	\$ 11.51	-\$ 2.05	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	2606	\$ 2.87	\$ 0.0012	2615	\$ 3.14	\$ 0.27	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	2606	\$ 5.21	\$ 0.0020	2615	\$ 5.23	\$ 0.02	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	2006	\$ 176.54	\$ 0.0880	2015	\$ 177.31	\$ 0.77	0.43%
TOU - Off Peak		\$ 0.0650	1668	\$ 108.42	\$ 0.0650	1674	\$ 108.78	\$ 0.36	0.33%
TOU - Mid Peak		\$ 0.1000	469	\$ 46.91	\$ 0.1000	471	\$ 47.07	\$ 0.16	0.33%
TOU - On Peak		\$ 0.1170	469	\$ 54.89	\$ 0.1170	471	\$ 55.07	\$ 0.18	0.33%
Total Bill on RPP (before Taxes)				\$ 334.59			\$ 325.78	-\$ 8.80	-2.63%
HST		13%		\$ 43.50	13%		\$ 42.35	-\$ 1.14	-2.63%
Total Bill (including HST)				\$ 378.08			\$ 368.13	-\$ 9.95	-2.63%
<i>Ontario Clean Energy Benefit ¹</i>				-\$ 37.81			-\$ 36.81	\$ 1.00	-2.64%
Total Bill on RPP (including OCEB)				\$ 340.27			\$ 331.32	-\$ 8.95	-2.63%
Total Bill on TOU (before Taxes)				\$ 323.26			\$ 314.39	-\$ 8.87	-2.74%
HST		13%		\$ 42.02	13%		\$ 40.87	-\$ 1.15	-2.74%
Total Bill (including HST)				\$ 365.28			\$ 355.26	-\$ 10.02	-2.74%
<i>Ontario Clean Energy Benefit ¹</i>				-\$ 36.53			-\$ 35.53	\$ 1.00	-2.74%
Total Bill on TOU (including OCEB)				\$ 328.75			\$ 319.73	-\$ 9.02	-2.74%

Loss Factor (%)

Bill Impacts

Customer Class: **General Service < 50**

Consumption ☒ 2000 kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed at

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 15.0000	1	\$ 15.00	\$ 18.0800	1	\$ 18.08	\$ 3.08	20.53%
Smart Meter Disposition Rider	Monthly	\$ 18.3800	1	\$ 18.38		1	\$ -	-\$ 18.38	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 6.5100	1	\$ 6.51	\$ 6.51	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0180	2000	\$ 36.00	\$ 0.0217	2000	\$ 43.40	\$ 7.40	20.56%
			2000	\$ -		2000	\$ -	\$ -	
LRAM & SSM Rate Rider	per kWh	\$ 0.0001	2000	\$ 0.20		2000	\$ -	-\$ 0.20	-100.00%
LRAM			2000	\$ -	\$ 0.0001	2000	\$ 0.20	\$ 0.20	
LRAMVA			2000	\$ -	\$ 0.0001	2000	\$ 0.20	\$ 0.20	
			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
Sub-Total A				\$ 69.58			\$ 68.39	-\$ 1.19	-1.71%
Deferral/Variance Account	per kWh	-\$ 0.0013	2000	\$ -2.60	-\$ 0.0041	2000	\$ -8.20	-\$ 5.60	215.38%
Disposition Rate Rider			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
			2000	\$ -		2000	\$ -	\$ -	
Low Voltage Service Charge			2000	\$ -		2000	\$ -	\$ -	
Smart Meter Entity Charge			2000	\$ -		2000	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 66.98			\$ 60.19	-\$ 6.79	-10.14%
RTSR - Network	per kWh	\$ 0.0061	2091	\$ 12.75	\$ 0.0055	2098	\$ 11.54	-\$ 1.22	-9.53%
RTSR - Line and Transformation Connection			2091	\$ -		2098	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 79.73			\$ 71.73	-\$ 8.01	-10.04%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	2091	\$ 10.87	\$ 0.0044	2098	\$ 9.23	-\$ 1.64	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	2091	\$ 2.30	\$ 0.0012	2098	\$ 2.52	\$ 0.22	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	2091	\$ 4.18	\$ 0.0020	2098	\$ 4.20	\$ 0.01	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	1491	\$ 131.19	\$ 0.0880	1498	\$ 131.81	\$ 0.62	0.47%
TOU - Off Peak		\$ 0.0650	1338	\$ 86.98	\$ 0.0650	1343	\$ 87.27	\$ 0.29	0.33%
TOU - Mid Peak		\$ 0.1000	376	\$ 37.63	\$ 0.1000	378	\$ 37.76	\$ 0.13	0.33%
TOU - On Peak		\$ 0.1170	376	\$ 44.03	\$ 0.1170	378	\$ 44.18	\$ 0.15	0.33%
Total Bill on RPP (before Taxes)				\$ 273.53			\$ 264.73	-\$ 8.80	-3.22%
HST		13%		\$ 35.56	13%		\$ 34.41	-\$ 1.14	-3.22%
Total Bill (including HST)				\$ 309.09			\$ 299.14	-\$ 9.94	-3.22%
Ontario Clean Energy Benefit ¹				-\$ 30.91			-\$ 29.91	\$ 1.00	-3.24%
Total Bill on RPP (including OCEB)				\$ 278.18			\$ 269.23	-\$ 8.94	-3.22%
Total Bill on TOU (before Taxes)				\$ 265.98			\$ 257.13	-\$ 8.85	-3.33%
HST		13%		\$ 34.58	13%		\$ 33.43	-\$ 1.15	-3.33%
Total Bill (including HST)				\$ 300.56			\$ 290.56	-\$ 10.00	-3.33%
Ontario Clean Energy Benefit ¹				-\$ 30.06			-\$ 29.06	\$ 1.00	-3.33%
Total Bill on TOU (including OCEB)				\$ 270.50			\$ 261.50	-\$ 9.00	-3.33%

Loss Factor (%)

4.5400%

4.8900%

Bill Impacts

Customer Class: **General Service > 50kW**

Consumption **52339** kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after Oct

		131 kW							
	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 146.7400	1	\$ 146.74	\$ 174.1600	1	\$ 174.16	\$ 27.42	18.69%
Smart Meter Disposition Rider	Monthly	\$ 37.3500	1	\$ 37.35		1	\$ -	-\$ 37.35	-100.00%
Stranded Meter Rate Rider	Monthly		1	\$ -	\$ 80.7000	1	\$ 80.70	\$ 80.70	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 4.4234	131	\$ 579.47	\$ 5.2250	131	\$ 684.48	\$ 105.01	18.12%
			52339	\$ -		52339	\$ -	\$ -	
LRAM & SSM Rate Rider			52339	\$ -		52339	\$ -	\$ -	
LRAM	per kW		131	\$ -	\$ 0.0098	131	\$ 1.28	\$ 1.28	
LRAMVA	per kW		131	\$ -	\$ 0.0192	131	\$ 2.52	\$ 2.52	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
Sub-Total A				\$ 763.56			\$ 943.13	\$ 179.58	23.52%
Deferral/Variance Account	per kW	-\$ 0.4259	131	-\$ 55.79	-\$ 1.5252	131	-\$ 199.80	-\$ 144.01	258.11%
Disposition Rate Rider			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
			52339	\$ -		52339	\$ -	\$ -	
Low Voltage Service Charge			52339	\$ -		52339	\$ -	\$ -	
Smart Meter Entity Charge						52339	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 707.76			\$ 743.33	\$ 35.57	5.03%
RTSR - Network	per kW	\$ 2.4921	137	\$ 341.29	\$ 2.2434	137	\$ 308.26	-\$ 33.03	-9.68%
RTSR - Line and Transformation Connection			54715	\$ -			\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 1,049.05			\$ 1,051.59	\$ 2.54	0.24%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	54715	\$ 284.52	\$ 0.0044	54898	\$ 241.55	-\$ 42.97	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	54715	\$ 60.19	\$ 0.0012	54898	\$ 65.88	\$ 5.69	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	54715	\$ 109.43	\$ 0.0020	54898	\$ 109.80	\$ 0.37	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	54115	\$ 4,762.14	\$ 0.0880	54298	\$ 4,778.26	\$ 16.12	0.34%
TOU - Off Peak		\$ 0.0650	35018	\$ 2,276.15	\$ 0.0650	35135	\$ 2,283.77	\$ 7.62	0.33%
TOU - Mid Peak		\$ 0.1000	9849	\$ 984.87	\$ 0.1000	9882	\$ 988.17	\$ 3.30	0.33%
TOU - On Peak		\$ 0.1170	9849	\$ 1,152.30	\$ 0.1170	9882	\$ 1,156.16	\$ 3.86	0.33%
Total Bill on RPP (before Taxes)				\$ 6,310.57			\$ 6,292.32	-\$ 18.25	-0.29%
HST	13%			\$ 820.37	13%		\$ 818.00	-\$ 2.37	-0.29%
Total Bill (including HST)				\$ 7,130.95			\$ 7,110.33	-\$ 20.62	-0.29%
Ontario Clean Energy Benefit ¹				-\$ 713.09			-\$ 711.03	\$ 2.06	-0.29%
Total Bill on RPP (including OCEB)				\$ 6,417.86			\$ 6,399.30	-\$ 18.56	-0.29%
Total Bill on TOU (before Taxes)				\$ 5,916.76			\$ 5,897.17	-\$ 19.59	-0.33%
HST	13%			\$ 769.18	13%		\$ 766.63	-\$ 2.55	-0.33%
Total Bill (including HST)				\$ 6,685.94			\$ 6,663.80	-\$ 22.14	-0.33%
Ontario Clean Energy Benefit ¹				-\$ 668.59			-\$ 666.38	\$ 2.21	-0.33%
Total Bill on TOU (including OCEB)				\$ 6,017.35			\$ 5,997.42	-\$ 19.93	-0.33%

Loss Factor (%)

4.5400%

4.8900%

Bill Impacts

Customer Class: **Unmetered Scattered Load**

Consumption **3450** kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed at

	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 11.1300	1	\$ 11.13	\$ 13.3700	1	\$ 13.37	\$ 2.24	20.13%
Smart Meter Disposition Rider	Monthly		1	\$ -		1	\$ -	\$ -	
Stranded Meter Rate Rider	Monthly		1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kWh	\$ 0.0273	3450	\$ 94.19	\$ 0.0328	3450	\$ 113.16	\$ 18.98	20.15%
			3450	\$ -		3450	\$ -	\$ -	
LRAM & SSM Rate Rider			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
Sub-Total A				\$ 105.32			\$ 126.53	\$ 21.22	20.14%
Deferral/Variance Account	per kWh	-\$ 0.0014	3450	-\$ 4.83	-\$ 0.0041	3450	-\$ 14.15	-\$ 9.32	192.86%
Disposition Rate Rider			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
			3450	\$ -		3450	\$ -	\$ -	
Low Voltage Service Charge			3450	\$ -		3450	\$ -	\$ -	
Smart Meter Entity Charge						3450	\$ -	\$ -	
Sub-Total B - Distribution (includes Sub-Total A)				\$ 100.49			\$ 112.39	\$ 11.90	11.84%
RTSR - Network	per kWh	\$ 0.0061	3607	\$ 22.00	\$ 0.0055	3619	\$ 19.90	-\$ 2.10	-9.53%
RTSR - Line and Transformation Connection			3607	\$ -		3619	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 122.49			\$ 132.29	\$ 9.80	8.00%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	3607	\$ 18.75	\$ 0.0044	3619	\$ 15.92	-\$ 2.83	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	3607	\$ 3.97	\$ 0.0012	3619	\$ 4.34	\$ 0.38	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	3607	\$ 7.21	\$ 0.0020	3619	\$ 7.24	\$ 0.02	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	3007	\$ 264.58	\$ 0.0880	3019	\$ 265.65	\$ 1.06	0.40%
TOU - Off Peak		\$ 0.0650	2308	\$ 150.04	\$ 0.0650	2316	\$ 150.54	\$ 0.50	0.33%
TOU - Mid Peak		\$ 0.1000	649	\$ 64.92	\$ 0.1000	651	\$ 65.14	\$ 0.22	0.33%
TOU - On Peak		\$ 0.1170	649	\$ 75.96	\$ 0.1170	651	\$ 76.21	\$ 0.25	0.33%
Total Bill on RPP (before Taxes)				\$ 462.25			\$ 470.69	\$ 8.43	1.82%
HST		13%		\$ 60.09	13%		\$ 61.19	\$ 1.10	1.82%
Total Bill (including HST)				\$ 522.35			\$ 531.88	\$ 9.53	1.82%
Ontario Clean Energy Benefit ¹				-\$ 52.23			-\$ 53.19	-\$ 0.96	1.84%
Total Bill on RPP (including OCEB)				\$ 470.12			\$ 478.69	\$ 8.57	1.82%
Total Bill on TOU (before Taxes)				\$ 443.58			\$ 451.92	\$ 8.34	1.88%
HST		13%		\$ 57.67	13%		\$ 58.75	\$ 1.08	1.88%
Total Bill (including HST)				\$ 501.25			\$ 510.68	\$ 9.43	1.88%
Ontario Clean Energy Benefit ¹				-\$ 50.12			-\$ 51.07	-\$ 0.95	1.90%
Total Bill on TOU (including OCEB)				\$ 451.13			\$ 459.61	\$ 8.48	1.88%

Loss Factor (%)

4.5400%

4.8900%

Bill Impacts

Customer Class:		Sentinel Lights							
Consumption		55 kWh		<input checked="" type="radio"/> May 1 - October 31		<input type="radio"/> November 1 - April 30 (Select this radio button for applications filed after April 30)			
		0.1522 kW							
	Charge Unit	Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 2.5700	1	\$ 2.57	\$ 3.1500	1	\$ 3.15	\$ 0.58	22.57%
Smart Meter Disposition Rider	Monthly		1	\$ -		1	\$ -	\$ -	
Stranded Meter Rate Rider	Monthly		1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 23.9750	0.1522	\$ 3.65	\$ 29.3499	0.1522	\$ 4.47	\$ 0.82	22.42%
			55	\$ -		55	\$ -	\$ -	
LRAM & SSM Rate Rider			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
			55	\$ -		55	\$ -	\$ -	
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Bill Impacts

Customer Class: **Street Lights #1**

Consumption 363541 kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after

1825 kW									
		Current Board-Approved			Proposed			Impact	
	Charge Unit	Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 2.5800	8612	\$ 22,218.96	\$ 3.1000	8612	\$ 26,697.20	\$ 4,478.24	20.16%
Smart Meter Disposition Rider	Monthly		1	\$ -		1	\$ -	\$ -	
Stranded Meter Rate Rider	Monthly		1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 16.8045	1825	\$ 30,668.21	\$ 20.1720	1825	\$ 36,813.90	\$ 6,145.69	20.04%
LRAM & SSM Rate Rider			363541	\$ -		363541	\$ -	\$ -	
			363541	\$ -		363541	\$ -	\$ -	
			363541	\$ -		363541	\$ -	\$ -	
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Loss Factor (%)

4.5400%

4.8900%

Bill Impacts

Customer Class: **Street Lights #2**

Consumption 7878 kWh ☒ May 1 - October 31 ☐ November 1 - April 30 (Select this radio button for applications filed after

23 kW									
		Current Board-Approved			Proposed			Impact	
		Rate (\$)	Volume	Charge (\$)	Rate (\$)	Volume	Charge (\$)	\$ Change	% Change
Monthly Service Charge	Monthly	\$ 2.5800	114	\$ 294.12	\$ 3.1000	114	\$ 353.40	\$ 59.28	20.16%
Smart Meter Disposition Rider	Monthly		1	\$ -		1	\$ -	\$ -	
Stranded Meter Rate Rider	Monthly		1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
			1	\$ -		1	\$ -	\$ -	
Distribution Volumetric Rate	per kW	\$ 16.8045	23	\$ 386.50	\$ 20.1720	23	\$ 463.96	\$ 77.45	20.04%
LRAM & SSM Rate Rider			7878	\$ -		7878	\$ -	\$ -	
			7878	\$ -		7878	\$ -	\$ -	
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Sub-Total A				\$ 680.62			\$ 817.36	\$ 136.73	20.09%
Deferral/Variance Account	per kW	-\$ 0.7860	23	-\$ 18.08	-\$ 3.7765	23	-\$ 86.86	-\$ 68.78	380.47%
Disposition Rate Rider			7878	\$ -		7878	\$ -	\$ -	
			7878	\$ -		7878	\$ -	\$ -	
			7878	\$ -		7878	\$ -	\$ -	
Low Voltage Service Charge							\$ -		
Smart Meter Entity Charge							\$ -		
Sub-Total B - Distribution (includes Sub-Total A)				\$ 662.55			\$ 730.50	\$ 67.95	10.26%
RTSR - Network	per kW	\$ 1.8795	24	\$ 45.19	\$ 1.6919	24	\$ 40.82	-\$ 4.37	-9.68%
RTSR - Line and Transformation Connection			8236	\$ -		24	\$ -	\$ -	
Sub-Total C - Delivery (including Sub-Total B)				\$ 707.74			\$ 771.31	\$ 63.58	8.98%
Wholesale Market Service Charge (WMSC)	per kWh	\$ 0.0052	8236	\$ 42.83	\$ 0.0044	8263	\$ 36.36	-\$ 6.47	-15.10%
Rural and Remote Rate Protection (RRRP)	per kWh	\$ 0.0011	8236	\$ 9.06	\$ 0.0012	8263	\$ 9.92	\$ 0.86	9.46%
Standard Supply Service Charge	Monthly	\$ 0.2500	1	\$ 0.25	\$ 0.2500	1	\$ 0.25	\$ -	0.00%
Debt Retirement Charge (DRC)		\$ 0.0020	8236	\$ 16.47	\$ 0.0020	8263	\$ 16.53	\$ 0.06	0.33%
Energy - RPP - Tier 1		\$ 0.0750	600	\$ 45.00	\$ 0.0750	600	\$ 45.00	\$ -	0.00%
Energy - RPP - Tier 2		\$ 0.0880	7636	\$ 671.94	\$ 0.0880	7663	\$ 674.36	\$ 2.43	0.36%
TOU - Off Peak		\$ 0.0650	5271	\$ 342.60	\$ 0.0650	5288	\$ 343.75	\$ 1.15	0.33%
TOU - Mid Peak		\$ 0.1000	1482	\$ 148.24	\$ 0.1000	1487	\$ 148.74	\$ 0.50	0.33%
TOU - On Peak		\$ 0.1170	1482	\$ 173.44	\$ 0.1170	1487	\$ 174.02	\$ 0.58	0.33%
Total Bill on RPP (before Taxes)				\$ 1,493.28			\$ 1,553.73	\$ 60.45	4.05%
HST		13%		\$ 194.13	13%		\$ 201.98	\$ 7.86	4.05%
Total Bill (including HST)				\$ 1,687.41			\$ 1,755.71	\$ 68.31	4.05%
Ontario Clean Energy Benefit ¹				-\$ 168.74			-\$ 175.57	-\$ 6.83	4.05%
Total Bill on RPP (including OCEB)				\$ 1,518.67			\$ 1,580.14	\$ 61.48	4.05%
Total Bill on TOU (before Taxes)				\$ 1,440.63			\$ 1,500.88	\$ 60.25	4.18%
HST		13%		\$ 187.28	13%		\$ 195.11	\$ 7.83	4.18%
Total Bill (including HST)				\$ 1,627.91			\$ 1,695.99	\$ 68.08	4.18%
Ontario Clean Energy Benefit ¹				-\$ 162.79			-\$ 169.60	-\$ 6.81	4.18%
Total Bill on TOU (including OCEB)				\$ 1,465.12			\$ 1,526.39	\$ 61.27	4.18%

Loss Factor (%) 4.5400% 4.8900%

Exhibit 1 - Issue # 4 – Corporate Entities Relationship Chart

Board Staff - IR 1-Staff-4

Ref: Exh 1-1-13, Corporate Entities Relationship Chart

At the above reference, the applicant states the following:

PUC Services Inc. is an integrated utility service provider. PUC Services Inc. provides services to its affiliated companies at cost. In addition to providing services to PUC Distribution, services are provided to the Public Utilities Commission on the same terms as that of the affiliate.

PUC Services also provides services to entities outside the affiliated group - water treatment, wastewater treatment, and billing and customer care services between the parties, but in all cases are on a for-profit basis.

- a) The Public Utilities Commission does not appear in the corporate Entities relationship chart. Please clarify who the Public Utilities Commission is and its relationship to PUC Distribution Inc. and PUC Services Inc.
- b) Please provide an updated corporate entities relationship chart including the Public Utilities Commission.

PUC Response

- a) The Public Utilities Commission ensures that the municipally owned waterworks provide safe, reliable, potable water at cost to customers within the municipal services boundary of Sault Ste. Marie, Ontario. Potable water is also supplied to an area of the Rankin Reserve of the Batchewana First Nation through the same distribution system. The Commission is composed of three commissioners, one of whom serves as Chair. These members were appointed by City Council. The management, maintenance and operations of the water treatment plant, wells and the approximately 450 km of watermain in the distribution system are carried out by PUC Services Inc. under a long term contract. The Commission holds public meetings as required to review the work of PUC Services Inc., approve capital and operating budgets, approve annual financial statements, and consider matters that are brought to its attention by the General Manager of the Public Utilities Commission.

The following entities are identified as related parties to the Commission:

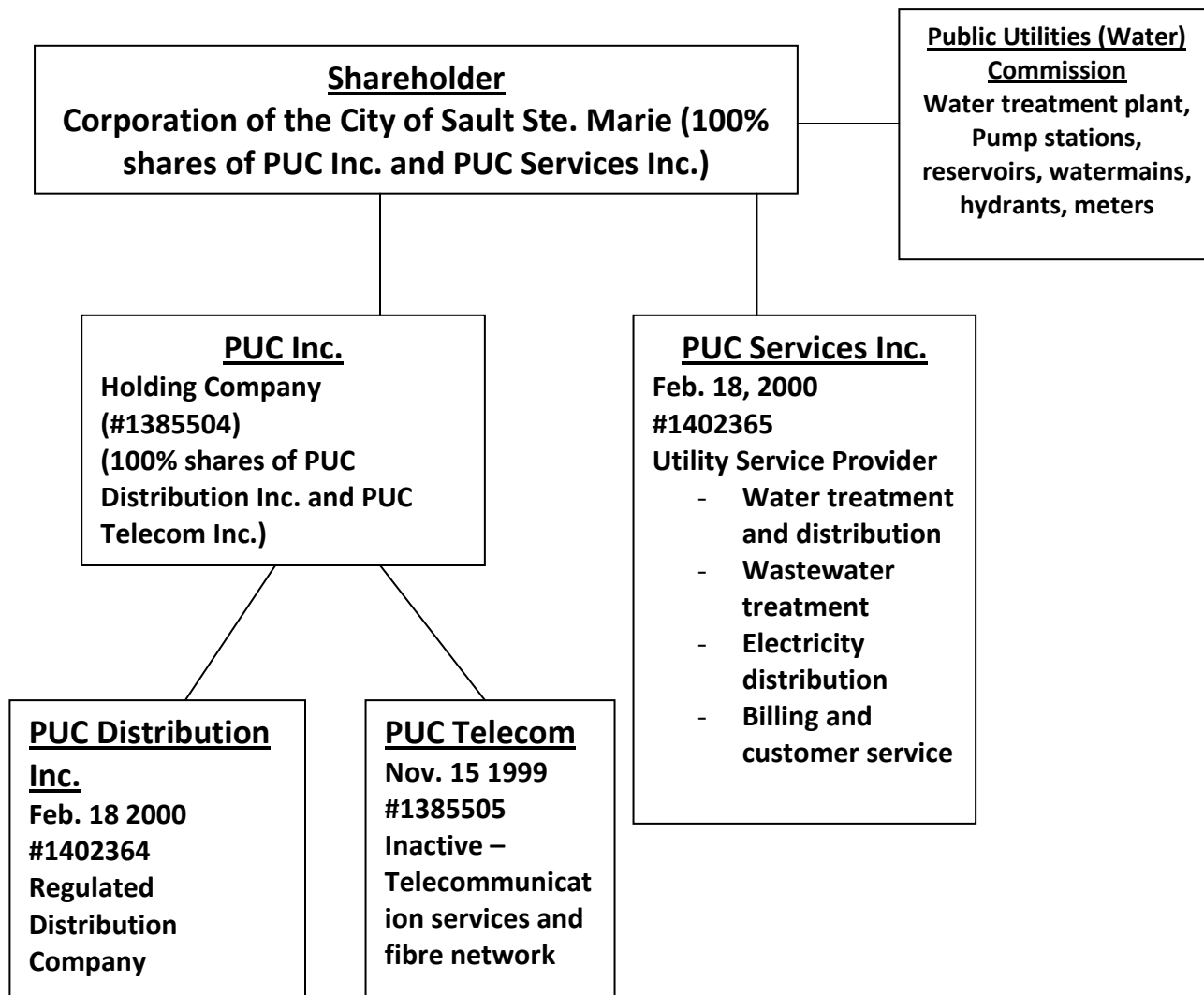
PUC Inc. – 100% owned by the Corporation of the City of Sault Ste. Marie

PUC Distribution Inc. – 100% owned by PUC Inc.

PUC Services Inc. – 100% owned by the Corporation of the City of Sault Ste. Marie

PUC Telecom Inc. – 100% owned by PUC Inc.

b) Corporate Entities Relationship Chart



Energy Probe - IR 1-EP-2

Ref: Exhibit 1, Tab 1, Schedule 13

- a) Do each of PUC Distribution Inc., PUC Inc., PUC Telecom and PUC Services Inc. have their own Board of Directors?
- b) Please provide the total cost of the Board of Directors of each of the companies noted in part (a) in 2013, along with the cost that is forecast to be recovered through the test year revenue requirement of PUC Distribution Inc.

PUC Response

- a) PUC Distribution Inc., PUC Inc., PUC Telecom and PUC Services Inc. have their own Board of Directors. The Board of Directors for PUC Distribution is 2/3 independent. As required by the Affiliate Relationship Code the Board of Directors for PUC Distribution must be at least 1/3 independent.
- b) The total cost of the Board of Directors for the companies noted in question (a) above are estimated to be \$38,200 for 2013. Of this total, there is \$6,000 included in the test year revenue requirement for PUC Distribution Inc.

SEC - IR 1-SEC-3

Please provide, with respect to each of the Applicant, its parent company, and PUC Services Inc.:

- a. Any current Shareholders' Agreement or Direction, and any previous Shareholders' Agreement or Direction dated after 2000.
- b. Any current Business Plan or Strategic Plan. If the current Business Plan or Strategic Plan is dated after January 1, 2012, please provide the previous version as well.

PUC Response

- a. PUC has provided below any current shareholders' agreements or direction dated after 2000.

SHAREHOLDER AGREEMENT

THIS AGREEMENT is made as of the 31st day of December, 2010.

B E T W E E N:

THE CORPORATION OF THE CITY OF SAULT STE. MARIE,
a corporation incorporated under the laws of the Province of Ontario,

(hereinafter called the "City")

OF THE FIRST PART

- and -

PUC SERVICES INC.,
A corporation incorporated under the laws of the Province of Ontario,

(hereinafter called "Services")

OF THE SECOND PART

WHEREAS the City is the sole shareholder of Services;

AND WHEREAS the City and Services have agreed to enter into this Agreement as being in their respective best interests and for the purpose of providing for the operation of Services.

AND WHEREAS, pursuant to Section 108 of the Business Corporations Act (Ontario), the City wishes to restrict in part the powers of the directors to manage or supervise the management of the business and affairs of Services;

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

1. To the extent that this Agreement specifies that any matters may only be or shall be dealt with or approved by or shall require action by the City, this discretion and powers of the directors of Services to manage or supervise the management of the business and affairs of Services with respect to such matters are correspondingly restricted.
2. Services confirms its knowledge of this Agreement and will carry out and be bound by the provisions of this Agreement to the full extent that it has the capacity and power at law to do so.

- 2 -

3. None of the matters described in Schedule "A" hereto shall be taken by Services unless approved by:

- a) a resolution of the City passed at a duly called and convened meeting of the shareholder; or
- b) a resolution in writing signed by the City.

A resolution of the City shall not be passed or signed unless approved by the Council of the City of Sault Ste. Marie by a resolution or by-law passed at a meeting of Council.

4. This Agreement may be terminated at any time by the City.

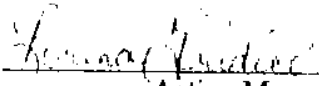
5. No modification of or amendment to this Agreement is valid or binding unless set forth in writing and duly executed by the parties hereto.


6. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto.

7. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario.

IN WITNESS WHEREOF the parties have executed this Agreement.

**THE CORPORATION OF THE
CITY OF SAULT STE. MARIE**

Per: 
Acting Mayor

Per: 
City Clerk

PUC INC.

Per: 
Brian Curran

Per: 
Terry Greco

We have authority to bind the Corporation

- 3 -

SCHEDULE "A"

Matters Requiring the Approval of the Shareholder of PUC Services Inc. ("Services")

- a) any change in the articles or by-laws of Services;
- b) any change in the authorized or issued capital of Services;
- c) the appointment of directors from time to time for Services;
- d) the entering into of any agreement or making of any offer or the granting of any right capable of becoming an agreement to allot or issue any shares of Services;
- e) any action which may lead to or result in a material change in the nature of the Business of Services;
- f) the entering into of any agreement other than in the ordinary course of Services Business;
- g) the borrowing of any money, the issuance of any debt, the giving or any security or the making or incurring of any single capital expenditure or acquisition in the excess of \$5,000,000.00 or any capital expenditures which, in the aggregate, are in excess of \$10,000,000.00 in any financial year of Services by Services;
- h) the taking of any steps to wind-up or terminate the corporate existence of Services or any Subsidiary Corporation;
- i) the sale, lease, exchange or disposition of assets of Services having a value in excess of \$3,000,000.00;
- j) the taking, holding, subscribing for or agreeing to purchase or acquire shares in the capital of any body corporation;
- k) the entering into of a partnership, strategic alliance, joint venture or of any other arrangement for the sharing of profits, union of interests, or reciprocal concession with any person by Services;
- l) the entering into of an amalgamation, merger or consolidation with any other body corporation;
- m) a change in the auditors of Services.

SHAREHOLDER AGREEMENT (FOR OPERATING SUBSIDIARY)

THIS AGREEMENT is made as of July 1st, 2006,

BETWEEN:

PUC INC., a corporation incorporated under the laws of Ontario,

OF THE FIRST PART

- and -

PUC DISTRIBUTION INC., a corporation incorporated under the laws of Ontario,

OF THE SECOND PART

WHEREAS the Electricity Act, 1998 (the "Electricity Act") was passed by the Legislature of Ontario and given Royal Assent on October 30th, 1998;

AND WHEREAS Section 144 of the Electricity Act provides that after November 7, 2000, no municipal corporation shall generate, transmit, distribute or retail electricity (as such terms are defined in the Electricity Act) except through one or more corporations incorporated under the Ontario business Corporations Act ("OBCA");

AND WHEREAS pursuant to Section 142 (1) of the electricity Act, a municipal corporation may cause one or more corporations to be incorporated under the OBCA in order to generate, transmit, distribute or retail electricity;

AND WHEREAS the City of Sault Ste. Marie has caused PUC Distribution Inc. to be incorporated under the OBCA, to own a distribution system in order to distribute electricity to its customers, as well as business activities incidental thereto (hereinafter referred to as the "Business");

AND WHEREAS PUC Inc. is the sole shareholder of PUC Distribution Inc.;

AND WHEREAS PUC Inc. and PUC Distribution Inc. have agreed to enter into this Agreement as being in their respective best interests and for the purpose of providing for the operation of PUC Distribution Inc.;

AND WHEREAS pursuant to section 108 of the business Corporations Act (Ontario), PUC Inc. wishes to restrict in part the powers of the directors to manage or supervise the management of the business and affairs of PUC Distribution Inc.;

- 2 -

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

1. To the extent that this Agreement specifies that any matters may only be or shall be dealt with or approved by or shall require action by PUC Inc., the discretion and powers of the directors of PUC Distribution Inc. to manage or supervise the management of the Business and affairs of PUC Distribution Inc. with respect to such matters are correspondingly restricted.
2. PUC Distribution Inc. confirms its knowledge of this Agreement and will carry out and be bound by the provisions of this Agreement to the full extent that it has the capacity and power at law to do so.
3. None of the matters described in Schedule "A" hereto shall be taken by PUC Distribution Inc. unless approved by:

- (1) a resolution of PUC Inc. passed at a duly called and convened meeting of shareholders; or
- (2) a resolution in writing signed by PUC Inc..

A resolution of PUC Inc. shall, in turn, not be passed or signed unless approved by the Board of Directors of PUC Inc. passed at a duly called and convened meeting of the Board of Directors of PUC Inc. or a resolution in writing signed by all the Directors of PUC Inc..

4. This Agreement may be terminated at any time by PUC Inc..
5. No modification of or amendment to this Agreement is valid or binding unless set forth in writing and duly executed by the parties hereto.
6. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supercedes any prior understandings and agreements between the parties hereto with respect thereto.
7. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario.

- 3 -

IN WITNESS WHEREOF the parties have executed this Agreement.

PUC INC.

Per: *J. Guerrero*

Per: *J. Howz*

PUC DISTRIBUTION INC.

Per: *J. Guerrero*

Per: *Elly Jean Richter*

- 4 -

Schedule "A"

Matters Requiring the Approval of the Shareholder of PUC Distribution Inc.

- (a) any change in the articles of by-laws of PUC Distribution Inc.;
- (b) any change in the authorized or issued capital of PUC Distribution Inc.;
- (c) the appointment of directors from time to time of PUC Distribution Inc.
- (d) the appointment of the President of PUC Distribution Inc.;
- (e) the entering into of any agreement or the making of any offer or the granting of any right capable of becoming an agreement to allot or issue any shares of PUC Distribution Inc.;
- (f) any action which may lead to or result in a material change in the nature of the Business of PUC Distribution Inc.;
- (g) the entering into of any agreement other than in the ordinary course of PUC Distribution Inc.'s Business;
- (h) the borrowing of any money, the issuance of any debt, the giving of any security or the making or incurring of any single capital expenditure or acquisition in excess of \$500,000.00 or any capital expenditures which, in the aggregate, are in excess of \$1,000,000.00 in any financial year of PUC Distribution Inc.;
- (i) the taking of any steps to wind-up or terminate the corporate existence of PUC Distribution Inc.;
- (j) the sale, lease, exchange or disposition of assets of PUC Distribution Inc., having a value in excess of \$500,000.00;
- (k) the providing of any financial assistance, the making of, directly or indirectly, loans or advances to, or the giving of security for the guaranteeing of the debts or obligations of, any person by PUC Distribution Inc.;
- (l) the declaration or payment of any dividend by PUC Distribution Inc.;
- (m) the taking, holding, subscribing for or agreeing to purchase or acquire shares in the capital of any body corporate by PUC Distribution Inc.;
- (n) the entering into of a partnership, strategic alliance, joint venture or of any other arrangement for the sharing of profits, union of interests, or reciprocal concessions with any person by PUC Distribution Inc.;

- 5 -

- (o) the entering into of an amalgamation, merger or consolidation with any other body corporation by PUC Distribution Inc.;
- (p) the adoption of the annual budget of PUC Distribution Inc.;
- (q) the adoption of a strategic plan by PUC Distribution Inc.;
- (r) the incurring of capital expenditures not in the annual budget of PUC Distribution Inc.;
- (s) the entering into of any swap or derivative agreement; or
- (t) approval or ratification of any Services Agreement between PUC Services Inc. and PUC Distribution Inc. providing for management, operations and maintenance services and annual review of pricing and performance of services thereunder if recommended for approval by the board of directors of PUC Distribution Inc..

b. PUC Distribution does not have a current business plan or strategic plan.

SEC - IR 1-SEC-6

[1/1/18]

Please provide a full description of each business carried on by any affiliate of the Applicant.

PUC Response

Refer to Board Staff - IR 1-Staff-4 for an updated corporate entities relationship chart. The business carried on by each of the affiliates is as follows:

PUC Inc. – PUC Inc. is a holding company that is wholly owned by the Corporation of the City of Sault Ste. Marie. It has two subsidiaries: PUC Distribution Inc. and PUC Telecom Inc.

PUC Telecom –Effective October 31, 2011 the assets to PUC Telecom Inc. were sold to Ontera, its joint venture partner for the past 10 years.

PUC Services Inc. – PUC Services is a utility service company with 179 full-time employees as of December 31, 2011. The company has long-term contracts with PUC Distribution to provide management, operating, maintenance, and administrative services. It also has a long-term contract for the provision of services with the Public Utilities Commission for the water treatment and distribution system in Sault Ste. Marie. The company provides general management and

customer care services to Espanola Regional Hydro Distribution Corporation. PUC Services operates two waste water treatment plants under contract to the City of Sault Ste. Marie. Other contracts include Blind River, Echo Bay, Desbarats, Township of North Shore, Sault Ste. Marie Airport, the Algoma District School Board, the Huron Superior Catholic School Board, and Richards Landing.

Public Utilities Commission- The Public Utilities Commission ensures that the municipally owned waterworks provide safe, reliable, potable water at cost to customers within the municipal services boundary of Sault Ste. Marie, Ontario. Potable water is also supplied to an area of the Rankin Reserve of the Batchewana First Nation through the same distribution system. The Commission is composed of three commissioners, one of whom serves as Chair. These members were appointed by City Council. The management, maintenance and operations of the water treatment plant, wells and the approximately 450 km of watermain in the distribution system are carried out by PUC Services Inc. under a long term contract. The Commission holds public meetings as required to review the work of PUC Services Inc. approve capital and operating budgets and annual financial statements and consider matters that are brought to its attention by the General Manager of the Public Utilities Commission.

Exhibit 1 - Issue # 5 – Revenue Deficiency

Board Staff - IR 1-Staff-5

Ref: Exh 1-2-1, Page 1

Ref: Exh 1-2-4

The distribution revenue and revenue deficiency stated in the application does not match the amounts found on sheet 8 of the RRWF.

Please reconcile the amounts and update the RRWF if necessary.

PUC Response

In Exhibit 1-2-1 Page 1 and Exhibit 1-2-4, the service revenue requirement is \$20,212,417, distribution revenue requirement is \$14,769,598 and the revenue deficiency is \$3,174,855.

On sheet 8 of the RRWF the service revenue requirement is \$20,212,417, distribution revenue requirement is \$14,769,505 (-\$93 difference) and the revenue deficiency is \$3,174,948 (+\$93 difference).

In Tab 3 of the RRWF "Data Input Sheet" the distribution revenue at current rates was input as \$14,769,498 and should have been \$14,769,598. The resulting difference including PILs is \$93 as a decrease in distribution revenue and increase revenue deficiency. Therefore, there is no impact to the total service revenue requirement used for the proposed rates in this application. PUC will update the RRWF as required in Board Staff - IR 1-Staff-2 which will include all adjustments proposed as a result of the interrogatories and adjusts the difference in revenue deficiency in the RRWF.

SEC - IR 1-SEC-8

[1/2/4, p.2]

Please confirm that the weighted average rate increase proposed in the Application is 21.50% (\$3,174,855/\$14,769,598). Please confirm that, but for the accounting-based reduction in revenue requirement of \$533,293 [1/1/20], the weighted average rate increase proposed in the Application would be 25.11% (\$3,708,148 /\$14,769,568).

PUC Response

PUC confirms the weighted average rate increase proposed in the original Application is 21.50% (\$3,174,855/\$14,769,598) and if not for the accounting-based reduction in revenue requirement of \$533,293 [1/1/20]; the weighted average rate increase proposed in the application would be 25.11% (\$3,708,148 /\$14,769,568).

Exhibit 1 - Issue # 6 – PUC Inc. Annual Report and Financial Statements

VECC - IR 1-VECC-1

Reference: Exhibit 1, Appendix D, pg. 10

- a) Did PUC contribute any of the \$250k noted as being required to upgrade the fibre network prior to its sale?

PUC Response

- a) PUC Distribution did not contribute to the upgrade to the fiber network prior to its sale to Telecom.

VECC IR 1-VECC-2

Reference: Exhibit 1, Appendix D, pg. 10

- a) Please provide PUC's actual and regulated return on capital and shareholder equity for each year in the period 2008 through 2012.
- b) What were the reasons for delaying a cost of service filing?

PUC Response

- a) PUC has included below the actual and regulated return on capital and shareholder's equity for 2008 to 2011. At this time, PUC does not have audited 2012 numbers available.

	<u>2008</u>		<u>2009</u>		<u>2010</u>		<u>2011</u>	
	Regulated	Actual	Regulated	Actual	Regulated	Actual	Regulated	Actual
Net Income	774,426	774,426	1,820,817	1,820,817	1,764,654	1,764,654	2,056,806	2,056,806
Average Fixed Assets	36,786,303		38,525,995		40,132,093		45,416,818	
Cost of Power	48,747,717		50,784,553		53,547,645		60,116,743	
OM&A	7,335,476		8,061,896		8,722,070		9,053,850	
	56,083,193		58,846,449		62,269,715		69,170,593	
Working Capital 15%	8,412,479		8,826,967		9,340,457		10,375,589	
Deemed Rate Base	45,198,782		47,352,962		49,472,550		55,792,407	
Deemed Equity	21,107,831		26,849,129		19,789,020		22,316,963	
Deemed Debt	24,090,951		26,849,129		29,683,530		33,475,444	
Shareholder's Equity		18,953,139		19,773,993		20,588,647		22,645,453
Rate of Return	3.67%	4.09%	6.78%	9.21%	8.92%	8.57%	9.22%	9.08%

- b) The reasons PUC delayed its Cost of Service filing in 2012 was due to a multitude of new and on-going initiatives that significant resources were devoted to. PUC also had an unexpected resource change with the departure of a key senior financial manager. In addition, PUC was implementing a new financial software package. PUC has included below a letter from the OEB stating it did not require PUC to file a 2012 cost of service rate application.

Ontario Energy
Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie
de l'Ontario
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone : 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

June 17, 2011

Ms. Jennifer Uchmanowicz
Rates and Regulatory Affairs Officer
PUC Distribution Inc.
765 Queen Street East, P.O. Box 9000
Sault Ste. Marie ON P6A 6P2

Dear Ms. Uchmanowicz:

**Re: 2012 Electricity Distribution Rates
Board File No. EB-2011-0101**

By letter dated March 1, 2011, the Board identified PUC Distribution Inc. ("PUC") as one of the distributors expected to file its 2012 rate application on a cost of service basis. The Board is in receipt of your letter dated March 10, 2011 requesting that PUC be permitted to defer the rebasing of its rates beyond the 2012 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- PUC's financial position, as shown in its audited financial statements and financial reporting to the Board;
- PUC's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board; and
- Credit rating information obtained about PUC.

Based on these considerations, the Board has concluded that it will not require PUC's 2012 rates to be set on a cost of service basis. The Board will place PUC on the list of distributors whose rates will be scheduled for rebasing for the 2013 rate year.

The Board expects PUC to adhere to the process for 3rd generation incentive regulation distribution rate applications for the 2012 rate year as may be determined by the Board.

Ontario Energy Board

- 2 -

The Board has reserved file number EB-2011-0101 for PUC's 2012 rate application. Please refer to this file number in all correspondence related to your 2012 rate application.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

SEC IR 1-SEC-5

[1/1/13, p. 1]

Please provide the most recent financial statements for PUC Services Inc., including any auditor's report and any notes to those financial statements. If an annual report is prepared for PUC Services Inc., or an MD&A, please provide that as well.

PUC Response

PUC Services Inc.'s 2011 audited financial statements and 2011 annual report is included below.

Financial Statements of

PUC SERVICES INC.

Year ended December 31, 2011



KPMG LLP
Chartered Accountants

Telephone
Fax
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of PUC Services Inc.

We have audited the accompanying financial statements of PUC Services Inc. which comprise the balance sheet as at December 31, 2011, the statements of earnings, comprehensive earnings and retained earnings (deficit) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in note 1 to the financial statements, this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PUC Services Inc. as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting in Note 1 to the financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements are prepared for corporate purposes. As a result, the financial statements may not be suitable for other purposes. Our report is intended solely for PUC Services Inc. and should not be used by parties other than PUC Services Inc.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
April 25, 2012
Sault Ste. Marie, Canada

PUC SERVICES INC.

Balance Sheet

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	\$ 4,257,537	\$ 6,688,728
Accounts receivable	2,461,548	2,825,192
Receivable from related entity (note 8):		
PUC Distribution Inc.	6,920,124	938,444
Inventories	279,530	350,560
Prepaid expenses	632,226	641,722
Payment in lieu of taxes recoverable	246,018	463,559
	<u>14,796,983</u>	<u>11,908,205</u>
Future taxes (note 6)	466,300	538,000
Property, plant and equipment (note 2)	26,997,922	24,146,420
Less accumulated amortization	<u>16,364,799</u>	<u>15,051,591</u>
	10,633,123	9,094,829
	<u>\$ 25,896,406</u>	<u>\$ 21,541,034</u>

	2011	2010
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,449,679	\$ 1,867,767
Payable to related entities (note 8):		
PUC Inc.	5,070,357	4,907,312
PUC Telecom Inc.	4,662,918	998,626
Public Utilities Commission of the City of Sault Ste. Marie	1,212,822	1,659,259
	13,395,776	9,432,964
Long-term debt (note 3)	8,310,000	8,310,000
Employee future benefits (note 5)	1,501,284	1,302,203
Shareholder's equity:		
Share capital:		
Authorized:		
Unlimited special shares, non-voting, non-cumulative, redeemable at \$10,000 per share		
10,000 Common shares		
Issued and outstanding:		
105 Special shares	1,050,000	1,050,000
4,000 Common shares	893,300	893,300
Retained earnings	746,046	552,567
	2,689,346	2,495,867
Contingent liabilities (note 4)		
	\$ 25,896,406	\$ 21,541,034

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PUC SERVICES INC.

Statement of Earnings, Comprehensive Earnings and Retained Earnings

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Management fees (note 8)	\$ 8,105,775	\$ 6,529,906
Contract service	4,935,833	4,550,619
Streetlights	608,000	529,825
Miscellaneous income	229,478	308,274
Generation revenue	63,664	2,850
	<u>13,942,750</u>	<u>11,921,474</u>
Expenses:		
Contract service	4,249,634	3,862,387
Administrative and general	3,012,897	2,419,640
Amortization of property, plant and equipment	1,729,499	1,522,942
Billing and collecting	1,102,654	1,092,387
Service centre	1,075,608	1,020,027
Customer service	663,838	640,181
Interest on long-term debt	532,638	532,638
Streetlights	500,677	378,595
New business development	56,791	130,887
Other operations and maintenance	90,568	112,017
	<u>13,014,804</u>	<u>11,711,701</u>
Earnings before provision for payment in lieu of taxes	927,946	209,773
Provision for payment in lieu of taxes (note 6):		
Current (recovery)	110,200	(249,813)
Future (recovery)	71,700	(4,000)
	<u>181,900</u>	<u>(253,813)</u>
Net earnings and comprehensive earnings	746,046	463,586
Retained earnings, beginning of year	552,567	2,608,981
Dividends on common shares	(552,567)	(2,520,000)
Retained earnings, end of year	<u>\$ 746,046</u>	<u>\$ 552,567</u>

See accompanying notes to financial statements.

PUC SERVICES INC.

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net earnings and comprehensive earnings	\$ 746,046	\$ 463,586
Items not involving cash:		
Amortization of property, plant and equipment	1,729,499	1,522,942
Future payment in lieu of taxes	71,700	(43,400)
	2,547,245	1,943,128
Change in non-cash operating working capital:		
Decrease in accounts receivable	363,644	503,130
Decrease (increase) in balances with related entities	(2,600,780)	3,874,723
Decrease (increase) in payment in lieu of taxes recoverable	217,541	(417,848)
Decrease (increase) in inventories	71,030	(6,055)
Decrease (increase) in prepaid expenses	9,496	(96,770)
Increase in accounts payable and accrued liabilities	581,912	862,632
Increase in employee future benefit obligation	199,081	108,015
	1,389,169	6,770,955
Financing activities:		
Proceeds of long-term debt	-	1,320,000
Dividends on common shares	(552,567)	(2,520,000)
Contributions relating to property, plant and equipment	196,230	29,975
	(356,337)	(1,170,025)
Investment activities:		
Proceeds from disposal of property, plant and equipment	-	(515)
Purchases of property, plant and equipment	(3,464,023)	(1,739,335)
	(3,464,023)	(1,739,850)
Increase (decrease) in cash	(2,431,191)	3,861,080
Cash, beginning of year	6,688,728	2,827,648
Cash, end of year	\$ 4,257,537	\$ 6,688,728
Supplemental cash flow information:		
Cash paid during the year for:		
Payment in lieu of income taxes	\$ 79,782	\$ 142,479

See accompanying notes to financial statements.

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

PUC Services Inc. (the "Company") is incorporated under the Ontario Business Corporations Act. The Company provides management, operations and maintenance services related to water, waste water and electrical services to its related entities and other organizations.

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements of the Company have been prepared by management in accordance with Part V – Pre-changeover accounting standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook. This framework is a special purpose framework and does not comply with Canadian generally accepted accounting principles ("GAAP"), as the Company would otherwise be required to prepare its financial statements in accordance with Part I (International Financial Reporting Standards) of the CICA Handbook. Management has selected this special purpose framework as it is the same framework currently utilized by its related company, PUC Distribution Inc.

(b) Inventory:

Inventories consist of parts, supplies and materials held for the future capital expansion and are valued at the lower of cost and net realizable value and items considered major spare parts are recorded as capital assets.

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. Such contributions are offset against the related asset cost. Amortization is provided on a straight-line basis at the following annual rates:

Asset	Rate
Buildings	2 to 4%
Plant and equipment	2 1/2 to 25%

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

1. Significant accounting policies (continued):

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

(d) Asset retirement obligations:

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

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

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

1. Significant accounting policies (continued):

(e) Employee future benefits:

The Company accrues its obligations under employee post employment benefit plans and the related costs. The cost of retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of future benefit costs and retirement ages of the employees. The excess of the net actuarial gain(loss) over 10% of the benefit obligation is amortized over the average remaining service period of active employees of the plan, as are the past service costs and transitional assets and liabilities. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. In the event that the benefit plan gives rise to both curtailment and settlement of obligations, the curtailment is accounted for prior to the settlement.

(f) Pension agreements:

The Company makes contributions to the Ontario Municipal Employees Retirement System (OMERS). The plan is a multi-employer defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Contributions made to OMERS in 2011 amounted to \$1,012,955 (2010 - \$812,366).

(g) Payment in lieu of taxes:

As a municipally owned utility, the Company is exempt from Federal corporate income and capital taxes. However, under the Electricity Act, 1998, the company is required to make payments in lieu of corporate income and capital taxes to Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

The Company uses the asset and liability method of accounting for income taxes.

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

1. Significant accounting policies (continued):

(h) Financial instruments:

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

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Receivable from related entities	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Customer deposits	Other liabilities
Long-term debt	Other liabilities
Payable to related entities	Other liabilities

Comprehensive earnings:

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

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; valuation allowances for accounts receivable and future income taxes and obligations related to employee future benefits. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Property, plant and equipment:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 93,830	\$ -	\$ 93,830	\$ 93,830
Buildings	3,991,276	1,217,569	2,773,707	2,843,541
Plant and equipment	22,912,816	15,147,230	7,765,586	6,083,272
Construction in progress	-	-	-	74,186
	\$ 26,997,922	\$ 16,364,799	\$ 10,633,123	\$ 9,094,829

3. Long-term debt:

	2011	2010
Note payable to PUC Inc. , unsecured, bears interest at 7.62% per annum and is payable one year after demand	\$ 6,990,000	\$ 6,990,000
Note payable to PUC Inc., unsecured and without interest and is payable one year after demand	1,320,000	1,320,000
	\$ 8,310,000	\$ 8,310,000

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

4. Contingent liabilities:

The Company is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The effects, if any, from such contingencies will be accounted for in the year in which the matters are resolved.

5. Employee future benefit obligation:

The Company pays certain post-retirement benefits on behalf of its retired employees through its defined benefit plan.

The most recent valuation of the post-retirement benefits on behalf of its retired employees was completed as at January 1, 2010, being the measurement date. The next valuation of the plan will be effective January 1, 2013.

Total cash payments for post-retirement benefits consist of \$61,038 (2010 - \$60,155) to retired employees.

The main actuarial assumptions employed for the valuations are as follows:

	2011	2010
Discount rate	4.75%	4.8 %
Medical costs	8.0%	8.0 %
Future general inflation levels	2.0%	2.0 %

Medical costs are expected to increase by 8% per year in 2011 and gradually graded down by approximately 0.37% annually thereafter.

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

5. Employee future benefit obligation (continued):

The annual expense for the post-retirement benefits for retired employees is as follows:

	2011	2010
Current service cost	\$ 91,568	\$ 80,241
Interest cost	75,855	74,270
Past service cost	15,667	15,667
Actuarial (gain) loss	77,029	(2,008)
	<u>\$ 260,119</u>	<u>\$ 168,170</u>

The continuity of accrued benefit obligation employee future benefits is as follows:

	2011	2010
Accrued benefit obligation, beginning of year	\$ 1,302,204	\$ 1,194,189
Expense for the year	260,118	168,170
Benefits paid for the year	(61,038)	(60,155)
Accrued benefit obligation, end of year	<u>\$ 1,501,284</u>	<u>\$ 1,302,204</u>

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

6. Future taxes:

The provision for the payment in lieu of corporate income taxes (PILs) differs from the amount that would have been recorded using the combined Canadian Federal and Ontario statutory income tax rate. The reconciliation between the statutory and the effective tax rates is provided as follows:

	2011	2010
Earnings before provisions for payment in lieu of taxes	\$ 927,946	\$ 209,773
Tax at statutory rate of 28.25% (2010 - 31.0%)	264,465	65,030
Effect of future tax rate reductions	(4,850)	(4,000)
Tax assets not set up in prior year	(37,200)	-
Amortization timing differences	-	(300,500)
Other	(4,315)	(14,343)
Small business deduction	(36,200)	-
	\$ 181,900	\$ (253,813)

The tax effects of temporary differences that give rise to significant portions of the future payment in lieu of taxes are presented below utilizing the substantively enacted Federal and Ontario combined future rate of 25% (2010 - 25%).

	2011	2010
Future payment in lieu of tax assets:		
Non-capital loss carryforward	\$ 100,600	\$ 96,000
Property, plant and equipment - differences in net book value and unamortized capital cost	(9,600)	117,000
Employee future benefits not deducted for tax purposes	375,300	325,000
	466,300	\$ 538,000

At December 31, 2011, the Company has the following amounts available to reduce future years' income for tax purposes

Non-capital losses carried forward for tax purposes expiring:		
2014	\$	86,847
2030		296,470
	\$	383,317

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

7. Capital disclosures:

The Company's objective with respect to its capital structure is to maintain effective access to capital on an ongoing basis at reasonable rates while achieving appropriate rates of financial return for its shareholder.

The Company considers its capital structure to consist of shareholder's equity which has been outlined below.

	2011	2010
Note payable	\$ 8,310,000	\$ 8,310,000
Special shares	1,050,000	1,050,000
Common shares	893,300	893,300
Retained earnings	746,046	552,567
	<u>\$ 10,999,346</u>	<u>\$ 10,805,867</u>

The Company is subject to a shareholder's agreement which has restrictive covenants typically associated with such an agreement. At December 31, 2011, the Company is in compliance with all of the restrictive covenants and restrictions.

8. Related party transactions:

The following entities are related parties to the Company:

The Corporation of the City of Sault Ste. Marie (City) - 100% shareholder of PUC Services Inc.

PUC Inc. (Inc.) - 100% owned by the Corporation of the City of Sault Ste. Marie

PUC Distribution Inc. (Distribution) - 100% owned by PUC Inc.

PUC Telecom Inc. (Telecom) - 100% owned by PUC Inc.

Public Utilities Commission of the City of Sault Ste. Marie (Utility) - 100% owned by the Corporation of the City of Sault Ste. Marie

The Company has agreements which currently have been extended to November 30, 2012 with the Utility, and with its other related entities, to manage, control, administer and operate the business of these entities. The Company charged the following management fees to the related parties:

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

8. Related party transactions (continued):

	2011	2010
PUC Distribution Inc.	\$ 4,849,238	\$ 3,677,955
PUC Energies Inc.	-	2,410
PUC Telecom Inc.	75,810	28,549
Public Utilities Commission of the City of Sault Ste. Marie	3,123,936	2,445,097
PUC Inc.	56,791	130,887

The Company pays interest on payable balances at the Royal Bank prime less 2% on the average payable balance for the month. Interest was paid to PUC Inc., PUC Distribution, PUC Telecom, PUC Energies, and the Public Utilities Commission of \$34,879, \$89,358, \$34,578, \$nil and \$10,393 (2010 - \$12,090, \$54,850, \$4,391, \$4,566 and \$37,201 respectively).

New business development costs of \$56,791 (2010 - \$130,887) were charged to PUC Inc.

Occupancy fees of \$171,391 (2010 - \$181,495) were paid to the Utility on behalf of all the related companies.

The Company provides streetlight services and waste water services to the City of Sault Ste. Marie ("City"). The amount charged to the City for streetlight maintenance is \$608,000 (2010 - \$529,885) and waste water services is \$3,229,443 (2010 - \$2,962,908).

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

9. Fair value of financial assets and financial liabilities:

a) Financial instruments:

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and related party balances approximate their carrying value due to the relatively short periods to maturity of these items.

It was not practicable to estimate the fair value of the long-term debt due to the nature of the relationship.

PUC SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2011

9. Fair value of financial assets and financial liabilities (continued):

b) Credit risk and concentration of credit risk:

Financial assets held by the Company expose it to credit risk. As at December 31, 2011, there were no significant concentrations of credit risk with respect to any class of financial assets.

10. Amalgamation of related company:

Pursuant to a resolution of the Board of Directors of PUC Inc., the related company, PUC Energies was amalgamated with PUC Services after the close of business on December 31, 2010. Upon amalgamation all remaining assets and liabilities were assumed by Services. The comparative figures for December 31, 2010 have been restated to reflect the transactions as if it took place on January 1, 2010.



PUC Services ANNUAL REPORT 2011

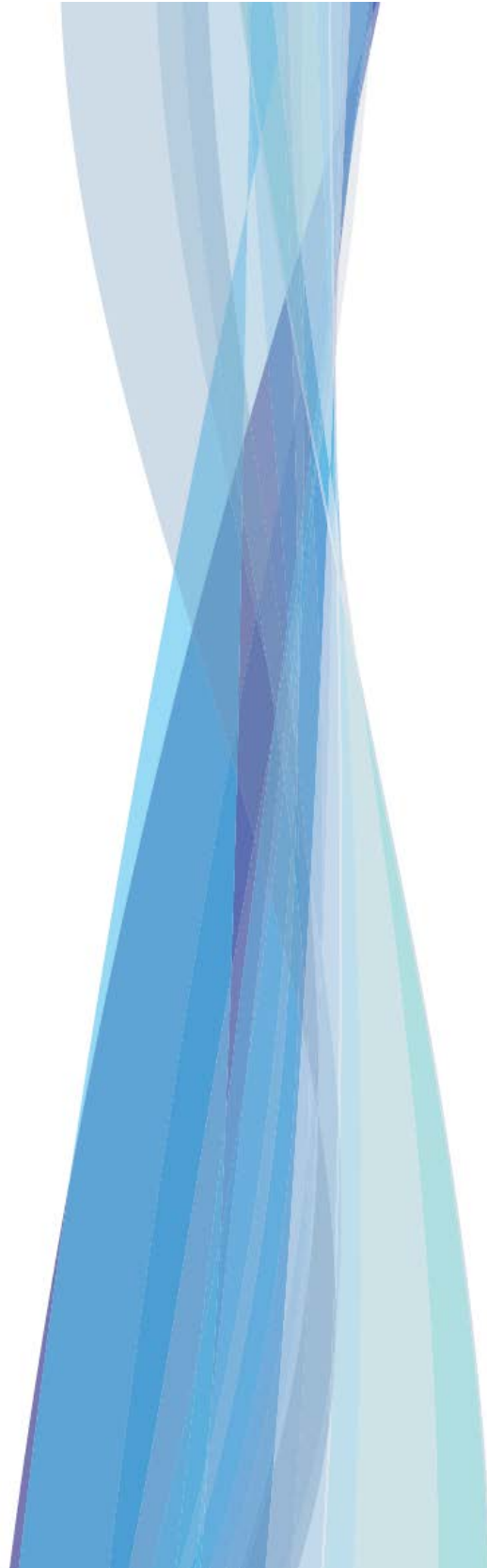


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CHAIR'S MESSAGE

Over the past year, PUC Services Inc. operated as a wholly owned company of the Corporation of the City of Sault Ste. Marie. Prior to 2011 the company was a subsidiary of PUC Inc.

In Sault Ste. Marie PUC Services Inc. manages the assets and business of PUC Distribution Inc., manages the city's water treatment and distribution system and operates two wastewater treatment plants, all under multi-year contracts. PUC Services Inc. provides billing and customer care services and manages the operations of Espanola Regional Hydro, also under multi-year contracts. Water and wastewater services are provided to several communities and organizations in the Algoma District.

During the past year PUC Services Inc. entered into two 20 year contracts for the supply of electricity from solar panels to the Ontario Power Authority under Ontario's Feed-in Tariff program. Over the contract period we expect to receive revenues of \$4.3 million and generate net income of \$1.4 million. We are also sharing the revenues with the owners of both facilities, the Public Utilities Commission and Algoma University. Pending the outcome of the province's review of the Feed-in Tariff program, we expect that we will add more solar generation. Several other potential solar sites have been evaluated, including the city's new west end community centre and PUC Distribution Inc.'s new corporate building.

I would like to thank the Board members of PUC Services Inc. for their contributions during the past year and to all the employees in helping to make 2011 a safe and successful year. The past year has seen an unprecedented barrage of demands on the time and talents of our administrative staff. Somehow, President Brian Curran and his vice-presidents, Dominic Parrella, Terry Greco and Claudio Stefano have met every challenge in a timely manner and have reinforced our position as one of the leading utilities in the province. The PUC Board, the Shareholder and the community at large are all indebted to them for their loyalty and dedication.



L.A. Guerriero
Chair, PUC Inc.



2011 ANNUAL REPORT

PRESIDENT'S MESSAGE

An application was made to the Green Municipal Fund (GMF) for a loan and grant to cover the cost of installing not only rooftop solar panels but also extensive energy conservation measures at Sault Ste. Marie's water treatment plant. The objective is to make the plant as energy efficient as possible. The solar panels were installed in June 2011 and the conservation measures will be implemented in 2012.

During the year management and the union negotiated a three year collective agreement for all unionized staff. The agreement will extend to April 30, 2014.

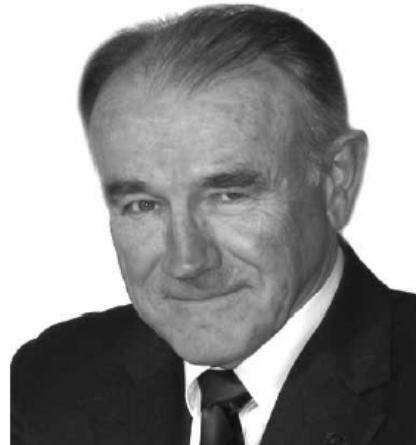
Despite our efforts to avoid any lost time injuries during the year, we experienced one minor injury to an employee that resulted in five days of lost time. We continue to enhance our safety programs and have an early and safe return-to-work program should an employee be injured and unable to immediately return to full duties.

We achieved 77% of our targets set for PUC Services in 2011. Areas in which we were not totally successful include the implementation of specific modules of our enterprise management software, no lost time injuries and the amount of staff overtime.

I would like to thank all PUC Services employees for their contribution to the success of not only our organization but to communities that they serve.



H.J. Brian Curran
President & CEO, PUC Inc.



Our Business

Nature of Business

PUC Services is a utility services company with 179 full-time employees as of December 31, 2011. During the past year the company had long term contracts with PUC Distribution and PUC Telecom to provide management, operating, maintenance and administrative services. It also had a long term contract for the provision of services with the Public Utilities Commission for the water treatment and distribution systems in Sault Ste. Marie. The company provides general management and customer care services to Espanola Regional Hydro Distribution Corporation.

PUC Services operates two wastewater treatment plants under contract to the City of Sault Ste. Marie. Other contracts include Blind River, Echo Bay, Desbarats, Township of North Shore, Sault Ste. Marie Airport, the Algoma District School Board, the Huron Superior Catholic School Board and Richards Landing.

Renewable Energy

PUC Services installed two large roof top solar arrays under the Feed-in Tariff (FIT) program in 2011. A total of 460 photovoltaic panels were installed on the roof of the water treatment plant on Second Line and were commissioned in mid June 2011. The panels have a maximum output of 137 kW and are expected to generate \$110,000 in annual revenues under the FIT contract. A significant portion of the project cost is expected to be financed by the Green Municipal Fund pending the approval of an application to finance solar generation as well as the installation of major energy conservation measures at the plant. Dependent on completion of the loan agreement with the Green Municipal Fund the annual share of revenues to the Commission could be as high as \$33,000.

Under a revenue sharing agreement with Algoma University, 531 panels were installed on the George Leach Centre and commissioned in late November 2011. The output from the solar panels is also fed into the local grid and revenue is obtained under the FIT program. Annual revenues are expected to be approximately \$130,000 with a percentage of the revenue going to the University.

During the past year PUC Services was selected to install solar panels on the roof of the new West End Community Centre. The roof can support 807 panels each with a maximum output of 300 watts. An application for a FIT contract was submitted to the Ontario Power Authority in August 2011 but because of the review of the FIT program by the Ministry of Energy approval has not yet been received.

A re-evaluation of the amount of landfill gas that is available for electricity generation was completed during the past year. As the city had installed a central gas collection and flaring system in 2011, data on the amount of methane gas generated by the landfill is available. The data shows that the amount of electricity that can be generated is half what was estimated in

a study that was completed in 2007. The revised generation plant is approximately 900 kW. Pending the completion of a revenue sharing agreement with the City, an application for a FIT contract will be submitted to the OPA.

A prefeasibility study was completed on the potential of a district heating system in the city's downtown core area using waste heat from local industry. The results of the study were sufficiently positive to encourage further development of this energy option.

Energy Conservation

An energy audit on Sault Ste. Marie's water treatment plant identified opportunities to reduce electricity consumption. The audit revealed significant opportunities in lighting retrofits, variable speed drives for large pumps and the use of heat pumps to capture heat from the influent water to both heat and cool the plant. Cost of the proposed measures is estimated at approximately \$800,000, of which 80% is expected to be financed by a combination of loan and grant from the Green Municipal Fund. Combined with the renewable generation from the solar panels and a pressure reducing turbine that was installed in the plant several years ago, the plant is expected to reduce its non-renewable electricity requirements by more than 37%.

Environment Stewardship

We try to minimize the environmental impacts from our business operations. Our 3-R's committee looks at opportunities to reuse and recycle surplus materials. In 2011 we diverted 76 tonnes of ferrous metal, 34 tonnes of non-ferrous metals and 10 tractor trailer loads of chipped wood from old power poles. In addition, 13 tonnes of paper and plastics were diverted from the waste stream for recycling. Waste materials considered hazardous were stored in accordance with applicable regulations and hauled away by contractors that are licensed to transport and dispose of such materials.

Corporate and Community Safety

We work particularly hard to ensure that our employees have as safe a work environment as possible. We have extensive training programs to cover all potentially hazardous conditions and situations. Our goal is to have no lost time due to injuries. Despite our efforts we did experience an injury in 2011 that resulted in five lost days.

PUC coordinates and schedules the Caution and Chance Electrical Safety Program each year for Elementary Students in Grade 3 to 5. PUC staff volunteers undergo criminal record checks and training on the Caution and Chance Program in order to facilitate presentations to students in local area schools. The response from the schools and students once again this year has been fantastic!

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PUC Services is a member of the Safe Communities Partnership of Sault Ste. Marie. The Partnership is committed to injury prevention throughout the community.

KUDOS

PUC Inc. and its employees are active and generous participants in the community where our customers live and work. Our corporate contributions in support of charity and not-for-profit groups are an opportunity for PUC Services Inc. to help those who help others in the community.

United Way

\$10,000 corporate donation

PUC employees also contribute to our community by participating in fundraising/charity events annually such as:

- United Way-PUC Employee Campaign: raising \$28,539.40
- CIBC Run for the Cure: \$3,130.53



Our Lotto

Many PUC staff voluntarily participates in this local "Lotto" with proceeds benefiting the Group Health Centre Trust Fund (medical equipment)/Sault Area Hospital Foundation (medical equipment) and United Steelworkers Fun Carnival.



Sault Area Hospital

\$14,395.00 corporate donation to fund one IntelliVue Anesthetic Gas Monitor for the SAH Operating Suites.

Management Discussion and Analysis

Management's discussion and analysis should be read in conjunction with the audited financial statements and notes. The purpose of its inclusion in the annual report is to provide supplemental analysis and background material in order to enhance understanding of the company's business. Certain information included herein constitutes "forward-looking information". Forward-looking information means disclosure regarding possible events, conditions or results that are based on assumptions about future economic conditions and courses of action.

Certain information included herein may contain forward-looking information attributable to third parties. Although the company believes that it has a reasonable basis for the forward-looking information, such information is subject to a number of risks and uncertainties that may cause actual events, conditions or results to differ materially from those contemplated by the forward-looking information. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and weather. The company does not undertake any obligation to update publicly or to revise any of the forward-looking information included herein after the date hereof, whether as a result of new information, future events or otherwise.

Highlights

The Company was formally wholly owned by PUC Inc., however as of January 1, 2011 ownership was transferred to PUC Inc.'s sole shareholder, the City of Sault Ste. Marie. The Company provides operations and management services to its affiliated companies, PUC Distribution Inc., PUC Telecom Inc. and the Public Utilities Commission of the City of Sault Ste. Marie, in addition to non-affiliated entities.

The following financial summary is drawn from the Company's audited financial statements.

The net earnings for the year ended December 31, 2011 were \$746,046 compared to \$463,586 for the year ended December 31, 2010. Revenue increased by \$2.0 million (17%) mostly in management fee revenue. Expenses increased by \$1.6 million (12%) in the operating, administrative and depreciation expense categories.

Current Assets

The company completed two solar projects in 2011, both of which were financed by cash on hand. Approval has been received from two lenders for financing the two projects in the amount of approximately \$1.8 million. Improvements in the miscellaneous billing process have shortened the collection cycle and reduced accounts receivable at year end. In addition, PILs receivable is less than the 2010 balance. The receivable/payable from the affiliates and cash balance nets to \$223,000 compared to the 2010 balance of \$32,000.

Net Fixed Assets

The solar generation assets at the Water Treatment Plant on Second Line and at Algoma University on Queen Street were the major fixed assets expenditures in 2011 in addition to expenditures for vehicles, electronic equipment and tools.

Current Liabilities

The major increase to current liabilities was the increase in HST payable. Deferred revenue for unspent OPA conservation and demand management project funds on behalf of a third party was also recorded in 2011.

Long term liabilities

Employee future benefit increased by approximately \$200,000 in 2011 as per an actuarial report completed in 2011. The loan payable to PUC Inc. remained at \$8,310,000.

Contact Revenue

Contract revenue consists of revenue from non-affiliated entities. Additional work above normal operations was performed in 2011 on a number of the contracts which resulted in increased contract revenue and expenses for the year.

Management Fee Revenue

Management fee revenue is derived from services provided to affiliated companies. The large increase over 2010 is the result of the recovery of increased costs to provide administrative services to affiliates, as well as increased services rendered for the solar farm construction projects in 2011

Generation Revenue

Two solar generation projects were completed in 2011. The generation revenue represents the energy production of the projects for the part of the year they were in operation.

Operating Expenses

An increase in streetlight maintenance expenses and increased one-time functions performed as part of the non-affiliate contracts resulted in additional operating expenses which were offset by additional revenue.

General and Administrative Expenses

Additional staff resources were added part way through 2010 and 2011 in the areas of information technology, safety, and accounting resulting in increased administrative expenses.

Depreciation

An increase in information technology assets and solar generation assets increased depreciation over prior years.

Interest Expense

Interest expense to an affiliated company (PUC Inc.) remained at \$532,638 in 2012.

Balance Sheet Summary

For the period ending December 31, 2011

	2011	2010
Assets		
Current Assets		
Cash & Investments	\$4,257,537	\$6,688,728
Accounts Receivable and Prepaids	\$3,339,792	\$3,930,473
Receivable from Affiliate	\$6,920,124	\$938,444
Inventory	\$279,530	\$350,560
Total Current Assets	\$14,796,983	\$11,908,205
Future Taxes	\$466,300	\$538,000
Net Fixed Assets	\$10,633,123	\$9,094,829
Total Assets	\$25,896,406	\$21,541,034
Liabilities and Equity		
Current Liabilities	\$2,449,679	\$1,867,767
Payable to Affiliates	\$10,946,097	\$7,565,197
Long Term Liabilities	\$9,811,284	\$9,612,203
Equity		
Common Shares	\$893,300	\$893,300
Special Shares	\$1,050,000	\$1,050,000
Retained Earnings	\$746,046	\$552,567
Total Equity	\$2,689,346	\$2,495,867
Total Liabilities & Equity	\$25,896,406	\$21,541,034

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Results of Operations Summary

For the Period Ending December 31, 2011

	2011	2010
Revenue		
Contract Revenue	\$5,543,833	\$5,080,444
Management Fee Revenue	\$8,105,775	\$6,529,906
Generation Revenue	\$63,664	\$2,850
Miscellaneous Revenue	\$229,478	\$308,274
Total Revenue	\$13,942,750	\$11,921,474
Expenses		
Operating Expenses	\$4,840,879	\$4,352,999
General and Administrative Expenses	\$5,911,788	\$5,303,122
Depreciation	\$1,729,499	\$1,522,942
Interest Expense	\$532,638	\$532,638
Payment in Lieu of Taxes	\$181,900	-\$253,813
Total Expenses	\$13,196,704	\$11,457,888
Income/(Loss) from Operations	\$746,046	\$463,586

Liquidity and Capital Resources

The company's source of liquidity and capital resources has traditionally been funds generated from operations. The principle use of these funds is working capital requirements, interest payments and capital asset purchases. Approval has been received for financing for the two solar projects. It is expected that the loans will be finalized in early 2012 which will add approximately \$1.8 million to the cash position.

Risk Factors

The company faces a number of risks in operating regulated and unregulated businesses.

Credit Risk

Credit risk is the risk that a party will fail to discharge its obligations and cause a financial loss to the company. The majority of company revenue is earned from a number of customers that are municipal governments, regulated electric distribution companies or affiliated companies.

Environmental Risk

The company operates in industries that are subject to federal and provincial environmental regulations that are subject to change. Failure to comply with these regulations could result in orders to take specific actions or could subject the company to fines, penalties or third party claims.

Technology Risk

Over the years the use and complexity of the company's electronic infrastructure has increased and its reliability and security are critical to all areas of operation. A staff of three is in place to oversee IT networks, VoIP communications, enterprise software, smart meter implementation, systems security and other emerging IT issues. In addition, outside resources with expertise in specific areas are utilized as necessary.

Human Resource Risk

As part of its management service contracts, the company provides the workforce necessary to operate various water, wastewater and electric distribution systems. At December 31 the company's workforce consisted of 179 unionized and non-unionized employees. Labour disruptions can affect ongoing operations. Collective agreements with the union employees are in effect until April 30, 2014.

The company, like others in the utility services industry, faces a significant number of retirements within the next decade. The retirement of individuals in technical and trades positions will result in the loss of a large pool of expertise. PUC Services

has developed a succession plan to deal with this challenge and intends to hire replacements several years in advance of projected retirements to promote the transfer of knowledge from one generation of workers to another.

Other Risks

The company maintains a level of insurance coverage deemed appropriate by management and for matters for which insurance coverage is available.

Accounting Policies

The audited financial statements of PUC Services Inc. have been prepared by management in accordance with Part V – Pre changeover accounting standards of the Canadian Institute of Chartered Accountants Handbook. The company's management makes estimates and assumptions concerning reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the audited financial statements and amounts of revenues and expenses of the company for the period covered by the audited financial statements. The significant accounting policies of the companies are summarized in the notes to the audited financial statements.

Employee Future Benefit Costs

The company provides employee future benefits to current and retired employees including certain health and life insurance benefits. Future benefits for employees are recorded on an accrual basis. The accrual is based on costs determined by an independent actuary using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. The assumptions were determined by management with reference to recommendations of the actuary. The last actuarial valuation was completed for the year ended December 31, 2010.

The company makes contributions on behalf of employees to the Ontario Municipal Employees Retirement System (OMERS), a multi-employer defined benefit pension plan. Pension fund premiums paid on behalf of employees are expensed when paid to OMERS. Employee future benefits are included in labour costs and charged to operations or capitalized as part of the cost of fixed assets.

Future Income Tax Assets

As of October 1, 2001, the company became liable for payments in lieu of income and capital taxes in the same manner as if they were taxable under federal and provincial tax laws. As of the effective date of the regulations the assets of the company were deemed to be disposed of and reacquired at fair market value. The resulting tax bases of these assets were greater than their book value resulting in a future tax benefit associated with the additional deductions available for tax purposes. The future tax benefit is recognized on the balance sheet.

Future Accounting Standards

The company, as a publicly accountable enterprise, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for annual reporting purposes for its fiscal year beginning January 1, 2013. An evaluation process is currently underway to determine the potential impact of the conversion to IFRS. The impacts on the consolidated financial statements are not reasonably determinable or estimable at this time.

Legal Issues

The company is subject to various litigation and claims with customers, suppliers, former employees and other parties as a normal course of operating a business. Currently, there are no significant legal matters pending.

Outlook

During 2011, the company extended its management service agreements with its affiliated companies to November 30, 2012. Further, the company is confident that it will extend these agreements through to 2017 and continue to provide its customers the benefits of the efficiencies using the shared services approach. The company anticipates significant focus on the planning and completing of infrastructure replacement programs for its major customers, PUC Distribution Inc. and the Public Utilities Commission of the City of Sault Ste. Marie.

Major projects to be undertaken by the company on behalf of its customers include the implementation of International Financial Reporting Standards for reporting in 2013; the continued implementation of an updated enterprise software system including use of the software to assist in capital and maintenance planning; meeting customer needs in the area of renewable energy generation facilities as a result of the Green Energy Act; meeting of provincially mandated targets for energy conservation and demand management;; and, the completion of the 2013 cost of service electric rate application to be filed in 2012.

Also during 2011, two solar generation projects were completed with local partners, the Public Utilities Commission and Algoma University. The company will continue to evaluate similar solar projects and other "green energy" opportunities in order to obtain a reasonable return on investment and foster the "green energy" message of its sole shareholder, the City of Sault Ste. Marie.

Corporate Governance

The role of the PUC Services Inc. Board is to maximize shareholder value taking into account the legitimate interests of various stakeholders. Functions of the Board include the appointment of the President and Chief Executive Officer, the provision of leadership in the development of a corporate strategic plan, approval of the corporate capital and operating budgets, review of annual financial statements, establishment of corporate policies, ensuring that policies are being followed and monitoring the performance of senior management.

Officers of the Corporation (as of December 31, 2011)

H.J. Brian Curran, P. Eng., MBA
President and CEO

Terry Greco, CA
Treasurer

Claudio Stefano, P. Eng., MBA
Secretary

Executive Team: (as of December 31, 2011)



Brian Curran



Claudio Stefano



Dominic Parrella



Terry Greco

Board Members:



Pat Mick



Mark Howson



Larry Guerriero



Rick Wing



Doug Lawson



Bruno Barban



Ella-Jean Richter
PUC Distribution Board



Marchy Bruni



Victoria R. Chiappetta



Cecilia Bruno

SEC IR 1-SEC-10

[1/3/4/App. D]

With respect to the Annual Report:

- a) P.10. Please provide details of the transaction January 1, 2011 that transferred PUC Services Inc. from the holding company to the City. Please provide all reports, memos, presentations or other documents dealing in whole or in part with the regulatory implications of that transaction.
- b) P. 16. Please provide the missing wording between the first and second columns.
- c) P. 16. Please provide any report, memo, presentation or other documents provided to the Board of Directors dealing with the succession plan referred to. If the succession plan is not in the evidence, please provide it.

PUC Response

- a) PUC has provided the details of the January 1, 2011 transaction that transferred PUC Services from the holding company to the City. Refer to Appendix A – PUC Services Transfer Details.
- b) The missing words are as follows: “The company’s rates were adjusted in 2009, 2010, 2011, and 2012 based on the OEB’s 3rd generation Incentive Rate Mechanism (GIRM). Under the 3rd GIRM, base rates, as determined by the “cost of service” rate proceeding, are adjusted by an inflationary factor and a productivity factor set by the OEB...”
- c) PUC has provided the succession plan referred to with the interrogatory responses as Appendix G.

SEC IR 1-SEC-11

[1/3/5, p. 10] Please provide information with respect to PUC Energies Inc.

PUC Response

PUC Energies was incorporated to be in the retail of energy business that never materialized. PUC Energies is no longer in existence.

Exhibit 1 - Issue # 7 – Additional Information MIFRS

Energy Probe - IR 1-EP-1

Ref: Exhibit 1, Tab 1, Schedule 5 &
2013 Cost of Service Application Additional Information

At page 96 of the Additional Information, PUC states that it is deferring the transition to IFRS until January 1, 2014. In light of this, please explain why PUC believes that a deferral account in relation to PP&E components of depreciation in rate base due to the transition to MIFRS is needed for the 2013 test year.

PUC Response

Due to the additional deferral of IFRS, PUC is withdrawing its request for deferral account 1575 in relation to PP&E. The impact of the changes in asset useful lives and overhead capitalization policies under CGAAP effective January 1, 2012 will be recorded in account 1576.

Energy Probe - IR 1-EP-3

Ref: Exhibit 1, Tab 1, Schedule 20

Please explain why the 2013 Net Fixed Assets Opening figure for MIFRS is different from that shown for CGAAP given that PUC is not moving to MIFRS until 2014, which only requires the restatement of 2013 and not of 2012.

PUC Response

PUC is deferring the move to IFRS but has made the changes in useful lives as per the Kinetrics report and the change in capitalized overheads in 2012 under CGAAP as outlined in the Boards July 17, 2012 notice to distributors.

In Exhibit 1, Tab 1, Schedule 20, the 2013 Net Fixed Assets Opening balance does not have the change in estimated useful lives or capitalization of overheads.

To clarify, PUC is requesting the Board to approve rates based on CGAAP accounting for 2012 and 2013 with the changes in the asset lives and capitalization in 2012 as outlined in the Boards July 17, 2012 notice to distributors. PUC is withdrawing its request for a 1575 deferred PP&E account and will capture the impact of the changes in useful lives and overhead capitalization policy in account 1576.

SEC- IR 1-SEC-7

[1/2/1, p. 2]

With respect to the decision to convert to IFRS as of January 1, 2014:

- a. Please advise which of the IFRS accounting changes (useful lives, overhead capitalization, pooling of assets, asset retirement obligations, early retirements, etc.) are

being implemented for accounting purposes for 2013 under CGAAP.

- b. Please confirm that changes are being made to useful lives, overhead capitalization, pooling of assets and early retirements in 2012 for comparative purposes. Please confirm that those changes to 2012 are not required for IFRS conversion purposes.
- c. Please advise what additional accounting changes will be required in 2014 to complete the conversion to IFRS.

PUC Response

- a) The change in useful lives and overhead capitalization components of IAS16 are implemented for accounting purposes in 2012 under CGAAP.
- b) Although PUC is not electing to adopt IFRS in 2013 for reporting purposes, PUC will be adopting the extended useful lives and overhead capitalization components of IAS 16 in 2012. PUC has not made any changes for pooling of assets and early retirements in 2012. The changes to the extended useful lives and overhead capitalization in 2012 was not required for IFRS conversion purposes.
- c) At this time, PUC is not aware of any additional accounting changes to complete the conversion to IFRS.

Exhibit 1 - Issue # 8 – 2011 Financial Statements

SEC- IR 1-SEC-9

[1/3/1, App. A] With respect to the 2011 financial statements:

- a) Please provide the 2012 financial statements of the Applicant and parent company. If they are not yet available, please advise when they will be available. In the interim, until they are available, please provide the actual figures for Property, Plant and Equipment, and Accumulated Depreciation, as well as the Note 2 breakdown, as of December 31, 2012.
- b) P. 30. Please explain why there is a receivable/payable each year from PUC Services Inc. Please provide a detailed explanation of cash flows (revenues and expenses) between PUC Services Inc. and the Applicant. Please provide the average monthly balance owing to the Applicant by PUC Services Inc. for each month in 2012. Please provide details of all interest payments made by PUC Services Inc. to the Applicant with respect to those balances, and provide any agreement or other document setting out the terms with respect to those balances.
- c) P. 42. Please advise the rates on the debentures for the two Infrastructure Ontario loans. If they are not yet available, please advise when they will be available.
- d) P.42. Please provide a copy of the construction agreement referred to in Note 5.
- e) P. 43. Please confirm that the purchaser of the telecom assets continues to pay pole rental charges to the Applicant.
- f) P. 44. Please provide a detailed explanation of the allocation of tax credits and similar benefits relating to operating expenses of the Applicant that are incurred by PUC Services Inc. on the Applicant's behalf.

PUC Response

- a) PUC Distribution and the parent company's 2012 financial statements are not available at this time. PUC expects the financial statements to be available in May 2013. PUC has provided the unaudited Note 2 breakdown as of December 31, 2012 below:

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$845,039	\$0	\$845,039	\$837,214
Building	\$24,247,191	\$1,153,963	\$23,093,228	656,272
Machinery and Equipment	\$27,618,193	\$12,679,493	\$14,938,700	14,785,416
Transmission and distribution	\$75,401,583	\$37,895,280	\$37,506,303	28,166,003
Construction in progress	\$0	\$0	\$0	4,099,830
	\$128,112,006	\$51,728,736	\$76,383,270	\$48,544,735

- b) PUC Services Inc. processes cash receipts and payments on behalf of PUC Distribution Inc. on an ongoing basis throughout the month which flow through PUC Services Inc.'s bank account. The cash balance owed to or receivable from PUC Services at year end is shown as a due to/from on the financial statements.

The following chart summaries the monthly balances for 2012 and the interest calculations for the year.

Month	Balance (\$)	Interest Received (\$)	Interest Paid (\$)
January	(1,145,870)		(4,268)
February	(1,279,376)		(4,766)
March	(1,624,604)		(6,051)
April	(1,930,689)		(7,192)
May	(788,689)		(2,938)
June	(1,129,627)		(4,208)
July	(751,542)		(2,799)
August	(3,799,429)		(14,153)
September	2,087,266	2,175	
October	553,730	657	
November	(16,337)		(62)
December	(2,094,234)		(7,802)

- c) The loans will be finalized in the second or third quarter of 2013.

The current rates, as of March 26, 2013, published by Infrastructure Ontario are:

\$5,000,000 15 year loan – 3.4%

\$21,200,000 25 year loan – 3.9%

- d) PUC has included a copy of the construction agreement referred to in Note 5 in Appendix C - Construction Agreement.
- e) PUC confirms the purchaser of the telecom assets continues to pay pole rental charges.
- f) Apprenticeship tax credits are claimed by PUC Services and subsequently transferred to miscellaneous income of PUC Distribution in Account 4390 – *Miscellaneous non-operating revenue*.

Exhibit 1 - Issue # 9 – General Information

SEC - IR 1-SEC-1

Please confirm that there are 50 schools in the Applicant's service area. Please provide a breakdown of the rate classes of those schools between GS<50 and GS>50.

PUC Response

PUC confirms that there are 50 schools in PUC Distributions' service area. There are 26 schools that are GS<50 and 24 schools that are GS>50.

SEC - IR 1-SEC-2

With respect to the table marked "2011 Comparisons of Distributor Data" attached to these interrogatories:

- a. Please confirm that the data in the table correctly transposes the data from the 2008 through 2011 Electricity Yearbooks relative to the Applicant, and the data from the Applicant's current rates, and performs correct calculations on that data. Please advise if any of the data related to other distributors is, to the knowledge of the Applicant, incorrect. If any of the data for the Applicant or the other distributors is incorrect, please provide the correct information if available.
- b. Please explain all reasons known to the Applicant why its FTEs for its distribution business are so much higher than any other similar-sized distributors.
- c. Please explain all reasons known to the Applicant why the Applicant's OM&A per customer is 15.3% higher than the average of the similar-sized distributors. Please reconcile this disparity with the proposed increases in OM&A for 2012 and 2013.
- d. Please explain why the Applicant has the lowest residential rates of the comparator group, 18.1% below the average, but the third highest GS>50 rates of the comparator group, 37.4% above the average.

PUC Response

- a) PUC reviewed the data in the table below provided by SEC. PUC advises that minor differences were found in the OM&A/customer calculations when comparing the 2011 Yearbook results. PUC calculated the average OM&A per customer to be \$221.58 based on the LDCs in the table and advises PUC's average OM&A per customer is \$259.75. PUC advises the average bill calculations for Halton Hills and Newmarket could not be confirmed.

2011 Comparisons of Distributor Data - PUC Distribution

#	Metric	PUC Distribution	AVERAGES	Brantford	Chatham- Kent	Essex Powerlines	Haldimand County	Halton Hills	Kingston	Milton	Newmarket	North Bay	Peterborough	Westario	Welland
1	Number of Customers	32,998	27,859	37,964	32,132	28,094	21,070	21,232	26,844	30,485	33,338	23,850	35,270	22,257	21,768
2	Density (customers/km.)	44.77	45.81	58.50	39.62	60.42	12.15	14.50	74.15	32.09	40.17	38.59	63.78	43.22	72.56
3	Residential Revenue %	53.20	57.51	54.95	52.83	66.06	64.27	56.15	54.43	60.72	53.93	52.37	51.29	59.34	63.82
4	OM&A/Customer	\$261.86	\$227.17	\$176.65	\$268.60	\$205.78	\$349.23	\$225.95	\$242.86	\$209.83	\$202.18	\$178.41	\$212.07	\$209.58	\$244.88
5	Net Fixed Assets/Customer	\$1,471	\$1,494	\$1,645	\$1,540	\$1,391	\$1,741	\$1,485	\$1,135	\$1,770	\$1,549	\$1,811	\$1,400	\$1,425	\$1,035
6	Cap. Adds as % of Dep'n	385.6%	195.8%	117.3%	141.5%	236.9%	166.3%	198.6%	288.0%	268.3%	141.0%	253.1%	181.1%	215.3%	141.9%
7	FTEs	82	48	65	43	44	50	49		46	57	46		33	42
8	Res. Typical 2012 Dx. Bill	\$251.64	\$307.33	\$270.00	\$301.20	\$295.20	\$471.36	\$302.40	\$289.08	\$312.60	\$313.80	\$294.96	\$254.28	\$272.40	\$310.68
9	GS<50 Typical 2012 Dx. Bill	\$612.00	\$614.07	\$453.72	\$674.28	\$669.48	\$836.40	\$578.88	\$550.20	\$596.28	\$809.76	\$648.60	\$574.80	\$470.04	\$506.40
10	GS>50 Typical 2012 Dx. Bill	\$15,031.08	\$10,937.45	\$11,337.42	\$11,494.38	\$8,690.94	\$15,659.22	\$13,366.08	\$9,088.56	\$8,446.80	\$15,333.24	\$9,616.50	\$10,276.08	\$9,593.70	\$8,346.48

Sources: Lines 1-7 - 2011 OEB Electricity Distributors' Yearbook (except PUC line 7, from this Application)
Lines 8-10 - Final Rate Orders for all LDCs (Res. = 800 kwhr; GS<50 = 2000 kwhr; GS>50 = 250 kW)

- b) PUC does not have any known reasons for the differences in full time equivalents in comparison to specific LDCs. Differences could be attributed to levels of outsourcing, service territory size, physical attributes of the service territory, rural vs urban customer mix, etc. The average number of FTEs for LDCs with service territories between 300 and 700 square kms (excluding Algoma Power and Hydro One) is 253. The average OM&A for the same group is \$259.83 per customer.
- c) PUC does not have any known reasons for the differences in OM&A cost per customer in comparison to specific LDCs. Differences could be attributed to service territory size, physical attributes of the service territory, rural vs urban customer mix, etc. The average number of FTEs for LDCs with service territories between 300 and 700 square kms (excluding Algoma Power and Hydro One) is 253. The average OM&A for the same group is \$259.83 per customer. PUC operates and maintains two 115 kv transmission stations that are classed as distribution assets and therefore increase OM&A expenses. In addition, as a result of the management agreement with PUC Services, expenses that would be included in depreciation for most LDCs are included in OM&A for PUC Distribution.
- d) PUC Distribution's revenue to cost ratio for residential customers is at the low end of the allowable range (93.3%) and the revenue to cost ratio for GS>50 is at the high end of the allowable range (120%).

EXHIBIT 2 – RATE BASE

Exhibit 2 - Issue # 1 – Reconciling NBV

Board Staff – IR 2-Staff-6

Ref: Exh 2-1-1, Table 2-1

Ref: Chapter 2 Appendices (excel file)

The Net Book Values (NBV) stated in Table 2-1 do not reconcile to the NBV listed in Appendix 2-B.

Please reconcile the NBV for each year listed in Table 2-1 and comment on any variances.

PUC Response

The NBV in *Table 2-1 – Summary of Rate Base* is the average NBV for the year as required when calculating the rate base. The NBV in Chapter 2 Appendices is the actual NBV for the year as required for the continuity schedules. For this cost of service rate application, and for regulatory accounting, the schedules in Chapter 2 Appendices use the ½ year rule. A reconciliation of the NBV's are provided below.

	2008	2009	2010	2011	2012	2013
Opening Cost (A)	78,671,492	81,705,192	85,950,341	89,978,517	103,193,980	133,132,719
Closing Cost (B)	81,705,192	85,950,341	89,978,517	96,776,286	133,132,719	136,670,213
Average Cost C=(A+B)/2	80,188,342	83,827,767	87,964,429	93,377,402	118,163,350	134,901,466
Opening Acc. Dep. (D)	42,459,337	44,261,780	46,070,502	47,443,944	49,254,705	52,427,986
Closing Acc. Dep. (E)	44,261,780	46,070,502	47,443,944	47,778,126	52,427,986	52,747,934
Average Acc. Dep. F=(D+E)/2	43,360,559	45,166,141	46,757,223	47,611,035	50,841,346	52,587,960
NBV per Table 2-1 (C-F)	36,827,784	38,661,626	41,207,206	45,766,367	67,322,004	82,313,506
NBV in Chapter 2 Appendices (B-E)	37,443,412	39,879,839	42,534,573	48,998,160	80,704,733	83,922,279

Exhibit 2 - Issue # 2 – OM&A

Board Staff – IR 2-Staff-7

Ref: Exh 2-2-1

Please identify the increases (decreases) in OM&A expense for the test year, arising from other than a decrease (increase) in capitalized overhead.

PUC Response

In the Bridge and Test year PUC changed the capitalization of overheads as outlined in the July 17, 2012, OEB notice to electricity distributors. The table below includes a column “test year-without change in overhead capitalization” to identify the increase or decreases in OM&A that is not a result of the changes in capitalized overhead.

Account	Description	Last Board- Approved Rebasing Year 2008	Most Current Actuals Year 2011	Test Year 2013 - As filed in application with change in overhead capitalization	Test Year 2013 -without change in overhead capitalization	Test Year (revised to not include changes due to overhead capitalization) Versus Last Rebasing		Test Year (revised to not include changes due to overhead capitalization) Versus Most Current Actuals	
						Variance (\$)	Percentag e Change (%)	Variance (\$)	Percentag e Change (%)
Reporting Basis		CGAAP	CGAAP	CGAAP	CGAAP				
Operations									
5005	Operation Supervision and En	\$ 336,833	\$ 439,304	\$ 411,907	\$ 411,907	\$ 75,074	22.29%	\$ 27,397	-6.24%
5010	Load Dispatching	\$ 172,820	\$ 228,090	\$ 242,267	\$ 242,267	\$ 69,447	40.18%	\$ 14,177	6.22%
5012	Station Buildings and Fixture	\$ 445,940	\$ 539,271	\$ 539,203	\$ 539,203	\$ 93,263	20.91%	\$ 68	-0.01%
5014	Transformer Station Equipme	\$ 34,824	\$ 41,344	\$ 30,534	\$ 30,534	\$ 4,290	-12.32%	\$ 10,810	-26.15%
5015	Transformer Station Equipme	\$ 23	\$ 12,042	\$ 10,716	\$ 10,716	\$ 10,693	46491.30%	\$ 1,326	-11.01%
5016	Distribution Station Equipmer	\$ 82,062	\$ 82,236	\$ 138,255	\$ 138,255	\$ 56,193	68.48%	\$ 56,019	68.12%
5017	Distribution Station Equipmer	\$ 15,442	\$ 9,766	\$ 18,594	\$ 18,594	\$ 3,152	20.41%	\$ 8,828	90.40%
5020	Overhead Distribution Lines a	\$ 591,723	\$ 291,082	\$ 509,099	\$ 509,099	\$ 82,624	-13.96%	\$ 218,017	74.90%
5025	Overhead Distribution Lines a	\$ 183,617	\$ 282,199	\$ 361,632	\$ 361,632	\$ 178,015	96.95%	\$ 79,433	28.15%
5030	Overhead Sub-transmission Feeders - Opera	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5035	Overhead Distribution Transfo	\$ 76,335	\$ 1,768	\$ 16,181	\$ 16,181	\$ 60,154	-78.80%	\$ 14,413	815.21%
5040	Underground Distribution Line	\$ 22,460	\$ 78,725	\$ 189,996	\$ 189,996	\$ 167,536	745.93%	\$ 111,271	141.34%
5045	Underground Distribution Line	\$ 3,596	\$ 5,256	\$ 13,470	\$ 13,470	\$ 9,874	274.58%	\$ 8,214	156.28%
5050	Underground Sub-transmissio	\$ -	\$ 124	\$ -	\$ -	\$ -		\$ 124	-100.00%
5055	Underground Distribution Tran	\$ 8,318	\$ -	\$ 7,573	\$ 7,573	\$ 745	-8.96%	\$ 7,573	
5060	Street Lighting and Signal Sy	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5065	Meter Expense	\$ 369,655	\$ 190,868	\$ 347,087	\$ 347,087	\$ 22,568	-6.11%	\$ 156,219	81.85%
5070	Customer Premises - Operati	\$ 18,080	\$ 152,553	\$ 125,934	\$ 125,934	\$ 107,854	596.54%	\$ 26,619	-17.45%
5075	Customer Premises - Operati	\$ 3,153	\$ 22,649	\$ 8,455	\$ 8,455	\$ 5,302	168.16%	\$ 14,194	-62.67%
5085	Miscellaneous Distribution Ex	\$ 324,225	\$ 362,216	\$ 557,630	\$ 557,630	\$ 233,405	71.99%	\$ 195,414	53.95%
5090	Underground Distribution Line	\$ 143,743	\$ 54	\$ 107	\$ 107	\$ 143,636	-99.93%	\$ 53	98.15%
5095	Overhead Distribution Lines a	\$ 1,400	\$ 1,403	\$ 1,393	\$ 1,393	\$ 7	-0.50%	\$ 10	-0.71%
5096	Other Rent	\$ 53,080	\$ 129,999	\$ 94,731	\$ 94,731	\$ 41,651	78.47%	\$ 35,268	-27.13%
Total - Operations		\$ 2,887,329	\$ 2,870,949	\$ 3,624,764	\$ 3,624,764	\$ 737,435	25.54%	\$ 753,815	26.26%
Account Description									
Maintenance									
5105	Maintenance Supervision and	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5110	Maintenance of Buildings and	\$ 55,479	\$ 89,435	\$ 89,103	\$ 89,103	\$ 33,624	60.61%	\$ 332	-0.37%
5112	Maintenance of Transformer S	\$ 19,154	\$ 14,092	\$ 64,681	\$ 64,681	\$ 45,527	237.69%	\$ 50,589	358.99%
5114	Maintenance of Distribution S	\$ 233,218	\$ 67,601	\$ 207,385	\$ 207,385	\$ 25,833	-11.08%	\$ 139,784	206.78%
5120	Maintenance of Poles, Tower	\$ 62,957	\$ 115,827	\$ 123,530	\$ 123,530	\$ 60,573	96.21%	\$ 7,703	6.65%
5125	Maintenance of Overhead Cor	\$ 385,662	\$ 588,119	\$ 582,387	\$ 582,387	\$ 196,725	51.01%	\$ 5,732	-0.97%
5130	Maintenance of Overhead Ser	\$ 178,128	\$ 138,851	\$ 166,220	\$ 166,220	\$ 11,908	-6.69%	\$ 27,369	19.71%
5135	Overhead Distribution Lines a	\$ 606,002	\$ 832,794	\$ 886,551	\$ 886,551	\$ 280,549	46.30%	\$ 53,757	6.46%
5145	Maintenance of Underground	\$ 115,744	\$ 58,409	\$ 67,815	\$ 67,815	\$ 47,929	-41.41%	\$ 9,406	16.10%
5150	Maintenance of Underground	\$ 245,198	\$ 136,276	\$ 129,279	\$ 129,279	\$ 115,919	-47.28%	\$ 6,997	-5.13%
5155	Maintenance of Underground	\$ 60,829	\$ 102,439	\$ 57,445	\$ 57,445	\$ 3,384	-5.56%	\$ 44,994	-43.92%
5160	Maintenance of Line Transfor	\$ 50,464	\$ 116,137	\$ 41,604	\$ 41,604	\$ 8,860	-17.56%	\$ 74,533	-64.18%
5165	Maintenance of Street Lightin	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5170	Sentinel Lights - Labour	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5172	Sentinel Lights - Materials an	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5175	Maintenance of Meters	\$ 64,814	\$ 28,415	\$ 30,546	\$ 30,546	\$ 34,268	-52.87%	\$ 2,131	7.50%
5178	Customer Installations Exper	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
5195	Maintenance of Other Installa	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Total - Maintenance		\$ 2,077,649	\$ 2,288,395	\$ 2,446,546	\$ 2,446,546	\$ 368,897	17.76%	\$ 158,151	6.91%

Billing and Collecting									
5305 Supervision	\$ -	\$ 2,598	\$ -	\$ -	\$ -		-\$ 2,598	-100.00%	
5310 Meter Reading Expense	\$ 214,367	\$ 210,690	\$ 377,197	\$ 377,197	\$ 162,830	75.96%	\$ 166,507	79.03%	
5315 Customer Billing	\$ 471,641	\$ 526,533	\$ 547,559	\$ 547,559	\$ 75,918	16.10%	\$ 21,026	3.99%	
5320 Collecting	\$ 212,459	\$ 276,891	\$ 273,697	\$ 273,697	\$ 61,238	28.82%	-\$ 3,194	-1.15%	
5325 Collecting - Cash Over and Short	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5330 Collection Charges	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5335 Bad Debt Expense	\$ 75,405	\$ 94,728	\$ 117,878	\$ 117,878	\$ 42,473	56.33%	\$ 23,150	24.44%	
5340 Miscellaneous Customer Accounts	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
Total - Billing and Collecting	\$ 973,872	\$ 1,111,440	\$ 1,316,331	\$ 1,316,331	\$ 342,459	35.16%	\$ 204,891	18.43%	
Account Description									
Community Relations									
5405 Supervision	\$ 47,022	\$ 79,506	\$ 96,259	\$ 96,259	\$ 49,237	104.71%	\$ 16,753	21.07%	
5410 Community Relations - Sundries	\$ 390,211	\$ 382,349	\$ 499,961	\$ 499,961	\$ 109,750	28.13%	\$ 117,612	30.76%	
5415 Energy Conservation	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5420 Community Safety Program	\$ 36,065	\$ 23,699	\$ 40,417	\$ 40,417	\$ 4,352	12.07%	\$ 16,718	70.54%	
5425 Miscellaneous Customer Services	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5505 Supervision	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5510 Demonstrating and Selling Expenses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5515 Advertising Expenses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5520 Miscellaneous Sales Expenses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
Total - Community Relations	\$ 473,298	\$ 485,554	\$ 636,637	\$ 636,637	\$ 163,339	34.51%	\$ 151,083	31.12%	
Account Description									
Administrative and General Expenses									
5605 Executive Salaries and Expenses	\$ 114,038	\$ 149,273	\$ 190,953	\$ 143,057	\$ 29,019	25.45%	-\$ 6,216	-4.16%	
5610 Management Salaries and Expenses	\$ 111,588	\$ 260,858	\$ 517,843	\$ 355,161	\$ 243,573	218.28%	\$ 94,303	36.15%	
5615 General Administrative Salaries	\$ 247,009	\$ 320,472	\$ 402,071	\$ 276,923	\$ 29,914	12.11%	-\$ 43,549	-13.59%	
5620 Office Supplies and Expenses	\$ 198,705	\$ 261,662	\$ 437,091	\$ 314,697	\$ 115,992	58.37%	\$ 53,035	20.27%	
5625 Administrative Expense Transfers	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5630 Outside Services Employed	\$ 69,473	\$ 82,284	\$ 191,498	\$ 140,276	\$ 70,803	101.91%	\$ 57,992	70.48%	
5635 Property Insurance	\$ 70,794	\$ 64,309	\$ 72,428	\$ 69,822	-\$ 972	-1.37%	\$ 5,513	8.57%	
5640 Injuries and Damages	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5645 OMERS Pensions and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5646 Employee Pensions and OPEB	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5647 Employee Sick Leave	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5650 Franchise Requirements	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5655 Regulatory Expenses	\$ 142,273	\$ 175,261	\$ 271,041	\$ 271,041	\$ 128,768	90.51%	\$ 95,780	54.65%	
5660 General Advertising Expenses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5665 Miscellaneous General Expenses	\$ 154,919	\$ 157,379	\$ 97,382	\$ 96,541	-\$ 58,378	-37.68%	-\$ 60,838	-38.66%	
5670 Rent	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5672 Lease Payment Charge	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5675 Maintenance of General Plant	\$ 289,054	\$ 343,458	\$ 654,285	\$ 433,967	\$ 144,913	50.13%	\$ 90,509	26.35%	
5680 Electrical Safety Authority Fees	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5681 Special Purpose Charge Expenses	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5685 Independent Electricity System	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
5695 OM&A Contra Account	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
6205 Donations	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		
6205 Donations, Sub-account LEA	\$ -	\$ 19,020	\$ 20,000	\$ 20,000	\$ 20,000		\$ 980	5.15%	
Total - Administrative and General Expenses	\$ 1,397,853	\$ 1,833,976	\$ 2,854,592	\$ 2,121,485	\$ 723,632	51.77%	\$ 287,509	15.68%	
Total OM&A	\$ 7,810,001	\$ 8,590,314	\$ 10,878,870	\$ 10,145,763	\$3,068,869	29.91%	\$ 1,555,449	18.11%	

Exhibit 2 - Issue # 3 – SAIDI, SAIFI and CAIDI

Board Staff – IR 2-Staff-8

Ref: Exh 2-2-2, Table 2-4

Ref: Exh 1, Appendix D, Pages 9-10

Board staff notes that SAIDI and SAIFI excluding loss of supply are increased (i.e. worse) for 2011 than for preceding years.

- a) Please explain the causes of the fluctuations in the reported reliability performance measures (SAIDI, SAIFI and CAIDI) from 2010 to 2011.
- b) Please comment on what service reliability measures PUC has/is taking to ensure these ratios decrease.
- c) Please provide an estimate for 2012 for the service quality indicators. Please describe how PUC derived the 2012 estimates of its reliability performance measures, given the fluctuations shown over the prior years.

PUC Response

- a) 2011 was an unusual year with respect to power outages. A combination of a number of factors during the year contributed to unusual outage frequency and duration of outages. These included the following:
 - 1) unusual system configuration associated with:
 - i. connection of 60 MW of solar generation in the east end of the city,
 - ii. improvements to protection systems at the east end TS related to the solar generation, and
 - iii. installation of new wholesale metering installations at the east end TS.
 - 2) increased equipment failure associated with defective disconnect switches and failure prone ceramic insulators; and
 - 3) significant weather conditions.
- b) The wholesale metering, protection upgrades and connection of the solar generation were all completed by late 2011, and therefore are no longer of concern. PUC undertook a dedicated effort to replace approximately 1,200 suspected defective disconnect switches, and approximately 3,300 failure prone ceramic insulators over a three-year time frame, starting in 2012. Reliability indices for 2012 (see answer to item (c) below) confirm these efforts are proving effective.
- c) Actual numbers for 2012 are as follows: SAIDI = 1.65; SAIFI = 2.17; CAIDI = 0.76.

VECC – IR 2-VECC-3

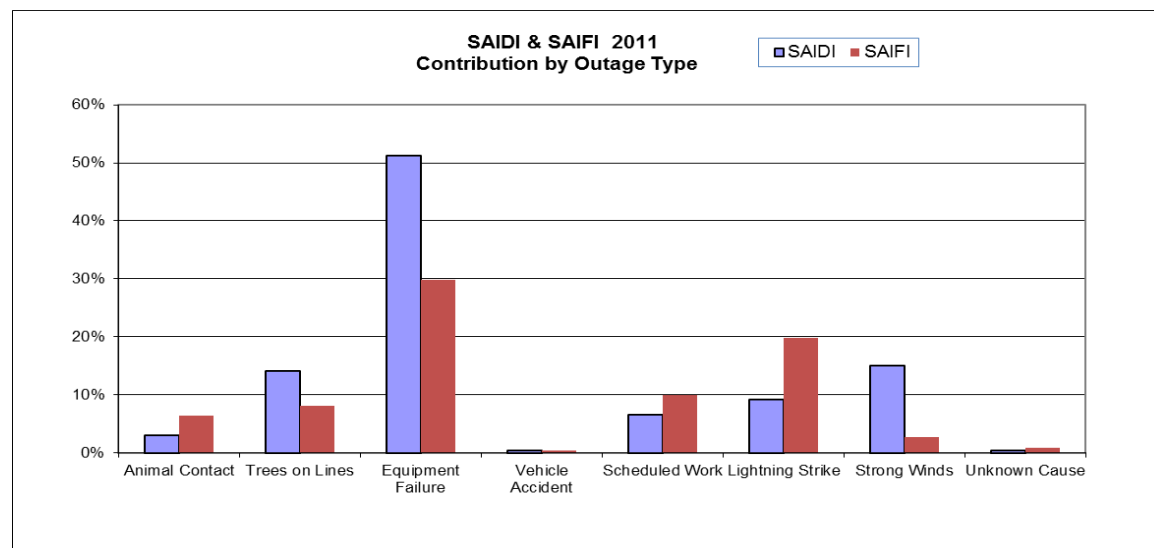
Reference: Exhibit 2, Tab 2, Schedule 2, pg. 1.

- a) Please breakdown the outage metrics for 2009 through 2012 into the following categories:

Description	2009 Totals	2010 Totals	2011 Totals
Scheduled			
Supply Loss			
Tree Contact			
Lightning			
Def.Equip.(other than pole)			
Pole Failure			
Weather			
Human Element			
Animals, Vehicle			
Environment			
Unknown			
Total			

PUC Response

Note: Categories indicated in table above have not been compiled and are not readily available. Included below is data for 2009 through 2011 for available categories. Data for 2012 is not yet available.



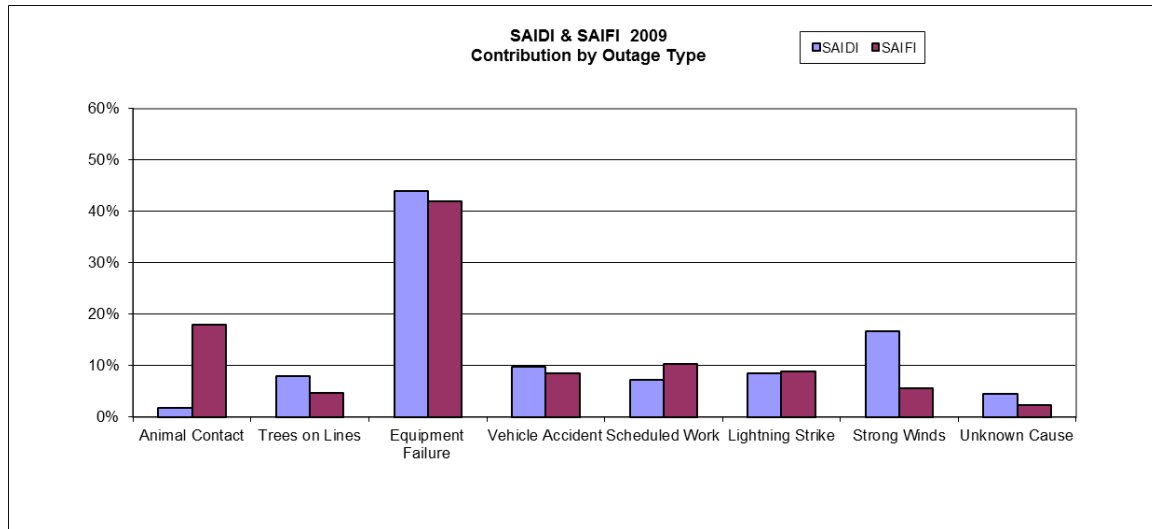
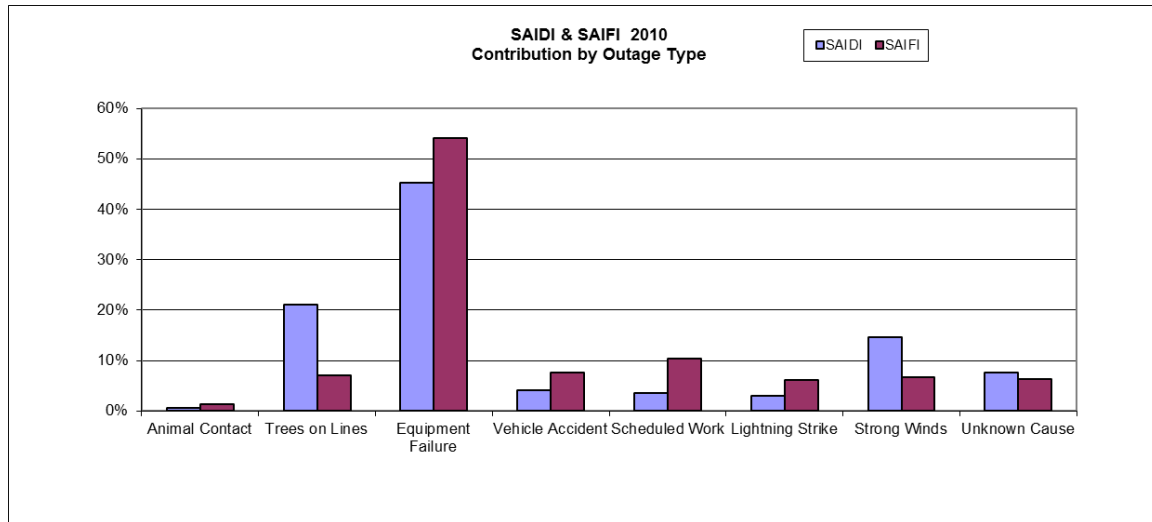


Exhibit 2 - Issue # 4 – IFRS

Board Staff – IR 2-Staff-9

Ref: Exh 2-2-3, Table 15

Ref: Exh 2-2-1, Page 3Ref: Exh 1-2-4, Page 3Ref: Exh 1-1-20, Page 1

As per Exhibit 2-2-3, Page 15, PUC stated the following:

PUC has not accounted for any gains or losses on the retirement of assets in this cost of service rate application.

PUC has not recorded any asset impairment losses in this cost of service application.

As per Exh 2-2-1, Page 3, PUC stated:

- *PUC follows Generally Accepted Accounting Principles, in particular the CICA Handbook IAS 16 Property, Plant and Equipment and the OEB Accounting Procedure Handbook.*
- *Components of PP&E are determined and depreciation is calculated separately for each significant component or part.*
- *Depreciation is based on the asset costs (or revalued cost) less its residual value over the estimated useful life*
- *General overhead and administrative costs are specifically excluded from the cost of the asset.*

As per Exh 1-2-4, Page 3, PUC stated the following:

Transition to IFRS...reduced capital charges and increased OM&A

a) Please clarify the accounting policy choice for each area of PP&E in 2013, using the following table:

#	Areas of PP&E policies in 2013	IFRS or CGAAP	External Auditor agrees with the policy? (Y/N) ¹	Impact, if any, to the revenue requirement of 2013
1.	Asset Useful Lives			
2.	Componentization of Assets			
3.	Capitalization of Overheads			
4.	De-recognition of PP&E (including asset retirement)			
5.	Asset impairment			
6.	Others			

Note 1: please provide the reasons if the answer is "No". Please provide the plan for consultation with its auditor if PUC has not obtained the agreement with its external auditor.

b) Please explain why PUC stated that the transition to IFRS reduced capital charges and increased OM&A, as per Exhibit 1 Tab 2 Schedule 4 Page 3 of 3. The table on Exhibit 1 Tab 1 Schedule 20 Page 1 of 1 (excerpts from the table reproduced below) shows an increase in both net book value of PP&E and OM&A when comparing 2013 CGAAP to 2013 MIFRS. Please provide numbers and calculations that support PUC Distribution Inc.'s statement that the "transition to IFRS reduced capital charges and increased OM&A". The analysis should reflect the actual data recorded in PUC's evidence.

Rate Base	CGAAP	MIFRS	
2013 Net Fixed Assets Opening	80,369,401	80,704,733	
2013 Net Fixed Assets Closing	83,243,549	83,922,280	
OM&A	10,195,763	10,928,870	
2013 Revenue Requirement	CGAAP	MIFRS	Difference
Depreciation	4,493,943	3,407,501	(1,086,442)
PILs	493,584	276,281	(217,303)
OM&A	10,195,763	10,928,870	733,107

PUC Response

a) PUC has completed the table below with the accounting policy choice in the 2013 test year.

	Areas of PP&E policies in 2013	IFRS or CGAAP	External Auditor agrees with the policy? (Y/N) ¹	Impact, if any, to the revenue requirement of 2013
1.	Asset Useful Lives	CGAAP – Extended Lives	No	Adoption of extended lives in 2012 increases rate base and decreases depreciation. Impact of changes for 2012 recorded in 1576.
2.	Componentization of Assets	CGAAP	No	N/A
3.	Capitalization of Overheads	CGAAP – Direct capitalization only	No	Decrease in rate base and increase in OM&A. Impact of changes for 2012 recorded in account 1576.
4.	De-recognition of PP&E (including asset retirement)	CGAAP	No	N/A
5.	Asset impairment	CGAAP	No	N/A
6.	Others	N/A	N/A	N/A

PUC is deferring implementation of IFRS for financial reporting; therefore, the external auditors have not confirmed agreement with the policies.

- b) PUC changed the estimated useful lives and overhead capitalization policies in 2012 under CGAAP to agree with components of IAS 16 and as per a notice issued by the Board on July 17, 2012 to electricity distributors. When PUC stated “transition to IFRS reduced capital charges and increased OM&A” the reference was to the change in the capitalization of overheads. Less overhead is being capitalized under the new policy therefore increasing the amount in OM&A. When comparing the 2013 CGAAP amount vs. the 2013 MIFRS amounts the NBV has decreased by the change in capitalized overhead but depreciation has also decreased due to the extended useful lives.

VECC – IR 2-Staff-4

Reference: Exhibit 2, Tab 2, Schedule 3

- a) For each asset class for which PUC is proposing a useful life which is outside the minimum or maximum of the Kinectrics Study (e.g. Switches and Reclosers) please explain why and the basis for the proposed alternative life.

PUC Response

- a) The maximum life for switches and reclosers as per the Kinectrics study is 55 years. PUC has proposed to use 60 years which is consistent with overhead conductors. Historically switches and reclosers have been accounted for with overhead conductors. The cost of the switches and reclosers is not material compared to the overall total wire costs and cannot be easily separated.

There are no other assets classes that PUC is proposing a useful life which is outside the minimum or maximum as per the Kinectrics Report.

SEC – IR 2-SEC-13

[2/2/3]

Please provide any report, memo, presentation or other documents, other than the Board's Kinectrics Study, dealing with the Applicant's decisions on componentization and useful lives.

PUC Response

PUC utilized the Board's Kinectrics Study for componentization and useful lives. PUC has no further reports, memos or presentations that were used for the purposes of useful lives and componentization.

Energy Probe – IR 2-EP-4

Ref: Exhibit 2, Tab 2, Schedule 3

The evidence indicates that PUC has decided to stay on CGAAP and defer implementation of IFRS to January 1, 2014. At the same time PUC has filed this cost of service application based on MIFRS for both the bridge and test years (2012 & 2013). Please confirm that the bridge year should be filed based on CGAAP since it will not be restated when PUC implements IFRS in 2014.

PUC Response

PUC confirms it has decided to stay on CGAAP and defer implementation of IFRS.

PUC confirms that the bridge and test year should be filed on CGAAP.

Although not electing to implement IFRS for reporting purposes, PUC will adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year.

Therefore, PUC is requesting the Board to approve rates based on CGAAP accounting for 2012 and 2013 with the changes in asset lives and capitalization of overheads in 2012 as outlined in the July 17, 2012 notice to electricity distributors.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing is the removal of the request for a 1575 deferred PP&E account. The impacts of the changes in the useful lives and overhead capitalization policies effective January 1 2012 will be recorded in account 1576 – *Accounting changes under CGAAP*.

VECC – IR 2-VECC-5

Reference: Exhibit 2, Tab 2, Schedule 3, pg. 15.

a) What are the intangible assets included in PP&E referred to at this part of the evidence?

PUC Response

a) PUC's intangible assets are land rights.

SEC – IR 2-SEC-12

[2/1/2, Tables 2-1 and 2-2]

Please confirm that the 2012 and 2013 columns in these tables are based on MIFRS.

PUC Response

PUC confirms Table 2-1 and 2-2 was filed under MIFRS in the original application. Since PUC is deferring the implementation of IFRS, PUC is now requesting the Board to approve rates based on CGAAP with the changes in useful lives and capitalization components under IAS 16 in 2012.

Exhibit 2 - Issue # 5 – Deteriorated Wood Poles

Board Staff – IR 2-Staff-10

Ref: Exh 2-2-7, Page 13

PUC states that it has an on-going capital project to replace deteriorated wood poles as identified through annual third party pole testing and regular plant inspections. For the 2013 Test Year, this capital project has a cost of approximately \$800K. This is an approximate 50% increase (~\$262K) from 2012.

- a) Please comment on the significant increase from 2012 to 2013.
- b) Please provide the number of poles replaced for 2007 through 2012. Provide a column for 2013 indicating the estimated number of poles to be replaced.
- c) Please file the 2012 third party annual testing report.

PUC Response

- a) PUC needs to replace between approximately 400 poles per year, based on a typical pole service life of 40 years, and 320 poles per year, based on a service life of 50 years. PUC has been working towards increasing annual pole replacements gradually over a 5 to 10 year time frame up to the anticipated long term goal, that being approximately 360 poles per year. At an estimated unit cost of \$4,500 per pole, the long term budget for deteriorated pole replacements is approximately \$1,620,000.

The 2012 budget for pole replacements was \$537,212. However actual expenditure was closer to \$700,000. The projected budget for 2013 is \$799,166. This is in-line with ongoing efforts to increase the level of pole replacements to the long term target of \$1.62 million.

- b) Poles replaced per year:

Year	2007	2008	2009	2010	2011	2012	2013 Estimate
Quantity	214	174	257	241	132	182	180

- c) Refer to Appendix B - 2012 pole testing report titled.

Exhibit 2 - Issue #6 – Capital Projects

Board Staff – IR 2-Staff-11

Ref: Exh 2-2-7, Page 15-16

In the referenced evidence, PUC has identified on-going capital projects. For each of the following capital projects, please provide;

- a) The expected timeline for the completion of this project.
- b) A table outlining, by year, all costs pertaining to this project.

- Voltage Conversion Program
- Underground Cables Remediation Program
- Replace substation switches and breakers
- Replace underground station cables
- Station equipment

PUC Response

- Voltage Conversion Program - latest schedule from March 2012 estimates completion of voltage conversion program by 2018 (see Appendix L for conversion programs by station)
- Underground Cables Remediation Program - program is currently under development. However, with approximately 300 km of underground primary cables in the system (see Exhibit 4-8, AMP section 4.2.1) and generalized plans to address 10 km per year, the program is expected to last more than 30 years.

The following three programs are actually sub-components of one overall program to renew/replace the existing 16 Distribution Stations and 2 Transformer Stations over the next 30 to 40 years. In accordance with the program outline in the AMP section 5.4, we plan to replace/rebuild approximately one-half of a station each year for the next 30 to 40 years.

- Replace substation switches and breakers
- Replace underground station cables
- Station equipment

Costs for each program for each year are listed in the application Exhibit 2, Tab 2, Schedule 7, pages 4 through 13.

VECC – IR 2-VECC-12

Reference: Exhibit 2, Tab 3, Schedule 2, pg. 1.

- a) What was the salvage value of recovered copper wiring in 2012?
What amount is forecast for 2013?

PUC Response

a) PUC has provided in the table below the total sales of scrap including copper wire:

2008 approved	2008	2009	2010	2011	2012	2013 YTD	2013
\$114,000	\$32,290	\$17,325	\$52,892	\$86,339	\$82,058	\$2,168	\$40,000

SEC – IR 2-SEC-14

[2/2/7]

Please provide, for each of the “multi-year capital programs” referred to in this Exhibit, the planning or other document that set out, in advance, the details of the program, any periodic variance reports or amendments to the program, and any reports, memos, presentations or other documents provided to the Board of Directors or senior management, as the case may be, at the time approval for the program was being sought.

PUC Response

See the following reports that were submitted with 2013 COS application:

1. Asset Management Plan – METSCO Energy Solutions, September 2012
2. LD-01 Porcelain Insulator Replacement Program, PUC Services Staff, November 30, 2010
3. LD-02 Restricted Conductor Replacement Program, PUC Services Staff, November 3, 2009
4. LD-03 Distribution Switch Replacement Program, PUC Staff, January 31, 2012

SEC – IR 2-SEC-15

[2/2/7, p. 11-13]

Please explain why the amounts for 2012 projects (c), (g), (j), and (m) are identical.

PUC Response

The amounts for the identified projects are annual allowances put into the 2012 capital budget to complete the work in these long-term system renewal/rehabilitation programs in 2012.

Exhibit 2 - Issue #7 – SCADA System

Board Staff – IR 2-Staff-12

Ref: Exh 2-2-7, Page 16

PUC Distribution Inc. states that the SCADA system is outdated and will be replaced in 2013.

- a) Please confirm whether the entire SCADA system will be replaced by end 2013 or only part of it.
- b) If only part of the SCADA system will be replaced in 2013, please provide the expected timeline for the completion of this project.
- c) Please provide a table outlining, by year, all costs pertaining to this project.

PUC Response

- a) PUC only plans to replace part of the SCADA system in 2013. The master station and the alternate master station hardware and software will be replaced.
- b) The completion of the project is expected by the end of 2013.
- c) All the costs of this project are to be incurred prior to the end of 2013.

Exhibit 2 - Issue #8 - New integrated service centre/administration building

Board Staff – IR 2-Staff-13

Ref: Exh 2-2-7

At a cost of \$23M, PUC is constructing a new integrated service centre/administration building. The building will be complete and ready for occupancy by the end of 2012.

- a) Please confirm whether the new building is complete and ready for occupancy.
- b) If the new building is not complete, please provide a timeline for its completion.
- c) Please provide a comparison of the square footage and cost per square feet between the new building and existing facilities.

PUC Response

a) & b) Occupancy of the new building commenced on December 21, 2012 and continued in stages until March 22, 2013 when it was fully occupied. The building landscaping and parking will be completed in the spring of 2013.

c) PUC has included the square footage for the old buildings and the new integrated building below:

Facility	Gross Area (sf)
Murphy Centre (old)	47,800
Trbovich Centre (old)	42,920
Queen Street (old)	23,800
Subtotal	114,520
New Integrated Building	110,382

The cost of the new building = \$23,000,000

The historical cost of the old buildings is as follows:

Office building = \$1,511,468 – original build 1951 with an extension in 1981.

Trbovich Building - \$1,216,806 – purchased in the late 1990's

Murphy Service Centre= \$2,392,107 – Built in 1965

Board Staff – IR 2-Staff-14

Ref: Exh 1-1-13

Ref: Exh 2-2-7

Ref: Exh 3-3-2, Page 5

At Exh 1-1-13, PUC states that PUC Services Inc. performs services for water and wastewater treatment for the city (shareholder).

- a) At Exh 3-3-2, PUC states the increased revenue to account 4210 is due to PUC charging PUC Services Inc. for use of the new facility. Please confirm that PUC Services Inc. will be using both office and operational assets.
- b) What revenues does PUC receive for the use of its building, equipment and systems, from PUC Services Inc. for work done on other than electricity distribution?
- c) Please match any revenues identified in (b) with the accounts listed in table 3-25, Summary of Other Distribution Revenue.
- d) How the rates are charged to PUC Services Inc. determined, and do they reflect a market-based rate of return and associated taxes/PILs?
- e) On page 25 of Exh 2-2-7, Board staff notes that the three existing locations that PUC Distribution Inc. operates out of will be disposed.
 - I. Please confirm when the disposition of the three existing locations will take place.
 - II. If the disposition will take place in 2013, please confirm whether or not Account 4355, Gain on Disposition of Property for the 2013 Test Year should be updated for the disposals.
 - III. If the answer is yes to part II, please update account 4355.
 - IV If the answer is no to part II, please explain why and provide an explanation for how the proceeds of any sales will be treated.

PUC Response

- a) PUC confirms that PUC Services Inc. will be using both office and operational assets.
- b) PUC Distribution receives revenue from PUC Services for use of its building. In the 2013 test year PUC included \$1,317,274 in revenue for the use of its building.
- c) The amount PUC receives for the use of its building, equipment and systems, from PUC Services Inc. is in Table 3-25 account 4210 – *Rent from electric property*.
- d) PUC Distribution charges PUC Services for the use of the building based on an asset charge (depreciation) and cost of capital charge.
 - The charge for the building from PUC Distribution to PUC Services plus operating expenses are allocated to the affiliates (including PUC Distribution) for a share of the total costs.
 - The cost of capital charge is based on the capital parameters as published by the OEB – value of the building at the regulated capital %.
 - The asset charge is based on a useful life of 50 years.

- This is the same method used in prior years to determine the revenue that was received by PUC Services when it owned the buildings.
 - The intent in the past and moving forward is for the transaction to be at cost and the shared use be a benefit to all Sault Ste. Marie ratepayers
- e) i) Two of the existing buildings are owned by PUC Services and one of the existing buildings (office building) is owned by the water commission. The Queen Street office building sale is expected to close on June 30, 2013. The other two buildings are currently for sale.
- ii) The disposition is expected to take place in 2013. Since the properties are owned by PUC Services, there will be no gain on disposal of property recorded in account 4355.
- iii) Not applicable
- iv) The buildings are owned by PUC Services. Therefore, the proceeds will not be recorded in PUC Distribution.

VECC – IR 2-VECC-10

Reference: Exhibit 2, Tab 2, Schedule 7 – New Building.

- a) Please provide an inventory of all PUC vehicles, age and net book value?
- b) What was the cost of the 2007 Trbovich building renovation?
- c) At page 24 of the evidence it states that Shareholder resolutions were passed September 8, 2003 and September 27 2010. Please confirm the dates of these resolutions (i.e. 7 years apart).
- d) What is the current status of the sale of the old property? How many building lots are for sale? What was the basis for an estimated \$4.75 million sale value for these buildings.
- e) Please explain what items were added to the building to bring it up to LEEDs standards?
- f) Aside from garage space what was the square footage of the combined old buildings and what is the square footage of the new building.
- g) Please provide the study which was used in support of the proposal to build a new building and the presentation that was provided to PUC's Board of Directors for approval.
- h) Please provide photographs of the exterior of each of the old buildings and the new building.

PUC Response

- a) PUC Distribution does not own any vehicles. All vehicles are owned by PUC Services.
- b) The cost of the Trbovich building renovation was \$263,336.

c) PUC confirms the dates noted for the two resolutions are correct.

d) PUC Services has 3 properties that are currently for sale. The basis of the estimated \$4.75 million value of the 3 properties was determined from current market appraisals completed in 2010 and 2011.

e) LEEDs items included in the building construction or design as follows:

- zoning minimums to reduce asphalt surface areas and encourage alternate transportation
- Preferred parking for carpools is being provided
- An EnergyStar, high emissivity roof is being used on the entire roof to mitigate heat island effect
- Exterior lighting has been designed to minimize light pollution and contain light on site.
- Native landscaping has been used to eliminate the requirement for irrigation, thus reducing water use.
- High efficiency water fixtures have been specified to reduce water consumption by more than 20%.
- The building is employing Best Practice Commissioning to ensure that it is functioning as designed.
- HVAC & Refrigeration are CFC-free; Fire suppression equipment is free of halons
- The building is designed to perform 45% better than the MNECB model building in terms of energy costs through the use of high efficiency systems and an effective building envelope.
- 75% of construction waste is being diverted from landfill
- 22% of materials used in the building are recycled materials
- 30% of materials used in the building are extracted and manufactured locally.
- 92% of the wood used in the building is FSC Certified
- The building is compliant with Sections 4, 5, 6, and 7 of ASHRAE 62-2001 for Indoor Air Quality Performance
- The building features carbon dioxide monitoring
- Air quality measures are being monitored during construction to protect HVAC system contamination; absorptive materials are being protected from moisture / mold risk
- All adhesives and sealants conform to SCAQMD Rule #1168, October 2003, for VOC Limits.
- VOC emissions from paints conform to limits of Green Seal's Standard GS-11, January 1997 requirements.
- All carpets comply with the VOC limits of the Carpet and Rug Institute's Green Label Indoor Air Quality Test Program.
- All composite wood products used in the building contain no added urea-formaldehyde resins
- The following Indoor Pollutant Control Measures have been employed:
 - Permanent entryway systems (grilles) to capture dirt, particulates, etc. are provided at all high volume entryways.
 - Chemical use areas and copy rooms have been physically separated with deck-to-deck partitions and self-closing doors; and independent exhaust ventilation has been installed.

- Controls for heating, lighting, and ventilation have been provided such that they can be controlled by individual employees for comfort
- 75% of regularly occupied spaces in the building employ day lighting strategies
- 90% of regularly occupied spaces provide exterior views for employees
- Mercury-Free lamps are being used in all fluorescent luminaires

f) See response to Board Staff – IR 2-Staff-13, part (c) above for square footage comparison.

g) See Appendix M – New Building Reports and Shareholder Resolutions.

h) PUC has provided pictures of the buildings below:

Queen Street Office Building





Murphy Building Service Centre





Trbovich Building





New Integrated Administration/Service Centre Building







Energy Probe – IR 2-EP-8

Ref: Exhibit 2, Tab 2, Schedule 7

- a) Please reconcile the addition of \$23 million shown in account 1808 in Tables 2-13 and 2-15 with the cost of \$23.5 million shown in the table on page 25.
- b) Please show where in the continuity schedules for 2012 or 2013 the sales of the three buildings noted on page 25 have been reflected?
- c) Please disaggregate the proceeds from the sale of three buildings of \$4,750,000 between each of the buildings and, if applicable, the land those buildings are on. For each building and for each related land, please show the net book value at the time the building/land is sold.
- d) What is the timing of the sale of the buildings/land? Have they already been sold by the end of 2012? If not, are they expected to be sold in 2013?
- e) How has PUC treated the proceeds of \$4,750,000?
- f) Please provide a table that shows each of the ongoing costs used in the present value calculations shown in the table on page 25 that results in the figures of \$13,224,766 and \$15,853,127 (i.e. 25 years at 6%).

- g) Do the figures requested in part (f) above reflect the productivity improvements discussed in the need for the new integrated facility? If no, please quantify the cost reductions associated with the productivity improvements discussed at pages 16-25.
- h) If not separately shown as part of the response to part (f), please show the expected annual cost of the new facility for property tax and the reduction in property tax as a result of the sale of the three buildings/land parcels.
- i) Does PUC Distribution own each of these three buildings? If not, please indicate who owns each of the buildings and provide the rent paid by PUC Distribution for each building for each of 2009 through 2012.

PUC Response

- a) The \$23.5 million shown in Exhibit 2 on page 25 includes \$500,000 for office furniture and equipment that is owned by PUC Services.
- b) The 3 existing buildings are owned by PUC Services and the Water Commission; therefore, the sale of the buildings is not reflected in the continuity schedules.
- c) The buildings are owned by PUC Services and the Water Commission. At this time the buildings are still for sale.
- d) The buildings are currently for sale.
- e) The 2 service centre buildings are owned by PUC Services and the office building is owned by the Water Commission.
- f) PUC has provided a table below that shows each of the ongoing costs used in the present value calculations shown in the table on page 25 that results in the figures of \$13,224,766 and \$15,853,127 (i.e. 25 years at 6%).

Service Centre Renovations - Cost Comparisons

Cost Items Today

Present Value of Ongoing or Future Costs or Savings

ESA CSS Fees	\$	3,500	per building savings	\$	(7,000)	annually	\$	(89,483)
PV of WAN Savings - Queen St to S/C	\$	1,275	per month savings	\$	(15,300)	annually	\$	(195,585)
PV of savings in utility costs of New Bldg				\$	(108,000)	annually	\$	(1,380,602)
PV of cost for mail run		263 days/yr	3 hr/day	\$	29	per hr with 1.39 o/h	\$	31,805 annually
PV of cost for staff shuttle (excludes Engineering)				\$	70,004	annually	\$	894,880

PV of property taxes for new facility	\$ 21,922,309	assessed value -	current tax rate	0.0451488	\$ 989,767	annually	\$ 12,652,539
PV of property taxes for renovated Murphy	\$ 15,061,173	assessed value -	current tax rate	0.0451488	\$ 679,994	annually	\$ 8,692,610
PV of property taxes for renovated Trbovich					2010 actual \$ 61,270	annually	\$ 783,233
PV of property taxes for renovated Queen St					2010 actual \$ 80,974	annually	\$ 1,035,116
PV of O&M costs for New Integrated Facility (based on proration of footage compared to Queen St.)					\$ 175,063	annually	\$ 2,237,898
Janitor							
Utilities - Electric & Water							
Utilities - Gas							
Insurance	\$ 23,105						
Property Taxes							
Misc - Labour/Mat/Veh/AP	\$ 151,958						
Total Annual Operating Costs	\$ 175,063						

PV of O&M costs for Queen St (based on average of 2008, 9 & 10 actuals)		\$ 56,179 annually	\$ 718,157
Janitor	\$ 22,160		
Utilities - Electric & Water	\$ 61,406		
Utilities - Gas	\$ -		
Insurance	\$ 3,226	\$ 3,226	
Property Taxes	\$ 80,974		
Misc - Labour/Mat/Veh/AP	\$ 52,953	\$ 105,905	
Total Annual Operating Costs	\$ 56,179		

PV of O&M costs for Murphy Bldg (based on average of 2008, 9 & 10 actuals)		\$ 255,776 annually	\$ 3,269,673
Janitor	\$ 21,385		
Utilities - Electric & Water	\$ 93,151		
Utilities - Gas	\$ -		
Insurance	\$ 4,812	\$ 4,812	
Property Taxes	\$ 108,077		
Misc - Labour/Mat/Veh/AP	\$ 250,964	\$ 501,929	
Total Annual Operating Costs	\$ 255,776		

PV of O&M costs for Trbovich Bldg (based on average of 2008, 9 & 10 actuals)		\$ 4,137 annually	\$ 52,889
Janitor	\$ 12,741		
Utilities - Electric & Water	\$ 30,225		
Utilities - Gas	\$ 18,465		
Insurance	\$ 4,137	\$ 4,137	
Property Taxes	\$ 61,270		
Misc - Labour/Mat/Veh/AP	\$ -		Included in the Murphy allowance
Total Annual Operating Costs	\$ 4,137		

Section Sub-Total	\$ 13,224,766	\$ 15,853,127
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Total Present Value of All Costs	\$ 31,974,766	\$ 35,705,423
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- g) The resent value analysis noted in (f) above includes those productivity gains indicated in the analysis.
- h) The estimated new property taxes are \$804,002 and the taxes on the three old building was \$246,237.
- i) The old office building is owned by the Public Utilities Commission and the two service buildings are owned by PUC Services Inc.

PUC Distribution's share of building costs:

2009	2010	2011	2012 bridge	2012 Preliminary
\$328,868.52	\$312,555.20	\$343,458.34	\$440,250.7	\$643,191

SEC – IR 2-SEC-16

[2/2/7, p. 16 et. seq.]

With respect to the new building:

- a. Please provide detailed schematics of the original three buildings, including square footage and floor plans.
- b. Please provide details of the ownership and use of the original three buildings, as well as the original cost, the depreciated values and undepreciated capital cost for tax purposes. Please provide details of the sales or planned sales of those buildings and/or land, and explain how the proceeds will be accounted for relative to the Applicant.
- c. Please provide details of the numbers of employees that will be using the new building, by category, including the number with offices or workstations. Please advise how many of those employees (on an FTE basis) will be working for the distribution company, and how many for each of the other affiliated business activities. Please provide details of the financial arrangements between the Applicant and the other entities in the affiliated group, including the City, with respect to the use of the building. Please provide all calculations, and reconcile the result to Ex. 3/3/1. Please confirm that the Applicant proposes to calculate depreciation, cost of debt, ROE, and PILs relative to the full value of the building and contents, and include the total in rates.
- d. Please provide a detailed schematic of the new building, including square footage and floor plan.
- e. Please provide any business case, economic analysis, planning document, report, memo, presentation, or other document prepared by the Applicant in the course making the decision to proceed with the new building.
- f. Please provide all reports, memos or presentations provided to the Board of Directors, or the City, dealing with the decision to proceed with the new building. If any such documents were prepared by or on behalf of the holding company or the City, please provide those documents as well.

- g. Please provide a detailed breakdown of all additional capital costs associated with the contents of the building, including furniture, equipment, interior improvements, etc.
- h. P. 16. Please provide a copy of the tender call.
- i. P. 17. Please provide any reports available dealing with the “lost time accidents due to strains resulting from awkward working positions”.
- j. P. 18. Please identify where in the Application the savings from inspections and servicing are included, and the amounts of those savings. Please provide a cost comparison between contracting out vs. in-house, including additional hires and additional equipment to be purchased, if any.
- k. P. 19. Please provide any reports available dealing with the “high level of exhaust fumes in the parking garage”.
- l. P. 22. Please advise the cost of the 2007 renovations to the Trbovich Building. Please confirm that those costs are now fully depreciated.
- m. P. 22. Please provide the basis for the estimate of five more engineering staff in the next five years.
- n. P. 23. Please provide the full present value analysis of all options considered. Please include, for example, all of the assumed renovations to the existing buildings over 20 years.
- o. P. 25. Please advise where savings in operating costs from the new building are included in the evaluation.

PUC Response

a) PUC has included with the interrogatory responses the detailed schematics for the original 3 buildings filed as PUC Distribution_ IRR_Trbovich Bldg floor plans_20130404.pdf; PUC Distribution_IRR_Murphy Building floor plans_20130404.pdf; and PUC Distribution_IRR_Queen Street Bldg floor plans_20130404.pdf

b) The three buildings are currently for sale. The proceeds from the sale of the office building owned by the Water Commission will be retained by the Commission. The proceeds from the sale of the service centres by PUC Services will be transferred to PUC Distribution towards the cost of the new building through PUC Inc.

Building	Use	Ownership	Cost	NBV	UCC
765 Queen St.	Office building	Water Commission	\$1,511,468	\$667,556	n/a (assets are not depreciated for tax in water tax return)
Trbovich Centre	Engineering, vehicles, stores	PUC Services	\$1,216,806	\$867,671	Not recorded separately in class 1 for UCC
Murphy Centre	Operations, vehicles, stores	PUC Services	\$2,392,107	\$1,605,060	Not recorded separately in class 1 for UCC

c) PUC has provided below the details of the number of employees that will be using the new building by category and with offices or workstations. The FTE for PUC Distribution is 86.81 employees.

Name	Position	Dept	At New B	Distribut	Offic	Works	Dept
Bullock, Laura	Payroll Clerk	Financial Services	y	0.46		y	Accounting
Burella, Lorna	Cost Clerk	Financial Services	y	0.46		y	Accounting
Fera, Christine	General Ledger Clerk	Financial Services	y	0.46		y	Accounting
Punch, Stacey	Accounts Payable Clerk	Financial Services	y	0.46		y	Accounting
Wilson, Andree	Accounting Clerk	Financial Services	y	0.46		y	Accounting
Gillson, Tricia	Data Input Clerk	Billing	y	0.56		y	Billing
Huopalainen,	Sr Billing & Processing Clerk	Billing	y	0.56		y	Billing
Moises, Cathie	Data Input Clerk	Billing	y	0.56		y	Billing
Paradis, Lori	Data Input Clerk	Billing	y	0.56		y	Billing
Robert, Jennifer	Supervisor	Billing	y	0.56	y		Billing
Rout, Joanne	Data Input Clerk	Billing	y	0.56		y	Billing
Suurna, Brooke	Conservation & Demand Management	Customer Services	y	1	y		CDM
Ager, Shirley	Cashier	Financial Services	y	0.56		y	Collections
Balgue, Marisa	Collection Clerk	Financial Services	y	0.56		y	Collections
Brown, Peggy	Senior Collections Clerk	Financial Services	y	0.56		y	Collections
Cotgreave, Kim	Cashier	Financial Services	y	0.56		y	Collections
Greco, Jennifer	Collection Clerk	Financial Services	y	0.56		y	Collections
Bell, Kevin	Manager	Engineering	y	0.66	y		Customer Service
Biasucci, Raija	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Boston, Nicki	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Cesco, John	Manager	Customer Services	y	0.56	y		Customer Service
Clark, Mercedes	Field Services Representative	Marketing	y	0.56		y	Customer Service
Desjardins, Sherri	Field Services Administration Rep	Marketing	y	0.56		y	Customer Service
Fleury, Scott	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Giunti, Sherri	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Greco, Tina	Supervisor	Customer Services	y	0.56	y		Customer Service
Johnson, Randy	Manager	Marketing	y	0.46	y		Customer Service
Matheson, Toni-	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Odber, Lenore	Sr Clerk Cash/Collection	Financial Services	y	0.56		y	Customer Service
Robinson, Meagan	Customer Services Support Clerk	Customer Services	y	0.56		y	Customer Service
Spadafora, Aldo	Customer Services Clerk	Customer Services	y	0.56		y	Customer Service
Vallee, Brad	Field Services Representative	Marketing	y	0.56		y	Customer Service
Bell, Dave	Electric System Operator [form SCA	Stations	y	1		y	Electric System Op
Johnston, Phil	Electric System Operator [form SCA	Stations	y	1		y	Electric System Op
Favaro, Vic	Engineering Technician	Engineering	y	0		y	Engineering
Fischer, Jo-Anne	Office Assistant	Engineering	y	0.46		y	Engineering
Forde-Watling,	Protection & Control Engineer	Engineering	y	1	y		Engineering
Grigg, Mathew	Engineering Technician	Engineering	y	0.9		y	Engineering
Hallett, Andrew	Distribution Engineer, Water	Engineering	y	0	y		Engineering
Harten, Rob	Manager, Engineering	Engineering	y	0.66	y		Engineering
Lapierre, Jules	Engineering Technician	Engineering	y	0.9		y	Engineering
Orr, Michael	Engineering Technician	Engineering	y	0.9		y	Engineering
Planting, Patrick	Engineering Technician	Engineering	y	0		y	Engineering
Romani, Matthew	Engineering Technician	Engineering	y	0.9		y	Engineering
Seabrook, Darren	Distribution Engineer, Electric	Engineering	y	1	y		Engineering
Seabrook, Travis	Engineering Technician	Engineering	y	0.9		y	Engineering
Tevc, Joe	GIS & Records Technician	Engineering	y	0.98		y	Engineering
To be filled (2013)	GIS & Records Technician	Engineering	y	0.5		y	Engineering
Tomas, Michael	Engineering Technician	Engineering	y	0.9		y	Engineering

Toteda, Joe	Engineering Technician	Engineering	y	0	y	Engineering
Vuottilainen, Harry	Engineering Technician	Engineering	y	0.9	y	Engineering
Robinson, Jeff	Engineering Technician	Engineering	y	0.5	y	Engineering
Whitfield, Keith	GIS & Records Technician	Engineering	y	0.22	y	Engineering
Ahola, Samantha	Environmental Operator	Environmental Operations	n			Environmental Ops
Becker, Rudy	Instrumentation Maintenance Electrician	Environmental Operations	n			Environmental Ops
Boston, Robert	Lead Hand Environmental Operator	Environmental Operations	n			Environmental Ops
Delfgou, Marcel	Instrumentation Maintenance Electrician	Environmental Operations	n			Environmental Ops
Dunne, Todd	Environmental Operator	Environmental Operations	n			Environmental Ops
Gilmar, Robert	Environmental Operator	Environmental Operations	n			Environmental Ops
Griffiths, John	Manager	Environmental Operations	n			Environmental Ops
Mallia, Angelo	Maintenance Mechanic II	Environmental Operations	n			Environmental Ops
Nicholas, Tami	Environmental Operator	Environmental Operations	n			Environmental Ops
Piazza, Steve	Supervisor	Environmental Operations	n			Environmental Ops
Reid, Bill	Environmental Operator	Environmental Operations	n			Environmental Ops
Roberts, Andrew	Maintenance Mechanic I	Environmental Operations	n			Environmental Ops
Scott, Cameron	Lead Hand Maintenance Enviro	Environmental Operations	n			Environmental Ops
Shushkewich, Lynn	Environmental Laboratory Technician	Environmental Operations	n			Environmental Ops
Simon, Jason	Maintenance Mechanic I	Environmental Operations	n			Environmental Ops
Beith, Jackie	Supervisor	Financial Services	y	0.46	y	Finance
Faught, Mark	Manager	Financial Services	y	0.46	y	Finance
Greco, Terry	Vice President	Financial Services	y	0.46	y	Finance
MacIntyre, Debra	Supervisor	Financial Services	y	0.46	y	Finance
See, Darrell	Mechanic	Fleet	y	0.49		Fleet
Trainor, Bob	Lead Hand Fleet Maintenance	Fleet	y	0.49	y	Fleet
Avery, Trina	Executive Assistant	General Office	y	0.46	y	General
Guitard, Kim	Dispatcher	Dispatch	y	0.46	y	General
Parrella, Dominic	President and Chief Executive Officer	President & CEO	y	0.56	y	General
Kennis, Lorri	Manager	Human Resources	y	0.46	y	HR
Smith, Mary Lynn	Administrative Assistant	Human Resources	y	0.46	y	HR
Bostelaar, Andrew	Business Systems Analyst	IT and Telecommunications	y	0.46	y	IT
Coccimiglio,	Network Administrator	IT and Telecommunications	y	0.46	y	IT
Lesnick, Michael	Manager	IT and Telecommunications	y	0.46	y	IT
Barone, Frank	Power Line Technician	Line Operations	y	0.8		Line
Barrett, Greg	Work Planner Line Operations	Line Operations	y	0.8	y	Line
Boyle, Steve	Lead Hand Power Line Technician	Line Operations	y	0.8	y	Line
Brown, Ben	Power Line Technician	Line Operations	y	0.8		Line
Bursche, Peter	Forester	Line Operations	y	0.9	y	Line
Cannard, Alan	Supervisor	Line Operations	y	0.8	y	Line
Cole, Jeffrey	Power Line Technician	Line Operations	y	0.8		Line
Deschamps, Curtis	Power Line Technician	Line Operations	y	0.8		Line
Filion, Gary	Manager	Line Operations	y	0.8	y	Line
Foster, Steve	Power Line Technician	Line Operations	y	0.8		Line
Giciuk, Mike	Power Line Technician	Line Operations	y	0.8		Line
Gillson, Jeffrey	Power Line Technician	Line Operations	y	0.8		Line
Gjos, Dave	Lead Hand Power Line Technician	Line Operations	y	0.8	y	Line
Healey, Derek	Power Line Technician	Line Operations	y	0.8		Line
Jakibchuk, Matthew	Power Line Technician	Line Operations	y	0.8		Line
Jarrell, Matthew	Power Line Technician	Line Operations	y	0.8		Line
Kirby, Andrew	Power Line Technician	Line Operations	y	0.8		Line

Mah, Cecil	Power Line Technician	Line Operations	y	0.8		Line
McLeod, Rocky	Lead Hand Power Line Technician	Line Operations	y	0.8	y	Line
Miller, Jason	Power Line Technician	Line Operations	y	0.8		Line
Miller, Joe	Lead Hand Power Line Technician	Line Operations	y	0.8	y	Line
Palahnuk, Robb	Power Line Technician	Line Operations	y	0.8	y	Line
Palahnuk, Ryan	Work Planner Line Operations	Line Operations	y	0.8		Line
Palaro, Mike	Lead Hand Power Line Technician	Line Operations	y	0.8	y	Line
Priddle, Jeff	Power Line Technician	Line Operations	y	0.8		Line
Secondi, Jordan	Power Line Technician	Line Operations	y	0.8		Line
Thompson, Kevin	Power Line Technician	Line Operations	y	0.8		Line
Valotaire, Raymond	Power Line Technician	Line Operations	y	0.8		Line
Vanderheyden,	Lead Hand Power Line Technician	Line Operations	y	0.8		Line
Watson, Robert	Power Line Technician	Line Operations	y	0.8		Line
Zeppa, Terry	Supervisor	Line Operations	y	0.8	y	Line
Zimmer, Greg	Power Line Technician	Line Operations	y	0.8	y	Line
Coop students	Power Line Technician	Line Operations	y	0.67		Line
Ballstadt, Nancy	Mailroom Person	Billing	y	0.46	y	Mailroom Services
Mitchell, Judy	Mailroom Person	Billing	y	0.46	y	Mailroom Services
Bumbacco, James	Meter Service Person	Metering	y	0.46	y	Meter
Fawcett, Bruce	Meter Service Person	Metering	y	0	y	Meter
Logan, Mike	Meter Service Person	Metering	y	0.46	y	Meter
Morin, Kim	Meter Service Person	Metering	y	0.23	y	Meter
Strachan, Chris	Meter Technician	Metering	y	0.88	y	Meter
Thibault, Gene	Lead Hand Metering	Metering	y	0.53	y	Meter
To be filled (2013)	Smart Systems Analysts	Metering	y	1	y	Meter
Trainor, Andrew	Meter Technician	Metering	y	0.92	y	Meter
Stefano, Claudio	Vice President	Customer Services	y	0.46	y	Operations
Temp Vacancy (to filled April 2013)	Office Assistant	Operations	y	0.46	y	Operations
Cotgreave, Harold	Maintenance Person	Safety & Environment	y	0.46	y	Plant and Maint
Gillies, Jack	Maintenance Person	Safety & Environment	y	0.46	y	Plant and Maint
Langevin, Tony	Technical Support Electrician	Safety & Environment	y	0.46	y	Plant and Maint
Walker, Matthew	Maintenance Person	Safety & Environment	y	0.46	y	Plant and Maint
Summer students	Summer students	Safety & Environment	y	1.2		Plant and Maint
Burry, Kim	Issuing & Receiving Clerk	Purchasing	y	0.7	y	Purchasing/Stores
Flood, Noella	Purchasing Agent	Purchasing	y	0.7	y	Purchasing/Stores
McAulay, Amanda	Office Assistant	Purchasing	y	0.7	y	Purchasing/Stores
Palaro, Chelsea	Issuing & Receiving Clerk	Financial Services	y	0.56	y	Purchasing/Stores
Uchmanowicz,	Rates & Regulatory Affairs Officer	Financial Services	y	1	y	Regulatory Affairs
Thomlinson, Ron	Supervisor	Safety & Environment	y	0.46	y	Safety & Environme
Tourigny, Albert	Manager	Safety & Environment	y	0.46	y	Safety & Environme
Peltonen, Timo	Substation Electrician	Stations	y	1	y	Station Elect
Perrin, Gordon	Substation Electrician	Stations	y	1	y	Station Elect
Pettenuzzo, Ed	Lead Hand Stations	Stations	y	1	y	Station Elect
Simms, Joseph	Substation Electrician	Stations	y	1	y	Station Elect
Vilaca, David	Substation Electrician	Stations	y	1	y	Station Elect
Genua, Joe	Supervisor	Stations, Metering & Fleet	y	0.76	y	Stations & Metering
Orr, Kevin	Manager	Stations, Metering & Fleet	y	0.76	y	Stations & Metering
Anich, Andy	Pipefitter Water Distribution Operation	Water Distribution	y	0		Water Distribution
Burkhart, Isaac	Labourer WDO	Water Distribution	y	0.2		Water Distribution
Byers, Aron	Vacuum Truck Operator WDO	Water Distribution	y	0.3		Water Distribution

Cupido, Ken	Machine Operator WDO	Water Distribution	y			Water Distribution
Dalseg, Paul	Manager	Water Distribution	y		y	Water Distribution
DiDonato, Don	Supervisor	Water Distribution	y		y	Water Distribution
Findlay, Bruce	Machine Operator WDO	Water Distribution	y			Water Distribution
Hanka, Hannu	Pipefitter Water Distribution Operati	Water Distribution	y			Water Distribution
Jurich, William (Bill)	Truck Driver WDO	Water Distribution	y			Water Distribution
Linklater, Paul	Lead Hand Water Distribution Operati	Water Distribution	y		y	Water Distribution
MacLean, Rob	Lead Hand Water Distribution Operati	Water Distribution	y		y	Water Distribution
Pelletier, Ron	Labourer WDO	Water Distribution	y	0.2		Water Distribution
Pintaric, Michael	Truck Driver WDO	Water Distribution	y			Water Distribution
Quevillon, Rene	Pipefitter Water Distribution Operati	Water Distribution	y			Water Distribution
Solomon, Steve	Truck Driver WDO	Water Distribution	y			Water Distribution
Ushey, Larry	Work Planner WDO	Water Distribution	y			Water Distribution
White, Randy	Lead Hand Water Distribution Operati	Water Distribution	y		y	Water Distribution
Witty, Jamie	Machine Operator WDO	Water Distribution	y			Water Distribution
Anderson, Kimberly	Plant Operator	Water Treatment, Blind Riv	n			Water Treatment
Broad, Kristi	Plant Operator	Water Treatment	n		y	Water Treatment
Buckner, Carla	Supervisor	Water Treatment	y		y	Water Treatment
Burtch, Brian	Maintenance Mechanic II	Water Treatment	n			Water Treatment
Culp, Brad	Plant Operator	Water Treatment	n	0.3		Water Treatment
Darou, Derek	Plant Operator	Water Treatment	n	0.3		Water Treatment
Dewar, Sandra	Plant Operator	Water Treatment	y		y	Water Treatment
Hubley, Karen	Plant Operator	Water Treatment	y			Water Treatment
Irwin, Dave	Lead Hand Plant Operator	Water Treatment	y			Water Treatment
Jakucinskis,	Plant Operator	Water Treatment	y	0.3		Water Treatment
Jensen, Rick	Plant Operator	Water Treatment, Blind Riv	n			Water Treatment
Legacy, Gerry	Plant Operator	Water Treatment	y			Water Treatment
Lundrigan, Mike	Supervisor	Water Treatment	n			Water Treatment
Mathieu, Kristie	Office Assistant	Water Treatment	y		y	Water Treatment
McLaughlin, David	Plant Operator	Water Treatment	y			Water Treatment
Pero, Greg	Plant Operator	Water Treatment	n			Water Treatment
Post, Mat	Instrumentation Technician	Water Treatment	n			Water Treatment
Robertson, Gary	Instrumentation Technician	Water Treatment	y			Water Treatment
Smith, Dan	Plant Operator	Water Treatment	n	0.3		Water Treatment
Sutton, Kelly	Lead Hand Plant Operator	Water Treatment	n			Water Treatment
Tessier, Kerri	Office Assistant	Water Treatment	y			Water Treatment
Tonon, Dan	Manager	Water Treatment	y		y	Water Treatment
Total Staff Count :	186					
		Total Staff Count at New Building :	160			
				86.81		

Revenue of \$1,317,274.66 is included in the \$1,664,914.66 in account 4210 (Ex. 3/3/1). The remainder of the account is pole rental fees.

The revenue is based on a depreciation charge and cost of capital charge:

Cost of Capital

Building Cost

\$23,500,000

Per 2012 OEB Cost of Capital Parameters

Effective May 1,
2012

Rate	Debt/Eq	Return
2.08%	4.0%	0.08%
4.41%	56.0%	2.47%
9.12%	40.0%	3.65%
	100.0%	6.20%
Tax Rate		26.50%
Cost of Capital		8.44%

8.44%	Cost of Capital
\$	
23,500,000.00	NBV
\$ 1,982,568.71	cost of capital to be allocated

Depreciation Charge

Building Cost	\$23,500,000
Useful life	50
Annual Depreciation Charge	\$470,000

Total to be charged to PUC Services	
	\$
Cost of Capital	1,982,568.71
Depreciation	
Charge	\$470,000
	\$2,452,569

Less PUC Distribution portion @ 46.29%
 $\$2,452,569 - (\$2,452,569 \times 46.29\%) = \$1,317,275.66$

Building operating expenses incurred by PUC Services are shared by PUC Distribution, PUC Services and the Water Commission as detailed on Exhibit 4 Tab 2 Schedule 4, page 4 of 10:+

	PUC Distribution	Water Utility	PUC Services
2012*	45.71%	37.88%	16.41%
2013**	46.29%	37.88%	15.83%

*as shown in rate application

** correction for 2013

d) PUC has filed with the interrogatory responses a detailed schematic of the new building as PUC Distribution_IRR_New Integrated Facility floor plans_20130404.pdf

e) Please refer to the report to Council included in the COS application as well as Appendix M for Board and Shareholder resolutions and reports approving the new building.

f) Please refer to the report to Council included in the COS application as well as Appendix M for Board and Shareholder resolutions and reports approving the new building.


g) Building and equipment included in tender

Truck lifts, dock lift, jib crane, storage racks, pallet racking, lockers, overhead bridge crane, and \$500,146

Furniture— purchased by PUC Services

h) PUC has included the tender call below:

TENDER NOTICE



**NEW FACILITY
for
PUC SERVICES INC.
500 SECOND LINE EAST
SAULT STE. MARIE, ONTARIO**

General Contractor's sealed Tenders are to be submitted to
MGP ARCHITECTS • ENGINEER INC. 123 EAST STREET,
SAULT STE. MARIE, ONTARIO; on or before,
3:00:00 P.M. THURSDAY, JULY 14, 2011.

Drawings and Specifications may be examined at the
Construction Association Office in Sault Ste. Marie, Sudbury
and North Bay.


General Contractors may obtain Drawings and Specifications
from the office of the Consultant upon provision of a **\$250.00**
deposit per set of Tender Documents. Drawings and Specifica-
tions can be picked up on Thursday, June 23, 2011.

Deposits will be returned to the unsuccessful Bidders provided
the Tender Documents are returned to the Consultant's office
in unmarked and good condition within two weeks of tender
closing.

Each Tender is to be submitted with a Bid Bond in the amount
of 10% of the identified bid price. The successful bidder will be
required to furnish a 50% Performance Bond and a 50%
Material and Labour Payment Bond.

A mandatory pre-tender Site Review will be conducted
Wednesday, June 29, 2011 at 10:00 am. Contractors to meet at
the site.

The Owner reserves the right to reject any and all tenders and
the lowest will not necessarily be accepted.



m g p architects • engineer inc.
123 East Street Sault Ste. Marie Ontario
P6A 3C7 705.942.8494

- i) PUC has included as part of the interrogatory responses reports dealing with accidents due to strains from awkward working positions filed as Appendix E Injury-Incident Report.

- j) No allowance for “in-house fleet repairs” was included in the new building cost evaluation.
- k) Appendix J for ongoing problem related to vehicle fumes in the offices and service garage identified by the Joint Health & Safety Committee (JHSC). This issue was resolved at the JHSC level by acknowledgement that the issue would be corrected through renovations to the Service Centre, which were expected to take place in the very near future (i.e. at that time).
- l) The cost of the Trbovich building renovation was \$263,336 which is not fully depreciated.
- m) The report to Council was prepared in September 2011. At that time the forecast for staffing additions in Engineering were as follows:
- Engineering Technician, Electric - 3 positions
 - Engineering Technician, Water - 1 position
 - GIS/Records Technician - 1 position
- n) Please refer to Energy Probe IR 2-EP-8 part (f).
- o) Please refer to Energy Probe IR 2-EP-8 part (f).

Exhibit 2 - Issue #9 - Green Energy Act Plan

Board Staff – IR 2-Staff-15

Ref: Exh 2-3-5, Page 5

Ref: Filing Requirements – Distribution System Plans – Filing Under Deemed Conditions of Licence EB-2009-0397, May 17, 2012

PUC indicates that it does not meet the threshold for a detailed plan in that its expenditures do not exceed 3% of the rate base.

- a) Please provide the calculation for the threshold as required by Reference 1, section 2.3 based on planned capital costs related to connection facilities for renewable generation or the development of a smart grid within the next year or five years and confirm that PUC's planned capital costs do not exceed the threshold value for providing a detailed GEA Plan, in either one year or over five years.
- b) Reference 2, section 4.1.1 calls for a five year horizon for the Basic GEA Plan. PUC has provided exhibit 2 on page 5 which provides FIT projects through 2011. Please provide an update of this schedule and of information or discussion (as indicated in section 4.1.1) about the outlook for the five year period of the plan.
- c) In accordance with Reference 1, section 4.1.1, please provide a summary of the Capital and OM&A expenditures that PUC expects to incur.
- d) In accordance with Reference 2, sec 4.2.1, page 14, 3rd bullet, please identify any expenditures included in approved capital plans, funded through current rates (including any funding adders), or tracked in deferral accounts. For example, at E2/T3/S5/page 10 line 2, PUC indicates it has already invested in certain initiatives.
- e) In accordance with Reference 2, 4.2.2.2 page 16, first bullet, please indicate the method and criteria that will be used to prioritize expenditures in accordance with the planned development of the system if any updates are provided under parts b), c) and d) above.
- f) Reference 2, section 4.4 indicates (p20) that "At the present time smart grid development activities and expenditures should be limited to smart grid demonstration projects, smart grid studies and planning exercises, and smart grid employee education and training." Please indicate if PUC considers that any the defined smart grid activities, and if so, why?

PUC Response

- a) There are no confirmed renewable energy generators seeking to connect to PUC's distribution system in the near future (i.e. 2013). Furthermore, OPA has identified there is no FIT-related capacity in the Sault Ste. Marie area due to transmission constraints. Therefore it is unlikely there will be any demand for FIT projects to connect to PUC's system in the foreseeable future. However, there are no restrictions related to miroFIT applications, and PUC continues to connect microFIT projects as they materialize.

PUC does not propose to carry out any capital works over the 2012 - 2017 time frame that are in response to any potential renewable energy project, FIT related or otherwise.

- b) An updated summary of FIT has been included as Appendix D -FIT Application Summary. As noted in (a) above there are no FIT related projects on the horizon that require expansion or upgrades to the system.
- c) As noted in (a) above there are no FIT related projects on the horizon that require expansion or upgrades to the system or OM&A expense.
- d) Please note the opening sentence of the subject reference, as follows: "In order to successfully implement the connection of large scale distributed generation projects to its grid, PUC has already invested....".

PUC points out that, while it is true that PUC has already made investments that will facilitate additional renewables connections or facilitate smart grid development, all of the work already done and identified by the consultant was either paid for by the generators or done to address other issues not related to connection of generators or development of a smart grid. Furthermore, all items identified by the consultant as future work, are required to address infrastructure end-of-life issues.

- e) PUC notes there are no extensions or upgrades to the system proposed within the 2012 – 2017 time frame required to connect additional renewable generators or to advance development of a smart grid.
- f) Please see response (e) above.

Board Staff – IR 2-Staff-16

Ref: Exh 2-3-5, Pages 8-9

- a) On page 9 of the above reference, it shows that there are 4 preliminary inquiry situations for which there is no feeder available. Please indicate how PUC would accommodate these in the event these inquiries were to proceed.
- b) On page 8 of the above reference, there is a reference at lines 11-14 to two transformer stations with 60 MW solar power plants already connected. Please identify which transformer stations these are.

PUC Response

- a) As noted above in response to question "Board Staff – IR 2-Staff-15", there are no confirmed renewable energy generators seeking to connect to PUC's distribution system in the near future (i.e. 2013). Furthermore, OPA has identified there is no FIT-related capacity in the Sault Ste. Marie area due to transmission constraints.

Therefore it is unlikely there will be any demand for FIT projects to connect to PUC's system in the foreseeable future. However, there are no restrictions related to miroFIT applications, and PUC continues to connect microFIT projects as they materialize.

PUC does not propose to carry out any capital works over the 2012 - 2017 time frame that are in response to any potential renewable energy project, FIT related or otherwise.

- b) The two transformer stations noted are the St. Mary's Transformer Station (TS1) and the Tarentorous Transformer Station (TS2).

VECC– IR 2-Staff-13

Reference: Exhibit 2, Tab 3, Schedule 5, pg. 11.

- a) The GEA plan notes that at part of the SCADA *"will need to be replaced soon in view of the high penetration rates of distributed generation."* What portion of the SCADA capital costs in 2013 of \$266,389 are being allocated to the benefit of the provincial ratepayers?

PUC Response

a) The SCADA master station and alternate master station (hardware and software) are being replaced due to the fact they are now over 13 years old and are at end of useful life. They are being replaced to ensure security and reliability of the electricity supply to PUC Distribution customers, and not to accommodate connection of renewable generators. Accordingly none of the 2013 capital costs are allocated to provincial ratepayers.

VECC– IR 2-VECC-14

Reference: Exhibit 2, Tab 2, Schedule 5.

- a) What are the capital and OM&A costs (separate) of the GEA plan for 2012 through 2017? What is the proposal for allocation of these costs to PUC and the provincial ratepayers (IESO)?

PUC Response

- a) As noted above in response to question "Board Staff – IR 2-Staff-15", there are no confirmed renewable energy generators seeking to connect to PUC's distribution system in the near future (i.e. 2013). Furthermore, OPA has identified there is no FIT-related capacity in the Sault Ste. Marie area due to transmission constraints. Therefore it is unlikely there will be any demand for FIT projects to connect to PUC's system in the foreseeable future. However, there are no restrictions related to miroFIT applications, and PUC continues to connect microFIT projects as they materialize.

PUC does not propose to carry out any capital works over the 2012 - 2017 time frame that are in response to any potential renewable energy project, FIT related or otherwise. As such, there are no GEA related Capital or OM&A costs proposed for 2012 through 2017.

Exhibit 2 - Issue #10 - 2008 Board Approved Capital Projects vs. 2008 Actual

VECC – IR 2-VECC-3

Reference: Exhibit 2, Tab 1, Schedule 2, pg. 1

- a) Table 2-1 shows that PUC underspent on Fixed Assets by approximately 820k as compared to 2008 Board approved. Please provide a listing (and their forecast cost) of the deferred or eliminated 2008 capital projects. If a project was later completed please indicate when it went into service.

PUC Response

The 2008 Board approved capital expenditures was \$4.9 million. PUC's actual capital spending in 2008 was \$4,325,753. Therefore, the actual under spending in 2008 was \$574,247. In *Table 2-1 - Summary of Rate Base* the 2008 Actual amount is the average between 2007 and 2008 gross fixed assets. This amount is used in the rate base calculation and resulted in the 820K difference referenced above. PUC has provided below a table identifying the 2008 Board Approved Capital Projects vs. the 2008 Actual Capital projects.

In 2008 PUC's actual demand for new services was higher than originally budgeted in the 2008 test year. When demand for new service is higher than budgeted other capital project are adjusted as required. If a project is on-going it is deferred to subsequent years.

	2008 Board Approved Capital Projects	2008 Actual Capital Projects	Difference
Easement purchases	10,000	1,071	(8,929)
Install underground new services	260,811	602,805	341,994
Replace wood poles	700,929	396,043	(304,886)
Extend 35 kV along 3rd line east	489,020		(489,020)
Intall new services to meet customer demand	760,698	1,137,668	376,970
Construct Misc. Lines and Switches	163,007	772,751	609,744
Replace Distribution Switches	54,336		(54,336)
Replace substation switchgear grounding	54,336		(54,336)
Convert 12 kV in sub 5 area north of wellington street from Lake Street to Shannon Rd.	787,866	337,521	(450,345)
Replace URD primary cables	282,545		(282,545)
Refurbish padmounted switches	54,336		(54,336)
Purchase and install second transformer for Sub 15 for load shifting	163,007		(163,007)
Improvements at Substation 18		210,046	210,046
Replace restricted wire	108,671		(108,671)
Misc. Distribution buildings - energy conservation upgrades	10,867	2,684	(8,183)
Misc. transformer station equipment	347,748	408,458	60,710
Allow. for pending projects (miscellaneous)	217,342	300,357	83,015
Misc. distribustion equip.	717,851	3,829	(714,022)
Meter installations	217,668	152,520	(65,148)
Computer software	21,734		(21,734)
Adjustment as per Board Decision to approved \$4.9 million in capital expensitures	(522,772)		522,772
	4,900,000	4,325,753	(574,247)

Exhibit 2 - Issue #11 - Starwood

VECC – IR 2-VECC-6

Reference: Exhibit 2, Tab 2, Schedule 6, pg. 5/ Schedule 7, pg. 10

- a) Please explain why the extension to Starwood plant was built underground? What was the incremental cost in comparison to above ground plant?
- b) What, if any, amount of capital contribution was associated with this project?

PUC Response

- a) & b) The capital contribution for the Starwood project was 100%. There were no incremental capital costs to build the extension whether underground or above ground.

Exhibit 2 - Issue #12 - Sub-station 10

VECC – IR 2-VECC-7

Reference: Exhibit 2, Tab 2, Schedule 3, pg. 15.

- a) Please provide an update/status of the Reconstruction of Sub-station 10 including any changes in the final costs and the expected in-service date.

PUC Response

Reconstruction of Sub 10 is in progress and is expected to be in service before end of 2013.
Revised estimated total cost is now \$3.23 million.

Exhibit 2 - Issue #13 - Capital

VECC – IR 2-VECC-8

Reference: Exhibit 2, Tab 2.

- a) Please provide the total capital contributions for the years 2008 through 2013 in CGAAP format and for 2012 and 2013 in MIFRS format.
- b) Please provide a table showing the capital expenditures in 2008 through 2013 (forecast) for new services and show the associated capital contributions (again in CGAAP and MIFRS formats).
- c) Please update the 2012 expenditures for year-end actuals (estimates if necessary).
- d) Please provide any updates to the 2013 capital budget forecast due to changes in 2012.

PUC Response

- a) PUC has provided the table below for capital contributions from 2008 through 2013. PUC is requesting the application be approved by the Board under CGAAP with the change in useful lives and capitalization policies in 2012 under CGAAP. The columns in the table below labeled MIFRS (as originally filed) reflects the change in capitalization policies and estimated useful lives. The CGAAP column (as originally filed) reflects no change in the capitalization of overheads and estimated useful lives.

	2008	2009	2010	2011	2012 MIFRS	2012 CGAAP	2013 MIFRS	2013 CGAAP
Capital Contributions	698,303	465,665	1,400,823	5,648,830	973,429	1,064,496	965,395	1,054,144

- b) PUC has provided below an estimate of the associated capital contributions related to new services.

	2008	2009	2010	2011	2012 MIFRS	2012 CGAAP	2013 MIFRS	2013 CGAAP
New Services	1,740,473	1,983,303	2,398,288	6,246,311	2,656,516	2,905,041	2,049,861	2,238,305
Capital Contributions	646,274	340,197	1,247,991	4,914,817	876,086	958,856	868,856	948,730

- c) The unaudited 2012 capital expenditures are \$30,242,626. This amount includes contributed capital of approximately \$835,000.
- d) PUC does not have any updates to the total amounts in the 2013 capital budget forecast due to changes in 2012. The capital spending is projected to be at the same level in 2013 although individual projects amount may require adjustment based on the progress of on-going projects in 2012.

VECC – IR 2-VECC-9

Reference: Exhibit 2, Tab 2, Schedule 7

- a) Please modify Appendix 2-A to show 2012 and 2013 in CGAAP and to include the 2008 Board approved capital budget. Please update the life Excel spreadsheet for the same information.

PUC Response

- a) PUC has decided to stay on CGAAP and defer implementation of IFRS. Although not electing to implement IFRS for reporting purposes, PUC will adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year under MIFRS.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in asset useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing is the removal of the request for a 1575 deferred PP&E account to have the application filed under CGAAP.

Therefore, Appendix 2-A would not be modified to for the bridge and test year to be under CGAAP. The changes requested under MIFRS can be made under CGAAP.

Refer to VECC – IR 2-VECC-3, *Exhibit 2 - Issue #10 - 2008 Board Approved Capital Projects vs. 2008 Actual* for the 2008 Board Approved Capital Projects.

VECC – IR 2-VECC-15

Reference: Exhibit 2, Tab 4, Schedule 1

- a) Does PUC monthly or bi-monthly bill its customers?

PUC Response

- a) PUC bills its customers monthly.

Energy Probe – IR 2-EP-10

Ref: Exhibit 2, Tab 4, Schedule 1

- a) Does PUC bill all rate classes on a monthly basis? If not, please indicate which rate classes are billed monthly, bi monthly or some other frequency.

- b) Has PUC changed the billing frequency for any rate class since its 2008 cost of service filing? If yes, please provide details.

PUC Response

- a) PUC bills all rate classes on a monthly basis.
- b) PUC has not changed the billing frequency for any rate classes since its 2008 cost of service rate filing.

Energy Probe – IR 2-EP-7

Ref: Exhibit 2, Tab 2, Schedule 7

- a. Please provide an updated Appendix 2-A Capital Projects Table that reflects actual capital expenditures placed into service by the end of 2012. Please provide the 2012 column based on CGAAP and not MIFRS. If actual data is not yet available for all of 2012, please use the most recent actual data available, along with an estimate of what was closed to rate base by the end of 2012.
- b. Please confirm that the new service centre was completed and being used by the end of 2012.

PUC Response

- a. At this time PUC does not have the 2012 actual capital expenditures available by capital projects as shown in Appendix 2-A.
- b. Occupancy of the new building commenced on December 21, 2012 and continued in stages until March 22, 2013 when it was fully occupied. The building landscaping and parking will be completed in the spring of 2013.

Exhibit 2 - Issue #14 - Asset Management Plan

VECC – IR 2-VECC-11

Reference: Exhibit 2, Tab 3, Schedule 1- Asset Management Plan pg. 75-78.

- a) There appears to be considerable differences as between the capital budget for 2013 and the suggested investments shown in section 5 of the Asset Management Plan. Please reconcile the two and explain why PUC is proposing to under or over spend (as the case may be) from what is suggested in the Asset Plan.
- b) Please provide PUC's Asset Management Plan capital expenditure forecast for 2014 through 2017.

PUC Response

- a) The Asset Management Plan (AMP) identifies Capex for distribution system renewal only. Proposed Capex for 2013 from Table 2-19 "2007 to 2013 Test Year Capital Projects" related to infrastructure renewal only is \$7.011 million. Table 5.6 of the AMP indicates a target Capex of \$7.896 million. PUC is working to grow the Capex for system renewal up to the levels indicated in the Asset Management Plan.
- b) Refer to Table 5.6 of the AMP indicated below. System renewal Capex for 2017 is forecasted at approximately \$8.2 million.

	2013	2014	2015	2016
Overhead Distribution System	\$ 2,033,250	\$ 2,033,250	\$ 1,823,250	\$ 1,631,250
Underground Distribution System	\$ 1,849,500	\$ 2,319,500	\$ 2,599,500	\$ 2,569,500
Distribution Transformers	\$ 383,000	\$ 383,000	\$ 496,000	\$ 571,000
Substations Rebuilds	\$ 1,975,000	\$ 1,725,000	\$ 1,725,000	\$ 1,725,000
Voltage Conversion Program	\$ 1,655,000	\$ 1,655,000	\$ 1,655,000	\$ 1,655,000
Total Capital Expenditure on Fixed Asset Sustainment	\$ 7,895,750	\$ 8,115,750	\$ 8,298,750	\$ 8,151,750

Exhibit 5-6: Overall Capital Investment Required for Fixed Asset Sustainment

Energy Probe – IR 2-EP-9

Ref: Exhibit 2, Tab 3, Schedule 1

- a) Has any adjustment been made to the figures in Exhibits 15 and/or 16 to take into account OPA mandated CDM programs and/or the kWh and kW targets set for PUC by the OEB? If not, why not? If yes, please show the forecasts from the regression equation and these subsequent reductions separately.

PUC Response

- a) Exhibit 15 and 16 of the Asset Management Plan forecasts the kWh and kW based on historical usage. The purpose of the forecast is to determine if the peak demand or electric energy consumption during any month over the next four years is expected to exceed historical

amounts. This was used to determine if capacity upgrades are required as part of the asset management plan. The forecast and regression analysis in the Asset Management Plan was not used as part of rate design.

PUC included a detailed forecast of kWh and kW's taking into consideration the impact of CDM programs in Exhibit 3, Tab 2, Schedule 1. The forecast in Exhibit 3 is used in the application and rate design.

Exhibit 2 - Issue #15 - Continuity Statements

Energy Probe – IR 2-EP-5

Ref: Exhibit 2, Tab 2, Schedule 4

- a) Please confirm that the approved revenue requirement from the 2008 cost of service application included depreciation expense calculated using the half year rule for additions in the year. If this cannot be confirmed, please explain how the depreciation expense was calculated.
- b) Is PUC concerned that it will have to produce two sets of continuity statements on a going forward basis because of the difference between the depreciation methodology used for regulatory purposes (half-year) versus financial account (full year)?
- c) What would be the impact on the revenue requirement in 2013 if PUC used the full year methodology for 2013? Please show the estimated impacts from the change in the depreciation expense, the change in PILs and the change in rate base.

PUC Response

- a) PUC confirms the approved revenue requirement from the 2008 cost of service rate application included depreciation expense using the half year rule.
- b) PUC is not concerned with accounting for depreciation methodology used for regulatory purposes vs. financial accounting.
- c) As per the OEB guidelines, LDCs are required to use the half-year rule when accounting for amortization expense. PUC has not calculated or prepared the continuity schedules, revenue requirement, depreciation expense and PILs using the full year methodology and does not have the information readily available.

Energy Probe – IR 2-EP-6

Ref: Exhibit 2, Tab 2, Schedule 4

- a) Please provide revised Tables 2-13 and 2-15 that reflect actual data for 2012. If actual capital expenditures for all of 2012 are not yet available, please update the tables to reflect the most recent actual data available, along with the current estimate for the remaining months in 2012.
- b) Please confirm that given the transition to MIFRS will not take place until 2014, that the 2013 test year rate base should reflect the average of the closing balance in 2012 under CGAAP (Table 2-13) and a revised version of Table 2-16 which reflects 2013 data based on the proposed capitalization and deprecation changes.
- c) Please provide a revised Table 2-16 that shows the opening balance as being from Table 2-13 for 2012 under CGAAP.

- d) Please show where smart meters have been added into the net book value in the continuity schedules.
- e) Please show where stranded meters have been removed from the net book value in the continuity schedules.

PUC Response

- a) In the original application Table 2-13 is the Bridge year without the change in capitalized overhead and estimated useful lives. Table 2-15 is the Bridge year with the change in estimated useful lives and capitalization of overhead as originally filed under IFRS. PUC has deferred implementation of IFRS and is requesting the Board to approve the rate application under GGAAP with the change in estimated useful lives and capitalization of overheads in 2012. PUC has provided a revised Table 2-15 with 2012 unaudited actuals that reflect the change to useful lives and capitalization of overheads.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing is the removal of the request for a 1575 deferred PP&E account. The impacts of the changes in the useful lives and overhead capitalization policies effective January 1 2012 will be recorded in account 1576 – *Accounting changes under CGAAP*.

Therefore, PUC does not confirm that the rate base should reflect the average of the closing balance in 2012 under CGAAP (Table 2-13) and a revised version of Table 2-16 which reflects 2013 data based on the proposed capitalization and deprecation changes.

- c) PUC originally filed Table 2-16 in the application as IFRS with the changes in useful lives and overhead capitalization. Since PUC is electing to defer IFRS implementation, the change in useful lives and capitalization of overheads will be adopted as an accounting change under CGAAP in 2012.
- d) In Table 2-15 smart meters are added on the line 1860 "smart meters" for \$5,913,667 and accumulated depreciation of \$1,214,530; line 1920 "computer hardware smart meters" for \$11,760 and accumulated depreciation \$5,232; line 1925 "computer software smart meters" for \$492,267 and accumulated depreciation \$256,817.
- e) In Table 2-16 stranded meters are removed on line 1860 "meters" for \$4,437,111 and accumulated depreciation of \$3,087,554.

Exhibit 2 - Issue #16 - Cost of Power Calculation

Energy Probe – IR 2-EP-11

Ref: Exhibit 2, Tab 4, Schedule 1

- a) Please show the derivation of the rates used in Table 2-25 for RPP customers (\$0.07565) and non-RPP customers (\$0.07191).
- b) How has PUC forecasted the RPP and non-RPP volumes shown in Table 2-25?

PUC Response

- a) In Table 2-25 the derivation of the rates used for the RPP and non-RPP customers is from the Regulated Price Plan Report issued by the OEB on October 17, 2011.

For the RPP customers an excerpt from the report is included below showing the calculation of the \$0.07565.

RPP Price Report – Fall 2011

Table 2: Average RPP Supply Cost Summary

<i>RPP Supply Cost Summary</i>	
for the period from November 1, 2011 through October 31, 2012	
	Current
Forecast Wholesale Electricity Price	\$31.83
Load-Weighted Price for RPP Consumers (\$ / MWh)	\$34.62
Impact of the Global Adjustment (\$ / MWh)	+ \$40.08
Adjustment to Address Bias Towards Unfavourable Variance (\$ / MWh)	+ \$1.00
Adjustment to Clear Existing Variance (\$ / MWh)	+ (\$0.06)
Average Supply Cost for RPP Consumers (\$ / MWh)	= \$75.65

For the non-RPP customers the rate used is the \$31.83 per MWh for the Forecast Wholesale Electricity Price plus \$40.08 per MWh for the Impact of the Global Adjustment resulting in \$71.91 per MWh or \$0.07191 per kWh.

In Exhibit 2, Tab, 4 Schedule 2, page 1, PUC states that it will update the electricity prices used in the cost of power calculation should the OEB publish a revised Regulated Price Plan Report prior to a Decision. On October 17, 2012 the OEB issued an updated Regulated Price Plan Report for November 1, 2012 to October 31, 2013. PUC proposes to adjust the cost of power calculation for the updated RPP amounts and to include in the revised revenue requirement work form as requested in **Board Staff - IR 1-Staff-2**.

The Regulated Price Plan Report issued October 17, 2012 is as follows:

Table ES-1: Average RPP Supply Cost Summary (for the 12 months from November 1, 2012)

<i>RPP Supply Cost Summary</i>	
for the period from November 1, 2012 through October 31, 2013	
	Current
Forecast Wholesale Electricity Price	\$20.65
Load-Weighted Price for RPP Consumers (\$ / MWh)	\$23.06
Impact of the Global Adjustment (\$ / MWh)	+ \$59.36
Adjustment to Address Bias Towards Unfavourable Variance (\$ / MWh)	+ \$1.00
Adjustment to Clear Existing Variance (\$ / MWh)	+ (\$4.10)
Average Supply Cost for RPP Consumers (\$ / MWh)	= \$79.32

Therefore, the RPP rate to be used in the revised cost of power calculation is \$0.07932 per kWh for RPP customers and \$0.08001 per kWh for Non-RPP customers (Forecast Wholesale Electricity Price \$20.65 plus the Impact of Global Adjustment \$59.36).

In the revised cost of power calculation PUC included the change in the forecast 2013 test year kWh's as stated in Exhibit 3 for the changes in the CDM adjustment. Also, PUC revised the cost of power calculation for the Decision issued by the OEB on Mach 21, 2013, EB-2013-0067 for revised wholesale market service charges and rural rate charges.

PUC has included below a revised cost of power calculation.

The cost of power amount with the revised rates is \$67,087,680 vs. \$63,539,559 as originally filed in the application.

b) PUC forecast RPP and Non-RPP volumes on Table 2-25 based on historical percentages.

<u>Electricity - Commodity - RPP</u>		2013 Forecasted Metered kWhs	2013 Loss Factor			
Class per Load Forecast				2013		
Residential	305,688,741	1.0489	320,636,921	\$0.07932	\$25,432,921	
Residential - Non-RPP	33,583,927	1.0489	35,226,181	\$0.08001	\$2,818,447	
General Service < 50	86,296,784	1.0489	90,516,696	\$0.07932	\$7,179,784	
General Service < 50 Non-RPP	15,793,342	1.0489	16,565,637	\$0.08001	\$1,325,417	
General Service > 50	49,251,626	1.0489	51,660,031	\$0.07932	\$4,097,674	
General Service >50 Non-RPP	202,160,454	1.0489	212,046,100	\$0.08001	\$16,965,808	
USL	872,123	1.0489	914,770	\$0.07932	\$72,560	
Sentinel Lights	253,942	1.0489	266,360	\$0.08001	\$21,311	
Street Lights	7,900,227	1.0489	8,286,548	\$0.08001	\$663,007	
TOTAL	701,801,166		727,566,335		\$58,576,928	
<u>Transmission - Network</u>		Volume Metric		2013		
Class per Load Forecast						
Residential		kWh	355,863,102	\$0.0066	\$2,348,696	
General Service < 50		kWh	107,082,333	\$0.0061	\$653,202	
General Service > 50		kW	627,735	\$2.4921	\$1,564,378	
USL		kWh	914,770	\$0.0061	\$5,580	
Sentinel Lights		kW	710	\$1.8891	\$1,341	
Street Lights		kW	22,660	\$1.8795	\$42,589	
TOTAL					\$4,615,788	
<u>Transmission - Connection</u>		Volume Metric		2013		
Class per Load Forecast						
Residential		kWh	355,863,102	\$0.0000	\$0	
General Service < 50		kWh	107,082,333	\$0.0000	\$0	
General Service > 50		kW	627,735	\$0.0000	\$0	
USL		kWh	228,508	\$0.0000	\$0	
Sentinel Lights		kW	710	\$0.0000	\$0	
Street Lights		kW	22,660	\$0.0000	\$0	
TOTAL					\$0	
<u>Wholesale Market Service</u>		Volume Metric		2013		
Class per Load Forecast						
Residential		kWh	355,863,102	\$0.0044	\$1,565,798	
General Service < 50		kWh	107,082,333	\$0.0044	\$471,162	
General Service > 50		kWh	212,046,100	\$0.0044	\$933,003	
USL		kWh	914,770	\$0.0044	\$4,025	
Sentinel Lights		kWh	266,360	\$0.0044	\$1,172	
Street Lights		kWh	8,286,548	\$0.0044	\$36,461	
TOTAL					\$3,011,621	
<u>Rural Rate Assistance</u>		Volume Metric		2013		
Class per Load Forecast						
Residential		kWh	355,863,102	\$0.0012	\$427,036	
General Service < 50		kWh	107,082,333	\$0.0012	\$128,499	
General Service > 50		kWh	263,706,131	\$0.0012	\$316,447	
USL		kWh	914,770	\$0.0012	\$1,098	
Sentinel Lights		kWh	266,360	\$0.0012	\$320	
Street Lights		kWh	8,286,548	\$0.0012	\$9,944	
TOTAL					\$883,343	
<u>Low Voltage</u>		Volume Metric		2013		
Class per Load Forecast						
Residential		kWh	355,863,102	\$0.0000	\$0	
General Service < 50		kWh	107,082,333	\$0.0000	\$0	
General Service > 50		kW	44,045	\$0.0000	\$0	
USL		kWh	228,508	\$0.0000	\$0	
Sentinel Lights		kW	710	\$0.0000	\$0	
Street Lights		kW	22,660	\$0.0000	\$0	
TOTAL					\$0	
	2013					
4705-Power Purchased	\$58,576,928					
4708-Charges-WMS	\$3,011,621					
4714-Charges-NW	\$4,615,788					
4716-Charges-CN	\$0					
4730-Rural Rate Assistance	\$883,343	included in 4708				
4750-Low Voltage	\$0					
TOTAL	67,087,680					

EXHIBIT 3 – OPERATING REVENUE

Summary of PUC's Proposal on Load Forecast and CDM Savings as a result of the interrogatories

In the application PUC applied for a 9,249,000 kWh manual adjustment in the 2013 test year to reflect CDM savings. The 9,249,000 kWh CDM savings was based on the *Electricity Conservation and Demand Targets* Board file number EB-2010-0216 issued June 22, 2012. PUC's 2011-2014 net cumulative energy savings target is 30.83 GWh. Based on the CDM schedule from the OPA in 2013 the target conservation is 30% of the cumulative energy savings target. Therefore, PUC applied 30% of the 30.83 GWh (9,249,000 kWh) as CDM savings in the 2013 test year in the application.

Upon review of the IR's, PUC has proposed changes to the CDM savings requested in the 2013 test year. PUC proposes the CDM adjustment be updated to include the 2011 actual CDM results. PUC has revised the CDM savings to take into consideration the 2011 results and their persistence and then assumed equal increments for 2012, 2013 and 2014 to achieved PUC's CDM target of 30.83GWh.

PUC completed the following table and is included in response to Board Staff IR-3-Staff-24. The table includes the 2011 actual results and their persistence in equal increments for 2012, 2013, and 2014.

		30,830,000				
		2011	2012	2013	2014	Total
	2011 Programs	8.9%	8.9%	8.9%	8.5%	35.2%
	2012 Programs		10.8%	10.8%	10.8%	32.4%
	2013 Programs			10.8%	10.8%	21.6%
	2014 Programs				10.8%	10.8%
		8.9%	19.7%	30.5%	40.9%	100.0%
		kWh				
		2011	2012	2013	2014	Total
	2011 Programs	2,744,164	2,744,164	2,744,164	2,632,822	10,865,312
	2012 Programs		3,327,448	3,327,448	3,327,448	9,982,344
	2013 Programs			3,327,448	3,327,448	6,654,896
	2014 Programs				3,327,448	3,327,448
		2,744,164	6,071,612	9,399,059	12,615,165	30,830,000

Based on the above table PUC proposes its CDM preliminary adjustment should be 9,399,059 for the 2013 test year. PUC also recognizes the 2011 purchased energy used in the regression analysis is the actual data and already reflects the impact of the CDM programs implemented in 2011 essentially "double counting". This issue is addressed below in interrogatory IR 3-VECC-19.

PUC is proposing the CDM adjustment for the 2013 test year should be further reduced by the 2011 results since the regression analysis includes 2011 actual purchases. The CDM adjustment should be further reduced by the 2011 results of 2,744,164 kWhs resulting in 6,654,896 CDM adjustment in the 2013 test year (9,399,059-2,744,164).

Therefore, the manual adjustment to the 2013 test year kWh forecast purchases is proposed as

the net CDM savings of 6,654,894 (as above) X PUC proposed loss factor of 1.0489% for a total of 6,980,320 kWh.

PUC has included below a revised Table 3-24-*Summary of Load Forecast* reflecting the 6,980,320 kWh CDM savings reduction. The revised load forecast has been used in the interrogatory responses including the RRWF and Bill Impacts. Board Staff IR1-Staff-2 lists all proposed adjustments by PUC as a result of the interrogatories.

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Weather Normal	2013 Weather Normal (including CDM Adjustment)
Actual kWh Purchases	755,126,020	757,685,752	749,219,032	728,093,333	738,093,576	740,966,486	732,869,984	714,199,062	745,049,194		
Predicted kWh Purchases	752,186,605	747,941,289	742,744,460	722,674,603	739,500,414	748,042,540	745,709,118	726,958,624	735,544,787	741,365,477	734,385,157
% Difference	-0.4%	-1.3%	-0.9%	-0.7%	0.2%	1.0%	1.8%	1.8%	-1.3%		
Billed kWh	719,286,098	727,308,120	717,783,995	697,140,805	701,800,772	710,698,626	707,756,700	683,757,862	711,929,017	709,771,503	702,791,183
By Class											
Residential											
Customers	28,544	28,560	28,576	28,596	28,630	28,780	28,971	29,057	29,124	29,197	29,271
kWh	351,037,890	356,490,492	347,274,259	335,395,539	338,874,337	347,363,230	348,619,359	326,493,714	345,282,279	343,919,087	340,262,684
General Service < 50											
Customers	3,230	3,247	3,274	3,301	3,302	3,325	3,352	3,345	3,366	3,383	3,401
kWh	96,164,282	95,721,847	95,591,622	86,770,873	94,225,468	93,474,158	91,450,221	91,377,364	101,728,299	102,252,688	102,090,126
General Service >50											
Customers	419	424	431	432	429	426	433	435	403	401	399
kWh	263,763,186	266,586,772	266,071,754	266,238,407	259,930,403	261,123,945	258,998,141	257,036,820	255,968,368	254,567,184	251,412,080
kW	659,827	673,069	682,195	657,827	657,184	650,699	637,622	635,104	629,024	635,612	627,735
USL											
Customers	12	19	27	28	27	22	17	16	19	20	21
kWh	851,637	842,654	845,827	856,153	863,982	848,325	823,448	837,229	874,873	877,822	872,123
Sentinel Lights											
Connections	466	466	459	449	443	435	423	411	402	395	387
kWh	276,562	291,228	281,406	274,009	269,054	268,763	262,522	258,147	260,362	258,405	253,942
kW	768	873	784	766	747	744	730	714	703	722	710
Street Lights											
Connections	8,619	8,635	8,642	8,663	8,707	8,741	8,799	8,846	8,846	8,875	8,904
kWh	7,192,541	7,375,127	7,719,127	7,605,824	7,637,528	7,620,205	7,603,009	7,754,588	7,814,836	7,896,317	7,900,227
kW	21,295	21,340	21,295	23,029	21,406	21,317	21,346	23,264	21,619	22,649	22,660
Total of Above											
Customer/Connections	41,290	41,351	41,409	41,469	41,538	41,729	41,995	42,110	42,160	42,271	42,383
kWh	719,286,098	727,308,120	717,783,995	697,140,805	701,800,772	710,698,626	707,756,700	683,757,862	711,929,017	709,771,503	702,791,181
kW from applicable classes	681,890	695,282	704,274	681,622	679,337	672,760	659,698	659,082	651,346	658,984	651,105
Total from Model											
Customer/Connections	41,290	41,351	41,409	41,469	41,538	41,729	41,995	42,110	42,160	42,271	42,383
kWh	719,286,098	727,308,120	717,783,995	697,140,805	701,800,772	710,698,626	707,756,700	683,757,862	711,929,017	709,771,503	702,791,181
kW from applicable classes	681,890	695,282	704,274	681,622	679,337	672,760	659,698	659,082	651,346	658,984	651,105

Exhibit 3 - Issue #1 - Load Forecast

Board Staff – IR 3-Staff-17

Ref: Exh 3-2-1

Ref: Exh 2-3-1

In Exhibit 2/Tab 3/Schedule 1, PUC has included a report (the “Metsco Load Forecast Report”) by an external consultant Metsco Energy Solution entitled “Load Forecast Report for Asset Management Plan 2013-2016” and dated August 2012. Board staff interprets that the purpose of the Metsco Load Forecast Report is to assess whether there would be any changes in PUC’s expected consumption or peak demand over the time horizon of the Asset Management Plan that would indicate any capacity constraints in PUC’s system which would suggest investments to increase the existing and forecasted capital investments to handle the new demand.

PUC has also provided its own load forecast in Exhibit 3/Tab 2/Schedule 1.

- a) Please confirm or correct Board staff’s understanding of the Metsco Load Forecast Report.
- b) Why would the load forecast prepared for the Metsco Load Forecast Report not also be suitable for the 2013 test year forecast in terms of number of customers and connections, consumption (kWh), and demand (kW)?
- c) Please provide a comparison of the regression based approaches in the Metsco Load Forecast Report and Exhibit 3/Tab 2/Schedule 1. The comparison should include the following:
 - i. Regression results, including overall regression statistics (F-statistic, R2, adjusted R2, Durbin-Watson, etc.)
 - ii. Variables (including definitions), estimated coefficients and t-statistics;
 - iii. Estimated annual results for all years from 2003 to 2013 test year; and
 - iv. Mean Absolute Percentage Error of the residuals for the regression period.

PUC Response

- a) PUC confirms the Board Staff’s understanding of the Metsco Load Forecast Report.
- b) The methodology used in PUC’s regression analysis in Exhibit 3 has been approved by the OEB in prior rate applications for the use of forecast billing determinants for rate setting purposes. The Metsco load forecast was prepared with the primary objective of determining capacity upgrade requirements for the existing transformer stations and distribution stations.

Although the methodology is similar between the Metsco weather normalization and the weather normalization in Exhibit 3, there are differences in the methodology that cause variances in the test year predicted kWh’s.

The differences are as follows:

- PUC incorporated a CDM adjustment as per the OEB guidelines. The total adjustment in the original application for the 2013 test year was 9,249,000 kWhs.

- PUC used 9 historical years of data and Metsco used 7 years of historical data.
 - PUC used the kWhs from the IESO controlled grid and from embedded generators. There may be some slight differences in the kWh's that Metsco used with the embedded generators.
 - PUC used Heating Degree Days, Cooling Degree Days, Number of days in the month, and the Spring Fall Flag. In addition to those variables Metsco used the Ontario GDP and the Stock Market Index. PUC originally performed the regression analysis using the Ontario GDP, Number of Peak Hours, and Number of Customers, but those variables were removed since the t-stat absolute value was not higher than 2 and was determined to not be statistically significant.
 - Overall PUC's regression analysis has an RSquare of 98% and Metsco has an Rsquare of 95.5%.
- c) PUC has provided below a comparison of the regression analysis statistics based on the information available by Metsco and the weather normalization prepared in Exhibit 3. PUC submits that the load forecast for the 2013 test year is not materially different between the Metsco report and Exhibit 3. The resulting variance between the reports when the CDM adjustment is not included is 0.08%

	Exhibit 3	Metsco Report
Regression Results		
R Square Factor	98%	95.5%
Adjusted R Square	98%	95.3%
F Test	1305.86	565.06
T-Stat by Coefficient		
Intercept	-1.33	
Constant		64.10
Heating Degree Days	56.12	39.60
Cooling Degree Days	7.09	
Number of Days in the Month	8.71	
Time Trend		-1.95
Seasonal Flag	-6.79	7.84
Durbin-watson – not available in models used		
Metsco report did not provide estimated annual results for 2003 to 2012		
Predicted Purchases 2013 kWh	732,116,477	741,913,156
CDM Adjustment	9,249,000	
Total without CDM	741,365,477	741,913,156
Difference (kWh)	547,679	
Percentage difference in 2013	0.08%	

Board Staff – IR 3-Staff-18

Ref: Exh 3-2-1, Page 3

In Table 3-3, PUC provides a summary of Load and Customer/Connection Forecast. Please provide Table 3-3 again but exclude any CDM adjustments from the Billed (kWh) column for 2012 and 2013 and recalculate the Growth (kWh) and Percent Change for 2012 and 2013.

PUC Response

PUC has revised Table 3-3 below to exclude any CDM adjustments for the Billed (kWh) for 2012 and 2013 and recalculated the growth and percentage change for 2012 and 2013.

Summary of Load and Customer/Connection Forecasts						
Year	Billed (kwh)	Growth	Percentage Change	Customer/ Connection Count	Growth	Percentage Change
2008 Board Approved	722,401,293			41,610		
2003 Actual	719,286,098			41,290		
2004 Actual	727,308,120	8,022,022	1.1%	41,351	61	0.15%
2005 Actual	717,783,995	(9,524,125)	-1.3%	41,409	58	0.14%
2006 Actual	697,140,805	(20,643,190)	-2.9%	41,469	60	0.14%
2007 Actual	701,800,772	4,659,967	0.7%	41,538	69	0.17%
2008 Actual	710,698,626	8,897,854	1.3%	41,729	191	0.46%
2009 Actual	707,756,700	(2,941,926)	-0.4%	41,995	266	0.64%
2010 Actual	683,757,862	(23,998,838)	-3.4%	42,110	115	0.27%
2011 Actual	711,929,017	28,171,155	4.1%	42,160	50	0.12%
2012 Normalized Bridge	709,771,503	(2,157,514)	-0.3%	42,271	111	0.26%
2013 Normalized Test	709,771,503	-	0.0%	42,383	112	0.26%

Board Staff – IR 3-Staff-19

Ref: Exh 3-2-1, Page 3

PUC documents that it has used a multivariate regression model to estimate purchased system kWh based on the following exogenous variables:

- Constant
 - Heating Degree Days (“HDD”) as measured at Sault Ste Marie Station
 - Cooling Degree Days (“CDD”) as measured at Sault Ste Marie Station
 - Number of Days in the Month; and
 - Spring/Fall Binary Flag.
- a) What other variables were tried to account for market size or for economic activity in PUC’s service territory? If other variables were tried, what were the results and why were they omitted from the preferred model?

- b) Did PUC try any variables to account for CDM impacts in the regression period?
 - i. If yes, please identify the variable(s) tried, the data and data source, the results, and why such variables were omitted from the proposed model.
 - ii. If no CDM variables were tried, please explain why not.

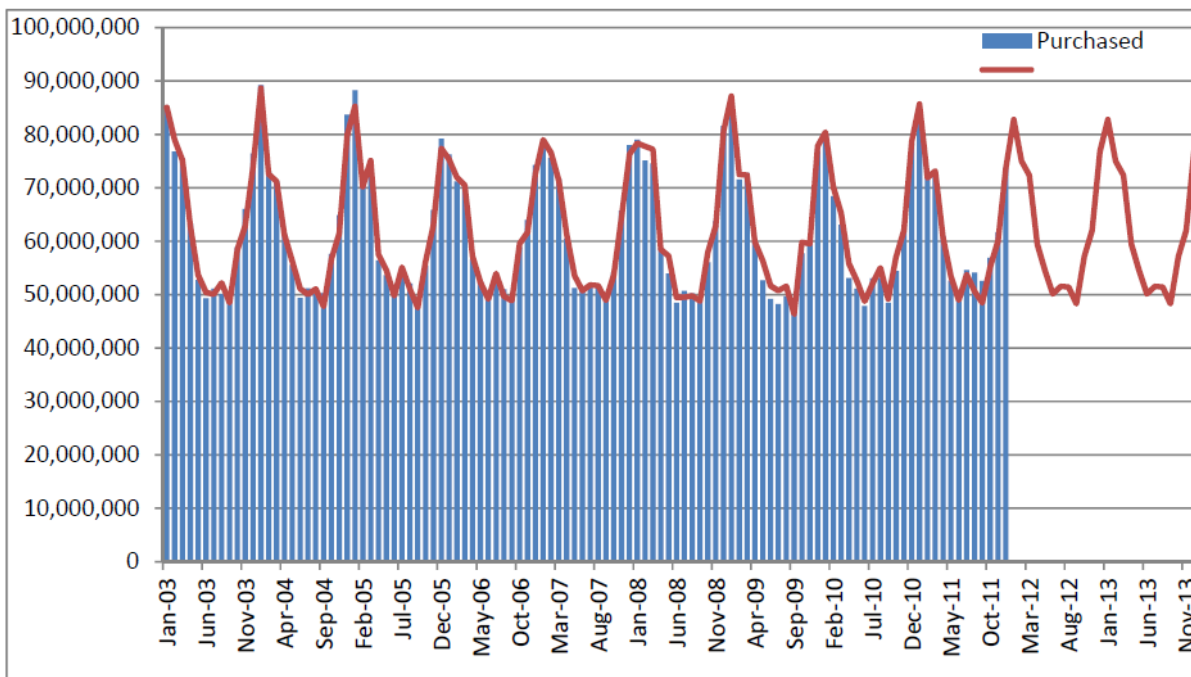
PUC Response

- a) The other variables PUC tried were the number of peak hours, number of customers and Ontario Real GDP. These variables were omitted from the regression analysis as they did not have a t-stat value above the absolute value of 2. Therefore, the variables were not statistically significant to the analysis.
- b) To account for the CDM impact PUC applied a savings of 9,249,000 kWh to the 2013 test year. The CDM savings were based on the *Electricity Conservation and Demand Management Targets* Board file number EB-2010-0216 issued June 22, 2012. PUC's 2011-2014 net cumulative energy savings target is 30.83 GWh. Based on the CDM schedule from the OPA in 2013 the target conservation is 30% of the cumulative energy savings target. Therefore, PUC applied 30% of the 30.83 GWh as CDM savings in the 2013 test year. PUC did not use any other CDM variables. It is PUC's understanding the CDM variables have caused concerns in other rate applications and therefore it was not included in the analysis.

Board Staff – IR 3-Staff-20

Ref: Exh 3-2-1

Based on the data contained on sheet "Purchased Power Model" of "PUC Distribution _2012 _COS_Application_Weather_Normalization Regression Model_20121106.xls", Board staff has prepared the following graph showing the actual and predicted results from PUC purchased system load forecast model.



Please confirm or correct this graph.

PUC Response

PUC has reviewed the graph and to the best of its knowledge it appears to be materially correct.

Board Staff – IR 3-Staff-21

Ref: Exh 3-2-1. Page 5

In Table 3-5, PUC provides a summary of annual kWh usage per customer/connection by rate class.

- a) For the Residential, GS < 50 kW, and GS >50kW classes, the annual usage in 2011 increased by 5.5%, 10.6%, and 7.5% respectively. Please explain the reason(s) for these increases.
- b) For the USL class, the annual usage in 2011 dropped by 12.0%; however in 2008 and 2009 the annual usage were increased by 20.5% and 25.6% respectively. Please explain the cause(s) of the fluctuation.

PUC Response

- a) In 2010 the energy consumption was unusually low due to weather conditions. In 2011 the increase in consumption is consistent with the increase in energy purchases and “normal” weather conditions.
- b) Overall, the USL rate class has an average of 21 customers from 2003 to the test year.

Due to there being a relatively small number of customers in the USL rate class the addition or removal of customers may cause significant fluctuations depending on a particular customers' consumption.

In 2011, PUC had an additional 3 USL customers. Compared to 2010 the additional 3 customers in 2011 had consumption below the average per customer usage resulting in a decrease growth rate per customer of 12%.

In 2008 and 2009 PUC had a decrease of 5 USL customers but the average consumption decrease was not consistent resulting in an increase in the growth rate per customer. Furthermore, if the USL customer was removed near the end of the year the consumption would still be included in the annual comparisons.

Board Staff – IR 3-Staff-22

Ref: Exh 3-2-1, Page 13-15

On page 15 of the above reference, PUC states that the resulting geometric mean was applied to the customer/connection numbers to determine the forecast of customer/connections in 2012 and 2013.

Please provide any material (e.g. number of building permits requested, Town population forecast) supporting the proposed 2013 customer/connection forecasts.

PUC Response

Based on the actual 2003 to 2011 customer counts, PUC applied a geometric mean of 1.0025 to residential customers; 1.0052 to GS<50 customers; 0.9951 to GS> 50 customers; 1.0591 to USL customers; 0.9817 to Sentinel Lights customers and 1.0033 to Street Light customers. The geometric mean indicates a service area with little growth which is the case in the City of Sault Ste. Marie. PUC is not aware of any significant residential developments or new industries.

PUC has provided below historical population and information from census Canada for the City of Sault Ste. Marie.

Canada census – Sault Ste. Marie, Ontario Community Profile

	<u>2011</u>	<u>2006</u>	<u>2001</u>
Population:	75,141 (0.3% from 2006)	74,948 (0.5% from 2001)	74,566 (-6.9% from 1996)
Land area:	223.26 km ² (86.20 sq mi)	221.71 km ² (85.60 sq mi)	223.45 km ² (86.27 sq mi)
Population density:	336.6 /km ² (872 /sq mi)	338.0 /km ² (875 /sq mi)	333.7 /km ² (864 /sq mi)
Median age:		43.9 (M: 42.9, F: 44.7)	41.0 (M: 40.2, F: 41.8)
Total private dwellings:	33,901	33,378	32,822
Mean household income:		\$49,590	\$43,557

Historical populations		
Year	Pop.	±%
1871	879	—
1881	780	-11.3%
1891	2,414	+209.5%
1901	7,169	+197.0%
<u>1911</u>	10,984	+53.2%
1921	21,092	+92.0%
1931	23,082	+9.4%
1941	25,620	+11.0%
1951	32,452	+26.7%
1961	43,088	+32.8%
1971	80,332	+86.4%
1981	82,697	+2.9%
1991	81,476	-1.5%
<u>1996</u>	80,054	-1.7%
<u>2001</u>	74,566	-6.9%
<u>2006</u>	74,948	+0.5%
<u>2011</u>	75,141	+0.3%

VECC – IR 3-VECC-16

Reference: Exhibit 3, Tab 2, Schedule1, page 4

- a) Are the values shown for number of customers/connections year end values or average annual values?

PUC Response

- a) The values shown for the number of customers/connections are the average annual values.

Energy Probe – IR 3-EP-12

Ref: Exhibit 3, Tab 2, Schedule 1

Please update Table 3-14 to reflect actual customers by rate class for 2012.

PUC Response

PUC has provided below an updated Table 3-14 to compare actual customers by rate class for 2012.

	Residential	GS<50	GS>50	USL	Sentinel Lights	Street Lights
Actual Beginning 2012	29,178	3,413	371	21	402	8,846
Actual Ending 2012	29,282	3,402	374	21	378	8,846
Average	29,230	3,407	373	21	390	8,846
2012 Bridge Year	29,197	3,383	401	20	398	8,875
Difference	33	24	(28)	1	(8)	(29)

VECC – IR 3-VECC-17

Reference: Exhibit 3, Tab 2, Schedule 1, pages 7-8

- a) Please provide the regression analysis results (i.e., equation and statistics) for the equations tested with GDP.
- b) Did PUC test any regressions using a measure of local employment as an explanatory variable? If yes, what were the results? If not, why not?

PUC Response

- a) PUC has provided below the regression analysis results when including the GDP.
- b) PUC did not test any regression measures using local employment as an explanatory variable. PUC considers the heating degree days and cooling degree days to be a significant variable in Northern Ontario. PUC is not aware of any significant changes in population or economic factors that would warrant including the local employment rates as a variable.

SUMMARY OUTPUT						
<i>Regression Statistics</i>						
Multiple R	0.990368359					
R Square	0.980829486					
Adjusted R Square	0.979889755					
Standard Error	1655987.813					
Observations	108					
<i>ANOVA</i>						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	5	1.43111E+16	2.86223E+15	1043.734206	7.16866E-86	
Residual	102	2.79714E+14	2.7423E+12			
Total	107	1.45909E+16				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-3692634.249	7718952.066	-0.478385436	0.633399688	-19003139.07	11617870.57
Heating Degree Days	42048.43773	750.8356895	56.00218306	2.07113E-78	40559.1587	43537.71676
Cooling Degree Days	93357.68005	13177.91988	7.084401857	1.84692E-10	67219.33845	119496.0216
Number of Days in Month	1758467.711	201663.7928	8.719798861	5.47941E-14	1358468.534	2158466.888
Spring Fall Flag	-2557180.397	377449.7523	-6.77488959	8.16921E-10	-3305850.191	-1808510.603
Ontario Real GDP Monthly %	-33379.23977	35409.18314	-0.942671838	0.34807619	-103613.1866	36854.7071

SEC– IR 3-SEC17

3/2/1

Tables 3-12 and 3-14. Please provide whatever information is available to the Applicant to explain why GS>50 is projected to drop from 426 customers in 2008 to 399 in 2013, particularly in the context of both residential and GS<50 increasing over the same period.

PUC Response

In 2010 PUC reviewed all General Service customers and historical consumption. As a result of this review some customers were re-classed to GS<50 from GS>50. This resulted in a decrease in the projected customers in 2013 for the GS>50. The increase in residential customers is due to the average historical growth rate applied to the 2013 forecast.

SEC– IR 3-SEC18

[3/2/1, Tables 3-15 and 3-21]

Please reconcile the GS>50 figures in these two tables.

PUC Response

Table 3-15 is the historical annual usage per customer in kWh. Table 3-21 is the historical annual kW for the GS>50.

Exhibit 3 - Issue #2 - CDM Savings

Board Staff – IR 3-Staff-23

Ref: Exh 3-2-1, Page 10

On page 10 of this exhibit, PUC states:

PUC applied a savings of 9,249,000 kWh to the 2013 test year forecast. The CDM savings was pro-rated to the rate classes based on the 2013 weather corrected forecast. The CDM savings is based on the Electricity Conservation and Demand Management Targets Board File Number EB-2010-0216 issued June 22, 2010. PUC's 2011-2014 net cumulative energy savings target is 30.83 GWh. Based on the CDM schedule from the OPA in 2013 the target conservation is 30% of the cumulative energy savings target. Therefore, PUC applied 30% of the 30.83 GWh as CDM savings in the 2012 test year.

The OPA's results on PUC's 2011 CDM results were filed in the supplemental application evidence filed on December 4, 2012.

Please provide a table showing the "net" and "gross" CDM results by year, and including the estimated persistence over time up to and including the 2013 test year, similar to the following:

Year	OPA 2006-2011 Final CDM Results (Gross) (a)	OPA 2006-2011 Final CDM Results (Net) (b)	Difference (c) = (a) – (b)	% Difference of Net (d) = (c) / (b)
2006				
2007				
2008				
2009				
2010				
2011				
2012				
2013				

PUC Response

In the Table below PUC provided the "net" and "gross" CDM results by year, and including the estimated persistence over time up to and including the 2013 test year. In the original application PUC's average net to gross percentage was 71.0%. In the revised Table below the amount is 66.7% when including the 2011 final OPA results.

	OPA 2006-2011 Final CDM Results (gross)	OPA 2006-2011 Final CDM Results (net)	Difference	% of net defference
2006	3,510,000	3,143,000	367,000	11.7%
2007	11,353,000	5,960,000	5,393,000	90.5%
2008	12,078,000	7,764,000	4,314,000	55.6%
2009	14,154,000	8,968,000	5,186,000	57.8%
2010	10,780,000	5,980,000	4,800,000	80.3%
2011	14,097,276	8,153,164	5,944,112	72.9%
2012	13,507,267	7,907,164	5,600,103	70.8%
2013	13,484,276	7,895,164	5,589,112	70.8%
Total	92,963,819	55,770,492	37,193,327	66.7%

Board Staff – IR 3-Staff-24

Ref: Exh 3-2-1

PUC has proposed to use a CDM target of 30% as the CDM adjustment for the 2013 load forecast amount to take into account the persistence of 2011 and 2012 CDM programs, and the impact of 2013 CDM programs on 2013 demand (consumption, measured in kWh).

An alternative approach, assuming that final 2011 CDM results are available for PUC as reported by the OPA, is to taken into account the 2011 results and their persistence, and then to assume an equal increment for each of 2012, 2013, and 2014 so as to achieve PUC's CDM target of 30.83 GWh.

Based on PUC's actual 2011 OPA results, please fill out a table similar to the following (taken from Thunder Bay Hydro Electricity Distribution Inc.'s 2013 rates application EB-2012-0167):

Table 3-2.22: Schedule to Achieve 4 Year kWh CDM Target

4 Year 2011 to 2014 kWh target					
	47,380,000				
	2011	2012	2013	2014	Total
2011 Programs	4.6%	4.6%	4.6%	4.3%	17.9%
2012 Programs		13.7%	13.7%	13.7%	41.0%
2013 Programs			13.7%	13.7%	27.4%
2014 Programs				13.7%	13.7%
	4.6%	18.2%	31.9%	45.3%	100.0%
kWh					
2011 Programs	2,157,479	2,157,479	2,157,479	2,031,020	8,503,456
2012 Programs		6,479,424	6,479,424	6,479,424	19,438,272
2013 Programs			6,479,424	6,479,424	12,958,848
2014 Programs				6,479,424	6,479,424
	2,157,479	8,636,903	15,116,327	21,469,292	47,380,000

PUC Response

PUC has updated the table below with the actual 2011 OPA results.

		30,830,000				
		2011	2012	2013	2014	Total
	2011 Programs	8.9%	8.9%	8.9%	8.5%	35.2%
	2012 Programs		10.8%	10.8%	10.8%	32.4%
	2013 Programs			10.8%	10.8%	21.6%
	2014 Programs				10.8%	10.8%
		8.9%	19.7%	30.5%	40.9%	100.0%
		kWh				
		2011	2012	2013	2014	Total
	2011 Programs	2,744,164	2,744,164	2,744,164	2,632,822	10,865,312
	2012 Programs		3,327,448	3,327,448	3,327,448	9,982,344
	2013 Programs			3,327,448	3,327,448	6,654,896
	2014 Programs				3,327,448	3,327,448
		2,744,164	6,071,612	9,399,059	12,615,165	30,830,000

Board Staff – IR 3-Staff-25

Ref: Exh 3-1-3

Board staff understands that the results as reported by the OPA are “annualized” (i.e. assume that all CDM programs, including the current year’s program, are in effect for the full year, from January 1 to December 31). While the full year effect for persistence of prior year CDM programs would be in place for the full year, CDM programs implemented in a given year would not have the full impact in the first year, due to timing.

The measured “full year” results, as measured by the OPA, will be used for the basis of the LRAMVA amount. However, the “full year” results in the first year of a CDM program, will overstate the actual results unless the program was implemented on January 1 of that year.

In the absence of any other information, a “half-year” rule (i.e. assuming that half of the incremental impact of programs introduced in a year is actually realized in the calendar year of introduction) may be a proxy for the actual impact, ignoring all other factors (i.e. seasonality).

- a) Please provide PUC’s understanding of the results as published by the OPA (i.e. are the full year or do they only reflect the period that a CDM program is in place in its first year).
- b) If a “half-year” rule is used to account for the fact that 2013 CDM programs will not have a full year impact on 2013 actual consumption, please provide PUC’s perspective that the adjustment for the 2012 and 2013 CDM programs on 2013 demand would be estimated as “N” kWh X 1.5 (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X (1 + g) X (1 + loss factor), where N is the number of kWh of incremental CDM savings needed in each of 2012, 2013 and 2014, as determined in the preceding Board staff interrogatory, and g is the “net” to “gross” conversion factor for 2013 as calculated in the response to 3-Staff-8 and “loss factor” is the proposed 2013 loss factor of 4.89% from Exhibit 8/Tab 1/Schedule 5.
- c) While the above is to adjust the load forecast which is on an “actual” year basis,

the LRAMVA is based on the measured OPA results reported on a full year basis. Please confirm that the LRAMVA threshold would continue to be based on the “full year” CDM results of 2.74 GWh (i.e. persistence of 2011 CDM) + N X 2 (i.e. persistence of 2012 and impact of 2013 CDM) results. In this case, “M” would be the persistence of 2011 CDM programs on 2013 consumption as reported on a “net” basis in the final 2011 CDM results for PUC.

PUC Response

- a) It is PUC’s understanding the results published by the OPA are based on the full year.
- b) Assuming the “half-year” rule is used to account for 2013 CDM programs not being in place for a full year, the adjustment for 2012 and 2013 CDM programs on 2013 demand would be estimated as 3,327,448 kWh X 1.5 (reflecting full year impact of 2012 CDM and half-year impact of 2013 CDM on 2013) X 1.6750 = 8,360,213 kWh. However, PUC is concerned with using the “half-year” rule since it is PUC’s understanding that there should be consistent treatment on how the load forecast is adjusted and how the LRAMVA threshold is determined.
- c) PUC confirms the LRAMVA threshold would continue to be based on the “full year” CDM results.

VECC– IR 3-VECC-18

**Reference: Exhibit 3, Tab 2, Schedule 1, page 9
Exhibit 3, Appendix A, page 5**

- a) With respect to Table 3-7, are the three normalized results shown for 2013 all prior to any adjustment for CDM? If not, please restate the values such that they are all on a comparable basis – i.e., prior to any CDM adjustments.

PUC Response

- a) The 2013 Normalized Test Year included a CDM adjustment. PUC has provided the figures below prior to any CDM adjustments.

	Predicted kWh
2013 Normalized Test Year (excluding CDM)	741,365,477
2013 Weather normal 10 year average (excluding CDM)	741,700,537
2013 Weather normal 20 year trend (excluding CDM)	736,701,362

VECC– IR 3-VECC-19

Reference: Exhibit 3, Tab 2, Schedule 1, page 10

- a) Please confirm that the 30% factor (page 10, lines 3-10) is meant to reflect the net impact in 2013 of CDM programs implemented in 2011, 2012 and 2013. If this is not the case, please explain what the 30% factor is meant to represent and how it was calculated.
- b) Please confirm that the 2011 purchased energy data used in the regression analysis will already reflect the impact in 2011 of CDM programs implemented in 2011.
- c) If parts (a) and (b) are confirmed, doesn't the proposed 9,249,000 CDM adjustment result in a double counting of the impact of 2011 CDM programs? If not, why not?
- d) Please confirm that the 11,387,369 kWh referenced on page 10 (line 19) is the estimated gross impact (i.e., including free riders) in 2013 of the 2012 and 2013 CDM program results – per Table 3-10.

PUC Response

- a) PUC confirms the 30% factor reflects the net impact of CDM programs.
- b) The 2011 purchased energy used in the regression analysis is actual kWhs. Therefore any impacts of CDM in 2011 actual consumption would be reflected. Refer to PUC's Summary of Proposal on Load Forecast and CDM Savings at the beginning of Exhibit 3 Interrogatories. PUC proposes to adjust the CDM saving to reflect the "double counting" of 2011 results.
- c) PUC agrees the proposed approach may result in "double counting" on the impact of the 2011 programs.
- d) PUC confirms the 11,387,369 kWh referenced on page 10 is the gross impact.

VECC– IR 3-VECC-20

Reference: Exhibit 3, Tab 2, Schedule 1, page 11

- a) With respect to Table 3-9, should the heading for second and third columns read "2006-2010" and not "2006-2009".
- b) Please provide a copy of the OPA's final 2006-2010 CDM report for PUC.
- c) Please provide a copy of the OPA's final 2011 CDM report for PUC.

PUC Response

- a) PUC confirms the headings in Table 3-9 should read "2006-2010".
- b) PUC has filed an electronic copy of the OPA's final 2006-2010 CDM with the interrogatory responses.
- c) Please refer to the additional information filed file as part of the cost of service rate

application on December 4, 2012, page 57 to 87 for the final 2011 OPA report.

VECC– IR 3-VECC-21

Reference: Exhibit 3, Tab 2, Schedule 1, pages 12-13

- a) Does the 8,813,663 kWh (per page 12) or the 9,249,000 kWh (per page 10) represent a better estimate of the impact in 2013 of CDM programs implemented in 2011, 2012 and 2013? Please explain your response.
- b) Please explain why the response to part (a) isn't the appropriate value to use for the LRAM variance account (per Table 3-11).
- c) Please provide a schedule that for 2013 sets out the results of the regression model prediction and the adjustments made for losses and CDM in order to derive the total billed energy.
- d) Please confirm whether the 2013 total billed energy forecast is 700,522,503 (per Table 3-24) or 709,771,503 kWh (per Table 3-20). Note – While the totals in the two tables are different the individual customer class values are the same.

PUC Response

- a) PUC has revised the proposed CDM adjustment to reflect 2011 actual and persisting results and eliminate the “double counting” of the 2011 results. The revised proposed CDM savings in the 2013 test year is 6,980,320 kWhs as outlined in the beginning of Exhibit 3 interrogatory responses.
- b) PUC has included a revised Table 3-11 below. PUC believes the correct amount for the LRAM value is 9,399,059 as shown in Board Staff – IR 3-Staff-24.

	Residential	GS<50	GS>50	Street Lighting	Sentinels	USL	Total
kWh	4,550,758	1,365,379	3,362,279	3,394	105,593	11,657	9,399,059
kW where applicable			8,396	10	295		8,700

- c) PUC has provided a schedule below that sets out the results of the regression model prediction, the adjustment made for losses and the CDM adjustment in order to derive at the total billed energy.

	As originally filed in application	As proposed to be revised in IRs
Predicted Purchases	741,365,477	741,365,477
Losses	(31,593,974)	(31,593,974)
CDM	<u>(9,249,000)</u>	<u>(6,980,320)</u>
Total Billed Energy	700,522,503	702,791,183

d) PUC confirms the 2013 total billed energy forecast is 700,522,503 as per Table 3-24. The total in Table 3-20 is incorrect and reflects the total before CDM adjustments.

Exhibit 3 - Issue #3 - Other Distribution Revenue

VECC– IR 3-VECC-22

Reference: Exhibit 3, Tab 3, Schedule 1, page 1

- a) Please provide the 2012 year to date values for each of the accounts in Table 3-25. If the year to date does not include December 2012, please also provide the year to date values for 2011 for each account up to and including the same month.
- b) How many microFit connections did PUC have at the end of 2012 and where are the revenues from microFit service charges recorded?
- c) Where are the SSS Admin charge revenues recorded?
- d) Please confirm that the Interest and Dividend Income (Account 4405) does not include any interest debits/credits related to deferral/variance accounts.

PUC Response

a) PUC has updated below Table 3-25 with the unaudited 2012 Actuals.

Summary of Revenue	2008 Board Approved	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Bridge Year forecast	2012 Actuals	2013 Test Year
Other Revenue								
4082 - RS Revenue	58,520	59,797	64,933	54,762	41,034	53,500	34,046	43,000
4084 - Service Tx Requests	250	1,076	847	1,314	723	700	488	700
4210 - Rent from Electric Property	304,080	305,072	383,671	232,931	365,939	305,200	352,249	1,664,914
4225 - Late Payment Charge	195,000	217,310	237,964	223,894	198,379	195,000	213,138	196,000
4235 - Other Income & Expenses	172,900	280,440	253,369	263,048	217,074	184,350	243,593	195,190
4325 - Revenue from Merch. Jobbing	30,000	38,509	96,363	325,143	479,821	30,000	352,067	63,900
4330 - Costs & Exp. For Merch. Jobbing		(5)	5,118	434	1,780	2,000	557	(2,040)
4340 - Profit and Losses from Financial Inst.		3,298	(1,231)					
4355 - Gain on Disposition of Property					62,000		37,523	
4375 - Revenue from non-utility operations		263,954	65,516	106,861	412,945	1,570,161	874,941	105,336
4380 - Expense of non-utilities operations		(6,096)	(63,305)	(259,521)	(412,945)	(1,567,613)	(874,841)	(105,336)
4390 - Misc. non-operating income	114,000	37,893	17,343	52,905	86,353	15,000	122,094	40,000
4405 - Interest and Dividend Income	97,972	285,792	62,738	54,850	89,357	65,000	62,138	66,300
Total Revenue Offsets	972,722	1,487,040	1,123,326	1,056,621	1,542,460	853,298	1,417,993	2,267,964

- b) PUC had 65 Micro-fit connections at the end of 2012. The revenue from the micro-fit connections are charged to account 4235 – Other Revenue.
- c) The SSS Admin charge is recorded in account 4080 – Distribution Revenue.
- d) PUC confirms that the interest and dividend income (Account 4405) does not include any interest debits/credits related to deferral/variance accounts.

Energy Probe– IR 3-EP-13

Ref: Exhibit 3, Tab 3, Schedule 1

- a) Please provide a version of Table 3-25 that reflects actual data for 2012. If actual data for all of 2012 is not yet available, please provide the most recent year-to-date actuals for 2012 in the same level of detail in the table, along with the figures for the corresponding period in 2011.
- b) Does Table 3-25 include revenues and expenses associated with OPA CDM programs and/or interest on regulatory asset accounts? If yes, please provide the requested table in part (a) excluding these items in all years.
- c) Please explain the drop of \$10,500 between 2012 and 2013 in account 4082.
- d) Please explain the decrease in 2012 and 2013 compared to 2011 and previous years in account 4235.
- e) Please provide the revenue in account 4325 excluding large solar projects noted on page 4 of Exhibit 3, Tab 3, Schedule 2.
- f) Please explain the significant decline in revenues in account 4390 between 2011 and the forecasts for 2012 and 2013. How was the forecast for 2013 arrived at?

PUC Response

- a) Refer to VECC– IR 3-VECC-22 above for an updated Table 3-25 with unaudited 2012 Actuals.
- b) Table 3-25 includes revenues and expenses associated with OPA CDM programs but the amount nets to zero in account 4375 and 4380. Table 3-25 included no interest on regulatory asset accounts.
- c) PUC forecast in bridge and test year a reduction in RS revenue due to the declining number of customers enrolling with retailers. PUC has provided in the table below the amounts recorded in 4082 for the 2012 bridge year, 2013 test year and the 2012 actuals.

Account Number	2012 bridge	2013 test	2012 actual
4082.92.5306	3,500	4,000	4,320
4082.92.5307	30,000	25,000	18,578
4082.92.5308	20,000	14,000	11,147
	53,500	43,000	34,045

- d) The decrease in 2012 and 2013 compared to 2011 and previous years in account 4235 was that PUC under budgeted the collection charge revenue in 2012 and 2013. In addition service call revenue was under budgeted.
- e) The revenue in account 4325 excluding large solar projects as noted on page 4 of Exhibit 3, Tab 3, Schedule 2 is as follows:

2008 – no change \$38,509

2009 – no change \$96,363
2010 – \$325,143 - \$188,979 (solar projects) = **\$136,164**
2011 – \$479,821 - \$361,221(solar projects) = **\$118,600**

f) There was a large increase in sale of scrap in 2011 to \$86,400 and to \$82,100 in 2012. The average from 2008 to 2010 was \$34,200 and the test year to date in 2013 is \$3,900.

Energy Probe– IR 3-EP-14

Ref: Exhibit 3, Tab 3, Schedule 2

- a) Please explain how the amount of rent to be charged to PUC Services has been determined. For example, has some portion of the overall square footage been allocated and then some proxy for a market rate per square foot applied? Please provide all assumptions and show all calculations used.
- b) Please provide a breakout of the other rents found in account 4210 for each of 2009 through 2013 (including actual 2012).

PUC Response

- a) See prior answer – SEC – IR 2-SEC-16
- b) PUC has provided below a breakout of the other rents found in account 4210.

	2009	2010	2011	2012	2013
Pole Rental	\$383,671	\$232,931	\$365,939	\$352,249	\$347,640
Building Rental					\$1,317,275

EXHIBIT 4 – OPERATING COSTS

Exhibit 4 - Issue #1 - Pension Costs

Board Staff – IR 4-Staff-26

Ref: Exh 4-2-3

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

- a) Please state whether or not PUC's proposed pension costs include this increase. If so, please provide the forecasted increase by years and the documentation to support the increases. If not, please state how the applicant proposes to deal with this increase.

PUC Response

OMERS pension costs are included in employee benefit costs. The 2013 test year includes pension costs based on the 2013 increased OMERS rates (9.0%/14.6%) and the employees' projected pensionable earnings.

The rates increased by 8% for the lower tier and 14% for the upper tier. PUC's expense increased by \$88,000 from \$856,000 to \$944,000 or 10%.

Exhibit 4 - Issue #2 - Employee Benefits

Board Staff – IR 4-Staff-27

Ref: Exh 4-2-3

Please provide details of employee benefit programs, including pensions and other costs charged to OM&A for the last Board-approved rebasing application, Historical, Bridge and Test Years.

PUC Response

Employee benefit programs include OMERS pension plan, long term disability, short term disability, life insurance, dental, extended health (including drug, eye glass and out of province travel coverage), vacation and statutory holidays according to the labour agreement. Also included in employee benefits are employer paid premiums for CPP, Employment Insurance, Employer Health Tax and WSIB. The following amounts of employee benefits are included in OM&A costs.

2008 approved	2008	2009	2010	2011	2012	2013
\$1,078,811	\$965,956	\$991,866	\$1,011,963	\$1,300,885	\$1,356,193	\$1,386,245

Exhibit 4 - Issue #3 - Inflation

Board Staff – IR 4-Staff-28

Ref: Exh 4-2-2

At the above noted reference, PUC states:

The major factors for the increases are inflation which PUC has estimated at approximately 13% over the five year period (weighted average of labour increases in accordance with the collective agreements and CPI for other costs).

Please provide a detailed summary of the calculation.

PUC Response

PUC has provided a detailed summary of the calculation below.

Calculate Labour Increase and Other Inputs Increase

<u>CPI</u>		cumulative increase	
	CPI	2008 to 2013	2011 to 2013
2009	1.10%	1.10%	
2010	1.90%	3.02%	
2011	2.30%	5.39%	
2012	2.50%	8.03%	2.500%
2013	2.20%	10.40%	4.76%
	10.00%		

		cumulative increase	
	Collective Agreement Rate Increase	2008 to 2013	2011 to 2013
2009	3.0%	3.0%	
2010	2.7%	5.78%	
2011	2.8%	8.74%	
2012	3.0%	12.01%	3.00%
2013	3.0%	15.37%	6.09%
	14.5%		

Calculate Weighted Increase

	2008 to 2013	2011 to 2013	2008 to 2013	2011 to 2013
labour @ 55% of total costs	15.37%	6.09%	8.5%	3.35%
other @ 45% of total costs	10.40%	4.76%	4.7%	2.14%
			13.1%	5.5%

VECC – IR 4-Staff-24

Reference: Exhibit 4, Tab 1, Schedule1, pg. 1 / Tab 2/Schedule 2/pg. 13

- a) Please provide the GDP-IPI inflation factors assumed by PUC for the years 2008 through 2012.
- b) Please provide the annual inflation rate and the source for the 13% and 5.5% projection for inflation for the five year period 2008-13 and two year period 2011-2013.

PUC Response

See response to **Board Staff – IR 4-Staff-28**

Exhibit 4 - Issue #4 - Employee Compensation

Board Staff – IR 4-Staff-29

Ref: Exh 4-2-3, Table 4-13

Ref: Filing Requirements For Electricity Transmission and Distribution Applications, June 28, 2012, Chapter 2.7.4, Employee Compensation Breakdown

The filing guidelines state that the applicant must complete Appendix 2-K in relation to employee complement, compensation, and benefits....Where there are three or fewer employees in any category, the applicant should aggregate this category with the category to which it is most closely related.

PUC has partially completed Appendix 2-K.

Please complete Appendix 2-K by providing further details in the Number of Employees and Average Yearly sections.

PUC Response

Following is the estimated management and union FTEs:

	2008 approved	2008	2009	2010	2011	2012	2013
Management	14	13.1	14.6	15.0	16.0	20.003	20.0
Union	61	53.2	63.7	66.0	66.0	67.046	67.0
	75	66.3	78.3	81.0	82.0	87.049	87.0

SEC – IR 4-SEC-26

[4/2/3]

With respect to compensation costs:

- a. P. 1. Please provide a full breakdown of all employees of PUC Services Inc., in the form of the Board's Form 2-K, for all of the same years so that the Applicant's 2-K and the total 2-K can be compared directly.
- b. P.1. Please provide a full org chart for PUC Services Inc. as a whole, and then a full org chart for PUC Services Inc. including only the FTEs allocated to the Applicant.
- c. Please provide the basis on which FTEs were allocated to the Applicant or to the other affiliate activities.
- d. P.2. Please provide the most recent actuarial report for PUC Services Inc.
- e. P.3. Please provide a full breakdown of FTEs and compensation, including components, into the categories required.

- f. P.3. Please provide a detailed list of the FTEs/positions added since the 66 FTE actual in 2008, and for each position advise:
- i. The basis for its approval (e.g. existed prior to 2008, approved in last rebasing, requested for approval in this rebasing, added since 2008 in addition to those approved, etc.)
 - ii. When the position was first filled, and any vacancies subsequent to it first being filled.

PUC Response

a) PUC has provided a breakdown of employees in PUC Services below for 2012 unaudited actuals. Prior year numbers for PUC Services are not readily available.

**Appendix 2-K
Employee Costs - PUC Services**

	Last Rebasings Year (2008 Board- Approved)	Last Rebasings Year (2008 Actuals)	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Number of Employees (FTEs including Part-Time)¹							
Executive							
Management						39.00	
Non-Union							
Union						\$ 141	
Total						180	
Number of Part-Time Employees							
Executive							
Management							
Non-Union							
Union							
Total	-	-	-	-	-	-	-
Total Salary and Wages							
Executive							
Management						\$ 4,189,430	
Non-Union							
Union						\$ 9,824,138	
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,013,568	\$ -
Current Benefits							
Executive							
Management						\$ 914,074	
Non-Union							
Union						\$ 5,163,531	
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,077,605	\$ -
Accrued Pension and Post-Retirement Benefits							
Executive							
Management							
Non-Union							
Union							
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Benefits (Current + Accrued)							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,074	\$ -
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,163,531	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,077,605	\$ -
Total Compensation (Salary, Wages, & Benefits)							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,103,504	\$ -
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,987,669	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,091,173	\$ -
Compensation - Average Yearly Base Wages							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Overtime							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Incentive Pay							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Benefits							
Executive							
Management							
Non-Union							
Union							
Total							
Total Compensation							
Total Compensation Capitalized (CGAAP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,091,173	\$ -
Total Compensation Charged to OM&A (CGAAP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,528,494	
Total Compensation Capitalized (MIFRS)							
Total Compensation Charged to OM&A (MIFRS)					\$ -		\$ -

- b) PUC has filed with the interrogatory responses a full org chart for PUC Services Inc. including only the FTEs allocated to the Applicant. The chart is included as Appendix H.
- c) For the purposes of Table 4-13, Appendix 2-K, an estimate was made of the portion of time an employee performs work for each of the affiliated companies. The actual allocation of costs is based on employee time sheets for specific work performed in a day. The allocation percentages as detailed in Exhibit 4 Tab 2 Schedule 4 are used to allocate shared work.
- d) PUC has included the most current actuarial report below for PUC Services:

1/23/2013

PUC Services Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

Calendar Year 2012

Discount Rate at January 1	4.75%
Discount Rate at December 31	3.85%
Withdrawal Rate	0.50%
Assumed Increase in Employer Contributions	actual

A. Determination of Benefit Expense

Current Service Cost	95,917
Interest on Benefits	81,410
Expected Interest on Assets	-
Past Service Cost/(Gain)	15,667
Transitional Obligation/(Asset)	-
Actuarial (Gain)/Loss	-
Benefit Expense	192,994

B. Reconciliation of Prepaid Benefit Asset (Liability)

Accrued Benefit Obligation (ABO) as at December 31	1,941,322
Assets as at December 31	-
Unfunded ABO	(1,941,322)
Unrecognized Loss/(Gain)	170,345
Unrecognized Past Service Cost/(Gain)	125,333
Unrecognized Transitional Obligation/(Asset)	-
Prepaid Benefit Asset (Liability)	(1,645,644)
Prepaid Benefit/(Liability) as at January 1	(1,501,284)
Benefit Income/(Expense)	(192,994)
Contributions/Benefit Payments by the Employer	48,633
Prepaid Benefit Asset (Liability)	(1,645,644)

* based on estimated employer benefit payments for those expected to be eligible for benefits

1/23/2013

PUC Services Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

Calendar Year 2012

Discount Rate at January 1	4.75%
Discount Rate at December 31	3.85%
Withdrawal Rate	0.50%
Assumed Increase in Employer Contributions	actual

C. Calculation of Component Items

Calculation of the Service Cost

- Current Service Cost	95,917
------------------------	--------

Interest on Benefits

- ABO at January 1	1,642,284
- Current Service Cost	95,917
- Benefit Payments	(24,317)
- Accrued Benefits	1,713,885
- Interest	81,410

Expected Interest on Assets

- Assets at January 1	-
- Funding	24,317
- Benefit Payments	(24,317)
- Expected Assets	-
- Interest	-

Expected ABO as at December 31

- ABO at January 1	1,642,284
- Current Service Cost	95,917
- Interest on Benefits	81,410
- Benefit Payments	(48,633)
- Expected ABO at December 31	1,770,978

Expected Assets as at December 31

- Assets at January 1	-
- Funding	48,633
- Interest on Assets	-
- Benefit Payments	(48,633)
- Expected Assets at December 31	-

1/23/2013

PUC Services Inc.
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

Calendar Year 2012

Discount Rate at January 1	4.75%
Discount Rate at December 31	3.85%
Withdrawal Rate	0.50%
Assumed Increase in Employer Contributions	actual

D. Actuarial (Gain)/Loss

(Gain)/Loss on ABO as at January 1	
- Prepaid Benefit/(Liability)	1,501,284
- Unamortized (Gain)/Loss From Prior Year	-
- Unamortized Past Service Cost/(Gain) From Prior Year	141,000
- Expected ABO	1,642,284
- Actual ABO	1,642,284
- (Gain)/Loss on ABO	-
 (Gain)/Loss on assets as at January 1	
- Expected Assets	-
- Actual Assets	-
- (Gain)/Loss on Assets	-
 Total (Gain)/Loss as at January 1	-
 10% of ABO as at January 1	164,228
Total (Gain)/Loss in Excess of 10%	-
 Expected Average Remaining Service Life (Years)	12
 Minimum Amortization for Current Year	-
 Actual Amortization for Current Year	-
 (Gain)/Loss on ABO at December 31	
- Expected ABO - December 31	1,770,978
- Actual ABO - December 31	1,941,322
- (Gain)/Loss on ABO	170,345
 Unamortized (Gain)/Loss as at December 31	170,345

E. Amortization of Past Service Costs

Unamortized past service costs at beginning of period*	141,000
Period over which past service costs are to be amortized (years)	9
Actual amortization for current period	15,667
Unamortized past service costs as at end of period	125,333

* Past service cost as at December 31, 2008 due to amendments to post-retirement health benefits. This past service cost is amortized over the estimated average remaining service period to full eligibility of the active employees at December 31, 2008.

e) Refer to IR 4-Staff-29

f) PUC has provided a detailed list of the FTEs/positions added since the 66 FTE actual in 2008 below.

Position	Department	FTE Additons since 2008 actual	Approved in 2008	Added	2013 Request	Total	Driver
CDM officer	Finance & General Admin	1		1		1	To attain mandated targets
Supervisor Billing	Billing, Call Centre	0.56	0.56			0.56	To maintain customer service targets, TOU billing
Supervisor Customer Service	Billing, Call Centre	0.56		0.56		0.56	To maintain customer service targets, TOU billing
Network Admin	Finance & General Admin	0.46		0.46		0.46	Increased reliance on integrated network for communications, smart meter infrastructure, SCADA network, corporate billing and accounting
Business Systems Analyst	Finance & General Admin	0.46		0.46		0.46	Increased reliance and complexity of corporate interprise software
Accounting Supervisor	Finance & General Admin	0.46		0.46		0.46	Increased regulatory workload
Office Assistant - Operations	Finance & General Admin	0.46		0.46		0.46	Increased regulatory workload, maintenance of equipment maintenance records
Line Planner	Engineering, line workers, plant	2	1	1		2	increased maintenance and capital workload
Forestry Tech	Engineering, line workers, plant	1	1			1	increased maintenance and capital workload
Power Line Tech	Engineering, line workers, plant	3	3			3	increased maintenance and capital workload
Supervisor Safety	Engineering, line workers, plant	0.46		0.46		0.46	Maintenance of safety focus
Electrician P&M	Finance & General Admin	0.46		0.46		0.46	Required electrical maintenance resource
Maintenance Person	Finance & General Admin	0.46		0.46		0.46	Maintenance of safety focus
Lead Hand Stations	Engineering, line workers, plant	1		1		1	increased maintenance and capital workload
Substation Electrician	Engineering, line workers, plant	1		1		1	increased maintenance and capital workload
Electric System Operator	Engineering, line workers, plant	1		1		1	increased maintenance and capital workload
Protection & Control Engineer	Engineering, line workers, plant	1	1			1	increased maintenance and capital workload
Engineering Tech - Electric	Engineering, line workers, plant	3	2	1		3	increased maintenance and capital workload
Smart meter tech	Engineering, line workers, plant	1			1	1	utilization of smart meter data
GIS Tech	Engineering, line workers, plant	1			1	1	increased maintenance and capital workload
CDM clerk	Finance & General Admin	1		1		1	To attain mandated targets
		21.34	8.56	10.78	2	21.34	

VECC – IR 4-VECC-32

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please complete Table 4-13 Appendix 2-K to show the number of employees (FTEs) in each of the categories.
- b) Between 2008 and 2013 PUC has increased the number of FTEs it employs (from affiliates or otherwise). Please provide a list showing the incremental FTEs since 2008 in each of the following categories:
 - i. Engineering, Line workers, plant
 - ii. Billing, call center
 - iii. Finance and general administration
 - iv. Executive
- c) Please explain for each category the drivers for the increase FTE.
- d) Please provide the number of FTEs who are employed for electrical work only (e.g. engineers, lineman, line supervisors etc.).

PUC Response

- a) Please refer to Board Staff – IR 4-Staff-29 above
- b) Please refer to SEC – IR 4-SEC-26 above
- c) Please refer to SEC – IR 4-SEC-26 above
- d) The number of FTEs who are employed for electrical work only is 50.

VECC – IR 4-VECC-33

Reference: Exhibit 4, Tab 2, Schedule 3, pg. 1

- a) Are there any direct employees of PUC?
- b) Since PUC uses a service agreement with PUC Services how are increases to FTEs requirements, capital budgets and other matters determined and approved by the Utility?
- c) What due diligence has PUC Board of Directors undertaken to ensure the service agreement with PUC Services is competitive and in the best interest of shareholders and ratepayers?
- d) What due diligence does PUC Board of Directors undertake to ensure that incremental staff employed by PUC Services on PUC's behalf are reasonable and prudent?

PUC Response

- a) PUC Distribution does not have any direct employees.
- b) PUC Distribution's budget is approved annually by the Board of Directors of PUC Distribution.
- c) The annual budget is approved by the Board and the long term capital plan is reviewed annually. Monthly customer bill impacts, costs per customer, staffing changes are reviewed annually with the Board. Costs are passed to PUC Distribution with no markup.
- d) PUC Distribution's Board approves the annual budgets and reviews the long term capital plan. A discussion of the reasons for additional staff is undertaken at the time the annual budgets are approved. Union staff costs are charged to PUC Distribution based on the labour agreement.

Board Staff – IR 4-Staff-30

Ref: Exh 4-2-3, Table 4-13

From 2009 to 2010, PUC recorded an increase in 3 FTEs resulting in a total salary and wages

increase of 11% or \$526,441. This represents an average salary of \$175,480 for each of the three FTEs.

From 2011 to 2012, PUC recorded an increase in 5 FTEs resulting in a total salary and wages increase of 14% or \$750,155. This represents an average salary of \$150,031 for each of the five FTEs.

Please provide a detailed explanation regarding the increase in both time periods above.

PUC Response

The following factors influenced the increase in salaries and wages in the years in question in addition to the increased FTEs:

The labour contract includes general increases annually.

The FTEs were calculated as of December 31 of each year. If an employee is hired mid-year, they would be included in the FTE at December 31 of that year but their full wages would not be present until the following year.

Several of the Power Line Techs and Station Electricians were hired subsequent to the 2008 rate application and therefore progressed through pay levels in addition to the general wage increases. The difference from the entry level to the top level is approximately \$11.00 per hour.

Board Staff – IR 4-Staff-31

Ref: Exh 4-2-2, Page 14

PUC states that the position of Supervisor of Safety and Environment was added on a shared basis to focus on maintaining a safe working environment and accounting staff to maintain pace with regulatory issues.

- a) Please identify the affiliate with which PUC is sharing the supervisor position.
- b) Please provide a detailed description of this position including the number of employees the Supervisor will be managing.
- c) What percentage of time is being allocated to PUC for this position?

PUC Response

- a) The Supervisor of Safety and Environment is shared with PUC Services Inc. and the Public Utilities (Water) Commission.
- b) A detailed description of the position is included below. The supervisor of Safety and Environment manages 3 employees.

Responsibilities and Duties

Conducts administrative and management activities such as:

- Through research, develops and implements health and safety training programs;
- Administers and further develops corporate loss control program as it pertains to health, safety and environment including incident investigation, environmental liability management, including corporate compliance with applicable legislation and general building maintenance;
- Maintains corporate records and documentation as they apply to areas of responsibility for health and safety reporting to the Joint Health and Safety Committee and the Manager, Safety and Environment;
- Conducts audits of the health and safety and the environment programs and recommends changes and updates for the continued compliance and improvement of programs;
- Monitors the work environment for compliance and follow-up to ensure compliance with health and safety legislation and regulations as well as corporate policies and programs;
- Monitors health and safety compliance through workplace inspections and crew visits and initiates corrective action, in conjunction with the Department Manager and the Manager, Safety and Environment;
- Investigates incidents, as requested by the Manager, Safety and Environment, and recommends the implementation of approved work procedures (i.e. including suspension of work operations on the job site, ensuring approved work procedures being employed, etc.) and may advise managers/supervisors of their legal reporting responsibilities;
- Acts as a resource to staff on technical issues related to the area of responsibility with respect to the interpretation, administration and application of legislation, regulations and corporate policies;
- Monitors the effectiveness of and maintains building fire protection systems, building security system;
- Develops and implements building security policies and procedures, performs security audits, maintains, and when necessary, upgrades the security system;
- Liaises with others to obtain up-to-date health and safety and environment information, trends and resources to ensure compliance;
- Conduct Risk Management studies through investigation, collection and analysis of data and recommend courses of action;
- Supervises building and grounds maintenance programs including summer students, contract and staff administration.

c) The percentage of time is being allocated to PUC Distribution for this position is 46%.

Energy Probe – IR 4-EP-18

Ref: Exhibit 4, Tab 2, Schedule 3

- a) Has the Union increase of 3% for 2013 been reflected in the 2013 revenue requirement, or has PUC used some other escalator for regulatory purposes?
- b) What have been the executive/management increases in 2009 through 2012? What is the forecast included in the 2013 revenue requirement, and how much does this represent on a dollar basis?
- c) Please update Table 4-13 to reflect actual data for 2012.
- d) What is driving the significant increase in management costs between 2011 and 2012 as shown in Table 4-13?

PUC Response

- a) PUC has included a 2% union increase in the 2013 revenue requirement. The 2% is based on 2/3rd of the annual 3% increase since the increase is effective May 1, 2013.
- b) The executive/management increases in 2009 to 2012 have been the same as the union increases.

2009	3%
2010	2.9%
2011	2.8%
2012	3.0%
2013	3.0% prorated as of May 1 (2%)

The increase represents approximately \$120,000 over prior year budget.

- c) PUC has provided below Table 4-13 (Appendix 2-K) to include 2012 Actuals

Appendix 2-K Employee Costs

	Last Rebasings Year (2008 Board- Approved)	Last Rebasings Year (2008 Actuals)	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Number of Employees (FTEs including Part-Time)¹							
Executive							
Management							
Non-Union							
Union							
Total	75	66	78	81	82	84	87
Number of Part-Time Employees							
Executive							
Management							
Non-Union							
Union							
Total	-	-	-	-	-	-	-
Total Salary and Wages							
Executive							
Management	\$ 1,166,787	\$ 1,145,965	\$ 1,319,593	\$ 1,435,862	\$ 1,403,165	\$ 1,620,148	\$ 1,917,059
Non-Union							
Union	\$ 3,409,029	\$ 2,690,911	\$ 3,305,027	\$ 3,715,199	\$ 3,773,232	\$ 3,959,399	\$ 4,130,942
Total	\$ 4,575,816	\$ 3,836,876	\$ 4,624,620	\$ 5,151,061	\$ 5,176,397	\$ 5,579,547	\$ 6,048,001
Current Benefits							
Executive							
Management	\$ 246,775	\$ 265,799	\$ 283,761	\$ 173,383	\$ 401,050	\$ 389,914	\$ 429,613
Non-Union							
Union	\$ 1,314,777	\$ 1,122,379	\$ 1,277,380	\$ 1,496,661	\$ 1,620,866	\$ 1,970,824	\$ 1,617,450
Total	\$ 1,561,552	\$ 1,388,178	\$ 1,561,141	\$ 1,670,044	\$ 2,021,916	\$ 2,360,737	\$ 2,047,063
Accrued Pension and Post-Retirement Benefits							
Executive							
Management							
Non-Union							
Union							
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Benefits (Current + Accrued)							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 246,775	\$ 265,799	\$ 283,761	\$ 173,383	\$ 401,050	\$ 389,914	\$ 429,613
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ 1,314,777	\$ 1,122,379	\$ 1,277,380	\$ 1,496,661	\$ 1,620,866	\$ 1,970,824	\$ 1,617,450
Total	\$ 1,561,552	\$ 1,388,178	\$ 1,561,141	\$ 1,670,044	\$ 2,021,916	\$ 2,360,737	\$ 2,047,063
Total Compensation (Salary, Wages, & Benefits)							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 1,413,562	\$ 1,411,764	\$ 1,603,354	\$ 1,609,245	\$ 1,804,215	\$ 2,010,062	\$ 2,346,672
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ 4,723,806	\$ 3,813,290	\$ 4,582,407	\$ 5,211,860	\$ 5,394,098	\$ 5,930,223	\$ 5,748,392
Total	\$ 6,137,368	\$ 5,225,054	\$ 6,185,761	\$ 6,821,105	\$ 7,198,313	\$ 7,940,285	\$ 8,095,064
Compensation - Average Yearly Base Wages							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Overtime							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Incentive Pay							
Executive							
Management							
Non-Union							
Union							
Total							
Compensation - Average Yearly Benefits							
Executive							
Management							
Non-Union							
Union							
Total							
Total Compensation							
Total Compensation Capitalized (CGAAP)	\$ 1,859,606	\$ 1,575,162	\$ 2,184,432	\$ 2,505,619	\$ 2,764,978	\$ 2,785,158	
Total Compensation Charged to OM&A (CGAAP)	\$ 4,277,762	\$ 3,649,892	\$ 4,001,329	\$ 4,315,486	\$ 4,433,335	\$ 5,155,127	
Total Compensation Capitalized (MIFRS)					\$ 2,764,978		\$ 2,582,384
Total Compensation Charged to OM&A (MIFRS)					\$ 4,433,335		\$ 5,512,680

- d) The increase in management costs between 2011 and 2012, in addition to the general increase and progression through job class levels, are a result of the addition of the following positions in 2012 or mid-year 2011.

Business Systems Analyst
Smart Meter Systems Analyst
Customer Service Supervisor
CDM Officer
Protection and Control Engineer

Exhibit 4 - Issue #5 - Software Costs

Board Staff – IR 4-Staff-32

Ref: Exh 4-2-2, Page 14

PUC states that the new integrated software was implemented subsequent to 2008 which has increased the annual software maintenance fees.

- a) Please provide a breakdown of the annual software maintenance fees for 2008 through 2013.
- b) Please comment on all variances greater than \$100,000.

PUC Response

a) Software maintenance fees included in account 5610 are as follows:

2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$16,456
2013	\$17,000

b) There are no variances greater than \$100,000.

SEC – IR 4-SEC-22

[4/2/2, p.6]

Please explain why the “new enterprise software” is owned by the affiliate. Please provide details of the charges to the Applicant for the use of that software each year since its implementation, and how those charges were calculated. Please provide the actual calculations. Please provide details of the costs to the affiliate for that software, including all tax impacts, for each year since its implementation, and the amounts charged for its use to each of the other entities in the affiliated group.

PUC Response

The “new enterprise software” is owned by the affiliate as it is used by the other PUC affiliates in addition to PUC Distribution Inc. Please see Board Staff IRR#32 for details of charges to the affiliate as well as the calculation of charges to PUC Distribution. PUC Services pays 100% of these software charges (including capital and OM&A) and subsequently allocates these charges to the entities it services (including PUC Distribution Inc.) using the shared services method described at Exhibit 4-Tab 2-Schedule 4.

Exhibit 4 - Issue #6 - Shared Services

Board Staff – IR 4-Staff-33

Ref: Exh 4-2-4, Page 3

PUC states:

In preparation for the 2008 cost of service rate filing, and in response to the concerns expressed by the Board in its Decision and Order regarding PUC's 2006 rates, a consultant was engaged to review processes related to charging of shared services costs to the affiliated companies from PUC Services. RDI Consulting Inc.'s Full Absorption Cost Allocation Report was filed with PUC's 2008 cost of service rate application.

- a) Have there been any updates since the report was completed? If so, please file the updates.

PUC Response

- a) PUC has not had any updates to the Full Absorption Cost Allocation Report. The only change in the allocation method from the RDI report commenced in the 2012 bridge year. Commencing in 2012 no portion of the administrative expenses has been allocated to capital as per OEB directives.

Board Staff – IR 4-Staff-34

Ref: Exh 4-2-4, Page 4

- a) Please provide further explanation regarding the allocation of administrative services to PUC Services Inc. Specifically, comment on what administrative services are being allocated to PUC Services Inc. and how the allocation percentage of 16.41% was determined.
- b) Please provide the same table as displayed at the above reference for the years 2008 through 2012.

PUC Response

- a) Administrative services that are being allocated to PUC Services Inc.:

accounting, human resources, payroll, accounts payable, information technology, customer communications, mail room services, safety services and building maintenance.

The RDI report recommended a "labour effort based approach" be utilized to allocate administrative and general costs to the respective business. Inputs recommended by RDI to be used to determine the percentage were union and management labour hours and estimates of externally contracted labour hours. The total labour hour base attributable to PUC Services is 16.41% of the total hour base of the affiliates.

b) The billing, collections and customer service allocation for 2008 to 2012 has not changed.

	Allocator	PUC Distribution	PUC Services	PUC Telecom	PUC Energy	Public Utilities Commission	Total
Billing	# of Customers	56%				44%	100%
Collections	# of Customers	56%				44%	100%
Customer Service	# of Customers	56%				44%	100%

Admin allocations 2008 to 2012

	Allocator	PUC Distribution	PUC Services	PUC Telecom	PUC Energy	Public Utilities Commission	Total
Admin 2008	Labour related effort	43.83%	15.37%	.66%	.17%	39.97%	100%
Admin 2009	Labour related effort	43.83%	15.37%	.66%	.17%	39.97%	100%
Admin 2010	Labour related effort	45.67%	17.00%	.69%	.03%	36.61%	100%
Admin 2011	Labour related effort	44.94%	17.55%	.23%	0%	37.28%	100%
Admin 2012	Labour related effort	45.71%	16.41%	0%	0%	37.88%	100%

Board Staff – IR 4-Staff-35

Ref: Exh 4-2-4, Page 5

Ref: Filing Requirements For Electricity Transmission and Distribution Applications, June 28, 2012, Chapter 2.7.5, Pricing Methodology

The filing requirements at the above reference states that:

Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. The applicant must provide evidence demonstrating the pricing methodology used. The applicant should also provide a description of why that pricing methodology was chosen, whether or not it is in conformity with ARC, and why it is appropriate.

At the above reference, PUC indicated the pricing methodology used as “Cost – no markup”.

Please provide a description of why that pricing methodology was chosen and whether or not it is in conformity with ARC, and why it is appropriate.

PUC Response

The pricing methodology used by PUC Services to charge PUC Distribution is cost-based. Labour, material, equipment operating costs (including a depreciation charge) and outside purchases required to perform distribution work are charged to PUC Distribution at cost. A portion of the administrative costs are also charged at cost. The determination of the allocation percentages used to charge administrative costs is documented elsewhere in the rate application. Also included in the equipment cost is the cost of capital at the utility's approved weighted average cost of capital. The result is that PUC Distribution is charged no more than if all staff was employed by PUC Distribution and purchases were made directly. However synergies are realized through the sharing of administrative resources with the affiliates which results in a favourable administrative expense per customer when compared to

other LDCs.

PUC Distribution believes that the affiliate service agreement provides the lowest cost to distribution customers in conformity with the Affiliate Relationships Code.

Board Staff – IR 4-Staff-36

Ref: Exh 4-2-4, Page 5, Table 4-14

In the above referenced table, the 2009 actuals shows a percentage of corporate costs allocated from PUC Services Inc. to PUC of approximately 30% for services offered under administrative accounts 5605-5635, 5665 and 5675.

In 2012 and 2013, the percentage of corporate costs allocated for the same services offered increased to approximately 46%.

Please comment on the increase in allocation from 2009 to 2013.

PUC Response

PUC Distribution's share of administrative expenses was not apportioned to capital in 2012 and 2013. PUC Distribution's total share is consistent over the period listed below.

	To Admin	To Capital	Total
2009	30.10%	13.73%	43.83%
2010	30.79%	14.88%	45.67%
2011	29.36%	15.88%	45.24%
2012	45.71%	0%	45.71%
2013	45.71%	0%	45.71%

Board Staff – IR 4-Staff-37

Ref: Exh 4-2-4, Page 5

At the above reference, PUC states:

PUC Distribution Inc. performs no services it shares with affiliates.

However, in Exh 3-3-2, Page 5, PUC states:

Rent from Electric Property – Account 4210 - \$1,359,714

In prior years PUC Distribution shared facilities that were owned by an affiliate (PUC Services). The new integrated service centre/office building is owned by PUC Distribution to take advantage of lower interest rates available to the LDC. The increased revenue is to charge PUC Services for the use of the new facility.

- a) Please complete a Table 4-14 for all affiliates or non-affiliates that occupy the new integrated service centre/office building.

- b) Please explain the pricing methodology chosen and a detailed explanation how the charges were determined.

PUC Response

- a) The PUC Distribution building is shared with the affiliates. PUC Distribution charges PUC Services for 54% of the building cost. PUC Services retains a portion of the 54% of costs and allocates a portion to the Water Utility. The remaining 46% (as per the administrative allocations) remains in PUC Distribution.

	PUC Distribution	PUC Services	Public Utilities Commission
Share of Cost	46%	16%	38%

- b) The pricing is at cost and is based on a depreciation charge and cost of capital charge. The same methodology was used in the 2008 approved rates to determine the charges from PUC Services to PUC Distribution.

Cost of Capital

Building Cost \$23,500,000

Per 2012 OEB Cost of Capital Parameters
Effective May 1, 2012

	Rate	Debt/Eq	Return
	2.08%	4.0%	0.08%
	4.41%	56.0%	2.47%
	9.12%	40.0%	3.65%
		100.0%	6.20%
Tax Rate			26.50%
Cost of Capital			8.44%

	8.44%	Cost of Capital
\$ 23,500,000.00		NBV
\$ 1,982,568.71		cost of capital to be allocated

Depreciation Charge

Building Cost	\$23,500,000
Useful life	50
Annual Depreciation Charge	<u>\$470,000</u>

Total to be charged to PUC Services

	\$
Cost of Capital	1,982,568.71
Depreciation Charge	<u>\$470,000</u>
	\$2,452,569

Less PUC Distribution portion @ 46.29%
 $\$2,452,569 - (\$2,452,569 \times 46.29\%) = \$1,317,275.66$

Energy Probe – IR 4-EP-20

Ref: Exhibit 4, Tab 2, Schedule 4

- a) Does PUC Services have any employees that qualify for the Ontario apprenticeship training tax credit, the federal job creation tax credit and/or the Ontario co-operative education tax credit? If yes, please indicate the total tax credits claimed in 2011 and the forecast for 2013.
- b) How are the reduced costs associated with these tax credits passed through to PUC Distribution to ensure the true costs are reflected in the transfer prices?

PUC Response

- a) PUC Services had 4 employees that qualify for the Ontario apprenticeship training tax credit in 2011. The total tax credits claimed in 2011 was \$40,000. The total tax credits forecast in the 2013 test year is \$60,000 and offset in labour costs.
- b) The tax credits were transferred to miscellaneous income in PUC Distribution in Account 4390 – *Miscellaneous non-operating revenue*.

SEC – IR 4-SEC-27

[4/2/4]

With respect to affiliate charges and shared services:

- a. P.1 Please provide all current service agreements with any affiliated entity to which the Applicant is a party. If any of those agreements is dated after January 1, 2011, please provide the immediately preceding agreement as well.

- b. P. 1. Please provide a full breakdown of all costs of PUC Services Inc., by category (in at least as much detail as Tables 4-3 to 4-7, but including all costs, not just allocated OM&A costs), and show how each of those costs is allocated, by dollar, between the members of the affiliated group. Please provide this breakdown for each of 2011, 2012, and 2013. For each of the lines, please identify the cost driver used. If there are any differences between these allocations and the figures of the Applicant in this Application, please provide explanations of those differences. Please ensure that the breakdown includes a table that shows, for each cost:
- i) The nature of the cost being shared, allocated or charged,
 - ii) The total amount of the cost before sharing, allocations, or charges,
 - iii) The amounts allocated to, shared by, or charged to each of the other affiliated entities, and the basis for the allocation, sharing or charge, and
 - iv) An explanation of any unusual increases or decreases in any of these amounts from the prior year.
- c. P. 1. Please provide copies of all invoices (with supporting documentation) to the Applicant from any affiliate for the period from January 1, 2011 to date.
- d. P. 1. Please provide copies of all receivables reports and payables reports exchanged between the Applicant and any of its affiliates in 2012.
- e. P. 1. Please provide a full breakdown, by source and by type, of all revenues of PUC Services Inc. for each of 2011, 2012, and 2013.
- f. P. 3. Please re-file the RDI Consulting Inc. report in this proceeding, and provide any updates or changes to that reports that have taken place since it was first filed with the Board.
- g. P. 8. For each of the new positions referred to in this variance analysis, please provide any reports, memos, presentations, or other documents dealing in whole or in part with the justification for the new position.

PUC Response

- a) PUC has included the management agreements as Appendix I.
- b) PUC has provided a breakdown of the costs below:

2011											
OEB Acct	PUC Services	2011 Distribution \$	Distribution %	Water \$	Water %	Services \$	Services %	Distribution 2011	Direct Charge to Distribution	Allocator	Direct Charges to Distribution
5315	753,766.29	422,109.12	56.00%		44.00%		0.00%	526,533.00	104,423.88	# of customers	billing s/w and EBT hub
5320	193,396.55	108,302.07	56.00%		44.00%		0.00%	122,487.00	14,184.93	# of customers	direct labour charges, rate of return, asset charge
5320*	150,468.20	111,346.47	74.00%		26.00%		0.00%	154,404.00	43,057.53	Relative bad debt w/os	direct labour charges, rate of return, asset charge
5405	131,932.75	73,882.34	56.00%		44.00%		0.00%	79,506.00	5,623.66	# of customers	direct labour, cost of capital, asset charge
5410	531,974.80	297,905.89	56.00%		44.00%		0.00%	382,349.00	84,443.11	# of customers	direct labour charges, cost of capital, asset charge, advertising
5605	373,326.63	109,608.70	29.36%		26.25%		15.84%	149,723.00	40,114.30	FTE work effort	direct labour charges and registrations
5610	754,181.39	221,427.66	29.36%		26.25%		15.84%	260,858.00	39,430.34	FTE work effort	registration, travel, cost of capital, asset charge
5615	957,754.73	281,196.79	29.36%		26.25%		15.84%	320,472.00	39,275.21	FTE work effort	direct labour charges
5620	642,335.45	188,589.69	29.36%		26.25%		15.84%	261,662.00	73,072.31	FTE work effort	letter of credit charge, cost of capital, asset charge
5630	247,991.88	72,810.42	29.36%		26.25%		15.84%	82,284.00	9,473.58	FTE work effort	legal fees, cost of capital, asset charge
5635	30,455.25	8,941.66	29.36%		26.25%		15.84%	64,309.00	55,367.34	FTE work effort	insurance
5665	4,169.10	1,224.05	29.36%		26.25%		15.84%	157,379.00	156,154.95	FTE work effort	direct labour charges and assoc dues
5675	1,075,608.36	315,798.61	29.36%		26.25%		15.84%	343,458.00	27,659.39	FTE work effort	Cost of capital and asset charge
	5,847,361.38	2,213,143.46						2,905,424.00	692,280.54		

2012											
OEB Acct	PUC Services	2012 Distribution \$	Distribution %	Water \$	Water %	Services \$	Services %	Distribution Bridge Yr	Direct Charge to Distribution	Allocator	Direct Charges to Distribution
4210	-\$10,000.00										
4325	-\$610,000.00										
4326	-\$1,983,845.01										
4327	-\$7,897,363.39										
4328	-\$3,119,224.52										
4329	-\$317,640.79										
4380	\$2,548.38										
4390	-\$5,000.00										
4405	-\$1,500.00										
5005	\$0.00										
5060	\$205,658.19										
5165	\$231,310.70										
5170	\$6,473.38										
5193	\$648,020.68										
5196	\$2,246,040.22										
5197	\$90,069.45										
5198	\$53,523.58										
5199	\$601,952.70										
5200	\$66,945.97										
5202	\$8,297.34										
5207	\$9,853.12										
5208	\$576.63										
5209	\$9,132.18										
5211	\$39,906.42										
5213	\$707.55										
5214	\$0.00										
5216	\$8,657.06										
5217	\$13,967.77										
5218	\$8,304.33										
5220	\$2,888.19										
5221	\$6,659.39										
5222	\$155,345.42										
5223	\$6,780.34										
5224	\$418,847.27										
5225	\$1,507.32										
5226	\$147.16										
5227	\$15,380.06										
5231	\$21,464.94										
5232	\$20,275.25										
5233	\$43,510.73										
5315	\$810,911.79	\$454,110.60	56.00%	\$356,801.19	44.00%	\$0.00	0.00%	\$515,879.00	\$61,768.40	# of customers	billing s/w and EBT hub
5320	\$426,719.52	\$238,962.93	56.00%	\$187,756.59	44.00%	\$0.00	0.00%	\$249,848.00	\$10,885.07	# of customers	direct labour charges, rate of return, asset charge
5405	\$157,258.87	\$88,064.97	56.00%	\$69,193.90	44.00%	\$0.00	0.00%	\$88,065.00	\$0.03	# of customers	direct labour, cost of capitl, asset charge
5410	\$689,165.55	\$385,932.71	56.00%	\$303,232.84	44.00%	\$0.00	0.00%	\$456,820.00	\$70,887.29	# of customers	direct labour charges and advertising
5510	\$250,957.46	\$0.00	0.00%	\$0.00	0.00%	\$250,957.46	100.00%	\$0.00	\$0.00		
5605	\$301,232.42	\$137,693.34	45.71%	\$114,106.84	37.88%	\$49,432.24	16.41%	\$195,181.00	\$57,487.66	FTE work effort	direct labour charges and registrations
5610	\$1,023,208.29	\$467,708.51	45.71%	\$387,591.30	37.88%	\$167,908.48	16.41%	\$475,415.00	\$7,706.49	FTE work effort	registration and travel
5615	\$786,836.81	\$359,663.11	45.71%	\$298,053.78	37.88%	\$129,119.92	16.41%	\$369,238.00	\$9,574.89	FTE work effort	direct labour charges
5620	\$766,427.93	\$350,334.21	45.71%	\$290,322.90	37.88%	\$125,770.82	16.41%	\$407,906.00	\$57,571.79	FTE work effort	letter of credit charge
5630	\$320,745.62	\$146,612.82	45.71%	\$121,498.44	37.88%	\$52,634.36	16.41%	\$179,779.00	\$33,166.18	FTE work effort	legal fees
5635	\$16,346.14	\$7,471.82	45.71%	\$6,191.92	37.88%	\$2,682.40	16.41%	\$68,243.00	\$60,771.18	FTE work effort	insurance
5665	\$5,265.00	\$2,406.63	45.71%	\$1,994.38	37.88%	\$863.99	16.41%	\$104,382.00	\$101,975.37	FTE work effort	direct labour charges and assoc dues
5675	\$963,138.70	\$440,250.70	45.71%	\$364,836.94	37.88%	\$158,051.06	16.41%	\$440,251.00	\$0.30	FTE work effort	
5705	\$1,625,299.78										
6030	\$532,638.00										
6035	\$108,467.88										
6110	\$0.00										
6206	\$783.55										
Grand Total	-\$214,418.68							\$3,551,007.00			
2013											
OEB Acct	PUC Services	2013 Distribution \$	Distribution %	Water \$	Water %	Services \$	Services %	Distribution Test Yr	Direct Charge to Distribution	Allocator	Direct Charges to Distribution
5315	809,133.96	453,115.02	56.00%		44.00%		0.00%	547,559.12	94,444.11	# of customers	billing s/w and EBT hub
5320	438,166.89	245,373.46	56.00%		44.00%		0.00%	273,697.92	28,324.46	# of customers	direct labour charges, rate of return, asset charge
5405	160,404.06	89,826.27	56.00%		44.00%		0.00%	96,259.42	6,433.15	# of customers	direct labour, cost of capital, asset charge
5410	707,280.77	396,077.23	56.00%		44.00%		0.00%	499,960.74	103,883.51	# of customers	direct labour charges, cost of capital, asset charge, advertising
5605	286,767.61	131,081.47	45.71%		37.88%		16.41%	190,953.15	59,871.68	FTE work effort	direct labour charges and registrations
5610	1,041,862.11	476,235.17	45.71%		37.88%		16.41%	517,843.33	41,608.16	FTE work effort	registration, travel, cost of capital, asset charge
5615	807,016.30	368,887.15	45.71%		37.88%		16.41%	402,071.36	33,184.21	FTE work effort	direct labour charges
5620	782,935.99	357,880.04	45.71%		37.88%		16.41%	437,091.45	79,211.41	FTE work effort	letter of credit charge, cost of capital, asset charge
5630	330,999.78	151,300.00	45.71%		37.88%		16.41%	191,498.07	40,198.07	FTE work effort	legal fees, cost of capital, asset charge
5635	16,598.67	7,587.25	45.71%		37.88%		16.41%	72,427.69	64,840.44	FTE work effort	insurance
5665	5,250.49	2,400.00	45.71%		37.88%		16.41%	97,382.39	94,982.39	FTE work effort	direct labour charges and assoc dues
5675	1,431,382.17	654,284.79	45.71%		37.88%		16.41%	654,284.79	0.00	FTE work effort	
	6,817,798.80	3,334,047.86						3,981,029.44	646,981.58		

c) Invoices are not prepared for affiliates. The entry directly goes to the G/L monthly for allocation of shared costs.

d) Invoices are not prepared for affiliates. The entry directly goes to the G/L monthly for allocation of shared costs.

e) PUC has provided below the breakdown of source and type of revenues of PUC Services Inc.

	2011	2012	2013	
Management Fees	\$8,105,775	\$7,849,213	\$10,741,737	Affiliates - PUC Distribution, Public Utilities Commission
Contract Services	\$4,935,833	\$4,730,339	\$4,610,760	City of SSM, various municipalities along Hwy 17 East, Espanola Hydro, Algoma District Services Admin Board, Algoma District School Board, Huron Superior Catholic School Board, Airport Water Supply, Prince Township Community Centre
Streetlights	\$608,000	\$545,302	\$650,000	City of SSM
Miscellaneous	\$229,478	\$138,673	\$146,000	
Generation	\$63,664	\$224,839	\$662,700	
	\$13,942,750	\$13,488,366	\$16,811,197	

f) PUC has included the RDI consulting Inc. report as Appendix F. PUC does not have any updates or changes to the RDI report.

g) PUC has provided any reports, memos, and presentations dealing in whole or in part with the justification for the new positions as Appendix K – Reports, Memos and Justification for new positions.

Exhibit 4 - Issue #7 - Purchases from non-affiliates

Board Staff – IR 4-Staff-38

Ref: Exh 4-2-4, Page 3

- a) Regarding the purchase of non-affiliate services, did PUC obtain any of them without a competitive tender?
- b) If the response to (a) is affirmative, please provide a summary of the nature of the product or service that is the subject of the transaction and a description of the specific methodology used in determining the vendor (including a summary of the tendering process/cost approach, etc.).

PUC Response

- a) PUC did obtain some services from non-affiliates without a competitive tender.
- b) All purchases are in compliance with PUC's procurement policy included in Exhibit 4, Tab2, Schedule 5. A service may be purchased without a competitive tender for the following reasons:
 - there is only one local vendor
 - quotes were obtained

- the service was immaterial

Board Staff – IR 4-Staff-39

Ref: Exh 1-1-13, Page 1

PUC states the following:

PUC Services also provides services to entities outside the affiliated group - water treatment, wastewater treatment, and billing and customer care services under a number of contracts. These services are provided at rates negotiated between the parties, but in all cases are on a for-profit basis.

Board staff notes that water treatment and waste water treatment entities are included in the corporate entities relationship chart.

Please clarify how these entities are classified as “outside the affiliated group”?

PUC Response

The water treatment and waste water treatment entities are not considered outside the affiliated group. The sentence should have read, “*PUC Services also provides services to entities outside the affiliated group, water treatment and wastewater treatment.....*”

PUC Services provides general management and customer care services to Espanola Regional Hydro Distribution Corporation. PUC Services operates two waste water treatment plants under contract including Blind River, Echo Bay, Desbarats, Township of North Shore, Sault Ste. Marie Airport, the Algoma District School Board, the Huron Superior Catholic School Board, and Richards Landing.

SEC – IR 4-SEC-28

[4/2/5]

Please provide details of the roles of PUC Services Inc. and the Applicant in procurement.

PUC Response

PUC Services does procurement for PUC Distribution in accordance with the policy as part of the administrative functions.

Exhibit 4 - Issue #8 – LRAM and LRAMVA

Board Staff – IR 4-Staff-40

Ref: Exh 4-2-8, Page 1

Ref: Additional Information, December 4, 2012, pages 2-88, LRAM and LRAMVA

In PUC's application, it proposed to defer the recovery of any lost revenues from conservation and demand management ("CDM") programs in 2011 until its next rate application.

On December 4, 2012, PUC filed additional information in response to a request from Board staff. PUC is now proposing to recover a total of \$178,871 in lost revenues consisting of \$141,118 from the persisting lost revenues in 2011 from 2005-2010 CDM programs, and \$37,753 from lost revenues in 2011 from 2011 CDM programs. PUC has requested a one-year recovery.

Board staff will be referring to the persisting lost revenues from PUC's 2005-2010 CDM programs as the LRAM amount and the lost revenues from PUC Distribution Inc.'s 2011 CDM programs as the LRAMVA amount.

LRAM

- a) Please discuss if PUC is open to recovering its persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs at this time.
- b) Please confirm that the persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs is \$32,459 which includes \$159 in carrying charges.
- c) Please update Table 4 – Summary of 2011 LRAM claim on page 7 of 97 to also include the persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs.
- d) Please update Table 14 – LRAM Rate Rider Calculations on page 88 of 97 to include the persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs.

LRAMVA

- e) Please provide a reference or provide supporting documentation for where PUC found or calculated the net kWh savings shown in Table 7 – General Service <50 kW 2011 Net kWh Savings on page 53 of 97 for the Efficiency: Equipment Replacement program of 108,666 kWh.
- f) Please provide a reference or provide supporting documentation for where PUC found or calculated the net kW savings shown in Table 9 – General Service > 50 kW 2011 Net kW Savings on page 54 of 97 for the Efficiency: Equipment Replacement (from C&I program schedule) program of 1,308 kW.

LRAM/LRAMVA Rate Riders

- g) Please update Table 14 – LRAM Rate Rider Calculation and provide separate rate rider calculations for both the LRAM amount (for persisting lost revenues from 2005-2010 CDM Programs) and the LRAMVA amount (for lost revenues from 2011 CDM programs). With respect to the LRAM amount (for persisting lost revenues from 2005-2010 CDM programs), please provide two LRAM rate riders amounts, one inclusive of persisting lost revenues from January 1, 2012 to April 30, 2012 and one exclusive of persisting lost revenues from January 1, 2012 to April 30, 2012.

PUC Response

- a) PUC is open to recovering its persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs at this time. Although PUC has not made the changes in the interrogatory responses.
- b) PUC confirms the persisting lost revenues from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs is \$32,459 which includes \$159 in carrying charges.
- c) PUC has revised Table 4 to include the persisting lost revenues from January 1, 2012 to April 30, 2012 from the 2005-2010 CDM programs of \$32,459 as requested in b) above and 2005-2010 CDM programs with persisting losses in 2011 of \$102,281 for a total of \$134,740. PUC notes in the Board's IR it states the lost revenues consisting of \$141,118 from the persisting lost revenues in 2011 from 2005-2010 CDM programs. As an oversight PUC included the incorrect amount in the Table 14 of the additional information. The correct claim for pre-2011 CDM activities related to the persistence of CDM activities from 2005 through 2010 occurring in 2011 is \$102,281 not \$141,118.

Table 4 – Revised Summary of 2011 LRAM claim (including January 1, 2012 to April 30, 2012)				
	Residential Programs	General <50 Service	General > 50 Service	Total
2005 programs	\$0	\$0	\$0	\$0
2006 programs	\$12,751	\$0	\$0	\$12,751
2007 programs	\$34,319	\$0	\$0	\$34,319
2008 programs	\$41,412	\$29	\$2,189	\$43,630
2009 programs	\$14,203	\$950	\$4,231	\$19,384
2010 programs	\$8,791	\$12,600	\$1,684	\$23,075
<i>Subtotal</i>	<i>\$111,476</i>	<i>\$13,579</i>	<i>\$8,104</i>	<i>\$133,159</i>
<i>Carrying charges</i>	<i>\$1,324</i>	<i>\$161</i>	<i>\$96</i>	<i>\$1,581</i>
Total	\$112,800	\$13,740	\$8,200	\$134,740

d) PUC has updated Table 14 to include the LRAM rate Rider calculations to include the persisting lost revenue from January 1, 2012 to April 30, 2012 from 2005-2010 CDM programs.

	Residential	General Service <50kW	General Service > 50kW	Total
Pre 2011 and Jan.1, 2012 to April 30, 2012 - LRAM 2005 to 2010 program with persisting losses (\$)	111,476	13,579	8,104	133,159
Carrying LRAM (\$)	<u>1,324</u>	<u>161</u>	<u>96</u>	<u>1,581</u>
Sub Total	112,800	13,740	8,200	134,740
Annual Volume (2013 Forecast)	339,164,253	101,760,560	625,708	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAM	0.0003	0.0001	0.0131	
2011 LRAMVA (\$)	12,804	12,203	11,734	36,741
Carrying Charges LRAMVA (\$)	<u>353</u>	<u>336</u>	<u>323</u>	<u>1,012</u>
Sub Total	13,157	12,539	12,057	37,753
Annual Volume (2013 Forecast)	339,164,253	101,760,560	625,708	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAMVA	0.0000	0.0001	0.0193	
Total LRAM and LRAMVA				172,493

e) & f)

PUC analyzed the number of applications by rate class and determined 85% related to the General Service >50 and 15% related to the General Service < 50 customers. PUC applied the ratios to the net savings identified for the program in the 2011 Final Annual Report Data issued by the OPA. Therefore, calculating kWh savings for General Service <50 is $0.15 \times 724,440 = 108,666$.

The same approach was used to determine the net kW savings for General Service >50 achieved from the Efficiency: Equipment Replacement program thus $.85 \times 128 \times 12 = 1,308$.

g) PUC updated Table 14 below to provide separate rate riders for both the LRAM amounts (for persisting lost revenues from 2005-2010 CDM programs) and the LRAMVA amount. PUC included 2 LRAM rate rider amounts, one inclusive of persisting lost revenues from January 1, 2012 to April 30, 2012 and one exclusive of persisting lost revenues from January 1, 2012 to April 30, 2012.

	Residential	General Service <50kW	General Service > 50kW	Total
Pre 2011 and Jan.1, 2012 to April 30, 2012 - LRAM 2005 to 2010 program with persisting losses (\$)	111,476	13,579	8,104	133,159
Carrying LRAM (\$)	<u>1,324</u>	<u>161</u>	<u>96</u>	<u>1,581</u>
Sub Total	112,800	13,740	8,200	134,740
Annual Volume (2013 Forecast)	339,164,253	101,760,560	625,708	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAM including Jan 2012 to April 2012 persisting losses	0.0003	0.0001	0.0131	
Pre 2011 - LRAM 2005 to 2010 program with persisting losses (\$)	84,586	10,191	6,082	100,859
Carrying LRAM (\$)	<u>1,192</u>	<u>144</u>	<u>86</u>	<u>1,422</u>
Sub Total	85,778	10,335	6,168	102,281
Annual Volume (2013 Forecast)	339,164,253	101,760,560	625,708	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAM for persisting losses until 2011	0.0003	0.0001	0.0099	
2011 LRAMVA (\$)	12,804	12,203	11,734	36,741
Carrying Charges LRAMVA (\$)	<u>353</u>	<u>336</u>	<u>323</u>	<u>1,012</u>
Sub Total	13,157	12,539	12,057	37,753
Annual Volume (2013 Forecast)	339,164,253	101,760,560	625,708	
Charge Parameter	kWh	kWh	kW	
Rate Rider for LRAMVA	0.0000	0.0001	0.0193	

VECC– IR 9-VECC-41

Reference: Additional Information, pgs. 7, 56, 88

- a) Please reconcile the LRAM total claim of \$178,871 with the amounts shown at Table 4 (LRAM total \$102,281) and Table 13 (LRAMVA total \$37,753) and both with Table 14 (total \$178,871).

PUC Response

- a) As an oversight, PUC included the incorrect LRAM amounts in Table 14. The total LRAM claim is \$102,281 and LRAMVA is \$37,753 for a total of \$140,034. As a result of the interrogatories, PUC has corrected the LRAM rate rider to reflect the \$102,281.

Exhibit 4 - Issue #9 – Budgeted OM&A

Board Staff – IR 4-Staff-41

Ref: Exh 4-2-1, Page 2

On page 2 of this exhibit PUC states:

For budgeting purposes, PUC used an overall inflationary rate for general OM&A of GDP-IPI as per the OEB filing guidelines. For wages PUC used a 2% inflationary increase factor. PUC is contractually obligated under the collective agreement to provide a 3% wage increase as of May 1, 2013.

- a) Please explain why PUC has used a 2% wage increase factor if there is a 3% wage increase as of May 1, 2013 per the established collective agreement.
- b) In response to (a), was the inflationary increase applied to all employees?

PUC Response

- a) Since the 3% increase is not effective until May 1, 2013, PUC included 2/3 of the 3% increase in the test year which resulted in a 2% wage increase factor.
- b) PUC confirms the inflationary increase was applied to all employees.

Board Staff – IR 4-Staff-42

Ref: Exh 4-2-2, Page 3, Table 4-6

Please explain the increases for the 2012 bridge and 2013 test years for each of the following accounts, as shown in Table 4-6:

- a) Account 5405 – Supervision
- b) Account 5410 – Community Relations – Sundry; and
- c) Account 5420 – Community Safety Program.

PUC Response

- a) Account 5405 – Supervision – Increase due to increase in management labour allocation in 2012 – staff increase.
- b) Account 5410 – Increased labour charged directly to PUC Distribution and increase labour allocated from PUC Services – staff increase.
- c) Account 5420 – Community Safety Program – increased cost due change in delivery of schools safety program from internal staff to outside resource.

Board Staff – IR 4-Staff-43

Ref: Exh 4-2-2, Page 4, Table 4-8 & Page 8

In Table 4-8 title “OM&A Cost Driver Table”, PUC documents an increase of \$252,000 for TOU/Smart Meter costs for the 2013 test year OM&A. On page 8, PUC states: “The 2013 test year includes the increased outside costs to operate smart meters and perform time-of-use [“TOU”] billing net of the reduction due to the elimination of contracted meter reads.”

- a) Please provide estimates for each of:
 - i. Increased outside costs to operate smart meters;
 - ii. Costs to perform TOU billing; and
 - iii. Reduction due to the elimination of contracted meter reads.
 - b) Have all contracted meter reads been eliminated?
 - c) Please explain why there are increased costs for the operation of smart meters.

PUC Response

- a) The projected 2013 test year costs related to operating smart meters is as follows:

Desc	2013
Meter Reading Contractor	\$30,000
Meter Reading Exp Phone	\$4,400
Meter Reading Stationary	\$0
Meter Reading Labour	\$16,683
Meter Reading Labour OH	\$6,532
Meter Reading Truck	\$2,040
Meter Reading MV90 Costs	\$15,000
Meter Reading Exp Misc	\$0
Automated Metering Infrastructure (AMI)	\$150,000
Sync Operator	\$45,000
Operational Data Store	\$70,000
AS2 Client	\$2,333
Web presentment	\$10,000
Asset charge	<u>\$25,209</u>
Sub-Total	377,197
Less: Reduced Contracted meter reads	<u>(122,524)</u>
Total	254,673

- b) All contract meter reads have not been eliminated.
- c) please refer to the table above for a list of costs associated with the operation of smart meters.

VECC – IR-VECC-27

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 18

- a) Please provide in tabular form a breakdown of account 5310 “Meter Reading Expenses” for 2008 (actuals) and 2013 forecast.

PUC Response

- a) PUC has provided below a breakdown of account 5310 Meter Reading Expenses.

Desc	2008 audited	2013 Budget
Meter Reading Contractor	\$152,524	\$30,000
Meter Reading Exp Phone	\$2,734	\$4,400
Meter Reading Stationary	\$800	\$0
Meter Reading Labour	\$7,388	\$16,683
Meter Reading Labour OH	\$3,072	\$6,532
Meter Reading Truck	\$381	\$2,040
Meter Reading MV90 Costs	\$14,121	\$15,000
Meter Reading Exp Misc	\$597	\$0
Automated Metering Infrastructure (AMI)		\$150,000
Sync Operator		\$45,000
Operational Data Store		\$70,000
AS2 Client		\$2,333
Web presentment		\$10,000
Asset charge	\$11,200	\$25,209
	\$192,817	\$377,197

Increased smart meter costs of \$277,333. Reduced contracted meter reads of \$122,524.

VECC – IR-VECC-28

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 17, 21

- a) Please provide cost of each of the studies for (i) Smart Grid Plan; (ii) Renewable Energy Plan; (iii) Electric Distribution System Coordination Study.

PUC Response

- i) Smart Grid Plan – estimated at \$50,000, actual \$28,000 (Asset management plan)

- ii) Renewable Energy Plan – (Green Energy Plan) – estimated at \$25,000, actual \$35,000 (Green Energy Plan)
- iii) Electric Distribution System Coordination Study – estimated at \$50,000

SEC – IR-SEC-25

[4/2/2, p. 21]

Please advise the cost of the Asset Management Plan. Please confirm that it was incurred in 2012. Please advise why it is included as a regulatory cost, rather than as an operating cost.

PUC Response

The cost of the Asset Management Plan was \$28,500 plus HST and was incurred in 2012. PUC included the Asset Management Plan as a regulatory cost as it was part of the rate application.

VECC – IR-VECC-30

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please provide a breakdown of the 2013 rate application costs into the following components:
 - i. Consultants;
 - ii. Legal;
 - iii. Intervenor costs; and
 - iv. Other hearing and publication costs (please describe).

PUC Response

Account	Description	\$
5655	Consultants, legal, intervenor	\$31,250
5085	Consultants	\$75,000/4=\$18,750

VECC – IR-VECC-29

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 20

- a) Please provide a table similar to Table 4-10, which for 2011 compares PUC to the following cohort of similar utilities: North Bay Hydro Distribution; Greater Sudbury Hydro and Thunder Bay Hydro.

PUC Response

Based on the information in the 2011 Yearbook of Electricity Distributors published on September

13, 2012 PUC has compiled, to the best of its knowledge, the following information:

2011	<u>PUC Distribution</u>	<u>North Bay Hydro</u>	<u>Greater Sudbury</u>	<u>Thunder bay Hydro</u>
Number of Customers	33,319	20,960	42,279	44,749
Total OM&A	8,590,314	5,333,566	13,090,276	11,860,037
OM&A per Customer	258	254	310	265
Number of FTEEs	82	46	4	137
Customers/ FTEEs	406	456	10,570	327
OM&A Cost per FTEE	104,760	115,947	3,272,569	86,570

VECC – IR 4-VECC-23

Reference: Exhibit 4, Tab 1, Schedule1, pg. 1

- a) Please provide an update to Appendix 2-G (and 2-I) to show 2012 and 2013 OM&A in GCAAP.
- b) Please also update the tables to show year-end 2012 actuals (estimates) and any proposed changes to 2013 OM&A?

PUC Response

- a) PUC has decided to stay on CGAAP and defer implementation of IFRS. Although not electing to implement IFRS for reporting purposes, PUC will adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year as a change under MIFRS.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing to file under CGAAP is the removal of the request for a 1575 deferred PP&E account to have the application filed under CGAAP.

Therefore, Appendix 2-G and 2-I would not require updating for the bridge and test year to be under CGAAP. The changes requested under MIFRS can be made under CGAAP as outlined in the Boards July 17, 2012 notice to electricity distributors.

- b) PUC has updated below Table 4-1 to included 2012 Actuals

	Last Rebasings Year (2008 BA)	2008 Actuals	2008 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2012 Actuals	2013 Test Year
Reporting Basis								
Operations	\$ 2,887,329	\$2,385,895	\$2,892,379	\$2,952,709	\$2,870,949	\$ 3,725,512	\$ 3,307,209	\$ 3,675,289
Maintenance	\$ 2,077,649	\$1,786,399	\$2,119,239	\$2,141,266	\$2,288,395	\$ 2,408,608	\$ 2,549,820	\$ 2,396,021
SubTotal	\$ 4,964,978	\$4,172,294	\$5,011,618	\$5,093,975	\$5,159,344	\$ 6,134,120	\$ 5,857,029	\$ 6,071,310
%Change (year over year)			20.1%	1.6%	1.3%	18.9%		-1.0%
%Change (Test Year vs Last Rebasings Year - Actual)								21.1%
Billing and Collecting	\$ 973,872	\$1,014,571	\$1,041,970	\$1,193,320	\$1,111,440	\$ 989,246	\$ 1,163,141	\$ 1,316,331
Community Relations	\$ 473,298	\$ 633,367	\$ 473,677	\$ 470,851	\$ 485,554	\$ 585,052	\$ 650,243	\$ 636,637
Administrative and General	\$ 1,398,408	\$1,474,106	\$1,411,301	\$1,653,459	\$1,833,976	\$ 2,617,144	\$ 2,537,923	\$ 2,854,592
SubTotal	\$ 2,845,578	\$3,122,044	\$2,926,948	\$3,317,630	\$3,430,970	\$ 4,191,442	\$ 4,351,308	\$ 4,807,560
%Change (year over year)			-6.2%	13.3%	3.4%	22.2%		14.7%
%Change (Test Year vs Last Rebasings Year - Actual)								64.3%
Total	\$ 7,810,556	\$7,294,338	\$7,938,566	\$8,411,605	\$8,590,314	\$10,325,562	\$10,208,337	\$10,878,870
%Change (year over year)			8.8%	6.0%	2.1%	20.2%		5.4%

	Last Rebasings Year (2008 BA)	2008 Actuals	2008 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2012 Actual	2013 Test Year
Operations	\$ 2,887,329	\$2,385,895	\$2,892,379	\$2,952,709	\$2,870,949	\$ 3,725,512	\$ 3,307,209	\$ 3,675,289
Maintenance	\$ 2,077,649	\$1,786,399	\$2,119,239	\$2,141,266	\$2,288,395	\$ 2,408,608	\$ 2,549,820	\$ 2,396,021
Billing and Collecting	\$ 973,872	\$1,014,571	\$1,041,970	\$1,193,320	\$1,111,440	\$ 989,246	\$ 1,163,141	\$ 1,316,331
Community Relations	\$ 473,298	\$ 633,367	\$ 473,677	\$ 470,851	\$ 485,554	\$ 585,052	\$ 650,243	\$ 636,637
Administrative and General	\$ 1,398,408	\$1,474,106	\$1,411,301	\$1,653,459	\$1,833,976	\$ 2,617,144	\$ 2,537,923	\$ 2,854,592
Total	\$ 7,810,556	\$7,294,338	\$7,938,566	\$8,411,605	\$8,590,314	\$10,325,562	\$10,208,337	\$10,878,870
%Change (year over year)			8.8%	6.0%	2.1%	20.2%		5.4%

VECC – IR 4-VECC-25

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 5

- a) Please provide details as to the “Railway crossing fees.” What are the amount of these fees in 2008 and what fees were ultimately negotiated and built into the 2013 application.

PUC Response

The 2013 budget does not include any allowance for increased railway crossing fees. The anticipated increase was expected to be in the range of \$143,636 which was negotiated prior to 2008. However PUC has yet to be invoiced by the railway company and there has been no further word from them since. Therefore no allowance for increased fees has been included in the 2013 budget.

VECC – IR 4-VECC-26

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11 / Appendix 2-G

- a) The difference between 2008 Board Approved OM&A and 2013 OM&A (MIFRS) is \$3,584,532 (\$10,878,870-\$7,294,338). Please provide a breakdown of the increase into the following components:

- i. MIFRS accounting adjustments (capitalization/asset life);
- ii. Incremental smart meter costs (show incremental FTEs);
- iii. Incremental regulatory costs (show incremental FTEs);
- iv. Inflation (please provide inflation estimate and source);
- v. Other (please provide a general description).

PUC Response

PUC has provided the breakdown below:

Breakdown of OM&A increase 2008 to 2013			
2013 test year		\$10,878,870	
2008 approved		\$7,810,556	
Increase		\$3,068,314	
Inflation estimate @ 13% as per response to Board Staff – IR 4-Staff-28		\$1,023,183	
Incremental capitalization accounting adj		\$652,000	
Incremental smart meter costs excluding labour		\$162,800	
New building increase (property taxes) net of savings		\$296,000	
Labour (FTE from 75 to 87)		\$927,000	
		\$3,060,983	
Labour increases	Driver	FTE to Distribution	Estimated \$
Supervisor Billing	TOU Billing	0.56	\$54,740
Network Admin	Increased complexity of integrated network for communications, smart meter infrastructure, SCADA network, corporate billing and accounting	0.46	\$47,610
Business Systems Analyst	Increased complexity of enterprise s/w due to record keeping and reporting requirements	0.46	\$36,501
Accounting supervisor	Increased complexity of record keeping and reporting requirements	0.46	\$46,552
Office assistant operations	Increased complexity of enterprise s/w due to record keeping and reporting requirements	0.46	\$28,037
Line planner	Increased capital and maintenance activity	1.00	\$95,450
Safety Supervisor	Maintenance and enhance focus on safety	0.46	\$44,965
Electrician P&M	Electrical maintenance resource	0.46	\$40,204
Maint. staff (partial assignment to line dept for flagging, etc.)	Increased capital and maintenance activity	0.46	\$28,037
Power line tech	Increased capital and operating activity	1.00	\$88,550
Substation electrician	Increased capital and operating activity	1.00	\$88,550
Electric System Operator	Increased capital and operating activity	1.00	\$88,550
Engineering Tech	Increased capital and operating activity	1.00	\$88,550
Smart Meter Analyst	Utilization of smart meter data	1.00	\$79,350
GIS Tech	Increased capital and operating activity	1.00	\$71,300
		10.8	\$926,946

VECC – IR 4-VECC-34

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 11

- a) Please explain the change in the percentage of costs allocated from accounts 5605 to 5635, 5665 from approximately 30% prior to 2012 to nearly 41% since 2012.

PUC Response

PUC Distribution's share of administrative expenses was not apportioned to capital in 2012 and 2013. PUC Distribution's total share is consistent over the period listed below.

	To Admin	To Capital	Total
2009	30.10%	13.73%	43.83%
2010	30.79%	14.88%	45.67%
2011	29.36%	15.88%	45.24%
2012	45.71%	0%	45.71%
2013	45.71%	0%	45.71%

Energy Probe – IR 4-EP-15

Ref: Exhibit 4, Tab 1, Schedule 1

Please update Table 4-1 to include actual costs for 2012. Please provide these actual costs for 2012 on a CGAAP basis. If actual data for all of 2012 is not yet available, please provide the most recent year-to-date actual information for 2012 in the same level of detail as shown Table 4-1, along with the figures for the corresponding period in 2011.

PUC Response

PUC has updated Table 4-1 for 2012 actual costs. Refer to VECC – IR 4-VECC-23 above.

SEC – IR 4-SEC-19

[4/1/1, Table 4-1]

Please provide actual OM&A for each category in 2012 for as many months as are currently available, and the comparable totals for the same period for each category in 2011.

PUC Response

PUC has updated Table 4-1 for 2012 actual costs. Refer to VECC – IR 4-VECC-23 above.

Energy Probe – IR 4-EP-16

Ref: Exhibit 4, Tab 2, Schedule 2

- a) Please explain what is included in account 5096 in Table 4-3 and explain the increase forecast between 2012 and 2013.
- b) Please explain the meter reading expense increase between 2012 and 2013 in account 5310 shown in Table 4-5.
- c) Please explain what is included in account 5410 in Table 4-6. Please breakout the costs for each of the major items included in this account for each year shown.
- d) Please explain the significant cost increases shown for 2012 and 2013 in account 5675 in Table 4-7.

PUC Response

- a. Account 5096 is rental for PUC attachments on Bell poles. This account was under budgeted in 2012 at \$85,000, The actual amount is \$97,000 for 2012 and an estimate of \$95,000 in the 2013 test year.
- b. The increase in meter reading expense is a result of additional expenses for time of use billing – see **IR-VECC-27**.
- c. PUC has provided a breakout the costs for each of the major items below.

Description	2008 audited	2009 audited	2010 audited	2011 audited	2012 Budget	2013 Budget	2012 preliminary
Labour	\$327,659.34	\$325,773.01	\$309,159.40	\$311,436.57	\$400,778.22	\$409,147.69	\$327,044.17
Software Maint	\$9,818.12	\$12,566.87	\$14,003.94	\$12,431.63	\$16,800.00	\$16,800.00	\$0.00
Training	\$2,932.00	\$9,176.27	\$0.00	\$0.00	\$8,960.00	\$9,000.00	\$0.00
Customer notificatons - radio/print	\$31,213.86	\$30,172.46	\$33,554.62	\$30,719.40	\$20,960.00	\$28,800.00	\$43,248.00
Cost of Capital/Asset Ch	\$23,057.02	\$6,616.23	\$30,769.22	\$26,760.95	\$6,522.08	\$33,413.04	\$30,185.37
Smart meter regulatory entry	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$142,790.00
misc (phone, postage)	\$2,259.00	\$5,044.80	\$11,957.75	\$1,000.15	\$2,800.00	\$2,800.00	\$8,021.76
	\$396,939.34	\$389,349.64	\$399,444.93	\$382,348.70	\$456,820.30	\$499,960.74	\$551,289.30

- d. The increase in 2012 costs over 2011 - The increased cost from 2012 to 2013 is a result of PUC's share of the increased property taxes for the new building.

Energy Probe – IR 4-EP-17

Ref: Exhibit 4, Tab 2, Schedule 2 &
Exhibit 6, Tab 2, Schedule 1

- a) Are the figures shown for 2012 and 2013 based on CGAAP (as labelled) or on MIFRS?
- b) Please indicate which account in Tables 4-3 through 4-7 the increased allocation of property tax for the new building (Item Q in Table 4-8) is reflected.

- c) Please explain how reduced capital expenditures over the previous year for labour and material (Items M & N in Table 4-8) result in higher OM&A costs in 2012.
- d) Item O in Table 4-8 indicates an increase in OM&A costs associated with the transition to MIFRS of \$652,000 in 2012, with no further increase shown for 2013. Please reconcile this figure with the difference of \$733,107 between CGAAP and MIFRS shown in Table 6-3 in Exhibit 6, Tab 2, Schedule 1.
- e) Please update Table 4-8 to reflect actual data for 2012 (or actual data for as much of 2012 as is currently available, along with an estimate for the remainder of the year). Please update the 2012 column based on CGAAP.
- f) Please reconcile the increase in property taxes shown in Table 4-8 of \$296,000 in 2013 with the forecast of property taxes shown in Table 6.1 of Exhibit 6, Tab 1, Schedule 1 of \$50,000.
- g) Please provide the number of FTEEs (Table 4-10) for 2012 on an actual basis.
- h) Please show the assumptions used to arrive at the 13% inflation factor noted on page 11 of Exhibit 4, Tab 2, Schedule 2 between 2008 and 2013 including the labour increases used for each year, the CPI used for each year, and the weights used to arrive at the final figure.

PUC Response

- a) PUC assumes the question is referencing Table 4-8 *OM&A Cost Drivers*. In the table 2012 and 2013 are labeled CGAAP but were originally intended to be labeled MIFRS. As noted above PUC is electing to defer adoption of IFRS but is electing to make the changes for asset useful lives and overhead capitalization policies (as originally files) under CGAAP. No other changes (with the exception of a 1575 PP&E account being removed) have been made to the application to file under CGAAP.
- b) The increase in the property taxes for the new building as outlines in Table 4-8 is \$296,000. This amount is reflected in account 5675 and *Maintenance of General Plant*.
- c) Labour costs are either recorded as capital or OM&A depending on the project or task the employee is working on. If capital works are reduced in a given year less labour costs are allocated to capital. The result of less capitalized labour costs is that labour is allocated to OM&A.
- d) The increase in OM&A due to the change in capitalization of overhead from 2012 to 2013 is \$81,107 (\$733,107-\$652,000). This amount is spread over several OM&A accounts and was net against other changes in a specific account therefore it was not included on Table 4-8 as material cost drivers.
- e) PUC updated Table 4-8 below to reflect actual unaudited data for 2012 based on CGAAP with changes in useful estimated lives and capitalization of overheads.

OM&A	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Opening Balance	\$ 7,294,338	\$ 7,938,566	\$ 8,411,605	\$ 8,590,314	\$ 10,208,337
A. Approved staffing increases not in place for full year					
B. Railway Crossing Fees					
C. Energy Conservation - 3rd Tranche MARR					
D. Line Clearing					
Various not Material					
E. Addition of Approved Staff	\$ 353,000				
F. Transmission Line Right of Way	\$ 62,750				
G. U/G Transformer PCB	\$ 172,000				
Various not Material	\$ 56,478				
H. Addition of Approved Staff		\$ 314,000			
I. Structural Testing of 115 kv Towers		\$ 72,000			
J. Increased Shared Software & Equipment Charges		\$ 210,000			
K. PCB Testing performed in 2009		\$ (172,000)			
Various not Material		\$ 49,039			
L. Inflationary Increases			\$ 178,709		
M. Reduced Capital Expenditures over prior year - labour					\$ 200,000
N. Reduced Capital Expenditures over prior year - material etc.					\$ 200,000
O. Transition to IFRS reduced the admin type costs allocated to capital expenditures				\$ 652,000	
P. Staffing Increases				\$ 525,000	
Various not Material				\$ 32,632	
Q. Increased allocation of property tax for new building					\$ 296,000
R. Increased TOU/Smart Meter Costs net of reduced contracted meter reading					\$ 252,000
S. Smart Meter Regulatory Entry				\$ 661,391	
T. Reduced line clearing				\$ (253,000)	
U. Smart Meter Regulatory Entry					\$ (661,391)
V. Increased line clearing					\$ 326,000
Various not Material					\$ 57,924
Closing Balance	\$ 7,938,566	\$ 8,411,605	\$ 8,590,314	\$ 10,208,337	\$ 10,878,870

- S. Smart meter entry in 2012 to clear accounts 1555 and 1556 as per rate order.
T. Reduced line clearing costs due to favourable tender result.
U. Smart meter entry in 2012 was a one-time entry to clear accounts 1555 and 1556.
V. Budgeted increased costs in line clearing.

f) The \$50,000 shown in Table 6.1 is account 6150 – *taxes other than income*. The \$296,000 increase in 2013 property taxes is in account 5675.

g) PUC has updated the Table below:

Recoverable OM&A Cost per Customer and per FTEE

	Last Rebraising Year (2008 Board-Approved)	Last Rebraising Year (2008 Actuals)	2009 Actuals	2010 Actuals	2011 Actuals	2012 Bridge Year	2013 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Number of Customers	32,426	32,993	33,201	33,269	33,319	33,401	33,484
Total Recoverable OM&A from Appendix 2-I	\$ 7,810,556	\$ 7,294,338	\$ 7,938,566	\$ 8,411,605	\$ 8,590,314	\$ 10,208,337	\$ 10,878,870
OM&A cost per customer	\$ 240.87	\$ 221.09	\$ 239.11	\$ 252.84	\$ 257.82	\$ 305.63	\$ 324.90
Number of FTEs	75	66	78	81	82	86.81	87
Customers/FTEs	432.35	499.89	425.65	410.73	406.33	384.76	384.87
OM&A Cost per FTEE	104,140.75	110,520.27	101,776.49	103,846.98	104,759.93	117,594.02	125,044.48

h) Please refer to Board Staff – IR 4-Staff-28

SEC – IR 4-SEC-24

[4/2/2, p.20]

Please explain why the Applicant thinks an increase in OM&A per customer of \$103.81, 47% over five years, is reasonable.

PUC Response

The increase is due to inflation, increased costs for TOU billing, increased property taxes for the new building, increased operating expenses due to the change in capitalization policy and increased labour costs in the areas of IT, accounting, line department, engineering, and safety.

	Board Approved	2013 Test Year	Increase
OM&A	\$7,810,556	\$10,878,870	
Customers	32,426	33,484	
Cost/Customer	\$240.87	\$324.90	\$84.03 (35%)

SEC – IR 4-SEC-23

[4/2/2, Table 4-9]

With respect to the variance analysis:

- a. Please identify and quantify any material changes in accounting treatment or practices (other than IFRS) that impact the comparability of line items between 2008 and 2013.
- b. Please explain the 72% increase in #5085, and provide a breakdown.
- c. Please describe all new Community Relationship Programs developed, and explain the 30% increase in the Test Year.
- d. Please explain the 176% increase in Outside Services Employed.
- e. Please explain the 126% increase in #5675, and provide a breakdown.
- f. Please explain the almost \$500,000 increase in executive and management salaries and expenses.

PUC Response

- a) The only material changes made by PUC were the method of allocating administrative

expenses and useful lives of assets.

- b) Labour (staff addition to maintain GIS), consulting costs (Smart Grid Plan, Renewable Energy Enabling Plan, Electric Distribution System Coordination Study), software costs (third party to assist with backlog in GIS updating) and the asset /rate of return charge (increased building depreciation) have increased since the 2008 test year.

	2008 test	2008 audited	2009 audited	2010 audited	2011 audited	2012 bridge	2012 preliminary	2013 test
Labour	\$78,576.00	\$61,161.05	\$83,840.80	\$92,346.18	\$73,285.09	\$157,810.22	\$99,792.62	\$161,140.13
Consultants	\$38,000.00	\$5,413.05	\$20,210.93	\$26,058.67	\$27,519.46	\$65,000.00	\$74,068.75	\$77,500.00
Training	\$0.00	\$0.00	\$1,610.00	\$2,128.83	\$866.15	\$4,000.00	\$837.09	\$4,000.00
ESA fees	\$15,000.00	\$13,272.91	\$13,706.54	\$14,814.32	\$17,994.44	\$18,000.00	\$14,863.80	\$18,000.00
Trucking	\$433.00	-\$509.93	\$1,037.01	\$2,678.29	\$439.69	\$200.00	\$1,300.39	\$204.00
Software	\$168,976.00	\$167,782.05	\$174,947.47	\$184,429.12	\$216,235.01	\$252,000.00	\$230,638.10	\$252,000.00
Misc	\$0.00	\$3,129.38	\$6,159.54	\$3,351.45	\$78.26	\$0.00	\$2,168.44	\$0.00
Asset ch/Rate of Return	\$23,240.27	\$15,432.62	\$22,543.65	\$27,043.94	\$25,797.89	\$73,559.70	\$28,426.73	\$44,785.67
	\$324,225.27	\$265,681.13	\$324,055.94	\$352,850.80	\$362,215.99	\$570,569.92	\$452,095.92	\$557,629.80

- c) On line access to time of use billing information has been introduced to customers. Staffing and staff training has been increased in this area in order to educate customers and to maintain/improve customer call response indices.

Account 5410

Description	2008 audited	2009 audited	2010 audited	2011 audited	2012 Budget	2013 Budget	2012 preliminary
Labour	\$327,659.34	\$325,773.01	\$309,159.40	\$311,436.57	\$400,778.22	\$409,147.69	\$327,044.17
Software Maint	\$9,818.12	\$12,566.87	\$14,003.94	\$12,431.63	\$16,800.00	\$16,800.00	\$0.00
Training	\$2,932.00	\$9,176.27	\$0.00	\$0.00	\$8,960.00	\$9,000.00	\$0.00
Customer notificatons - radio/print	\$31,213.86	\$30,172.46	\$33,554.62	\$30,719.40	\$20,960.00	\$28,800.00	\$43,248.00
Cost of Capital/Asset Ch	\$23,057.02	\$6,616.23	\$30,769.22	\$26,760.95	\$6,522.08	\$33,413.04	\$30,185.37
Smart meter regulatory entry	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$142,790.00
misc (phone, postage)	\$2,259.00	\$5,044.80	\$11,957.75	\$1,000.15	\$2,800.00	\$2,800.00	\$8,021.76
	\$396,939.34	\$389,349.64	\$399,444.93	\$382,348.70	\$456,820.30	\$499,960.74	\$551,289.30

- d) This account increased by \$51,000 due to not allocating administrative expenses to capital expenditures. In addition, outside training costs have been increased in the areas of Asbestos awareness, ARC Flash Protection, PCB/oil spill training, and other safety related topics to be delivered to staff annually on a rotating basis.

- e) PUC has provided below a breakdown of account #5675.

	2008 test detailed	2008 audited	2009 audited	2010 audited	2011 audited	2012 Budget	2013 Budget	2012 preliminary
Labour	52,049.38	51,014.63	55,417.65	75,304.72	83,074.66	86,635.40	68,936.30	122,969.29
Material	2,861.56	3,051.51	4,728.81	3,508.20	4,427.55	6,856.50	7,082.37	7,044.08
Trucking	7,175.26	5,052.32	3,225.90	4,776.43	7,300.30	10,513.30	10,859.63	16,832.14
Janitor	6,469.35	8,717.93	11,186.81	11,783.72	11,129.03	17,369.80	29,037.72	19,134.32
Property Taxes	55,752.86	52,967.30	51,446.37	49,618.67	47,512.62	75,820.75	372,172.57	74,267.33
Utilities	51,453.90	54,050.59	63,068.57	48,336.48	55,628.75	98,276.50	98,686.58	71,207.82
Insurance	2,738.49	2,398.15	2,669.20	3,082.55	5,500.21	4,361.19	6,129.08	9,599.90
Office Building	67,339.31	81,442.10	82,819.77	75,505.78	71,067.19	117,089.16	0.00	111,430.46
Cost of Cap/Asset Ch	0.00	13,240.93	0.00	0.00	24,171.24	0.00	0.00	36,485.00
Misc	43,213.81	37,456.56	54,305.44	40,638.65	33,646.79	23,328.10	61,380.54	45,133.08
	289,053.92	309,392.02	328,868.52	312,555.20	343,458.34	440,250.70	654,284.79	514,103.42

The major increases in this account are the increased property taxes from the new building (\$296,000) and the change in allocation method (portion not allocated to capital as in prior years) (\$220,000). The increased costs are offset by reductions in utilities and labour.

- f) The labour expense in this account increased by \$415,000 from the 2008 test year due to not allocating a portion of costs to capital and added labour resources – shared resources were added for a Network Administrator, a Business Systems Analyst, a Supervisor of Safety & Environment, an Accounting Supervisor and an Office Assistant - Operations. The remainder of the increase is attributable to not allocating other expenses to capital and increased software costs.

SEC– IR 4-SEC-21

[4/2/2, p.4]

With respect to the OM&A Cost Driver Table:

- a. Please provide, with respect to each of the new FTEs approved by the Board in the last rebasing, the date the position was filled, and for each year from 2008 to 2013 the amount that was actually spent with respect to that position.
- b. Please explain why “reduced capital expenditures over prior year” resulted in an increase in OM&A in 2012, and further explain why that increase would continue in 2013 and beyond.

PUC Response

- a) PUC has provided in the Table below, with respect to each of the new FTEs approved by the Board in the last rebasing, the date the position was filled, and for each year from 2008 to 2013 the amount that was actually spent with respect to that position.

Empl #	Position	Start	End	2008	2009	2010	2011	2012
241	Billing Supervisor	8-Dec-08	Current	\$2,625	\$40,552	\$49,970	\$35,180	\$41,850
308	Line Planner	9-Mar-09	25-May-09	\$0	\$14,706	\$0	\$0	\$0
331	Line Planner	13-Jul-09	24-Aug-09	\$0	\$8,753	\$0	\$0	\$0
343	Line Planner	31-Aug-09	Current	\$0	\$21,218	\$61,656	\$59,438	\$45,472
474	Forestry Tech	2-Feb-09	Current	\$0	\$55,637	\$61,552	\$62,586	\$64,655
460	Powerline Tech	28-Jul-08	Current	\$20,273	\$53,690	\$50,913	\$62,447	\$63,798
472	Powerline Tech	22-Dec-08	Current	\$1,034	\$50,789	\$54,903	\$57,380	\$62,956
466	Powerline Tech	27-Oct-08	Current	\$7,251	\$49,983	\$56,742	\$68,868	\$63,437
481	P&C Engineer	22-Jun-09	8-Oct-09	\$0	\$24,388	\$0	\$0	\$0
457	P&C Engineer	28-Mar-11	1-Feb-13	\$0	\$0	\$0	\$75,982	\$101,255
465	Engineering Tech	22-Sep-08	Current	\$13,889	\$56,659	\$66,078	\$89,814	\$76,329
449	Engineering Tech	6-Oct-08	Current	\$16,014	\$59,339	\$71,095	\$68,112	\$54,129

- b) During 2011 labour resources were directed to a greater extent than normal to capital projects – the installation of infrastructure to enable the addition of major solar farms in Sault Ste. Marie. The resources were available again in 2012 for operations and maintenance programs.

Exhibit 4 - Issue #10 – LEAP

VECC – IR 4-VECC-31

Reference: Exhibit 4, Tab 2, Schedule 2, pg. 22

- a) Please explain why PUC is not proposing to include in the application the full amount of the LEAP calculation of 0.12% of the revenue requirement?
- b) Please explain why PUC calculated the LEAP amount based on Based Revenue Requirement rather than the Service Revenue Requirement?

PUC Response

- a) PUC estimated the LEAP amount to be \$20,000 in the rate application. The full amount of the LEAP calculation is \$21,533. PUC used an estimate considering the rate application distribution revenue requirement would be changing before the final rate order is issued.
- b) As per the OEB letter issued October 20, 2010 to all licensed electricity distributors (EB-2008-0150; EB-2009-0722; EB-2008-0346) the Board determined the funding level for LEAP to be the greater of 0.12% of a distributors' Board-approved distribution revenue requirement or \$2,000. PUC considers the base revenue requirement to be distribution revenue and that "other revenue" is not collected through rates and should not be included in the LEAP calculation.

Exhibit 4 - Issue #11 – PILs

Energy Probe– IR 4-EP-19

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please confirm that the CCA schedule for the bridge year shown on page 13 reflects additions based on MIFRS for 2012.
- b) Please provide a CCA schedule for 2012 that is based on CGAAP based additions in 2012.
- c) Please provide a revised CCA schedule for 2013 that reflects the UCC resulting from the CCA schedule requested in part (b) above.

PUC Response

a) b) and c)

PUC confirms it has decided to stay on CGAAP and defer implementation of IFRS.

Although not electing to implement IFRS for reporting purposes, PUC will adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing is the removal of the request for a 1575 deferred PP&E account to file under CGAAP. The impacts of the changes in the useful lives and overhead capitalization policies effective January 1 2012 will be recorded in account 1576 – *Accounting changes under CGAAP*.

Therefore, no changes are required to the 2012 CCA schedules to file under CGAAP.

A revised PILs model has been submitted with these interrogatory responses to reflect the adjustments proposed in Board Staff - IR 1-Staff-2. The PILs amount in the original application was \$276,281 and as a result of the interrogatories is \$263,796.

Exhibit 4 - Issue #12 – Budgeting

SEC– IR 4-SEC-20

[4/2/1]

With respect to budgeting:

- a. Please confirm that budgeting is done by PUC Services Inc. for the entire enterprise, and then allocations are done to the distribution business. Assuming that is the case, for each of the following parts of this question, please provide the overall budget information as originally prepared.
- b. P. 1. Please provide, for the 2013 budgets, all materials in which “significant variances in spending from prior years” have been “explained and documented”.
- c. P. 2. Please provide the total labour budgets for each department.
- d. P. 2. Please provide a list of asset categories that the Applicants operates on a “run to failure” basis.
- e. P. 3. Please provide details of all adjustments to the Applicant’s “capital spending priorities” that actually took place in 2011 and 2012, as referred to in line 3.

PUC Response

- a. PUC Services prepares the budgets for the entire enterprise.
- b. The following budget statement was provided to the Board of Directors of PUC Distribution for approval. Variance notes follow the statement.

PUC Distribution Inc.
BUDGET STATEMENT OF REVENUES AND EXPENSES
2013



	Actual 2011	YTD Actual 2012	Annual Budget 2012	Annual Budget 2013	Var
Revenue					
Distribution Revenue	\$14,612,624	\$14,389,364	\$15,441,056	\$18,536,678	\$3,095,623
Interest and Regulatory Carrying Charges	\$182,850	\$66,760	\$100,000	\$102,000	\$2,000
Management Fee Revenue	\$0	\$0	\$0	\$1,317,275	\$1,317,275
Miscellaneous Revenue	\$1,407,785	\$698,954	\$727,550	\$838,630	\$111,080
Total Revenue	\$16,203,259	\$15,155,078	\$16,268,606	\$20,794,583	\$4,525,977
Cost of Power					
Cost of Power Revenue	\$60,116,743	\$49,043,069	\$66,472,943	\$63,539,559	-\$2,933,384
Cost of Power Expense	\$60,116,743	\$49,277,136	\$66,472,943	\$63,539,559	-\$2,933,384
Net Cost of Power	\$0	-\$234,067	\$0	\$0	\$0
Operating Expenses					
Load Dispatching	\$228,090	\$272,046	\$288,072	\$325,049	\$36,978
Transmission	\$576	\$5,020	\$5,048	\$5,149	\$101
Stations	\$855,785	\$847,020	\$1,033,424	\$1,277,496	\$244,072
Overhead Lines	\$2,379,752	\$1,642,401	\$2,731,082	\$2,471,722	-\$259,360
Underground Lines	\$381,105	\$288,666	\$457,515	\$373,231	-\$84,285
Transformers	\$118,029	\$91,106	\$118,817	\$117,205	-\$1,612
Meters	\$394,485	\$824,573	\$513,587	\$488,591	-\$24,997
Miscellaneous Operating	\$362,216	\$377,529	\$695,570	\$549,039	-\$146,531
Engineering Operations	\$439,304	\$442,868	\$416,007	\$546,250	\$130,243
Total Operating Expenses	\$5,159,341	\$4,791,230	\$6,259,122	\$6,153,732	-\$105,390
General and Administrative Expenses					
Billing and Collecting	\$1,111,440	\$884,792	\$989,246	\$1,665,972	\$676,726
Customer Service	\$485,554	\$523,707	\$585,052	\$528,218	-\$56,835
Administrative	\$992,265	\$1,097,858	\$1,447,740	\$1,530,118	\$82,378
Miscellaneous	\$548,846	\$569,535	\$704,154	\$720,672	\$16,518
Service Centre and Office Building	\$343,458	\$574,975	\$440,251	\$716,540	\$276,289
Total General and Administrative Expenses	\$3,481,564	\$3,650,867	\$4,166,443	\$5,161,520	\$995,077
CDM Program					
CDM Revenue	\$412,945	\$502,238	\$1,570,161	\$1,620,403	\$50,242
CDM Expenses	\$412,945	\$502,024	\$1,567,613	\$1,620,403	\$52,790
Total CDM Program	\$0	\$214	\$2,548	\$0	-\$2,548
Depreciation	\$3,335,388	\$3,737,547	\$3,300,000	\$3,400,000	\$100,000
Interest Expense					
Interest Related Party	\$1,618,576	\$1,348,813	\$1,618,576	\$1,170,151	-\$448,425
Other Interest	\$85,084	\$212,094	\$109,500	\$1,216,750	\$1,107,250
Total Interest Expense	\$1,703,660	\$1,560,908	\$1,728,076	\$2,386,901	\$658,825
Payment in Lieu of Taxes	\$466,500	-\$333	\$171,677	\$288,157	\$116,480
Total Expenses	\$14,146,454	\$13,740,005	\$15,622,769	\$17,390,310	\$1,767,541
Income/(Loss) from Operations	\$2,056,805	\$1,181,006	\$645,836	\$3,404,273	\$2,758,437

2013 BUDGET FINANCIAL STATEMENT REVIEW

PUC DISTRIBUTION

Distribution Revenue

Cost of service rate application – increased rates as of May 1, 2013 – based on 2013 estimated costs and 2013 asset base

Management Fee Revenue

New building – charge to services for new building – asset charge and cost of capital

Operating Expenses

- Load Dispatching: SCADA operator
- Stations: Increased labour allocation, Breaker Testing, Oil Reconditioning
- Overhead Lines and Underground Lines: Reduced labour allocation
- Miscellaneous Operating: Reduced labour allocation, reduced consulting costs
- Engineering Operations: Increased labour – GIS Tech

General and Administrative Expenses

- Billing and Collecting: Smart meter and TOU costs – IESO fees, meter person reallocation
- Service Centre and Office Buildings: Increased property taxes less cost savings, additional cost until buildings sold
 - Increase due to TOU billing & new building

Interest Expense

- Interest Related Party: Change in OEB deemed rate as a result of cost of service rate application from 6.1% to 4.41%
- OEB deemed rate will be updated prior to rate approval
- Other Interest: Smart meter loan, new building loan, infrastructure loan

Income of \$3.4 million

c. PUC has provided below the total labour budgets for each department.

PUC Services Inc.

Available Hours Budget 2013 - Hourly

	Standard Hrs	Stat Hrs	Vac Hrs	OT	Avail Hrs	Budget \$
11 Corporate Services	22,912.00	832.00	1,128.00	200.00	21,152.00	\$439,985.40
31 Billing	13,650.00	577.50	1,192.50	110.00	11,990.00	\$306,410.24
32 Customer Service	14,700.00	622.50	1,080.00	75.00	13,072.50	\$338,644.62
34 Field Services	5,850.00	247.50	345.00	150.00	5,407.50	\$184,913.15
38 CDM	1,950.00	82.50	90.00	0.00	1,777.50	\$44,075.25
41 Finance	9,750.00	412.50	975.00	400.00	8,762.50	\$256,572.66

42 Collections - payments	3,900.00	165.00	292.50	10.00	3,452.50	\$85,856.84
43 Collections - arrears	5,850.00	247.50	457.50	50.00	5,195.00	\$137,210.35
44 Stores	6,722.00	288.00	528.00	100.00	6,006.00	\$159,121.90
50 General	4,160.00	176.00	432.00	10.00	3,562.00	\$91,687.60
51 Engineering	30,376.00	1,272.00	2,464.00	1,900.00	28,540.00	\$1,027,681.23
52 Stations and Systems Control	18,720.00	792.00	1,664.00	1,150.00	17,414.00	\$631,259.82
53 Line	67,016.00	2,600.00	4,944.00	4,500.00	63,972.00	\$2,222,533.04
54 Water	34,402.00	1,408.00	3,096.00	3,600.00	33,498.00	\$1,126,125.92
55 Water Treatment	48,274.00	1,760.00	3,120.00	1,500.00	44,894.00	\$1,257,367.69
56 Environmental Services	29,548.00	1,192.00	1,848.00	1,500.00	28,008.00	\$923,001.28
57 Meter	<u>12,480.00</u>	<u>528.00</u>	<u>1,056.00</u>	<u>200.00</u>	<u>11,096.00</u>	<u>\$342,621.35</u>
	330,260.0	13,203.00	24,712.50	15,455.00	307,799.5	\$9,575,068.34

Budgeted overhead (vacation, sickness, health benefits, CCP, EI, etc.) is an additional 40% (approximately) of labour dollars.

PUC Services Inc.

Salaried Staff Budget 2013

	Total
President's Office	\$470,234
Finance	\$921,209
Engineering	\$402,493
General	\$165,700
Meter	\$179,029
Stations and Systems Control	\$124,597
Line	\$329,801
Water	\$311,263
Water Treatment	\$413,122
Customer Service	\$819,706
Environmental Services	<u>\$228,597</u>
	\$4,365,749

Budgeted overhead (health benefits, CPP, EI) is an additional 22% (approximately) of labour dollars.

- d. Generally speaking, "run to failure" assets include relatively low cost items where the cost to maintain the asset is high compared to its replacement cost and the impact of failure is relatively low. Assets of this nature include single phase pole-mount cut-outs (or

disconnects), insulators (in general, as there is limited maintenance that can be done other than cleaning), meters, sump pumps, and small kVA distribution transformers.

- e. In 2011, planned replacement of leaking power transformers at Sub17 (Budget allowance \$300,000) was cancelled and efforts diverted to Conversion of Sub5 in order to eliminate Sub17 ahead of schedule. Also, in response to deteriorating reliability, capital programs were started in 2011 and planned to continue to end of 2014 to replace defective disconnects and failure prone porcelain insulators.

EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

Exhibit 5 - Issue #1 – Promissory Note and Debentures

Board Staff – IR 5-Staff-44

Ref: Exh 5-1-4, Page 3

The Promissory Note issued by PUC to PUC Inc. states:

The Borrower may, at any time, prepay the outstanding aggregate Principal amount of this Note whether in whole or in part without notice, bonus or penalty.

Please comment on whether PUC has plans to monetize (ie: “pay off” or “replace”) its debt with the shareholder, PUC Inc.

PUC Response

PUC has no plans to monetize (ie: “pay off” or “replace”) its debt with the shareholder, PUC Inc.

VECC – IR 5-VECC-35

Reference: Exhibit 5, Tab 1, Schedule 1, pg. 2

- a) When does PUC expect to fix the rate for the 25 year debentures? Please clarify if the debenture is to be with OIPC or another party. What s PUC’s current estimate for the rate of the debenture?

PUC Response

- a) The rate for the 25 year debenture is expected to be fixed in the third quarter of 2013 with OIPC. The current rate (March 26, 2013) for 25 years is 3.9%. The final rate will be determined once the debenture is purchased by Infrastructure Ontario.

SEC – IR 5-SEC-29

[5/1/4, p.3]

Please describe all actions, investigations, and other steps that have been taken by the Applicant to determine what cost savings would be possible by borrowing from third parties and utilizing the repayment right in the promissory note.

PUC Response

PUC Distribution has not considered replacing the current promissory notes with third party borrowing.

Energy Probe – IR 5-EP-21

Ref: Exhibit 5, Tab 1, Schedule 1

- a) What is the current status of loan payable #1 to Infrastructure Ontario? Has it been converted to a 15 year term loan?
- b) What is the current status of loan payable #2 to Infrastructure Ontario? Has it been converted to a fixed interest 25 year term loan?
- c) What are the current interest rates available from Infrastructure Ontario for term loans of 15 and 25 years?

PUC Response

- a) The loan payable #1 to Infrastructure Ontario has not yet been converted to a 15 year term loan. The conversion is expected to take place in the second or third quarter of 2013.
- b) The loan payable #2 to Infrastructure Ontario has not yet been converted to a fixed 25 year term loan. The conversion is expected to take place in the second or third quarter of 2013
- c) The current rate (March 26, 2013) for 25 years is 3.9%. The final rate will be determined once the debenture is purchased by Infrastructure Ontario.

The current rate (March 26, 2013) for 15 years is 3.4%. The final rate will be determined once the debenture is purchased by Infrastructure Ontario.

EXHIBIT 6 - REVENUE DEFICIENCY OR SURPLUS

Exhibit 6 - Issue #1 – IFRS

Energy Probe – IR 6-EP-22

Ref: Exhibit 6, Tab 2, Schedule 1

PUC has indicated that it is not moving to IFRS in 2013, but will do so in 2014. Given that this means that the 2013 revenue requirement should be calculated under MCGAAP (Modified CGAAP) where the modifications to CGAAP relate only to the changes in the capitalization of overheads and the changes in depreciation rates, please provide a version of Tables 6-2 and 6-3 that show the impact of going from CGAAP to MCGAAP. Please also assume that there is no PP&E Deferral Account since there is no transition to IFRS in 2013.

PUC Response

PUC confirms it is not moving to IFRS in 2013 and is requesting the application be approved by the Board under CGAAP.

Although not electing to implement IFRS for reporting purposes, PUC did adopt the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year.

The only changes PUC made to file under MIFRS for the bridge and test year were the change in useful lives, capitalization of overheads, and a 1575 deferred PP&E account.

Since the changes in the estimated useful lives and capitalization of overheads can be made under CGAAP, the only change PUC is proposing to file under CGAAP is the removal of the request for a 1575 deferred PP&E account.

PUC has proposed changes as a result of the interrogatories in Board Staff - IR 1-Staff-2. The changes include removal of the request for a 1575 deferred PP&E account.

A revised Table 6-2 and 6-3 are included below which reflect all changes proposed as a result of the interrogatories.

Table 6-2 Impact on Rate Base Due to Change in Useful lives and Capitalization of Overheads

Rate Base	CGAAP – no change in estimated useful lives and overhead capitalization	CGAAP – with change in estimated useful live and overhead capitalization
2013 Net Fixed Assets Opening	80,369,401	80,704,733
2013 Net Fixed Assets Closing	83,243,549	83,922,280

Average Net Fixed Assets	81,806,475	82,313,506
Working Capital Allowance	10,046,848	10,142,152
Rate Base	91,853,323	92,455,658
Difference in Rate Base		602,335
Regulated Rate of Return		5.98%
Increase in Regulated Return on Capital in 2013 Test Year using MIFRS		<u>\$ 36,019</u>

Table 6-3 Impact on Revenue Requirement Due to Change in Useful lives and Capitalization of Overheads

Revenue Requirement	CGAAP	MIFRS	Difference
Depreciation	4,493,943	3,407,501	(1,086,442)
PILs	481,099	263,796	(217,303)
OM&A	10,195,763	10,928,870	733,107
Increase in regulated return from above			36,019
Impact on Revenue Requirement			(534,619)

EXHIBIT 7 – COST ALLOCATION

Exhibit 7 - Issue #1 – Revenue to Cost Ratios

Board Staff – IR 7-Staff-45

Ref: Exh 7-1-2, Table 7-4
PUC filed the following table:

Table 7-4 2013 Revenue to Cost Ratios (Appendix 2-P Part C)

C) Rebalancing Revenue-to-Cost (R/C) Ratios

Class	Previously Approved Ratios	Status Quo Ratios	Proposed Ratios	Policy Range
	Most Recent Year: 2008	(7C + 7E) / (7A)	(7D + 7E) / (7A)	
	%	%	%	%
Residential	93.00	93.21	93.3	85 - 115
GS < 50 kW	113.00	111.57	111.6	80 - 120
GS > 50 kW	118.00	120.52	120.0	80 - 120
Street Lighting	70.00	77.96	78.0	70 - 120
Sentinel Lighting	70.00	78.68	80.0	80 - 120
Unmetered Scattered Load (USL)	82.00	95.82	95.8	80 - 120

- a) If the proposed ratios for the Street Lighting and Sentinel Lighting classes were increased to 90%, please recalculate the proposed ratio for the GS > 50 kW class.
- b) Please comment on whether the results of (a) would be appropriate for rate making purposes.

PUC Response

- a) If the proposed ratios for Street Lights and Sentinel Lighting rate classes were increased to 90% the revised proposed ratio for the GS>50 kW rate class would be 116.1%.
- b) The above change results in the bill impacts for the sentinel and street light rate class to be greater than 10%. The resulting total bill impact for sentinel light customers is 17.44% and the street light rate class is 19.70%.

VECC– IR 7-VECC-37

Reference: Exhibit 7, Tab 1, Schedule 2, page 3

- a) Why is PUC proposing to increase the R/C ratio for Residential but not change the one for the Street Lighting class which has a lower “status quo” ratio?
- b) Please provide the R/C ratios that would result if the GS>50 ratio was reduced as proposed and then the following steps were implemented to the extent required to offset the revenue shortfall:
 - The Sentinel ratio was increased to 80%, followed by
 - The Sentinel and Street Lighting ratios are increased to 93.21% as necessary and,
 - If necessary, the ratios for Residential, Sentinel and Street Lighting were all increased.

PUC Response

- a) The changes in the revenue-to-cost ratios for the GS>50 and the Sentinel lights was offset in the residential rate class. The percentage increase to the residential ratio was minimal at 0.09%.
- b) PUC proposed the reduction to the GS>50 customers to 120% from 120.52% and the Sentinel Light to 80% in the original application. PUC has included the ratios if the street lights and sentinel lights are increased to 93.21 %. The offset is to the residential rate class.

Cost Allocation Based Calculations											
Class	Revenue Requirement - 2013 Cost Allocation Model	2013 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2013 Cost Allocation Model	Total Revenue	Revenue Cost Ratio	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	12,276,417	10,023,199	1,419,154	11,442,353	93.21%	91.83%	11,273,936	1,419,154	9,854,782	85%	115%
GS < 50 kW	2,937,676	2,943,610	333,862	3,277,472	111.57%	111.60%	3,278,417	333,862	2,944,555	80%	120%
GS >50 kW	3,733,302	4,114,229	385,082	4,499,311	120.52%	120.00%	4,479,962	385,082	4,094,880	80%	120%
Sentinel Lights	51,434	35,095	5,374	40,469	78.68%	93.21%	47,942	5,374	42,568	80%	120%
Street Lighting	1,175,934	796,079	120,652	916,731	77.96%	93.21%	1,096,088	120,652	975,436	70%	120%
USL	37,654	32,241	3,840	36,081	95.82%	95.80%	36,073	3,840	32,233	80%	120%
						0.00%					
TOTAL	20,212,417	17,944,453	2,267,964	20,212,417	100.0%		20,212,417	2,267,964	17,944,453		

Energy Probe – IR 7-EP-23

Ref: Exhibit 7, Tab 1, Schedule 2

With respect to the proposed revenue to cost ratios shown in Table 7-4, please assume that the GS > 50 class is reduced to 120% and the street lighting and sentinel classes are set equal to one another, with no changes in the ratios for any of the other classes. What is the ratio required for the sentinel and street lighting classes that keeps PUC revenue neutral?

PUC Response

The ratios required for the sentinel and street lights is 79.5% as shown in the table below.

Cost Allocation Based Calculations											
Class	Revenue Requirement - 2013 Cost Allocation Model	2013 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2013 Cost Allocation Model	Total Revenue	Revenue Cost Ratio	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	12,276,417	10,023,199	1,419,154	11,442,353	93.2%	93.2%	11,441,621	1,419,154	10,022,467	85%	115%
GS < 50 kW	2,937,676	2,943,610	333,862	3,277,472	111.6%	111.6%	3,278,417	333,862	2,944,555	80%	120%
GS >50 kW	3,733,302	4,114,229	385,082	4,499,311	120.5%	120.0%	4,479,962	385,082	4,094,880	80%	120%
Sentinel Lights	51,434	35,095	5,374	40,469	78.7%	79.5%	40,911	5,374	35,537	80%	120%
Street Lighting	1,175,934	796,079	120,652	916,731	78.0%	79.5%	935,434	120,652	814,782	70%	120%
USL	37,654	32,241	3,840	36,081	95.8%	95.8%	36,073	3,840	32,233	80%	120%
TOTAL	20,212,417	17,944,453	2,267,964	20,212,417	100.0%		20,212,417	2,267,964	17,944,453		

Exhibit 7 - Issue #2 – Weighting Factors

Board Staff – IR 7-Staff-46

Ref: 2013 Cost Allocation Model, Sheet I5.2 Weighting Factors

Ref: Board Report EB-2010-0219, "Review of Electricity Distribution Cost Allocation Policy "March 31, 2011. Page 26

As stated in the Board Report:

The Board is of the view that default weighting factors should be utilized only in exceptional circumstances. In general, distributors have had sufficient time since preparing their 2006 Cost Allocation Information Filings to have gained the experience necessary to enable them to propose appropriate distributor-specific weighting factors.

Default values and the basis on which they were derived will be included in the documentation; however, any distributor that proposes to use those default values will be required to demonstrate that they are appropriate given their specific circumstances.

Please confirm that PUC provides service facilities to GS>50 kW customers and that the weighting factor recorded in Account 1855 is 10X the average for Residential customers.

PUC Response

PUC has estimated the GS>50 kW customers weight factor in account 1855 is 10X the average for a residential customer. PUC does not record historical costs in account 1855 based on residential and general service rate classes. As per discussions with PUC engineering staff, an estimated 10X weight factor for GS>50 kW customers appears to be reasonable.

Exhibit 7 - Issue #3 – Meter Reading Costs

Board Staff – IR 7-Staff-47

Ref: 2013 Cost Allocation Model, Sheet I7.2 Meter Reading

Ref: 2013 Cost Allocation Model, Sheet O1 Revenue to Cost

Board staff notes that Sheet I7.2 has not been completed by PUC.

Please complete sheet I7.2 and identify any changes to the results on sheet O1.

PUC Response

PUC has completed sheet I7.2 in the cost allocation model. The meter reading costs were allocated based on the number of installed meters for each rate class as approved in PUC's smart meter rate application EB-2012-0084.

PUC also changed the allocator for meter reading expense from CWMC to CWMR as indicated in Board Staff IR-7-Staff-48.

As a result of the interrogatories, PUC has filed an updated cost allocation model with adjustments as PUC Distribution_IRR_Cost Allocation Model_20130404.

Board Staff – IR 7-Staff-48

Ref: 2013 Cost Allocation Model, Sheet E4 TB Allocation Details

Board staff notes that account 5310, Meter Reading Expense, is being allocated by CWMC as opposed to the default setting of CWMR.

- a) Please comment on why PUC has chosen to allocate account 5310 by CWMC versus CWMR.
- b) If PUC deems CWMR to be the correct allocator, please correct and re-file the cost allocation model.

PUC Response

- a) Upon further review, PUC agrees the CWMR (weighted meter reading costs) is the better allocator for account 5310 - *Meter Reading Expense*.
- b) PUC re-filed, with the interrogatory responses, a revised cost allocation model that reflects the change to the CWMR allocator and a completed sheet I7.2 to include weighting factors for meter reads.

VECC – IR 7-VECC-36

**Reference: Exhibit 7, Tab 1, Schedule 1
Cost Allocation Model**

- a) CA Model Sheets I6.2 and I7.2 do not include any weighting factors for meter reading. How were meter reading costs allocated to customer classes?
- b) What is the basis for the smart meter costs by customer class shown in Sheet I7.1?
- c) How is the meter data for GS>50 customers with smart meters processed (i.e. does PUC do it or is it processed by the IESO/SME's MDM/R)?

PUC Response

- a) Meter reading costs were allocated based on CWMC (weighted meter capital). Upon further review, PUC has determined the more appropriate allocator would be CWMR (weighted meter reading costs). PUC has completed the weight factors on sheet I7.2 and sheet I6.2. A revised Cost allocation model has been submitted with the interrogatory responses and reflects all changes proposed as a result of the interrogatories listed in Board Staff - IR 1-Staff-2.
- b) The basis for the smart meter costs by customer class on sheet I7.1 is the average smart meter unit cost by rate class approved in PUC's Smart Meter Final Disposition Application EB-2012-0084. The number of customers is from PUC's 2013 test year load forecast in Exhibit 3.
- c) PUC has not synchronized the GS>50 customers with smart meters with the IESO/SME's MDM/R.

EXHIBIT 8 – RATE DESIGN

Exhibit 8 - Issue #1 – Tariff Sheet

Board Staff – IR 8-Staff-49

Ref: Exh 8-2-1

The 3rd paragraph in the “Application” section of the tariff sheet for each rate class reads as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

Based on recent Tariff of Rates and Charges approved by the Board in 2013 rate applications, the above paragraph should be amended as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

Please confirm whether PUC has any concerns with the noted change to be applied to those classes for which the regulatory component applies, and if so, why.

PUC Response

PUC has no concerns with the above noted change in the paragraph of the tariff sheet for those classes which the regulatory component applies.

Exhibit 8 - Issue # 2 – Retail Transmission Service Rates

Board Staff – IR 8-Staff-50

Ref: Exh 8-1-4

On December 20, 2012, the Board issued updated Uniform Transmission Rates that are effective January 1, 2013. Please file a revised RTSR workform that reflects the new UTRs.

PUC Response

PUC has updated the RTSR workform to reflect the Uniform Transmission Rates effective January 1, 2013. A summary of the changes are in the table below and a revised electronic excel copy is filed with the interrogatory responses.

Rate Class		As filed in the application	Proposed RTSR Network rates updated with January 1, 2013 approved rates
Residential	kWh	0.0058	0.0059
General Service Less Than 50 kW	kWh	0.0054	0.0055
General Service 50 to 4,999 kW	kW	2.2063	2.2434
General Service 50 to 4,999 kW – Interval Metered	kW	2.7747	2.8214
Unmetered Scattered Load	kWh	0.0054	0.0055
Sentinel Lighting	kW	1.6724	1.7006
Street Lighting	kW	1.6639	1.6919

VECC – IR 8-VECC-38

Reference: Exhibit 8, Tab 1, Schedule 4

- a) Please update the proposed RTSRs to reflect the UTRs approved by the Board for 2013 (EB-2012-0031).

PUC Response

- a) PUC has updated the RTSR workform to reflect the Uniform Transmission Rates effective January 1, 2013. A summary of the changes are in the table above and a revised electronic excel copy of the model is filed with the interrogatory responses.

Exhibit 8 - Issue #3 – Loss Factors

Board Staff – IR 8-Staff-51

Ref: Exh 8-1-5

Board staff notes that the total loss factor for the primary metered customer less than 5000 kW is not consistent with the primary metering allowance for transformer losses. Board staff notes that the total loss factor for the primary metered customer less than 5000 kW should be 99% of the total loss factor for the secondary metered customer less than 5000 kW.

Please provide the calculations used to compute the total loss factor for the primary metered customer less than 5000 kW.

PUC Response

In the application PUC applied the historical difference in the loss factors between the secondary and primary metered customers.

PUC agrees with Board Staff that the primary metered customer less than 5,000 kW should be 99% of the total loss factor for the secondary metered customer less than 5,000kW. PUC has revised the loss factors as follows:

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0489
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0385

Exhibit 8 - Issue #4 – Volumetric Rate for GS>50

SEC – IR 8-SEC-30

SEC - 1 [8/1/3, p. 2] Please recalculate the volumetric rate for GS>50 on the basis that the monthly fixed charge is set at 120% of Minimum system with PLCC, i.e. \$34.61.

PUC Response

PUC has recalculated the volumetric rate for the GS>50 rate class on the basis that the fixed monthly charge is set a \$34.61. The resulting variable charge, as shown in the table below, is \$6.4139 per kW compared to \$5.3209 per kW in the application.

Distribution Rate Allocation Between Fixed & Variable Rates For 2013 Test Year									
Customer Class	Total Net Rev. Requirement	Rev Requirement %	Proposed Fixed Rate	Resulting Variable Rate	Total Fixed Revenue	Total Variable Revenue	Transformer Allowance	Gross Distribution Revenue	Total
Residential	10,040,436	55.95%	10.72	\$0.0185	\$ 3,766,192	\$ 6,274,244		10,040,436	10,040,436
GS < 50 kW	2,944,555	16.41%	18.23	\$0.021832	\$ 744,012	\$ 2,200,543	\$ 21,064	2,965,619	2,965,619
GS >50 kW	4,094,880	22.82%	34.61	\$6.4139	\$ 165,713	\$ 3,929,168	\$ 84,036	4,178,916	4,178,916
Sentinel Lights	35,773	0.20%	3.18	\$29.6919	\$ 14,781	\$ 20,992		35,773	35,773
Street Lighting	796,577	4.44%	3.14	\$20.4295	\$ 335,134	\$ 461,442		796,577	796,577
USL	32,233	0.18%	13.52	\$0.0332	\$ 3,407	\$ 28,826		32,233	32,233
TOTAL	17,944,453	100%			\$ 5,029,239	\$ 12,915,214	\$ 105,100	\$ 18,049,553	\$ 18,049,553
Forecast Fixed/Variable Ratio					27.864%	71.554%	0.582%	100.000%	

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Exhibit 9 - Issue #1 – HST/OVAT

Board Staff – IR 9-Staff-52

Ref: Exh 9-1-2, Page 5, Account 1592 Sub-Account HST/OVAT

Ref: Filing Requirements For Electricity Transmission and Distribution Applications, EB-2006-0170, June 28, 2012

Ref: December 2010, Accounting Procedures Handbook Frequently Asked Questions ("APH FAQs")

As per Exh 9-1-2, Page 5 and 6, PUC stated:

The 8% Ontario provincial sales tax (PST) and the 5% Federal goods and services tax (GST) were harmonized effective July 1, 2011 at 13% pursuant to Ontario Bill 218.... The Board directed distributors, as of July 1, 2011, to record in deferral account 1592 (PILS and Tax Variances) the incremental ITC (Income Tax Credit) it received on distribution revenue requirement items that were previously subject to PST and have become subject to HST.....

Page 52 and 53 of the *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, June 28, 2012 state the following regarding the HST Deferral Account:

The applicant must provide an analysis that supports the applicant's conformity with December 2010 APH FAQs, in particular the example shown in FAQ #4. The applicant must state whether entries have been made to record variances in the sub-account of Account 1592 to cover the period from July 1, 2010 to December 31, 2012 since the Test Year, which starts January 1, 2013 would include the HST impacts in rates going forward. If this is not the case, please explain. If the rate year begins May Ontario Energy Board June 28, 2012, entries to record variances in the sub-account of Account 1592 would cover the period from July 1, 2010 to April 30, 2013

a) Please provide detailed schedules, similar to Table 1 and Table 2 of Question 4 of the December 2010 APH-FAQs, to indicate the period HST savings on OM&A costs and capital expenditures for the periods of:

- i. July 1, 2010 to December 31, 2010;
- ii. January 1, 2011 to December 31, 2011;
- iii. January 1, 2012 to December 31, 2012; and
- iv. January 1, 2013 to April 30, 2013.

b) Since the calculation of the HST savings in Question 4 of the December 2010 APH-FAQs for OM&A costs and capital expenditures is based on a proxy using 2009 spending, has the distributor experienced actual spending which were materially different for the above-noted periods in a)? If so, please explain the basis for the differences and provide detailed schedules for the HST savings for each period.

- c) Board staff notes that the HST was effective July 1, 2010, not July 1, 2011, consistent with page 52 of the Filing Requirements. Please update the balance in Account 1592, sub-account HST/ OVAT, and other evidence where appropriate.
- d) The Filing Requirements indicate that principal entries to the HST Deferral Account should be recorded up to the start of the Rate Year. Please update the balance in Account 1592 Sub Account HST/OVAT with both principal entries and associated carrying charges recorded in the account up to April 30, 2013. Please update the relevant evidence where appropriate.

PUC Response

- a) In the Table below PUC has provided detailed schedules similar to Table 1 and Table 2 of Question 4 of the December 2010 APH-FAQs for HST savings on OM&A costs and capital expenditures. PUC has updated the Table below to include OM&A and Capital amounts until April 30, 2013. In the application PUC requested 50% of the December 2011 audited balance of \$37,148 (50% of \$74,148). Based on the revised Table below PUC is requesting disposition of \$250,915 (50% of \$501,829) to be returned to customers.

PST Savings on Capital Purchases						
	Asset	Depreciation				
Pre-HST Purchases with PST included in Assets		2010	2011	2012	2013	Total
July 1, 2010 to December 31, 2010 Purchases	\$ 2,902,556	\$ 56,015	\$ 56,015	\$ 56,015	\$ 18,672	\$ 186,716
January 1, 2011 to December 31, 2011 Purchases	\$ 9,596,772		\$ 173,081	\$ 173,081	\$ 57,694	\$ 403,855
January 1, 2012 to December 31, 2012 Purchases	\$ 29,946,157			\$ 304,896	\$ 101,632	\$ 406,528
January 1, 2013 to April 30, 2013 Purchases	\$ 2,658,202				\$ 87,725	\$ 87,725
Total Depreciation Expense (A)		\$ 56,015	\$ 229,095	\$ 533,992	\$ 265,722	\$ 1,084,824
Post HST Purchases with Input Tax Credit included in Assets						
July 1, 2010 to December 31, 2010;	\$ 2,687,551	\$ 51,866	\$ 51,866	\$ 51,866	\$ 17,289	\$ 172,885
January 1, 2011 to December 31, 2011;	\$ 8,885,900		\$ 160,260	\$ 160,260	\$ 53,420	\$ 373,940
January 1, 2012 to December 31, 2012; and	\$ 27,727,923		\$ -	\$ 282,311	\$ 94,104	\$ 376,415
January 1, 2013 to April 30, 2013.	\$ 2,461,298		\$ -	\$ -	\$ 81,227	\$ 81,227
Total Depreciation Expense (B)		\$ 51,866	\$ 212,125	\$ 494,437	\$ 246,039	\$ 1,004,467
Total Capital Items PST Savings (A-B)		\$ 4,149	\$ 16,970	\$ 39,555	\$ 19,683	\$ 80,357
Summary of PST Savings for OM&A and Capital						
		2010	2011	2012	2013	Total
OM&A Expense PST Savings		\$ 72,723	\$ 145,446	\$ 145,446	\$ 48,482	\$ 412,097
Capital Items PST savings		\$ 4,149	\$ 16,970	\$ 39,555	\$ 19,683	\$ 80,357
Total		\$ 76,872	\$ 162,416	\$ 185,001	\$ 68,165	\$ 492,454
Carrying Charges						9,375
Total recorded in account 1592						\$ 501,829
Amount to be returned to customers 50%						\$ 250,915

b) PUC has not experienced actual spending which was materially different from the estimated amounts used in the calculation of PST savings.

c) In Exhibit 9, Tab 1, Schedule 2, Page 5, PUC stated the harmonized sales tax was effective July 1, 2011. As an oversight PUC stated July 1, 2011 instead of July 1, 2010. PUC calculated the balance as of July 1, 2010 in the application and the revised calculation above includes OM&A and Capital expenditures until April 30, 2013.

d) The Filing Requirements indicate that principal entries to the HST Deferral Account should be recorded up to the start of the rate year. PUC has updated the table above for Account 1592 Sub Account HST/OVAT with both principal entries and associated carrying charges recorded up to April 30, 2013.

Exhibit 9 - Issue #2 – 1595 Disposition

Board Staff – IR 9-Staff-53

Ref: Exh 9-1-3, Page 5, Account 1592 Sub-Account HST/OVAT

Ref: DVA Continuity Schedule for COS Applications, Sheet 2. 2013 Continuity Schedule, Footnote 7

As per Exh 9-1-3, the Closing Principal Balance as of Dec-31-11 for Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2011) is \$(56,821).

As per footnote 7 of the “DVA Continuity Schedule for COS Applications”, Sheet 2. 2013 Continuity Schedule, it is stated *Include Account 1595 as part of Group 1 accounts (lines 31, 32 and 33) for review and disposition if the recovery (or refund) period has been completed. If the recovery (or refund) period has not been completed, include the balances in Account 1595 on a memo basis only (line 85).*

Board staff notes that the 2011 IRM period had not been completed as at December 31, 2011, the balance sheet date that PUC Distribution Inc. proposed to clear this sub- account.

a) Please update PUC’s evidence to remove the balance of Account 1595, Disposition and Recovery/Refund of Regulatory Balances (2011), as the recovery period was not completed as at December 31, 2011. Board staff notes that PUC could apply to clear this sub-account in its 2014 IRM proceeding.

PUC Response

PUC included the closing principal balance of *Account 1595 Disposition for 2011 Regulatory Balances* in the Group 1 accounts on the continuity schedule instead of on a memo line. Although PUC has shown the 1595 2011 amount with the group 1 accounts, it is not included in the total claim or calculated as part of the rate rider in the application.

PUC will be requesting recovery/disposition of the *1595 sub-account for 2011 Regulatory Balances* in its 2014 IRM proceedings.

Exhibit 9 - Issue #3 – Estimated kW

Board Staff – IR 9-Staff-54

Ref: Exh 9-1-8, Page 1, Table 9-6

Ref: Exh 9-1-8, Page 3, Table 9-10

Per Exh 9-1-8 Page 1 Table 9-6 Allocators, the Estimated kW for Non-RPP customers is 544,238 kW for Rate Class General Service > 50. However, per Exhibit 9, Tab 1, Schedule 8, Page 3 of 3, Table 9-10 Global Adjustment Rate Riders, the estimated kW is 675,864 kW for the same rate class. Board staff notes that PUC is using 675,864 kW for the purpose of the rate rider calculation.

- a) Please reconcile and explain the variance and state what the correct figure is.
- b) Please update the table evidence and other related evidence where appropriate with the correct numbers.

PUC Response

a) The correct figure for the estimated Non-RPP GS>50 is 544,238 kW. The total 675,864 kW for all GS>50 customers was included in the Table 9-10 as an oversight.

b) A revised Table 9-10 is included below:

Rate Rider Calculation for RSVA - Power - Sub-account - Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of RSVA - Power - Sub-	Rate Rider for RSVA - Power -	
Residential	kWh	35,485,908	\$ 56,167	0.0016	\$/kWh
General Service < 50	kWh	16,536,650	\$ 26,174	0.0016	\$/kWh
General Service > 50	kW	544,238	\$ 338,704	0.6223	\$/kW
USL	kWh	-	\$ -	-	\$/kWh
Sentinel Lights	kW	-	\$ -	-	\$/kW
Street Lights	kW	-	\$ -	-	\$/kW
		-	\$ -	-	
		-	\$ -	-	
Total			\$ 421,046		

Exhibit 9 - Issue #4 – On-going deferral and variance accounts

Board Staff – IR 9-Staff-55

Ref: Exh 9-1-2

As per page 51 of the *Filing Requirements For Electricity Transmission and Distribution Applications*, EB-2006-0170, June 28, 2012, the applicant must provide the following:

Identification of which of the... [deferral and variance] accounts the applicant will continue on a going forward basis.

Board staff notes that PUC did not state in its application which of the deferral and variance accounts it will continue on a going forward basis.

- a) Please update the evidence where appropriate and state which deferral and variance accounts the applicant will continue on a going forward basis.

PUC Response

- a) The deferral and variance accounts that will continue on a going forward basis are:

- 1580 – Retail Settlement Variance Account – Wholesale Market Service Charges
- 1584 – Retail Settlement Variance Account – Retail Transmission Network Charges
- 1588 – Retail Settlement Variance Account – Power
- 1589 – Global Adjustment Variance Account
- 1595 – Disposition of Recovery of Regulatory Balances
- 1518 – RCVA Retail
- 1548 - RCVA STR
- 1508 - One-Time Incremental IFRS costs
- 1576 – Accounting Changes under CGAAP
- 1555 – Stranded Meter Costs

Exhibit 9 - Issue #5 – 1518 and 1548 RCVA

Board Staff – IR 9-Staff-56

Ref: Exh 9-1-3, Account 1518 RCVA retail and Account 1548 RCVA service transaction requests (str)

PUC is requesting disposition of the December 31, 2011 audited balance of Account 1518 plus forecast interest through to April 30 2013. The requested amount is a credit of (\$438,508).

PUC is requesting disposition of the December 31, 2011 audited balance of Account 1548 plus forecast interest through to April 30, 2013. The requested amount is a debit of \$178,012.

- a) Please identify the drivers for the balances in Account 1518 and Account 1548.
- b) Please provide a schedule identifying all revenues and expenses, listed by Uniform System of Account (USoA) number, that are incorporated into the variances recorded into Account 1518 and Account 1548 for 2011, the actual/forecast for 2012 and a forecast for 2013.
- c) Please confirm whether or not PUC has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548. Please explain if PUC has not followed Article 490. In other words, please confirm that the higher of, the relevant revenues (i.e. account 4082, Retail Services Revenue and/or account 4084, STR Revenue) and the incremental expenses in the associated expense accounts (i.e. account 5315, Customer Billing, and possibly 5305, Supervision and 5340, Miscellaneous Customer Accounts Expenses) is reduced (i.e. revenues debited or expenses credited) at the end of each period, with an offsetting entry to the variance account. Please explain if PUC has not followed Article 490.
- d) Please confirm that the all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services. If this is not the case, please explain.

PUC Response

- a) The cost drivers that go into 1518 are as follows:
 - Retailers fixed monthly charges revenue
 - Retailers variable monthly charges revenue
 - Bill ready fee revenue
 - Incremental Kinetiq fees

The cost drivers that go into 1548 are as follows:

- STR request fee revenue
- STR processing fee revenue
- Hub Services Expense

b) PUC has provided below a schedule identifying all revenues and expenses, listed by Uniform System of Account (USoA) number, that are incorporated into the variances recorded into Account 1518 and Account 1548 for 2011, the actual/forecast for 2012 and a forecast for 2013.

1518	Actual 2011	Actual 2012	Forecast 2013
Account 4082 – sub account retailer fixed monthly charge	(4,020)	(4,320)	(5,590)
Account 4082 – sub account retailer variable monthly charge	(23,138)	(18,578)	(23,650)
Account 4082 – sub account bill ready fee	(13,875)	(11,147)	(13,760)
Account 5315 – amounts relating to Kinetiq fees	4,493	2,442	2,500

1548	2011	2012	2013
Account 4084 – sub account STR request fee	(544)	(344)	(545)
Account 4084 – sub account STR processing fee	(179)	(143)	(155)
Account 5315 amounts relating to Hub Services	17,070	18,586	18,500

- c) PUC confirms, to the best of its knowledge, it followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 and Account 1548.
- d) PUC confirms that all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.

Exhibit 9 - Issue #6 – 1508 Sub account IFRS

Board Staff – IR 9-Staff-57

Ref: Exh 9-1-2, Page 6, Account 1508

In its application, PUC stated that “PUC has no costs at this time recorded in account 1508 – Other Regulatory Assets Sub-Account IFRS and is not requesting disposal of any balances in this application”

- a) What is the status of PUC’s IFRS implementation project? Please explain and describe whether and how PUC Distribution Inc. has undertaken a project in this area.
- b) Please confirm no incremental one-time administrative transition IFRS costs have been incurred to date and the reasons why no costs have been incurred.
- c) Please confirm if any incremental IFRS costs have been reflected in base rates in prior proceedings. If so, please state the amounts reflected in rates and which section of the revenue requirement these amounts can be attributed.

PUC Response

- a) PUC has delayed the implementation of IFRS and will not be making the change in the test year.
- b) PUC confirms no incremental one-time administrative IFRS costs have been incurred to date due to the deferral of the implementation of IFRS.
- c) PUC confirms there are no IFRS costs reflected in the rate base.

VECC – IR 9-VECC-39

Reference: Exhibit 9, Tab 1, Schedule 4, pg. 8

- a) Has PUC incurred any IFRS transition costs? If so why is the Utility not seeking recovery of these costs?

PUC Response

- a) PUC has not incurred any IFRS transition costs to date.

Exhibit 9 - Issue #7 – Account 1576

Board Staff – IR 9-Staff-58

Ref: Board letter issued on July 17, 2012 re “Regulatory accounting policy direction regarding changes to depreciation expense and capitalization policies in 2012 and 2013”

Ref: July 2012 APH FAQs

Ref: Exh 9-1-2, Page 8, Table 9-2

Ref: Exh 2-2-3, Page 1

In its letter dated July 17, 2012, the Board stated:

The Board will permit electricity distributors electing to remain on Canadian GAAP (“CGAAP”) in 2012 to implement regulatory accounting changes for depreciation expense and capitalization policies effective on January 1, 2012. The Board however will require that these changes be mandatory in 2013 for all distributors that have not yet made these changes, even if there is a further option to defer IFRS changeover in 2013. A new variance account is created and authorized for distributors to record the financial differences arising from these accounting changes.

The Board approved a new variance account, Account 1576, in the aforementioned letter:

The Board has approved a new variance Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make these accounting changes under CGAAP in 2012 or to make these changes as mandated by the Board in 2013, if applicable.

In a situation when the utility requests accounting changes to depreciation expense and capitalization policies while reporting under CGAAP in 2012, the July 2012 APH FAQ Q1 states that:

These accounting changes for adherence to Board requirements for modified IFRS and their associated rate impacts will be reviewed as part of the distributor’s next cost of service application.

The July 2012 APH-FAQ Q2, Appendix A and Appendix B provides detailed guidance on the accounting for Account 1576. Board staff notes that PUC has submitted Account 1575 for disposition and associated adjustments in the 2013 rate application. In its evidence, PUC has indicated that it will change the capitalization and depreciation policies in 2012. As per Exhibit 2 Tab 2 Schedule 3 Page 1 of 1 PUC has stated that:

- PUC Distribution Inc. is filing its 2013 cost of service rate application based on MIFRS for the 2012 Bridge year and the 2013 Test year.
- For financial reporting purposes, PUC Distribution Inc. has decided to remain on CGAAP and defer implementation of IFRS to January 1, 2014.

a) Given that PUC plans to defer implementation of IFRS to January 1, 2014 for financial reporting purposes, please confirm that PUC is withdrawing its request for disposition of Account 1575. Please confirm that PUC is removing the associated MIFRS adjustments related to the clearance of Account 1575 in this rate application. If this is not the case, please explain.

b) As per the Board’s July 2012 APH-FAQs related to depreciation and capitalization

changes and guidance provided in Q&A #2, Appendix A and B, please update the Applicant's evidence showing the proposed derivation of the amounts recorded in Account 1576, by illustrating the accounting changes as cited in the example at Appendix B in the July 2012 FAQ Q2.

c) Please adjust the depreciation expense for the test year 2013 by the amortization of the Account 1576 balance and update the relevant evidence pertaining to Account 1576 in the rate application.

PUC Response

a) Since PUC plans to defer implementation of IFRS for financial reporting purposes, PUC confirms it is withdrawing its request for disposition of Account 1575. PUC confirms it is removing the associated MIFRS adjustments related to the clearance of Account 1575 in this rate application.

b) PUC has included below the proposed derivation of the amounts recorded in Account 1576 as per the Board's July 2012 APH-FAQs related to depreciation and capitalization changes and guidance provided in Q&A #2, Appendix A and B.

	2011	2012	2013
Basis of Rates	IRM	IRM	COS
Forecast vs Actual used in COS Rates	Actual	Forecast	Forecast
PP&E values Assuming "Previous" CGAAP Accounting Policies continued			
Opening Net PP&E	39,879,839	53,939,275	
Additions	4,028,176	30,618,314	
Depreciation	(1,373,442)	(4,167,774)	
Closing net PP&E	42,534,573	80,389,815	
PP&E Values Assuming Accounting Changes Under CGAAP in 2012			
Opening Net PP&E	39,879,839	53,939,275	
Additions	4,028,176	29,966,571	
Depreciation	(1,373,442)	(3,180,699)	
Closing net PP&E	42,534,573	80,725,147	
Difference in Closing net PP&E, "previous" CGAAP vs "changed" CGAAP	0	(335,332)	
Variance Account 1576			
Opening Balance	0	0	
Amount Added Annually	0	(335,332)	
Closing Balance in deferral account	0	(335,332)	
Journal Entries			
2012 – Debit Account 4305	335,332		
Credit Account 1576		335,332	
Annual amortization of deferral account (over 4 year rebasing term) and amount included in revenue requirement on rebasing in 2013	(83,833)		

c) PUC adjusted the depreciation expense for the test year 2013 by the amortization of the Account 1576 balance (\$83,833) and relevant evidence pertaining to Account 1576 in the rate application. Depreciation expense in the original application was \$3,302,887 with the PP&E deferral adjustment. Below PUC has recalculated the depreciation expense in the test year to be \$3,323,668. The revised amount removes the PP&E deferral amount and includes the 1576 adjustment amount.

PUC Distribution Inc.											
Fixed Asset Continuity Schedule (Distribution & Operations)			CGAAP	Test Year							
As at December 31, 2013											
Appendix 2-B			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions 1/2 year rule	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	89,159			89,159	0			0	89,159
CEC	1806	Land Rights	836,582			836,582	0			0	836,582
47	1808	Buildings and Fixtures	24,242,326			24,242,326	928,406	484,837		1,413,242	22,829,084
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Prim	8,347,405	46,618		8,394,023	3,457,589	208,949		3,666,538	4,727,485
47	1820	Distribution Station Equipment - Normally Prima	9,595,073	1,471,797		11,066,870	6,415,389	181,237		6,596,626	4,470,244
47	1825	Storage Battery Equipment	19,241			19,241	6,027	1,786		7,812	11,429
47	1830	Poles, Towers and Fixtures	14,662,510	1,240,039		15,902,549	3,156,965	307,607		3,464,571	12,437,978
47	1835	Overhead Conductors and Devices	14,335,548	1,867,384		16,202,932	1,612,078	239,919		1,851,997	14,350,935
47	1840	Underground Conduit	11,363,869	159,833		11,523,702	9,808,863	56,125		9,864,988	1,658,714
47	1845	Underground Conductors and Devices	20,564,167	1,358,580		21,922,747	11,997,827	587,905		12,585,732	9,337,015
47	1850	Line Transformers	15,821,113	159,833		15,980,946	8,219,090	682,652		8,901,742	7,079,204
47	1855	Services	6,280,072	2,049,861		8,329,933	424,105	179,642		603,747	7,726,186
47	1860	Meters	4,478,779		4,437,111	41,668	3,103,768	1,600	3,087,554	17,814	23,854
47	1860	Smart Meters	5,913,667	319,666		6,233,333	1,609,415	405,541		2,014,956	4,218,377
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	0			0	0			0	0
CEC	1906	Land Rights	0			0	0			0	0
47	1908	Buildings and Fixtures	0			0	0			0	0
13	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	0			0	0			0	0
10	1920	Computer Equipment - Hardware	13,578			13,578	11,627	1,951		13,578	(0)
10	1920	Computer Equipment - Hardware - Smart Meters	11,760			11,760	7,563	2,331		9,895	1,865
12	1925	Computer Software	38,397			38,397	38,397			38,397	0
12	1925	Computer Software - Smart Meters	492,267			492,267	354,921	98,104		453,025	39,242
10	1930	Transportation Equipment	0			0	0			0	0
8	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	0			0	0			0	(0)
8	1945	Measurement and Testing Equipment	0			0	0			0	0
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	0			0	0			0	(0)
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premise	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	3,887,894	266,389		4,154,283	2,703,010	136,867		2,839,877	1,314,406
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(7,860,688)	(965,395)		(8,826,083)	(1,427,057)	(169,551)		(1,596,607)	(7,229,476)
	2005	Property under Capital Lease	0			0	0			0	0
		Total before Work in Process	133,132,719	7,974,605		136,670,213	52,427,986	3,407,501	3,087,554	52,747,933	83,922,280
			0			0	0			0	0
WIP		Work in Process	0			0	0			0	0
		Total after Work in Process	133,132,719	7,974,605	4,437,111	136,670,213	52,427,986	3,407,501	3,087,554	52,747,933	83,922,280
	1935	Transportation					PP&E Deferral	83,833			
	1945	Stores Equipment						0			
								3,323,668			

Board Staff – IR 9-Staff-59

Ref: Exh 9-1-2, Page 8, Table 9-2

Ref: Chapter 2 Appendices to the Filing Requirements For Electricity Transmission and Distribution Applications, EB-2006-0170, June 28, 2012.

PUC Distribution Inc. should use consistent PP&E account balances in its evidence when requesting clearance of Account 1576, in order to align with the fixed asset continuity schedule provided in the Chapter 2 appendices.

- a) Please confirm that the appropriate account to be disposed is account 1576 and not 1575 as originally requested.
- b) The PP&E Values under CGAAP – 2012 Opening net PP&E balance was \$53,939,275 per Table 9-2 in the application and the 2011 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2011 Fixed Asset Continuity Schedule) was \$53,097,991 (with half year rule). Please reconcile and explain the variance between the balances and also state what the correct balance is.
- c) The PP&E Values under MIFRS – 2012 Opening net PP&E balance was \$53,939,275 per Table 9-2 in the application and the 2011 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2011 Fixed Asset Continuity Schedule) was \$53,097,991 (with half year rule). Please reconcile and explain the variance between the balances and also state what the correct balance is.
- d) The PP&E Values under CGAAP – 2012 closing net PP&E balance was \$80,389,815 per Table 9-2 in the application and the 2012 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2012 Fixed Asset Continuity Schedule) was \$80,369,401. Please reconcile and explain the variance between the balances and also state what the correct balance is.
- e) The PP&E Values under MIFRS – 2012 closing net PP&E balance was \$80,725,147 per Table 9-2 in the application and the 2012 closing net PP&E balance per the Chapter 2 appendices (IFRS 2012 Fixed Asset Continuity Schedule) was \$80,704,733. Please reconcile and explain the variance between the balances and also state what the correct balance is.
- f) Please update other relevant evidence in the application where appropriate.

PUC Response

- a) PUC confirms the appropriate account to be disposed is account 1576 and not 1575 as originally requested.
- b) As stated above, the PP&E Values under CGAAP – 2012 Opening net PP&E balance is \$53,939,275 per Table 9-2 in the application and the 2011 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2011 Fixed Asset Continuity Schedule) is \$53,097,991 (with half year rule).
The correct balance is \$53,939,275 as used in Table 9-2. The reconciling differences are as follows:

Closing balance as per 2011 continuity schedules	\$53,097,991
Less: Work in progress	(4,099,831)

Add: Smart meters transfer into 2012 opening Balance	5,913,667
Add: Smart meters computer hardware transferred into 2012 opening balance	11,760
Add: Smart meters computer software transferred into 2012 opening balance	492,267
Less: Accumulated depreciation on smart meters	(1,214,530)
Less: Accumulated depreciation on smart meters computer hardware	(5,232)
Less: Accumulated depreciation on smart meters computer software	(256,817)
Total	<u>\$53,939,275</u>

c)The PP&E Values under MIFRS – 2012 Opening net PP&E balance was \$53,939,275 per Table 9-2 in the application and the 2011 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2011 Fixed Asset Continuity Schedule) was \$53,097,991 (with half year rule.

The correct balance is \$53,939,275 as used in Table 9-2. Refer to reconciliation above.

d)The PP&E Values under CGAAP – 2012 closing net PP&E balance was \$80,389,815 per Table 9-2 in the application and the 2012 closing net PP&E balance per the Chapter 2 appendices (CGAAP 2012 Fixed Asset Continuity Schedule) was \$80,369,401. The difference of \$20,414 is the disposal of Load Management controls (account 1970) in 2012. The disposal has not been included in the calculation of PP&E deferral account calculation in Table 9-2. The disposal amount is the same under MIFRS and CGAAP therefore is not included in the PP&E calculation and the amount in Table 9-2 is correct.

e)The PP&E Values under MIFRS – 2012 closing net PP&E balance was \$80,725,147 per Table 9-2 in the application and the 2012 closing net PP&E balance per the Chapter 2 appendices (IFRS 2012 Fixed Asset Continuity Schedule) was \$80,704,733. . The difference of \$20,414 is the disposal of Load Management controls (account 1970) in 2012. The disposal has not been included in the calculation of PP&E deferral account calculation in Table 9-2. The disposal amount is the same under MIFRS and CGAAP therefore is not included in the PP&E calculation and the amount in Table 9-2 is correct.

f) Based on the responses above updates to the relevant evidence is not required.

Energy Probe – IR 9-EP-24

Ref: Exhibit 9, Tab 1, Schedule 2

Please confirm that PUC is withdrawing their request for the PP&E deferral account shown in Table 9-2 given that it is not converting to IFRS in the test year.

PUC Response

PUC confirms that it is withdrawing its request for the PP&E deferral account given the conversion to IFRS will not be in the test year.

Exhibit 9 - Issue #8 – Stranded Meter Rate Rider

Board Staff – IR 9-Staff-60

Ref: Exh 9-2-1

Ref: EB-2012-0084 – Stranded Meter Rate Rider

Board staff has attached copies of PUC's responses to Board staff interrogatories # 2 and 7 from PUC's 2012 stand-alone smart meter cost recovery application considered under File No. EB-2012-0084.

PUC has summarized the derivation of the Stranded Meter Rate Riders ("SMRRs") in Table 9-12 of Exhibit 9/Tab 2/Schedule 1 of this cost of service application.

- a) In response to Board staff IR # 2 in EB-2012-0084, PUC estimated the net book value ("NBV") of stranded meters as of December 31, 2012 at \$1,500,000. In Table 9-12, PUC Distribution Inc. is documenting a NBV of stranded meters to be recovered via the SMRRs at \$1,349,557. This is a 10% variance from the original estimate. Please explain the change in the December 31, 2012 NBV of the stranded meters between the two applications.
- b) Please provide Sheet I7.1 from PUC's 2009 cost of service application, and show how this has been used for the allocation of stranded meter costs in Table 9-12.
- c) Table 9-12 documents that the SMRR for the GS > 50 kW customer class would be \$80.70 per month for twelve months, to recover a per meter NBV of \$966.37. Table 9-12 also documents that there is a forecasted number of 399 GS > 50 kW customers for the 2013 test year. In total, \$386,378 stranded meter costs are allocated to the GS > 50 kW class.

In its response to Board staff interrogatory # 7 in EB-2012-0084, PUC documented that it has 372 GS > 50 kW customers and, of these, 31 already had interval meters. PUC documented that, as of May 2012, 158 GS > 50 kW customers had meters replaced by smart meters, and that it intended to convert the remaining 183 GS > 50 kW customers to smart meters. Smart meters deployed to GS > 50 kW customers were considered "beyond minimum functionality". The response to part b) of Board staff interrogatory # 7 gave an age distribution of the stranded meters for the 158 smart meter conversions done for GS > 50 kW customers to that time, and indicated that the **aggregate** estimated NBV of the 158 stranded meters as of December 31, 2011 would have been about \$12,000.

- i. Has PUC completed the meter conversions for all of the GS > 50 kW meter conversions?
- ii. If not, please indicate the conversions done to date, and when conversions are expected to be done.

For all GS > 50 kW meter conversions done to date, please provide an update to Board staff interrogatory # 7, parts b) i) and also provide the estimated NBV of GS > 50 kW stranded meters as of December 31, 2012.

PUC Response

a) In response to Board staff IR # 2 in EB-2012-0084, PUC estimated the net book value ("NBV") of stranded meters as of December 31, 2012 at \$1,500,000. In Table 9-12, PUC Distribution Inc. documented a NBV of stranded meters to be recovered via the SMRRs at \$1,349,557. In the smart meter final disposition rate application the NBV amount in the IRRs was an estimate. PUC was only in the first quarter of 2012 when the estimated NBV at the end of 2012 was reported in the IRRs. In the 2013 cost of service rate application PUC proposed the actual NBV to be \$1,349,557 at the end of 2012.

b) PUC has provided Sheet I7.1 from its 2008 cost of service application.

		Residential			GS <50			GS>50-Regular		
		1	2	3	1	2	3	1	2	3
		Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs	Number of Meters	Weighted Metering Costs	Weighted Average Costs
Allocation Percentage										
Weighted Factor				51.67%			19.70%			28.63%
Cost Relative to Residential Average Cost				1.00			3.24			36.65
Total		28569	1849300	64.73100214	3364	705060	209.5897741	432	1024760	2372.12963
Meter Types	Cost per Meter (Installed)									
Single Phase 200 Amp - Urban	50	24,934	1246700		1,646	82300			0	
Single Phase 200 Amp - Rural	150	3,021	453150		483	72450			0	
Central Meter	250	5	1250		13	3250		13	3250	
Network Meter (Costs to be updated)	225	448	100800		154	34650		0	0	
Three-phase - No demand	210	10	2100		891	187110		1	210	
Smart Meters	300	151	45300		0	0		0	0	
Demand without IT (usually three-phase)	500	0	0		29	14500		22	11000	
Demand with IT	2,100		0		148	310800		372	781200	
Demand with IT and Interval Capability - Secondary	2,300		0			0		17	39100	
Demand with IT and Interval Capability - Primary	10,000		0			0		3	30000	
Demand with IT and Interval Capability -Special (WMP)	40,000		0			0		4	160000	
LDC Specific 1	0		0			0			0	
LDC Specific 2			0			0			0	
LDC Specific 3			0			0			0	

c) i) PUC has not completed all the meter conversions for GS>50 kW customers.

ii) PUC has approximately 54 GS>50 meters remaining to be converted to smart meters. PUC expects the remaining meters to be converted by the end of 2013.

PUC has converted 286 GS > 50 kW meters to date. In the table below PUC has provided an update to Board staff interrogatory # 7, parts b) i) of PUC's smart meter final disposition application EB-2012-0084. The estimated NBV of GS > 50 kW stranded meters as of December 31, 2012 is \$26,000.

Estimated Remaining Useful life		
	Number of Meters	Percentage
No remaining useful	144	50%
1 to 4 years	52	18%
5 to 10 years	46	16%
11 to 15 years	17	6%
16 to 20 years	23	8%
21 to 25 years	4	1%
	286	100%

VECC – IR 9-VECC-40

Reference: Exhibit 8, Tab 1, Schedule 4

- Did PUC record residential mechanical meters separately from GS<50 meters? If so please provide the net book value for the classes separately.
- What was the average installed cost of residential smart meter vs. gs < 50 meters.

PUC Response

- PUC did not record residential mechanical meters separately from GS<50 meters.
- As per PUC's 2012 Smart Meter Final Disposition Application EB-2012-0084, the average installed cost of a residential meter is \$154.95 and the average GS<50 cost is \$486.45.

Energy Probe – IR 9-EP-26

Ref: Exhibit 9, Tab 2, Schedule 1 &
Exhibit 2, Tab 2, Schedule 4

Please reconcile the statement in Exhibit 9, Tab 2, Schedule 1 (page 2) that PUC's proposed treatment for the recovery of stranded meters is to remove the estimated NBV of the meters at December 31, 2012 from the rate base and 2013 revenue requirement with the apparent removal of the NBV in 2013 as shown in Tables 2-14 and 2-16 in Exhibit 2, Tab 2, Schedule 4.

PUC Response

The NBV value at the end of 2012 was removed in 2013 from the rate base and revenue requirement.

SEC– IR 9-SEC-31

[9/2/1, p. 3]

Please explain why \$368,378 of meters used to serve GS>50 customers are being stranded by the introduction of smart meters. Please reconcile this with the allocation of only about 5% of smart meter costs to GS>50 class in the cost allocation model.

PUC Response

In the Board's decision dated July 19, 2012, (EB-2012-0084) relating to the disposition of PUC's smart meter costs the Board allowed PUC to recover costs for the installation of smart meters for the GS>50 kW customers. When allocating the stranded meter costs, PUC followed the principle of cost causality that supports class specific recovery of costs.

PUC has included the section of the cost allocation model that allocates 5% of the smart meter capital costs to the GS>50 customers in the 2013 cost of service rate application. The 5% allocation is based on the cost of the smart meters not the stranded meters. PUC proposed the allocators from the 2007 cost allocation informational filing reflects the allocation of the historical meters that were stranded.

General Service 50 to 4,999 kW		
1	2	3
Number of Meters	Weighted Metering Costs	Weighted Average Costs
		5%
		5.47
399	338,068.71	847.29

Exhibit 9 - Issue #9 – Other

Energy Probe – IR 9-EP-25

Ref: Exhibit 9, Tab 1, Schedule 8

Please confirm that the reference to May 1, 2012 on line 5 of page 3 should be May 1, 2013.

PUC Response

PUC confirms the reference on line 5 of page 3 should be May 1, 2013.

ADDITIONAL INFORMATION

Energy Probe – IR 10-EP-27

Ref: 2013 Cost of Service Application Additional Information, page 96

The evidence states that for the purpose of regulatory accounting and the 2013 cost of service rate application that PUC has changed the depreciation/amortization policy to be consistent with MIFRS.

- a) Has PUC also changed its capitalization policy to be consistent with IFRS or does PUC believe that its current policy does not need to be changed?
- b) Please confirm that PUC will reflect any and all changes made for the purposes of regulatory accounting and the 2013 cost of service application in its financial accounting for 2013.

PUC Response

- a) Although PUC is electing to defer implementation of IFRS for reporting purposes, PUC adopted the extended useful lives and overhead capitalization components of IAS 16 in 2012 as originally filed in the application for the bridge and test year.
- b) PUC is requesting the Board approve rates based on CGAAP accounting for 2012 and 2013 with the changes in asset lives and capitalization of overheads in 2012 as outlined in the July 17, 2012 notice to electricity distributors.

Appendix A – PUC Services Transfer Details

SUBJECT: CORPORATE RESTRUCTURING

PRESENTED TO: PUC INC. BOARD OF DIRECTORS
MEETING OF SEPTEMBER 2, 2010

RECOMMENDATION

1. That the Board approve the attached resolutions to effect the transfer of shares of PUC Services Inc. to the City of Sault Ste. Marie.
2. That the Board approve a request to the City that it become the direct shareholder of PUC Services.

BACKGROUND

A claim for damages was filed in Michigan court against PUC Services Inc. in July 2006 by a lawyer representing property owners on Sugar Island. The claim alleged that Services had been negligent in the operation of the east end wastewater treatment plant, which at that time operated as a primary treatment facility and was undergoing conversion to a state-of-the art biological nutrient removal (BNR) plant.

The firm of Garan Lucow Miller P.C. was appointed by our insurer, Frank Cowan Company, and attempted to halt any litigation in a U.S. court by arguing that the Foreign Sovereign Immunities Act (FSIA) applied to PUC Services because it was owned by the City. However, the argument was rejected by a U.S. District Court in August 2007. The judge indicated that because the shares of PUC Services were not directly held by the City it was not entitled to protection under that act. Consequently, the claim was allowed to proceed.

In November 2009 a settlement was reached with the litigants and a total of [REDACTED] was paid to 50 Sugar Island property owners by our insurer to cover all litigant costs. Legal costs to the insurer are believed to be in excess of [REDACTED].

RATIONALE

Insurance coverage for environmental impacts was continued in 2010 by Frank Cowan with the proviso that we take appropriate measures to reduce the threat of subsequent lawsuits from Michigan residents. The insurer felt that it would continue to be exposed given the ease of litigation in the U.S. and the fact that PUC Services, as a foreign company, may be viewed more harshly by a U.S. jury which would be inclined to award damages to claimants.

PUC Services cannot operate wastewater treatment facilities without environmental coverage. The risk of operating such facilities in a negligent manner is remote but litigation is expensive even if we successfully defend against claims. In the case of Sault Ste. Marie, where a relatively narrow channel separates the effluent discharge from Michigan cottages, the threat of litigation is higher as are legal costs. Without the proposed restructuring that gives the protection of the FSIA we would have to either withdraw from the contract with the City or pay significantly higher insurance premiums. We would lose a lucrative contract as well as the expertise that we have in operating a state-of-the-art wastewater treatment plant.

Sean Fomire of Garan Lucow Miller, who represented PUC Services in Michigan, has provided the attached legal opinion that if PUC Services was directly held by the City it would be entitled to protection under the FSIA. Any claim against PUC Services by Michigan residents would have to be filed in an Ontario court. If the claim was unsuccessful, legal costs would be assigned to the claimant, which is not the case in Michigan.

There are two restructuring options available: (1) merging PUC Services with PUC Inc. and (2) divesting PUC Services from PUC Inc. and have it owned directly by the City. In the latter option PUC Inc. would remain the holding company for PUC Distribution, PUC Telecom and PUC Energies. The first option was rejected because it exposed the assets of the other affiliates if there was a claim against Services.

Potential tax issues have been considered by KPMG and they have provided an opinion, which is attached, that there should be no adverse tax consequences because of the proposed restructuring. To effect the transfer KPMG recommends that a dividend be declared by PUC Inc. to the City equal to Services' shareholder equity at the time of transfer, which will be September 30, 2010. The long term debt of \$6,990,000 would remain with PUC Inc.

Currently the PUC Services Board has only one director. There is a resolution for the PUC Inc. Board to increase the size of Services' Board to nine and appoint the same directors as those currently on the PUC Inc. Board. The shareholder will have to confirm the Services Board composition.

There are no union or pension issues resulting from the restructuring as all employees are currently employed by Services.

There is a secondary but significant benefit in having the City as the direct shareholder of PUC Services. The restructuring would allow Services to be eligible for Infrastructure Ontario funding. Debt financing is at least 1% to 1.5% below what can be obtained from financing institutions. As we will need significant financing for PUC Services for a new corporate building and renewable generation projects the lower interest costs will be substantial.

Prepared by: H. J. Brian Curran
Date: August 27, 2010

Submitted by: H. J. Brian Curran
Date: September 2, 2010

ATTACHMENTS: Counsel's Letter of August 27, 2010
Transfer Tax Opinion
Resolution on Board Members
Resolution of Officers of the Corporation
Resolution on Appointment of Board Members
Resolution on Shareholder Agreement
Resolution on Dividend to Shareholder
Shareholder Agreement
FSIA Legal Opinion

LAIDLAW, PACIOCCO, SPADAFORA

**Barristers and Solicitors
Station Tower - 421 Bay Street - Suite 604
Sault Ste. Marie, Ontario.
P6A 1X3**

**DONALD B. LAIDLAW, B. ENG., LL.B.
ROBERT W. PACIOCCO, LL.B.
CARLO V. SPADAFORA, LL.B.**

**TELEPHONE: (705) 949-7790
FAX: (705) 949-5816
E-MAIL: laidlaw@lpslawyers.com
paciocco@lpslawyers.com
spadafora@lpslawyers.com**

August 27th, 2010

PUC Inc.
765 Queen Street East
P.O. Box 9000
Sault Ste. Marie, Ontario
P6A 6P2

ATTENTION: Mr Brian Curran

Dear Sir:

RE: PUC SERVICES INC. ("Services")

Introduction

As a result of the Sugar Island litigation Services' liability insurers took the position that they did not want to underwrite Services for environmental exposure unless they could be assured that Services and the City of Sault Ste. Marie (the "City") would be afforded protection under the Foreign Sovereign Immunities Act of Michigan ("FSIA").

Based on the matters considered below it appears that the best avenue to ensure protection under the FSIA is for the shares of Services presently owned by PUC Inc. to be owned directly by the City.

Foreign Sovereign Immunities Act

In August of 2007 the United States District Court for the Western District of Michigan (Northern Division) decided that Services was not entitled to immunity under the FSIA because its shares were owned by PUC Inc. rather than the City and because Services was not an "organ" of a foreign state as defined by the FSIA. The Court further held that "it is equally clear that PUC Inc. is considered an instrumentality of a foreign state or political subdivision because the City is the direct owner of PUC Inc."

Sean Fosmire of the Michigan Law Firm, Garan Lucow Miller P.C., who represented Services and the City in the litigation, has opined that if the City owned the shares of Services directly, that Services and the City would be afforded protection under the FSIA.

Transfer Tax (Electricity Act)

Pursuant to Section 94(1) of the Electricity Act (Ontario) a municipal electricity utility (PUC Inc.) shall not transfer any interest in personal property (the shares of Services) unless it pays a transfer tax at the prescribed rate on the fair market value of the property being transferred.

However, pursuant to Section 3(21) of Ontario Regulation 124/99, passed pursuant to the Electricity Act, Section 94(1) of the Electricity Act does not apply to a transfer of an interest in property if the transfer is made after October 16th, 2009 to a municipal corporation in Ontario "that is exempt under Section 149(1) of the Income Tax Act (Canada) from the payment of tax under that Act at the time of the transfer.

Enclosed is a copy of the opinion from KPMG, LLP confirming that the City is exempt under Section 149(1) of the Income Tax Act and that the transfer of the shares by PUC Inc. is not subject to the transfer tax under Section 94(1) of the Electricity Act.

Transfer of Shares of Services

In order to effect the transfer of shares of Services to the City it is recommended in the KPMG report (paragraph 2 on page 2) that PUC Inc. declare a dividend payable to the City equal to the shareholder's equity of Services at September 30th, 2010. The shareholder's equity is equal to the retained earnings of Services plus the paid up capital of its shares. The dividend will be paid by transferring the 2,000 common shares of Services owned by PUC Inc. to the City. A draft copy of the Directors' Resolution declaring the dividend aforesaid is enclosed.

Following the transfer of the shares to the city a Shareholder Agreement in the form attached hereto should be signed by the City and Services.

A Shareholder's Resolution increasing the Board of Directors of Services from one to nine and electing new Directors is also enclosed. Following this election the composition of the Board of Directors of Services will be the same as the composition of the Board of Directors of PUC Inc..

On July 1st, 2009 Services redeemed 699 Special Shares owned by PUC Inc. at \$10.00 per share and issued a Promissory Note to PUC Inc. for \$6,990,000.00 in payment thereof. PUC Inc. will continue to hold the Promissory Note following the share transfer. As noted in the KPMG report this would leave the long term debt with PUC Inc. to better manage cash flow among all operating companies under the control of PUC Inc..

Ontario Infrastructure Projects Corporations Act, 2006

Services has been considering making application to Infrastructure Ontario for funding for the new Service Centre on Second Line and for future solar energy projects.

Section 7(1) of Ontario Regulation 220/08 under the Ontario Infrastructure Project Corporations Act, 2006 provides that Infrastructure Ontario can provide infrastructure financing to "corporations incorporated pursuant to Section 142 of the Electricity Act, 1998, all the shares of which are held by one or more municipal corporations".

Services will qualify for infrastructure funding provided that:

- a) It is validly incorporated pursuant to Section 142 of the Electricity Act;
- b) It generates electricity in the Province of Ontario (existing 5.2 kilowatt solar generation facility);
- c) It holds the appropriate licences to generate electricity or is otherwise exempt from licence requirements; and
- d) All of the shares are owned by the City.

Summary

Based on the foregoing:

- a) If the City becomes the direct owner of 100 percent of the shares of Services the FSIA will afford protection to the City and Services;
- b) The transfer tax in Section 94(1) of the Electricity Act does not apply; and
- c) Services will qualify for infrastructure funding under the Ontario Infrastructure Projects Corporations Act (2006).

If approved by the Board these matters will be considered by City Council in caucus on September 13th, 2010 and in open Council on September 27th, 2010.

Yours very truly,

LAW, PACIOCCO, SPADAFORA

Per: 

(Robert W. Paciocco)

RWP/cs
Encls.



KPMG LLP
111 Elgin Street at Queen
Suite 200
PO Box 578
Sault Ste Marie ON P6A 5M6

Telephone (705) 949-5811
Fax (705) 949-0911
Internet www.kpmg.ca

PRIVATE & CONFIDENTIAL

PUC Inc.
PUC Services Inc.
510 Second Line East
Sault Ste. Marie, Ontario P6B 4K1

Attention: Mr. Brian Curran

August 26, 2010

Dear Mr. Curran:

Mr. Robert Paciocco has asked us to provide commentary with respect to a proposed transaction with the PUC Inc. group of companies. Prior to dealing with the issues requested in an email dated August 22 from Mr. Paciocco we wish to provide our understanding of the background leading up to the proposed reorganization. PUC Services has a contract with the City of Sault Ste. Marie to undertake the operations at the Waste Disposal Plant located in the City. PUC Services is a wholly-owned subsidiary of PUC Inc. and the sole shareholder of PUC Inc. is the City of Sault Ste. Marie. An action was filed by US residents and as we understand the City could not claim immunity because PUC Services was not directly owned by the City of Sault Ste. Marie. As a result of this action the insurers of PUC Services has requested that PUC Services be a wholly-owned subsidiary of the City of Sault Ste. Marie such that the immunity granted under a treaty between Canada and the United States would have application.

The advice contained in this letter is based on the facts, assumptions and representations stated herein. You have represented to us that you have provided us with all facts and circumstances that you know or have reason to know are pertinent to this letter. If any of these facts, assumptions or representations are not entirely complete or accurate, it could have a material effect on our advice and it is imperative that we be informed immediately in writing as the incompleteness or inaccuracy could cause us to change our advice.

Our advice takes into account the applicable provisions and judicial and administrative interpretations of the Income Tax Act (the "Act") and other relevant taxing statutes, the regulations thereunder and applicable tax treaties. Our advice also takes into account all specific proposals to amend the Act or other relevant statutes and tax treaties publicly announced prior to the date of our advice, based on the assumption that these amendments will be enacted substantially as proposed. Our advice does not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Any such changes could have an effect on the validity of our advice. Unless you



PUC Inc.
PUC Services Inc.
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specifically request otherwise, we will not update our advice to take any such changes into account.

Facts:

1. PUC Inc. is a wholly-owned subsidiary of the Corporation of the City of Sault Ste. Marie ("City") and currently the share structure is as follows:

1,462 Special shares issued price	\$14,620,000
21,000 Common shares issued price	14,618,248

2. PUC Services Inc. ("Services") is a wholly-owned subsidiary of PUC Inc. with the following share structure:

2,000 Common shares for a issue price of	\$777,628
--	-----------

In addition, Services has a note payable to PUC Inc. in the amount of \$6,990,000 and it bears interest at 7.62%.

3. PUC Inc. also has the following wholly-owned subsidiaries being PUC Distribution Inc., PUC Telecom Inc. and PUC Energies Inc.

PUC Inc. would be a corporation falling under the provisions of paragraph 149(1)(d.5) which would exempt that corporation from tax under The Income Tax Act of Canada as the shares are owned by a municipality.

4. The subsidiaries of PUC Inc. would fall under the provisions of paragraph 149(1)(d.6) which requires that the corporation have at least 90% of its capital owned by a municipality and income from outside the municipality boundaries does not exceed 10% of its income.
5. Subsection 149(1.2) provides the clarification with respect to the income test for municipal corporations under both the above-noted paragraphs (d.5) and (d.6) and it indicates that income of the corporation does not include income from activities carried on under an agreement with a municipality as long as the income is earned within that municipality's boundaries.
6. The City would be exempt from tax under The Income Tax Act under provisions of paragraph 149(1)(c) of ITA. The City would be considered a municipal corporation in Ontario in the Electricity Act.

PUC Inc.
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Analysis:

Services has a number of contracts outside its municipal boundaries, the total of which would exceed more than 10% of its revenue ignoring the test in 149(1.2). However, we are under the understanding there are a number of contracts that are with a municipality and the work carried out under that contract is within the boundaries of that particular municipality. We are proceeding with this analysis on the assumption that the Blind River and possibly other contracts would fall under the provisions of 149(1.2) and that the contracts are directly with those municipalities and the services are carried out within its boundaries and therefore the revenue earned from those contracts would not be included in the more than 10% income calculation. Based on this analysis and assumption Services would fall under the provisions of paragraph 149(1)(d.6).

As a result of the corporations being exempt under section 149(1) of The Income Tax Act, the corporations are subject to the Electricity Act, specifically sections 88 through 96 which deals with municipal electric utilities.

Sub-section 94 of the Electricity Act states:

"A municipal corporation or a municipal electric utility shall not transfer to any person any interest in real or personal property that has been used in connection with generating, distributing, transmitting or retailing electricity unless before the transfer takes place, it pays to the financial corporation the amount determined by multiplying the fair market value of interest by the prescribed percentage or furnishing security in the amount to the financial corporation that meets such requirements as may be prescribed and that is satisfactory to the financial corporation."

Regulation 124/99 sets out the rules with respect to the operation of section 94. Firstly, it indicates that the tax rate will be at 33% on the fair market value on any asset transferred under that particular section.

Subsection 3(21) of Regulation 124/99 states:

"Subsection 94 (1) of the Act does not apply to a transfer of an interest in property described in sub-section 94(1), (1.1) or (2) of the Act if the following conditions are satisfied:

- I. i. The transfer is made to a municipal corporation in Ontario that is exempt under sub-section 149 (1) of The Income Tax Act (Canada) from the payment of tax under that Act at the time of transfer, or
- ii. A municipal electric utility that is exempt under section 149 (1) of The Income Tax Act (Canada) from payment of tax under that Act at the time of transfer, or

iii. Hydro One Inc., Ontario Power Generation Inc. or a subsidiary of either of them (the transferee) and the transferee is exempt under 149 (1) of The Income Tax Act (Canada) from the payment of tax under that Act at the time of the transfer.

2. The transfer is made after October 16, 2009"

Under the above analysis and assumptions, PUC Inc. does qualify for exemption under 149(1)(d.5) and is subject to the Electricity Act. The transfer by it of its shares in Services to the City should fall under the Electricity Act exemption noted in 3(21)(1)(i) above.

From an accounting perspective the economic interest of Services has not been altered by transferring it from PUC Inc. and as such the financial statements for PUC Inc. would not reflect any economic benefit or loss. On a consolidated basis the net book value of all of Services assets would no longer be shown, on the balance sheet of the consolidated PUC Inc. financial statements. However, it does create perhaps a slight problem in 2010 depending on the transfer date in that the consolidated financial statements of PUC Inc. would be required to disclose the operations of Services until date of transfer.

Therefore, PUC Inc. could transfer the shares of Services to the City for a nominal amount of \$1, however this would appear to create significant accounting issues on the consolidated PUC Inc. statements. We would therefore suggest that PUC Inc. declare a dividend equal to Services shareholder's equity at time of transfer and satisfy that obligation by the transfer of 2,000 common shares of PUC Inc., owned in Services, to its shareholder the City. For illustration purposes the shareholder's equity at December 31, 2009 is \$3,198,348. Therefore, if the transfer occurred on January 1, 2010 the dividend would be \$3,198,348 and the City would receive 2,000 Services shares in full satisfaction of this dividend. We would leave the long-term debt of \$6,990,000 with PUC Inc. to better manage cash flow among all operating companies under PUC Inc. control.

We trust these comments are helpful in your analysis to accomplish the wishes of Services insurer. Should any of our assumptions or facts be incorrect this analysis should be reevaluated to ensure that the transfer can be made tax free.



PUC Inc.
PUC Services Inc.
August 26, 2010

Should you have any questions, please do not hesitate to contact the writer at 949-5811.

Yours truly,

KPMG LLP

Per:

A handwritten signature in black ink, appearing to read "Richard Walker". The signature is written in a cursive, flowing style.

R.E. Walker, CA
Partner

/cdc

RESOLUTION OF THE SHAREHOLDERS
OF
PUC SERVICES INC.

RESOLVED that in addition to Rick Wing, the existing sole Director of the Corporation, the following be and they are hereby elected as Directors of the Corporation to hold office until the next annual meeting of the Corporation or until their successors have been duly elected, subject to the provisions of the Corporation's by-laws, namely:

Larry A. Guerriero
Cecilia Bruno
Victoria Chiappetta
Mark Howson
J. Douglas Lawson
Pat Mick
Lorena Tridico
Bruno Barban

The foregoing Resolution is hereby consented to by the signature of the sole Shareholder of the Corporation.

DATED this 31st day of December, 2010.

PUC SERVICES INC.

Per:



Brian Curran,
President

RESOLUTION OF THE BOARD OF DIRECTORS
OF
PUC SERVICES INC.

WHEREAS the Articles of Incorporation of the Corporation provide that the Board of Directors shall consist of a minimum of one (1) and a maximum of ten (10) Directors;

AND WHEREAS, by Special Resolution of the Shareholders dated February 18th, 2000 the Directors are empowered to determine the number of Directors of the Corporation from time to time by Resolution of the Board;

RESOLVED that the number of Directors of the Corporation, until otherwise determined, shall be nine.

FURTHER BE IT RESOLVED that the following persons are confirmed as Officers of the Corporation:

Brian Curran	-	President
Claudio Stefano	-	Secretary
Terry Greco	-	Treasurer

THE FOREGOING Resolution is hereby consented to by the signature of the sole Director of the Corporation, pursuant to the Business Corporations Act.

DATED this 31st day of December, 2010.



Rick Wing

RESOLUTION OF THE DIRECTORS
OF
PUC SERVICES INC.

WHEREAS the Corporation wishes to enter into a Shareholder Agreement with the Corporation of the City of Sault Ste. Marie dated December 31st, 2010 (the "Shareholder Agreement") a draft copy of which is annexed hereto.

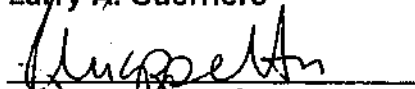
NOW THEREFORE BE IT RESOLVED THAT:

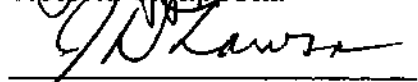
1. The execution and delivery of the Shareholder Agreement by the corporation is hereby approved; and
2. The President and Treasurer of the Corporation are hereby authorized and directed for and on behalf of the Corporation to execute and deliver the Shareholder Agreement substantially in the form of the draft agreement annexed hereto.

EACH AND EVERY ONE of the foregoing resolutions is hereby consented to by the signatures of all of the Directors of the Corporation, pursuant to the Business Corporations Act.

DATED this 31st day of December, 2010.

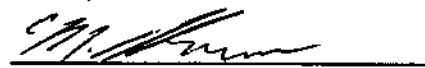

Larry A. Guerriero



Victoria M. Mappetta


J. Douglas Lawson

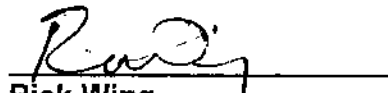

Lorena Tridico


Cecilia Bruno


Mark Howson


Pat Mick


Bruno Barban


Rick Wing

**RESOLUTION OF THE BOARD OF DIRECTORS
OF
PUC INC.**

WHEREAS the Corporation of the City of Sault Ste. Marie is the holder of all of the issued and outstanding common shares of the Corporation;


AND WHEREAS the Board of Directors of the Corporation has in its discretion determined to pay a dividend to the holder of the common shares of the Corporation in accordance with the provisions of this Resolution.

NOW THEREFORE BE IT RESOLVED THAT:

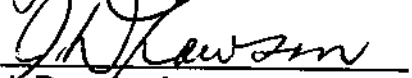
- 1. A dividend calculated in accordance with the provisions of this Resolution is hereby declared payable on the 1st day of January, 2011 to the Shareholder of record as at the close of business on the 31st day of December, 2010.**
- 2. The dividend declared herein shall be equal to the shareholder equity of PUC Services Inc., a wholly-owned subsidiary of the Corporation. In this Resolution a shareholder equity shall mean the sum of the retained earnings and the paid up capital of PUC Services Inc. as determined by the auditors of the Corporation as at the 31st day of December, 2010.**
- 3. As payment in full for the dividend declared herein the Corporation shall transfer to the Corporation of the City of Sault Ste. Marie 2,000 common shares in the capital stock of PUC Services Inc. owned by the Corporation and a new certificate for 2,000 common shares shall be issued without further formality on the 1st day of January, 2011 to the Corporation of the City of Sault Ste. Marie as fully paid and non-assessable.**
- 4. The proper officers of the Corporation be and they are hereby authorized to take all such steps and execute all documents which may be necessary for the purpose of giving effect to the foregoing.**

THE UNDERSIGNED, being all of the Directors of the Corporation hereby sign the foregoing resolution pursuant to the provisions of the Business Corporations Act.

Dated this 31st day of December, 2010.


Larry A. Guerriero



Victoria Chiappetta


J. Douglas Lawson



Lorena Tridico


Cecilia Bruno


Mark Howson


Pat Mick


Bruno Barban


Rick Wing

SHAREHOLDER AGREEMENT

THIS AGREEMENT is made as of the 31st day of December, 2010.

BETWEEN:

THE CORPORATION OF THE CITY OF SAULT STE. MARIE,
a corporation incorporated under the laws of the Province of Ontario,

(hereinafter called the "City")

OF THE FIRST PART

- and -

PUC SERVICES INC.,
A corporation incorporated under the laws of the Province of Ontario,

(hereinafter called "Services")

OF THE SECOND PART

WHEREAS the City is the sole shareholder of Services;

AND WHEREAS the City and Services have agreed to enter into this Agreement as being in their respective best interests and for the purpose of providing for the operation of Services.

AND WHEREAS, pursuant to Section 108 of the Business Corporations Act (Ontario), the City wishes to restrict in part the powers of the directors to manage or supervise the management of the business and affairs of Services;

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

1. To the extent that this Agreement specifies that any matters may only be or shall be dealt with or approved by or shall require action by the City, this discretion and powers of the directors of Services to manage or supervise the management of the business and affairs of Services with respect to such matters are correspondingly restricted.

2. Services confirms its knowledge of this Agreement and will carry out and be bound by the provisions of this Agreement to the full extent that it has the capacity and power at law to do so.

3. None of the matters described in Schedule "A" hereto shall be taken by Services unless approved by:

- a) a resolution of the City passed at a duly called and convened meeting of the shareholder; or
- b) a resolution in writing signed by the City.

A resolution of the City shall not be passed or signed unless approved by the Council of the City of Sault Ste. Marie by a resolution or by-law passed at a meeting of Council.

4. This Agreement may be terminated at any time by the City.

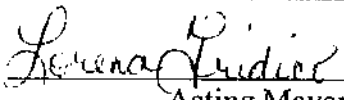
5. No modification of or amendment to this Agreement is valid or binding unless set forth in writing and duly executed by the parties hereto.


6. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto.

7. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario.


IN WITNESS WHEREOF the parties have executed this Agreement.

**THE CORPORATION OF THE
CITY OF SAULT STE. MARIE**

Per: 
Acting Mayor

Per: 
City Clerk

PUC INC.

Per: 
Brian Curran

Per: 
Terry Greco

We have authority to bind the Corporation

SCHEDULE "A"

Matters Requiring the Approval of the Shareholder of PUC Services Inc. ("Services")

- a) any change in the articles or by-laws of Services;
- b) any change in the authorized or issued capital of Services;
- c) the appointment of directors from time to time for Services;
- d) the entering into of any agreement or making of any offer or the granting of any right capable of becoming an agreement to allot or issue any shares of Services;
- e) any action which may lead to or result in a material change in the nature of the Business of Services;
- f) the entering into of any agreement other than in the ordinary course of Services Business;
- g) the borrowing of any money, the issuance of any debt, the giving or any security or the making or incurring of any single capital expenditure or acquisition in the excess of \$5,000,000.00 or any capital expenditures which, in the aggregate, are in excess of \$10,000,000.00 in any financial year of Services by Services;
- h) the taking of any steps to wind-up or terminate the corporate existence of Services or any Subsidiary Corporation;
- i) the sale, lease, exchange or disposition of assets of Services having a value in excess of \$3,000,000.00;
- j) the taking, holding, subscribing for or agreeing to purchase or acquire shares in the capital of any body corporation;
- k) the entering into of a partnership, strategic alliance, joint venture or of any other arrangement for the sharing of profits, union of interests, or reciprocal concession with any person by Services;
- l) the entering into of an amalgamation, merger or consolidation with any other body corporation;
- m) a change in the auditors of Services.

GARAN LUCOW MILLER P.C.

1440 West Ridge Street
Marquette, MI 49855-3199
Telephone: 906.226.2524
Fax: 906.226.3068
www.garanluow.com

M. SEAN FOSMIRE
sfosmire@garanluow.com

August 27, 2010

Laidlaw, Paciocco, Melville
421 Bay Street, Suite 604
Sault Ste. Marie, ON P6A 1X3

Attn: Mr. Robert Paciocco

In re: PUC Services Inc.

Dear Mr. Paciocco:

You have requested my opinion with regard to the effect of a corporate restructuring of PUC Services as it pertains to the operation of the East End/West End Wastewater Treatment Plants and the pump stations that are operated under the company's contract with the City of Sault Ste. Marie, Ontario. The proposal, as I understand it, is for PUC Inc. to transfer and convey its shares in PUC Services Inc., the current sole shareholder, to the City of Sault Ste. Marie, Ontario. The company, which is currently a wholly owned subsidiary of PUC Inc., will become a wholly owned subsidiary of the City of Sault Ste. Marie.

As the City of Sault Ste. Marie is the sole shareholder of PUC Inc., this will be a restructuring rather than a change in beneficial ownership. Ultimately, the ownership interest will continue to be held by the City of Sault Ste. Marie, but without the intervention of PUC Inc. as the holding company.

This restructuring is motivated by the fact that the current holding company structure presented a problem with respect to the application of the Foreign Sovereign Immunities Act under American law in connection with a lawsuit in 2006 that was brought in American courts by American citizens, claiming negligence and nuisance in the operation of the East End Water Pollution Control Plant from 2006 to 2008. The residents, all of whom have land ownership interests on Sugar Island, claimed that untreated or partially treated sewage had been released from the plant, had migrated down the waterway of the Lake George Channel of the St. Mary's River, and had been deposited on their beaches.

When we analyzed the application of the Foreign Sovereign Immunities Act, we found that the current holding company structure presented a problem and ultimately prevented the

court (the United States District Court for the Western District of Michigan, Northern Division, located in Marquette) from dismissing PUC Services Inc. as a defendant based on the FSIA. By contrast, PUC Inc., which had also been named as a defendant, was dismissed based on the operations of the FSIA. The sole reason for the difference in result is that PUC Inc. was directly owned by the City, while PUC Services Inc. was indirectly owned through the holding company structure.

The current proposal is to dismantle the holding company structure, as it pertains to PUC Services Inc., to permit PUC Services to enjoy the same immunity from liability that PUC Inc. enjoyed.

Provisions of the Act

Chapter 97 of Title 28 of the United States Code is entitled "Jurisdiction Immunities of Foreign States". These sections were added by the Foreign Sovereign Immunities Act of 1976, Public Law 94-583. The same Act also added 28 U.S.C. §1330, as well as amending §§1332, 1391, and 1441.

The FSIA begins with the following:

§1602 Findings and Declaration of Purpose -- The Congress finds that the determination by United States courts of the claims of foreign states to immunity from the jurisdiction of such courts would serve the interests of justice and would protect the rights of both foreign states and litigants in United States courts. Under international law, states are not immune from the jurisdiction of foreign courts insofar as their commercial activities are concerned, and their commercial property may be levied upon for the satisfaction of judgments rendered against them in connection with their commercial activities. Claims of foreign states to immunity should henceforth be decided by courts of the United States and of the states in conformity with the principles set forth in this chapter.

The provisions of the FSIA are not limited to claims against nations. As will be noted in the discussion on definitions below, the protection of the FSIA applies to certain other entities which are created and owned by a provincial or municipal entity in Canada.

As the U.S. Supreme Court noted in the cases of *Verlinden B. V. v. Central Bank of Nigeria*, 461 U.S. 480 (1983) and *Republic of Austria v. Altmann*, 541 U.S. 677 (2004), Congress enacted FSIA in order to transfer to the judicial branch the responsibility for determining, by application of its provisions, which claims are barred by the principle of sovereign immunity, and to end the previous practice under which a "suggestion of immunity" would be made by the U.S. State Department on a case-by-case basis and (usually) followed by the courts. The FSIA ensures that the principles of immunity are codified and applied in a regular and consistent fashion, without piecemeal involvement by the State Department.

Definitions

Section 1603 [28 U.S.C. §1603] provides the following definitions:

For purposes of this chapter –

- (a) A "foreign state" except as used in §1608 of this title, includes a political subdivision of a foreign state or an agency or instrumentality of a foreign state as defined in subsection (b).
- (b) An "agency or instrumentality of a foreign state" means any entity –
 - (1) which is a separate legal person, corporate or otherwise, and
 - (2) which is an organ of a foreign state or political subdivision thereof, or a majority of whose shares or other ownership interest is owned by a foreign state or political subdivision thereof, and
 - (3) which is neither a citizen of a state of the United States as defined in §1332 (c) and (d) of this title, nor created under the laws of any third country.

In domestic cases in the United States, the doctrine of sovereign immunity regards the Federal and state governments as sovereigns and entitled to immunity in most circumstances, but it does not afford the same protection to the political subdivisions of the states. This familiar principle was not adopted by the Congress in determining which entities would be granted immunity under the FSIA. Instead, a conscious choice was made by the Congress to include the political subdivisions of a foreign state and their "agencies and instrumentalities" within the scope of that immunity.

The City of Sault Ste. Marie, Ontario is a political subdivision of the Province of Ontario and of the Dominion of Canada. A corporation which is owned, in whole or in majority part, by the municipality is included within the definition of "foreign state" as used in the FSIA, and is entitled to the immunity that would extend to the municipality.

Operative immunity provision

Section 1604 of the FSIA [28 U.S.C. §1604] provides that a defendant which meets the definition of "foreign state" is immune from the jurisdiction of the courts of both the United States and the individual states, subject to existing international agreements, and subject also to the exceptions provided in §1605 to §1607.

Exceptions to immunity

Under §1605(a), the immunity of a foreign state does not extend to any case in which the foreign state has expressly waived its immunity, either explicitly or by implication, or in which the action is based on certain commercial activities carried on by the foreign state. Neither of these exceptions apply here.

There are several international agreements that govern the responsibilities of the United States and Canada with regard to the quality of the waters of the Great Lakes, including the Boundary Waters Treaty of 1909 the Great Lakes Water Quality Agreement of 1978, and the North American Agreement on Environmental Cooperation (1993). There is nothing in the text of any of these treaties which abrogates the immunity conferred under the FSIA or which purports to subject either nation to the jurisdiction of the courts of the other.

We are not licensed in Canada and thus cannot address the question of whether PUC Services or the City would be liable for claims of this nature if sued in Ontario courts. For purposes of application of the FSIA however, it is immaterial whether the Province of Ontario or any other agency in Canada has waived immunity in cases brought in its courts; the issue is not whether immunity has been waived in general but rather specifically whether the immunity conferred under the FSIA has been waived. See *Fickling v. Commonwealth of Australia*, 775 F. Supp. 66, 70 (E.D.N.Y. 1991), in which the Court rather vigorously rejected as "sheer sophistry" an argument that a waiver by the Commonwealth of Australia of sovereign immunity for claims brought against the Commonwealth in its own courts should be equated to a waiver of the immunity provided under FSIA.

We would also assert that there are no commercial activities involved in the operation of the wastewater treatment plants in Sault Ste. Marie. The operation of sanitary sewers and the treatment of sanitary sewer content before its effluents are discharged are clearly and obviously the exercise of governmental functions and should not be regarded as commercial activities. This is true regardless of whether the City of Sault Ste. Marie, Ontario imposes a charge for access to municipal sewers to its inhabitants.

The analysis may well be different as it pertains to the company's operation of wastewater plants in Echo Bay or in other cities; those may have a commercial character that is not present in the operation of the plants and facilities in Sault Ste. Marie

The subsection 5 exception

The only exception that could be potentially applicable to PUC Services, regardless of its corporate structure, is that contained in subsection 5. Section 1605(a)(5) provides:

(a) A foreign state shall not be immune from the jurisdictional court of the United States or of the states in any case –

. . .

(5) not otherwise encompassed in paragraph (2) above, in which money damages are sought against a foreign state for personal injury or death or damage to or loss of property occurring in the United States and caused by the tortious act or omission of that foreign state or of any official or employee of that foreign state while acting within the scope of his office for employment, except that this paragraph shall not apply to

- (A) any claim based upon the exercise or performance or the failure to exercise or perform a discretionary function regardless of whether the discretion be abused, or
- (B) any claim arising out of malicious prosecution, abuse of process, libel, slander, misrepresentation, deceit, or interference with contract rights.

Some of the claims made by plaintiffs in the 2006 litigation, though not all of them, could be regarded as potentially falling within the scope of this exception.

The plaintiffs alleged that the defendants engaged in a tortious act by wrongfully releasing materials from the East End Water Pollution Control Plant in an inappropriate fashion. Further, the plaintiffs' Complaint could have been read to make vague claims in the nature of personal injuries.

The subsection 5 exception is uncertain and unclear as to whether the tortious act of the foreign state has to occur within the confines of the United States in order for the exception to apply. The release of effluents from the East End Water Pollution Control Plant occurred solely in Ontario waters. It was alleged by the plaintiffs in the 2006 lawsuit that these materials were inappropriately released and that they traveled into Michigan waters where they caused property damage to the plaintiffs. The plaintiffs did not allege any act of the defendants occurring within the United States. In such a situation, does subsection 5 require that both the wrongful act and the consequences occur in the United States? Or is it enough that the consequences occurred in the United States? Stated otherwise, would section 5 apply to an act occurring in Ontario which causes property damage in Michigan?

That uncertainty was clarified and resolved by the decision of the United States Supreme Court in the case of *Argentine Republic v Amerada Hess Shipping*, 488 US 428 (1989). That decision underlies our conclusion that the subsection 5 exception would not apply to PUC Services.

The Amerada Hess case

The Amerada Hess case involved a claim for money damages asserted by Amerada Hess, owner of a Liberian oil tanker which was severely damaged when it was attacked by Argentine military aircraft while traveling in international waters during the course of the Falkland Island war between Argentina and Great Britain.

Amerada Hess argued that the subsection 5 exception applied to its claim. The Supreme Court noted, however, that the damage in question occurred on the high seas and thus did not come within the limited terms of subsection 5, being limited to "those cases in which the damage to or loss of property occurs in the United States". It observed, making reference to legislative reports, that the primary purpose of Congress in enacting subsection 5 was to eliminate the immunity of a foreign state for "traffic accidents and other torts committed in the United States, for which liability is imposed under domestic tort law."

Amerada Hess tried to argue that an occurrence on the high seas should still be sufficient to bring the claim within the scope of FSIA's exception on the argument that the action of the defendant may have had economic effects in the United States. It argued that the loss of the cargo had an effect in the United States, and pointed out that the contract payments for the shipment were due to be made in New York. The Court rejected this argument, noting that there was a significant difference in the language used in the two exceptions, the subsection 2 exception for commercial activities and the subsection 5 for non-commercial torts. The Court found the contrasting language of the two subsections to be dispositive:

(a) A foreign state shall not be immune from the jurisdictional court of the United States or of the states in any case -

. . .

(2) in which the action is based upon a commercial activity carried on in the United States by the foreign state; or upon an act performed in the United States in connection with a commercial activity of the foreign state elsewhere; or upon an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States;

. . .

(5) not otherwise encompassed in paragraph (2) above, in which money damages are sought against a foreign state for personal injury or death or damage to or loss of property occurring in the United States and caused by the tortious act or omission of that foreign state or of any official or employee . . .

In analyzing the argument advanced by *Amerada Hess* in favor of the application of the subsection 5 exception, the Court stated:

Under the commercial activity exception to the FSIA, 1605(a)(2), a foreign state may be liable for its commercial activities outside the territory of the United States having a 'direct effect' inside the United States. But the noncommercial tort exception, 1605(a)(5), upon which the respondents rely, makes no mention of 'territory outside the United States' or of 'direct effects' in the United States. Congress' decision to use explicit language in 1605(a)(2) and not to do so within 1605(a)(5), indicates that the exception in 1605(a)(5) covers only torts occurring within the territorial jurisdiction of the United States. Respondents do not claim that 1605(a)(2) covers these facts.

The uncertainty in the language used in the statute has thus been clarified by the definitive decision of the United States Supreme Court. The *Amerada Hess* decision confirmed that foreign states (including PUC Services) are entitled to immunity from the subject matter jurisdiction and *in personam* jurisdiction of the courts in the United States, and that (outside the commercial context) the only exceptions which would be recognized would be those in which a wrongful act was committed in the United States and had effects within the territory of the United States.

See also *Fickling v. Commonwealth of Australia*, the 1991 case cited above, in which the plaintiff, an American citizen, claimed that the defendants had improperly placed "caveats" (liens) on his property located in Australia, following a property division incident to an Australian divorce, and that such action constituted improper seizure or expropriation of his property in violation of international law. He claimed that FSIA's exception 5 applied because the issuance of the caveats in Australia had caused him to suffer damage in the United States. The Court, citing *Amerada Hess*, rejected that argument, noting that:

An examination of the legislative history of this section reveals that it is 'cast in general terms as applying to all tort actions for money damages, not otherwise encompassed by section 1605(a)(2) relating to commercial activities.' H.R.Rep. No. 1487, 94th Cong., 2d Sess., reprinted in 1976 U.S. Code Cong. & Ad. News 6604, 6619. Although not specifically stated in the statute, section 1605(a)(5) applies only when the entire tort takes place in the United States. See *Amerada Hess*, 488 U.S. at 439, 109 S.Ct. at 690. The Court finds that defendants' conduct occurred exclusively in Australia. Consequently, section 1605(a)(5) does not apply.

The Dole Food Company case

The most significant judicial decision considered by the court in the 2006 lawsuit was the case of *Dole Food Company v. Patrickson*, 538 U.S. 468 (2003). The corporations in question in that case were two companies, designated in shorthand form in the opinion as "the Dead Sea companies", that had been organized by the state of Israel to mine bromine compounds in the Middle East. The U.S. Supreme Court held that the companies were not entitled to protection under the FSIA, observing:

As is the case with the use of the corporate structure as a risk management function, the protection that PUC Services seeks is not absolute. Risk management is inherently an exercise in increasing or decreasing risk; in many circumstances it is impossible to wholly eliminate risk. There still remains a risk that a court in a given case could determine that the fact that the City has transferred the responsibility for the operation of the wastewater treatment plants and other related functions could be regarded as a commercial activity, in light of the fact that PUC Services Inc. is set up for the purposes of making a profit, but that risk is present to the same extent with PUC Services in its current configuration as well.

We caution once again that we are not attempting to offer any opinion with regard to the application of Canadian or Ontario Provincial law to the issue at hand. Our opinion and comments are limited solely to the application of American Federal law to the issue presented.

Please feel free to contact me if you have any questions or comments.

Very truly yours,

M. Sean Fosmire

MSF/cac

2012-11-SEC-10-0

**SUBJECT: REVISION OF CORPORATE RESTRUCTURING
RESOLUTION**

**PRESENTED TO: PUC INC. BOARD OF DIRECTORS
MEETING OF NOVEMBER 24, 2010**

RECOMMENDATION

That the Board confirm the revision of the effective date of the change in ownership structure of PUC Services Inc. from September 30, 2010 to December 31, 2010.

BACKGROUND

At its meeting of September 2, 2010 the Board approved a change in the ownership structure of PUC Services Inc. and signed a resolution to that effect. Subject to shareholder approval PUC Services would be held directly by the City effective September 30, 2010. The transfer of ownership would require that an evaluation of the financial status of PUC Services be done as of the transfer date in order to identify the value of the PUC Services shares being transferred from PUC Inc. to the City.

At a meeting with City Council in caucus September 13, 2010 the reasons for the corporate restructuring were presented and that the need to satisfy insurance concerns with respect to PUC Services operation of the east end wastewater treatment plant was of paramount importance. The new corporate structure would satisfy our existing insurer; however, it was suggested that the insurer may accept a transfer date of December 31, 2010 rather than the September date. This would avoid having to complete, essentially an audit of PUC Services, as of that date. Council was advised that the insurer would be contacted to obtain its agreement on the December 31st effective date.

Subsequent to the meeting with City Council the insurer did agree to the December date and the shareholder, at a special shareholder meeting on September 24, 2010, approved a resolution transferring the shares of PUC Services from PUC Inc. to the City effective December 31, 2010. The annual audit will provide the valuation of the shares to be transferred to the City. A revised Board resolution was circulated and signed by Board members.

RATIONALE

A record confirming that the Board approves the change in the date of the share transfer is deemed to be prudent for our corporate records.

**Prepared by: H. J. Brian Curran
Date: October 28, 2010**

**Submitted by: H. J. Brian Curran
Date: November 24, 2010**

**ATTACHMENTS: Revised Board Resolution -
Shareholder resolution**

**RESOLUTION OF THE BOARD OF DIRECTORS
OF
PUC INC.**

WHEREAS the Corporation of the City of Sault Ste. Marie is the holder of all of the issued and outstanding common shares of the Corporation;

AND WHEREAS the Board of Directors of the Corporation has in its discretion determined to pay a dividend to the holder of the common shares of the Corporation in accordance with the provisions of the Resolution.

NOW THEREFORE BE IT RESOLVED THAT:

1. A dividend calculated in accordance with the provisions of this Resolution is hereby declared payable on the 1st day of January 2011 to the Shareholder of record as at the close of business on the 31st day of December 2010.
2. The dividend declared herein shall be equal to the paid up capital of PUC Services Inc., a wholly-owned subsidiary of the Corporation in the amount of \$777,628.
3. As payment in full for the dividend declared herein the Corporation shall transfer to the Corporation of the City of Sault Ste. Marie 2,000 common shares in the capital stock of PUC Services Inc. owned by the Corporation and a new certificate for 2,000 common shares shall be issued without further formality on the 1st day of January 2011 to the Corporation of the City of Sault Ste. Marie as fully paid and non-assessable.
4. The proper officers of the Corporation be and they are hereby authorized to take all such steps and execute all documents which may be necessary for the purpose of giving effect to the foregoing.

PUC INC. RESOLUTION

Agenda Item # 5.5

Date: November 24, 2010

Moved by:

Cecilia

Seconded by:

Mark

Resolution:

That the Board confirm the revision of the effective date of the change in ownership structure of PUC Services Inc. from September 30, 2010 to December 31, 2010

☐ Carried ☐ Defeated ☐ Deferred
☐ Referred ☐ Amended ☐ Officially Read Not
Dealt With

Chair
Chair

Action

<input type="checkbox"/> Chair	<input type="checkbox"/> PUC Inc.	<input type="checkbox"/> _____
<input type="checkbox"/> President	<input type="checkbox"/> PUC Telecom	<input type="checkbox"/> _____
<input type="checkbox"/> Secretary	<input type="checkbox"/> PUC Services	<input type="checkbox"/> _____
<input type="checkbox"/> Treasurer	<input type="checkbox"/> PUC Energies	<input type="checkbox"/> _____

Appendix B – Pole Testing Report

File . ?

PoleCare International Inc.

NON-DESTRUCTIVE TESTING OF WOOD POLES PUC Services Inc. of Sault Ste. Marie

Note: Attached to this report are typical pages of all the Tables (except Table 2: Poles for Replacement). Table 2 is included in its entirety. All the tables in their entirety are included in the MS Database.

Database records filed
K:\Engineering Data\DBases\
Pole Testing Data (by year)
43.

July 2012

EXECUTIVE SUMMARY

A total of about 3078 in-service poles were inspected to assess their structural integrity. The residual strengths of these poles were measured by using non-destructive testing equipment called Poletest.

Based on the preliminary assessment of the information gathered a number of poles were identified of having varying degree of degradation. These poles were reassessed using a Resistograph that is capable of determining the extent of degradation in wood poles.

Based on a systematic analysis of the field data and engineering judgment the following conclusions are made:

- A total of 92 poles need replacement in a period of 1 - 2 years. These poles have a varying degree of visible extensive degradation at or below ground line and low strength.
- A total of 13 poles with moderate or extensive rotting cross arms were identified.
- A total of 77 poles with moderate or excessive top feathering and/or excessive mechanical damage were identified for close inspection.
- A total of 2419 poles were remedially treated (with either rods or copper or insecticide or combined as required)
- A total of 315 poles were identified with carpenter ants infestation.
- About 313 poles were identified with internal decay

It is important to note that the remaining lives of poles estimated in the report do not consider the effect of the treatment administered. The estimated lives of these poles, after treatment, would have significantly improved.

NOTICE

It is recommended that wood poles are inspected and tested every 5 years. The final recommendations made in this report are based on the assumption that the 5-year inspection cycle will be adhered to by the utility. In other words the conclusions and recommendations contained in the report are valid only for a five-year period from the year in which the poles were tested.

It should also be noted that no engineering analysis has been done to verify the structural capacity of the poles to sustain the design wind and ice loads.

Neither PoleCare International Inc., nor PUC Services Inc. nor any other person acting on their behalf makes any warranty, express or implied, or assumes any legal responsibility for the information presented in this report or accepts liability resulting from its use.

To:

PUC Services Inc.

**NON-DESTRUCTIVE TESTING OF WOOD POLES FOR
PUC SERVICES INC.**

INTRODUCTION

In the summer 2012, as part of its ongoing pole management program, PUC Services Inc. tested a total of about 3078 in-service wood poles. A non-destructive testing (NDT) technique was utilized as a key component of the program. The NDT equipment, POLETEST™, originally developed by Electric Power Research Institute (EPRI) and marketed by Engineering Data Management (EDM), was used. A Resistograph, capable of measuring the relative density of wood, was used to determine the extent of degradation in selected poles.

The following is a list of major data gathered on each pole:

- Pole strength at or closer to ground line
- Physical condition at ground line area
 - Ground line rot
 - Below ground line rot
 - Carpenter ants damage
 - Surface rot etc.
- Overall physical condition of pole (poor, fair or good)
- Other related information

The information gathered was analyzed to identify the condition of each pole and sort out the poles that need replacement or re-testing before the recommended testing frequency of 5 years.

TESTING TECHNIQUES

The EDM non-destructive testing technique applies the principles of sonic spectral wave analysis. The sonic test signal, obtained from applying the NDT technique to a wood pole, is analyzed and compared to a machine-stored database relating the sonic signal and pole strength. The sonic signal varies depending on the type of pole species, the degree of mechanical degradation as well as other parameters that affect the material properties. By comparing the received signal to that of the stored database for the pole species, a measure of the pole strength is determined. The equipment that incorporates this technique is marketed under the name POLETEST™. The equipment is data dependent and uses a database established by EDM.

The Resistograph is a special type of drill with a drill bit of approximately 2 mm to 3mm in diameter and about 400 mm in length. The instrument is battery operated and self-powered to eliminate any external influence on the measurements. The instrument provides a measure of relative density of wood by measuring its resistance. The results are presented in a graphic form showing the relative density of wood across the pole cross section. The graph could be used to assess qualitatively the amount of degradation in the pole.

FIELD MEASUREMENTS AND OBSERVATIONS

STEP 1: The EDM Poletest was used in assessing pole strength:

- Sound the pole for weak points at various pole heights.
- Take strength reading at GL (Ground Line), perpendicular to line direction.
- If strength reading at GL is good then take readings at suspected weak points.
 - End the testing.
- If no strength reading or a very low reading is obtained then take readings at various orientations at GL.
 - End the testing.
- If a reading can't be obtained at GL then take more readings at locations above GL.
 - End the testing.
- Take as many readings as necessary for a good assessment.
- Check pole for decay, rot, mechanical damage etc.
- Using a shovel check for any decay below GL

STEP 2: After completion of testing with EDM Poletest, poles that showed marginal mechanical strength and poles for which the results were not conclusive were tested with the Resistograph

PRESENTATION OF FIELD DATA

The strength and other information gathered in the field along with the analysis done are summarized in Table 1. The information contained in **Table 1** is listed below:

- Name of the street in which pole is located
- Pole ID Number
- House number if appropriate
- Pole species (from information stamped on poles)
- Pole diameter (from measurements)
- Pole strength (from measurements)
- Pole mechanical condition (from observations)
- Comments
- Recommendations
- Probable remaining pole life
- Poles remedially treated

ANALYSIS AND RECOMMENDATIONS

Based on a systematic analysis procedure the following recommendations are made:

- **Poles for Replacement (Table 2)**

A total of 92 poles need replacement in a period of 1 - 2 years. These poles have varying degree of extensive degradation, both visible and hidden, at or below ground line.

- **Poles with Extensive Feathering and Mechanical Damage (Table 3)**

Extensive pole top feathering and or mechanical damage were noticed in about 77 poles. These poles need a closer inspection, by line crew.

- **Poles with Cross arm Rotting (Table 4)**

A total of about 13 poles were identified as having cross arms with varying degree of rotting.

- **Poles for Remedial Treatment (Table 5)**

About 2419 poles were selected for remedial treatment in order to extend their usable lives. These poles were treated with rods or copper or insecticide or all combined as required.

- **Poles Affected by Carpenter Ants (Table 6)**

A total of 315 poles were identified as having various stages of carpenter ants infestation.

- **Poles with Internal Decay (Table 7)**

A total of about 313 poles were identified as having cross arms with varying degree of rotting.

- **Individual Pole Records (Table 8)**

An electronic record for each of the 3078 poles tested is given in Table 8.

Note 1: It should be noted that a number of poles appear under different categories because these poles have multiple mechanical defects

Note 2: It should be noted that a number of poles appear under different categories because these poles have multiple mechanical defects

Because of the unpredictable nature of the external influences that would affect the remaining life of a pole it is recommended that any life prediction beyond 5 years be used with caution. It is also recommended that the poles be tested on a 5-year cycle to maintain the necessary reliability and safety.

In analyzing the poles the effects of external load such as wind and ice are not considered; only the pole strength and mechanical condition of the poles are used. In other words the client requested no engineering analysis and none was done.

COMPREHENSIVE DATABASE

- A comprehensive database containing all the information discussed in this report is provided in MS Access format.
- Also attached to this report are the first pages of all the tables except Table 2, which is included in its full form.

Table 1: Summary of Pole Data

Street	Pole ID	House No	Pole Strength GL (psi)	Mechanical Condition	Comments	Recommendations	Probable Remaining Life (Yrs)	Treatment Applied ?	Record Number
Abbott Street	609		6410	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole	RG Tested Ok	26	Yes	2799
Abbott Street	610		4790	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Transformer on Pole		36	Yes	2800
Abbott Street	611	27	4570	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole	RG Tested Ok	34	Yes	2801
Abbott Street	612		4650	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use		36	Yes	2802
Albert Street	B1550	310	6510	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Pole in pavement	RG Tested Ok	29		1236
Albert Street	B376	318	6640	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Dip, Joint Use, Light on Pole, Pole in pavement	RG Tested Ok	35		1237
Albert Street	B375	330	6320	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use	RG Tested Ok	36		1238
Albert Street	B374	342	6440	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole	RG Tested Ok	35		1239
Albert Street	B373	356	6290	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Pole in pavement	RG Tested Ok	36		1240
Albert Street	B372	370	6250	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole	RG Tested Ok	35		1241
Albert Street	B1551	378	6410	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Dip, Joint Use	RG Tested Ok	35		1242
Albert Street	B361	479	6530	Cracks - Slight, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole, Pole in pavement	RG Tested Ok	34		1259

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Albert	Street	553	372	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2640
Albert	Street	545	452	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2644
Albert	Street	861	540	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole in pavement	Replace in 2012	2871
Alexander	Street	55	131	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Transformer on Pole	Replace in 2012	3022
Algoma	Avenue	2839	32	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2001
Andrew	Street	310	112	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	3053

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Anita	Blvd	11498		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	1443
Bay	Street	516	500	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole, Pole in pavement	Replace in 2012	1810
Bay	Street	1403		Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	1833
Bay	Street	843		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole leaning	Replace in 2012	1840
Bay	Street	430	180	Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1872
Bay	Street	847		Carpenter ants damage - Extensive, Cracks - Moderate, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	2733
Birch	Street	732	42	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2029

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Bush	Street	485	435	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Slight. Surface Rot below GL - Extensive. Internal Decay - Extensive	Joint Use	Replace in 2012	1695
Charles	Street	9982	500	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Slight. Surface Rot below GL - Extensive. Internal Decay - Extensive	Joint Use	Replace in 2012	1387
Charles	Street	9976	456	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Moderate. Surface Rot below GL - Extensive. Internal Decay - Extensive	Dip. Joint Use	Replace in 2012	2540
Coronation	Street	15928	56	Carpenter ants damage - Extensive. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Slight. Surface Rot above GL - Slight. Internal Decay - Extensive	Joint Use. Transformer on Pole	Replace in 2012	181
Dufferin	Street	12149	12	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Moderate. Surface Rot below GL - Extensive. Internal Decay - Extensive		Replace in 2012	2408
East	Street	12791		Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Surface Rot below GL - Extensive. Internal Decay - Extensive	Light on Pole	Replace in 2012	1845

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Elm	Avenue	11573	33	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Moderate. Surface Rot below GL - Extensive. Internal Decay - Extensive	Guy Pole	Replace in 2012	1510
Fauguier	Avenue	B410		Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Slight. Surface Rot above GL - Slight. Surface Rot below GL - Extensive	Joint Use. Light on Pole	Replace in 2012	1279
Fourth	Line	14885		Carpenter ants damage - Extensive. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Moderate. Surface Rot above GL - Slight. Internal Decay - Extensive	Joint Use	Replace in 2012	187
Fourth	Line	15918-A		Carpenter ants damage - Extensive. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Slight. Internal Decay - Extensive	Joint Use	Replace in 2012	200
Fourth	Line	14627		Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Pole top feathering/Split/Rot - Moderate. Surface Rot above GL - Slight. Internal Decay - Extensive	Joint Use. Light on Pole	Replace in 2012	204
Gladstone	Avenue	2827	105	Carpenter ants damage - Extensive. Crack to GL. Decay pockets at GL - Extensive. Surface Rot below GL - Extensive. Internal Decay - Extensive	Dip. Joint Use. Light on Pole. Pole leaning	Replace in 2012	1997

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Gladstone	Avenue	12137	3	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use	Replace in 2012	2482
Grace	Street	941	100	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole in pavement	Replace in 2012	2615
Greenfield	Drive	14845	173	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot above GL - Slight, Internal Decay - Extensive	Joint Use	Replace in 2012	542
Grosvenor	Avenue	12156	4	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2497
Huron	Street	754	75	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	2477
Industrial Park	Crescent	13884	243	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use	Replace in 2012	667
John	Street	12440	120	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use	Replace in 2012	1475

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
John	Street	10508		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1488
John	Street	414	412	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Transformer on Pole	Replace in 2012	1676
John	Street	74		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole	Replace in 2012	2165
Kehoe	Avenue	10021		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot below GL - Slight, Internal Decay - Extensive		Replace in 2012	1348
Kehoe	Avenue	9985		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1354
Lynn	Road	1368		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Guy Pole	Replace in 2012	2588

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
MacDonald	Avenue	12102	140	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive, WP Hole - Extensive	Joint Use, Transformer on Pole	Replace in 2012	1319
MacDonald	Avenue	12083		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	2300
MacDonald	Avenue	12128		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2493
Maple	Street	674		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	2020
March	Street	550	167	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2609
Nelson	Street	10749	517	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot above GL - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	1607

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
North	Street	12301		Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use, Light on Pole, Pole in pavement	Replace in 2012	847
North	Street	12308	911	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Dip, Joint Use, Light on Pole, Pole in pavement	Replace in 2012	853
North	Street	12352	750	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	1394
North	Street	11516	647	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot above GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	RG Tested, Replace in 2012	1449
North	Street	9836		Carpenter ants damage - Extensive, Cracks - Extensive, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1647
North	Street	10715	387	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole	Replace in 2012	1656
Northern	Avenue	10198		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Extensive, Surface Rot above GL - Moderate, Internal Decay - Extensive	Joint Use	RG Tested, Replace in 2012	894

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Northern	Avenue	11518		Carpenter ants damage - Extensive. Cracks - Moderate, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1526
Old Goulais Bay	Road	14875		Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive, WP Hole - Moderate	Joint Use	Replace in 2012	292
Peoples	Road	16056		Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	340
Peoples	Road	16049	1326	Carpenter ants damage - Extensive, Crossarm rot - Extensive, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	347
Peoples	Road	15952	1386	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	349
Peoples	Road	13396	1004	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use, Light on Pole, Transformer on Pole	Replace in 2012	581
Pim	Street	12099	415	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot above GL - Slight, Internal Decay - Extensive	Joint Use	Replace in 2012	1322

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Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Private	Road	13938		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive, WP Hole - Extensive	Joint Use, Light on Pole	Replace in 2012	696
Sackville	Road	GLP-2451		Carpenter ants damage - Extensive, Cracks - Moderate, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	913
Sackville	Road	13748		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Dip, Joint Use, Light on Pole	Replace in 2012	978
Sackville	Road	13745		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole	Replace in 2012	981
Sackville	Road	GLP-7065		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Extensive, Internal Decay - Extensive		RG Tested, Replace in 2012	987
Sackville	Road	GLP-7068		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole	RG Tested, Replace in 2012	988
Sackville	Road	13736	151	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	1621

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Salisbury	Avenue	B2528	2	Completely rotten at GL. Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive	Joint Use	Replace in 2012	2433
Salisbury	Avenue	2923	125	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2530
Second	Line	12386		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Extensive, Surface Rot above GL - Moderate, Internal Decay - Extensive	Joint Use	Replace in 2012	802
Second	Line	P7072	543	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Transformer on Pole	RG Tested, Replace in 2012	971
Selkirk	Street	B5240	21	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use, Transformer on Pole	Replace in 2012	877
Shafer	Avenue	13053	717	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Joint Use	Replace in 2012	1107
Shafer	Avenue	15482	765	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Joint Use	Replace in 2012	1111

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Sherwood	Pkwy	13378		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	600
St. Andrew's	Terrace	82	166	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot above GL - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	2979
St. James	Street	B250	222	Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use	RG Tested, Replace in 2012	1178
Sunnydale	Road	18413	39	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Light on Pole	Replace in 2012	611
Tancred	Street	1142	72	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot above GL - Slight, Surface Rot below GL - Extensive	Joint Use, Pole in pavement	Replace in 2012	1861
Tancred	Street	783	111	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Light on Pole, Pole in pavement	Replace in 2012	2807
Third	Line	13837	338	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Dip, Joint Use, Light on Pole, Transformer on Pole	Replace in 2012	391

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Third	Line	13834	278	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot above GL - Slight, Internal Decay - Extensive	Dip, Joint Use	Replace in 2012	394
Walnut	Street	1017	33	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole leaning	Replace in 2012	2050
Wellington	Street	15484	730	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Internal Decay - Extensive	Dip, Joint Use, Pole in pavement	Replace in 2012	1117
Wellington	Street	15485	742	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip, Joint Use, Pole in pavement	Replace in 2012	1118
Wellington	Street	143	93	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	2207
Wellington	Street	139		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Light on Pole	Replace in 2012	2213

Table 2: Poles for Replacement

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Wemyss	Street	1537	91	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip. Joint Use	Replace in 2012	2339
White Oak	Drive	12415	52	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	RG Tested, Replace in 2012	838
White Oak	Drive	12410	88	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Joint Use	Replace in 2012	843
White Oak	Drive	18341	116	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	1757
Wigle	Street	15022		Carpenter ants damage - Extensive, Cracks - Slight, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Slight, Internal Decay - Extensive	Dip. Joint Use	Replace in 2012	451
Wilcox	Avenue	744	141	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole leaning	Replace in 2012	1928
Wilson	Street	1216		Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Dip. Joint Use, Light on Pole	Replace in 2012	2130

Table 3: Poles with Extensive Feathering and Mechanical Damage

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Albert	Street	553	372	Carpenter ants damage - Extensive. Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2640
Albert	Street	545	452	Carpenter ants damage - Extensive. Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2644
Albert	Street	365	167	Crack to GL, Pole top feathering/Split/Rot - Moderate	Dip, Joint Use, Light on Pole	RG Tested Ok	3059
Alexander	Street	55	131	Carpenter ants damage - Extensive. Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Transformer on Pole	Replace in 2012	3022
Algoma	Avenue	2839	32	Carpenter ants damage - Extensive. Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2001

Table 4: Poles with Moderate or Extensive Crossarm Rot

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Birch	Street	731	32	Cracks - Slight, Crossarm rot - Extensive, Pole top feathering/Split/Rot - Slight	Joint Use, Transformer on Pole	RG Tested Ok	2028
East	Street	13307	63	Cracks - Slight, Crossarm rot - Extensive, Pole top feathering/Split/Rot - Slight	Dip, Joint Use, Light on Pole	RG Tested Ok	1850
Fifth	Line	15781		Cracks - Slight, Crossarm rot - Moderate, Pole top feathering/Split/Rot - Slight		RG Tested Ok	51
Fourth	Line	14576		Cracks - Slight, Crossarm rot - Moderate, Pole top feathering/Split/Rot - Moderate, Surface Rot above GL - Slight	Light on Pole	RG Tested Ok	309
Morin	Street	10797	478	Carpenter ants damage - Slight, Crack to GL, Crossarm rot - Moderate, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	1594
Peoples	Road	16066		Cracks - Slight, Crossarm rot - Moderate, Pole top feathering/Split/Rot - Slight	Joint Use, Light on Pole	RG Tested Ok	334
Peoples	Road	16049	1326	Carpenter ants damage - Extensive, Crossarm rot - Extensive, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use	Replace in 2012	347

Table 5: Poles for Treatment

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Rods Used ?	Insecticide Used ?	Copper Used ?	Wrap Used ?	Record Number
Abbott	Street	609		Cracks - Slight. Pole top feathering/Split/Rot - Slight	Joint Use. Light on Pole	Yes				2799
Abbott	Street	610		Cracks - Slight. Pole top feathering/Split/Rot - Slight	Joint Use. Transformer on Pole	Yes				2800
Abbott	Street	611	27	Cracks - Slight. Pole top feathering/Split/Rot - Slight	Joint Use. Light on Pole	Yes				2801
Abbott	Street	612		Cracks - Slight. Pole top feathering/Split/Rot - Slight	Joint Use	Yes				2802
Albert	Street	878	304	Crack to GL. Pole top feathering/Split/Rot - Slight	Dip. Joint Use. Light on Pole	Yes				2635
Albert	Street	558	318	Cracks - Slight. Pole top feathering/Split/Rot - Slight	Broken Ground Wire. Dip. Joint Use. Light on Pole	Yes				2636
Albert	Street	557	328	Cracks - Slight. Pole top feathering/Split/Rot - Slight	Joint Use. Light on Pole. Transformer on Pole	Yes				2637

Table 6: Poles Affected by Carpenter Ants

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Albert	Street	553	372	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2640
Albert	Street	546	444	Carpenter ants damage - Slight, Crack to GL, Decay pockets at GL - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	2643
Albert	Street	545	452	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2644
Albert	Street	861	540	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole in pavement	Replace in 2012	2871
Albert	Street	863		Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	2873
Albert	Street	1107	22	Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Dip, Joint Use, Light on Pole	RG Tested Ok	3057
Albert	Street	18	262	Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	3074
Alberta	Avenue	2848	14	Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole, Transformer on Pole	RG Tested Ok	2010

Table 7: Poles with Internal Decay

Street	Street Index	Pole ID	House Number	Mechanical Conditions	Comments	Recommendations	Record Number
Albert	Street	553	372	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2640
Albert	Street	546	444	Carpenter ants damage - Slight, Crack to GL, Decay pockets at GL - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	2643
Albert	Street	545	452	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Pole top feathering/Split/Rot - Moderate, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole	Replace in 2012	2644
Albert	Street	861	540	Carpenter ants damage - Extensive, Crack to GL, Decay pockets at GL - Extensive, Surface Rot below GL - Extensive, Internal Decay - Extensive	Joint Use, Light on Pole, Pole in pavement	Replace in 2012	2871
Albert	Street	863		Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Joint Use, Light on Pole	RG Tested Ok	2873
Albert	Street	1107	22	Carpenter ants damage - Slight, Cracks - Slight, Pole top feathering/Split/Rot - Slight, Internal Decay - Slight	Dip, Joint Use, Light on Pole	RG Tested Ok	3057

Table 8: Individual Pole Records

Test Date	June 20	Record No.:	1	Pole ID:	15793	House No.	
Street:	Fifth	St Inde	Line	Private Property:	No	Pole Class:	5
						Pole Ht (ft):	40
Install Date	1978	Pole species:	Cedar	Treatment Length:	Butt	Treatment Type	Penta
Overall Pole Condition	Good	Pole Diameter (in)	11.8	Pole Strength at GL (psi)			4810
Mechanical Condition	(Cracks - Slight, Pole top feathering/Split/Rot - Slight)						
Comments:	Joint Use, Transformer on Pole						
Probable Remaining Life (yrs):	33	Remedial Treatment:					
Other Comments:							
Recommendations:							

Appendix C – Construction Agreement

CCDC 2

stipulated price contract

2 0 0 8

New Facility for PUC Services Inc.
500 Second Line, Sault Ste. Marie, ON

This agreement is protected by
copyright and is intended by the
parties to be an unaltered version of
CCDC 2 - 2008 except to the extent
that any alterations, additions or
modifications are set forth in
supplementary conditions.



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- 6. Contract Documents
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- 11. Notice in Writing
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- Private Sector Owners
- Canadian Bar Association (Ex-Officio)
- * The Association of Canadian Engineering Companies
- * The Canadian Construction Association
- * Construction Specifications Canada
- * The Royal Architectural Institute of Canada

*Committee policy and procedures are directed and approved by the four constituent national organizations

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AGREEMENT BETWEEN OWNER AND CONTRACTOR

For use when a stipulated price is the basis of payment.

This Agreement made on the 26th day of September in the year 2011.

by and between the parties

PUC Distribution Inc.

hereinafter called the "Owner"

and

Cy Rheault Construcion Ltd.

hereinafter called the "Contractor"

The Owner and the Contractor agree as follows:

ARTICLE A-1 THE WORK

The Contractor shall:

- 1.1 perform the Work required by the Contract Documents for

New Facility for PUC Services Inc.*insert above the name of the Work*

located at

500 Second Line, Sault Ste. Marie, Ontario*insert above the Place of the Work*

for which the Agreement has been signed by the parties, and for which

MGP Architects-Engineer Inc.*insert above the name of the Consultant*

is acting as and is hereinafter called the "Consultant" and

- 1.2 do and fulfill everything indicated by the Contract Documents, and
- 1.3 commence the Work by the 26th day of September in the year 2011 and, subject to adjustment in Contract Time as provided for in the Contract Documents, attain Substantial Performance of the Work, by the 30th day of November in the year 2012.

ARTICLE A-2 AGREEMENTS AND AMENDMENTS

- 2.1 The Contract supersedes all prior negotiations, representations or agreements, either written or oral, relating in any manner to the Work, including the bidding documents that are not expressly listed in Article A-3 of the Agreement - CONTRACT DOCUMENTS.
- 2.2 The Contract may be amended only as provided in the Contract Documents.

ARTICLE A-3 CONTRACT DOCUMENTS

3.1 The following are the *Contract Documents* referred to in Article A-1 of the Agreement - THE WORK:

- Agreement between *Owner* and *Contractor*
- Definitions
- The General Conditions of the Stipulated Price Contract
- *

- The Specifications - as outlined in the Table of Contents (3 pages attached)

- Addendum #1 dated July 7, 2011 (4 pages attached)

- Addendum #2 dated July 13, 2011 (4 pages attached)

- Addendum #3 dated July 15, 2011 (15 pages attached)

- Addendum #4 dated July 18, 2011 (1 page attached)

- Addendum #5 dated July 18, 2011 (2 pages attached)

- Addendum #6 dated July 19, 2011 (10 pages attached)

Attached for Reference Only -

Contractor's Tender Proposal Form dated July 21, 2011 (2 pages attached)

Bid Form Appendix "A" dated July 21, 2011 (1 page attached)

Bid Form Appendix "B" dated July 21, 2011 (2 pages attached)

Bid Form Appendix "C" dated July 21, 2011 (1 page attached)

Bid Bond dated July 4, 2011 (1 page attached)

Surety's Consent dated July 4, 2011 (1 page attached)

Letter of Intent dated September 26, 2011 (1 page attached)

Email from Roger Rheault dated September 26, 2011 (1 page attached)

* (Insert here, attaching additional pages if required, a list identifying all other Contract Documents e.g. supplementary conditions; information documents; specifications, giving a list of contents with section numbers and titles, number of pages and date; material finishing schedules; drawings, giving drawing number, title, date, revision date or mark; addenda, giving title, number, date)

Note: This contract is protected by copyright. Use of a CCDC 2 document not containing a CCDC 2 copyright seal constitutes an infringement of copyright. Only sign this contract if the document cover page bears a CCDC 2 copyright seal to demonstrate that it is intended by the parties to be an accurate and unamended version of CCDC 2 – 2008 except to the extent that any abelations, additions or modifications are set forth in supplementary conditions.

ARTICLE A-6 RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING

- 6.1 *Notices in Writing* will be addressed to the recipient at the address set out below. The delivery of a *Notice in Writing* will be by hand, by courier, by prepaid first class mail, or by facsimile or other form of electronic communication during the transmission of which no indication of failure of receipt is communicated to the sender. A *Notice in Writing* delivered by one party in accordance with this *Contract* will be deemed to have been received by the other party on the date of delivery if delivered by hand or courier, or if sent by mail it shall be deemed to have been received five calendar days after the date on which it was mailed, provided that if either such day is not a *Working Day*, then the *Notice in Writing* shall be deemed to have been received on the *Working Day* next following such day. A *Notice in Writing* sent by facsimile or other form of electronic communication shall be deemed to have been received on the date of its transmission provided that if such day is not a *Working Day* or if it is received after the end of normal business hours on the date of its transmission at the place of receipt, then it shall be deemed to have been received at the opening of business at the place of receipt on the first *Working Day* next following the transmission thereof. An address for a party may be changed by *Notice in Writing* to the other party setting out the new address in accordance with this Article.

Owner

PUC Distribution Inc.

*name of Owner**

765 Queen Street East, P.O. Box 9000, Sault Ste. Marie, Ontario P6A 6P2

address

facsimile number

email address

Contractor

Cy Rheault Construction Ltd.

*name of Contractor**

1752 Riverside Drive, Timmins, Ontario P4R 1N7

address

1-705-267-6595

facsimile number

mitch@cyrheault.com

email address

Consultant

MGP Architects-Engineer Inc.

*name of Consultant**

123 East Street, Sault Ste. Marie, Ontario P6A 3C7

address

705-942-7454

facsimile number

mgp@mgp-arch-eng.ca

email address

** If it is intended that the notice must be received by a specific individual, that individual's name shall be indicated.*

ARTICLE A-7 LANGUAGE OF THE CONTRACT

- 7.1 When the *Contract Documents* are prepared in both the English and French languages, it is agreed that in the event of any apparent discrepancy between the English and French versions, the English / ~~French~~ # language shall prevail.
Complete this statement by striking out inapplicable term.

- 7.2 This Agreement is drawn in English at the request of the parties hereto. La présente convention est rédigée en anglais à la demande des parties.

ARTICLE A-8 SUCCESSION

8.1 The *Contract* shall enure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors, and assigns.

In witness whereof the parties hereto have executed this Agreement by the hands of their duly authorized representatives.

SIGNED AND DELIVERED

in the presence of:

WITNESS

Inna Avery
signature

Trina Avery
name of person signing

Inna Avery
signature

Trina Avery
name of person signing

WITNESS

signature

name of person signing

signature

name of person signing

OWNER

PUC Distribution Inc.

name of owner

[Signature]
signature

H.S. BRIAN CULGAN President & C.E.O.
name and title of person signing

[Signature]
signature

Terry Greco Treasurer
name and title of person signing

CONTRACTOR

Cy Rheault Construction Ltd.

name of Contractor

[Signature]
signature

Roger Rheault - President
name and title of person signing

signature

name and title of person signing

N.B. Where legal jurisdiction, local practice or Owner or Contractor requirement calls for:
(a) proof of authority to execute this document, attach such proof of authority in the form of a certified copy of a resolution naming the representative(s) authorized to sign the Agreement for and on behalf of the corporation or partnership; or
(b) the affixing of a corporate seal, this Agreement should be properly sealed.

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VOLUME NO.1

INTRODUCTORY INFORMATION

Document 00010 - Table of Contents

BIDDING REQUIREMENTS

Document 00200 - Instructions to Bidders
00320 - Existing Conditions
00410 - Bid Form
00431 - Bid Form Appendix A - List of Subcontractors
00432 - Bid Form Appendix B - Unit Prices

CONTRACTING REQUIREMENTS

Document 00700 - Agreement, Definitions and General Conditions
00800 - Supplementary Conditions

SPECIFICATIONS

DIVISION 1 - GENERAL REQUIREMENTS

Section 01005 - General Requirements
01090 - Abbreviations
01210 - Allowances
01310 - Project Coordination
01320 - Project Progress Documentation
01330 - Submittals
01360 - LEED
Appendix: LEED Checklist and LEED Summary
01410 - Regulatory Requirements
01450 - Quality Control
01500 - Temporary Facilities
01561 - Environmental
01590 - Construction Waste Management & Disposal
Appendix: Schedule A – Waste Diversion Worksheet
Schedule B – Waste Separation Worksheet
Schedule C – Material Separation Worksheet
01600 - Product Requirements
01700 - Execution Requirements
01740 - Indoor Air Quality Requirements
01741 - Cleaning
01770 - Project Closeout
01913 - LEED Commissioning Requirements

DIVISION 2 – SITE CONSTRUCTION

Section 02072 - Geotextiles
02225 - Sitework Demolition and Removal
02260 - Topsoil & Finished Grading
02310 - Site Grading
02315 - Excavating, Trenching and Backfilling
02320 - Building Excavation and Backfilling
02510 - Watermains
02515 - Precast Interlocking Paving
02530 - Sanitary Drainage
02531 - Sewage Force Mains and Pump Lift Station
02625 - Building Subdrainage
02630 - Storm Drainage
02631 - Manholes and Catchbasins
02701 - Aggregates General
02721 - Granular Base
02740 - Asphalt Concrete Paving

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- 02761 - Painted Traffic Lines and Markings
- 02770 - Concrete Walks
- 02821 - Chain Link Fence and Gates
- 02870 - Exterior site Furnishings
- 02922 - Hydraulic Seeding
- 02935 - Sodding & Seeding
- 02936 - Rip-Rap & Stone Mulch
- 02950 - Trees, Shrubs & Groundcovers

DIVISION 3 - CONCRETE

- Section 03200 - Concrete Reinforcement
- 03300 - Cast-In-Place Concrete
- 03353 - Sandblasting
- 03410 - Hollow Precast/Prestressed Concrete
- 03510 - Polished Concrete Finishing

DIVISION 4 - MASONRY

- Section 04050 - Masonry Procedures
- 04100 - Mortar and Grout for Masonry
- 04160 - Masonry Reinforcing and Connectors
- 04200 - Masonry
- 04220 - Concrete Unit Masonry

DIVISION 5 - METALS

- Section 05120 - Structural Steel For Buildings
- 05210 - Steel Joist
- 05310 - Steel Roof and Floor Deck
- 05410 - Lightweight Steel Framing
- 05500 - Metal Fabrications
- 05850 - Floor Trench Covers

DIVISION 6 - WOOD AND PLASTICS

- Section 06100 - Rough Carpentry
- 06200 - Finish Carpentry
- 06410 - Cabinetwork

DIVISION 7 - THERMAL AND MOISTURE PROTECTION

- Section 07110 - Bituminous Dampproofing
- 07131 - Self-Adhering Sheet Waterproofing
- 07200 - Insulation
- 07270 - Sheet Membrane Air Barrier
- 07410 - Insulated Wall Panel System
- 07420 - Composite Cladding Panels
- 07541 - PVC Roofing
- 07810 - Sprayed Fireproofing
- 07840 - Firestopping and Smoke Seals

DIVISION 8 - DOORS AND WINDOWS

- Section 08110 - Steel Doors and Frames
- 08120 - Aluminum Doors and Frames
- 08210 - Wood Doors
- 08330 - Overhead Coiling Doors And Shutters
- 08520 - Aluminum Windows
- 08710 - Finish Hardware
- 08800 - Miscellaneous Glazing
- 08910 - Aluminum Curtainwall

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DIVISION 9 - FINISHES

Section 09250 - Gypsum Board
 09310 - Ceramic Tile
 09510 - Acoustical Ceilings
 09650 - Resilient Flooring
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 09900 - Painting
 09965 - Intumescent Paint

DIVISION 10 - SPECIALTIES

Section 10001 - Manufactured Specialties
 10165 - Laminated Plastic Toilet Partitions
 10200 - Metal Louvres
 10500 - Lockers
 10605 - Mesh Partitions
 10650 - Folding Panel Partitions
 10711 - Exterior Sun Control Devices
 10800 - Washroom Accessories
 10900 - Overhead Bridge Crane

DIVISION 11 - EQUIPMENT

Section 11130 - Projection Screens

DIVISION 12 - FURNISHINGS

Section 12480 - Floor Grilles
 12490 - Window Shades

DIVISION 13 - SPECIAL CONSTRUCTION - SECURITY SYSTEM

Section 13100 - Pre-Engineered Steel Building

DIVISION 14 - CONVEYING DEVICES

Section 14240 - Hydraulic Elevator

VOLUME 2

DIVISION 15 - MECHANICAL

DIVISION 16 - ELECTRICAL

VOLUME 3

APPENDIX A - Geotechnical Evaluation

APPENDIX B - Hardware Schedule

APPENDIX C - Commissioning Plan

END

Project Title: **NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST
SAULT STE MARIE, ONTARIO**

Date: **JUL 7, 2011**

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

- .1 SECTION 00200
INSTRUCTIONS TO BIDDERS
8. BID SUBMISSION** .1 **Revise Item 8.2 :**
8.2 Bids to be submitted on Thursday, July 21, 2011.
- .2 **Revise Item 8.2 :**
8.2 Revise bid submission time from 2:00 p.m. to 3:00 p.m.
- .2 SECTION 00200
INSTRUCTIONS TO TENDERS
4. BID SECURITY** .1 **Add Item 4.4:**
The Contractor shall be required to furnish a Performance Bond and a Material and Labour Payment Bond each for 50% of the amount of the tender, issued by an approved Surety Company. Such bonds shall be approved by and be acceptable to the Owner and must be furnished when the contract is signed by the Contractor.
- .3 SECTION 00200
INSTRUCTIONS TO BIDDERS
5. CLARIFICATIONS** .1 **Item 5.4, Fax number, revise to read:**
Fax: 705-942-7454.
- .4 SECTION 00200
INSTRUCTIONS TO BIDDERS
6. SUBSTITUTIONS** .1 **Item 6.2.2: Bid form appendix "C" is attached in this addendum.**
- .5 SECTION 00800
SUPPLEMENTARY CONDITIONS** .1 **Opening statement, revise to read:**
The general conditions of Standard Construction Document CCDC2-2008
- .6 SECTION 04050
MASONRY PROCEDURES
PART 3 - EXECUTION** .1 **Item 3.7.2, Parging, revise to read:**
Apply parging in uniform coating not less than 3/8" (10mm) thick, to all exposed standard concrete block (not architectural block).
- .7 SECTION 04220
CONCRETE UNIT MASONRY
PART 2 - PRODUCTS** .1 **Item 2.1.2.1.1, Acceptable Product, Revise to read:**

-
- Architectural Concrete Block Type 1 "Noble Architectural Block" as manufactured by Permacon. Colour: Charcoal Buffed Finish
- .2 Item 2.1.2.1.2, Delete
- .8 SECTION 08210
WOOD DOORS
PART 2 - PRODUCTS .1 Item 2.1.1, Solid Core Doors, Add:
Lambton / Baillergeon wood doors are approved equal,
- .9 SECTION 08520
ALUMINUM WINDOWS
PART 2 - PRODUCTS .1 Item 2.1, Systems, revise to read:
Windows: Series Trueline 900 by Alumicor with 90mm sections
- .10 SECTION 08800
MISCELLANEOUS GLAZING
PART 2 - PRODUCTS .1 Add Item 2.1.12, Glazing film:
Interior glazing film shall be 3M opaque film,
- .11 SECTION 08910
ALUMINUM CURTAINWALL
PART 2 - PRODUCTS .1 Item 2.1.2, Revise to read:
Curtain Wall Type 2: Versawall Series 2500 by Alumicor, 134mm horizontal and 254mm vertical section c/w 64mm #25170 horizontal and vertical caps.
- .12 SECTION 08910
ALUMINUM CURTAIN WALL
PART 2 - PRODUCTS .1 Item 2.3.2, Fabrication, revise to read:
Curtain wall framing shall consist of tubular inner aluminium section reinforced if necessary, thermal break, pressure plate and 64mm exterior horizontal caps, silicone vertical joints. Use machine screws to fasten pressure plates, self-drilling, self tapping screws, are permitted.
- .13 SECTION 10001
MANUFACTURED SPECIALTIES
PART 4 FABRICATION &
EQUIPMENT DESCRIPTION .1 Add Item 4.11: Type L Prefinished Panel System
Type L Prefinished Panel System : Envelope 2000 Engineered Architectural Wall System, as manufactured by Citadel Architectural Products, Inc., distributed by SRP Building Products Inc. North Bay.

System shall consist of:

1. Panel Composition:

a. Face Skin:

.024" (minimum) prefinished smooth aluminum, painted to match Architect's color selection,

b. Core: .105" thermoset phenolic resin

c. Back Skin:

- .010" primed smooth aluminum backer.
2. Panel Tolerances:
 - a. Thickness: $\pm 1/32"$
 - b. Length and Width: $+0, -1/16"$
 - c. Squareness: $1/64"$ per lineal foot
 3. Attachment System:

RS (Rain Screen) System (sheathing by 06100)
 4. Exposed Finish:

Kynar 500® Metallic, Color: Champagne Metallic from Series H of the Citadel Architectural Products Color Selection Guide.
 5. Accessories:
 - A. Fasteners and moldings as required for panel system's design by panel system manufacturer. Fasteners shall be coated or stainless steel.
 - B. Weather Seals: Shall be Tremco® Spectrem® 2, applied per the sealant manufacturer's instructions.
 6. Installation:

As per manufacturers recommendations
 7. Warrantee:
 - A. Panel Lamination Warranty: Five (5) years commencing on Date of Substantial Completion.
 - B. Finish Warranty:

Kynar 500® Metallic: Twenty (20) years

**.14 SECTION 10001
MANUFACTURED SPECIALTIES
PART 4 FABRICATION &
EQUIPMENT DESCRIPTION**

- .1 Item 4.9: Revise 6mm tempered glass thickness to 10mm.

**.15 SECTION 10800
WASHROOM ACCESSORIES
PART 2 - PRODUCTS**

- .1 Item 2.2.2, Sanitary Napkin Dispensers, to be Deleted:

**.16 SECTION 10800
WASHROOM ACCESSORIES
PART 3 - EXECUTION**

- .1 Item 3.3.7, Sanitary Napkin Vendors, to be Deleted:

**.17 SECTION 13100
PRE-ENGINEERED STEEL BLDG.
Part 2 - PRODUCTS**

- .1 Item 2.7, Materials, revise to read:
- Prefinished exterior wall panels shall be Vicwest AD300SR 0.65mm thickness, colour QC1546 Interior white.

DRAWINGS

- | | | | |
|----|--------------|----|--|
| .1 | DRAWING A2.3 | .1 | Relocate door in office A303 as per sketch AD1-A1.1 |
| .2 | DRAWING A2.7 | .1 | Extent of additional storage mezzanine revised as per sketch AD1-A1.0 and AD-SK1 attached. |
| .3 | DRAWING A2.5 | .1 | Change north wall type in Room B102 to P6 from P5. |

-
- | | | | |
|----|---------------|----|--|
| .4 | DRAWING A5.2 | .1 | There are no spandrel panels in the south lobby A227 curtain wall system type 2 as shown on section 2 on drawing A5.2. |
| | | .2 | Add angle reinforcing under Lobby A237 curtain wall over vestibule area as shown on AD-SK2 attached. (partial section 2 / A5.12) |
| .5 | DRAWING A5.10 | .1 | Revise wall type of bldg foundation wall to be similar to A6, with 50 Conc. faced insulation wall panel as shown on AD1-A1.2. |
| .6 | DRAWING A5.4 | .1 | Reference E12 for west wall type of shops and stores should be E16. |
| .7 | DRAWING A7.2 | .1 | Door B215B should be type 5 door not type 1 with 3400 door frame within window system. |
| .8 | DRAWING A7.2 | .1 | Door B100 revise frame size to 190. |

END OF ADDENDUM

Project Title: NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST

SAULT STE MARIE, ONTARIO

Date: JUL 13, 2011

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

- .1 SECTION 03300
CAST-IN-PLACE CONCRETE
PART 2 - PRODUCTS .1 Add Item 2.2.9:

Precast concrete topping & stair treads concrete mix to be the same as interior slab with maximum 10mm aggregate size.
- .2 SECTION 10001
MANUFACTURED SPECIALTIES
PART 4 - FABRICATION AND
EQUIPMENT DESCRIPTION .1 Item 4.8.1.3, Revise to read:

Capacity: 7.5 Ton (15,000 lbs)
- .3 SECTION 10500
LOCKERS
PART 2 - PRODUCTS .1 Item 2.2.9, Revise to read:

Drill vent holes in the flat locker top with a series of 12mm diameter holes to match area of bottom locker manufactured vent. Blank off top of locker vent at head of door inside and make air tight. Refer to mechanical drawings for ventilation requirements and coordinate locker venting with mechanical.
- .4 SECTION 10800
WASHROOM ACCESSORIES
PART 2 - PRODUCTS .1 Item 2.2.3., Delete:

Delete item.

.2 Item 2.2.15., Add:

Hand dryer (HD3) Veltia WD/2006/042896, one piece surface mounted, white enamel finish, IR-barrier hands detection system, .
- .5 SECTION 13100
PRE-ENGINEERED STEEL BLDG.
Part 2 - PRODUCTS .1 Item 2.7, Materials, revise to read:

Prefinished exterior wall panels shall be Vicwest AD300SR 22 gauge, colour Bone White.
- .6 SECTION 14240
HYDRAULIC ELEVATOR
PART 1 - GENERAL .1 Item 1.3.1, Revise to read:

System: Conventional in ground hydraulic with PVC protection all as per B45 Elevator Code.

**.7 VOLUME 1, APPENDIX "B"
HARDWARE SCHEDULE**

- .1 Headings #162, #163, #164 & #165, Revise door size to read:
950 x 2235 x 45- HM DR x HM FR
- .2 Headings #179, Revise door size to read:
950 x 2235 x 45- HM DR x HM FR - 45 Min.
- .3 Headings #97 & #135, Revise door and frame type to read:
950 x 2150 x 45- HM DR x HM FR
- .4 Delete Headings #145 & #146.
- .5 Heading #168, revised door size to read: 950 x 2100 x 45 - AL DR x AL FR

**.8 SECTION 13100
PRE-ENGINEERED STEEL
BUILDING:**

- .1 Clarification:

Pre- Engineered building shown is a conceptual design. Changes by the the manufacturer to frames on each grid line is an acceptable alternate while maintaining interior column spacing with jack beams.

DRAWINGS**.1 DRAWING A001**

- .1 Landscaping drawing list:
 - .1 Add L2.3 and L2.4 to document drawing list

.2 DRAWING A2.1

- .1 Interior Wall Assemblies schedule:
 - .1 Add Interior Wall Assembly P39 to read:

16 gypsum board each side of 150 metal studs @ 400 o/c. - extend all to u/s of structure. Fill stud space with sound insulation. Provide acoustic sealant at junction with all dissimilar materials.
- .2 Floor assemblies schedule:
 - .1 Revise floor reference F3 to be 150 Composite floor, not precast, and F2 to be 65 topping on precast, not 150 composite floor. Follow structural drawings for all floor types.
- .3 Exterior wall assemblies schedule:
 - .1 Revised wall assemblies E13, E14 and E15 to be R-20 from R-30 Batt insulation

.3 DRAWING A2.3

- .1 Level 1 - Office Floor Plan
 - .1 Revise south partition of Kitchen A101 from wall type P5 to P6. Extra 50 width of concrete block to be taken from Kitchen A101 dimension. Revise width of east kitchen countertop to suit.
 - .2 Revise east partition of Elevator Room A103 and Administration Lunch Room A104 from wall type P5 to P6. Extra 50 width of concrete block to

-
- be taken from Elevator Room A103 and Administration Lunch Room A104 dimensions. Revise width of south kitchen countertop of Administration Lunch Room A104 to suit.
- .3 Revise west partition of Office Supplies A108 from wall type P5 to P6. Extra 50 width of concrete block to be taken from Office Supplies A108 dimension.
- .2 Level 2 - Office Floor Plan
- .1 Revise west partition of Finance Clerk A206 from wall type P2 to P39. Extra 60 width of steel stud partition to be taken from Finance Clerk A206 dimension.
- .2 Revise west partition of Storage A216 from wall type P2 to P39. Extra 60 width of steel stud partition to be taken from Storage A216 dimension.
- .4 DRAWING A2.4 .1 Level 3 - Office Floor Plan
- .1 Revise north partition of W. T. Water Sample Room A305 from wall type P3 to P39. Extra 60 width of steel stud partition to be taken from W. T. Water Sample Room A305 dimension. Revise width of east partition millwork to suit.
- .2 Level 4 - Office Floor Plan
- .1 Revise north partition of Files A402 from wall type P2 to P39. Extra 60 width of steel stud partition to be taken from Files A402 dimension. Revise width of west partition millwork to suit.
- .5 DRAWING A2.7 .1 Mezzanine Level Fleet Repair Plan
- .1 Revise section references 12/A4.11 and 13/A4.11 to 12/A5.3 and 13/A5.3.
- .6 DRAWING A4.4 .1 Window Schedule
- .1 Add to window type 14 the door film to all 3 windows as shown on drawing screen S3 on drawing A7.2, door film to be on the interior side.
- .2 Clarification: Refer to AD2-A1.0, attached to this addendum, for detail of window type 9 to door B215B drawing screen S3 on drawing A7.2, door film to be on the interior side.
- .7 DRAWING A5.2 .1 Delete AD-SK2, Entry Foyer Roof Revisions and add reinforcing to support Lobby A237 curtain wall over vestibule as shown on revised AD-SK2 attached. (partial section 2/A5.12) Ignore Addendum #1
- .8 DRAWING A5.31 .1 Detail 17/A5.31:
- .1 Revise from centre of column to edge of north wall enclosure from 190 to 275.
- .9 DRAWING A7.1 .1 Room Finish Schedule:
- .1 Revise ceiling finish of Room B209 from steel painted to suspended acoustic tile (SAT). Height of ceiling to be 2400.
- .2 Revise ceiling finish of Room B221 from steel painted to suspended acoustic tile (SAT). Height of ceiling to be 2400.

-
- | | | |
|------------------|----|--|
| .10 DRAWING A7.2 | .1 | Door Schedule: <ul style="list-style-type: none">.1 Revise door frame size of Door A106 from 140 to 190..2 Revise door frame size of Door A108 from 140 to 190..3 Revise A100 to Type 5 c/w prefinished aluminium thermally broken door adapter for curtain wall type 1 framing..4 Revise height of door B215B from 2150 to 2100. |
| .11 DRAWING S3.1 | .1 | Section 1: <ul style="list-style-type: none">.1 Type 1 rigid insulation over footing should be 50mm thick x 1200 wide. |
| .12 DRAWING C2.1 | .1 | Waste Oil Containment: <ul style="list-style-type: none">.1 Add waste oil containment area as per AD-SK3 attached. |

END OF ADDENDUM

Project Title: NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST

SAULT STE MARIE, ONTARIO

Date: JUL 15, 2011

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

.1 ADDENDUM #1, ITEM .2
SECTION 00200
INSTRUCTIONS TO BIDDERS
8. BID SUBMISSION

.1 Item 4.5, Revise to read:

The "**General**" Contractor shall be required to furnish a Performance Bond and a Material and Labour Payment Bond each for 50% of the amount of the tender, issued by an approved Surety Company. Such bonds shall be approved by and be acceptable to the Owner and must be furnished when the contract is signed by the Contractor.

.2 SECTION 01210
ALLOWANCES
3. CASH ALLOWANCES

.1 Item 3.6, Revise to read:

Include in the contract a cash allowance in the amount of **\$430,000.00** (four hundred thirty thousand) for the following:

.2 Add Item 3.6.18:

Fire Protection Booster Pump (\$10,000)

.2 SECTION 03300
CAST-IN-PLACE CONCRETE
PART 2 - PRODUCTS

.1 Add Item 2.2.9:

Precast concrete topping & stair treads concrete mix to be the same as interior slab with maximum 10mm aggregate size.

.3 SECTION 10001
MANUFACTURED SPECIALTIES
PART 4 - FABRICATION AND
EQUIPMENT DESCRIPTION

.1 Add Item 4.12.1:

Card reader Pedestal and Housing: Engineered Parking Systems Model 9050-1-1 Card reader support complete with pedestal model 306-6 and housing model 9050-1BD or equal. Paint approved colour by consultant

1. Mount pedestal and housing to foundation as per AD3-A1.0 attached to this addendum.

SPECIFICATIONS (cont'd)

1. Section 16400 ELECTRICAL SERVICE AND DISTRIBUTION

1.1 Refer to subsection .11 Transient Voltage Surge Suppression: Revise subsection to include the following:

1.0 SUMMARY

The specifications in this section describe the electrical and mechanical requirements for a protection system provided by high-energy transient voltage surge suppressors. The specified system shall provide effective, high-energy surge current diversion and be suitable for application in ANSI/IEEE C62.41 Category A, B and C environments (as tested by ANSI/IEEE C62).

1.1 QUALITY ASSURANCE AND WARRANTY

- A. The panel mounted SPD and supporting components shall be guaranteed by the manufacturer to be free of defects in material and workmanship for a period of thirty (30) years from the date of substantial completion of service and activation of the system to which the suppressor is attached. Additionally, during the applicable warranty period, any SPD which fails due to any electrical anomaly, including lightning, shall be repaired or replaced by the manufacturer without charge. Special or optional warranties in excess of the unit's standard warranty for purposes of this bid are not acceptable.
- B. Since "Acts of Nature" or similar statements typically include the threat of lightning to which the SPDs shall be exposed, any such clause limiting warranty responsibility in the general conditions of this specification shall not apply to this particular section. That is, the warranty must specifically provide for unlimited free replacements of the SPD in the event of failure caused by the effects of lightning and all other electrical anomalies. The warranty shall cover the entire device, not just various components, such as modules only. Special warranties for the purpose of this bid are not allowed.

1.2 MANUFACTURER QUALIFICATIONS

The manufacturer's test laboratory shall be certified under CSA's, ETL's, UL's or other nationally recognized test lab's client Test Data Submittal Program to conduct testing in accordance with UL 1449 (3rd edition) (Standard for Safety for Transient Voltage Surge Suppressors) and UL 1283 (Standard for Safety for Electromagnetic Interference Filters) covering Transient Voltage Surge Suppression, duty cycle, Dielectric Voltage Withstand and Leakage Current Tests.

PART 2 - PRODUCTS

2.1 PERFORMANCE

A. GENERAL

1. The SPD shall be listed by CSA, ETL, UL, or other nationally recognized test laboratory to UL's 1283 and UL's 1449 standards (3rd edition, latest revision), and not merely the components or modules. All SPD's shall be Type 1 for use in Type 1 and Type 2 locations.
2. Obtain all surge suppression devices through one source from a single manufacturer.
3. All SPD's shall be Total Protection Solutions. No unit will be accepted as an "approved equal" unless it meets the warranty, strength, safety features, IEEE let-through levels, modes of discrete suppression circuitry, fusing, independent NEMA LS-1 per mode surge testing, and all other requirements of this specification.
4. If the SPD units are installed, either integral to the panel or external to the panel, prior to submittals and approval, and the SPD units as installed do not meet all of the specifications as written, the contractor will remove all rejected SPD units and install approved SPD units per these specifications and the manufacturer's installation manual. Contractor will be responsible for any and all costs associated with the change order.
5. For technical support and ordering information call 800-853-8265.

B. SERVICE ENTRANCE PROTECTION

1. The SPD for the "**Main Secondary Switch Board**" shall be certified to UL1283 and UL 1449 Third Ed. Type 1 for use in Type 1 or Type 2 locations.
2. Service entrance panels shall be protected by a Total Protection Solutions) panel mounted SPD, model TK-ST240-3Y600-L for 347/600 wye (4W+G) volt panels and model TK-ST240-3Y208-L for 120/208 wye (4W+G) volt panels. Interrupts shall be 60 amperes.

3. The manufacturer shall provide written specifications showing let-through voltage of the unit with six inches of lead length (at the module or at the lug data is not acceptable as it does not represent true "as installed" performance) pursuant to ANSI/IEEE C62.41 and C62.45, 2002, categories C1 and C3 bi-wave, 90 degree phase angle, positive polarity, measurements in peak voltage from the zero reference, all dynamic tests except N-G, and UL suppressed voltage ratings, all of which shall be no higher than: ANSI/IEEE C62.41-1991 Measured Limiting Voltage

B3/C1 Impulse (6kV, 3kA)

Voltage (Voltage Code)

		L-N	L-G	L-L	N-G
347/600 (3Y600)	1273V	1281V	2161V	1195V	

C3 Impulse (20kV, 10kA)

Voltage (Voltage Code)

		L-N	L-G	L-L	N-G
347/600 (3Y600)	1537V	1707V	2470V	1800V	

UL Voltage Protection Ratings

Voltage (Voltage Code)

		L-N	L-G	L-L	N-G
347/600 (3Y600)	1500V	1500V	2500V	1500V	

4. The unit shall have a peak surge current of no less than 240kA/phase, 120kA/mode, 8 X 20 us waveform, single impulse, independently verified.
5. Internal Fusing - Over current Protection
 - a. Each Metal Oxide Varistor, or other primary suppression component, shall be individually fused for safety and performance to allow the SPD to withstand the full rated single pulse peak surge capacity per mode without the operation or failure of the fuses. Over current fusing that limits the listed peak surge current of the SPD is not acceptable. Replaceable cartridge type per phase or per mode over current fusing is not acceptable where there is more than one MOV per mode.
 - b. For arc quenching capability, minimization of smoke and contaminants in the event of a failure, and to ensure the safest possible design, all surge components, current carrying paths and fusing shall be packed in fuse grade silica sand.
 - c. Fusing shall be present in every mode, including Neutral-to-Ground.
 - d. The fusing shall be capable of interrupting up to a 200kA symmetrical fault current with 600VAC applied.
6. The SPD shall come standard with not less than a Thirty Year Warranty, and the warranty shall include unlimited free replacements of the unit if destroyed by lightning or other transients during the warranty period. Special or optional warranties in excess of the unit's standard warranty for purposes of this bid are not acceptable.
7. SPD's for service entrance locations shall have a transient event counter with LCD panel display and reset button on the front cover
8. Acceptable product is TK-ST240-3Y600-L-B.

C. DISTRIBUTION PANEL AND MOTOR CONTROL CENTER PROTECTION

1. SPD(s) for **EDP01 and EDPO2** shall be certified to UL 1283 and UL1449 Third Ed. Type 1 for use in Type 1 and Type 2 locations.
2. Distribution Panels and MCCs shall be protected by a Total Protection Solutions panel mounted SPD, model TK-ST120-3Y600-L for 600 (4W+G) volt panels. Interrupts shall be 60 amperes.

3. The manufacturer shall provide written specifications showing let-through voltage of the unit with six inches of lead length (at the module or at the lug data is not acceptable as it does not represent true "as installed" performance) pursuant to ANSI/IEEE C62.41 and C62.45, 2002, categories B3/C1 and C3 bi-wave, 90 degree phase angle, positive polarity, measurements in peak voltage from the zero reference, all dynamic tests except N-G, and UL suppressed voltage ratings, all of which shall be no higher than:

ANSI/IEEE C62.41-1991 Measured Limiting Voltage

B3/C1 Impulse (6kV, 3kA)

Voltage (Voltage Code)	L-N	L-G	L-L	N-G
347/600 (3Y600)	1295V	1295V	2130V	1192V

C3 Impulse (20kV, 10kA)

Voltage (Voltage Code)	L-N	L-G	L-L	N-G
347/600 (3Y600)	1710V	1783V	2893V	1610V

UL Voltage Protection Ratings

Voltage (Voltage Code)	L-N	L-G	L-L	N-G
347/600 (3Y600)	1500V	1500V	2500V	1500V

4. The unit shall have a peak surge current of no less than 120kA/phase, 80kA/mode, 8 X 20 us waveform, single impulse, verified by third party test reports.
5. Internal Fusing - Over current Protection
 - a. Each Metal Oxide Varistor, or other primary suppression component, shall be individually fused for safety and performance to allow the SPD to withstand the full rated single pulse peak surge capacity per mode without the operation or failure of the fuses. Over current fusing that limits the listed peak surge current of the SPD is not acceptable. Replaceable cartridge type per phase or per mode over current fusing is not acceptable where there is more than one MOV per mode.
 - b. For arc quenching capability, minimization of smoke and contaminants in the event of a failure, and to ensure the safest possible design, all surge components, current carrying paths and fusing shall be packed in fuse grade silica sand.
 - c. Fusing shall be present in every mode, including Neutral-to-Ground.
 - d. The fusing shall be capable of interrupting up to a 200kA symmetrical fault current with 600VAC applied.
6. The SPD shall come standard with not less than a Thirty Year Warranty, and the warranty shall include unlimited free replacements of the unit if destroyed by lightning or other transients during the warranty period. Special or optional warranties in excess of the unit's standard warranty for purposes of this bid are not acceptable.
7. Acceptable product shall be TK-ST120-3Y600-L

D. LIGHTING PANEL PROTECTION

1. SPD(s) for **PPOL** shall be separate from panel board. Integral SPD shall not be acceptable. SPD's shall be certified to UL1283 and UL1449 Third Ed. Type 1 for use in Type 1 and Type 2 locations.
2. Subpanels and lighting panels shall be protected by a Total Protection Solutions panel mounted SPD, TK-ST080-3Y600-F for 600 volt panels and TK-ST080-3Y208-F for 3 phase, 120V panels. Interrupt shall be 30 amperes.
3. The manufacturer shall provide written specifications showing let-through voltage of the unit with six inches of lead length (at the module or at the lug data is not acceptable as it does not represent true "as installed" performance) pursuant to ANSI/IEEE C62.41 and C62.45, 2002, categories A1 & A3 ring wave, 180 degree phase angle, category B3 Ringwave, and UL suppressed voltage ratings, 90 degree

phase angle, positive polarity, measurements in peak voltage from the zero reference, all dynamic tests except N-G, which shall be no higher than:

ANSI/IEEE C62.41-1991 Measured Limiting Voltage

A1 Ring Wave (2kV, 67A) Tested at 180 degree phase angle

Voltage (Voltage Code)		L-N	L-G	L-L	N-G
120/208 (3Y208)	40V	76V	46V	54V	
347/600 (3Y600)	56V	99V	76V	88V	

4. The unit shall have a peak surge current of no less than 80kA/phase, 40kA/mode, 8 X 20 us waveform, single impulse, verified by third party test reports.
5. Internal Fusing - Over current Protection
 - a. Each Metal Oxide Varistor, or other primary suppression component, shall be individually fused for safety and performance to allow the SPD to withstand the full rated single pulse peak surge capacity per mode without the operation or failure of the fuses. Over current fusing that limits the listed peak surge current of the SPD is not acceptable. Replaceable cartridge type per phase or per mode over current fusing is not acceptable where there is more than one MOV per mode.
 - b. For arc quenching capability, minimization of smoke and contaminants in the event of a failure, and to ensure the safest possible design, all surge components, current carrying paths and fusing shall be packed in fuse grade silica sand.
 - c. Fusing shall be present in every mode, including Neutral-to-Ground.
 - d. The fusing shall be capable of interrupting up to a 200kA symmetrical fault current with 600VAC applied.
6. The SPD shall be capable of attenuating internally generated ringing type transients and noise, and shall have an enhanced transient filter supported by a specification sheet which lists the IEEE A1 Ring Wave let-through levels no higher than those set forth above.
7. Because of space limitation, the enclosure shall not exceed 7.0" D x 7.0" W x 9.0" H to allow close-to-the load installation on flush mount panels and between adjacent panel board.
8. The SPD shall come standard with not less than a Thirty Year Warranty, and the warranty shall include unlimited free replacements of the unit if destroyed by lightning or other transients during the warranty period. Special or optional warranties in excess of the unit's standard warranty for purposes of this bid are not acceptable.
9. Acceptable product is TK-ST080-3Y600-F

PART 3 - EXECUTION

3.1 INSTALLATION

- A. Install the SPD's with the conductors as short and straight as practically possible.
- B. Follow the SPD manufacturer's recommended installation practice as outlined in the equipment installation manual. The electrical contractor shall ensure that all neutral conductors are bonded to the system ground at the service entrance or the serving isolation transformer prior to installation of the associated SPD.
- C. Main service entrance units shall be installed on a 60 amp breaker, or, where indicated, shall be installed on a non-fused disconnect switch provided by Total Protection Solutions, or other manufacturer, that meets or exceeds the fault current rating of the switchgear.
- D. Distribution, branch panel, and motor control center units shall be installed on 30 amp dedicated circuit breakers, or, where indicated, shall be wired directly to the main lugs or feed through lugs, or wired directly to the bus bars.
- E. The installing contractor shall comply with all applicable codes.
- F. For installation questions, technical support and ordering information call 800-853-8265.

END OF SECTION

2. SECTION 16700 COMMUNICATION

2.1 Refer to subsection 2 Products, article 2.1 Fire Alarm System. Revise acceptable manufacturer shall be GE Security, Mircom and Notifier

3. SECTION 16620 EMERGENCY GENERATOR

3.1 Refer to subsection 1.2 Description of System and Site, article 1.2.1 shall read " provide a 600Kw standby power system to supply electrical power at .8PF, 347/600V/3 phase , 4 wire..."

3.2 Refer to subsection 1.2 Description of System and Site, article 1.2.1, acceptable manufacturers shall be Generac, and Caterpillar

4. SECTION 16733 VIDEO SURVEILLANCE SYSTEM

4.1 Refer to subsection .5 Monitoring and Control Locations. Delete articles .1 Principal Office and .2 Vice Principals Office

4.2 Refer 2.2 Technical Requirements – Field Devices, article .1.2.3 to read " all outdoor mounted cameras shall be PTZ Domes. Delete IndigoVision 9000 series IP fixed cameras

4.3 Include 2.4 Technical requirements – Card Reader. Card reader shall be equal to Contactless multi-technology reader, combining controller, electronics, and antenna, shall support video surveillance system.

5. SECTION 16850 ELECTRIC HEATING

5.1 Refer and revise subsection 2.1 Electric Hand and Hair Dryers, article .1 to read the following:

HD1 (Office washrooms) shall be equal to Veltia, model #WO/2006/042896

HD2 (Operation washrooms/showers) shall be equal to Bobrick, model / B750-115V

HD3 (Operation shower – Hair Dryer) shall be equal to Bobrick, model # B731-115V

5.2 Include the following subsection 2.2 Electric Force Flow Heaters, article .1 to read the following:

FF1: Recessed electrical wall heater, white, 208V/1 phase, 18 gauge steel louver, durable tubular heating elements, remote thermostat c/w locking cover, 4000watt, relay, recessed box. Product shall be equal to Ouellet, model OAC04008-BL-AE

FF2: Recessed ceiling mount electric heater, 3000watt, 208V/1 phase, white, remote thermostat, relay, 18 gauge steel louver, fan, recessed box, gypsum frame kit. Product equal to Ouellet, model #OACp4000-OACpT-BL

6. SECTION 15400 PLUMBING SYSTEMS

6.1 Refer to subsection 3.2 drainage and Vent Piping Installation Requirements, article .1.2 shall read " ...in sizes larger than 2" (50mm) diameter..."

6.2 Refer to subsection 3.2 Drainage and Vent Piping Installation Requirements, article .1.3 shall read " ... in sizes to and including 2" (50mm) diameter..."

6.3 Refer to subsection 3.2 Drainage and Vent Piping Installation Requirements, article .1.4 shall read " ... –Schedule 40 Rigid PVC Pressure Pipe and fittings."

6.4 Refer to subsection 3.2 Drainage and Vent Piping Installation Requirements, article .1.5 shall read " ... Schedule 40 rigid PVC pressure pipe and fittings."

7. SECTION 15880 AIR DISTRIBUTION

7.1 Refer to subsection 2.23 VEHICLE EXHAUST EXTRACTION SYSTEM AND HOSE STORAGE

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1. The Spring Operated Hose Reel Hose Storage System shall be equal to Plymovent, model, SERF-850-150 for 6 inch diameter hose complete with a **direct mount fan and** Spring Operated Hose Reel Hose Storage System Model FUA-2100/700 cfm fan.
 2. A 850 hose reel shall hold 27' of six-inch hose around the hose reel drum. Spring recoil capacity is limited to 33'.
 3. All steel components shall be electro zinc plated steel except for the hose storage drum end plates, which will be powder coated yellow. The steel frame shall provide four angle clips, one at each corner for mounting reel to walls or building steel.
 4. The Spring cassette must be a sealed enclosure to prevent the coiled spring from coming out of the enclosure if the spring needs to be exchanged. The spring cassette must be on the outside of the reel assembly (not in-between the hose reel side bracket and rotating drum) and held to the reel with four bolts.
 5. Spring shall be a one-inch wide heavy duty coil spring with a total lifting capacity of 40 lbs.
 6. The frame shall include two adjustable side support tie bars that both connect the side plates together and acts as the hose stop bar. The bar shall be able to be field adjusted to match hose diameter used.
 7. Two steel hose guides shall be provided to be bolted to the rotating drum of hose reel. Plastic tubing type hose guides are unacceptable.
 8. Access slot in hose reel drum shall be covered with a sheet metal cover made from the same thickness steel as the drum. Exposed edges of drum access slot shall be covered with a heavy molded trim channel that covers the entire edge.
 9. Provide, as part of the hose reel assembly, a rubber hose stop collar. This collar is installed around the hose and adjusted to control the amount of hose that hangs down off the reel when the hose is recoiled.
 10. Provide a latch and lock feature on each hose reel. This feature allows an operator to pull the hose down to a convenient position and the reel will stay there until the hose is recoiled by pulling out a little more hose.
 11. The hose reel must be designed to allow for future conversion from a spring recoil type reel to a motor activated reel via removal of the spring cassette and addition of the motor drive without complete disassembly of the reel.
 12. Hose mounting kits shall include hose stop, connection reducer and clamps. MAS-150 for 150mm/6", hose
 13. Max hose length 10m on the hose reel.
 14. Lifting capacity, Maximum load is 19 kg/42 lbs.-450,650,850
 15. On ceiling or wall mounted kit FMA-80
 16. High quality fabric composite hose design for exhaust gas temperatures from +150OC/300OF to +350OC/660OF.
 17. Airflow recommended Trucks 1080 m3/h (635 cfm).
 18. Microswitch MSR-24/2 used to control damper and fan on exhaust reels

19. Starter for fan SA-24, 3 phase 208V power supply
20. Motordriven damper MD c/w 24v power supply
21. TR-24 transformer 208/24v
22. HRB exhaust reel mounted on swinging arm EB-3.5
23. Mounted grab nozzle to suit vehicle exhausts

.1 SECTION 15880**Air Distribution:**

- .1 To include Section 2.23, attached.

ELECTRICAL DRAWINGS**.1 DRAWING E0.0****.1 Lighting Fixture Schedule:**

- .1 Lighting fixture Schedule revised, refer to Sketch AD3E0.1 and AD3E0.2.

.2 DRAWING E0.1**.1 Site plan:**

- .1 Refer to Sketch AD3E0.3.
- .2 Provide 100A-600V feed in 100mm PVC underground conduit to Existing Storage Building from incoming electrical service, and make necessary connection. Refer to Sketch AD3E0.4.

.3 DRAWING E0.4**.1 Exterior Lighting Detail:**

- .1 Delete reference to EHBC-39 between Neutral and Ground. Refer to plan for electrical circuit.
- .2 Delete reference to EHBC-33 to EHBC-41 at Contactor. Refer to plan for electrical circuit.
- .3 Illuminated sign detail. Refer to plan for electrical circuit.

.4 DRAWING E0.5**.1 Electrical System Riser Diagram:**

- .1 Delete both Motors shown in Emergency Power Distribution Panel EP06 in Operations Stores B117.
- .2 Add 'Fleet Garage' to label for panels PPF and LPF in Distribution Panel DP06 in Operations Electrical B109.

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| .5 DRAWING E0.6 | .1 | Network System Riser Diagram: |
| | .1 | Refer to Sketch AD3E0.5 for Network Riser Diagram. |
| .6 DRAWING E0.7 | .1 | Office Power Panels: |
| | .1 | Panel PP1A revised, refer to Sketch AD3E0.6. |
| | .2 | Panel PP2A revised, refer to Sketch AD3E0.7. |
| | .3 | Panel PP3A revised, refer to Sketch AD3E0.8. |
| | .4 | Panel PP4A revised, refer to Sketch AD3E0.9. |
| .7 DRAWING E0.8 | .1 | Office Power Panels: |
| | .1 | Panel PP3C revised, refer to Sketch AD3E0.8. |
| | .2 | Panel PP2C revised, refer to Sketch AD3E0.9. |
| | .3 | Panels PP1C and PP2D revised, refer to Sketch AD3E0.12. |
| .8 DRAWING E0.10 | .1 | Office Emergency Power Panels: |
| | .1 | Panels EMP1, EMP4 and EMP6 revised, refer to Sketch AD3E0.10. |
| .9 DRAWING E0.11 | .1 | Office Emergency Lighting Panels: |
| | .1 | Panels EML2, EML3 and EML4 revised, refer to Sketch AD3E0.11. |
| .10 DRAWING E1.1 | .1 | General Notes: |
| | .1 | <p>Numbered Note 5 revised to read:
 100mm x 10mm x 100mm deep junction box complete with door for tel. system cable terminations. mount junction box flush with finished floor.
 Floor box specification:
 High capacity, multi-compartment box, 2 separate compartments in to accommodate power and communication, levelling legs.
 Product equal to Wiremold walker infloor system, model #RFB9 Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP floor box plates, trim suitable for carpet floor finish.
 Refer to Sketch AD3E1.1. Attach to this Addendum.</p> |
| | .2 | Level 1 Office Power and Communications Plan: |
| | .1 | Training Room A118: |
| | .1 | cct to Motorized Screen identified as PP1A-55. |
| | .2 | Corridor A102: |
| | .1 | cct to JB in ceiling space identified as PP1A-53. |
| | .3 | Sump Room A103: |
| | .1 | cct to LCP1 identified as PP1A-54. |
| | .4 | Meeting Room A107: |
| | .1 | Add Numbered Note Reference 5 to Floor Box note. Refer to Sketch AD3E1.2. |

- .3 Level 2 Office Power and Communications Plan:
 - .1 Cashier A205:
 - .1 cct to Two Way Communication System identified as PP2A-82.
 - .2 Corridor A208:
 - .1 cct to to Duress Annunciator Panel identified as PP2A-80
 - .3 Storage A216:
 - .1 cct to to LCP2 identified as PP2A-79.
 - .4 Corridor A214:
 - .1 cct to JB in ceiling space identified as PP2A-77.
 - .5 B & P Clerks Area A233:
 - .1 cct to receptacle on S Wall at column a line 5 identified as PP2A-43
 - .6 Stair S2:
 - .1 cct to receptacle on E Wall identified as PP1A-24

.11 DRAWING E1.2

- .1 General Notes:
 - .1 Numbered Note 5 revised to read:
100mm x 10mm x 100mm deep junction box complete with door for tel. system cable terminations. mount junction box flush with finished floor.
Floor box specification:
High capacity, multi-compartment box, 2 separate compartments in to accommodate power and communication, levelling legs.
Product equal to Wiremold walker infloor system, model #RFB9 Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP floor box plates, trim suitable for carpet floor finish.
Refer to Sketch AD3E1.1. Attach to this Addendum.
- .2 Level 3 Office Power and Communications Plan:
 - .1 W.T Sample Room A305:
 - .1 cct JB in ceiling space identified as PP3A-22.
 - .2 Corridor A307:
 - .1 Connect JB in ceiling space to PP3A-22.
 - .3 Janitor A314:
 - .1 cct to LCP3 identified as PP3A-20.
 - .4 Files A315:
 - .1 ISO outlet note on N Wall revised to read ISO PP3A-20
 - .5 Water Tech Area A327:

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- .1 cct JB in ceiling space identified as PP3A-22.
 - .3 Level 4 Office Power and Communications Plan:
 - .1 Boardroom A400:
 - .1 cct to Motorized Screen identified as PP4A-42.
 - .2 cct to receptacle on S Wall identified as PP4A-13.
 - .4 Storage/Future A414:
 - .1 cct to LCP4 identified as PP4A-39.
 - .5 Finance Area A420:
 - .1 Power PP4A-21 and Data D-455 reference on S Wall deleted.
 - .2 Women's W/R A411:
 - .1 Delete ceiling mount power connection.
 - .12 DRAWING E1.3
 - .1 General Notes:
 - .1 Numbered Note 5 revised to read:
100mm x 10mm x 100mm deep junction box complete with door for tel. system cable terminations. mount junction box flush with finished floor.
Floor box specification:
High capacity, multi-compartment box, 2 separate compartments in to accommodate power and communication, levelling legs.
Product equal to Wiremold walker infloor system, model #RFB9 Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP floor box plates, trim suitable for carpet floor finish.
Refer to Sketch AD3E1.1. Attach to this Addendum.
 - .2 Level 1 Operations Power and Communications Plan:
 - .1 Stores/Storage B116:
 - .1 Provide weatherproof wall phone outlet cable in weatherproof enclosure.
 - .13 DRAWING E1.4
 - .1 General Notes:
 - .1 Numbered Note 5 revised to read:
100mm x 10mm x 100mm deep junction box complete with door for tel. system cable terminations. mount junction box flush with finished floor.
Floor box specification:
High capacity, multi-compartment box, 2 separate compartments in to accommodate power and communication, levelling legs.
Product equal to Wiremold walker infloor system, model #RFB9 Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP floor box plates, trim suitable for carpet floor finish.
Refer to Sketch AD3E1.1. Attach to this Addendum.
 - .2 Level 2 Operations Power and Communications Plan:
 - .1 Stores/Storage B230:
 - .1 Storage mezzanine extended refer to Sketch AD3E1.3 for receptacle designation and circuits. Attach to this Addendum.

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- .2 Fleet Repair B218:
- .1 cct to 20A MIG Welder identified as PP2C-31.
- .2 cct to 20A Plasma Cutter identified as PP2C-30.
- .14 DRAWING E1.5 .1 Fleet Garage Power and communications Plan:
- .1 Traffic Loop added, West exterior Wall.
Refer to Sketch AD3E1.4.
- .2 Traffic Loop added, East wall, interior.
Refer to Sketch AD3E1.5.
- .3 Traffic Loop added, East wall, interior.
Refer to Sketch AD3E1.6.
- .4 2 receptacles added either side of column at Gridlines W5 and W.
cct PPF-9.
Refer to Sketch AD3E1.7 .
- .5 Wall mounted phone at North man door deleted.
- .15 DRAWING E1.6 .1 Roof Plan - Electrical:
- .1 Addition of Exhaust fan EF-3 and cct PP2D-11/13
Refer to Sketch AD3E1.8.
- .16 DRAWING E1.7 .1 General Notes:
- .1 Numbered Note 5 revised to read:
100mm x 10mm x 100mm deep junction box complete with door for
tel. system cable terminations. mount junction box flush with
finished floor.
Floor box specification:
High capacity, multi-compartment box, 2 separate compartments
in to accommodate power and communication, levelling legs.
Product equal to Wiremold walker infloor system, model #RFB9
Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP
floor box plates, trim suitable for carpet floor finish.
Refer to Sketch AD3E1.1.
- .2 Layout of Mechanical Room A115 Detail:
Refer to Sketch E1.9.
- .1 UH notation changed to read 'UH-1, cct PP1A-25/27'.
- .2 cct to Sump Pump identified as PP1A-51.
- .3 Disconnect for ETX03 Transformer to read ETX03.
- .3 Layout of Phone/Cable Room A114:
Refer to Sketch AD3E1.10.
- .1 Addition of receptacle cct EMP1-7 on E Wall.
- .2 Clarification of Ground Bus Bar, W Wall.
- .4 Mechanical Mezzanine Power & Communication Plan:
Refer to Sketch AD3E1.11.
- .5 Layout of Mech/Elec Rm B109:

Refer to Sketch AD3E1.12.

- .6 Layout for Mech Rm B229:
Refer to Sketch AD3E1.13.

- .7 cct for Receptacle in Meter Cabinet identified as PP1C-2.

- .8 Main Electrical Rm (Stores) B116:
Refer to Sketch AD3E1.14.

.17 DRAWING E1.8

- .1 General Notes:

- .1 Numbered Note 5 revised to read:
100mm x 10mm x 100mm deep junction box complete with door for tel. system cable terminations. mount junction box flush with finished floor.
Floor box specification:
High capacity, multi-compartment box, 2 separate compartments in to accommodate power and communication, levelling legs.
Product equal to Wiremold walker infloor system, model #RFB9 Recessed Floor Box c/w RFB9SL concrete tight sleeve, RFB9DP floor box plates, trim suitable for carpet floor finish.
Refer to Sketch AD3E1.1.

- .2 SCADA/Server B209:

- .1 cct for Server identified EMP6-12/14.
.2 cct for 20A-208/1P Feed from EMP6 identified as EMP6-15/17.

.18 DRAWING E2.0

- .1 Lighting Control riser Diagram:
Refer to Sketch AD3E2.0. Attach to this Addendum.

.19 DRAWING E2.1

- .1 Level 1 Offices Lighting and Control Plan:
.1 Refer to Sketches AD3E2.1 – AD3E2.3 for luminaire, wiring, Lighting Control and cct revisions .
.2 Level 2 Offices Lighting and Control Plan:
Refer to Sketches AD3E2.4 – AD3E2.6 for luminaire, wiring, Lighting Control and cct revisions.

.20 DRAWING E2.2

- .1 Level 3 Offices Lighting and Control Plan:
.1 Refer to Sketches AD3E2.7 – AD3E2.9 for luminaire, wiring, Lighting Control and cct revisions.
.2 Refer to Sketches AD3E2.10 – AD3E2.11 for luminaire, wiring, Lighting Control and cct revisions.

.21 DRAWING E2.3

- .1 Level 1A Operations Lighting and Control Plan:
Refer to Sketches AD3E2.12, AD3E2.13 and AD3E2.14 for luminaire, wiring, Lighting Control and cct revisions.

.22 DRAWING E2.4

- .1 Level 2 Operations Lighting and Control Plan:
Refer to Sketches AD3E2.15, AD3E2.16 and AD3E2.17 for luminaire, wiring, Lighting Control and cct revisions.

.23 DRAWING E2.5

- .1 Fleet garage Lighting and Control Plan
Refer to Sketch AD3E2.18 for luminaire, wiring, Lighting Control and cct revisions.

.24 DRAWING E2.6

- .1 Link L100/L200, Level 4 Boardroom, Mezzanine B424 & Fleet Repair Lighting Plans:

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| | .1 | Mech Mezzanine B424 Lighting Plan:
Refer to Sketch AD3E2.19 for lighting, wiring, control and switching revisions. |
| | .2 | Fleet repair Mezzanine/ Storage Mezzanine Lighting Plan:
Refer to Sketch AD3E2.20 for lighting, wiring, control and switching revisions. |
| .28 DRAWING E2.7 | .1 | Addition of Canopy Lighting Plan and Detail.
Refer to Sketch AD3E2.21 and AD3E2.22. |
| .29 DRAWING E3.1 | .1 | Wiring Diagrams and Schedules: |
| | .1 | Numbered Note 3 should refer to Division 15. |

MECHANICAL DRAWINGS

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| .1 DRAWING M0.0 | .1 | Delete Schedule 'Air Terminal Schedule'. |
| | .2 | Fixture Schedule revised as per Sketch AD3M06 and AD3M07. |
| .2 DRAWING M1.3 | .1 | Fixture 'DF' in Common Clean Up Foyer B110 revised to 1-DF-62Φ, 38V. |
| .3 DRAWING M2.3 | | Level 1 Operations Domestic Water Piping and Compressed Air Piping Plan: |
| | .1 | Include drawing showing revisions (Sketch AD3M-08). |
| | .2 | Include drawing showing revisions (Sketch AD3M-09). |
| .4 DRAWING M2.4 | | Level 2 Operations Domestic Water Piping and Compressed Air Piping Plan: |
| | .1 | Include drawing showing revisions (Sketch AD3M-10). |
| .5 DRAWING M3.1 | | Level 1 & 2 Office Hot Water Heating Piping Plan |
| | .1 | Include drawing showing revisions (Sketch AD3M-11 showing addition of WF-1 and associated piping). |
| | .2 | Include drawing showing revisions (Sketch AD3M-12 showing revisions to Piping). |
| .6 DRAWING M3.2 | | Level 3 & 4 Office Hot Water Heating Piping Plan |
| | .1 | Include drawing showing revisions (Sketch AD3M-13 showing revisions to Piping). |
| .7 DRAWING M4.1 | | Level 1 & 2 Office Storm and Drainage Piping Plan |
| | .1 | Include drawing showing revisions (Sketch AD3M-14 showing revisions to Piping). |
| | .2 | Include drawing showing revisions (Sketch AD3M-15 showing addition to Piping labelling). |
| .8 DRAWING M4.2 | | Level 3 & 4 Office Storm and Drainage Piping Plan |
| | .1 | Delete references to RWL and 100mmΦ RD on Level 4 Offices plan. |

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| .9 DRAWING M8.5 | .1 | Include drawing showing the following wiring diagrams: <ul style="list-style-type: none">- MUA 2/3/4/5 CO/NO₂ Control Wiring Diagram(Sketch AD3-M01)- Fleet Storage Garage CO/NO₂ Control Wiring Diagram (Sketch AD3-M-02) |
| .10 DRAWING M9.1 | .1 | Schedule of Heating & Air Conditioning Pumps revised as noted: (Sketch AD3-M-03) |
| | .2 | Schedule of Variable Air Volume Boxes title revised to read: Schedule of Variable Air Volume Boxes (NAILOR) |
| | .3 | Schedule of Grilles & Diffusers title revised to read: Schedule of Grilles & Diffusers (NAILOR) |
| | .4 | Schedule of Split DX Refrigeration System title revised to read: Schedule of Split DX Refrigeration System (Carrier) |
| | .5 | Schedule of Linear Ceiling Panels title revised to read: Schedule of Linear Ceiling Panels (TWA) |
| | .6 | Schedule of Plate Heat Exchangers revised as noted: (Sketch AD3-M-03) |
| | .7 | Schedule of Boilers revised as noted: (Sketch AD3-M-16) |
| | .8 | Schedule of Wall Fin Heaters revised as noted: (Sketch AD3-M-16) |
| .11 DRAWING M9.2 | .1 | Schedule of Heating Coils revised as noted: (Sketch AD3-M-16) |
| | .2 | Schedule of Supply Fans revised as noted: (Sketch AD3-M-07) |
| | .3 | Schedule of Heat Reclaim Wheels revised as noted: (Sketch AD3-M-16) |
| | .4 | Schedule of Cooling Coils revised as noted: (Sketch AD3-M-16) |
| | .5 | Schedule of Return Fans revised as noted: (Sketch AD3-M-16) |
| | .6 | Schedule of Natural Gas Fired Steam Humidifiers revised as noted: (Sketch AD3-M-16) |
| | .7 | Schedule of Energy Recovery units revised as noted: (Sketch AD3-M-16) |
| .11 DRAWING M9.3 | .1 | Schedule of Expansion Tanks revised as noted:(SketchAD3-M-03) |
| | .2 | Schedule of Heating Pump System (Sketch AD3-M-04) |
| | .3 | Schedule of Domestic Hot Water Heater revised as noted: (Sketch AD3-M-04) |
| | .4 | Schedule of HVAC Unit Specification revised as noted: (Sketch AD3-M-07) |
| | .5 | Schedule of Air Handling Unit (MUA) Specification revised as noted: (Sketch AD3-M-05 & AD3-M-06) |

Project Title: NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST

SAULT STE MARIE, ONTARIO

Date: JUL 18, 2011

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

**.1 SECTION 00200
INSTRUCTIONS TO BIDDERS
4. BID SECURITY**

.1 Delete Item 4.3:

END OF ADDENDUM

Project Title: **NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST**

SAULT STE MARIE, ONTARIO

Date: **JUL 18, 2011**

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

.1 SECTION 01360 LEED .4 SUBMITTALS

.1 Item 4.5, Revise to read:

LEED Letter Templates, Summary and Checklist, included at the end of this section, shall be completed and provided to the Consultant for review a minimum of 30 days before any product ordered or the letter template may be submitted as part of the products shop drawing review.

.2 SECTION 00431 BID FORM APPENDIX 'A' LIST OF SUBCONTRACTORS

.1 Item of work, Electric traction elevator: Revise to read:

Elevator _____

.2 Item of work, Add:

Pre-Engineered building supplier _____

.3 SECTION 07420 COMPOSITE CLADDING PANELS PART 2 PRODUCTS

.1 Item 2.1, Revise website hyperlink to read:

<http://www.dunleavycordun.com>

.4 SECTION 13100 PRE-ENGINEERED STEEL BUILDING 1. GENERAL

.1 Item 1.6.7, Design Criteria, Revise to read:

Design members to withstand dead load and unfactored live load including snow load of 2.88 kPa and wind loads as calculated in accordance with the 2006 Ontario Building Code, and as noted on Contract drawings. In addition to dead load and live load design all members for a collateral load of 0.8 kPa for sprinklers and future solar panels.

DRAWINGS

.1 DRAWING S4.1

.1 Revise roof framing plan loading to read:

DESIGN LIVE LOAD $0.8 \times 3.1 + 0.4 = 2.88$ KPa (60.1 PSF)

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| | .2 | Add to design notes:
Building Importance factor: I = 1.0 |
| .2 DRAWING E0.1 | .1 | Traffic loop (at each gate as shown on drawing)
Parking Products Inc. KDS-2001, 120VAC 50/60Hz, 5A operation or equal. |
| .3 AD3-E1.4; AD3-E1.5; AD3-E1.6 | .1 | Traffic loop (at each overhead door)
Parking Products Inc. KDS-2001, 120VAC 50/60Hz, 5A operation or equal |

END OF ADDENDUM

Project Title: **NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST
SAULT STE MARIE, ONTARIO**

Date: **JULY 19, 2011**

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

**.1 SECTION 01210
ALLOWANCES
3. CASH ALLOWANCES**

- .1 Item 3.6, Revise to read:
Include in the contract a cash allowance in the amount of **\$452,000.00** (four hundred fifty two thousand) for the following:
- .2 Add Item 3.6.19:
Dry sprinkler system SCADA room B207 suppressant (\$22,000)

**.2 SECTION 07541
PVC ROOFING
PART 2 - PRODUCTS**

- .1 Item 2.5.1, Roof membrane, Colour, Revise to read:
Colour (Top/Bottom) **White**.
- .2 Item 2.5.1, Roofing Membrane, Add:
Energy Star requirements:
Initial solar reflectance ≥ 0.65
Solar reflectance after 3 years ≥ 0.50
Minimum emissivity rating required is 0.9

**.3 SECTION 07541
PVC ROOFING
PART 2 - PRODUCTS**

- .1 Item 2.6.1, Flashing Membrane Colour, Revise to read:
Colour (Top/Bottom) **White**.
- .2 Item 2.6.1, Roofing Membrane, Add:
Energy Star requirements:
Initial solar reflectance ≥ 0.65
Solar reflectance after 3 years ≥ 0.50
Minimum emissivity rating required is 0.9

**.4 SECTION 13100
PRE-ENGINEERED STEEL BUILDING
1.6 DESIGN CRITERIA**

- .1 Item 1.6.8, Add:
Wall Girt (at top of block liner wall) 1/360 of span (lateral support for concrete block wall).

SPECIFICATION - Landscape

1 REVISIONS TO SPECIFICATION

1.1 Refer to Section 02870 – Exterior Site Furnishings – SILHOUTTE Railing System

- 1.1.1 Delete any mention of 50mm (2") diameter stainless steel pipe in specification and associated drawings. All stainless steel pipe members to be Type 304 Stainless Steel – 38mm (1 ½" O.D.)

SPECIFICATION - Electrical

1. Section 16510 LIGHTING CONTROL SYSTEM

- 1.1 Refer to Subsection 2.01 Acceptable Manufacturers, article 2.01.1.1, shall include nLight Control System

2. Section 15900 Automatic Controls and Instrumentation

- 2.1 Refer to Part 2 Products: Controls contractor shall include for the supply, installation , testing and adjusting associated with a Central Energy Monitoring systems and meters associated with power , water and natural gas. Provide required software and hardware which will support Cat 6 cabling. Monitors shall be located in the lobby – final location to be determined on site with Engineer and Architect. Front end/software shall be located in the Satellite Lan Room located in Office Building Level One.

3. Section 15650 Refrigeration

- 3.1 Refer to Subsection 2.4 Roof Mounted Condensing Unit, article 13, acceptable manufacturer shall include Trane
- 3.2 Refer to Subsection 2.5 Split Air Conditioning Unit, article .6, acceptable manufacturer shall include Sanyo

4. Section 16700, Liquid Heat Transfer

- 4.1 Refer to Subsection 2.10 Variable Speed Pumping System, article .10, acceptable manufacturer shall include Aurora and Taco
- 4.2 Refer to Subsection 2.17 Radiant Ceiling Panels, article .6, acceptable manufacturer to include AirTite.

5. Section 15850 Air Handling

- 5.1 Refer to Subsection 2.1 Air Handling Units, article .14, acceptable manufacturer shall include Trane
- 5.2 Refer to Subsection 2.2 Energy Recovery Ventilator Units, article .6, acceptable manufacturer shall include Air2000

DRAWINGS

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| .1 DRAWING C1.1 | .1 | Delete note: Ex. 7.5M Gate to be removed, new gate to match existing.

(Rear yard gate shall remain) |
| .2 DRAWING C3.0 | .1 | Revise rear yard parking lot as shown in AD6-C1., attached to this addendum. |
| .3 DRAWING C4.0 | .1 | Add note:

<u>200mm Water Service</u>

The water service installation will extend out into Second Line East requiring line closure and road restoration. The civil contractor will be responsible for signage as required by the MTO & municipality and shall be responsible for all fees, permits, etc required to complete the installation.

<u>Sewer Force Main</u>

Sewer force main across Second Line East will be installed by directional bore methods by the civil contractor as indicated on the drawings. |
| .4 DRAWING E0.1 | .1 | Supply and install light standard bases as per sketch E-57 attached in this addendum. Typical for lights K3, K4 and K6. |
| .5 DRAWING E0.0 | .1 | General Notes:

.1 Revise Note 4. To read:
Minimum wire size for exterior lighting shall be #8 TWU complete with Ground Wire.

.2 Refer to Sketch AD6-E0.1

.3 Revised Lighting Schedule, refer to Sketches, AD6-E0.13 and AD6-E0.14. |
| .5 DRAWING E0.1 | .1 | Site plan:

.1 Refer to Sketch AD6-E0.1, attached in this addendum. |
| .6 DRAWING E0.2 | .1 | Site Details:

.1 Light Standard Post Detail:
.1 600mmΦ concrete pier by PUC revised to read "600mmΦ concrete pier by GC".

.2 Illuminated Sign Control Schematic:
.1 Revise 120V to read '347V, PPOL2" |
| .7 DRAWING E0.5 | .1 | Electrical System Riser Diagram: |

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| | .1 | Emergency Power Distribution Panel 'EDP05' Office Electrical Rm A115 EML4 revised to read EMP4. |
| | .2 | Refer to Sketch AD6-E0.2, attached in this addendum |
| .8 DRAWING E0.7 | .1 | Office Power Panels: |
| | .1 | Panel PP1A revised, refer to Sketch AD6-E0.3. |
| | .2 | Panel PP2A revised, refer to Sketch AD6-E0.4. |
| | .3 | Panel PP3A revised refer to Sketch AD6-E0.5. |
| | .4 | Panel PP4A revised, refer to Sketch AD6-E0.6. |
| .9 DRAWING E0.8 | .1 | Office Power Panels: |
| | .1 | Panel PP1B revised, refer to Sketch AD6-E0.7. |
| | .2 | Panels PP1C, PP2D and PP3C revised, refer to Sketch AD6-E0.8. |
| | .3 | Panels PP2B, PP1D and PP1G revised s follows:
- Type 120/206/3Φ/4w, 100A |
| | .4 | Panel PP2C revised, refer to Sketch AD6-E0.9 |
| | .5 | Panel PPF revised, refer to Sketch AD6-E0.10. |
| .10 DRAWING E0.9 | .1 | Office and Operations Lighting Panels: |
| | .1 | All panels revised as follows:
- Type 120/206/3Φ/4w, 100A |
| | .2 | .1 Panel LP1 revised to read 'LP1A'. |
| | | .2 Panel LP2 revised to read 'LP2A'. |
| | | .3 Panel LP4 revised to read 'LP4A'. |
| .11 DRAWING E0.10 | .1 | Office Emergency Power Panels: |
| | .1 | Panels EMP1 and EMP4 revised, refer to Sketch AD6E0.11. |
| | .2 | Panels EMP2 – EMP3 revised as follows:
- Type 120/206/3Φ/4w, 100A |
| | .3 | Panels EMPL5 and EMP6 revised, refer to Sketch AD6E0.12. |
| .12 DRAWING E0.11 | .1 | Office Emergency Lighting Panels: |
| | .1 | Panels EML1 - EML6 revised as follows:
- Type 120/206/3Φ/4w, 100A |
| .13 DRAWING E1.1 | .1 | General Notes: |
| | .1 | Numbered Note 10 revised to read:
600V, 3Φ,4W, 200-3P disconnect switch complete with auxiliary contacts for elevator equipment, fed from EDP-1. |
| | .2 | Level 1 Office Power and Communications Plan: |
| | .1 | Women's W/R A109: |
| | .1 | HD revised to HD-1, cct PP1A-42/44. |
| | .2 | Men's W/R A109: |
| | .1 | HD revised to HD-1, cct PP1A-41/43. |

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- .3 Area revised, refer to Sketches AD6-E1.1 - AD6-E1.3.
 - .3 Level 2 Office Power and Communications Plan:
 - .1 Refer to Sketch AD6-E1.4.
 - .2 Level 1 Office Power and Communications Plan:
 - .1 Women's W/R A215:
 - .1 HD revised to HD-1, cct PP2A-28/30.
 - .2 Men's W/R A224:
 - .1 HD revised to HD-1, cct PP2A-31/33.
 - .14 DRAWING E1.2
 - .1 Level 3 Office Power and Communications Plan:
 - .1 Women's W/R A313:
 - .1 HD revised to HD-1, cct PP3A-37/39.
 - .2 Men's W/R A321:
 - .1 HD revised to HD-1, cct PP3A-33/35.
 - .2 Level 4 Office Power and Communications Plan:
 - .1 Women's W/R A411:
 - .1 HD revised to HD-1.
 - .2 Men's W/R A412:
 - .1 HD revised to HD-1.
 - .3 CEO W/R A404:
 - .1 HD revised to HD-1 cct. PP4A-54/56.
 - .2 EF revised to EF-2 cct. LP4-10.
 - .3 BB-1, cct. PP4A-53 added.
 - .15 DRAWING E1.3
 - .1 Level 1 Operations Power and Communications Plan:
 - .1 Refer to Sketch AD6E1.5.
 - .2 Receiving B100:
 - .1 Motorized O/H door S Wall opener revised to cct EMP5-9.
 - .3 Stair S4:
 - .1 Add tag FF-1 to Forced Flow Heater.
 - .4 Corr. 106:
 - .1 Motorized O/H door S Wall opener revised to cct EMP5-8.
 - .5 Public Area B119:
 - .1 Add tag FAA to Fire Alarm Annunciator Panel W Wall.
 - .6 Stores/Storage B116:
 - .1 Connection to Blue Giant Dock Leveller revised to PP1C-20/22/24.
 - .2 Connection to Blue Giant Dock Leveller Control revised to PP1C-20/22/24.
 - .7 W.O. Vehicle Storage:
 - .1 Motorized O/H door W Wall opener revised to cct EMP5-7.
 - .8 Women's Locker B111:
 - .1 HD-2 revised to HD-3
 - .2 HD-1 revised to HD-2.

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- .9 Janitor B108:
.1 Special receptacle and cct. Designation W Wall, deleted.
- .16 DRAWING E1.4 .1 Level 2 Operations Power and Communications Plan:
.1 Break Area B200:
.1 Wall Phone symbol to be changed to Data D-269. Cat6.
.2 W/R B201:
.1 HD-3 revised to HD-2.
.3 W/R B202:
.1 HD-3 revised to HD-2.
.4 Electrical WS B208:
.1 PP2C and PP2D deleted.
.5 Stair S3:
.1 Add tag FF-1 to Electric Force Flow Heater., delete reference to 2000W.
.6 Fleet Repair B218 and Truck Wash B222:
.1 Refer to Sketches AD6-E1.6 - AD6-E1.8.
.7 Men's W/R B224 - B227:
.1 Refer to Sketch AD6-E1.9
- .17 DRAWING E1.5 .1 Fleet Garage Power and communications Plan:
.1 Refer to Sketches AD6E1.10 and AD6-E1.11.
.2 Receptacle W5 and Z cct. PPF-19.
.3 Receptacle W8 and Z cct. PPF-21.
.4 All Motorized Dampers cct EMP6-32
.5 All Radiant Tube Heaters cct PPF-18 and PPf-32 .
- .18 DRAWING E1.6 .1 Roof Plan - Electrical:
.1 EF-3 revised to cct PP2D.
.2 CU- revised to CU-2.
- .19 DRAWING E1.7 .1 Layout of Mechanical Room A115 Detail:
Refer to Sketch AD6-E1.13.
.2 Layout of Phone/Cable Room A114:
Refer to Sketch AD6E1.14.
.4 Mechanical Mezzanine Power & Communication Plan:
Refer to Sketch AD6E1.15.
.5 Layout of Mech/Elec Rm B109:
Refer to Sketch AD6E1.16.
.6 Layout for Mech Rm B229:
Refer to Sketch AD6E1.17.
.7 Detail Addition:
.1 Barrier Free ENTRY Lighting Plan, refer to Sketch AD6-E1.18.
- .20 DRAWING E1.8 .1 SCADA/Server B209:
.1 AC Unit note revised to read:
'20A-120V to AC-2/CU-2, cct EMP6-15.

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| | .2 | Addition of Detail: |
| | .1 | Transformer Repair B223, refer to Sketch AD6-E1.12. |
| .21 DRAWING M0.0 | .1 | Fixture Schedule revised as per Sketch AD5M-02 & AD3M-03. |
| .22 DRAWING M5.1 | | Level 3 Offices HVAC Ductwork Piping Plan |
| | .1 | Add the following General Note: |
| | | 3. Aluminum exhaust ductwork associated with ERV-2. |
| | | 4. Volume needed for lockers. |
| .23 DRAWING M5.3 | | Level 1 Operations HVAC Ductwork Piping Plan |
| | .1 | Addition of range hood exhaust. |
| .24 DRAWING M5.4 | | Level 2 Operations HVAC Ductwork Piping Plan |
| | .1 | Add the following to the General Notes: |
| | | 3. Aluminum exhaust ductwork associated with ERV-2. |
| | | 4. Volume needed for lockers. |
| | | 5. GE - Down Blowing (1-10) Blade Fans shall be equal to Banvil Fans, model 160F7-10, 3 curved aluminum blades, corrosion resistant epoxy finish white, 10" down rod, #105FR variable speed, control c/w reversing switch, and FG60C knockdown guard (1500mm x 600mm). |
| | .2 | Fixture 'D' in Stores Storage B230 revised to F-340-350 (Typ. of 9). |
| | .3 | Fixture 'D' in Fleet Repair B218 revised to F-500-350 (Typ. of 5). |
| | .4 | Fixture 'D' in Truck Wash B222 revised to F-177-250 (Typ. of 4). |
| | .5 | Fixture 'D' in Transformer Repair revised to F-177-250 (Typ. of 4). |
| | .6 | Include drawing showing revisions (Sketch AD6M-07, AD6M-08, AD6M-09, AD6M-10, AD6M-11). |
| .25 DRAWING M5.5 | .1 | Include drawing showing revisions to Natural Gas Riser Diagram (Sketch AD6M-11) |
| .26 DRAWING M5.6 | .1 | Include drawing showing revisions to Mechanical Room A424 HVAC Layout - Lower Level (Sketch AD6M-19) |
| .27 DRAWING M5.7 | .1 | Include drawing showing revisions to Mechanical Room Level 1 Operations (Sketch AD6M-20) |
| | .2 | Include drawing showing revisions to Mechanical Room Level 2 Operations (Sketch AD6M-20) |
| .28 DRAWING M5.8 | .1 | Include the following to the CO / NO2 Gas Detection System Notes: Acceptable Manufacturers Vulcain. |
| | .2 | Include the following to the Infra-Red Heater Specification Notes: Acceptable Manufacturers Schwank. |
| .29 DRAWING M6.1 | .1 | Modification to Fire Protection Zone to include the Link (Sketch AD6M-22) |
| | .2 | Modification to Fire Protection Zone in Staging Area (Sketch AD6M-22) |

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| .30 DRAWING M6.2 | .1 | Modification to Fire Protection Zone to include the Link (Sketch AD6M-23) |
| | .2 | Fire Extinguishers to be model #10ABC (Sketch AD6M-23) |
| .31 DRAWING M7.1 | .1 | Modification to Pipe Sleeve Through Roof Detail (Sketch AD6M-24) |
| .32 DRAWING M7.2 | .1 | Modification to Fleet Repair Exhaust System Detail (Sketch AD6M-24) & Addition of Acceptable Manufacturer Source Tec. |
| | .2 | Addition of Pneumatic Supply Station Schematic (Sketch AD6M-24) |
| .33 DRAWING M8.1 | .1 | Modification to Operations Domestic Water Piping Schematic (Sketch AD6M-25) |
| | .2 | Modification to Office Domestic Water Piping Schematic (Sketch AD6M-25) |
| | .3 | Modification to title Penthouse Mechanical Room Ventilation System "MRE-1" Control Diagram revised to:
Penthouse Mechanical Room Ventilation System "MER-1" Control Diagram - Applies to MER-1, MER-2, MER-3 AND MER-4 |
| | .4 | Modification to title Toilet Exhaust System "TE-1" Control Diagram revised to:
Toilet Exhaust System "EF-1" Control Diagram - Applies to EF-1 to EF-2 |
| .34 DRAWING M8.2 | .1 | Modification to title Air Cooled Chiller Control Diagram revised to:
Air Cooled Chiller Control Diagram - Typical for CH-1 System |
| .35 DRAWING M8.3 | .1 | Modification to title Boiler - Hot Water Heating Control Diagram revised to:
Boiler - Hot Water Heating Control Diagram - Typical for B-1/B-2/B-3/ B-4 Systems |
| | .2 | Modification to title Unit Heaters - Hot Water Control Diagram revised to:
Unit Heaters - Hot Water Control Diagram - Typical for UH-1 to UH-4 Systems |
| .36 DRAWING M9.1 | .1 | Schedule of Heating & Air Conditioning Pumps revised as noted: (Sketch AD6M-05) |
| | .2 | Schedule of Variable Air Volume Boxes title revised to read:
Schedule of Variable Air Volume Boxes (NAILOR)

Include the following to General Notes:
4. V.A.V. boxes shall be complete with sound attenuator & cross flow sensor/controller for pressure independent system.
9. Acceptable Manufacturers Nailor, E.H. Price. |
| | .3 | Schedule of Grilles & Diffusers title revised to read:
Schedule of Grilles & Diffusers (NAILOR)

Include the following General Notes:
1. Acceptable Manufacturers Nailor, E.H. Price. |
| | .4 | Schedule of Split DX Refrigeration System title revised to read: |

Schedule of Split DX Refrigeration System (CARRIER)

Include the following General Notes:

2. Unit shall come with -20°C ultra low ambient control.
3. Condenser to rest on 50mm concrete pad sized to suit and stand.
4. Acceptable Manufacturers Mitsubishi, Carrier.

- .5 Schedule of Linear Ceiling Panels General Notes revised to read:
 1. Capacities based on 21.1°C room air temperature.
 2. Acceptable Manufacturers TWA, Sigma
 - .6 Schedule of Plate Heat Exchangers revised as noted:
(Sketch AD6M-14)
 - .7 Schedule of Air Separators revised as noted:
(Sketch AD6M-14)
 - .8 Schedule of Boilers revised as noted: (Sketch AD6M-15)
 - .9 Schedule of Wall Fin Heaters revised as noted: (Sketch AD6M-14)
 - .10 Schedule of Expansion Tanks revised as noted: (Sketch AD6M-05)
 - .11 Schedule of Miscellaneous Fans revised as noted: (Sketch AD6M-15)
 - .12 Schedule of Silencers General Notes Revised as noted:
 3. HTL Casing
 4. Acceptable Manufacturers VAW
- .37 DRAWING M9.2**
- .1 Schedule of Heating Coils revised as noted: (Sketch AD6M-05)
 - .2 Schedule of Supply Fans revised as noted: (Sketch AD6M-04)
 - .3 Schedule of Heat Reclaim Wheels revised as noted:
(Sketch AD6M-18)
 - .4 Schedule of Cooling Coils revised as noted: (Sketch AD6M-05)
 - .5 Schedule of Return Fans revised as noted: (Sketch ADM-05)
 - .6 Schedule of Natural Gas Fired Steam Humidifiers revised as noted:
(Sketch ADM-18)
 - .7 Schedule of Energy Recovery Units revised as noted:
(Sketch AD6M-17)
 - .8 Schedule of Indirect Fired Heaters revised as noted:
(Sketch AD6M-04)
 - .9 Schedule of DX Cooling Coil title revised to read:
Schedule of DX Cooling Coil (VENMAR CES)
- .38 DRAWING M9.3**
- .1 **Schedule of Unit Heaters: (Sketch AD5M-01)**
 - .2 Schedule of HVAC Unit Specification revised as noted: (Sketch AD6M-17)
 - .3 Schedule of Air Handling Unit (MUA) Specification revised as noted:
(Sketch AD6M-17)

.39 LANDSCAPE DRAWINGS

- 1.2 Refer to Drawing L1.2 – Barrier Free Entry Detailed Layout – delete all mention of 50mm diameter stainless steel guard members and replace to read 38mm (1 ½") O.D. stainless steel.
- 1.3 Refer to Drawing L1.3 – Entry Handrail & Guard Detailed Layout - delete all mention of 50mm diameter stainless steel guard members and replace to read 38mm (1 ½") O.D. stainless steel.
- 1.4 Refer to Drawing L1.4 – Handrail & Guard Elevations – delete all mention of 50mm diameter stainless steel guard members and replace to read 38mm (1 ½") O.D. stainless steel.

END OF ADDENDUM

DOCUMENT 00410 - BID FORM

NEW FACILITY
FOR PUC SERVICES INC.
500 SECOND LINE
SAULT STE. MARIE, ONTARIO

NAME OF BIDDER Cy Rheault Construction Ltd.

ADDRESS 1752 Riverside Drive
Timmins, Ontario TELEPHONE: 705-268-3445

BID PRICE

I / We, the undersigned, having carefully examined the bid documents for this project, having visited and investigated the Site, and examined all conditions, circumstances and limitations affecting the Work, offer to enter into a Contract with the Owner for this Project and to perform the Work required by the bid documents for the stipulated price of:

Twenty Million Two Hundred Thousand
DOLLARS (\$20,200,000.00) ✓

Bid price is in Canadian funds, not including HST. Price is free of escalation clauses.

ADDENDA

I / We the undersigned have received, examined and incorporated addenda: No. 1 to No. 6 inclusive.

BID SECURITY

Attached to this bid is a bid bond for this Project, issued by TRAVELERS / PWA in the amount of 10% of the identified bid price stated hereinbefore. I / We the undersigned agree that if I / we default in executing a Contract or providing the required performance security in accordance with the terms of the bid documents, the Owner shall have sustained liquidated damages in the amount equal to the difference between the amount of the identified price and the amount for which the Owner legally contracts with another party to perform the Work, if the latter amount exceeds the former up to a maximum of 10% of my/our price and such amount shall become the property of the Owner.

AGREEMENT TO BOND

Attached to this bid is a separate agreement to bond for this Project, issued by Petrela Winter & Associates, undertaking to provide the bonds required by the bid documents.

DECLARATIONS

I / We the undersigned declare that:

- (a) I / We agree to reach Substantial Performance on or before **November 30, 2012** and complete all work of the Contract on or before **December 31, 2012**
- (b) no person, firm or corporation other than the undersigned has any interest in this bid or in the proposed Contract for which this bid is made;
- (c) this bid is open to acceptance for a period of 90 days from date stated for its submission.

PROJECT NO. 10003

cyrheaultconstruction Ltd.

DOCUMENT 00410 - BID FORM

Date July 21, 2011

Signature _____

Name and Title Roger Rheault - President

Seal

Signature _____

Name and Title _____

Incorporated bidders shall affix their company seal, together with the signature(s) of the authorized signing official(s).

END

DOCUMENT 00431 - BID FORM APPENDIX "A"
LIST OF SUBCONTRACTORS

NEW FACILITY
FOR PUC SERVICES INC.
500 SECOND LINE
SAULT STE. MARIE, ONTARIO

NAME OF BIDDER Cy Rheault Construction Ltd.

I/We, the undersigned propose that the following Subcontractors and/or suppliers will be used to perform work of this Contract, and I/we confirm that all have been investigated to confirm their reliability and competence to carry out the Work in accordance with the Contract Documents; and I/we agree that no changes from this list may be made without the express written approval of the Owner.

Extra costs to the Contract will not be considered for a Subcontractor/supplier substitution, regardless of the reason, except where a substitution is requested by the Owner.

Item of Work	Subcontractor
Site Services	Ranone
Landscaping	Ranone
Concrete	Own Forces
Masonry	Own Forces
Structural Steel	G. J. Mechanical
Cabinetwork	Vert Cabinetry
Roofing	T. Hamilton
Steel Doors and Frames	Allmar
Aluminum windows and curtainwall	B.M.G. -
Gypsum Board and Acoustical Ceilings	Own Forces
Resilient Flooring	Own Forces
Painting	Own Forces
Electric Traction Elevator	Verte X
Mechanical (Division 15)	McCleod Brothers
Electrical (Division 16)	Topline

Date July 21, 2011

Signature 

Name and Title Roger Rheault - President

END

DOCUMENT 00432 - BID FORM APPENDIX "B"
UNIT PRICES

NEW FACILITY
FOR PUC SERVICES INC.
500 SECOND LINE
SAULT STE. MARIE, ONTARIO

NAME OF BIDDER Cy Rheault Construction Ltd.

I/We, the undersigned agree that Owner may use the following unit prices for additional work, and that all unit prices, unless specifically indicated, are all inclusive for complete work, in place, supplied and installed in accordance with applicable contract requirements and that unit prices listed include all overhead and profit mark-up. Equipment rates include operator and float costs; labour rates include labour burden. I/we agree that the credits for deleted work shall be no less than 80% of the prices listed hereunder. I/We, the undersigned agree that the Owner shall have the right to negotiate the cost of additional work instead of using the unit prices listed hereunder. Prices listed hereunder do not include GST.

ITEM OF WORK	EXTRA	UNIT OF MEASURE
1 EXCAVATION & BACKFILLING		
1. MACHINE EXCAVATION, including removal from site:		
a) to depth of 2 m	\$ 8.00	/ m ³
b) in excess of 2 m	\$ 8.75	/ m ³
2. HAND EXCAVATION, including removal from site:		
a) to depth of 1.2 m	\$ 45.50	/ m ³
b) in excess of 1.2 m	\$ 82.75	/ m ³
3. TRENCHING, including removal from site:		
a) to depth of 3 m	\$ 8.50	/ m ³
b) in excess of 3 m	\$ 9.50	/ m ³
4. GRANULAR BACKFILL (Granular "B") in place compacted:		
a) by hand	\$ 23.50	/ m ³
b) by machine	\$ 18.75	/ m ³
5. CONTAMINATED SOIL, including removal from site and disposal:	\$ 145	/ m ³
2 CONCRETE		
1. Concrete formwork, including stripping:	\$ 190	/ m ²
2. Concrete, including finishing and curing:		
.1 20 MPa	\$ 651	/ m ³
.2 25 MPa	\$ 661	/ m ³
.3 32 MPa	\$ 678	/ m ³
.4 35 MPa	\$ 686	/ m ³
3. Concrete reinforcing steel, including detailing:	\$ 2044.00	/ tonne
4. Masonry grout	\$ 344.00	/ m ³

PROJECT NO. 09010

00432-1

cyrheaultconstruction Ltd.

DOCUMENT 00432 - BID FORM APPENDIX "B"
UNIT PRICES

ITEM OF WORK		EXTRA	UNIT OF MEASURE
3	MASONRY		
.1	Normal Weight Units Type H/15/A/M, including mortar:		
a)	90 mm thick block	\$ 170	/ m ²
b)	140 mm thick block	\$ 180	/ m ²
c)	190 mm thick block	\$ 200	/ m ²
d)	240 mm thick block	\$ 215	/ m ²
e)	290 mm thick block	\$ 225	/ m ²
.2	Light Weight Units Type H/15/C/M, including mortar:		
a)	90 mm thick block	\$ 180	/ m ²
b)	140 mm thick block	\$ 190	/ m ²
c)	190 mm thick block	\$ 205	/ m ²
d)	240 mm thick block	\$ 220	/ m ²
e)	290 mm thick block	\$ 240	/ m ²
4	STRUCTURAL STEEL		
1.	WF, HSS (less than 30 kg/m), angles, channels, plate including drafting		
a)	primed	\$ 3,580	/ tonne
b)	galvanized	\$ 5,320	/ tonne
2.	WF, HSS (30 kg/m and more), including drafting		
a)	primed	\$ 3,315	/ tonne
b)	galvanized	\$ 5,320	/ tonne

Date July 21, 2011

Signature

Name and Title

Roger Rheault

- President

END

Project Title: NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE EAST

SAULT STE MARIE, ONTARIO

Date: JUL 18, 2011

The following revisions and supplementary instructions shall be part and parcel of the Tendering Documents and shall supersede the Drawings and/or Specifications where applicable.

SPECIFICATIONS

.1 SECTION 01360
LEED
.4 SUBMITTALS

.1 Item 4.5; Revise to read:

LEED Letter Templates, Summary and Checklist, included at the end of this section, shall be completed and provided to the Consultant for review a minimum of 30 days before any product ordered or the letter template may be submitted as part of the products shop drawing review.

.2 SECTION 00431
BID FORM APPENDIX 'A'
LIST OF SUBCONTRACTORS

.1 Item of work, Electric traction elevator: Revise to read:

Elevator

Vetech

.2 Item of work, Add:

Pre-Engineered building supplier

Robertson

.3 SECTION 07420
COMPOSITE CLADDING PANELS
PART 2 PRODUCTS

.1 Item 2.1, Revise website hyperlink to read:

<http://www.dunleavycordun.com>

.4 SECTION 13100
PRE-ENGINEERED STEEL BUILDING
1. GENERAL

.1 Item 1.6.7, Design Criteria, Revise to read:

Design members to withstand dead load and unfactored live load including snow load of 2.88 kPa and wind loads as calculated in accordance with the 2006 Ontario Building Code, and as noted on Contract drawings. In addition to dead load and live load design all members for a collateral load of 0.8 kPa for sprinklers and future solar panels.

.1 DRAWING S4.1

.1 Revise roof framing plan loading to read:

DESIGN LIVE LOAD $0.8 \times 3.1 + 0.4 = 2.88$ KPa (60.1 PSF)

DOCUMENT 00433 - BID FORM APPENDIX "C"
SEPARATE, ITEMIZED AND ALTERNATIVE PRICES

NEW FACILITY
FOR PUC SERVICES INC.
500 SECOND LINE
SAULT STE. MARIE, ONTARIO

NAME OF BIDDER Cy Rheault Construction Ltd.

I/We, the undersigned have inserted below all separate, itemized and alternative prices requested. I/We agree that

- .1 all prices submitted take into consideration and allow for changes and adjustments in other work as may be necessary to provide a finished and functional result, unless specifically indicated otherwise,
- .2 separate prices are for work which is not included in the bid price listed on Bid Form but which may be added by the Owner for the price quoted hereunder,
- .3 itemized prices are for work which is included in the bid price listed on Bid Form and which may be deleted by the Owner for the amount quoted hereunder,
- .4 alternative prices are for work which is not included in the bid price listed on Bid Form but which may be substituted by the Owner for work which is included (no price listed shall mean no change in cost),
- .5 and that the Owner reserves the right to accept or reject any of the prices proposed hereunder.
- .6 prices listed hereunder do not include HST.

SEPARATE PRICES: None Required

ITEMIZED PRICES: None Required

ALTERNATIVE PRICES: None Required

BIDDER'S ALTERNATIVES

I/We the undersigned propose the following alternatives:

<u>Product Specified</u>	<u>Proposed Substitution</u>	<u>Deduct from Bid Price</u>
1 _____		\$ _____
2 _____		\$ _____
3 _____		\$ _____
4 _____		\$ _____
5 _____		\$ _____

(Add extra pages if necessary)

Date July 21, 2011

Signature 

Name and Title Roger Rheault - President

END

PROJECT NO. 09010

00433-1

cyrheaultconstruction Ltd.



Travelers Canada
Suite 300, P.O. Box 6
20 Queen St. West
Toronto, Ontario M5H 3R3
Tel (416)-360-8183
www.travelerscanada.ca

BID BOND

Bond No: 100009697-13

Bond Amount: 10% of tender

Cy Rheault Construction Ltd. as Principal, hereinafter called the Principal, and Travelers Guarantee Company of Canada a corporation created and existing under the laws of Canada and duly authorized to transact the business of Suretyship in Canada as Surety, hereinafter called the Surety, are held and firmly bound unto PUC Services Inc. as Obligee, hereinafter called the Obligee, in the amount of Ten Percent of Tender--XX/100 Dollars (\$10% of tender) lawful money of Canada, for the payment of which sum the Principal and the Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally.

WHEREAS, the Principal has submitted a written bid to the Obligee, dated this July 14, 2011, for Construction of the New Facilities for PUC Services Inc., 500 Second Line, Sault Ste Marie, Ontario, project#09010.

The condition of this obligation is such that if the Principal shall have the bid accepted within the time period prescribed in the Obligee's bid documents, or, if no time period is specified in the Obligee's bid documents, within ninety (90) days from the closing date as specified in the Obligee's bid documents, and the Principal enters into a formal contract and gives the specified security, then this obligation shall be void; otherwise, provided the Obligee takes all reasonable steps to mitigate the amount of such excess costs, the Principal and the Surety will pay to the Obligee the difference in money between the amount of the bid of the Principal and the amount for which the Obligee legally contracts with another party to perform the work if the latter amount be in excess of the former.

The Principal and Surety shall not be liable for a greater sum than the Bond Amount.

It is a condition of this bond that any suit or action must be commenced within seven (7) months of the date of this Bond.

No right of action shall accrue hereunder to or for the use of any person or corporation other than the Obligee named herein, or the heirs, executors, administrators or successors of the Obligee.

IN WITNESS WHEREOF, the Principal and the Surety have Signed and Sealed this Bond dated July 4, 2011

SIGNED and SEALED

in the presence of :

Cy Rheault Construction Ltd.

Principal

Roger Rheault
Name of Signator for Principal

[Signature]
Signature

Travelers Guarantee Company of Canada

Signature

Tim Gorman, Attorney-in-Fact



copyright 2002
Canadian Construction Documents Committee

(CCDC 220 - 2002 has been approved by the Surety Association of Canada)



Travelers Canada
Suite 300, P.O. Box 6
20 Queen St. West
Toronto, Ontario M5H 3R3
Tel (416)-360-8183
www.travelerscanada.ca

SURETY'S CONSENT / AGREEMENT TO BOND

BOND NO: : 100009697-13

WHEREAS **Cy Rheault Construction Ltd.** (Principal) has submitted a written tender to **PUC Services Inc.** (Obligee) dated the **July 14th, 2011**, concerning: **Construction of the New Facilities for PUC Services Inc., 500 Second Line, Sault Ste Marie, Ontario, project#09010**

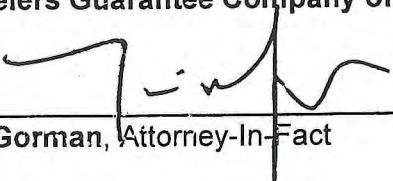
and the condition of this obligation being such that if the Principal shall have the tender accepted within **ninety (90)** days from the closing date of tender, we, **Travelers Guarantee Company of Canada**, a corporation created and existing under the laws of Canada and duly authorized to transact the business of Suretyship agree to issue for the Principal if the Principal shall enter into a written contract with the Obligee, the following bond(s):

1. a contract performance bond for **Fifty Percent (50%)** of the contract price.
2. a labour and material payment bond for **Fifty Percent (50%)** of the contract price.

This consent shall be null and void unless an application for the said bond(s) is made within **thirty (30)** days following the award of the contract.

Signed and Sealed 04 July 2011

Travelers Guarantee Company of Canada



Tim Gorman, Attorney-In-Fact



PUC 765 Queen Street East, P.O. Box 9000
Sault Ste. Marie, Ontario P6A 6P2

September 26, 2011

Mr. Roger Rheault
Cy Rheault Construction Ltd.
1752 Riverside Drive
Timmins, ON.

**Re: NEW FACILITY FOR PUC SERVICES INC.
500 SECOND LINE
SAULT STE. MARIE, ON**

Dear Sir:

Thank you for your tender of July 21, 2011. We wish to inform you that your Tender in the amount of **\$20,200,000.00 plus HST** has been accepted.

By way of this letter it is your authorization to proceed with the work immediately.

Please obtain and submit the following documents as soon as possible and before commencing activities at the site:

1. Worker's Compensation Board Certificate of Good Standing
2. Certificates of Insurance
3. 50% Performance Bond
4. 50% Labour and Materials Payment Bond
5. Construction Schedule

Contract documents will be submitted to you shortly for approval and execution.

Sincerely,

PUC Services Inc.

H. J. Brian Curran P. Eng., MBA
President & C.E.O.

Cc: G. Mezzomo

Gordon Mezzomo

From: Roger Rheault [roger@cyrheault.com]
Sent: September-26-11 8:53 AM
To: gmezzomo@mgp-arch-eng.ca
Subject: PUC

Gord,

As per discussion, CRC will change the elevator subcontractor from Thyssen to Kone as per owner's request. As a note...this change has resulted in an added \$31k to our project costing costs. Insurances, bonds, payment cost breakdowns will be submitted this week.

Regards

Roger Rheault
President

cyrheaultconstruction LLC

p. 705 268 3445
f. 705 267 6595
c. 705 360 3331
e. roger@cyrheault.com

DEFINITIONS

The following Definitions shall apply to all *Contract Documents*.

1. **Change Directive**
A *Change Directive* is a written instruction prepared by the *Consultant* and signed by the *Owner* directing the *Contractor* to proceed with a change in the *Work* within the general scope of the *Contract Documents* prior to the *Owner* and the *Contractor* agreeing upon adjustments in the *Contract Price* and the *Contract Time*.
2. **Change Order**
A *Change Order* is a written amendment to the *Contract* prepared by the *Consultant* and signed by the *Owner* and the *Contractor* stating their agreement upon:
 - a change in the *Work*;
 - the method of adjustment or the amount of the adjustment in the *Contract Price*, if any; and
 - the extent of the adjustment in the *Contract Time*, if any.
3. **Construction Equipment**
Construction Equipment means all machinery and equipment, either operated or not operated, that is required for preparing, fabricating, conveying, erecting, or otherwise performing the *Work* but is not incorporated into the *Work*.
4. **Consultant**
The *Consultant* is the person or entity engaged by the *Owner* and identified as such in the Agreement. The *Consultant* is the Architect, the Engineer or entity licensed to practise in the province or territory of the *Place of the Work*. The term *Consultant* means the *Consultant* or the *Consultant's* authorized representative.
5. **Contract**
The *Contract* is the undertaking by the parties to perform their respective duties, responsibilities and obligations as prescribed in the *Contract Documents* and represents the entire agreement between the parties.
6. **Contract Documents**
The *Contract Documents* consist of those documents listed in Article A-3 of the Agreement - CONTRACT DOCUMENTS and amendments agreed upon between the parties.
7. **Contract Price**
The *Contract Price* is the amount stipulated in Article A-4 of the Agreement - CONTRACT PRICE.
8. **Contract Time**
The *Contract Time* is the time stipulated in paragraph 1.3 of Article A-1 of the Agreement - THE WORK from commencement of the *Work* to *Substantial Performance of the Work*.
9. **Contractor**
The *Contractor* is the person or entity identified as such in the Agreement. The term *Contractor* means the *Contractor* or the *Contractor's* authorized representative as designated to the *Owner* in writing.
10. **Drawings**
The *Drawings* are the graphic and pictorial portions of the *Contract Documents*, wherever located and whenever issued, showing the design, location and dimensions of the *Work*, generally including plans, elevations, sections, details, and diagrams.
11. **Notice in Writing**
A *Notice in Writing*, where identified in the *Contract Documents*, is a written communication between the parties or between them and the *Consultant* that is transmitted in accordance with the provisions of Article A-6 of the Agreement - RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING.
12. **Owner**
The *Owner* is the person or entity identified as such in the Agreement. The term *Owner* means the *Owner* or the *Owner's* authorized agent or representative as designated to the *Contractor* in writing, but does not include the *Consultant*.
13. **Place of the Work**
The *Place of the Work* is the designated site or location of the *Work* identified in the *Contract Documents*.
14. **Product**
Product or Products means material, machinery, equipment, and fixtures forming the *Work*, but does not include *Construction Equipment*.

15. **Project**
The *Project* means the total construction contemplated of which the *Work* may be the whole or a part.
16. **Provide**
Provide means to supply and install.
17. **Shop Drawings**
Shop Drawings are drawings, diagrams, illustrations, schedules, performance charts, brochures, *Product* data, and other data which the *Contractor* provides to illustrate details of portions of the *Work*.
18. **Specifications**
The *Specifications* are that portion of the *Contract Documents*, wherever located and whenever issued, consisting of the written requirements and standards for *Products*, systems, workmanship, quality, and the services necessary for the performance of the *Work*.
19. **Subcontractor**
A *Subcontractor* is a person or entity having a direct contract with the *Contractor* to perform a part or parts of the *Work* at the *Place of the Work*.
20. **Substantial Performance of the Work**
Substantial Performance of the Work is as defined in the lien legislation applicable to the *Place of the Work*. If such legislation is not in force or does not contain such definition, or if the *Work* is governed by the Civil Code of Quebec, *Substantial Performance of the Work* shall have been reached when the *Work* is ready for use or is being used for the purpose intended and is so certified by the *Consultant*.
21. **Supplemental Instruction**
A *Supplemental Instruction* is an instruction, not involving adjustment in the *Contract Price* or *Contract Time*, in the form of *Specifications*, *Drawings*, schedules, samples, models or written instructions, consistent with the intent of the *Contract Documents*. It is to be issued by the *Consultant* to supplement the *Contract Documents* as required for the performance of the *Work*.
22. **Supplier**
A *Supplier* is a person or entity having a direct contract with the *Contractor* to supply *Products*.
23. **Temporary Work**
Temporary Work means temporary supports, structures, facilities, services, and other temporary items, excluding *Construction Equipment*, required for the execution of the *Work* but not incorporated into the *Work*.
24. **Value Added Taxes**
Value Added Taxes means such sum as shall be levied upon the *Contract Price* by the Federal or any Provincial or Territorial Government and is computed as a percentage of the *Contract Price* and includes the Goods and Services Tax, the Quebec Sales Tax, the Harmonized Sales Tax, and any similar tax, the collection and payment of which have been imposed on the *Contractor* by the tax legislation.
25. **Work**
The *Work* means the total construction and related services required by the *Contract Documents*.
26. **Working Day**
Working Day means a day other than a Saturday, Sunday, statutory holiday, or statutory vacation day that is observed by the construction industry in the area of the *Place of the Work*.

GENERAL CONDITIONS OF THE STIPULATED PRICE CONTRACT

PART 1 GENERAL PROVISIONS

GC 1.1 CONTRACT DOCUMENTS

- 1.1.1 The intent of the *Contract Documents* is to include the labour, *Products* and services necessary for the performance of the *Work* by the *Contractor* in accordance with these documents. It is not intended, however, that the *Contractor* shall supply products or perform work not consistent with, not covered by, or not properly inferable from the *Contract Documents*.
- 1.1.2 Nothing contained in the *Contract Documents* shall create any contractual relationship between:
 - .1 the *Owner* and a *Subcontractor*, a *Supplier*, or their agent, employee, or other person performing any portion of the *Work*.
 - .2 the *Consultant* and the *Contractor*, a *Subcontractor*, a *Supplier*, or their agent, employee, or other person performing any portion of the *Work*.
- 1.1.3 The *Contract Documents* are complementary, and what is required by any one shall be as binding as if required by all.
- 1.1.4 Words and abbreviations which have well known technical or trade meanings are used in the *Contract Documents* in accordance with such recognized meanings.
- 1.1.5 References in the *Contract Documents* to the singular shall be considered to include the plural as the context requires.
- 1.1.6 Neither the organization of the *Specifications* nor the arrangement of *Drawings* shall control the *Contractor* in dividing the work among *Subcontractors* and *Suppliers*.
- 1.1.7 If there is a conflict within the *Contract Documents*:
 - .1 the order of priority of documents, from highest to lowest, shall be
 - the Agreement between the *Owner* and the *Contractor*,
 - the Definitions,
 - Supplementary Conditions,
 - the General Conditions,
 - Division 1 of the *Specifications*,
 - technical *Specifications*,
 - material and finishing schedules,
 - the *Drawings*,
 - .2 *Drawings* of larger scale shall govern over those of smaller scale of the same date.
 - .3 dimensions shown on *Drawings* shall govern over dimensions scaled from *Drawings*.
 - .4 later dated documents shall govern over earlier documents of the same type.
- 1.1.8 The *Owner* shall provide the *Contractor*, without charge, sufficient copies of the *Contract Documents* to perform the *Work*.
- 1.1.9 *Specifications*, *Drawings*, models, and copies thereof furnished by the *Consultant* are and shall remain the *Consultant's* property, with the exception of the signed *Contract* sets, which shall belong to each party to the *Contract*. All *Specifications*, *Drawings* and models furnished by the *Consultant* are to be used only with respect to the *Work* and are not to be used on other work. These *Specifications*, *Drawings* and models are not to be copied or altered in any manner without the written authorization of the *Consultant*.
- 1.1.10 Models furnished by the *Contractor* at the *Owner's* expense are the property of the *Owner*.

GC 1.2 LAW OF THE CONTRACT

- 1.2.1 The law of the *Place of the Work* shall govern the interpretation of the *Contract*.

GC 1.3 RIGHTS AND REMEDIES

- 1.3.1 Except as expressly provided in the *Contract Documents*, the duties and obligations imposed by the *Contract Documents* and the rights and remedies available thereunder shall be in addition to and not a limitation of any duties, obligations, rights, and remedies otherwise imposed or available by law.
- 1.3.2 No action or failure to act by the *Owner*, *Consultant* or *Contractor* shall constitute a waiver of any right or duty afforded any of them under the *Contract*, nor shall any such action or failure to act constitute an approval of or acquiescence in any breach thereunder, except as may be specifically agreed in writing.

GC 1.4 ASSIGNMENT

- 1.4.1 Neither party to the *Contract* shall assign the *Contract* or a portion thereof without the written consent of the other, which consent shall not be unreasonably withheld.

PART 2 ADMINISTRATION OF THE CONTRACT

GC 2.1 AUTHORITY OF THE CONSULTANT

- 2.1.1 The *Consultant* will have authority to act on behalf of the *Owner* only to the extent provided in the *Contract Documents*, unless otherwise modified by written agreement as provided in paragraph 2.1.2.
- 2.1.2 The duties, responsibilities and limitations of authority of the *Consultant* as set forth in the *Contract Documents* shall be modified or extended only with the written consent of the *Owner*, the *Contractor* and the *Consultant*.
- 2.1.3 If the *Consultant's* employment is terminated, the *Owner* shall immediately appoint or reappoint a *Consultant* against whom the *Contractor* makes no reasonable objection and whose status under the *Contract Documents* shall be that of the former *Consultant*.

GC 2.2 ROLE OF THE CONSULTANT

- 2.2.1 The *Consultant* will provide administration of the *Contract* as described in the *Contract Documents*.
- 2.2.2 The *Consultant* will visit the *Place of the Work* at intervals appropriate to the progress of construction to become familiar with the progress and quality of the work and to determine if the *Work* is proceeding in general conformity with the *Contract Documents*.
- 2.2.3 If the *Owner* and the *Consultant* agree, the *Consultant* will provide at the *Place of the Work*, one or more project representatives to assist in carrying out the *Consultant's* responsibilities. The duties, responsibilities and limitations of authority of such project representatives shall be as set forth in writing to the *Contractor*.
- 2.2.4 The *Consultant* will promptly inform the *Owner* of the date of receipt of the *Contractor's* applications for payment as provided in paragraph 5.3.1.1 of GC 5.3 – PROGRESS PAYMENT.
- 2.2.5 Based on the *Consultant's* observations and evaluation of the *Contractor's* applications for payment, the *Consultant* will determine the amounts owing to the *Contractor* under the *Contract* and will issue certificates for payment as provided in Article A-5 of the Agreement - PAYMENT, GC 5.3 - PROGRESS PAYMENT and GC 5.7 - FINAL PAYMENT.
- 2.2.6 The *Consultant* will not be responsible for and will not have control, charge or supervision of construction means, methods, techniques, sequences, or procedures, or for safety precautions and programs required in connection with the *Work* in accordance with the applicable construction safety legislation, other regulations or general construction practice. The *Consultant* will not be responsible for the *Contractor's* failure to carry out the *Work* in accordance with the *Contract Documents*. The *Consultant* will not have control over, charge of or be responsible for the acts or omissions of the *Contractor*, *Subcontractors*, *Suppliers*, or their agents, employees, or any other persons performing portions of the *Work*.
- 2.2.7 Except with respect to GC 5.1 - FINANCING INFORMATION REQUIRED OF THE OWNER, the *Consultant* will be, in the first instance, the interpreter of the requirements of the *Contract Documents*.
- 2.2.8 Matters in question relating to the performance of the *Work* or the interpretation of the *Contract Documents* shall be initially referred in writing to the *Consultant* by the party raising the question for interpretations and findings and copied to the other party.
- 2.2.9 Interpretations and findings of the *Consultant* shall be consistent with the intent of the *Contract Documents*. In making such interpretations and findings the *Consultant* will not show partiality to either the *Owner* or the *Contractor*.
- 2.2.10 The *Consultant's* interpretations and findings will be given in writing to the parties within a reasonable time.
- 2.2.11 With respect to claims for a change in *Contract Price*, the *Consultant* will make findings as set out in GC 6.6 – CLAIMS FOR A CHANGE IN CONTRACT PRICE.
- 2.2.12 The *Consultant* will have authority to reject work which in the *Consultant's* opinion does not conform to the requirements of the *Contract Documents*. Whenever the *Consultant* considers it necessary or advisable, the *Consultant* will have authority to require inspection or testing of work, whether or not such work is fabricated, installed or completed. However, neither the authority of the *Consultant* to act nor any decision either to exercise or not to exercise such authority shall give rise to any duty or responsibility of the *Consultant* to the *Contractor*, *Subcontractors*, *Suppliers*, or their agents, employees, or other persons performing any of the *Work*.

- 2.2.13 During the progress of the *Work* the *Consultant* will furnish *Supplemental Instructions* to the *Contractor* with reasonable promptness or in accordance with a schedule for such instructions agreed to by the *Consultant* and the *Contractor*.
- 2.2.14 The *Consultant* will review and take appropriate action upon *Shop Drawings*, samples and other *Contractor's* submittals, in accordance with the *Contract Documents*.
- 2.2.15 The *Consultant* will prepare *Change Orders* and *Change Directives* as provided in GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 2.2.16 The *Consultant* will conduct reviews of the *Work* to determine the date of *Substantial Performance of the Work* as provided in GC 5.4 - SUBSTANTIAL PERFORMANCE OF THE WORK.
- 2.2.17 All certificates issued by the *Consultant* will be to the best of the *Consultant's* knowledge, information and belief. By issuing any certificate, the *Consultant* does not guarantee the *Work* is correct or complete.
- 2.2.18 The *Consultant* will receive and review written warranties and related documents required by the *Contract* and provided by the *Contractor* and will forward such warranties and documents to the *Owner* for the *Owner's* acceptance.

GC 2.3 REVIEW AND INSPECTION OF THE WORK

- 2.3.1 The *Owner* and the *Consultant* shall have access to the *Work* at all times. The *Contractor* shall provide sufficient, safe and proper facilities at all times for the review of the *Work* by the *Consultant* and the inspection of the *Work* by authorized agencies. If parts of the *Work* are in preparation at locations other than the *Place of the Work*, the *Owner* and the *Consultant* shall be given access to such work whenever it is in progress.
- 2.3.2 If work is designated for tests, inspections or approvals in the *Contract Documents*, or by the *Consultant's* instructions, or by the laws or ordinances of the *Place of the Work*, the *Contractor* shall give the *Consultant* reasonable notification of when the work will be ready for review and inspection. The *Contractor* shall arrange for and shall give the *Consultant* reasonable notification of the date and time of inspections by other authorities.
- 2.3.3 The *Contractor* shall furnish promptly to the *Consultant* two copies of certificates and inspection reports relating to the *Work*.
- 2.3.4 If the *Contractor* covers, or permits to be covered, work that has been designated for special tests, inspections or approvals before such special tests, inspections or approvals are made, given or completed, the *Contractor* shall, if so directed, uncover such work, have the inspections or tests satisfactorily completed, and make good covering work at the *Contractor's* expense.
- 2.3.5 The *Consultant* may order any portion or portions of the *Work* to be examined to confirm that such work is in accordance with the requirements of the *Contract Documents*. If the work is not in accordance with the requirements of the *Contract Documents*, the *Contractor* shall correct the work and pay the cost of examination and correction. If the work is in accordance with the requirements of the *Contract Documents*, the *Owner* shall pay the cost of examination and restoration.
- 2.3.6 The *Contractor* shall pay the cost of making any test or inspection, including the cost of samples required for such test or inspection, if such test or inspection is designated in the *Contract Documents* to be performed by the *Contractor* or is designated by the laws or ordinances applicable to the *Place of the Work*.
- 2.3.7 The *Contractor* shall pay the cost of samples required for any test or inspection to be performed by the *Consultant* or the *Owner* if such test or inspection is designated in the *Contract Documents*.

GC 2.4 DEFECTIVE WORK

- 2.4.1 The *Contractor* shall promptly correct defective work that has been rejected by the *Consultant* as failing to conform to the *Contract Documents* whether or not the defective work has been incorporated in the *Work* and whether or not the defect is the result of poor workmanship, use of defective products or damage through carelessness or other act or omission of the *Contractor*.
- 2.4.2 The *Contractor* shall make good promptly other contractors' work destroyed or damaged by such corrections at the *Contractor's* expense.
- 2.4.3 If in the opinion of the *Consultant* it is not expedient to correct defective work or work not performed as provided in the *Contract Documents*, the *Owner* may deduct from the amount otherwise due to the *Contractor* the difference in value between the work as performed and that called for by the *Contract Documents*. If the *Owner* and the *Contractor* do not agree on the difference in value, they shall refer the matter to the *Consultant* for a determination.

PART 3 EXECUTION OF THE WORK

GC 3.1 CONTROL OF THE WORK

- 3.1.1 The *Contractor* shall have total control of the *Work* and shall effectively direct and supervise the *Work* so as to ensure conformity with the *Contract Documents*.
- 3.1.2 The *Contractor* shall be solely responsible for construction means, methods, techniques, sequences, and procedures and for co-ordinating the various parts of the *Work* under the *Contract*.

GC 3.2 CONSTRUCTION BY OWNER OR OTHER CONTRACTORS

- 3.2.1 The *Owner* reserves the right to award separate contracts in connection with other parts of the *Project* to other contractors and to perform work with own forces.
- 3.2.2 When separate contracts are awarded for other parts of the *Project*, or when work is performed by the *Owner's* own forces, the *Owner* shall:
- .1 provide for the co-ordination of the activities and work of other contractors and *Owner's* own forces with the *Work* of the *Contract*;
 - .2 assume overall responsibility for compliance with the applicable health and construction safety legislation at the *Place of the Work*;
 - .3 enter into separate contracts with other contractors under conditions of contract which are compatible with the conditions of the *Contract*;
 - .4 ensure that insurance coverage is provided to the same requirements as are called for in GC 11.1 - INSURANCE and co-ordinate such insurance with the insurance coverage of the *Contractor* as it affects the *Work*; and
 - .5 take all reasonable precautions to avoid labour disputes or other disputes on the *Project* arising from the work of other contractors or the *Owner's* own forces.
- 3.2.3 When separate contracts are awarded for other parts of the *Project*, or when work is performed by the *Owner's* own forces, the *Contractor* shall:
- .1 afford the *Owner* and other contractors reasonable opportunity to store their products and execute their work;
 - .2 cooperate with other contractors and the *Owner* in reviewing their construction schedules; and
 - .3 promptly report to the *Consultant* in writing any apparent deficiencies in the work of other contractors or of the *Owner's* own forces, where such work affects the proper execution of any portion of the *Work*, prior to proceeding with that portion of the *Work*.
- 3.2.4 Where the *Contract Documents* identify work to be performed by other contractors or the *Owner's* own forces, the *Contractor* shall co-ordinate and schedule the *Work* with the work of other contractors and the *Owner's* own forces as specified in the *Contract Documents*.
- 3.2.5 Where a change in the *Work* is required as a result of the co-ordination and integration of the work of other contractors or *Owner's* own forces with the *Work*, the changes shall be authorized and valued as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 3.2.6 Disputes and other matters in question between the *Contractor* and other contractors shall be dealt with as provided in Part 8 of the General Conditions - DISPUTE RESOLUTION provided the other contractors have reciprocal obligations. The *Contractor* shall be deemed to have consented to arbitration of any dispute with any other contractor whose contract with the *Owner* contains a similar agreement to arbitrate.

GC 3.3 TEMPORARY WORK

- 3.3.1 The *Contractor* shall have the sole responsibility for the design, erection, operation, maintenance, and removal of *Temporary Work*.
- 3.3.2 The *Contractor* shall engage and pay for registered professional engineering personnel skilled in the appropriate disciplines to perform those functions referred to in paragraph 3.3.1 where required by law or by the *Contract Documents* and in all cases where such *Temporary Work* is of such a nature that professional engineering skill is required to produce safe and satisfactory results.

- 3.3.3 Notwithstanding the provisions of GC 3.1 - CONTROL OF THE WORK, paragraphs 3.3.1 and 3.3.2 or provisions to the contrary elsewhere in the *Contract Documents* where such *Contract Documents* include designs for *Temporary Work* or specify a method of construction in whole or in part, such designs or methods of construction shall be considered to be part of the design of the *Work* and the *Contractor* shall not be held responsible for that part of the design or the specified method of construction. The *Contractor* shall, however, be responsible for the execution of such design or specified method of construction in the same manner as for the execution of the *Work*.

GC 3.4 DOCUMENT REVIEW

- 3.4.1 The *Contractor* shall review the *Contract Documents* and shall report promptly to the *Consultant* any error, inconsistency or omission the *Contractor* may discover. Such review by the *Contractor* shall be to the best of the *Contractor's* knowledge, information and belief and in making such review the *Contractor* does not assume any responsibility to the *Owner* or the *Consultant* for the accuracy of the review. The *Contractor* shall not be liable for damage or costs resulting from such errors, inconsistencies or omissions in the *Contract Documents*, which the *Contractor* did not discover. If the *Contractor* does discover any error, inconsistency or omission in the *Contract Documents*, the *Contractor* shall not proceed with the work affected until the *Contractor* has received corrected or missing information from the *Consultant*.

GC 3.5 CONSTRUCTION SCHEDULE

- 3.5.1 The *Contractor* shall:
- .1 prepare and submit to the *Owner* and the *Consultant* prior to the first application for payment, a construction schedule that indicates the timing of the major activities of the *Work* and provides sufficient detail of the critical events and their inter-relationship to demonstrate the *Work* will be performed in conformity with the *Contract Time*;
 - .2 monitor the progress of the *Work* relative to the construction schedule and update the schedule on a monthly basis or as stipulated by the *Contract Documents*; and
 - .3 advise the *Consultant* of any revisions required to the schedule as the result of extensions of the *Contract Time* as provided in Part 6 of the General Conditions - CHANGES IN THE WORK.

GC 3.6 SUPERVISION

- 3.6.1 The *Contractor* shall provide all necessary supervision and appoint a competent representative who shall be in attendance at the *Place of the Work* while work is being performed. The appointed representative shall not be changed except for valid reason.
- 3.6.2 The appointed representative shall represent the *Contractor* at the *Place of the Work*. Information and instructions provided by the *Consultant* to the *Contractor's* appointed representative shall be deemed to have been received by the *Contractor*, except with respect to Article A-6 of the Agreement – RECEIPT OF AND ADDRESSES FOR NOTICES IN WRITING.

GC 3.7 SUBCONTRACTORS AND SUPPLIERS

- 3.7.1 The *Contractor* shall preserve and protect the rights of the parties under the *Contract* with respect to work to be performed under subcontract, and shall:
- .1 enter into contracts or written agreements with *Subcontractors* and *Suppliers* to require them to perform their work as provided in the *Contract Documents*;
 - .2 incorporate the terms and conditions of the *Contract Documents* into all contracts or written agreements with *Subcontractors* and *Suppliers*; and
 - .3 be as fully responsible to the *Owner* for acts and omissions of *Subcontractors*, *Suppliers* and of persons directly or indirectly employed by them as for acts and omissions of persons directly employed by the *Contractor*.
- 3.7.2 The *Contractor* shall indicate in writing, if requested by the *Owner*, those *Subcontractors* or *Suppliers* whose bids have been received by the *Contractor* which the *Contractor* would be prepared to accept for the performance of a portion of the *Work*. Should the *Owner* not object before signing the *Contract*, the *Contractor* shall employ those *Subcontractors* or *Suppliers* so identified by the *Contractor* in writing for the performance of that portion of the *Work* to which their bid applies.
- 3.7.3 The *Owner* may, for reasonable cause, at any time before the *Owner* has signed the *Contract*, object to the use of a proposed *Subcontractor* or *Supplier* and require the *Contractor* to employ one of the other subcontract bidders.
- 3.7.4 If the *Owner* requires the *Contractor* to change a proposed *Subcontractor* or *Supplier*, the *Contract Price* and *Contract Time* shall be adjusted by the differences occasioned by such required change.

- 3.7.5 The *Contractor* shall not be required to employ as a *Subcontractor* or *Supplier*, a person or firm to which the *Contractor* may reasonably object.
- 3.7.6 The *Owner*, through the *Consultant*, may provide to a *Subcontractor* or *Supplier* information as to the percentage of the *Subcontractor's* or *Supplier's* work which has been certified for payment.

GC 3.8 LABOUR AND PRODUCTS

- 3.8.1 The *Contractor* shall provide and pay for labour, *Products*, tools, *Construction Equipment*, water, heat, light, power, transportation, and other facilities and services necessary for the performance of the *Work* in accordance with the *Contract*.
- 3.8.2 Unless otherwise specified in the *Contract Documents*, *Products* provided shall be new. *Products* which are not specified shall be of a quality consistent with those specified and their use acceptable to the *Consultant*.
- 3.8.3 The *Contractor* shall maintain good order and discipline among the *Contractor's* employees engaged on the *Work* and shall not employ on the *Work* anyone not skilled in the tasks assigned.

GC 3.9 DOCUMENTS AT THE SITE

- 3.9.1 The *Contractor* shall keep one copy of current *Contract Documents*, submittals, reports, and records of meetings at the *Place of the Work*, in good order and available to the *Owner* and the *Consultant*.

GC 3.10 SHOP DRAWINGS

- 3.10.1 The *Contractor* shall provide *Shop Drawings* as required in the *Contract Documents*.
- 3.10.2 The *Contractor* shall provide *Shop Drawings* to the *Consultant* to review in orderly sequence and sufficiently in advance so as to cause no delay in the *Work* or in the work of other contractors.
- 3.10.3 Upon request of the *Contractor* or the *Consultant*, they shall jointly prepare a schedule of the dates for provision, review and return of *Shop Drawings*.
- 3.10.4 The *Contractor* shall provide *Shop Drawings* in the form specified, or if not specified, as directed by the *Consultant*.
- 3.10.5 *Shop Drawings* provided by the *Contractor* to the *Consultant* shall indicate by stamp, date and signature of the person responsible for the review that the *Contractor* has reviewed each one of them.
- 3.10.6 The *Consultant's* review is for conformity to the design concept and for general arrangement only.
- 3.10.7 *Shop Drawings* which require approval of any legally constituted authority having jurisdiction shall be provided to such authority by the *Contractor* for approval.
- 3.10.8 The *Contractor* shall review all *Shop Drawings* before providing them to the *Consultant*. The *Contractor* represents by this review that:
- 1 the *Contractor* has determined and verified all applicable field measurements, field construction conditions, *Product* requirements, catalogue numbers and similar data, or will do so, and
 - 2 the *Contractor* has checked and co-ordinated each *Shop Drawing* with the requirements of the *Work* and of the *Contract Documents*.
- 3.10.9 At the time of providing *Shop Drawings*, the *Contractor* shall expressly advise the *Consultant* in writing of any deviations in a *Shop Drawing* from the requirements of the *Contract Documents*. The *Consultant* shall indicate the acceptance or rejection of such deviation expressly in writing.
- 3.10.10 The *Consultant's* review shall not relieve the *Contractor* of responsibility for errors or omissions in the *Shop Drawings* or for meeting all requirements of the *Contract Documents*.
- 3.10.11 The *Contractor* shall provide revised *Shop Drawings* to correct those which the *Consultant* rejects as inconsistent with the *Contract Documents*, unless otherwise directed by the *Consultant*. The *Contractor* shall notify the *Consultant* in writing of any revisions to the *Shop Drawings* other than those requested by the *Consultant*.
- 3.10.12 The *Consultant* will review and return *Shop Drawings* in accordance with the schedule agreed upon, or, in the absence of such schedule, with reasonable promptness so as to cause no delay in the performance of the *Work*.

GC 3.11 USE OF THE WORK

- 3.11.1 The *Contractor* shall confine *Construction Equipment*, *Temporary Work*, storage of *Products*, waste products and debris, and operations of employees and *Subcontractors* to limits indicated by laws, ordinances, permits, or the *Contract Documents* and shall not unreasonably encumber the *Place of the Work*.
- 3.11.2 The *Contractor* shall not load or permit to be loaded any part of the *Work* with a weight or force that will endanger the safety of the *Work*.

GC 3.12 CUTTING AND REMEDIAL WORK

- 3.12.1 The *Contractor* shall perform the cutting and remedial work required to make the affected parts of the *Work* come together properly.
- 3.12.2 The *Contractor* shall co-ordinate the *Work* to ensure that the cutting and remedial work is kept to a minimum.
- 3.12.3 Should the *Owner*, the *Consultant*, other contractors or anyone employed by them be responsible for ill-timed work necessitating cutting or remedial work to be performed, the cost of such cutting or remedial work shall be valued as provided in GC 6.1 – OWNER’S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 3.12.4 Cutting and remedial work shall be performed by specialists familiar with the *Products* affected and shall be performed in a manner to neither damage nor endanger the *Work*.

GC 3.13 CLEANUP

- 3.13.1 The *Contractor* shall maintain the *Work* in a safe and tidy condition and free from the accumulation of waste products and debris, other than that caused by the *Owner*, other contractors or their employees.
- 3.13.2 Before applying for *Substantial Performance of the Work* as provided in GC 5.4 – SUBSTANTIAL PERFORMANCE OF THE WORK, the *Contractor* shall remove waste products and debris, other than that resulting from the work of the *Owner*, other contractors or their employees, and shall leave the *Place of the Work* clean and suitable for use or occupancy by the *Owner*. The *Contractor* shall remove products, tools, *Construction Equipment*, and *Temporary Work* not required for the performance of the remaining work.
- 3.13.3 Prior to application for the final payment, the *Contractor* shall remove any remaining products, tools, *Construction Equipment*, *Temporary Work*, and waste products and debris, other than those resulting from the work of the *Owner*, other contractors or their employees.

PART 4 ALLOWANCES

GC 4.1 CASH ALLOWANCES

- 4.1.1 The *Contract Price* includes the cash allowances, if any, stated in the *Contract Documents*. The scope of work or costs included in such cash allowances shall be as described in the *Contract Documents*.
- 4.1.2 The *Contract Price*, and not the cash allowances, includes the *Contractor's* overhead and profit in connection with such cash allowances.
- 4.1.3 Expenditures under cash allowances shall be authorized by the *Owner* through the *Consultant*.
- 4.1.4 Where the actual cost of the *Work* under any cash allowance exceeds the amount of the allowance, the *Contractor* shall be compensated for the excess incurred and substantiated plus an amount for overhead and profit on the excess as set out in the *Contract Documents*. Where the actual cost of the *Work* under any cash allowance is less than the amount of the allowance, the *Owner* shall be credited for the unexpended portion of the cash allowance, but not for the *Contractor's* overhead and profit on such amount. Multiple cash allowances shall not be combined for the purpose of calculating the foregoing.
- 4.1.5 The *Contract Price* shall be adjusted by *Change Order* to provide for any difference between the amount of each cash allowance and the actual cost of the work under that cash allowance.
- 4.1.6 The value of the work performed under a cash allowance is eligible to be included in progress payments.
- 4.1.7 The *Contractor* and the *Consultant* shall jointly prepare a schedule that shows when the *Consultant* and *Owner* must authorize ordering of items called for under cash allowances to avoid delaying the progress of the *Work*.

GC 4.2 CONTINGENCY ALLOWANCE

- 4.2.1 The *Contract Price* includes the contingency allowance, if any, stated in the *Contract Documents*.
- 4.2.2 The contingency allowance includes the *Contractor's* overhead and profit in connection with such contingency allowance.
- 4.2.3 Expenditures under the contingency allowance shall be authorized and valued as provided in GC 6.1 – OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 4.2.4 The *Contract Price* shall be adjusted by *Change Order* to provide for any difference between the expenditures authorized under paragraph 4.2.3 and the contingency allowance.

PART 5 PAYMENT

GC 5.1 FINANCING INFORMATION REQUIRED OF THE OWNER

- 5.1.1 The *Owner* shall, at the request of the *Contractor*, before signing the *Contract*, and promptly from time to time thereafter, furnish to the *Contractor* reasonable evidence that financial arrangements have been made to fulfill the *Owner's* obligations under the *Contract*.
- 5.1.2 The *Owner* shall give the *Contractor Notice in Writing* of any material change in the *Owner's* financial arrangements to fulfill the *Owner's* obligations under the *Contract* during the performance of the *Contract*.

GC 5.2 APPLICATIONS FOR PROGRESS PAYMENT

- 5.2.1 Applications for payment on account as provided in Article A-5 of the Agreement - PAYMENT may be made monthly as the *Work* progresses.
- 5.2.2 Applications for payment shall be dated the last day of each payment period, which is the last day of the month or an alternative day of the month agreed in writing by the parties.
- 5.2.3 The amount claimed shall be for the value, proportionate to the amount of the *Contract*, of *Work* performed and *Products* delivered to the *Place of the Work* as of the last day of the payment period.
- 5.2.4 The *Contractor* shall submit to the *Consultant*, at least 15 calendar days before the first application for payment, a schedule of values for the parts of the *Work*, aggregating the total amount of the *Contract Price*, so as to facilitate evaluation of applications for payment.
- 5.2.5 The schedule of values shall be made out in such form and supported by such evidence as the *Consultant* may reasonably direct and when accepted by the *Consultant*, shall be used as the basis for applications for payment, unless it is found to be in error.
- 5.2.6 The *Contractor* shall include a statement based on the schedule of values with each application for payment.
- 5.2.7 Applications for payment for *Products* delivered to the *Place of the Work* but not yet incorporated into the *Work* shall be supported by such evidence as the *Consultant* may reasonably require to establish the value and delivery of the *Products*.

GC 5.3 PROGRESS PAYMENT

- 5.3.1 After receipt by the *Consultant* of an application for payment submitted by the *Contractor* in accordance with GC 5.2 - APPLICATIONS FOR PROGRESS PAYMENT:
 - 1 the *Consultant* will promptly inform the *Owner* of the date of receipt of the *Contractor's* application for payment,
 - 2 the *Consultant* will issue to the *Owner* and copy to the *Contractor*, no later than 10 calendar days after the receipt of the application for payment, a certificate for payment in the amount applied for, or in such other amount as the *Consultant* determines to be properly due. If the *Consultant* amends the application, the *Consultant* will promptly advise the *Contractor* in writing giving reasons for the amendment,
 - 3 the *Owner* shall make payment to the *Contractor* on account as provided in Article A-5 of the Agreement - PAYMENT on or before 20 calendar days after the later of:
 - receipt by the *Consultant* of the application for payment, or
 - the last day of the monthly payment period for which the application for payment is made.

GC 5.4 SUBSTANTIAL PERFORMANCE OF THE WORK

- 5.4.1 When the *Contractor* considers that the *Work* is substantially performed, or if permitted by the lien legislation applicable to the *Place of the Work* a designated portion thereof which the *Owner* agrees to accept separately is substantially performed, the *Contractor* shall, within one *Working Day*, deliver to the *Consultant* and to the *Owner* a comprehensive list of items to be completed or corrected, together with a written application for a review by the *Consultant* to establish *Substantial Performance of the Work* or substantial performance of the designated portion of the *Work*. Failure to include an item on the list does not alter the responsibility of the *Contractor* to complete the *Contract*.
- 5.4.2 The *Consultant* will review the *Work* to verify the validity of the application and shall promptly, and in any event, no later than 20 calendar days after receipt of the *Contractor's* list and application:
- .1 advise the *Contractor* in writing that the *Work* or the designated portion of the *Work* is not substantially performed and give reasons why, or
 - .2 state the date of *Substantial Performance of the Work* or a designated portion of the *Work* in a certificate and issue a copy of that certificate to each of the *Owner* and the *Contractor*.
- 5.4.3 Immediately following the issuance of the certificate of *Substantial Performance of the Work*, the *Contractor*, in consultation with the *Consultant*, shall establish a reasonable date for finishing the *Work*.

GC 5.5 PAYMENT OF HOLDBACK UPON SUBSTANTIAL PERFORMANCE OF THE WORK

- 5.5.1 After the issuance of the certificate of *Substantial Performance of the Work*, the *Contractor* shall:
- .1 submit an application for payment of the holdback amount,
 - .2 submit CCDC 9A "Statutory Declaration" to state that all accounts for labour, subcontracts, *Products*, *Construction Equipment*, and other indebtedness which may have been incurred by the *Contractor* in the *Substantial Performance of the Work* and for which the *Owner* might in any way be held responsible have been paid in full, except for amounts properly retained as a holdback or as an identified amount in dispute.
- 5.5.2 After the receipt of an application for payment from the *Contractor* and the statement as provided in paragraph 5.5.1, the *Consultant* will issue a certificate for payment of the holdback amount.
- 5.5.3 Where the holdback amount required by the applicable lien legislation has not been placed in a separate holdback account, the *Owner* shall, 10 calendar days prior to the expiry of the holdback period stipulated in the lien legislation applicable to the *Place of the Work*, place the holdback amount in a bank account in the joint names of the *Owner* and the *Contractor*.
- 5.5.4 In the common law jurisdictions, the holdback amount authorized by the certificate for payment of the holdback amount is due and payable on the first calendar day following the expiration of the holdback period stipulated in the lien legislation applicable to the *Place of the Work*. Where lien legislation does not exist or apply, the holdback amount shall be due and payable in accordance with other legislation, industry practice or provisions which may be agreed to between the parties. The *Owner* may retain out of the holdback amount any sums required by law to satisfy any liens against the *Work* or, if permitted by the lien legislation applicable to the *Place of the Work*, other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.
- 5.5.5 In the Province of Quebec, the holdback amount authorized by the certificate for payment of the holdback amount is due and payable 30 calendar days after the issuance of the certificate. The *Owner* may retain out of the holdback amount any sums required to satisfy any legal hypothecs that have been taken, or could be taken, against the *Work* or other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.

GC 5.6 PROGRESSIVE RELEASE OF HOLDBACK

- 5.6.1 In the common law jurisdictions, where legislation permits and where, upon application by the *Contractor*, the *Consultant* has certified that the work of a *Subcontractor* or *Supplier* has been performed prior to *Substantial Performance of the Work*, the *Owner* shall pay the *Contractor* the holdback amount retained for such subcontract work, or the *Products* supplied by such *Supplier*, on the first calendar day following the expiration of the holdback period for such work stipulated in the lien legislation applicable to the *Place of the Work*. The *Owner* may retain out of the holdback amount any sums required by law to satisfy any liens against the *Work* or, if permitted by the lien legislation applicable to the *Place of the Work*, other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.

- 5.6.2 In the Province of Quebec, where, upon application by the *Contractor*, the *Consultant* has certified that the work of a *Subcontractor* or *Supplier* has been performed prior to *Substantial Performance of the Work*, the *Owner* shall pay the *Contractor* the holdback amount retained for such subcontract work, or the *Products* supplied by such *Supplier*, no later than 30 calendar days after such certification by the *Consultant*. The *Owner* may retain out of the holdback amount any sums required to satisfy any legal hypothecs that have been taken, or could be taken, against the *Work* or other third party monetary claims against the *Contractor* which are enforceable against the *Owner*.
- 5.6.3 Notwithstanding the provisions of the preceding paragraphs, and notwithstanding the wording of such certificates, the *Contractor* shall ensure that such subcontract work or *Products* are protected pending the issuance of a final certificate for payment and be responsible for the correction of defects or work not performed regardless of whether or not such was apparent when such certificates were issued.

GC 5.7 FINAL PAYMENT

- 5.7.1 When the *Contractor* considers that the *Work* is completed, the *Contractor* shall submit an application for final payment.
- 5.7.2 The *Consultant* will, no later than 10 calendar days after the receipt of an application from the *Contractor* for final payment, review the *Work* to verify the validity of the application and advise the *Contractor* in writing that the application is valid or give reasons why it is not valid.
- 5.7.3 When the *Consultant* finds the *Contractor's* application for final payment valid, the *Consultant* will promptly issue a final certificate for payment.
- 5.7.4 Subject to the provision of paragraph 10.4.1 of GC 10.4 - WORKERS' COMPENSATION, and any lien legislation applicable to the *Place of the Work*, the *Owner* shall, no later than 5 calendar days after the issuance of a final certificate for payment, pay the *Contractor* as provided in Article A-5 of the Agreement - PAYMENT.

GC 5.8 WITHHOLDING OF PAYMENT

- 5.8.1 If because of climatic or other conditions reasonably beyond the control of the *Contractor*, there are items of work that cannot be performed, payment in full for that portion of the *Work* which has been performed as certified by the *Consultant* shall not be withheld or delayed by the *Owner* on account thereof, but the *Owner* may withhold, until the remaining portion of the *Work* is finished, only such an amount that the *Consultant* determines is sufficient and reasonable to cover the cost of performing such remaining work.

GC 5.9 NON-CONFORMING WORK

- 5.9.1 No payment by the *Owner* under the *Contract* nor partial or entire use or occupancy of the *Work* by the *Owner* shall constitute an acceptance of any portion of the *Work* or *Products* which are not in accordance with the requirements of the *Contract Documents*.

PART 6 CHANGES IN THE WORK

GC 6.1 OWNER'S RIGHT TO MAKE CHANGES

- 6.1.1 The *Owner*, through the *Consultant*, without invalidating the *Contract*, may make:
- .1 changes in the *Work* consisting of additions, deletions or other revisions to the *Work* by *Change Order* or *Change Directive*, and
 - .2 changes to the *Contract Time* for the *Work*, or any part thereof, by *Change Order*.
- 6.1.2 The *Contractor* shall not perform a change in the *Work* without a *Change Order* or a *Change Directive*.

GC 6.2 CHANGE ORDER

- 6.2.1 When a change in the *Work* is proposed or required, the *Consultant* will provide the *Contractor* with a written description of the proposed change in the *Work*. The *Contractor* shall promptly present, in a form acceptable to the *Consultant*, a method of adjustment or an amount of adjustment for the *Contract Price*, if any, and the adjustment in the *Contract Time*, if any, for the proposed change in the *Work*.
- 6.2.2 When the *Owner* and *Contractor* agree to the adjustments in the *Contract Price* and *Contract Time* or to the method to be used to determine the adjustments, such agreement shall be effective immediately and shall be recorded in a *Change Order*. The value of the work performed as the result of a *Change Order* shall be included in the application for progress payment.

GC 6.3 CHANGE DIRECTIVE

- 6.3.1 If the *Owner* requires the *Contractor* to proceed with a change in the *Work* prior to the *Owner* and the *Contractor* agreeing upon the corresponding adjustment in *Contract Price* and *Contract Time*, the *Owner*, through the *Consultant*, shall issue a *Change Directive*.
- 6.3.2 A *Change Directive* shall only be used to direct a change in the *Work* which is within the general scope of the *Contract Documents*.
- 6.3.3 A *Change Directive* shall not be used to direct a change in the *Contract Time* only.
- 6.3.4 Upon receipt of a *Change Directive*, the *Contractor* shall proceed promptly with the change in the *Work*.
- 6.3.5 For the purpose of valuing *Change Directives*, changes in the *Work* that are not substitutions or otherwise related to each other shall not be grouped together in the same *Change Directive*.
- 6.3.6 The adjustment in the *Contract Price* for a change carried out by way of a *Change Directive* shall be determined on the basis of the cost of the *Contractor's* actual expenditures and savings attributable to the *Change Directive*, valued in accordance with paragraph 6.3.7 and as follows:
- .1 If the change results in a net increase in the *Contractor's* cost, the *Contract Price* shall be increased by the amount of the net increase in the *Contractor's* cost, plus the *Contractor's* percentage fee on such net increase.
 - .2 If the change results in a net decrease in the *Contractor's* cost, the *Contract Price* shall be decreased by the amount of the net decrease in the *Contractor's* cost, without adjustment for the *Contractor's* percentage fee.
 - .3 The *Contractor's* fee shall be as specified in the *Contract Documents* or as otherwise agreed by the parties.
- 6.3.7 The cost of performing the work attributable to the *Change Directive* shall be limited to the actual cost of the following:
- .1 salaries, wages and benefits paid to personnel in the direct employ of the *Contractor* under a salary or wage schedule agreed upon by the *Owner* and the *Contractor*, or in the absence of such a schedule, actual salaries, wages and benefits paid under applicable bargaining agreement, and in the absence of a salary or wage schedule and bargaining agreement, actual salaries, wages and benefits paid by the *Contractor*, for personnel
 - (1) stationed at the *Contractor's* field office, in whatever capacity employed;
 - (2) engaged in expediting the production or transportation of material or equipment, at shops or on the road;
 - (3) engaged in the preparation or review of *Shop Drawings*, fabrication drawings, and coordination drawings; or
 - (4) engaged in the processing of changes in the *Work*.
 - .2 contributions, assessments or taxes incurred for such items as employment insurance, provincial or territorial health insurance, workers' compensation, and Canada or Quebec Pension Plan, insofar as such cost is based on wages, salaries or other remuneration paid to employees of the *Contractor* and included in the cost of the *Work* as provided in paragraph 6.3.7.1;
 - .3 travel and subsistence expenses of the *Contractor's* personnel described in paragraph 6.3.7.1;
 - .4 all *Products* including cost of transportation thereof;
 - .5 materials, supplies, *Construction Equipment*, *Temporary Work*, and hand tools not owned by the workers, including transportation and maintenance thereof, which are consumed in the performance of the *Work*; and cost less salvage value on such items used but not consumed, which remain the property of the *Contractor*;
 - .6 all tools and *Construction Equipment*, exclusive of hand tools used in the performance of the *Work*, whether rented from or provided by the *Contractor* or others, including installation, minor repairs and replacements, dismantling, removal, transportation, and delivery cost thereof;
 - .7 all equipment and services required for the *Contractor's* field office;
 - .8 deposits lost;
 - .9 the amounts of all subcontracts;
 - .10 quality assurance such as independent inspection and testing services;
 - .11 charges levied by authorities having jurisdiction at the *Place of the Work*;
 - .12 royalties, patent licence fees and damages for infringement of patents and cost of defending suits therefor subject always to the *Contractor's* obligations to indemnify the *Owner* as provided in paragraph 10.3.1 of GC 10.3 - PATENT FEES;
 - .13 any adjustment in premiums for all bonds and insurance which the *Contractor* is required, by the *Contract Documents*, to purchase and maintain;
 - .14 any adjustment in taxes, other than *Value Added Taxes*, and duties for which the *Contractor* is liable;
 - .15 charges for long distance telephone and facsimile communications, courier services, expressage, and petty cash items incurred in relation to the performance of the *Work*;
 - .16 removal and disposal of waste products and debris; and
 - .17 safety measures and requirements.

- 6.3.8 Notwithstanding any other provisions contained in the General Conditions of the *Contract*, it is the intention of the parties that the cost of any item under any cost element referred to in paragraph 6.3.7 shall cover and include any and all costs or liabilities attributable to the *Change Directive* other than those which are the result of or occasioned by any failure on the part of the *Contractor* to exercise reasonable care and diligence in the *Contractor's* attention to the *Work*. Any cost due to failure on the part of the *Contractor* to exercise reasonable care and diligence in the *Contractor's* attention to the *Work* shall be borne by the *Contractor*.
- 6.3.9 The *Contractor* shall keep full and detailed accounts and records necessary for the documentation of the cost of performing the *Work* attributable to the *Change Directive* and shall provide the *Consultant* with copies thereof when requested.
- 6.3.10 For the purpose of valuing *Change Directives*, the *Owner* shall be afforded reasonable access to all of the *Contractor's* pertinent documents related to the cost of performing the *Work* attributable to the *Change Directive*.
- 6.3.11 Pending determination of the final amount of a *Change Directive*, the undisputed value of the *Work* performed as the result of a *Change Directive* is eligible to be included in progress payments.
- 6.3.12 If the *Owner* and the *Contractor* do not agree on the proposed adjustment in the *Contract Time* attributable to the change in the *Work*, or the method of determining it, the adjustment shall be referred to the *Consultant* for determination.
- 6.3.13 When the *Owner* and the *Contractor* reach agreement on the adjustment to the *Contract Price* and to the *Contract Time*, this agreement shall be recorded in a *Change Order*.

GC 6.4 CONCEALED OR UNKNOWN CONDITIONS

- 6.4.1 If the *Owner* or the *Contractor* discover conditions at the *Place of the Work* which are:
1. subsurface or otherwise concealed physical conditions which existed before the commencement of the *Work* which differ materially from those indicated in the *Contract Documents*; or
 2. physical conditions, other than conditions due to weather, that are of a nature which differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the *Contract Documents*.
- then the observing party shall give *Notice in Writing* to the other party of such conditions before they are disturbed and in no event later than 5 *Working Days* after first observance of the conditions.
- 6.4.2 The *Consultant* will promptly investigate such conditions and make a finding. If the finding is that the conditions differ materially and this would cause an increase or decrease in the *Contractor's* cost or time to perform the *Work*, the *Consultant*, with the *Owner's* approval, will issue appropriate instructions for a change in the *Work* as provided in GC 6.2 - CHANGE ORDER or GC 6.3 - CHANGE DIRECTIVE.
- 6.4.3 If the *Consultant* finds that the conditions at the *Place of the Work* are not materially different or that no change in the *Contract Price* or the *Contract Time* is justified, the *Consultant* will report the reasons for this finding to the *Owner* and the *Contractor* in writing.
- 6.4.4 If such concealed or unknown conditions relate to toxic and hazardous substances and materials, artifacts and fossils, or mould, the parties will be governed by the provisions of GC 9.2 - TOXIC AND HAZARDOUS SUBSTANCES, GC 9.3 - ARTIFACTS AND FOSSILS and GC 9.5 - MOULD.

GC 6.5 DELAYS

- 6.5.1 If the *Contractor* is delayed in the performance of the *Work* by an action or omission of the *Owner*, *Consultant* or anyone employed or engaged by them directly or indirectly, contrary to the provisions of the *Contract Documents*, then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The *Contractor* shall be reimbursed by the *Owner* for reasonable costs incurred by the *Contractor* as the result of such delay.
- 6.5.2 If the *Contractor* is delayed in the performance of the *Work* by a stop work order issued by a court or other public authority and providing that such order was not issued as the result of an act or fault of the *Contractor* or any person employed or engaged by the *Contractor* directly or indirectly, then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The *Contractor* shall be reimbursed by the *Owner* for reasonable costs incurred by the *Contractor* as the result of such delay.

- 6.5.3 If the *Contractor* is delayed in the performance of the *Work* by:
- .1 labour disputes, strikes, lock-outs (including lock-outs decreed or recommended for its members by a recognized contractors' association, of which the *Contractor* is a member or to which the *Contractor* is otherwise bound),
 - .2 fire, unusual delay by common carriers or unavoidable casualties,
 - .3 abnormally adverse weather conditions, or
 - .4 any cause beyond the *Contractor's* control other than one resulting from a default or breach of *Contract* by the *Contractor*,
- then the *Contract Time* shall be extended for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor*. The extension of time shall not be less than the time lost as the result of the event causing the delay, unless the *Contractor* agrees to a shorter extension. The *Contractor* shall not be entitled to payment for costs incurred by such delays unless such delays result from actions by the *Owner*, *Consultant* or anyone employed or engaged by them directly or indirectly.
- 6.5.4 No extension shall be made for delay unless *Notice in Writing* of the cause of delay is given to the *Consultant* not later than 10 *Working Days* after the commencement of the delay. In the case of a continuing cause of delay only one *Notice in Writing* shall be necessary.
- 6.5.5 If no schedule is made under paragraph 2.2.13 of GC 2.2 - ROLE OF THE CONSULTANT, then no request for extension shall be made because of failure of the *Consultant* to furnish instructions until 10 *Working Days* after demand for such instructions has been made.

GC 6.6 CLAIMS FOR A CHANGE IN CONTRACT PRICE

- 6.6.1 If the *Contractor* intends to make a claim for an increase to the *Contract Price*, or if the *Owner* intends to make a claim against the *Contractor* for a credit to the *Contract Price*, the party that intends to make the claim shall give timely *Notice in Writing* of intent to claim to the other party and to the *Consultant*.
- 6.6.2 Upon commencement of the event or series of events giving rise to a claim, the party intending to make the claim shall:
- .1 take all reasonable measures to mitigate any loss or expense which may be incurred as a result of such event or series of events, and
 - .2 keep such records as may be necessary to support the claim.
- 6.6.3 The party making the claim shall submit within a reasonable time to the *Consultant* a detailed account of the amount claimed and the grounds upon which the claim is based.
- 6.6.4 Where the event or series of events giving rise to the claim has a continuing effect, the detailed account submitted under paragraph 6.6.3 shall be considered to be an interim account and the party making the claim shall, at such intervals as the *Consultant* may reasonably require, submit further interim accounts giving the accumulated amount of the claim and any further grounds upon which it is based. The party making the claim shall submit a final account after the end of the effects resulting from the event or series of events.
- 6.6.5 The *Consultant's* findings, with respect to a claim made by either party, will be given by *Notice in Writing* to both parties within 30 *Working Days* after receipt of the claim by the *Consultant*, or within such other time period as may be agreed by the parties.
- 6.6.6 If such finding is not acceptable to either party, the claim shall be settled in accordance with Part 8 of the General Conditions - DISPUTE RESOLUTION.

PART 7 DEFAULT NOTICE

GC 7.1 OWNER'S RIGHT TO PERFORM THE WORK, TERMINATE THE CONTRACTOR'S RIGHT TO CONTINUE WITH THE WORK OR TERMINATE THE CONTRACT

- 7.1.1 If the *Contractor* is adjudged bankrupt, or makes a general assignment for the benefit of creditors because of the *Contractor's* insolvency, or if a receiver is appointed because of the *Contractor's* insolvency, the *Owner* may, without prejudice to any other right or remedy the *Owner* may have, terminate the *Contractor's* right to continue with the *Work*, by giving the *Contractor* or receiver or trustee in bankruptcy *Notice in Writing* to that effect.
- 7.1.2 If the *Contractor* neglects to prosecute the *Work* properly or otherwise fails to comply with the requirements of the *Contract* to a substantial degree and if the *Consultant* has given a written statement to the *Owner* and *Contractor* that sufficient cause exists to justify such action, the *Owner* may, without prejudice to any other right or remedy the *Owner* may have, give the *Contractor* *Notice in Writing* that the *Contractor* is in default of the *Contractor's* contractual obligations and instruct the *Contractor* to correct the default in the 5 *Working Days* immediately following the receipt of such *Notice in Writing*.

- 7.1.3 If the default cannot be corrected in the 5 *Working Days* specified or in such other time period as may be subsequently agreed in writing by the parties, the *Contractor* shall be in compliance with the *Owner's* instructions if the *Contractor*:
- .1 commences the correction of the default within the specified time, and
 - .2 provides the *Owner* with an acceptable schedule for such correction, and
 - .3 corrects the default in accordance with the *Contract* terms and with such schedule.
- 7.1.4 If the *Contractor* fails to correct the default in the time specified or in such other time period as may be subsequently agreed in writing by the parties, without prejudice to any other right or remedy the *Owner* may have, the *Owner* may:
- .1 correct such default and deduct the cost thereof from any payment then or thereafter due the *Contractor* provided the *Consultant* has certified such cost to the *Owner* and the *Contractor*, or
 - .2 terminate the *Contractor's* right to continue with the *Work* in whole or in part or terminate the *Contract*.
- 7.1.5 If the *Owner* terminates the *Contractor's* right to continue with the *Work* as provided in paragraphs 7.1.1 and 7.1.4, the *Owner* shall be entitled to:
- .1 take possession of the *Work* and *Products* at the *Place of the Work*; subject to the rights of third parties, utilize the *Construction Equipment* at the *Place of the Work*; finish the *Work* by whatever method the *Owner* may consider expedient, but without undue delay or expense, and
 - .2 withhold further payment to the *Contractor* until a final certificate for payment is issued, and
 - .3 charge the *Contractor* the amount by which the full cost of finishing the *Work* as certified by the *Consultant*, including compensation to the *Consultant* for the *Consultant's* additional services and a reasonable allowance as determined by the *Consultant* to cover the cost of corrections to work performed by the *Contractor* that may be required under GC 12.3 - WARRANTY, exceeds the unpaid balance of the *Contract Price*; however, if such cost of finishing the *Work* is less than the unpaid balance of the *Contract Price*, the *Owner* shall pay the *Contractor* the difference, and
 - .4 on expiry of the warranty period, charge the *Contractor* the amount by which the cost of corrections to the *Contractor's* work under GC 12.3 - WARRANTY exceeds the allowance provided for such corrections, or if the cost of such corrections is less than the allowance, pay the *Contractor* the difference.
- 7.1.6 The *Contractor's* obligation under the *Contract* as to quality, correction and warranty of the work performed by the *Contractor* up to the time of termination shall continue after such termination of the *Contract*.

GC 7.2 CONTRACTOR'S RIGHT TO SUSPEND THE WORK OR TERMINATE THE CONTRACT

- 7.2.1 If the *Owner* is adjudged bankrupt, or makes a general assignment for the benefit of creditors because of the *Owner's* insolvency, or if a receiver is appointed because of the *Owner's* insolvency, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, terminate the *Contract* by giving the *Owner* or receiver or trustee in bankruptcy *Notice in Writing* to that effect.
- 7.2.2 If the *Work* is suspended or otherwise delayed for a period of 20 *Working Days* or more under an order of a court or other public authority and providing that such order was not issued as the result of an act or fault of the *Contractor* or of anyone directly or indirectly employed or engaged by the *Contractor*, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, terminate the *Contract* by giving the *Owner* *Notice in Writing* to that effect.
- 7.2.3 The *Contractor* may give *Notice in Writing* to the *Owner*, with a copy to the *Consultant*, that the *Owner* is in default of the *Owner's* contractual obligations if:
- .1 the *Owner* fails to furnish, when so requested by the *Contractor*, reasonable evidence that financial arrangements have been made to fulfill the *Owner's* obligations under the *Contract*, or
 - .2 the *Consultant* fails to issue a certificate as provided in GC 5.3 - PROGRESS PAYMENT, or
 - .3 the *Owner* fails to pay the *Contractor* when due the amounts certified by the *Consultant* or awarded by arbitration or court, or
 - .4 the *Owner* violates the requirements of the *Contract* to a substantial degree and the *Consultant*, except for GC 5.1 - FINANCING INFORMATION REQUIRED OF THE OWNER, confirms by written statement to the *Contractor* that sufficient cause exists.
- 7.2.4 The *Contractor's* *Notice in Writing* to the *Owner* provided under paragraph 7.2.3 shall advise that if the default is not corrected within 5 *Working Days* following the receipt of the *Notice in Writing*, the *Contractor* may, without prejudice to any other right or remedy the *Contractor* may have, suspend the *Work* or terminate the *Contract*.
- 7.2.5 If the *Contractor* terminates the *Contract* under the conditions set out above, the *Contractor* shall be entitled to be paid for all work performed including reasonable profit, for loss sustained upon *Products* and *Construction Equipment*, and such other damages as the *Contractor* may have sustained as a result of the termination of the *Contract*.

PART 8 DISPUTE RESOLUTION

GC 8.1 AUTHORITY OF THE CONSULTANT

- 8.1.1 Differences between the parties to the *Contract* as to the interpretation, application or administration of the *Contract* or any failure to agree where agreement between the parties is called for, herein collectively called disputes, which are not resolved in the first instance by findings of the *Consultant* as provided in GC 2.2 - ROLE OF THE CONSULTANT, shall be settled in accordance with the requirements of Part 8 of the General Conditions - DISPUTE RESOLUTION.
- 8.1.2 If a dispute arises under the *Contract* in respect of a matter in which the *Consultant* has no authority under the *Contract* to make a finding, the procedures set out in paragraph 8.1.3 and paragraphs 8.2.3 to 8.2.8 of GC 8.2 - NEGOTIATION, MEDIATION AND ARBITRATION, and in GC 8.3 - RETENTION OF RIGHTS apply to that dispute with the necessary changes to detail as may be required.
- 8.1.3 If a dispute is not resolved promptly, the *Consultant* will give such instructions as in the *Consultant's* opinion are necessary for the proper performance of the *Work* and to prevent delays pending settlement of the dispute. The parties shall act immediately according to such instructions, it being understood that by so doing neither party will jeopardize any claim the party may have. If it is subsequently determined that such instructions were in error or at variance with the *Contract Documents*, the *Owner* shall pay the *Contractor* costs incurred by the *Contractor* in carrying out such instructions which the *Contractor* was required to do beyond what the *Contract Documents* correctly understood and interpreted would have required, including costs resulting from interruption of the *Work*.

GC 8.2 NEGOTIATION, MEDIATION AND ARBITRATION

- 8.2.1 In accordance with the Rules for Mediation of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing, the parties shall appoint a Project Mediator
- .1 within 20 *Working Days* after the *Contract* was awarded, or
 - .2 if the parties neglected to make an appointment within the 20 *Working Days*, within 10 *Working Days* after either party by *Notice in Writing* requests that the Project Mediator be appointed.
- 8.2.2 A party shall be conclusively deemed to have accepted a finding of the *Consultant* under GC 2.2 - ROLE OF THE CONSULTANT and to have expressly waived and released the other party from any claims in respect of the particular matter dealt with in that finding unless, within 15 *Working Days* after receipt of that finding, the party sends a *Notice in Writing* of dispute to the other party and to the *Consultant*, which contains the particulars of the matter in dispute and the relevant provisions of the *Contract Documents*. The responding party shall send a *Notice in Writing* of reply to the dispute within 10 *Working Days* after receipt of such *Notice in Writing* setting out particulars of this response and any relevant provisions of the *Contract Documents*.
- 8.2.3 The parties shall make all reasonable efforts to resolve their dispute by amicable negotiations and agree to provide, without prejudice, frank, candid and timely disclosure of relevant facts, information and documents to facilitate these negotiations.
- 8.2.4 After a period of 10 *Working Days* following receipt of a responding party's *Notice in Writing* of reply under paragraph 8.2.2, the parties shall request the Project Mediator to assist the parties to reach agreement on any unresolved dispute. The mediated negotiations shall be conducted in accordance with the Rules for Mediation of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing.
- 8.2.5 If the dispute has not been resolved within 10 *Working Days* after the Project Mediator was requested under paragraph 8.2.4 or within such further period agreed by the parties, the Project Mediator shall terminate the mediated negotiations by giving *Notice in Writing* to the *Owner*, the *Contractor* and the *Consultant*.
- 8.2.6 By giving a *Notice in Writing* to the other party and the *Consultant*, not later than 10 *Working Days* after the date of termination of the mediated negotiations under paragraph 8.2.5, either party may refer the dispute to be finally resolved by arbitration under the Rules for Arbitration of Construction Disputes as provided in CCDC 40 in effect at the time of bid closing. The arbitration shall be conducted in the jurisdiction of the *Place of the Work*.
- 8.2.7 On expiration of the 10 *Working Days*, the arbitration agreement under paragraph 8.2.6 is not binding on the parties and, if a *Notice in Writing* is not given under paragraph 8.2.6 within the required time, the parties may refer the unresolved dispute to the courts or to any other form of dispute resolution, including arbitration, which they have agreed to use.

- 8.2.8 If neither party, by *Notice in Writing*, given within 10 *Working Days* of the date of *Notice in Writing* requesting arbitration in paragraph 8.2.6, requires that a dispute be arbitrated immediately, all disputes referred to arbitration as provided in paragraph 8.2.6 shall be
- .1 held in abeyance until
 - (1) *Substantial Performance of the Work*,
 - (2) the *Contract* has been terminated, or
 - (3) the *Contractor* has abandoned the *Work*,whichever is earlier; and
 - .2 consolidated into a single arbitration under the rules governing the arbitration under paragraph 8.2.6.

GC 8.3 RETENTION OF RIGHTS

- 8.3.1 It is agreed that no act by either party shall be construed as a renunciation or waiver of any rights or recourses, provided the party has given the *Notice in Writing* required under Part 8 of the General Conditions - DISPUTE RESOLUTION and has carried out the instructions as provided in paragraph 8.1.3 of GC 8.1 - AUTHORITY OF THE CONSULTANT.
- 8.3.2 Nothing in Part 8 of the General Conditions - DISPUTE RESOLUTION shall be construed in any way to limit a party from asserting any statutory right to a lien under applicable lien legislation of the jurisdiction of the *Place of the Work* and the assertion of such right by initiating judicial proceedings is not to be construed as a waiver of any right that party may have under paragraph 8.2.6 of GC 8.2 - NEGOTIATION, MEDIATION AND ARBITRATION to proceed by way of arbitration to adjudicate the merits of the claim upon which such a lien is based.

PART 9 PROTECTION OF PERSONS AND PROPERTY

GC 9.1 PROTECTION OF WORK AND PROPERTY

- 9.1.1 The *Contractor* shall protect the *Work* and the *Owner's* property and property adjacent to the *Place of the Work* from damage which may arise as the result of the *Contractor's* operations under the *Contract*, and shall be responsible for such damage, except damage which occurs as the result of:
- .1 errors in the *Contract Documents*;
 - .2 acts or omissions by the *Owner*, the *Consultant*, other contractors, their agents and employees.
- 9.1.2 Before commencing any work, the *Contractor* shall determine the location of all underground utilities and structures indicated in the *Contract Documents* or that are reasonably apparent in an inspection of the *Place of the Work*.
- 9.1.3 Should the *Contractor* in the performance of the *Contract* damage the *Work*, the *Owner's* property or property adjacent to the *Place of the Work*, the *Contractor* shall be responsible for making good such damage at the *Contractor's* expense.
- 9.1.4 Should damage occur to the *Work* or *Owner's* property for which the *Contractor* is not responsible, as provided in paragraph 9.1.1, the *Contractor* shall make good such damage to the *Work* and, if the *Owner* so directs, to the *Owner's* property. The *Contract Price* and *Contract Time* shall be adjusted as provided in GC 6.1 - OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.

GC 9.2 TOXIC AND HAZARDOUS SUBSTANCES

- 9.2.1 For the purposes of applicable legislation related to toxic and hazardous substances, the *Owner* shall be deemed to have control and management of the *Place of the Work* with respect to existing conditions.
- 9.2.2 Prior to the *Contractor* commencing the *Work*, the *Owner* shall,
- .1 take all reasonable steps to determine whether any toxic or hazardous substances are present at the *Place of the Work*, and
 - .2 provide the *Consultant* and the *Contractor* with a written list of any such substances that are known to exist and their locations.
- 9.2.3 The *Owner* shall take all reasonable steps to ensure that no person's exposure to any toxic or hazardous substances exceeds the time weighted levels prescribed by applicable legislation at the *Place of the Work* and that no property is damaged or destroyed as a result of exposure to, or the presence of, toxic or hazardous substances which were at the *Place of the Work* prior to the *Contractor* commencing the *Work*.
- 9.2.4 Unless the *Contract* expressly provides otherwise, the *Owner* shall be responsible for taking all necessary steps, in accordance with applicable legislation in force at the *Place of the Work*, to dispose of, store or otherwise render harmless toxic or hazardous substances which were present at the *Place of the Work* prior to the *Contractor* commencing the *Work*.

9.2.5 If the *Contractor*

- .1 encounters toxic or hazardous substances at the *Place of the Work*, or
- .2 has reasonable grounds to believe that toxic or hazardous substances are present at the *Place of the Work*, which were not brought to the *Place of the Work* by the *Contractor* or anyone for whom the *Contractor* is responsible and which were not disclosed by the *Owner* or which were disclosed but have not been dealt with as required under paragraph 9.2.4, the *Contractor* shall
- .3 take all reasonable steps, including stopping the *Work*, to ensure that no person's exposure to any toxic or hazardous substances exceeds any applicable time weighted levels prescribed by applicable legislation at the *Place of the Work*, and
- .4 immediately report the circumstances to the *Consultant* and the *Owner* in writing.

9.2.6 If the *Owner* and *Contractor* do not agree on the existence, significance of, or whether the toxic or hazardous substances were brought onto the *Place of the Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Owner* shall retain and pay for an independent qualified expert to investigate and determine such matters. The expert's report shall be delivered to the *Owner* and the *Contractor*.

9.2.7 If the *Owner* and *Contractor* agree or if the expert referred to in paragraph 9.2.6 determines that the toxic or hazardous substances were not brought onto the place of the *Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Owner* shall promptly at the *Owner's* own expense:

- .1 take all steps as required under paragraph 9.2.4;
- .2 reimburse the *Contractor* for the costs of all steps taken pursuant to paragraph 9.2.5;
- .3 extend the *Contract* time for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor* and the expert referred to in 9.2.6 and reimburse the *Contractor* for reasonable costs incurred as a result of the delay; and
- .4 indemnify the *Contractor* as required by GC 12.1 - INDEMNIFICATION.

9.2.8 If the *Owner* and *Contractor* agree or if the expert referred to in paragraph 9.2.6 determines that the toxic or hazardous substances were brought onto the place of the *Work* by the *Contractor* or anyone for whom the *Contractor* is responsible, the *Contractor* shall promptly at the *Contractor's* own expense:

- .1 take all necessary steps, in accordance with applicable legislation in force at the *Place of the Work*, to safely remove and dispose the toxic or hazardous substances;
- .2 make good any damage to the *Work*, the *Owner's* property or property adjacent to the place of the *Work* as provided in paragraph 9.1.3 of GC 9.1 - PROTECTION OF WORK AND PROPERTY;
- .3 reimburse the *Owner* for reasonable costs incurred under paragraph 9.2.6; and
- .4 indemnify the *Owner* as required by GC 12.1 - INDEMNIFICATION.

9.2.9 If either party does not accept the expert's findings under paragraph 9.2.6, the disagreement shall be settled in accordance with Part 8 of the General Conditions - Dispute Resolution. If such disagreement is not resolved promptly, the parties shall act immediately in accordance with the expert's determination and take the steps required by paragraph 9.2.7 or 9.2.8 it being understood that by so doing, neither party will jeopardize any claim that party may have to be reimbursed as provided by GC 9.2 - TOXIC AND HAZARDOUS SUBSTANCES.

GC 9.3 ARTIFACTS AND FOSSILS

9.3.1 Fossils, coins, articles of value or antiquity, structures and other remains or things of scientific or historic interest discovered at the *Place or Work* shall, as between the *Owner* and the *Contractor*, be deemed to be the absolute property of the *Owner*.

9.3.2 The *Contractor* shall take all reasonable precautions to prevent removal or damage to discoveries as identified in paragraph 9.3.1, and shall advise the *Consultant* upon discovery of such items.

9.3.3 The *Consultant* will investigate the impact on the *Work* of the discoveries identified in paragraph 9.3.1. If conditions are found that would cause an increase or decrease in the *Contractor's* cost or time to perform the *Work*, the *Consultant*, with the *Owner's* approval, will issue appropriate instructions for a change in the *Work* as provided in GC 6.2 - CHANGE ORDER or GC 6.3 CHANGE DIRECTIVE.

GC 9.4 CONSTRUCTION SAFETY

9.4.1 Subject to paragraph 3.2.2.2 of GC 3.2 - CONSTRUCTION BY OWNER OR OTHER CONTRACTORS, the *Contractor* shall be solely responsible for construction safety at the *Place of the Work* and for compliance with the rules, regulations and practices required by the applicable construction health and safety legislation and shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the *Work*.

GC 9.5 MOULD

- 9.5.1 If the *Contractor* or *Owner* observes or reasonably suspects the presence of mould at the *Place of the Work*, the remediation of which is not expressly part of the *Work*,
- .1 the observing party shall promptly report the circumstances to the other party in writing, and
 - .2 the *Contractor* shall promptly take all reasonable steps, including stopping the *Work* if necessary, to ensure that no person suffers injury, sickness or death and that no property is damaged as a result of exposure to or the presence of the mould, and
 - .3 if the *Owner* and *Contractor* do not agree on the existence, significance or cause of the mould or as to what steps need be taken to deal with it, the *Owner* shall retain and pay for an independent qualified expert to investigate and determine such matters. The expert's report shall be delivered to the *Owner* and *Contractor*.
- 9.5.2 If the *Owner* and *Contractor* agree, or if the expert referred to in paragraph 9.5.1.3 determines that the presence of mould was caused by the *Contractor*'s operations under the *Contract*, the *Contractor* shall promptly, at the *Contractor*'s own expense:
- .1 take all reasonable and necessary steps to safely remediate or dispose of the mould, and
 - .2 make good any damage to the *Work*, the *Owner*'s property or property adjacent to the *Place of the Work* as provided in paragraph 9.1.3 of GC 9.1 - PROTECTION OF WORK AND PROPERTY, and
 - .3 reimburse the *Owner* for reasonable costs incurred under paragraph 9.5.1.3, and
 - .4 indemnify the *Owner* as required by GC 12.1 - INDEMNIFICATION.
- 9.5.3 If the *Owner* and *Contractor* agree, or if the expert referred to in paragraph 9.5.1.3 determines that the presence of mould was not caused by the *Contractor*'s operations under the *Contract*, the *Owner* shall promptly, at the *Owner*'s own expense:
- .1 take all reasonable and necessary steps to safely remediate or dispose of the mould, and
 - .2 reimburse the *Contractor* for the cost of taking the steps under paragraph 9.5.1.2 and making good any damage to the *Work* as provided in paragraph 9.1.4 of GC 9.1 - PROTECTION OF WORK AND PROPERTY, and
 - .3 extend the *Contract Time* for such reasonable time as the *Consultant* may recommend in consultation with the *Contractor* and the expert referred to in paragraph 9.5.1.3 and reimburse the *Contractor* for reasonable costs incurred as a result of the delay, and
 - .4 indemnify the *Contractor* as required by GC 12.1 - INDEMNIFICATION.
- 9.5.4 If either party does not accept the expert's finding under paragraph 9.5.1.3, the disagreement shall be settled in accordance with Part 8 of the General Conditions - DISPUTE RESOLUTION. If such disagreement is not resolved promptly, the parties shall act immediately in accordance with the expert's determination and take the steps required by paragraphs 9.5.2 or 9.5.3, it being understood that by so doing neither party will jeopardize any claim the party may have to be reimbursed as provided by GC 9.5 - MOULD.

PART 10 GOVERNING REGULATIONS

GC 10.1 TAXES AND DUTIES

- 10.1.1 The *Contract Price* shall include all taxes and customs duties in effect at the time of the bid closing except for *Value Added Taxes* payable by the *Owner* to the *Contractor* as stipulated in Article A-4 of the Agreement - CONTRACT PRICE.
- 10.1.2 Any increase or decrease in costs to the *Contractor* due to changes in such included taxes and duties after the time of the bid closing shall increase or decrease the *Contract Price* accordingly.

GC 10.2 LAWS, NOTICES, PERMITS, AND FEES

- 10.2.1 The laws of the *Place of the Work* shall govern the *Work*.
- 10.2.2 The *Owner* shall obtain and pay for development approvals, building permit, permanent easements, rights of servitude, and all other necessary approvals and permits, except for the permits and fees referred to in paragraph 10.2.3 or for which the *Contract Documents* specify as the responsibility of the *Contractor*.
- 10.2.3 The *Contractor* shall be responsible for the procurement of permits, licences, inspections, and certificates, which are necessary for the performance of the *Work* and customarily obtained by contractors in the jurisdiction of the *Place of the Work* after the issuance of the building permit. The *Contract Price* includes the cost of these permits, licences, inspections, and certificates, and their procurement.
- 10.2.4 The *Contractor* shall give the required notices and comply with the laws, ordinances, rules, regulations, or codes which are or become in force during the performance of the *Work* and which relate to the *Work*, to the preservation of the public health, and to construction safety.

- 10.2.5 The *Contractor* shall not be responsible for verifying that the *Contract Documents* are in compliance with the applicable laws, ordinances, rules, regulations, or codes relating to the *Work*. If the *Contract Documents* are at variance therewith, or if, subsequent to the time of bid closing, changes are made to the applicable laws, ordinances, rules, regulations, or codes which require modification to the *Contract Documents*, the *Contractor* shall advise the *Consultant* in writing requesting direction immediately upon such variance or change becoming known. The *Consultant* will make the changes required to the *Contract Documents* as provided in GC 6.1 - OWNER'S RIGHT TO MAKE CHANGES, GC 6.2 - CHANGE ORDER and GC 6.3 - CHANGE DIRECTIVE.
- 10.2.6 If the *Contractor* fails to advise the *Consultant* in writing; and fails to obtain direction as required in paragraph 10.2.5; and performs work knowing it to be contrary to any laws, ordinances, rules, regulations, or codes; the *Contractor* shall be responsible for and shall correct the violations thereof; and shall bear the costs, expenses and damages attributable to the failure to comply with the provisions of such laws, ordinances, rules, regulations, or codes.
- 10.2.7 If, subsequent to the time of bid closing, changes are made to applicable laws, ordinances, rules, regulations, or codes of authorities having jurisdiction which affect the cost of the *Work*, either party may submit a claim in accordance with the requirements of GC 6.6 – CLAIMS FOR A CHANGE IN CONTRACT PRICE.

GC 10.3 PATENT FEES

- 10.3.1 The *Contractor* shall pay the royalties and patent licence fees required for the performance of the *Contract*. The *Contractor* shall hold the *Owner* harmless from and against claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of the *Contractor's* performance of the *Contract* which are attributable to an infringement or an alleged infringement of a patent of invention by the *Contractor* or anyone for whose acts the *Contractor* may be liable.
- 10.3.2 The *Owner* shall hold the *Contractor* harmless against claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of the *Contractor's* performance of the *Contract* which are attributable to an infringement or an alleged infringement of a patent of invention in executing anything for the purpose of the *Contract*, the model, plan or design of which was supplied to the *Contractor* as part of the *Contract Documents*.

GC 10.4 WORKERS' COMPENSATION

- 10.4.1 Prior to commencing the *Work*, again with the *Contractor's* application for payment of the holdback amount following *Substantial Performance of the Work* and again with the *Contractor's* application for final payment, the *Contractor* shall provide evidence of compliance with workers' compensation legislation at the *Place of the Work*, including payments due thereunder.
- 10.4.2 At any time during the term of the *Contract*, when requested by the *Owner*, the *Contractor* shall provide such evidence of compliance by the *Contractor* and *Subcontractors*.

PART 11 INSURANCE AND CONTRACT SECURITY

GC 11.1 INSURANCE

- 11.1.1 Without restricting the generality of GC 12.1 - INDEMNIFICATION, the *Contractor* shall provide, maintain and pay for the following insurance coverages, the minimum requirements of which are specified in CCDC 41 – CCDC Insurance Requirements in effect at the time of bid closing except as hereinafter provided:
1. General liability insurance in the name of the *Contractor* and include, or in the case of a single, blanket policy, be endorsed to name, the *Owner* and the *Consultant* as insureds but only with respect to liability, other than legal liability arising out of their sole negligence, arising out of the operations of the *Contractor* with regard to the *Work*. General liability insurance shall be maintained from the date of commencement of the *Work* until one year from the date of *Substantial Performance of the Work*. Liability coverage shall be provided for completed operations hazards from the date of *Substantial Performance of the Work*, as set out in the certificate of *Substantial Performance of the Work*, on an ongoing basis for a period of 6 years following *Substantial Performance of the Work*.
 2. Automobile Liability Insurance from the date of commencement of the *Work* until one year after the date of *Substantial Performance of the Work*.
 3. Aircraft or Watercraft Liability Insurance when owned or non-owned aircraft or watercraft are used directly or indirectly in the performance of the *Work*.
 4. "Broad form" property insurance in the joint names of the *Contractor*, the *Owner* and the *Consultant*. The policy shall include as insureds all *Subcontractors*. The "Broad form" property insurance shall be provided from the date of commencement of the *Work* until the earliest of:
 - (1) 10 calendar days after the date of *Substantial Performance of the Work*;

- (2) on the commencement of use or occupancy of any part or section of the *Work* unless such use or occupancy is for construction purposes, habitation, office, banking, convenience store under 465 square metres in area, or parking purposes, or for the installation, testing and commissioning of equipment forming part of the *Work*;
- (3) when left unattended for more than 30 consecutive calendar days or when construction activity has ceased for more than 30 consecutive calendar days.
- 5 Boiler and machinery insurance in the joint names of the *Contractor*, the *Owner* and the *Consultant*. The policy shall include as insureds all *Subcontractors*. The coverage shall be maintained continuously from commencement of use or operation of the boiler and machinery objects insured by the policy and until 10 calendar days after the date of *Substantial Performance of the Work*.
- 6 The "Broad form" property and boiler and machinery policies shall provide that, in the case of a loss or damage, payment shall be made to the *Owner* and the *Contractor* as their respective interests may appear. In the event of loss or damage:
 - (1) the *Contractor* shall act on behalf of the *Owner* for the purpose of adjusting the amount of such loss or damage payment with the insurers. When the extent of the loss or damage is determined, the *Contractor* shall proceed to restore the *Work*. Loss or damage shall not affect the rights and obligations of either party under the *Contract* except that the *Contractor* shall be entitled to such reasonable extension of *Contract Time* relative to the extent of the loss or damage as the *Consultant* may recommend in consultation with the *Contractor*;
 - (2) the *Contractor* shall be entitled to receive from the *Owner*, in addition to the amount due under the *Contract*, the amount which the *Owner's* interest in restoration of the *Work* has been appraised, such amount to be paid as the restoration of the *Work* proceeds in accordance with the progress payment provisions. In addition the *Contractor* shall be entitled to receive from the payments made by the insurer the amount of the *Contractor's* interest in the restoration of the *Work*; and
 - (3) to the *Work* arising from the work of the *Owner*, the *Owner's* own forces or another contractor, the *Owner* shall, in accordance with the *Owner's* obligations under the provisions relating to construction by *Owner* or other contractors, pay the *Contractor* the cost of restoring the *Work* as the restoration of the *Work* proceeds and as in accordance with the progress payment provisions.
- 7 *Contractors' Equipment Insurance* from the date of commencement of the *Work* until one year after the date of *Substantial Performance of the Work*.
- 11.1.2 Prior to commencement of the *Work* and upon the placement, renewal, amendment, or extension of all or any part of the insurance, the *Contractor* shall promptly provide the *Owner* with confirmation of coverage and, if required, a certified true copy of the policies certified by an authorized representative of the insurer together with copies of any amending endorsements applicable to the *Work*.
- 11.1.3 The parties shall pay their share of the deductible amounts in direct proportion to their responsibility in regards to any loss for which the above policies are required to pay, except where such amounts may be excluded by the terms of the *Contract*.
- 11.1.4 If the *Contractor* fails to provide or maintain insurance as required by the *Contract Documents*, then the *Owner* shall have the right to provide and maintain such insurance and give evidence to the *Contractor* and the *Consultant*. The *Contractor* shall pay the cost thereof to the *Owner* on demand or the *Owner* may deduct the cost from the amount which is due or may become due to the *Contractor*.
- 11.1.5 All required insurance policies shall be with insurers licensed to underwrite insurance in the jurisdiction of the *Place of the Work*.
- 11.1.6 If a revised version of CCDC 41 – INSURANCE REQUIREMENTS is published, which specifies reduced insurance requirements, the parties shall address such reduction, prior to the *Contractor's* insurance policy becoming due for renewal, and record any agreement in a *Change Order*.
- 11.1.7 If a revised version of CCDC 41 – INSURANCE REQUIREMENTS is published, which specifies increased insurance requirements, the *Owner* may request the increased coverage from the *Contractor* by way of a *Change Order*.
- 11.1.8 A *Change Directive* shall not be used to direct a change in the insurance requirements in response to the revision of CCDC 41 – INSURANCE REQUIREMENTS.

GC 11.2 CONTRACT SECURITY

- 11.2.1 The *Contractor* shall, prior to commencement of the *Work* or within the specified time, provide to the *Owner* any *Contract* security specified in the *Contract Documents*.

- 11.2.2 If the *Contract Documents* require surety bonds to be provided, such bonds shall be issued by a duly licensed surety company authorized to transact the business of suretyship in the province or territory of the *Place of the Work* and shall be maintained in good standing until the fulfillment of the *Contract*. The form of such bonds shall be in accordance with the latest edition of the CCDC approved bond forms.

PART 12 INDEMNIFICATION, WAIVER OF CLAIMS AND WARRANTY

GC 12.1 INDEMNIFICATION

- 12.1.1 Without restricting the parties' obligation to indemnify as described in paragraphs 12.1.4 and 12.1.5, the *Owner* and the *Contractor* shall each indemnify and hold harmless the other from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings whether in respect to losses suffered by them or in respect to claims by third parties that arise out of, or are attributable in any respect to their involvement as parties to this *Contract*, provided such claims are:
- .1 caused by:
 - (1) the negligent acts or omissions of the party from whom indemnification is sought or anyone for whose acts or omissions that party is liable, or
 - (2) a failure of the party to the *Contract* from whom indemnification is sought to fulfill its terms or conditions; and
 - .2 made by *Notice in Writing* within a period of 6 years from the date of *Substantial Performance of the Work* as set out in the certificate of *Substantial Performance of the Work* issued pursuant to paragraph 5.4.2.2 of GC 5.4 – SUBSTANTIAL PERFORMANCE OF THE WORK or within such shorter period as may be prescribed by any limitation statute of the province or territory of the *Place of the Work*.
- The parties expressly waive the right to indemnify for claims other than those provided for in this *Contract*.
- 12.1.2 The obligation of either party to indemnify as set forth in paragraph 12.1.1 shall be limited as follows:
- .1 In respect to losses suffered by the *Owner* and the *Contractor* for which insurance is to be provided by either party pursuant to GC 11.1 – INSURANCE, the general liability insurance limit for one occurrence as referred to in CCDC 41 in effect at the time of bid closing.
 - .2 In respect to losses suffered by the *Owner* and the *Contractor* for which insurance is not required to be provided by either party in accordance with GC 11.1 – INSURANCE, the greater of the *Contract Price* as recorded in Article A-4 – CONTRACT PRICE or \$2,000,000, but in no event shall the sum be greater than \$20,000,000.
 - .3 In respect to claims by third parties for direct loss resulting from bodily injury, sickness, disease or death, or to injury to or destruction of tangible property, the obligation to indemnify is without limit. In respect to all other claims for indemnity as a result of claims advanced by third parties, the limits of indemnity set forth in paragraphs 12.1.2.1 and 12.1.2.2 shall apply.
- 12.1.3 The obligation of either party to indemnify the other as set forth in paragraphs 12.1.1 and 12.1.2 shall be inclusive of interest and all legal costs.
- 12.1.4 The *Owner* and the *Contractor* shall indemnify and hold harmless the other from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of their obligations described in GC 9.2 – TOXIC AND HAZARDOUS SUBSTANCES.
- 12.1.5 The *Owner* shall indemnify and hold harmless the *Contractor* from and against all claims, demands, losses, costs, damages, actions, suits, or proceedings:
- .1 as described in paragraph 10.3.2 of GC 10.3 – PATENT FEES, and
 - .2 arising out of the *Contractor's* performance of the *Contract* which are attributable to a lack of or defect in title or an alleged lack of or defect in title to the *Place of the Work*.
- 12.1.6 In respect to any claim for indemnity or to be held harmless by the *Owner* or the *Contractor*:
- .1 *Notice in Writing* of such claim shall be given within a reasonable time after the facts upon which such claim is based became known;
 - .2 should any party be required as a result of its obligation to indemnify another to pay or satisfy a final order, judgment or award made against the party entitled by this contract to be indemnified, then the indemnifying party upon assuming all liability for any costs that might result shall have the right to appeal in the name of the party against whom such final order or judgment has been made until such rights of appeal have been exhausted.

GC 12.2 WAIVER OF CLAIMS

- 12.2.1 Subject to any lien legislation applicable to the *Place of the Work*, as of the fifth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the *Contractor* waives and releases the *Owner* from all claims which the *Contractor* has or reasonably ought to have knowledge of that could be advanced by the *Contractor* against the *Owner* arising from the *Contractor*'s involvement in the *Work*, including, without limitation, those arising from negligence or breach of contract in respect to which the cause of action is based upon acts or omissions which occurred prior to or on the date of *Substantial Performance of the Work*, except as follows:
- .1 claims arising prior to or on the date of *Substantial Performance of the Work* for which *Notice in Writing* of claim has been received by the *Owner* from the *Contractor* no later than the sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*;
 - .2 indemnification for claims advanced against the *Contractor* by third parties for which a right of indemnification may be asserted by the *Contractor* against the *Owner* pursuant to the provisions of this *Contract*;
 - .3 claims for which a right of indemnity could be asserted by the *Contractor* pursuant to the provisions of paragraphs 12.1.4 or 12.1.5 of GC 12.1 – INDEMNIFICATION; and
 - .4 claims resulting from acts or omissions which occur after the date of *Substantial Performance of the Work*.
- 12.2.2 The *Contractor* waives and releases the *Owner* from all claims referenced in paragraph 12.2.1.4 except for those referred in paragraphs 12.2.1.2 and 12.2.1.3 and claims for which *Notice in Writing* of claim has been received by the *Owner* from the *Contractor* within 395 calendar days following the date of *Substantial Performance of the Work*.
- 12.2.3 Subject to any lien legislation applicable to the *Place of the Work*, as of the fifth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the *Owner* waives and releases the *Contractor* from all claims which the *Owner* has or reasonably ought to have knowledge of that could be advanced by the *Owner* against the *Contractor* arising from the *Owner*'s involvement in the *Work*, including, without limitation, those arising from negligence or breach of contract in respect to which the cause of action is based upon acts or omissions which occurred prior to or on the date of *Substantial Performance of the Work*, except as follows:
- .1 claims arising prior to or on the date of *Substantial Performance of the Work* for which *Notice in Writing* of claim has been received by the *Contractor* from the *Owner* no later than the sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*;
 - .2 indemnification for claims advanced against the *Owner* by third parties for which a right of indemnification may be asserted by the *Owner* against the *Contractor* pursuant to the provisions of this *Contract*;
 - .3 claims for which a right of indemnity could be asserted by the *Owner* against the *Contractor* pursuant to the provisions of paragraph 12.1.4 of GC 12.1 – INDEMNIFICATION;
 - .4 damages arising from the *Contractor*'s actions which result in substantial defects or deficiencies in the *Work*. "Substantial defects or deficiencies" mean those defects or deficiencies in the *Work* which affect the *Work* to such an extent or in such a manner that a significant part or the whole of the *Work* is unfit for the purpose intended by the *Contract Documents*;
 - .5 claims arising pursuant to GC 12.3 – WARRANTY; and
 - .6 claims arising from acts or omissions which occur after the date of *Substantial Performance of the Work*.
- 12.2.4 The *Owner* waives and releases the *Contractor* from all claims referred to in paragraph 12.2.3.4 except claims for which *Notice in Writing* of claim has been received by the *Contractor* from the *Owner* within a period of six years from the date of *Substantial Performance of the Work* should any limitation statute of the Province or Territory of the *Place of the Work* permit such agreement. If the applicable limitation statute does not permit such agreement, within such shorter period as may be prescribed by:
- .1 any limitation statute of the Province or Territory of the *Place of the Work*; or
 - .2 if the *Place of the Work* is the Province of Quebec, then Article 2118 of the Civil Code of Quebec.
- 12.2.5 The *Owner* waives and releases the *Contractor* from all claims referenced in paragraph 12.2.3.6 except for those referred in paragraph 12.2.3.2, 12.2.3.3 and those arising under GC 12.3 – WARRANTY and claims for which *Notice in Writing* has been received by the *Contractor* from the *Owner* within 395 calendar days following the date of *Substantial Performance of the Work*.
- 12.2.6 "Notice in Writing of claim" as provided for in GC 12.2 – WAIVER OF CLAIMS to preserve a claim or right of action which would otherwise, by the provisions of GC 12.2 – WAIVER OF CLAIMS, be deemed to be waived, must include the following:
- .1 a clear and unequivocal statement of the intention to claim;
 - .2 a statement as to the nature of the claim and the grounds upon which the claim is based; and
 - .3 a statement of the estimated quantum of the claim.
- 12.2.7 The party giving "Notice in Writing of claim" as provided for in GC 12.2 – WAIVER OF CLAIMS shall submit within a reasonable time a detailed account of the amount claimed.

- 12.2.8 Where the event or series of events giving rise to a claim made under paragraphs 12.2.1 or 12.2.3 has a continuing effect, the detailed account submitted under paragraph 12.2.7 shall be considered to be an interim account and the party making the claim shall submit further interim accounts, at reasonable intervals, giving the accumulated amount of the claim and any further grounds upon which it is based. The party making the claim shall submit a final account after the end of the effects resulting from the event or series of events.
- 12.2.9 If a *Notice in Writing* of claim pursuant to paragraph 12.2.1.1 is received on the seventh or sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the period within which *Notice in Writing* of claim shall be received pursuant to paragraph 12.2.3.1 shall be extended to two calendar days before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*.
- 12.2.10 If a *Notice in Writing* of claim pursuant to paragraph 12.2.3.1 is received on the seventh or sixth calendar day before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*, the period within which *Notice in Writing* of claim shall be received pursuant to paragraph 12.2.1.1 shall be extended to two calendar days before the expiry of the lien period provided by the lien legislation applicable at the *Place of the Work*.

GC 12.3 WARRANTY

- 12.3.1 Except for extended warranties as described in paragraph 12.3.6, the warranty period under the *Contract* is one year from the date of *Substantial Performance of the Work*.
- 12.3.2 The *Contractor* shall be responsible for the proper performance of the *Work* to the extent that the design and *Contract Documents* permit such performance.
- 12.3.3 The *Owner*, through the *Consultant*, shall promptly give the *Contractor* *Notice in Writing* of observed defects and deficiencies which occur during the one year warranty period.
- 12.3.4 Subject to paragraph 12.3.2, the *Contractor* shall correct promptly, at the *Contractor's* expense, defects or deficiencies in the *Work* which appear prior to and during the one year warranty period.
- 12.3.5 The *Contractor* shall correct or pay for damage resulting from corrections made under the requirements of paragraph 12.3.4.
- 12.3.6 Any extended warranties required beyond the one year warranty period as described in paragraph 12.3.1, shall be as specified in the *Contract Documents*. Extended warranties shall be issued by the warrantor to the benefit of the *Owner*. The *Contractor's* responsibility with respect to extended warranties shall be limited to obtaining any such extended warranties from the warrantor. The obligations under such extended warranties are solely the responsibilities of the warrantor.

75 Albert Street
Suite 400
Ottawa, Ont. K1P 5E7

Tel: (613) 236-9455
Fax: (613) 236-9526
info@ccdc.org

CANADIAN CONSTRUCTION DOCUMENTS COMMITTEE

CCDC 41 CCDC INSURANCE REQUIREMENTS

PUBLICATION DATE: JANUARY 21, 2008

1. General liability insurance shall be with limits of not less than \$5,000,000 per occurrence, an aggregate limit of not less than \$5,000,000 within any policy year with respect to completed operations, and a deductible not exceeding \$5,000. The insurance coverage shall not be less than the insurance provided by IBC Form 2100 (including an extension for a standard provincial and territorial form of non-owned automobile liability policy) and IBC Form 2320. To achieve the desired limit, umbrella or excess liability insurance may be used. Subject to satisfactory proof of financial capability by the *Contractor*, the *Owner* may agree to increase the deductible amounts.
2. Automobile liability insurance in respect of vehicles that are required by law to be insured under a contract by a Motor Vehicle Liability Policy, shall have limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death and damage to property, covering all vehicles owned or leased by the *Contractor*. Where the policy has been issued pursuant to a government-operated automobile insurance system, the *Contractor* shall provide the *Owner* with confirmation of automobile insurance coverage for all automobiles registered in the name of the *Contractor*.
3. Aircraft and watercraft liability insurance with respect to owned or non-owned aircraft and watercraft (if used directly or indirectly in the performance of the *Work*), including use of additional premises, shall have limits of not less than \$5,000,000 inclusive per occurrence for bodily injury, death and damage to property including loss of use thereof and limits of not less than \$5,000,000 for aircraft passenger hazard. Such insurance shall be in a form acceptable to the *Owner*.
4. "Broad form" property insurance shall have limits of not less than the sum of 1.1 times *Contract Price* and the full value, as stated in the *Contract*, of *Products* and design services that are specified to be provided by the *Owner* for incorporation into the *Work*, with a deductible not exceeding \$5,000. The insurance coverage shall not be less than the insurance provided by IBC Forms 4042 and 4047 (excluding flood and earthquake) or their equivalent replacement. Subject to satisfactory proof of financial capability by the *Contractor*, the *Owner* may agree to increase the deductible amounts.
5. Boiler and machinery insurance shall have limits of not less than the replacement value of the permanent or temporary boilers and pressure vessels, and other insurable objects forming part of the *Work*. The insurance coverage shall not be less than the insurance provided by a comprehensive boiler and machinery policy.
6. "Broad form" contractors' equipment insurance coverage covering *Construction Equipment* used by the *Contractor* for the performance of the *Work*, shall be in a form acceptable to the *Owner* and shall not allow subrogation claims by the insurer against the *Owner*. Subject to satisfactory proof of financial capability by the *Contractor* for self-insurance, the *Owner* may agree to waive the equipment insurance requirement.
7. Standard Exclusions
 - 7.1 In addition to the broad form property exclusions identified in IBC forms 4042(1995), and 4047(2000), the *Contractor* is not required to provide the following insurance coverage:
 - Asbestos
 - Cyber Risk
 - Mould
 - Terrorism

Association
of Canadian
Engineering
Companies

Canadian
Construction
Association

Construction
Specifications
Canada

The Royal
Architectural
Institute of Canada



Appendix D – FIT Application Summary

Street Name [Civic]	Initial Application package received	Initial Consultation - Information Package Sent	Initial Application Capacity (kW)	Application review complete and CIA Cover letter issued	Completed PUC CIA Application Package and CIA deposit received	DSC Time to Complete CIA (60 or 90 bus. days)	CIA Completed - Offer to Connect letter issued	CIA completed within time prescribed by OEB	Offer to Connect accepted and payment received	Allocated OR Capacity signed, cheque received OR CAE	Feeder	Connection Completed Date	Connected kW - FIT Projects	Connected kW - Non FIT Projects	Comments		
Landslide Drive []	-	-	-	-	-	-	-	-	-	250	TA-11		250		Connected - HOEP		
Northern Avenue [443]	-	-	-	-	-	-	-	-	-	37	TA-6	-	37		Connected as a load displacement		
Second Line West []	-	-	-	-	-	-	-	-	-	45	TA-7	-	45		Connected as a load displacement		
Sault College Airport Hangar		2010-10-25	35	2011-08-09	2011-09-09	60	2011-11-02	Yes	2011-12-20	35	TA-7	2012-11-23	35		Connected FIT		
Yates Ave [155]		2010-04-19	500			60	2011-05-16		N/A	500	TA-7			500	Connected - HOEP		
Industrial Court B [99]		2010-05-21													preliminary inquiry		
McNabb St [200]		2010-07-15													preliminary inquiry		
MacDonald Av [677]		2010-10-28	250	2011-09-09	2011-09-26	60	2011-11-24	Yes	2012-01-10	250	TS1 - East Bus	2012-08-29	250		Connected FIT		
Second Line W [2059]		2010-10-28	100	2011-01-18	2011-02-28	60	2011-03-11	Yes	2011-05-30	100	TA-7	2011-06-09	100		Connected FIT		
Malabar [20]		2011-02-08	20												preliminary inquiry		
Old Goulais Bay Rd [1259]		2011-02-14	5000												preliminary inquiry		
Queen St [1520]			135	2011-03-24	2011-06-14	60	2011-08-15	Yes	2011-09-27	135	SM-9	2011-11-14	135		Connected FIT		
Queen Ste E [244]		2011-01-25	15												preliminary inquiry		
Bruce St [218]		2011-05-09	346.9												preliminary inquiry		
Bay St [293]		2011-03-07	1500												preliminary inquiry		
Northern Ave. E [443]		2011-08-30	249	2011-09-09											preliminary inquiry		
Great Northern Rd [803]		2012-10-12	75	2011-09-02											preliminary inquiry		
Third Line W [515]		2011-03-17													preliminary inquiry		
North St [600]		2011-03-29	110												preliminary inquiry		
Goulais Ave [616]		2011-03-31													preliminary inquiry		
500 Second Line E		2012-10-15	266.22												preliminary inquiry		
Third Line E [773]		2011-04-15	250												preliminary inquiry		
West St [105]		2011-04-21	1500												preliminary inquiry		
Industrial Court B [5]		2011-05-11	99.4												preliminary inquiry		
Trunk Rd [543]		2011-05-25	53												preliminary inquiry		
Trunk Rd [539]		2011-05-25	47												preliminary inquiry		
Bay St. [216]		2011-06-10													preliminary inquiry		
Old Goulais Bay Rd		2011-06-22	5000												preliminary inquiry		
Connor Rd [226]		2011-06-30	40												preliminary inquiry		
Goulais Ave [616]		2012-10-05	270.3												preliminary inquiry		
Trunk Rd [625]		2011-07-21	249.9												preliminary inquiry		
Allen's Side Rd [520]		2011-07-22	75	2011-09-02											preliminary inquiry		
Trunk Rd [953]		2011-08-29	36												preliminary inquiry		
Wood Park Court [16]		2011-08-29	250												preliminary inquiry		
Great Northern Rd [333]		2011-10-04	144												preliminary inquiry		
Northern Ave. [207]		2011-11-05	28.05												preliminary inquiry		
Great Northern Rd. [229]		2011-10-26	250												preliminary inquiry		
Black Rd [105]		2012-10-03	47.06												preliminary inquiry		
Black Rd [735]		2012-11-20	27.5												preliminary inquiry		
		2012-12-06	17000												preliminary inquiry		
Sackville Rd [9]		2012-12-24	100												preliminary inquiry		
275 Second Line West		2013-01-09	500												preliminary inquiry		
15 Jean St.		2013-01-09	75												preliminary inquiry		
17 Batchewana St.		2013-01-09	85												preliminary inquiry		
103 Metig St.		2013-01-09	70												preliminary inquiry		
99 Gran St.		2013-01-09	75												preliminary inquiry		
90 Ontario Ave.		2013-01-14	109.905												preliminary inquiry		
Lot 8 Bittern St.		2013-01-21	250												preliminary inquiry		
Lot 10 Bittern St.		2013-01-21	250												preliminary inquiry		
Lot 12 Bittern St.		2013-01-21	250												preliminary inquiry		
44 Great Northern Rd		2013-01-16	200												preliminary inquiry		
44 Great Northern Rd		2013-01-16	200												preliminary inquiry		
	0	48	36134.235		4		5		4	0		4	520	832	1352	Grand Total connected kW (FIT + non-FIT)	
Total (Allocated - Connected) kW																1352	Grand Total connected + Allocated kW

Appendix E – Injury-Incident Report

INJURIES Near Misses LOST TIME Med Aid report

Near Miss	Injury	Last Name	First Name	Department	Incid Date:	Reoccurrence	Reported	Body Injury	Event Description	First Aid	Medical Aid	Num Lost Time Injury
1				Fleet	05-Oct-04	No	04-Oct-04	Eyes	dirt on hand wiped eye	1	1	
1				Fleet	18-Jan-06	No		Wrist	restriction while pulling cord - sore wrist			
1				Fleet	01-Mar-06	No		Back	lifting tire to install on axle - sore back			
1				Fleet	25-Aug-06	No		Knee	moving rad into place awkward slipped - sprain knee			
1				Fleet	09-Jul-08	No	18-Aug-08	Arm	removed guard bolts twisted arm			
1				Fleet	14-Oct-08	No	14-Oct-08	Back	removed boom cylinder awkward position			
1				Fleet	12-Mar-09	No	12-Mar-09	Eyes	working under tr11 dirt fell from frame		1	
1				Fleet	08-Jun-09	No	08-Jun-09	Back	awkward position tightening fittings inside turret		1	
1				Fleet	29-Dec-09	No	29-Dec-09	Knee	slipped off pallet			
1				Fleet	28-Sep-10	No	29-Sep-10	Back	moving large 8D batteries pump station, overexertion		1	
1				Fleet	25-Sep-12	No	25-Sep-12	back	lifting brake drum Tr 9 pain in back			
Total Near Misses:				Total INJURIES: 11			Total MEDICAL AID: 4			# of Lost Time Injury: 0		

INJURIES Near Misses LOST TIME Med Aid report

Near Miss	Injury	Last Name	First Name	Department	Incid Date:	Reoccurrence	Reported	Body Injury	Event Description	First Aid	Medical Aid	Num Lost Time Injury
				Mechanic Dept	21-Apr-99	No		Wrist	left, no particular incident		1	
				Mechanic	16-Nov-99	No		Headache	odour in mechanic shop			
				Mechanic	24-Mar-00	No		Headache	odour from floor drain			
1				Fleet	31-Jul-06	No		Shoulder	awkward position instal tywraps under truck sorene			
1				Fleet	05-Feb-10	No	05-Feb-10	Shoulder	overexertion	1		
1				Fleet	09-Oct-10	Yes	12-Oct-10	shoulder	modif work, emerg repair, shoulder overexertion		1	
1				Fleet Dept	04-Apr-11	No	05-Apr-11	back	repairing vacuum truck awkward position hurt back		1	

Total Near Misses:

Total INJURIES: 4

Total MEDICAL AID: 3

of Lost Time Injury: 0

Appendix F – RDI Full Absorption Cost Allocation Report

PUC Services Inc.

Full Absorption Cost Allocation Report

Prepared By:

Jim Hopeson

RDI Consulting Inc.

London, Ontario

2007 09 20

The logo for RDI Consulting Inc. features the lowercase letters "rdi" in a stylized, handwritten script. A horizontal line is drawn across the middle of the "rdi" text. To the right of the "rdi" text, the words "consulting inc." are written in a smaller, lowercase, sans-serif font.

rdi consulting inc.

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Executive Summary

RDI Consulting Inc. was engaged by PUC Services Inc. to review and make recommendations regarding current processes related to the:

- Allocation of Customer Service costs to Water and Electric
- Allocation of Administrative and General (A&G) costs to all affiliates
- Split of allocated A&G costs between operating costs and capital expenditures of each company
- Split of directly charged A&G costs between operating costs and capital expenditures of each company
- Types of costs included in the current asset use charge
- Allocation of the asset charge to affiliates
- Split of asset charge between operating costs and capital expenditures of each company

The recommendations primarily involve changes in the way the existing pie of costs is sliced between companies and operating and capital activities within the companies.

The recommendations reflect:

- Refinements in the determination of allocation bases used to allocate individual costs, and
- Direction contained in the Accounting Procedures Handbook for regulated Distribution Companies which advocates a fully allocated cost allocation approach (means all businesses and activities should bear a fair share of the indirect costs not able to be specifically charged to a business or an activity)

RDI is recommending that the current asset charge which recovers depreciation only be increased to include the cost of capital related to the investment in the assets used to provide services to all affiliates.

The net effect of all the recommendations results in:

- Operating costs are lower for all businesses except PUC Energies
- Lower operating costs are driven by the following factors
 - Minor change in determination of customer services costs for electric and water
 - Change in allocation of PUC Services A&G costs for all businesses
 - Movement to capital of allocated A&G costs
 - Movement to capital of directly charged A&G costs

- Change in allocation of existing asset charge recovering depreciation only
 - Increased cost to all businesses resulting from new cost of capital charges as part of the asset use charge
- Lower operating costs for Services primarily driven by new cost of capital revenue source offset by increase in allocated (retained) A&G costs
- Increase in capital costs for all businesses representing the offset to the reduction in Operating expenses

RDI recommends implementing the recommendations in this report effective with the January 1, 2008 fiscal year.

Financial plans and budgets for 2008 as well as the PUC Distribution Inc. 2008 rate rebasing application should be prepared reflecting these recommendations as well.

Introduction

RDI Consulting Inc. was engaged by PUC Services Inc. to review and make recommendations regarding the current processes related to the charging of Customer Service and Administrative and General (A&G) costs to its affiliates. The review also looks at the issue of splitting A&G costs between operating costs and capital expenditures.

In addition the review looks at the current method of charging for the use of vehicles, equipment, and other miscellaneous assets (computers, office furniture, buildings, etc.) required to conduct business.

The treatment of other overhead type expenditures (labour burdens, materials management overheads, vehicle operating costs, engineering, operations supervision) was not part of the scope of the review as Management and RDI agreed that the current processes appropriately allocate costs to individual businesses and operating and capital activities within these businesses.

Fiscal year 2006 financial results were used to assess the directional impact of implementing the recommended changes for all the PUC businesses.

A contributing factor to undertaking the review is the current PUC Distribution Inc. 2008 rate rebasing process. The intent is to apply the recommendations contained in this report to the determination of LDC costs on a forward test year (2008) basis.

Overview of Current Costing Processes

PUC Services Inc. provides financial and accounting services to all affiliates and serves as the gatekeeper in ensuring costs are properly charged to and amongst affiliates.

All transactions occur on a cost pass through basis with no mark-ups.

The Ontario Energy Board prescribed chart of accounts (USOA accounts) is utilized to track costs.

There are 3 different types of costs that are part of the scope of this review and the current treatment is summarized as follows:

Direct Costs

Costs that can be directly identified with a specific business are directly charged. These could be either Customer Service costs or Administrative and General Costs.

Administrative and General Costs are retained as operating costs with no current allocation to capital.

Direct costs using 2006 actuals are set out in Appendix A.

Allocated Costs

Costs that cannot be directly identified with a specific business are allocated to all businesses on a USOA account by account basis using an allocation base that reflects cost drivers or contribution to expenditure. These could be either Customer Service costs or Administrative and General Costs.

Again, Administrative and General Costs are retained as operating costs with no current allocation to capital.

Appendix J provides the current basis for these allocations and the allocation percentages by business stream.

Asset Charge

PUC Services currently allocates depreciation related to Services owned assets (vehicles, equipment, computers, office furniture, buildings, etc.) to all businesses based on their usage of the assets as determined by administration percentages.

Costs are split between operations and capital. The portion related to capital projects is distributed to the projects based on trucking dollars.

No rate of return on invested capital is currently charged.

No depreciation or rate of return is charged on the Queen Street facility as it is a Water owned asset with no book value.

Guidance from Ontario Energy Board Accounting Procedures Handbook

Article 340 of the Accounting Procedures Handbook titled Allocation of Costs and Transfer Pricing provides direction to LDC's regarding cost allocation and charges between affiliated companies.

Some key references from this document are:

The general method for charging indirect costs should be on a fully allocated cost basis.

All costs shall be classified to lines of business, services or products that are regulated, non-regulated, or common to both.

When costs are fully allocated to services and products, the fully allocated cost of the services and products include their direct cost plus a proportional share of indirect costs. Note that fully allocated cost and the term "absorption cost" have the same meaning.

Indirect costs are costs that cannot be identified with a specific unit of product or service or with a specific operation or cost centre. Indirect costs include but are not limited to overhead costs, administrative and general expenses and taxes. Indirect costs are fixed costs that can remain unchanged in total for a given time despite wide fluctuations in activity.

Where an electric utility incurs costs (e.g. general administration, office staff salaries, and rent) jointly with another utility or with its local municipality, the method of splitting the joint costs should be calculated in accordance with some reasonable method of determining a fair and equitable split.

The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, shall be identified and used to allocate the cost between regulated and non-regulated lines of business, products or services.

The methods used in the allocation of costs should be documented and reviewed on a regular basis. If necessary, the cost methods should be revised in order to reflect changes in cost relationships and the related cost allocators. Any changes in the allocation method or the cost allocators used, including the supporting rationale, should be documented and the documentation should be available for Board review.

Where a fair market value is not available for any product, resource or service, a utility shall charge no less than a cost-based price, and shall pay no more than a cost-based price. A cost-based price shall reflect the costs of producing the

service or product, including a return on invested capital. The return component shall be the higher of the utility's approved rate of return or the bank prime rate.

Utilities typically charge vehicles/equipment, payroll burdens, and materials management expenses to the key distribution activities that use these resources.

Utilities incur general administration costs that are in support of all business activities:

- Operations
- Maintenance
- Customer billing and collecting
- Construction of capital assets
- Provision of third party services

Under the accounting guidelines these costs should be charged to distribution activities so they absorb their fair share of costs. Proper categorization of operating and capital costs occurs.

Review and Recommendations Re: Costing Processes

Appendix J provides the current basis for and percentages by business stream and Appendix K provides the recommended processes. They are discussed in more detail below.

Direct Charges

Customer Service

Meter Reading USOA account 5310 costs are currently direct charged between Electric and Water on the basis of the relative number of meters (63% electric / 37% Water).

It is recommended that these costs be split on the basis of relative number of meter reads. An analysis of the meter reading contractor bills for 2006 yielded a 57% Electric and 43% Water split.

Administrative and General Costs

It is recommended that all Administrative and General costs directly charged to a specific business be allocated between operations and capital following a review to assess any costs that are not applicable to capital. Net applicable overhead costs should be allocated between operating and capital activities on the relative

basis of labour effort incurred. An analysis has been completed for electricity only in determining the impact of this recommendation. Excluded directly incurred A&G costs for PUC Distribution Inc. are set out in Appendix L.

It has been assumed for impact purposes in this document that 100% of directly incurred A&G costs for the other businesses are to be allocated between operations and capital.

Allocated Costs

Customer Service

All the remaining Customer Service USOA accounts (5315 to 5410) are currently split between Electric and Water on the basis of the relative number of customers (56% electric / 44% Water).

This is still a reasonable basis of allocation for all accounts with the exception of the 5321 Account which collects the costs related to the collections group. The existing relative customer count remains at the 56/44 % split.

It is recommended that the cost of the collections group accumulated in USOA 5321 Collections Arrears be allocated between Electric and Water on the basis of the relative bad debt write-offs (76% Electric and 24% Water).

Administrative and General Costs

All Administration and General accounts with the exception of USOA 5675 are currently allocated between the businesses on the basis of an historical FTE work effort review.

The allocation of the 5675 Maintenance of General Plant account is very similar with the exception that no charges are allocated to Telecom as they do not utilize any of the 3 facilities creating slight allocation changes in allocation percentages for the other companies.

All A&G costs allocated to each business remain as operating costs with no allocations to capital.

RDI recommends a similar labour effort based approach utilizing recent work effort data be used to allocate costs to the respective businesses. Appendix I summarizes total work effort data for a recent 12 month period. It is principally comprised of:

- Direct labour hours of bargaining unit employees
- Budgeted labour hours for Management staff
- Estimates of externally contracted labour hours

Collectively it forms a prorated base of total relative effort spent by business unit on both operating and capital activities regardless of the source of the labour effort.

It is also recommended that all Administrative and General costs charged to a specific business be allocated between operations and capital of that business unit using the applicable operating / capital split shown in Appendix I.

Asset Charge

Existing

PUC Services currently allocates depreciation related to Services owned assets (vehicles, equipment, computers, office furniture, buildings, etc.) to all businesses based on their usage of the assets as determined by administration percentages.

Costs are split between operations and capital. The portion related to capital projects is distributed to the projects based on trucking dollars.

Two alternative options were developed for consideration which varied only in the way vehicle and equipment depreciation was allocated:

- Option 1- depreciation on vehicles allocated on the basis of trucking hours and depreciation on other assets allocated on the basis of direct labour hours
- Option 2- depreciation on vehicles allocated on the basis of direct labour hours and depreciation on other assets allocated on the basis of direct labour hours

Appendix G details the results of these options. The results show there is little difference between these 2 options.

It is recommended that Option 1 be used on a go forward basis as it very accurately tracks vehicle and equipment depreciation to the specific activities these assets were used for. In addition, the depreciation on the other assets used to support all business unit operating and capital activities would be allocated on the basis of relative labour effort similar to the recommended approach for Administration and General Costs.

Rate of Return

Currently only depreciation related to PUC Services owned assets is recovered from the users of these assets.

The cost of capital (COC) used to finance the purchase of these assets is not reflected in the recovery by Services. The cost of capital is generally determined based on the financing practices of the business entity (debt / equity split) and the rates of return for both debt and equity.

The Ontario Energy Board which regulates PUC Distribution Inc. allows a rate of return on invested capital to be included in rates and recovered from customers. It is a legitimate part of the full cost of doing business.

Similarly as seen in the APH Section 340 references:

Where a fair market value is not available for any product, resource or service, a utility shall charge no less than a cost-based price, and shall pay no more than a cost-based price. A cost-based price shall reflect the costs of producing the service or product, including a return on invested capital. The return component shall be the higher of the utility's approved rate of return or the bank prime rate.

RDI recommends that Services recover a cost of capital charge from all the users of the assets that it owns using the LDC deemed weighted average pre-tax cost of capital. As a proxy to assess the impact, a weighted average cost of capital of 7.67% was applied to the December 31, 2006 net book value of Services owned assets. The resulting amounts were allocated using the 2 options discussed above and outlined in Appendix H. This generated an increased recovery amount of \$449,833 to be recovered from all businesses. PUC Services use of the assets under Option 1 results in Services retaining \$44,817 of costs for a net beneficial impact of \$405,016.

The cost of capital for 2006 impact illustration purposes uses the deemed 2008 capital split of 53.3% debt and 46.6 % equity and uses 2006 approved rates of return (debt – 6.35% and equity of 9%)

- $53.3\% \times 6.35\% + 46.7\% \times 9\% = 7.67\%$
- *Note – after tax return on equity was not grossed up by the tax rate to obtain the pre-tax cost as the income tax rate in the approved 2006 rate application was zero.*

The preparation of 2008 budgets and the forward test year rate application for all PUC corporations should utilize the following calculation of pre-tax cost of capital based on inputs for the 2008 PUC Distribution Inc. rate application:

COC Component	% of Capital Structure	Rate of Return	
Short term debt	4%	4.77%	Pre tax
Long term debt	49.33%	5.82%	Pre tax
Equity	46.67%	8.69%	After tax
Income Tax Rate	36%		

$$\text{Pre – Tax COC} = (4\% \times 4.77\%) + (49.33\% \times 5.82\%) + ((46.67\% \times (8.69\% / 1-.36)))$$

$$= 9.40\%$$

It is recommended that Option 1 be used to allocate these cost of capital recoveries to be consistent with the recommendation above regarding the allocation of depreciation costs.

Third Party Work Charge-out Rates

RDI recommends that existing charge-out rates for third party work performed by PUC resources be reviewed to ensure alignment with the cost allocation recommendations. Outside parties should also pay their fair share of A&G costs used to support the direct work.

Summary of Impacts

The impacts of all the recommendations for all the PUC businesses using 2006 data are summarized in Appendix M.

The net effect of all the recommendations results in:

- Operating costs are lower for all businesses except PUC Energies
- Lower operating costs are driven by the following factors
 - Minor change in determination of customer services costs for electric and water
 - Change in allocation of Services A&G costs for all businesses
 - Movement to capital of allocated A&G costs
 - Movement to capital of directly charged A&G costs
 - Change in allocation of existing asset charge recovering depreciation only
 - Increased cost to all businesses resulting from new cost of capital charges
- Lower operating costs for Services primarily driven by new cost of capital revenue source offset by increase in allocated (retained) A&G costs
- Increase in capital costs for all businesses representing the offset to the reduction in Operating expenses

Proposed Implementation

RDI recommends implementing the recommendations in this report effective with the January 1, 2008 fiscal year.

Financial plans and budgets for 2008 as well as the PUC Distribution Inc. 2008 rate rebasing application should be prepared reflecting these recommendations as well.

Future Refinement Opportunities

During the course of this review the following allocation process improvement opportunities were identified:

1. No depreciation recoveries or rate of return recoveries on Water owned assets have been identified as asset values are currently not recorded for municipal expenditures.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants has approved revisions to standard PS3150 which requires municipalities to identify, value, and record all their assets on the municipal balance sheet effective 2009.

The recovery of municipally owned assets should be reassessed at this point in time.

2. USOA account 5410 records the costs associated with the PUC Customer Services Department. PUC will assess the potential to change the Department call tracking process to get better data to more accurately allocate these costs.
3. The determination of total labour effort utilized budgeted time allocations for all Management staff. PUC will assess the implementation of an actual Management staff time tracking process to better allocate costs.
4. The determination of total labour effort also utilized Management estimates of time associated with external contracted services. PUC will assess options to improve resource identification to better allocate costs.

Appendix A
Direct Charges to Businesses (\$ 2006)

		PUC			
		Distribution			
		<u>Inc.</u>	<u>Water</u>	<u>Telecom</u>	<u>Energies</u>
USOA					
<u>Account</u>	<u>Account Description</u>				
Customer Service Accounts					
5310	Meter Reading	192,047	111,997	0	0
5315	Billing	162,087	0	0	0
5320	Collections	0	0	0	0
5321	Collections Arrears (Bad Debts)	5,263	0	0	0
5325	Collecting - Cash Over/Short	313			
5335	Bad Debt Expense	64,744	22,799	395	
5405	Community Relations Supervision (Call Centre)	0	0	0	0
5410	Community Relations (Call Centre)	63,825	4,089	81,464	0
		<u>488,278</u>	<u>138,885</u>	<u>81,860</u>	<u>0</u>
LDC Only					
5415	Energy Conservation	37,289	0	0	0
5420	Community Safety Program	27,472	0	0	0
		<u>64,762</u>	<u>0</u>	<u>0</u>	<u>0</u>
Business Development					
5510	Business Development	0	0	56,683	11,554
Administration and General Accounts					
5605	Executive Salaries and Expenses	77,411	58,189	6,731	
5610	Management Salaries and Expenses	3,206	8,697	6,467	0
5615	General Administrative Salaries and Expenses	47,841	0	0	
5620	Office Supplies and Expenses	36,148	0	2,680	0
5630	Outside Services Employed	102,382	7,765	6,830	5,813
5635	Property Insurance	51,711	55,224	1,645	870
5645	Pensions and Benefits	(349,831)			
5655	Regulatory Expenses	88,765	0	0	0
5665	Miscellaneous General Expenses	173,610	0	0	0
5675	Maintenance of General Plant	0		36,010	0
		<u>231,244</u>	<u>129,875</u>	<u>60,364</u>	<u>6,683</u>
	Totals	<u>784,284</u>	<u>268,759</u>	<u>198,907</u>	<u>18,236</u>

Appendix B
PUC Services Allocation to PUC Distribution Inc. (\$ 2006)

<u>USOA</u> <u>Account</u>	<u>Account Description</u>	<u>PUC</u> <u>Services</u> <u>Costs to be</u> <u>Allocated</u>	<u>Current</u> <u>Percent</u>	<u>Current</u> <u>Dollars</u>	<u>Proposed</u> <u>Percent</u>	<u>Proposed</u> <u>Dollars</u>
Customer Service Accounts						
5310	Meter Reading	304,043	63.00%	191,547	57.48%	174,764
5315	Billing	623,842	56.14%	350,225	56.00%	349,351
5320	Collections	187,339	56.14%	105,172	56.00%	104,910
5321	Collections Arrears (Bad Debts)	163,212	56.14%	91,627	74.00%	120,777
5325	Collecting - Cash Over/Short	(87)	56.14%	(49)	56.00%	(49)
5405	Community Relations Supervision (Call Centre)	39,176	56.14%	21,993	56.00%	21,939
5410	Community Relations (Call Centre)	495,284	56.14%	278,052	56.00%	277,359
		<u>1,812,808</u>		<u>1,038,568</u>		<u>1,049,051</u>
Administration and General Accounts						
5605	Executive Salaries and Expenses	185,402	51.39%	95,278	43.83%	81,262
5610	Management Salaries and Expenses	238,430	51.39%	122,529	43.83%	104,504
5615	General Administrative Salaries and Expenses	660,921	51.39%	339,647	43.83%	289,681
5620	Office Supplies and Expenses	416,726	51.39%	214,156	43.83%	182,651
5630	Outside Services Employed	71,376	51.39%	36,680	43.83%	31,284
5635	Property Insurance	43,469	51.39%	22,339	43.83%	19,053
5665	Miscellaneous General Expenses	7,533	51.39%	3,871	43.83%	3,302
5675	Maintenance of General Plant - Queen St. Facility (water owned)	269,611	51.70%	139,389	43.83%	118,171
5675	Maintenance of General Plant - Services Centre/Trbovich Centre	622,459	51.70%	321,812	43.83%	272,824
		<u>2,515,928</u>		<u>1,295,701</u>		<u>1,102,731</u>
Totals		<u>4,328,736</u>		<u>2,334,269</u>		<u>2,151,782</u>
				Total Dollar Impact		
					(182,487)	
Breakdown of Impact						
		<u>OM&A</u>	<u>Capital</u>	<u>Total</u>		
Increase in Customer Services Costs		10,483		10,483		
Reversal of A&G Costs previously charged 100% to Operations		(1,295,701)		(1,295,701)		
Allocation of Revised A&G Costs to O&M and Capital (69% O&M and 31% Capital)		760,885	341,847	1,102,731		
		<u>(524,333)</u>	<u>341,847</u>	<u>(182,487)</u>		
		Decrease	Increase	Decrease		

Appendix C
PUC Services Allocation to Water (\$ 2006)

<u>USOA</u> <u>Account</u>	<u>Account Description</u>	<u>PUC</u> <u>Services</u> <u>Costs to be</u> <u>Allocated</u>	<u>Current</u> <u>Percent</u>	<u>Current</u> <u>Dollars</u>	<u>Proposed</u> <u>Percent</u>	<u>Proposed</u> <u>Dollars</u>
Customer Service Accounts						
5310	Meter Reading	304,043	37.00%	112,496	42.52%	129,279
5315	Billing	623,842	43.86%	273,617	44.00%	274,490
5320	Collections	187,339	43.86%	82,167	44.00%	82,429
5321	Collections Arrears (Bad Debts)	163,212	43.86%	71,585	26.00%	42,435
5325	Collecting - Cash Over/Short	(87)	43.86%	(38)	44.00%	(38)
5405	Community Relations Supervision (Call Centre)	39,176	43.86%	17,183	44.00%	17,237
5410	Community Relations (Call Centre)	495,284	43.86%	217,231	44.00%	217,925
		<u>1,812,808</u>		<u>774,240</u>		<u>763,758</u>
Administration and General Accounts						
5605	Executive Salaries and Expenses	185,402	39.20%	72,678	39.97%	74,105
5610	Management Salaries and Expenses	238,430	39.20%	93,464	39.97%	95,300
5615	General Administrative Salaries and Expenses	660,921	39.20%	259,081	39.97%	264,170
5620	Office Supplies and Expenses	416,726	39.20%	163,357	39.97%	166,566
5630	Outside Services Employed	71,376	39.20%	27,979	39.97%	28,529
5635	Property Insurance	43,469	39.20%	17,040	39.97%	17,375
5665	Miscellaneous General Expenses	7,533	39.20%	2,953	39.97%	3,011
5675	Maintenance of General Plant - Queen St. Facility (water owned)	269,611	39.43%	106,308	39.97%	107,764
5675	Maintenance of General Plant - Services Centre/Trbovich Centre	622,459	39.43%	245,436	39.97%	248,797
		<u>2,515,928</u>		<u>988,296</u>		<u>1,005,616</u>
Totals		<u>4,328,736</u>		<u>1,762,536</u>		<u>1,769,374</u>
				Total Dollar Impact		
					6,838	

Breakdown of Impact

	<u>OM&A</u>	<u>Capital</u>	<u>Total</u>
Decrease in Customer Services Costs	(10,483)		(10,483)
Reversal of A&G Costs previously charged 100% to Operations	(988,296)		(988,296)
Allocation of Revised A&G Costs to O&M and Capital (70% O&M and 30% Capital)	703,931	301,685	1,005,616
	<u>(294,847)</u>	<u>301,685</u>	<u>6,838</u>
	Decrease	Increase	Increase

Appendix D
PUC Services Allocation to Telecom (\$ 2006)

<u>USOA</u> <u>Account</u>	<u>Account Description</u>	<u>PUC</u> <u>Services</u> <u>Costs to be</u> <u>Allocated</u>	<u>Current</u> <u>Percent</u>	<u>Current</u> <u>Dollars</u>	<u>Proposed</u> <u>Percent</u>	<u>Proposed</u> <u>Dollars</u>
Administration and General Accounts						
5605	Executive Salaries and Expenses	185,402	0.59%	1,094	0.67%	1,242
5610	Management Salaries and Expenses	238,430	0.59%	1,407	0.67%	1,597
5615	General Administrative Salaries and Expenses	660,921	0.59%	3,899	0.67%	4,428
5620	Office Supplies and Expenses	416,726	0.59%	2,459	0.67%	2,792
5630	Outside Services Employed	71,376	0.59%	421	0.67%	478
5635	Property Insurance	43,469	0.59%	256	0.67%	291
5665	Miscellaneous General Expenses	7,533	0.59%	44	0.67%	50
5675	Maintenance of General Plant - Queen St. Facility (water owned)	269,611	0.00%	-	0.67%	1,806
5675	Maintenance of General Plant - Services Centre/Trbovich Centre	622,459	0.00%	-	0.67%	4,170
		<u>2,515,928</u>		<u>9,581</u>		<u>16,857</u>

Total Dollar Impact

7,276

Breakdown of Impact

	<u>OM&A</u>	<u>Capital</u>	<u>Total</u>
Reversal of A&G Costs previously charged 100% to Operations	(9,581)		(9,581)
Allocation of Revised A&G Costs to O&M and Capital (63% O&M and 37% Capital)	10,620	6,237	16,857
	<u>1,039</u>	<u>6,237</u>	<u>7,276</u>
	Increase	Increase	Increase

Appendix E
PUC Services Allocation to Energies (\$ 2006)

<u>USOA</u> <u>Account</u>	<u>Account Description</u>	<u>PUC</u> <u>Services</u> <u>Costs to be</u> <u>Allocated</u>	<u>Current</u> <u>Percent</u>	<u>Current</u> <u>Dollars</u>	<u>Proposed</u> <u>Percent</u>	<u>Proposed</u> <u>Dollars</u>
Administration and General Accounts						
5605	Executive Salaries and Expenses	185,402	0.00%	-	0.17%	315
5610	Management Salaries and Expenses	238,430	0.00%	-	0.17%	405
5615	General Administrative Salaries and Expenses	660,921	0.00%	-	0.17%	1,124
5620	Office Supplies and Expenses	416,726	0.00%	-	0.17%	708
5630	Outside Services Employed	71,376	0.00%	-	0.17%	121
5635	Property Insurance	43,469	0.00%	-	0.17%	74
5665	Miscellaneous General Expenses	7,533	0.00%	-	0.17%	13
5675	Maintenance of General Plant - Queen St. Facility (water owned)	269,611	0.00%	-	0.17%	458
5675	Maintenance of General Plant - Services Centre/Tirbovich Centre	622,459	0.00%	-	0.17%	1,058
		<u>2,515,928</u>		<u>-</u>		<u>4,277</u>

Total Dollar Impact

4,277

Breakdown of Impact

	<u>OM&A</u>	<u>Capital</u>	<u>Total</u>
Reversal of A&G Costs previously charged 100% to Operations	0		0
Allocation of Revised A&G Costs to O&M and Capital (83% O&M and 17% Capital)	<u>3,550</u>	<u>727</u>	<u>4,277</u>
	<u>3,550</u>	<u>727</u>	<u>4,277</u>
	Increase	Increase	Increase

Appendix F
PUC Services Administration and General Costs Retained (\$ 2006)

<u>USOA</u> <u>Account</u>	<u>Account Description</u>	<u>PUC</u> <u>Services</u> <u>Costs to be</u> <u>Allocated</u>	<u>Current</u> <u>Percent</u>	<u>Current</u> <u>Dollars</u>	<u>Proposed</u> <u>Percent</u>	<u>Proposed</u> <u>Dollars</u>
Administration and General Accounts						
5605	Executive Salaries and Expenses	185,402	8.82%	16,352	15.37%	28,496
5610	Management Salaries and Expenses	238,430	8.82%	21,029	15.37%	36,647
5615	General Administrative Salaries and Expenses	660,921	8.82%	58,293	15.37%	101,583
5620	Office Supplies and Expenses	416,726	8.82%	36,755	15.37%	64,051
5630	Outside Services Employed	71,376	8.82%	6,295	15.37%	10,970
5635	Property Insurance	43,469	8.82%	3,834	15.37%	6,681
5665	Miscellaneous General Expenses	7,533	8.82%	664	15.37%	1,158
5675	Maintenance of General Plant - Queen St. Facility (water owned)	269,611	8.82%	23,780	15.37%	41,439
5675	Maintenance of General Plant - Services Centre/Tirbovich Centre	622,459	8.82%	54,901	15.37%	95,672
		<u>2,515,928</u>		<u>221,905</u>		<u>386,698</u>

Total Dollar Impact

164,793

Breakdown of Impact

	<u>OM&A</u>	<u>Capital</u>	<u>Total</u>
Reversal of A&G Costs previously charged 100% to Operations	(221,905)		(221,905)
Allocation of Revised A&G Costs to O&M and Capital (96% O&M and 4% Capital)	371,230	15,468	386,698
	<u>149,325</u>	<u>15,468</u>	<u>164,793</u>
	Increase	Increase	Increase

Appendix G
Analysis of Asset Ccharge

			Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense		TOTAL
In 2006 allocated			\$ 120,123.57	\$ 286,015.24	\$ 21,995.63	\$ 291,585.52	\$ 6,386.79		\$ 70,793.36		\$ 322.46					\$ 797,222.57
If using Vehicle hours & General Allocations	veh hr	Gen	\$ 241,541.77	\$ 198,279.47	\$ 47,482.07	\$ 200,917.08	\$ 11,388.10	\$ 17,201.18	\$ 5,992.35	\$ 71,570.25	\$ 810.00	\$ 41.65	\$ 292.23	\$ 1,706.42		\$ 797,222.57
Effect of change	Increase to Capital		\$ 121,418.20		\$ 25,486.44		\$ 5,001.31			\$ 71,570.25	\$ 487.54		\$ 292.23			
	Decrease to Expense			\$ (87,735.77)		\$ (90,668.44)			\$ (64,801.02)							
	Increase to Expense						\$ 17,201.18					\$ 41.65		\$ 1,706.42		
If using DL hours & General Allocations	DL hr	Gen	\$ 244,873.72	\$ 201,486.47	\$ 49,689.49	\$ 209,663.45	\$ 12,179.44	\$ -	\$ 161.44	\$ 75,651.88	\$ 643.40	\$ -	\$ 458.83	\$ 2,414.46		\$ 797,222.57
Effect of change	Increase to Capital		\$ 124,750.15		\$ 27,693.86		\$ 5,792.65				\$ 320.94		\$ 458.83			
	Decrease to Expense			\$ (84,528.77)		\$ (81,922.07)			\$ (70,631.93)							
	Increase to Expense									\$ 75,651.88				\$ 2,414.46		

Analysis of Vehicles--Asset charge														
	Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense		
Method 1														
By Trucking hours	27.28%	23.38%	6.44%	27.07%	1.28%	4.13%	1.42%	8.76%	0.12%	0.01%	0.01%	0.10%	100.00%	
Method 2														
By direct labour	28.08%	24.15%	6.97%	29.17%	1.47%	0%	0.02%	9.74%	0.08%	0%	0.05%	0.27%	100.00%	
Total Vehicle depreciation for 2006	\$ 416,493.55													
Method 1														
\$ by trucking hours	\$ 113,619.44	\$ 97,376.19	\$ 26,822.18	\$ 112,744.80	\$ 5,331.12	\$ 17,201.18	\$ 5,914.21	\$ 36,484.83	\$ 499.79	\$ 41.65	\$ 41.65	\$ 416.49	\$ 416,493.55	
Allocate Services admn \$17,201.18	\$ 3,182.22	\$ 4,695.92	\$ 774.05	\$ 5,143.15	\$ 172.01	(17,201.18)	\$ -	\$ 3,147.82	\$ 51.60	\$ -	\$ -	\$ 34.40	\$ (0.00)	
	\$ 116,801.66	\$ 102,072.12	\$ 27,596.24	\$ 117,887.96	\$ 5,503.13	\$ -	\$ 5,914.21	\$ 39,632.65	\$ 551.40	\$ 41.65	\$ 41.65	\$ 450.90	\$ 416,493.55	
Method 2														
\$ by direct lab hours	\$ 116,951.39	\$ 100,583.19	\$ 29,029.60	\$ 121,491.17	\$ 6,122.46	\$ -	\$ 83.30	\$ 40,566.47	\$ 333.19	\$ -	\$ 208.25	\$ 1,124.53	\$ 416,493.55	

			Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense
Other Services assets	2006 depreciation	Allocator												
Major tools & Equipment (Electric)	\$ 79,909.20	Line dept DL	\$ 41,933.69	\$ 28,561.56	\$ 7.70	\$ 151.20	\$ 1,672.84		\$ 19.26	\$ 6,941.76	\$ 75.12	\$ -	\$ 93.42	\$ 452.64
Major tools & Equipment (Water)	\$ 5,370.69	Water Dept DL	\$ 23.37	\$ 42.06	\$ 861.15	\$ 4,440.03			\$ 4.09					\$ 5,370.69
Communications Equipment	\$ 26,433.34	Pooled %	\$ 7,422.48	\$ 6,383.65	\$ 1,842.40	\$ 7,710.61	\$ 388.57	\$ -	\$ 5.29	\$ 2,574.61	\$ 21.15	\$ -	\$ 13.22	\$ 71.37
Radio /Pager equipment (Water)	\$ 948.43	Water Dept DL	\$ 4.13	\$ 7.43	\$ 152.07	\$ 784.08				\$ 0.72				\$ 948.43
System Supervisory	\$ 1,031.92	Pooled %	\$ 289.76	\$ 249.21	\$ 71.92	\$ 301.01	\$ 15.17	\$ -	\$ 0.21	\$ 100.51	\$ 0.83	\$ -	\$ 0.52	\$ 2.79
General Office Equipment (Electric)	\$ 17,607.19	Line dept DL	\$ 9,239.67	\$ 6,293.25	\$ 1.70	\$ 33.32	\$ 368.59		\$ 4.24	\$ 1,529.55	\$ 16.55	\$ -	\$ 20.58	\$ 99.73
General Office Equipment (Water)	\$ 3,726.66	Water Dept DL	\$ 16.22	\$ 29.18	\$ 597.54	\$ 3,080.88				\$ 2.84				\$ 3,726.66
Computer Hardware	\$ 104,002.38	Pooled %	\$ 29,203.87	\$ 25,116.57	\$ 7,248.97	\$ 30,337.49	\$ 1,528.83	\$ -	\$ 20.80	\$ 10,129.83	\$ 83.20	\$ -	\$ 52.00	\$ 280.81
Computer Software	\$ 71,468.76	Pooled %	\$ 20,068.43	\$ 17,259.71	\$ 4,981.37	\$ 20,847.44	\$ 1,050.59	\$ -	\$ 14.29	\$ 6,961.06	\$ 57.18	\$ -	\$ 35.73	\$ 192.97
Stores equipment	\$ 20,907.41	Pooled %	\$ 5,870.80	\$ 5,049.14	\$ 1,457.25	\$ 6,098.69	\$ 307.34	\$ -	\$ 4.18	\$ 2,036.38	\$ 16.73	\$ -	\$ 10.45	\$ 56.45
Service Centre	\$ 49,323.04	Pooled %	\$ 13,849.91	\$ 11,911.51	\$ 3,437.82	\$ 14,387.53	\$ 725.05	\$ -	\$ 9.86	\$ 4,804.06	\$ 39.46	\$ -	\$ 24.66	\$ 133.17
\$ 380,729.02 TOTAL			\$ 127,922.33	\$ 100,903.28	\$ 20,659.89	\$ 88,172.28	\$ 6,056.99	\$ -	\$ 78.14	\$ 35,085.41	\$ 310.20	\$ -	\$ 250.58	\$ 1,289.92
														\$ 380,729.02

Total depreciation in Services to be allocated in 2006
 Vehicles \$ 416,493.55
 Other assets (above) \$ 380,729.02
 \$ 797,222.57

In 2006 the asset charge was allocated as follows:

First			
Distribution (expense)	51.69%	\$ 412,084.35	
Water (expense)	39.43%	\$ 314,344.86	
Services (expense)	8.88%	\$ 70,793.36	
		\$ 797,222.57	
Then re-distributed to capital and the final result was:			
Electric capital		\$ 120,123.57	15.07%
Electric expense		\$ 286,015.24	35.88%
Water capital		\$ 21,995.63	2.76%
Water expense		\$ 291,585.52	36.58%
Services capital		\$ 6,386.79	0.80%
Services expense		\$ 70,793.36	8.88%
Telecom capital		\$ 322.46	0.04%
Telecom expense		\$ -	
Energies capital		\$ -	
Energies expense		\$ -	
		\$ 797,222.57	100.00%

Appendix H
Analysis of Rate of Return Calculation

		Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense		TOTAL
In 2006 allocated		\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	0	\$ -	0	0	0		\$ -
If using Vehicle hours & General Allocations		\$ 141,508.31	\$ 119,119.81	\$ 27,268.65	\$ 108,616.47	\$ 6,817.55	\$ 4,024.45	\$ 2,170.39	\$ 38,622.48	\$ 277.81	\$ 3.05	\$ 200.08	\$ 1,204.01		\$ 449,833.05
Effect of change	Increase to Capital	\$ 141,508.31		\$ 27,268.65		\$ 6,817.55			\$ 38,622.48	\$ 277.81		\$ 200.08			
	Increase to Expense		\$ 119,119.81		\$ 108,616.47			\$ 2,170.39							
	Increase to Expense						\$ 4,024.45				\$ 3.05		\$ 1,204.01		
If using DL hours & General Allocations		\$ 138,803.07	\$ 113,854.31	\$ 27,872.27	\$ 117,823.89	\$ 6,878.33	\$ -	\$ 90.99	\$ 42,515.73	\$ 362.55	\$ -	\$ 260.97	\$ 1,370.92		\$ 449,833.05
Effect of change	Increase to Capital	\$ 138,803.07		\$ 27,872.27		\$ 6,878.33				\$ 362.55		\$ 260.97			
	Increase to Expense		\$ 113,854.31		\$ 117,823.89			\$ 90.99							
	Increase to Expense								\$ 42,515.73				\$ 1,370.92		

Additional revenue to Services

If using Vehicle hours & General Allocations

Total rate of return	\$ 449,833.05
Less: Services keeps	\$ 44,817.32
	\$ 405,015.73

If using DL hours & General Allocations

Total rate of return	\$ 449,833.05
Less: Services keeps	\$ 42,606.72
	\$ 407,226.33

Analysis of Vehicles--Rate of return on assets																
	Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense				
Method 1																
By Trucking hours		29.81%	27.52%	6.58%	23.28%	1.43%	2.57%	1.35%	7.25%	0.03%	0.00200%	0.01%	0.16%			100.00%
Method 2																
By direct labour		28.08%	24.15%	6.97%	29.17%	1.47%	0%	0.02%	9.74%	0.08%	0%	0.05%	0.27%			100.00%
NBV of vehicles Jan 1 2006	\$	2,039,573.25														
Apply rate of return @ 7.67%	\$	156,435.27														
Method 1																
\$ by trucking hours	\$	46,632.26	\$ 43,044.62	\$ 10,299.92	\$ 36,424.75	\$ 2,238.81	\$ -4,024.45	\$ 2,110.68	11,343.55	\$ 40.40	\$ 3.05	\$ 17.32	\$ 255.46	\$		156,435.27
Allocate Services admn \$17,201.18		744.52	1,098.67	181.10	1,203.31	40.24	(4,024.45)	-	736.47	12.07	-	-	8.05		(0.00)	
	\$	47,376.78	\$ 44,143.29	\$ 10,481.02	\$ 37,628.06	\$ 2,279.05	\$ -	\$ 2,110.68	12,080.02	\$ 52.47	\$ 3.05	\$ 17.32	\$ 263.51			156,435.27
Method 2																
\$ by direct lab hours	\$	43,927.02	\$ 37,779.12	\$ 10,903.54	\$ 45,632.17	\$ 2,299.60	\$ -	\$ 31.29	15,236.80	\$ 125.15	\$ -	\$ 78.22	\$ 422.38			156,435.27

Other Services assets	Opening NBV Jan 1 2006	7.67% Rate of return	Allocator	Electric Capital	Electric Expense	Water Capital	Water Expense	Services Capital	Services Admn	Services Expense	Services Third Party	Telecom Capital	Telecom Expense	Energies Capital	Energies Expense	
Major tools & Equipment (Electric)	\$ 506,185.69	\$	38,824.44 Line dept DL	\$ 20,373.78	\$ 13,876.83	\$ 3.74	\$ 73.46	\$ 812.76		\$ 9.36	\$ 3,372.70	\$ 36.50	\$ -	\$ 45.39	\$ 219.92	\$ 38,824.44
Major tools & Equipment (Water)	\$ 32,659.05	\$	2,504.95 Water Dept DL	\$ 10.90	\$ 19.62	\$ 401.65	\$ 2,070.88				\$ 1.91				\$	2,504.95
Communications Equipment	\$ 212,454.01	\$	16,295.22 Pooled %	\$ 4,575.70	\$ 3,935.30	\$ 1,135.78	\$ 4,753.32	\$ 239.54	\$ -	\$ 3.26	\$ 1,587.15	\$ 13.04	\$ -	\$ 8.15	\$ 44.00	\$ 16,295.22
Radio /Pager equipment (Water)	\$ 2,425.08	\$	186.00 Water Dept DL	\$ 0.81	\$ 1.46	\$ 29.82	\$ 153.77				\$ 0.14				\$	186.00
System Supervisory	\$ 9,279.51	\$	711.74 Pooled %	\$ 199.86	\$ 171.88	\$ 49.61	\$ 207.61	\$ 10.46	\$ -	\$ 0.14	\$ 69.32	\$ 0.57	\$ -	\$ 0.36	\$ 1.92	\$ 711.74
General Office Equipment (Electric)	\$ 264,564.70	\$	20,292.11 Line dept DL	\$ 10,648.63	\$ 7,252.91	\$ 1.96	\$ 38.40	\$ 424.80		\$ 4.89	\$ 1,762.79	\$ 19.08	\$ -	\$ 23.72	\$ 114.94	\$ 20,292.11
General Office Equipment (Water)	\$ 56,057.06	\$	4,299.58 Water Dept DL	\$ 18.71	\$ 33.67	\$ 689.40	\$ 3,554.52				\$ 3.28				\$	4,299.58
Computer Hardware	\$ 530,434.13	\$	40,684.30 Pooled %	\$ 11,424.15	\$ 9,825.26	\$ 2,835.70	\$ 11,867.61	\$ 598.06	\$ -	\$ 8.14	\$ 3,962.65	\$ 32.55	\$ -	\$ 20.34	\$ 109.85	\$ 40,684.30
Computer Software	\$ 163,222.26	\$	12,519.15 Pooled %	\$ 3,515.38	\$ 3,023.37	\$ 872.58	\$ 3,651.84	\$ 184.03	\$ -	\$ 2.50	\$ 1,219.36	\$ 10.02	\$ -	\$ 6.26	\$ 33.80	\$ 12,519.15
Stores equipment	\$ 225,790.74	\$	17,318.15 Pooled %	\$ 4,862.94	\$ 4,182.33	\$ 1,207.08	\$ 5,051.70	\$ 254.58	\$ -	\$ 3.46	\$ 1,686.79	\$ 13.85	\$ -	\$ 8.66	\$ 46.76	\$ 17,318.15
Service Centre	\$ 1,822,192.17	\$	139,762.14 Pooled %	\$ 39,245.21	\$ 33,752.56	\$ 9,741.42	\$ 40,768.62	\$ 2,054.50	\$ -	\$ 27.95	\$ 13,612.83	\$ 111.81	\$ -	\$ 69.88	\$ 377.36	\$ 139,762.14
	\$ 3,825,264.40	\$	293,397.78 TOTAL	\$ 94,876.05	\$ 76,075.19	\$ 16,968.73	\$ 72,191.72	\$ 4,578.74	\$ -	\$ 59.71	\$ 27,278.93	\$ 237.41	\$ -	\$ 182.76	\$ 948.55	\$ 293,397.78

Appendix I

PUC Labour Hours Summary

	<u>Direct Labour</u>	<u>Mgt Labour (Indirect)</u>	<u>Customer Service Direct</u>	<u>Customer Service Allocated</u>	<u>Externally Contracted Services</u>	<u>Total</u>	<u>Work Activity %</u>	<u>O&M/ Capital Split</u>	<u>Total Business %</u>	
Water Capital	6,802.50	2,646.00			21,166.00	30,614.50	12.01%	30%	39.97%	Water
Water Operating & Mtce	44,876.75	10,049.80	257.00	9,082.20	6,991.00	71,256.75	27.96%	70%		
PUC Distribution- Capital & CDM	27,613.00	5,024.97			2,350.00	34,987.97	13.73%	31%	43.83%	LDC
PUC Distribution Operating & Mtce	41,035.75	6,026.80	1,869.50	11,625.05	16,160.00	76,717.10	30.10%	69%		
PUC Services - Capital	1,489.00				109.00	1,598.00	0.63%	4%	15.37%	Services
PUC Servcies Operating & Mtce	74.50					74.50	0.03%			
PUC Services - Contract Work	27,476.00	6,643.44			3,374.00	37,493.44	14.71%	96%		
Telecom Operating & Mtce	73.00	293.80			711.00	1,077.80	0.42%	63%	0.67%	Telecom
PUC Telecom capital	377.00				246.00	623.00	0.24%	37%		
PUC Energies Capital	71.50				-	71.50	0.03%	17%	0.17%	Energies
PUC Energies Operating & Mtce	300.50	61.10			-	361.60	0.14%	83%		
	150,189.50	30,745.91	2,126.50	20,707.25	51,107.00	254,876.16	100%		100%	

Appendix J
Current Allocation Factors (Services Costs Not Able To Be Directly Charged)

		PUC						
		Distribution						
		Inc.	Water	Telecom	Energies	Services	Total	Allocation Basis
USOA	Account Description							
Account								
Customer Service Accounts								
5310	Meter Reading	63.00%	37.00%				100%	Relative number of meters
5315	Billing	56.14%	43.86%				100%	Relative number of customers
5320	Collections	56.14%	43.86%				100%	Relative number of customers
5321	Collections Arrears (Bad Debts)	56.14%	43.86%				100%	Relative number of customers
5325	Collecting - Cash Over/Short	56.14%	43.86%				100%	Relative number of customers
5405	Community Relations Supervision (Call Centre)	56.14%	43.86%				100%	Relative number of customers
5410	Community Relations (Call Centre)	56.14%	43.86%				100%	Relative number of customers
Administration and General Accounts								
5605	Executive Salaries and Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5610	Management Salaries and Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5615	General Administrative Salaries and Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5620	Office Supplies and Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5630	Outside Services Employed	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5635	Property Insurance	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5645	Pensions and Benefits	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5655	Regulatory Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5665	Miscellaneous General Expenses	51.39%	39.20%	0.59%	0.00%	8.82%	100%	Relative FTEs identified by business
5675	Maintenance of General Plant	51.70%	39.43%	0.00%	0.00%	8.82%	100%	Relative FTEs identified by business modified by removing Telecom as they do not use any of the facilities

Appendix K
Proposed Allocation Factors (Services Costs Not Able To Be Directly Charged)

USOA Account	Account Description	PUC Distn.	Water	Telecom	Energies	Services	Total	Allocation Basis
		Inc.						
Customer Service Accounts								
5310	Meter Reading	57.48% 56.00%	42.52% 44.00%				100%	Option 1 - Relative number of meter reads per 2006 contractor billings Option 2 - Relative number of customers at December 31, 2006
5315	Billing	56.00%	44.00%				100%	Relative number of customers at December 31, 2006
5320	Collections	56.00%	44.00%				100%	Relative number of customers at December 31, 2006
5321	Collections Arrears (Bad Debts)	74.00% 56.00%	26.00% 44.00%				100%	Option 1 - Relative bad debt expense (3 yr average) Option 2 - Relative number of customers at December 31, 2006
5325	Collecting - Cash Over/Short	56.00%	44.00%				100%	Relative number of customers at December 31, 2006
5405	Community Relations Supervision (Ca	56.00%	44.00%				100%	Relative number of customers at December 31, 2006
5410	Community Relations (Call Centre)	56.00%	44.00%				100%	Relative number of customers at December 31, 2006
Administration and General Accounts								
5605	Executive Salaries and Expenses	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5610	Management Salaries and Expenses	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5615	General Administrative Salaries and E	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5620	Office Supplies and Expenses	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5630	Outside Services Employed	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5635	Property Insurance	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5645	Pensions and Benefits	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5655	Regulatory Expenses	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5665	Miscellaneous General Expenses	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours
5675	Maintenance of General Plant	43.83%	39.97%	0.67%	0.17%	15.37%	100%	Relative Work Effort Identified By Labour Hours

Appendix L
PUC Distribution Inc.
Administrative and General Costs Excluded From Allocation to Capital

<u>Account #</u>	<u>Description</u>	<u>2006 Actual</u>	<u>2006 exclusions</u>
01.5605.1000.01.0003	Adm & Gen Exec Indir Lab	\$ 53,859.80	\$ -
01.5605.1000.01.0004	Admin & Gen Exec Lab OH	\$ 11,925.80	\$ -
01.5605.1000.04.0110	Admin & Gen Exec Registr	\$ 2,065.00	\$ 2,065.00
01.5605.1000.04.0111	Admin & Gen Exec Transpor	\$ 4,641.11	\$ 4,641.11
01.5605.1000.04.0112	Admin & Gen Exec Meals	\$ 407.26	\$ 407.26
01.5605.1000.04.0113	Admin & Gen Exec Accomodt	\$ 920.88	\$ 920.88
01.5605.1000.04.0999	Admin & Gen Exec Misc	\$ (69.00)	\$ (69.00)
01.5605.1049.04.0111	Admin & Gen Exec Travel	\$ 1,844.00	\$ 1,844.00
01.5605.1100.01.0005	Board Salaries	\$ 1,158.33	\$ -
01.5605.2000.04.0110	Admn & Gen Exec Regist	\$ 625.00	\$ 625.00
01.5605.2000.04.0111	Admin & Gen Exec Travel	\$ 32.71	\$ 32.71
01.5610.2200.04.0112	Adm Mgmt Sal/Exp Meals	\$ 38.76	\$ 38.76
01.5610.3000.01.0003	Adm Mgmt Salary Indir Lab	\$ 56.50	\$ 56.50
01.5610.3000.01.0004	Admin Mgmt Salary Lab OH	\$ 12.51	\$ 12.51
01.5610.3000.04.0999	Adm Mgmt Sal/Exp Misc	\$ 10.00	\$ 10.00
01.5610.4000.04.0111	Admn Mgmt Sal Travel	\$ 617.06	\$ 617.06
01.5610.4044.04.0110	Adm Mgmt Sal/Exp Registr	\$ 313.00	\$ 313.00
01.5610.5000.04.0111	Adm Mgmt Sal/Exp Travel	\$ 1,330.08	\$ 1,330.08
01.5610.5000.04.0112	Adm Mgmt Sal/Exp Meals	\$ 74.51	\$ 74.51
01.5610.5044.04.0110	Adm Mgmt Sal/Exp Registr	\$ 250.00	\$ 250.00
01.5610.5144.04.0112	Adm Mgmt Sal/Exp Meals	\$ 39.62	\$ 39.62
01.5610.5144.04.0113	Adm Mgmt Accommodations	\$ 463.58	\$ 463.58
01.5615.1000.01.0003	Adm Gen Sal/Exp Indir Lab	\$ 23,734.28	\$ -
01.5615.1000.01.0004	Admin Gen Sal/Exp Lab OH	\$ 5,255.36	\$ -
01.5615.4100.01.0002	Admin Gen Salary Lab OH	\$ 18,851.54	\$ 18,851.54
01.5620.4100.04.0175	Admin Office Bank Charges	\$ 37,500.00	\$ 37,500.00
01.5620.4100.04.0999	Admin Office Misc	\$ (1,351.78)	
01.5630.1000.04.0111	Admin Outside Serv Travel	\$ 26.49	\$ 26.49
01.5630.1000.04.0112	Admin Outside Serv Meals	\$ 17.23	\$ 17.23
01.5630.1000.04.0113	Admin O/S Serv Accommodatn	\$ 368.68	\$ 368.68
01.5630.1000.04.0405	Admin O/S Serv Legal Fees	\$ 875.00	\$ 875.00
01.5630.1000.04.0410	Admin O/S Serv Consulting	\$ 24,050.00	\$ 24,050.00
01.5630.1000.04.0999	Admin Outside Serv Misc	\$ 453.07	
01.5630.4000.04.0410	Admin O/S Tax Consult	\$ 5,920.00	
01.5630.4000.04.0405	Admin O/S Serv Legal Fees	\$ 68,485.58	\$ 68,485.58
01.5630.4100.04.0999	Adm Outside Serv Misc	\$ 1,150.00	
01.5630.5000.04.0410	Admin O/S Serv Consulting	\$ 800.00	
01.5630.5100.04.0405	Adm O/S Serv Legal Fees	\$ 235.00	
01.5635.3400.04.0600	Admin Property Insurance	\$ 51,711.49	\$ 51,711.49
01.5655.1000.04.0111	Adm Regulatory Exp Travel	\$ 618.00	
01.5655.1000.04.0999	Admin Regulatory Expenses	\$ 60,364.25	
01.5655.2100.01.0001	Adm Regulatory Ex Dir Lab	\$ 1,085.84	
01.5655.2100.01.0002	Adm Regulatory Exp Lab OH	\$ 433.41	
01.5655.2100.03.0001	Adm Regulatory Exp Truck	\$ 70.81	
01.5655.3098.04.0410	Admin Reg Exp Consulting	\$ 7,861.88	\$ 7,861.88
01.5655.3400.04.0105	Adm Regulatory Stationary	\$ 1,507.68	
01.5655.3400.04.0260	Adm Regulatory Sault Star	\$ 2,493.30	
01.5655.3400.04.0263	Adm Regulatory Alrick	\$ 722.10	
01.5655.4000.04.0111	Admn regulatory Travel	\$ 707.73	
01.5655.4000.04.0405	Adm Regulatory Legal	\$ 1,320.01	
01.5655.4000.04.0410	Adm Regulatory Consulting	\$ 5,500.00	
01.5655.4000.04.0999	Adm Regulatory Misc	\$ 5,646.78	\$ 1,000.00
01.5655.5100.01.0001	Adm Regulatory Ex Dir Lab	\$ 431.65	
01.5655.5100.01.0002	Adm Regulatory Exp Lab OH	\$ 1.78	
01.5665.1000.04.0330	Adm Misc Indust Assn Dues	\$ 44,100.00	
01.5665.3100.01.0003	Adm Misc Gen Exp Indir Lab	\$ 9,164.03	\$ 9,164.03
01.5665.3100.01.0004	Admin Misc Gen Exp Lab OH	\$ 2,029.15	\$ 2,029.15
01.5665.4000.01.0003	Adm Misc Gen Exp Indir Lab	\$ 92,774.68	
01.5665.4000.01.0004	Admin Misc Gen Exp Lab OH	\$ 20,542.51	
01.5665.5100.04.0321	Admin Misc Exp Co Mmbrshp	\$ 5,000.00	
		\$ 581,074.04	\$ 235,613.69

Appendix M
Summary of Costing Changes

	<u>LDC</u>	<u>Water</u>	<u>Telecom</u>	<u>Energies</u>	<u>Services</u>
Operating , Maintenance and Administration Expenses					
<i>Change in Allocation of Customer Service Costs and A&G Costs (Appendices B to F)</i>	(524,333)	(294,847)	1,039	3,550	149,325
<i>Change in Allocation of Existing Asset Charge (no rate of return) - Appendix G</i>					
Option 1 - Vehicle hrs for vehicles and general allocations (direct labour hours) for other assets	(87,736)	(90,668)	42	1,706	(47,600)
Option 2 - Direct Labour hrs for vehicles and general allocations (direct labour hours) for other assets	(84,529)	(81,922)		2,414	5,020
<i>Introduction of Rate of Return in Allocation of Asset Charge - Appendix H</i>					
Option 1 - Vehicle hrs for vehicles and general allocations (direct labour hours) for other assets	119,120	108,616	3	1,204	44,816
Option 2 - Direct Labour hrs for vehicles and general allocations (direct labour hours) for other assets	113,854	117,824		1,371	42,607
<i>Revenue Increase to Services - Rate of Return Charge</i>					(449,833)
<i>Eligible Directly Charged Administrative and General Expenses Allocated to Capital</i> <i>(LDC - gross expenditures of \$581,074 less excluded expenses of \$235,614 (per Appendix L) X 31%</i>	(107,093)	(38,963)	(22,335)	(1,136)	0
<i>(other businesses - direct A&G expenses X capital proportion per Appendix I)</i>					
Total - Option 1	(600,042)	(315,862)	(21,251)	5,324	(303,292)
Total - Option 2	(602,101)	(297,908)	(21,296)	6,199	(252,881)
Capital Expenses					
<i>Change in Allocation of A&G Costs (Appendices B to F)</i>	341,847	301,685	6,237	727	15,468
<i>Change in Allocation of Existing Asset Charge (no rate of return) - Appendix G</i>					
Option 1 - Vehicle hrs for vehicles and general allocations (direct labour hours) for other assets	121,418	25,486	488	292	76,571
Option 2 - Direct Labour hrs for vehicles and general allocations (direct labour hours) for other assets	124,750	27,694	321	459	5,793
<i>Introduction of Rate of Return in Allocation of Asset Charge - Appendix H</i>					
Option 1 - Vehicle hrs for vehicles and general allocations (direct labour hours) for other assets	141,508	27,269	278	200	6,818
Option 2 - Direct Labour hrs for vehicles and general allocations (direct labour hours) for other assets	138,803	27,872	363	261	6,878
<i>LDC - Eligible Directly Charged Administrative and General Expenses Allocated to Capital</i> <i>(gross expenditures of \$581,074 less excluded expenses of \$235,614 (per Appendix L) X 31%</i>	107,093	38,963	22,335	1,136	0
<i>(other businesses - direct A&G expenses X capital proportion per Appendix I)</i>					
Total - Option 1	711,866	393,403	29,338	2,355	98,857
Total - Option 2	712,493	396,214	29,256	2,583	28,139

Appendix G – Succession Plan



***WORKFORCE &
SUCCESSION
PLAN
2012-2017***

CONFIDENTIAL

**JANUARY 2012
LORRI KENNIS**

INTRODUCTION

The Electricity Sector Council's "Power in Motion" 2011 Labour Market Information (LMI) Study revealed that 45,000 new skilled workers will be needed over the next five years in the utility sector. There are tens of thousands of skilled and soon-to-be skilled workers this industry must hire to continue delivering reliable electricity to Canadian homes and businesses to meet the Canadian economy's energy needs. These workers will be refurbishing the aging Legacy infrastructure, building and operating the Next Generation infrastructure, enabling the transition to renewable resources, and replacing a rising wave of experienced retirees. With expected investments of almost \$300 billion over the next 20 years, this massive transformation is already gaining momentum. It is creating unprecedented labour demands, just when Canada has a limited skilled labour supply. These conditions create the most severe skills shortages and labour market challenges that the industry may have ever faced. Projections from 2011 to 2016 focus on the need to attract new workers, immigrants and workers from other industries. Employers are pursuing workers such as engineers, technicians and technologists, and skilled trades with five or more years of experience. Electricity and renewable sector employers looking for these candidates will face stiff competition. These are some of the findings emerging from ESC's 2011 Labour Market Information Study.

The latest statistics indicate that Canada's aging workforce will pose significant issues for the utility industry. Retirements consisting of over 34.2% of the workforce are anticipated between 2011 and 2016. Competition from other industries, coupled with an aging infrastructure and the need to build new facilities makes it imperative that utilities such as the PUC ensure that plans are in place to facilitate an adequate supply of workers.

Further, in an attempt to address the increasing demands created by deregulation and continually increasing regulatory requirements in both the electric and water side of our business as well as to overcome the threat of an insufficient supply of workers to meet growing demand within the utility sector, our organization will need to retain mature workers while recruiting, integrating and developing younger generations of workers to acquire the skills necessary to compete. Part of the challenge involves ensuring that the various generations work together effectively. The Workforce & Succession Plan forms a vital part of the PUC Services Inc. Strategic Business Plan and is aligned with the company's vision, mission and core values. Through workforce and succession planning, the organization can ensure it has the human resources necessary for sustained organizational performance and growth as well as deliver on the Strategic Business Plan. The guiding principle continues to be a commitment to support and encourage the training and development of employee talent within the organization, whereby there is fair and equitable access to job opportunities, career development and promotion, whenever possible.

Proactive initiatives in staffing and succession planning continue to be undertaken to prepare for impending retirements and skill shortages within various departments. These efforts have been successful during the past few years and accordingly, we will continue to build and expand on these. This Workforce & Succession Plan is designed to provide an overall plan for PUC Services Inc. to transfer the knowledge

and skills of our experienced, mature employees to new hires, as well as develop strategies to attract and retain professional staff within an increasingly tight labour market. To achieve these objectives, the Plan is up-dated annually to document both succession and workforce planning initiatives.

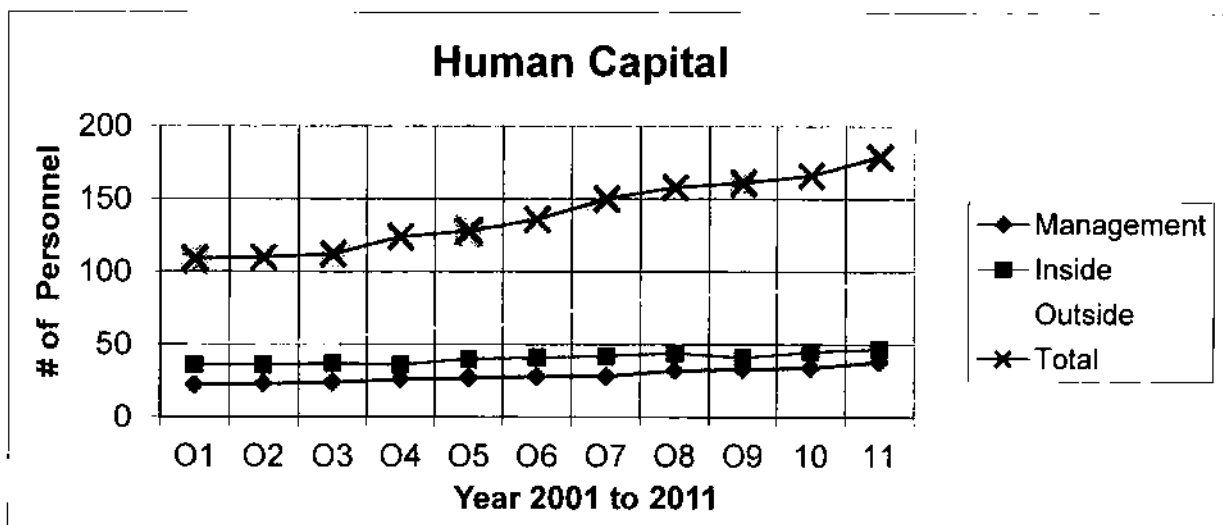
HISTORICAL DATA

Historically, the PUC has experienced fluctuations in staffing both through downsizing and expansion. In 1990, total staffing was 127. However, two subsequent downsizings during the 1990s resulted in a staff reduction of 15% from 127 to 105 staff. This first downsizing in 1993/94 was attributed to the Ontario Government's Social Contract Act and the second in 1998 as a pre-emptive move to gain cost efficiencies before entering into a deregulated market.

However, staffing levels began to increase again in 2003 when 12 positions were added with the absorption of the OCWA, Environmental Operations. Subsequently, there has been a steady increase in staffing to address the PUC's business expansion and growth, regulatory obligations, succession planning and operational requirements. Staffing levels have fluctuated over the years as follows:

YEAR	1990	2002	2004	2006	2008	2009	2010	2011
MANAGEMENT		23	26	28	32	33	34	38
INSIDE		36	36	41	44	41	45	47
OUTSIDE		51	62	67	82	87	87	94
TOTAL	127	110	124	136	158	161	166	179

The greatest increase in staffing has been in the outside workers group which consists of the lines, , water treatment, waste water, water distribution and stations, metering & fleet departments. The management and inside group, which reflects the administrative, customer service and financial side of our operations has increased slightly over the past five years.



2012 BUDGET STAFFING PLAN

For 2012, with the new budget approvals, it is anticipated that the total staffing for PUC Services Inc. will increase to 185 employees, consisting of 41 management/non-union staff and 144 unionized employees. The staff to management ratio will remain 3.5 to 1.

The management group can be broken into three classifications as follows: 30 managerial or supervisory staff, 9 professional staff and 2 Administrative staff. The management group will be increased with the addition of 1 supervisory position, Billing Supervisor & Systems Analyst and one new professional position, Smart Systems Analyst. Further, as a succession plan, an additional Accounting Supervisor may be hired to provide a training opportunity in anticipation of the retirement of the Supervisor, Finance.

The unionized staffing will increase with the addition of a Work Planner, Lines, an Electrical Engineering Technician and a SCADA System Integrator. The 144 unionized employees are allocated by departments in the following job classifications:

DEPARTMENT	# of STAFF	JOB CLASSIFICATIONS
Corporate Services	3	Maintenance
4	1	Technical Support Electrician
Customer Services	5	Customer Service Clerks
7	1	Senior C/S Clerk
	1	Customer Service Support Clerk
Billing/Data	1	Senior Billing & Processing Clerk
7	1	Billing & Processing Clerk
	3	Data Processing Input Clerk
	2	Mailroom Services
Engineering	8	Engineering Technicians (Electric)
14	3	Engineering Technicians (Water)
	1	Office Assistant
	2	GIS & Records Technician
Environmental Operations	1	Laboratory Technician
13	1	Lead Hand, Operations & Maintenance
	5	Environmental Operator
	2	Maintenance Mechanic I
	1	Maintenance Mechanic II
	1	Lead Hand Environmental Operators
	2	Instrumentation & Maintenance Electrician
Finance	2	Collection Clerk
10	1	Senior Clerk Cash/Collections

	2	Cashier
	1	Accounting Clerk
	1	Payroll Records Clerk
	1	General Ledger Clerk
	1	Cost Clerk
	1	Accounts Payable Clerk
Lines 29	20	Powerline Technicians
	6	Lead Hand Powerline Technicians
	2	Work Planner
	1	Forestry Technician
General /Operations 2	1	Office Assistant/Dispatcher
	1	Office Assistant - Operations
Purchasing 3	2	Issuing & Receiving Clerk
	1	Office Assistant - Purchasing
Stations, Metering & Fleet 15	2	Electric System Operator
	1	Lead Hand Metering
	1	Meter Service - Large Repair
	2	Meter Service Person
	2	Polyphase Technician
	1	Lead Hand Fleet Maintenance
	1	Lead Hand Stations
	4	Substation Electrician
	1	Mechanic
Field Services 3	2	Field Service Representatives
	1	Field Service Administration Rep
Water Distribution 16	3	Truck Driver
	1	Vacuum Truck Driver
	2	Labourer
	3	Machine Operator WD Operation
	3	Pipefitter WD Operation
	3	Lead Hand Water Distribution
	1	Work Planner
Water Treatment Plant 21	12	WTP Operators, includes Blind River- 2
	2	Lead Hand Plant Operator
	3	Instrument Technician
	1	SCADA System Integrator
	1	Office Assistant
	1	Water Treatment Sampler
	1	Maintenance Mechanic

EDUCATIONAL REQUIREMENTS

When there is a substantial investment in human capital required, this typically means that the workers have a life-long career in the electricity industry, and these workers possess a tremendous amount of corporate memory and experience. Workers in our industry have, on average, a higher level of education than workers in many other industries. Recent studies indicate that 78 per cent of electricity workers have a post-secondary degree, diploma, or certificate, compared to 58 per cent for all industries. Processes have been put in place to ensure that this high standard of knowledge and skill is passed onto to the next generation of workers. The majority of our technical/trade and semi-skilled positions require post-secondary education. In addition to educational requirements, the employees in the trade disciplines generally require five or more years to complete their apprenticeship and become proficient at their job. Therefore, retirement poses a significant loss of productivity and a performance risk, as replacement of these skills cannot be achieved in the immediate future. In addition, with the continuous expansion of regulatory requirements and standards as well as significant enhancements in environmental and health and safety standards, it has become incumbent on the company to ensure that its workforce is trained to safely, efficiently and effectively operate our facilities and perform work. The PUC has maintained a strong stance on ensuring that recruitment of qualified applicants is maintained even though it has resulted in labour relations issues and grievances.

Although local community colleges provide the educational requirements necessary for most of our staffing requirements, it is the on-the-job training and knowledge that creates our skills shortage. To avoid the loss of years of experience in our current workforce through impending retirements of our aging staff, the need for additional replacement staff has been acknowledged and monies included in the budget in anticipation of this outcome. In addition, training has become a key method of ensuring competency. Without these succession planning initiatives, years of valuable experience and knowledge would be lost with impending retirements.

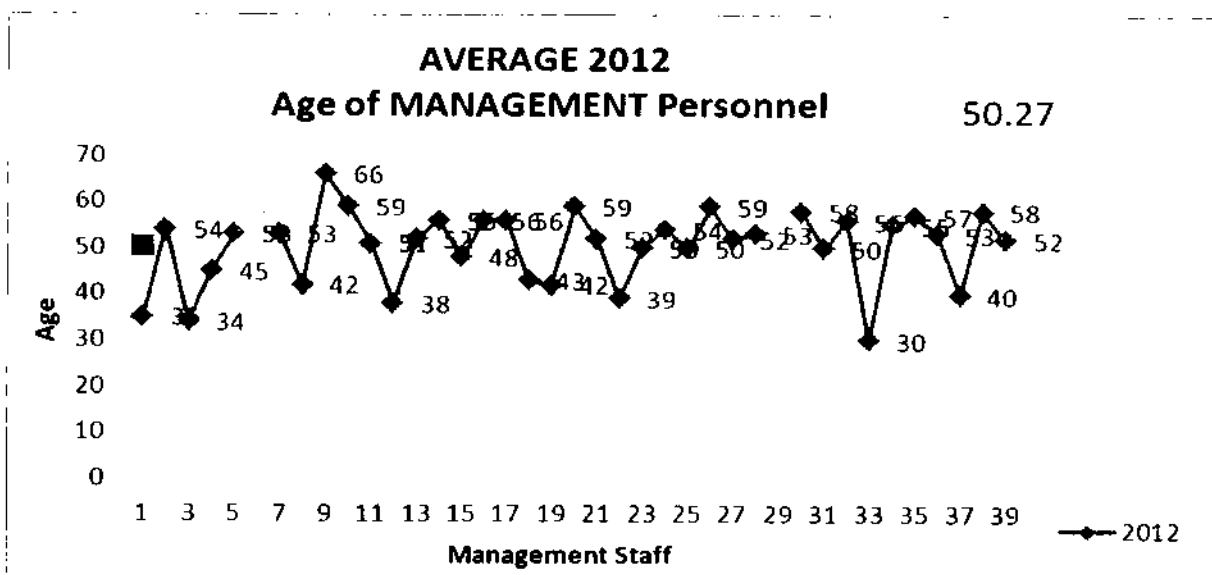
AGE DEMOGRAPHICS

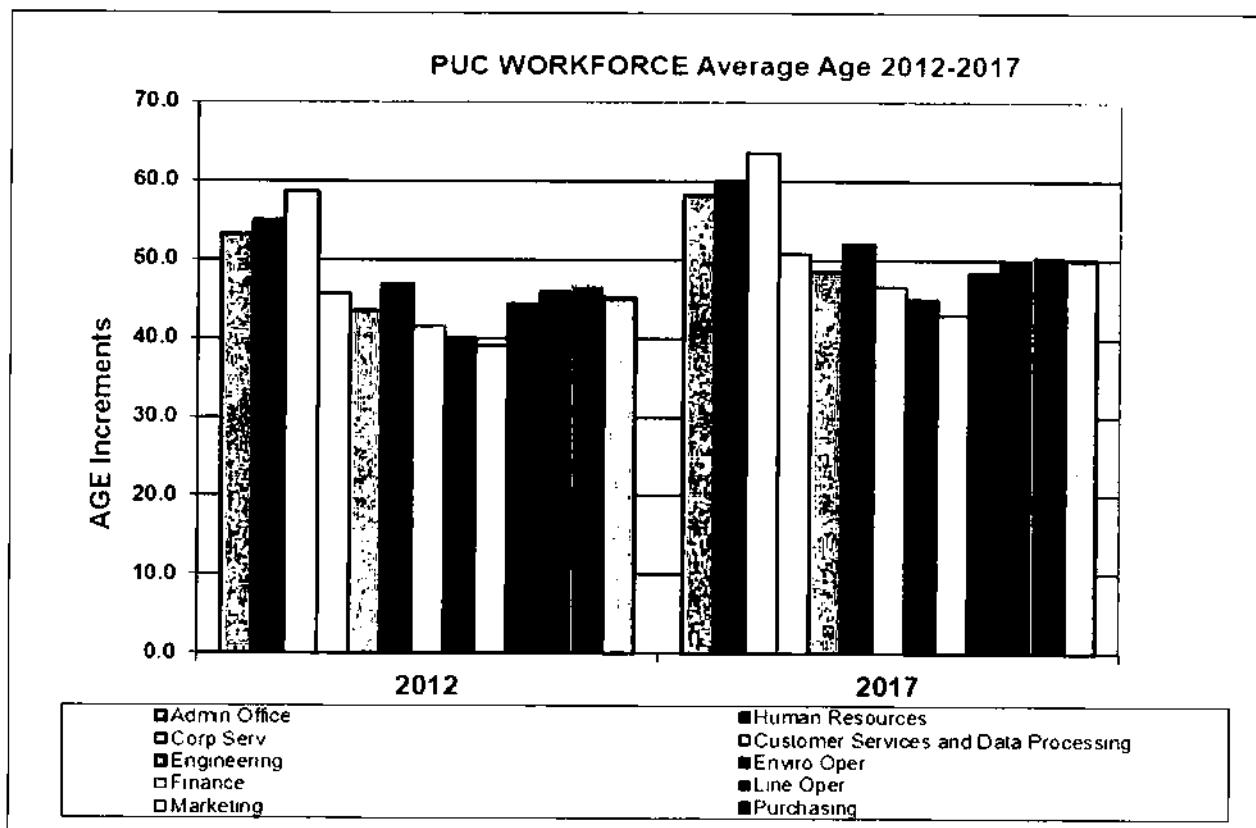
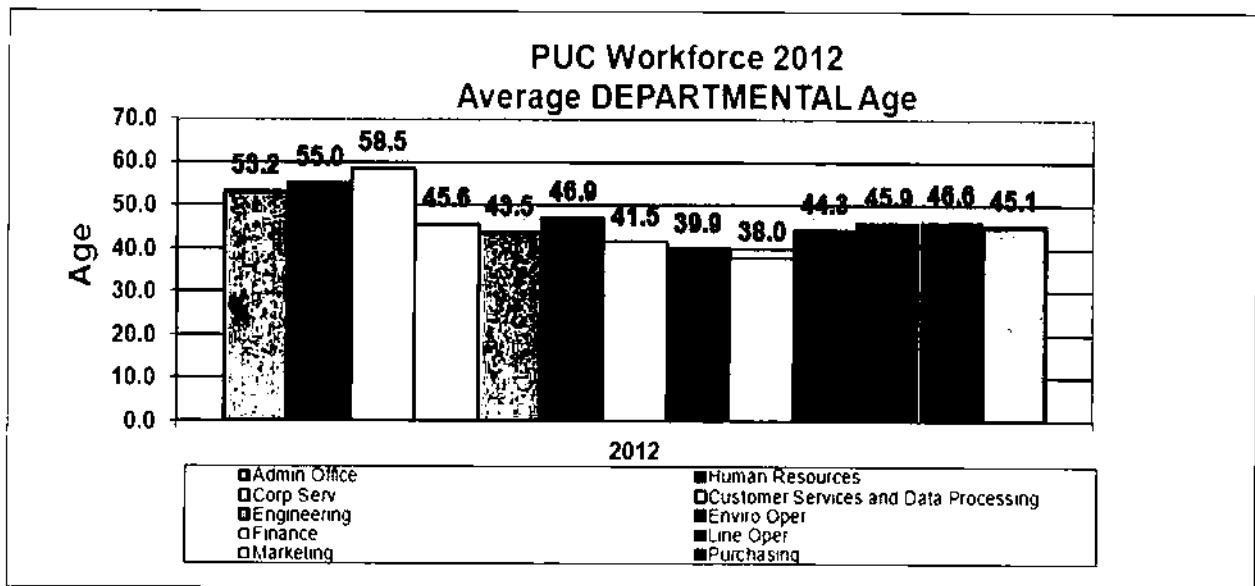
The chart below indicates the average age of staff by department. It is apparent through the demographics that we have an aging workforce, particularly in our management group, which presents leadership concerns as these baby boomers near retirement age. Commencing in 2012, the average age for our total workforce is 44.7, which has remained relatively consistent over the past three years, hovering just under age 45. At the management level, the average age has reduced slightly from 50.7 in 2011 to 50.3 in 2012, which is still up from 2010 when it was 49. The average age of our union staff commencing 2012 is 44.2. The additional hiring in 2011 as part of the succession planning process and increases in staffing levels has allowed us to maintain our average age from continuing to creep up. However, it should be noted that the average age of our staff is still mid-forties and we will continue to see an aging workforce similar to our general population. It is noteworthy that in departments where new staff has been recruited in recent years, such as the Lines, Marketing/Locates, Finance and Engineering Departments, the average age is significantly lower than the rest of the company. By 2017, for the remaining departments, the average age will move into the 50's or older. Although it is anticipated that staff may work longer, which is the general trend in North

America due to the world economic downturn, there is still uncertainly whether staff will retire early or not.

Department	2012	2013	2014	2015	2016	2017
Senior Management	57.75	58.75	59.75	60.75	61.75	62.75
Human Resources	55.0	56.0	57.0	58.0	59.0	60.0
Corporate Services	58.5	59.5	60.5	61.5	62.5	63.5
Customer Service	45.6	46.6	47.6	48.6	49.6	50.6
Engineering	43.5	44.5	45.5	46.5	47.5	48.5
Environmental Operations	46.9	47.9	48.9	49.9	50.9	51.9
Financial Services	41.5	42.5	43.5	44.5	45.5	46.5
Line Operations	39.9	40.9	41.9	42.9	43.9	44.9
Marketing & Locates	38.0	39.0	40.0	41.0	42.0	43.0
Purchasing & Stores	44.3	45.3	46.3	47.3	48.3	49.3
Stations, Metering & Fleet	45.9	46.9	47.9	49.9	49.9	50.9
Water Distribution	46.6	47.6	48.6	49.6	50.6	51.6
Water Treatment	45.1	46.1	47.1	48.1	49.1	50.1

The charts below depict a visual demonstration of our aging workforce broken down by management staff and then the entire PUC workforce.



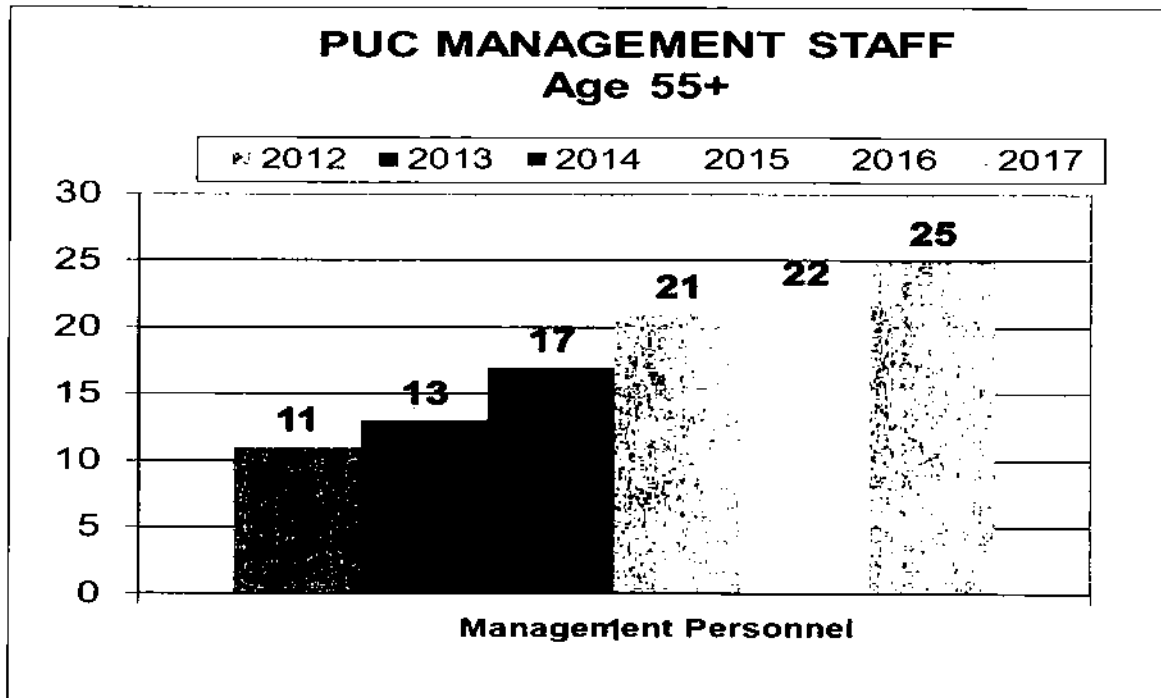


RETIREMENT ACTIVITY

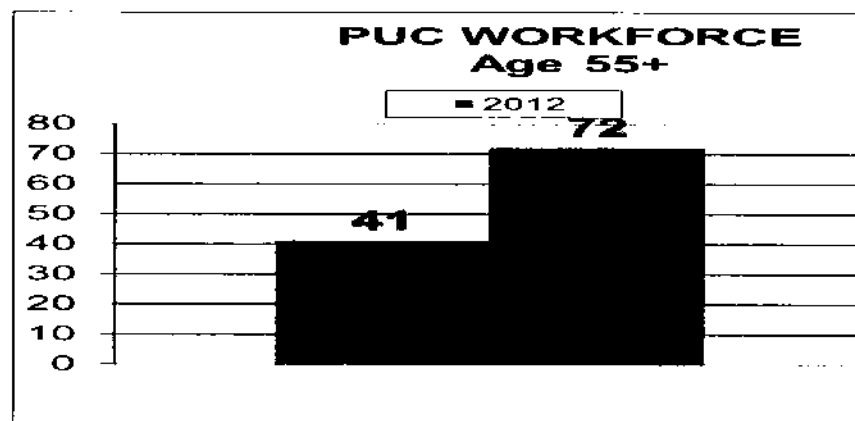
From 2002 – 2011 there was a total of 31 retirements. Between 2007 – 2010, there was a noticeable increase in the number of retirements from prior years which averaged approximately two (2) retirements per year. In 2011, however, there was

a drop in retirement activity with only two retirements, which is less than the norm in recent years. In comparison, there were three (3) retirements in 2010, four (4) retirements in 2009, five (5) retirements in 2008 and six (6) in 2007. To determine who may be eligible to retire, it is important to look at the number of staff who will achieve age 55 in the coming year as well as the earliest age that an employee can retire under the OMERS Pension without a reduction in pension.

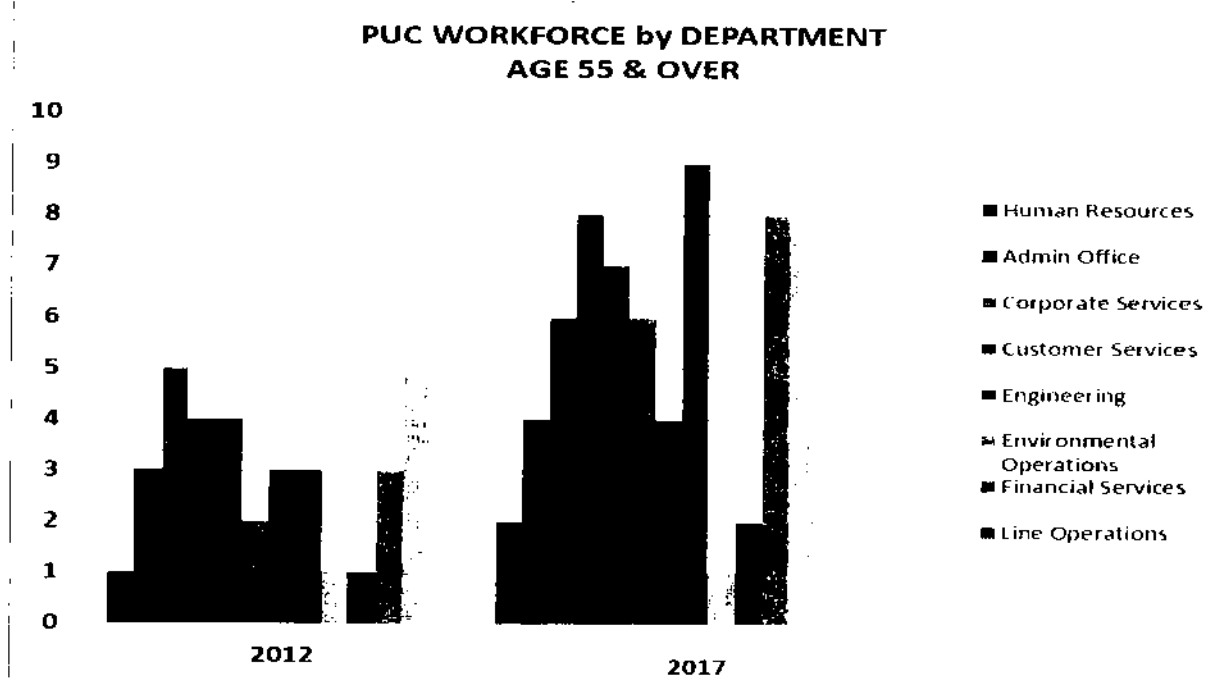
In 2012, 11 staff within the management group will achieve age 55 and although unlikely to retire as they do not meet the OMERS 85 or 90 factors, technically they can retire from the PUC. This number will increase substantively by 2017, where 25 out of the 41 staff or 60% of this group will be aged 55 or older.



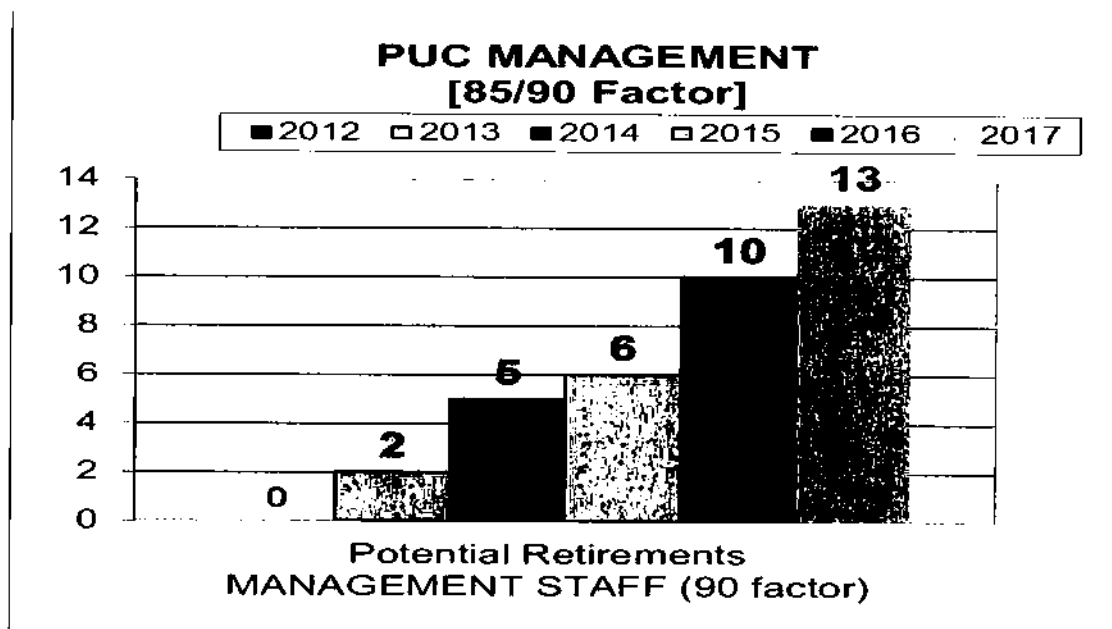
When adding in the unionized workforce, the number of employees age 55 or older is similarly high with a total of 30 employees. When combined, the total number of employees aged 55 or older will be 41 in 2012 or 22% of our workforce and that number will rise to a total of 72 by 2017 or 38% of our workforce. Although we can anticipate some staff will retire in each of these years, the numbers still demonstrate a substantive number of staff who can potentially retire.



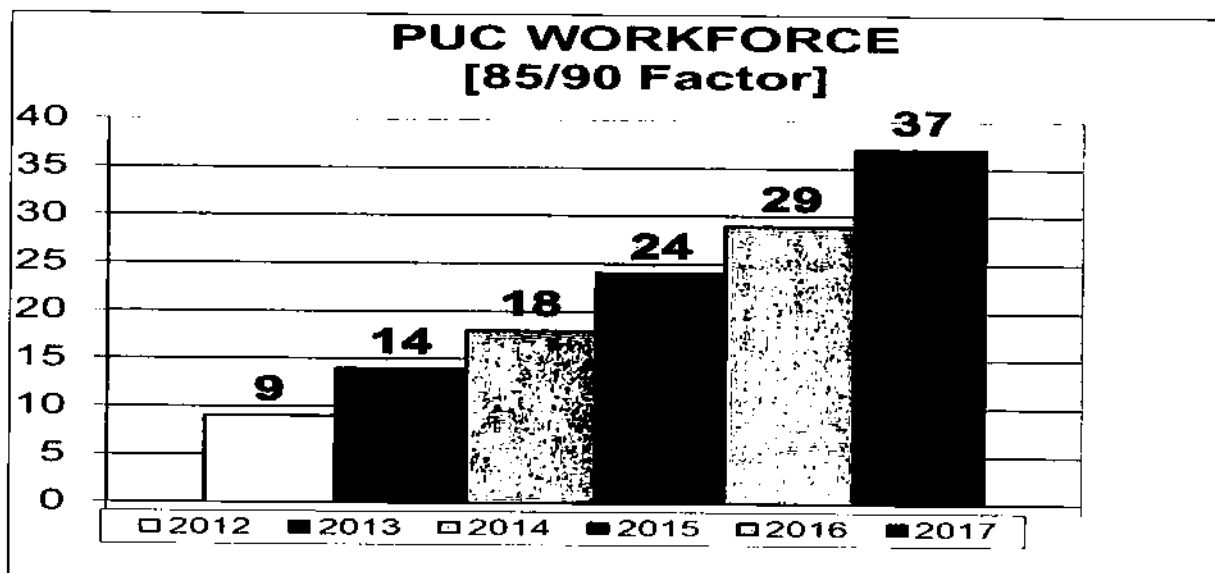
As indicated earlier and demonstrated in the diagram below, the number of staff by department with employees age 55 or over continues to grow.



However, to obtain a more accurate picture, the number of staff who are 55 years of age or more with 30 years of service (no reduction in OMERS pension), as well as those employees who will achieve a 90 factor which combines age and years of service (again provides no reduction in OMERS pension) must be calculated. For 2012, there is no impact. However, over the next 5 years by 2017, the retirement activity will increase substantially as the number of management staff, who meets the OMERS requirement peaks at 13.



In contract, the number of unionized employees who have achieved age 55 with 30 years of service or reach the 90 factor is 9 in 2012. The following departments will be affected: 3 in Engineering, 1 in Finance, 2 in Lines, 1 in Stations, Metering & Fleet and 2 in Water Treatment. The chart below depicts the likely retirement activity for our unionized staff during the next 6 years. It should be noted that the 37 potential retirements constitutes one quarter of the PUC's total unionized workforce.



SUCCESSION PLAN

SENIOR MANAGEMENT LEVEL

Currently, three out of the four senior managers are over the age of 55. Of particular significance is the potential retirement of the President/CEO, who achieved age 65 in 2011 as his retirement will have a significant impact on the organization.

Accordingly, the following action plan should be implemented:

- 1) Discussion at the Board of Director's level as part of the Strategic Plan/Direction of the organization, to determine the future recruitment plan for succession of the President/CEO position, whether internal or external and associated timelines to commence the search;
- 2) Development of a specific Succession Plan for each senior management position with the potential that one may assume the President/CEO including the following information: a list of potential candidates for the position, an overall assessment of the candidate's performance based on documented and observed information, an assessment of the candidate's readiness for the position, and the employee development plan required to close the gap
- 3) Identification and assessment of potential internal candidates. Past performance, consistent demonstration of results and values, learning potential, innovation and the candidate's career interests will be considered in assigning candidates to succession plans;

- 4) Consultation with potential internal, qualified applicants regarding their interest and commitment, if any, in advancement;
- 5) Development of education/training plans for any internal candidates who may wish to compete for the position, including Executive Training Programs, job shadowing, committee participation, job re-assignments, special projects or assignments, mentoring, and professional development;
- 6) Identification of employees with valuable experience and knowledge that could be utilized in areas beyond their current career path through either lateral movement or advancement into the senior management level.

MANAGEMENT LEVEL

For the management group, in 2012, eleven (11) staff will be aged 55 or older and potentially could retire, however, none meet the OMERS requirements. Within the next five years, by the year 2017, there will be 25 staff within the management group who are age 55 or over (assuming there are no retirements). Of greatest significance is the fact that 15 out of the 25 staff in the management group will be eligible to retire by 2017 with the 90 factor or age 55 with 30 years of service. They include one senior manager, nine managers, four supervisors and one Administrative staff. The managers include the Manager, Marketing, Manager, Water Operations, Manager, Line Operations; Manager, Environmental Services; Manager, Safety & Environment, Manager, Stations, Metering & Fleet, Manager, Water Distribution, Manager, Human Resources and Manager, Customer Service. Fortunately, none of the managers meet the eligibility for 2012. We do however, have four managers who are over age 55 and technically could retire with a reduced pension. Those include, the Manager, Environmental Services, Manager, Safety & Environment, Manager, Water Operations and Manager, Water Treatment. For all of these positions, there is a Supervisor; however, the Supervisor may not be an appropriate or viable replacement option. Similarly, for 2012, none of the supervisors meet the OMERS eligibility. However, one of the supervisors, Mick Wing is eligible for retirement at the end of 2012 with a January 1, 2013 retirement date. The total number of Supervisors that are eligible for retirement by 2017 includes: the Supervisor, Accounting, two Supervisors, Line Operations and the Supervisor, Customer Service & Billing. Accordingly, succession planning should be considered particularly in the Finance and Customer Service departments, where there will be a significant loss of knowledge and skills specific to our industry. With regard to Mick Wing's succession, there is a number of unionized staff that would be qualified as a replacement as well as the Espanola Lines Supervisor, who has indicated a desire to return to the Sault. If any of the Managers or Supervisors indicates an intention to retire in 2012, then recruitment should be commenced as soon as possible to ensure timely succession. Further, it is recommended that the following be taken into consideration for action in 2012 and beyond:

- 1) Discussion at the Senior Management level in collaboration with the Manager, Human Resources to determine the future recruitment plan for succession of these positions, whether internal or external and associated timelines to commence the search;
- 2) Reorganization of job responsibilities or reporting relationships should be explored as an opportunity to facilitate changes in the management

structure as it may be beneficial in preparation for future operational needs;

- 3) Identification and assessment of potential internal candidates. Past performance, consistent demonstration of results and values, learning potential, innovation and the candidate's career interests will be considered in assigning candidates to succession plans;
- 4) Consultation with potential internal, qualified applicants regarding their interest and commitment, if any, in advancement;
- 5) Development of education/training plans (See Annex A) for any internal candidates who may wish to compete for the position, including Executive/Management Development Programs, job shadowing, special projects or assignments, committee participation, job re-assignments, mentoring, and professional development;
- 6) Identification of employees with experience and knowledge that could be utilized in areas beyond their current career path through either lateral movement or advancement into the senior management level.
- 7) Early recruitment of external hires well in advance of impending retirements to facilitate an orientation and training period to facilitate knowledge transfer, where no internal qualified candidates are available;
- 8) Adoption of a Post Retirement Partial Re-employment option, whereby management employees may be engaged to work in some capacity post retirement, allowing them flexibility in their work schedule i.e. part-time mentoring or consulting role but allow the organization to continue utilizing, particularly during training periods, the wealth of formal and on-the-job expertise of experienced management staff. There are tremendous benefits in allowing younger, less experienced workers to shadow veterans, who have amassed a wealth of knowledge and expertise, specific to the organization and the industry.

DEPARTMENTAL LEVEL

The following summary reviews each department and provides an action plan to prepare for future staffing requirements based on our succession planning process and future operational needs.

Operations and Engineering Division

Engineering

Within the Engineering Department, succession planning has been undertaken during the past several years for the Engineering Technician positions in anticipation of impending retirements. Jules Lapierre has been eligible to retire since 2009. Jeff Robinson and Harry Vuotilainen are eligible for retirement in 2012 and both have indicated they will likely retire this year. Since experienced technicians are not readily available in the local or provincial labour pool, and training and development to achieve adequate proficiency levels takes three to five years, it has been critical that the organization carry additional Engineering Technicians in preparation for

these staff retirements. This has ensured that valuable expertise and knowledge is not lost. Further, as identified in previous reports, from a staff planning perspective, PUC Services Inc. faces a long uphill battle to bring capital works and O&M activities up to the levels required to ensure system integrity and reliability. Increasing the ongoing level of capital works requires a proportionately increased number of engineering staff. Consequently, an additional Engineering Technician position was approved for 2012 and 2013.

In addition, the Engineering Department obtained budget approval to hire a Protection, Control & Communications (PC&C) Engineer in 2008, as a dedicated resource to ensure system reliability and minimize power outages. Although we had successfully recruited a P&C Engineer in 2009, he resigned and we were unable to recruit externally a satisfactory replacement. Subsequently, Rob Harten, one of our Distribution Engineers, Electrical was awarded the position. We have undertaken to recruit a replacement for Rob. We have not been successful in attracting qualified applicants to date but have obtained temporary assistance through a contracted service and will resume efforts to recruit in 2012.

Line Department

There are two potential retirements in 2012 and up to five by 2017 in the Lines area. Although fully qualified, experienced Powerline Technicians are scarce and recruitment of staff at the Journeyperson level has been unsuccessful, there is a solid pool of candidates with Level II apprenticeship training in the labour market. This is attributed to the increasing number of graduates coming out of the Community College Powerline Technician Programs. These graduates may not be journeypersons but have a few years of apprenticeship training which reduces the amount of apprenticeship time required by PUC.

Currently, we have three apprentices. However, this is down from four in 2011 and substantially reduced from 2010 when we had nine apprentices. PUC also continues to participate in the Cambrian College and Conestoga College Powerline Technician Program which provides us with two four-month Coop Placements a year. This has become an effective source of recruitment for new apprentices when positions come available. A Powerline Technician position will be added in 2012 to continue capital works to address our aging infrastructure. It is not anticipated that recruitment will be an issue.

Stations, Metering & Fleet Department

There is only one impending retirement anticipated in 2012, Dave Bell, who is an Electric System Operator. However, this position holds a great deal of specialized training. Therefore, a succession plan was approved in 2011, anticipating his retirement and Phil Johnson was hired to train under Dave Bell until his retirement.

With regard to the implementation of Smart Meters, as required under provincial regulation, it is anticipated that staffing levels within the Metering area may be impacted. It is unknown at this point what the net effect will be. However, it is noted the impact will be on the Meter Service Person positions. Randy Kahtava's position was not filled following his retirement. In addition, a new position will be recruited in 2012, Smart Meter Analyst to analyze the data and meet regulatory requirements associated with Smart Meters. This position will be posted as non-union but may be pursued by the Union as a bargaining unit position.

Environmental Operations

At this time, there are no impending retirements within Environmental Operations since no one meets the OMERS requirements. There is, however one employee, Rudy Becker who is over age 55. In addition, by 2017, there will be 5 employees who are age 55 or over. Recruitment has not been an issue for this department. It should be noted that the Manager, Environmental Operations is over age 55 but does not meet the OMERS requirement until 2016. There is a Supervisor who may satisfy the succession.

Water Distribution

In Water Distribution, there are four employees in the department who are age 55 or older in 2012. Also, there are four potential retirements by 2017. Again, these positions are not anticipated to create future succession issues as staff can be hired and trained for replacement. A conscious effort has been made in 2011 to hire replacement staff with a higher educational level, which includes community college. This will improve the quality of candidates available for future succession as lead hand and management staff retires. Therefore, it is not expected to pose a recruitment or succession problem. It should be noted that the Manager, Water Distribution is over age 55 but does not meet the OMERS requirement until 2014. There is a Supervisor who could satisfy the succession.

Water Treatment Department

Within the Water Treatment Department, there are six employees in the department who are 55 or older in 2012. Also, there are five potential retirements by 2017. Again, these positions are not anticipated to create future succession issues as staff can be hired and trained for replacement. With regard to the Manager, Water Treatment who is over age 55, there are two Supervisors who could provide a succession should Dan decide to retire. It should be noted that Dan does not meet the OMERS requirement until 2016,

To assist with workload issues created by the acquisition of multiple contracts and obligations under the DWQMS, two new positions will be added in 2012 which include a SCADA System Integrator and another Plant Operator. Recruitment will be difficult for a SCADA System Integrator and likely an apprenticeship will be required. However, it will not be difficult to recruit another Plant Operator.

Customer Service Division

Customer Service & Billing

Within the Customer Service Department, there are no impending retirements at the employee level with the exception of the Mailroom Clerk, who is over age 55. Succession planning is not warranted as the skills/knowledge required to perform the functions of this position can be obtained with minimal training and external candidates are readily available. However, of particular concern is that both the Manager and Supervisor of Customer Service and Billing are eligible to retire in two years. During 2014, both will be age 55 with over 30 years in OMERS. It is recommended that an additional resource be added to ensure sufficient training and the transfer of many years of knowledge and experience for business continuity purposes.

With the implementation of Smart Metering and given the enormous volume of both billing and operational data that will now be available, internal and external process changes will be necessary in order to meet regulatory and operational requirements. Accordingly, another new non-union position, Billing System Analyst was approved in the 2010 budget but was not recruited. In the 2012 Budget, it was decided that a Supervisor, Billing & Systems Analyst would be created in the alternative. It is anticipated that this position will be recruited in early 2012 and will also serve to facilitate a succession plan with the impending management retirements.

Finance Division

Finance

There is one employee, Lenore Odber, who is a potential retirement in 2012. Although she is assigned to Customer Service at this time as Senior Customer Service Clerk, her position in Finance will have to be filled permanently should she retire. There is one other employee who is over age 55, Shirley Ager but she does not meet the OMERS requirement. It is not anticipated that these potential retirements will become problematic, as cross-training and replacement activity has been utilized historically to provide relief during vacation, sick leave and other leaves of absence. Accordingly, the skills/knowledge required to perform these functions are readily available through existing staff internally and external recruitment has not posed a significant challenge.

As indicated earlier, the Supervisor, Accounting will also be eligible to retire in 2013. A succession plan will be initiated in 2012 with the hiring of another Supervisor to ensure that there is an effective way to transfer the knowledge that will be lost with the retirement of the Supervisor, who is a long term employee. In addition, the Purchasing Agent is also over age 55 but does not meet the OMERS requirement.

Information Technology Department

There are no impending retirements for this department.

Corporate Services

Although there is no one eligible for retirement until 2015, all the employees in the Safety & Environment department are age 55 or over with the exception of the Manager. It is not anticipated that replacement would be a problem. However, it is recommended that a succession plan be initiated in 2013 to replace the Manager, Safety & Environment, who will be age 55 in 2014 and will meet the OMERS requirement for retirement in 2017, as this position will be very difficult to recruit to obtain the necessary utility and safety experience. A replacement from within the Utility may be the more practical solution but a significant training period would be required to ensure the necessary Knowledge and skills are transferred. It is not anticipated that the current Supervisor will assume the Manager position and he reaches age 55 in 2012 and may be subject to retirement around the time that the Manager retires.

Future Staffing Summary

The chart below has been up-dated each year to reflect current staffing requirements and succession plans.

Proposed Phase-in of Staffing Requirements (revised for 2011)

DEPARTMENT	STAFFING NEEDS		YEAR					
	Positions Required	Total	12	13	14	15	16	17
Line Operations	Powerline Techs – New positions	3		3				
	Work Planner	1	1					
Water Treatment	SCADA System Integrator	1	1					
Metering	Smart Systems Analyst	1	1					
Engineering	Electrical Technician – new positions	3	1	1	1			
Customer Service	Billing Supervisor & System Analyst - new position							

CONCLUSION

The Workforce & Succession Plan is a tool for senior management to ensure that there is sufficient preparation to avoid, wherever possible, significant shortages of skills or major gaps in the PUC's organization chart. It is not a precise exercise simply because it is an attempt to predict the future movement of staff. However, a sound workforce and succession plan allows management to monitor employee demographics, develop and adjust employee training and development plans, and anticipate future recruitment needs.

Further, a clear determination of staffing requirements necessary to meet operational needs, coupled with the succession planning process ensures that all human resources needs are met in a proactive, effective and well-executed manner. This process provides a mechanism to identify the talents of existing PUC staff and to develop a road map to address additional recruitment needs in key technical, managerial and leadership roles in the company, essential for sustained success. It facilitates flexibility and ingenuity in managing future staffing needs. Most importantly, it allows management to identify a pool of highly talented potential leaders, as opposed to identifying merely future inhabitants of positions that are seen as critical to the PUC's success. Accordingly, there is an inherent necessity to increase staffing within specific positions for extended periods of time in anticipation of future retirement activity to meet succession planning requirements.

As the PUC Services Inc. faces new challenges, positions will change, strategic plans will change and it is critical that workforce and succession plans are activated to ensure that the most productive, skilled employees are available and trained to meet those organizational challenges. As a result, the Workforce & Succession Plan will be up-dated annually to address the changing workforce needs of PUC Services Inc.

SAMPLE EMPLOYEE DEVELOPMENT PLAN



**Employee
Development Plan**

NAME: _____

DATE: _____

POSITION: _____

DEPARTMENT: _____

EMPLOYEE DEVELOPMENT PLANNING PROCESS

Development Plans prepare an employee for future opportunities, while improving performance levels in their current position through enhanced skills and knowledge. A development plan provides the employee with the specific activities he or she should undertake to achieve his or her goals and to develop the skills that have been outlined for his or her development. These methods may include:

- Exposure to new areas within the company
- New or interim assignments
- Special assignments, in addition to their normal responsibilities
- Cross-functional training and exposure
- Internal training programs
- External training programs
- Self-directed development activities

A well-constructed development plan generally consists of at least eighty percent on-the-job assignments/responsibilities and about twenty percent formal classroom training.

Management's Role in Development Planning

Each level of management, the CEO, Vice-President and Manager Level, play an important role in the development planning process. Each serves as a source of encouragement and facilitates the establishment of realistic expectations and goals for those positions reporting to them. Communication is key to identifying and progressing in the areas that need development, as well as achieving agreement on the activities and responsibilities that will facilitate that development. In addition, delegation of responsibility to the employee represents perhaps one of the best opportunities for the employee to enhance his or her current skills or to develop new ones.

Development planning takes place after a performance review and the potential assessment interviews have occurred. An example of a written development plan is provided. It describes specific development activities and the target date for completion of each.

By encouraging employees to fully develop the skills and attributes needed for effective performance; the employee development process supports the success and growth of PUC Services Inc. Employee development occurs as a result of a meaningful manager-employee relationship that fosters participation, cooperation and feedback.

Employee development is a competitive issue. Managers can facilitate this process by:

- Setting realistic job expectations
- Reviewing performance regularly
- Conducting career counseling sessions
- Assessing employee potential
- Formulating individual development plans

Through these activities, a working environment is created that meets the business needs of the organization and maximizes employee growth and potential.

EMPLOYEE DEVELOPMENT PLAN

EDUCATION (degrees, certifications and licenses)

1. _____
2. _____
3. _____
4. _____
5. _____

ACCOMPLISHMENTS (skills, strengths, works experience, knowledge):

DEVELOPMENT NEEDS (special projects, job shadowing, committees, on-the-job activities, management development courses, other external education, etc.):

CAREER GOAL(S) _____

It is incumbent upon management to maintain documentation of an employee's progress in their skill development after an observation period has elapsed.

The following summary is an example that demonstrates how management should document an employee's strengths and development needs.

OBSERVED STRENGTHS/DEVELOPMENT NEEDS

(Recommended observation period is 9 months)

STRENGTHS:

Bill's major strengths are in his technical analysis skills and overall understanding of accounting principles.

Bill has also shown improvement in his ability to effectively delegate and provide feedback to all staff members. He has demonstrated excellent employee development skills with his junior analysts and is an effective communicator. He has motivated his staff to develop innovative solutions to previously chronic problems by facilitating creative brainstorming sessions.

DEVELOPMENT NEEDS:

Bill's major development needs involve collaboration skills with other departments and the ability to influence the thinking of others. While Bill has been effective within the accounting environment, he needs to improve his ability to persuade members of other departments about his ideas. This need is especially important in order for Dan to be effective when presenting technical proposals to management members outside his department.

While Bill has demonstrated more assertiveness with his senior analysts, he still tends to avoid confrontation with them on key issues.

SAMPLE

DEVELOPMENT ACTIVITY	TARGET DATE
<i>Bi-weekly meetings between Joe Smith and John Doe to discuss management skills and departmental productivity</i>	<i>1/XX</i>
<i>Attend "Leading Effective Meetings" course through company's training department.</i>	<i>5/XX</i>
<i>Participate on Cayenta Task Force to investigate alternative systems for work-in-progress data entry</i>	<i>9/XX</i>

EMPLOYEE	PERFORMANCE	POTENTIAL	DEVELOPMENT PLAN
John Doe	Good	Ready in 6 months	➤ Financial ➤ Leadership Development

SUMMARY PERFORMANCE AND POTENTIAL ASSESSMENT

Performance:

Excellent
Good
Average
Requires Improvement

Potential:

Ready for advancement now
Ready for advancement in 6 months
Ready for advancement in 1-3 years
Ready for advancement in 3-5 years

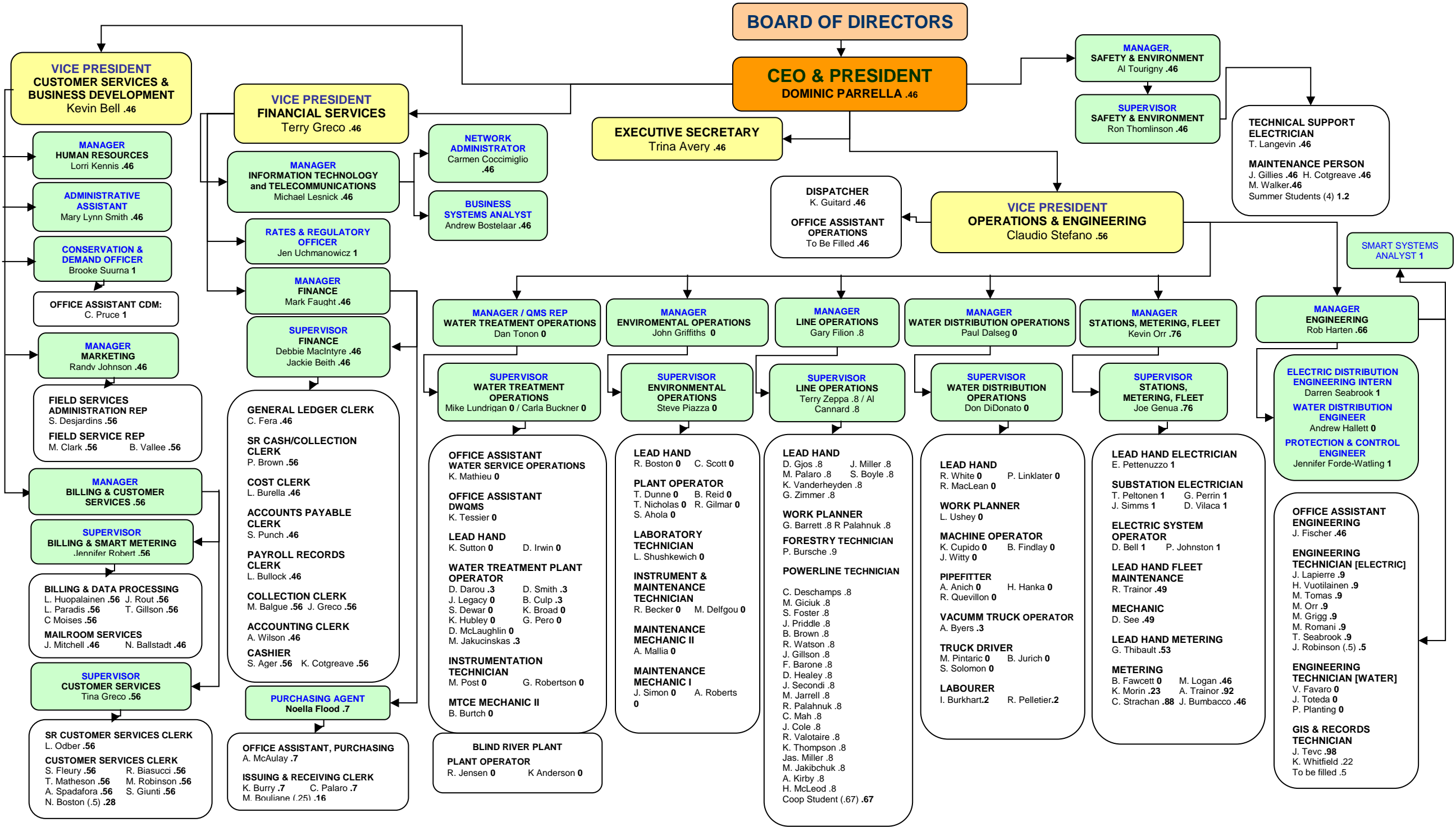
Development Plan - competency areas can change with position:

Financial
Strategic Planning
Communication skills
Computer skills
Mentoring
Conflict management
Leadership development

Appendix H – Organization Chart

PUC SERVICES Inc.

Below is the organization chart for PUC Services Inc. with the estimated equivalent employees applicable to PUC Distribution Inc. Labour costs charged to PUC Distribution are actual labour costs (actual hours x collective agreement rate). Services such as billing, collection, customer service, and administration are allocated to PUC Distribution based on cost drivers as described in the rate application. Any labour that is directly associated to PUC Distribution (line, station, etc.) is charged to PUC Distribution as a pass-through at cost based on daily time sheets.



Appendix I – Management Agreements

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

AMENDING AGREEMENT

THIS AGREEMENT made the 10th day of November, 2011.

B E T W E E N:

PUC SERVICES INC.

(hereinafter called the "Manager")

OF THE FIRST PART

- and -

PUC DISTRIBUTION INC.

(hereinafter called "Distribution")

OF THE SECOND PART

NOW THEREFORE for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Manager and Distribution agree as set forth herein.

1.0 BACKGROUND

1.1 Manager and Distribution are parties to a Management, Operations and Maintenance Agreement dated January 1st, 2001, a copy of which is annexed hereto (the "Original Agreement").

1.2 In order to more efficiently carry out the obligations of the Manager as set forth in the Original Agreement the Manager has entered into a Lease for certain facilities being constructed on property at 500 Second Line East, Sault Ste. Marie, Ontario (the "Facilities"). The commencement date of the Lease is December 1st, 2012 (the "Effective Date")

2.0 AMENDMENTS

2.1 As of the Effective Date the determination of the Manager's fees in paragraph 4.1 shall be cancelled and commencing as of the Effective Date the following provision shall apply:

4.1 Management Fees

In consideration of the Manager undertaking the management, operation, and maintenance of Distribution's Business and the provision of the services set forth in paragraphs 2.2 and 2.3 hereof, Distribution agrees to pay to the Manager a monthly fee consisting of the direct costs specifically attributable to Distribution plus Distribution's proportionate share (as set forth herein) of the costs incurred by the Manager for the shared services (direct costs and shared costs collectively referred to as the "Costs") incurred by the Manager in the fulfilment of the Manager's obligations pursuant to all service contracts administered by the Manager. The Costs shall be determined by the Manager and payment shall be made by Distribution monthly within fifteen (15) days of the Manager submitting an invoice for payment to Distribution. For the purpose of this paragraph Distribution's proportionate share shall be 46% subject to periodic adjustment by the Manager. If Distribution disagrees with the Manager's determination of the Costs or any adjustment to Distribution's proportionate share, the dispute shall be submitted to a single qualified, experienced arbitrator pursuant to the *Arbitration Act, 1991* (Ontario) and the decision of the arbitrator shall be binding on the parties. The cost of arbitration shall be borne equally between the parties.

For greater clarity, the calculation of any rent included in the Costs for workshop and garage facilities and administrative offices presently owned or leased by the manager or to be owned or leased by the Manager (collectively the "Facilities") during the term of this agreement and used in the operation of Distribution's Business shall be based on the following formula:

Rent = Capital cost of the Facilities divided by the estimated useful life (in years) of the Facilities plus the cost of capital. For the purposes of this formula "costs of capital" is the capital cost of the Facilities x the cost of capital as established by the Ontario Energy Board from time to time.

2.2 Manager and Distribution agree that until the Effective date the provisions contained in the Original Agreement with respect to the determination of management fees shall continue in full force and effect.

2.3 Manager and Distribution agree that the term of the Original Agreement is hereby extended to November 30th, 2012. The provisions regarding automatic renewal set forth in paragraph 3.1 of the Original Agreement shall continue to apply.

3.0 GENERAL

3.1 This Agreement shall be read together with the Original Agreement and the parties confirm that except as modified herein all covenants and conditions in the Original Agreement remain unchanged, unmodified and in full force and effect.

3.2 Any capitalized word or term not otherwise defined herein shall have the meaning given thereto in the Original Agreement.

3.3 The parties agree to do or cause to be done from time to time all such things and shall execute and deliver all such documents, agreements and instruments reasonably requested by the other party as may be necessary or desirable to carry out the provisions and intentions of this Agreement.

3.4 This Agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

PUC SERVICES INC.

Per: 

Per: 

We have authority to bind the Corporation

PUC DISTRIBUTION INC.

Per: 

Per: 

We have authority to bind the Corporation

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

THIS AGREEMENT made as of January 1st, 2001.

BETWEEN:

PUC SERVICES INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "**Manager**"),

OF THE FIRST PART;

-and-

PUC DISTRIBUTION INC., a corporation continued under the laws of the Province of Ontario (hereinafter called "**Distribution**"),

OF THE SECOND PART.

RECITALS

1. Distribution and the Manager have agreed to enter into this Agreement pursuant to which the Manager will assume responsibility for all aspects of the management operation and maintenance of Distribution's Business other than marketing and sales and subject to overall responsibility for management of Distribution by its senior officers and board of directors.

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

ARTICLE ONE

DEFINITIONS AND SCHEDULES

1.1 Definitions

In this Agreement, unless something in the subject matter is inconsistent therewith, all capitalized terms shall have the meanings set forth below:

"**Affiliate Relationships Code**" means the Affiliate Relationships Code of the Ontario Energy Board as the same may be amended from time to time.

"Agreement" means this Agreement and all amendments made hereto in accordance with the provisions hereof.

"Business" means owning a distribution system in order to distribute electricity to customers, as well as business activities incidental thereto.

"Business Day" means a day other than Saturday, Sunday or a legal holiday in the City of Sault Ste. Marie, Ontario.

"Emergency Management Powers" means the powers of the Manager described in Section 2.2 (1)(d).

"Event of Default" means any of the events described in Section 6.1.

"Force Majeure" means a cause which is unavoidable or beyond the reasonable control of a party hereto and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limitation, acts of God, acts of a public enemy, war, hostilities, invasion, insurrection, riot, the order of any competent civil or military government, explosion, fire, strikes, lockouts, labour disputes, malicious acts, vandalism, failure of equipment beyond the reasonable control of a party hereto, accident to any facilities, storms, or other adverse weather conditions, or other causes of a similar nature which wholly or partially prevent the parties or either of them from carrying out the terms of this Agreement (other than for the payment of monies due hereunder); provided that either party shall have the right to determine and settle any strike, lockout and labour dispute in which that party may be involved in its sole discretion and provided further that Force Majeure shall exclude lack of funds or economic hardship.

"Insolvent" means, in relation to any Person, being insolvent, bankrupt, making a proposal under the *Bankruptcy and Insolvency Act* (Canada) or having a trustee or receiver or manager appointed in respect of its assets.

"Prudent Industry Practice" means any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known to the Manager, at the time that a decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost, consistent with applicable laws, licensing and regulatory considerations, environmental considerations, reliability, safety and expedition. Prudent Industry Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts employed by owners and operators of facilities similar in size, type and operational characteristics to Distribution's facilities, and having due regard for applicable electrical, safety and maintenance codes and standards, manufacturers' warranties, and applicable laws and shall, in any event, evidence the degree of care, diligence and skill that a reasonably prudent advisor and manager having responsibility for the management of a similar business would exercise in comparable circumstances.

"Term" shall mean the period from the date hereof to the tenth anniversary hereof or such earlier date as this Agreement may be terminated in accordance with its terms.

1.2 Headings

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

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders. Where the word "including" or "includes" is used in this Agreement it means "including without limitation" or "includes without limitation", respectively. Any reference to any Document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under the Documents.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

1.5 Funds

All dollar amounts referred to in this agreement are in lawful money of Canada.

ARTICLE TWO

THE MANAGER'S FUNCTIONS AND POWERS

2.1 Appointment of the Manager

Distribution hereby appoints the Manager and the Manager hereby accepts its responsibility for all aspects of the operation, maintenance, management and management of the Business in accordance with Prudent Industry Practice and the terms of this Agreement throughout the Term including without limitation providing all necessary staff to operate the Business but excluding marketing and sales services.

2.2 General Management Services

(1) The Manager shall have authority during the Term to manage, control, administer and operate the Business in accordance with Prudent Industry Practice, subject to the overall responsibility for management of Distribution by its senior officers ("Distribution Management") and the Distribution Board of Directors (the "Distribution Directors") and subject to and limited by the provisions of this Agreement.

Without limiting the generality of the foregoing, the Manager shall be vested with the following powers which it shall exercise on behalf of Distribution:

- (a) to report to Distribution Management and the Distribution Directors with respect to the business and affairs of Distribution and the Business as may be requested from time to time by Distribution Management and the Distribution Directors;
- (b) to provide all administrative services for the Business and Distribution including accounting and bookkeeping services;
- (c) to negotiate, execute, amend, administer, perform and carry out the terms of all agreements and commitments, the performance of which by or on behalf of Distribution in respect of the Business and the Business is necessary or advisable; and
- (d) to exercise emergency management powers in respect of any aspect of the operation and management of Distribution's facilities ("Emergency Management Powers") in order to take such action as a prudent owner of such facilities would normally take in the circumstances provided that (i) the Manager reasonably believes that immediate action is necessary to safeguard life or property or to prevent or minimize an interruption in the delivery of electricity, (ii) such action does not involve expenditures exceeding \$1 million per occurrence in respect of any emergency unless the Manager has first received the approval of Distribution, and (iii) upon the exercise of Emergency Management Powers, the Manager shall forthwith notify Distribution Management and Distribution Directors in writing

of the nature of the Emergency Management Powers exercised by it, the reasons for exercising Emergency Management Powers and the costs incurred or to be incurred by it in the exercise of the Emergency Management Powers.

2.3 Operations and Maintenance Services

Without limiting the generality of Section 2.2, the Manager shall provide or arrange for all of the operations and maintenance services necessary to prudently and efficiently operate and maintain Distribution's facilities, including but not limited to:

- (a) co-ordinate the purchase and sale of electricity under applicable contracts and pay on behalf of Distribution and collect all amounts payable and receivable thereunder;
- (b) operate and maintain the Business in accordance with Prudent Industry Practice, applicable laws and all Distribution agreements, to minimize unscheduled outages and to provide maintenance for Distribution's facilities in the most cost-effective manner to prevent deterioration beyond normal wear and tear; provided that such efforts shall be necessarily limited by the operating life, capacity and maintenance requirements of Distribution's facilities and by the requirements of all applicable laws;
- (c) use all reasonable care necessary to keep Distribution's facilities clean, orderly and free from debris, rubbish or waste to the extent consistent with the operation of the Business;
- (d) use all reasonable care not to generate, store, transport, accumulate, dispose, discharge or release any hazardous substance on, in or from any property in connection with Distribution's facilities, except in compliance with all applicable environmental laws and regulations;
- (e) assist Distribution in obtaining and maintaining all necessary regulatory approvals including those required from the Ontario Energy Board for the Business and renewals therefor including preparing and submitting all associated applications and filings;
- (f) use its reasonable efforts to secure and maintain from vendors, suppliers and subcontractors the best indemnities, warranties and guarantees as may be commercially available in accordance with Prudent Industry Practice regarding supplies, equipment and services purchased for the Business and assist ~~Distribution in preserving and enforcing such indemnities, warranties or~~ guarantees;
- (g) provide administrative services for the Business and for Distribution in respect of the Business including:

- (i) arrange insurance for the Business and Distribution consistent with Prudent Industry Practice;
 - (ii) maintain and preserve equipment maintenance, accounting, banking and other necessary records, reports, documents, data and the like for the Business and Distribution;
 - (iii) perform cash management services for the Business and Distribution;
 - (iv) on a timely basis prepare monthly and annual financial statements and deliver them to the Distribution Directors;
 - (v) assist in the administration of all agreements to which Distribution is a party or by which it is bound, including negotiations and communications with third parties in connection therewith; and
 - (vi) make all banking and financing arrangements;
- (h) employ, and ensure adequate training and testing of all qualified personnel (duly licensed where required) required for the operation and maintenance of Distribution's facilities consistent with Prudent Industry Practice;
- (i) implement an inventory control system to identify, catalogue and disburse spare parts for the maintenance of Distribution's facilities and procure, as agent for Distribution, initial and replacement spare parts and refurbish, where practical or economical, spare parts to allow their reuse;
- (j) perform for Distribution such other services as may from time to time be reasonably requested or are reasonably necessary or appropriate in connection with the operation and maintenance of Distribution's facilities;
- (k) promptly provide Distribution with such other information relative to the Business as Distribution may reasonably request;

provided that in the conduct of its duties hereunder, the Manager shall not, without first obtaining the written approval of the Distribution Directors undertake any activity which by the terms of the Shareholders' Agreement between Distribution and PUC Inc. requires the approval of PUC Inc.

2.4 Covenants of the Manager

The Manager covenants and agrees that in the performance of its services under this Agreement it shall:

- (a) perform all services at all times in accordance with Prudent Industry Practice and in compliance with applicable laws and the Affiliate Relationships Code;
- (b) comply with all instructions of Distribution Management of the Distribution Directors in relation to the performance of its services under this Agreement;
- (c) observe and perform or cause to be observed and performed on behalf of Distribution in every material respect the provisions of (i) the agreements from time to time entered into in connection with the Business, and (ii) all applicable laws including the Affiliate Relationships Code;

2.5 No Liability of Manager

The Manager shall have no liability as a result of this Agreement to make or arrange for payments on account of operating expenses of Distribution or any other expenses relating to this Agreement out of its own funds.

ARTICLE THREE

TERM

3.1 Term of Agreement

This Agreement shall become effective as of the date hereof and shall continue in full force and effect until January 1st, 2011 unless sooner terminated in accordance with the provisions of this Agreement. This Agreement shall be automatically renewed for successive periods of five years unless either party provides the other with written notice to the contrary at least one hundred and eighty (180) days prior to the end of the then incumbent term.

ARTICLE FOUR

MANAGEMENT FEES

4.1 Management Fees

The parties shall negotiate, acting reasonably, the fees to be paid by Distribution to the Manager for the services hereunder. Such fees shall be determined annually and in compliance with the Affiliate Relationships Code. Any change in fees shall not be effective unless ratified by the Distribution Directors.

ARTICLE FIVE

FINANCIAL STATEMENTS, BUDGETS AND RECORDS

5.1 Books and Records

The Manager shall keep proper books, records and accounts in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of applicable laws will be made of all dealings and transactions in relation to the Business and the performance of the Manager's services under this Agreement at the Manager's head office.

5.2 Examination of Records

The Manager shall make available to Distribution and its authorized representatives at any time during normal business hours on a Business Day all records, documents or information related to the Business, wherever maintained. The Manager shall permit Distribution and its authorized representatives at any time during normal business hours on a Business Day to examine the books, records, drawings, computer-stored data, correspondence, accounting procedures and practices, cost analyses and any other supporting financial data, including invoices, payments or claims and receipts pertaining to the Business maintained by the Manager at its head office. Distribution's examination of records at the Business or at the Manager's head office shall be conducted in a manner which will not unduly interfere with the conduct of the Business or of the Manager's business in the ordinary course. The Manager shall furnish to Distribution such financial and operating data and other information with respect to the Business as Distribution shall from time to time reasonably request.

5.3 Confidentiality

The manager shall ensure that, unless required in connection with applicable laws, the books, records and accounts of Distribution (i) shall not be made available to any other person for whom the Manager provides services, and (ii) are not used by the Manager itself for any improper purpose, in compliance with the Affiliate Relationships Code.

ARTICLE SIX

DEFAULT AND TERMINATION

6.1 Event of Default

The Manager shall be in default under this Agreement upon the happening or occurrence of any of the following events, each of which shall be deemed to be an Event of Default for the purposes of this Agreement:

- (1) the Manager breaches or fails to observe or perform any of the Manager's material obligations, covenants, or responsibilities under this Agreement, and,

within thirty (30) days after notice from Distribution specifying the nature of such breach or failure, to the satisfaction of Distribution Management and the Distribution Directors, the Manager fails to cure such breach or failure or to take steps to remedy such breach or failure and give reasonable assurances to Distribution that such default shall be cured within a period of time satisfactory to Distribution Management and the Distribution Directors;

(b) the Manager:

- (i) becomes Insolvent;
- (ii) is subject to any proceeding, voluntary or involuntary, under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), or any other Act for the benefit of creditors;
- (iii) goes into liquidation;
- (iv) winds up either voluntarily or under an order of a Court of competent jurisdiction;
- (v) makes a general assignment for the benefit of its creditors; or
- (vi) otherwise takes any corporate action that acknowledges its Insolvency; or

(c) gross negligence, wilful default or fraud by the Manager in the performance of any of its obligations, covenants, or responsibilities under this Agreement.

6.2 Termination by Distribution

Upon the occurrence of an Event of Default of the Manager but subject to section 6.3, Distribution may without recourse to legal process but without limiting any other rights or remedies which it may have at law or otherwise, terminate this Agreement by delivery of written notice of termination to the Manager.

6.3 Restriction on Termination during Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the party affected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such party shall not be considered to be in default hereunder, for the period of such occurrence except that the ~~occurrence of an event of Force Majeure affecting Distribution~~ (but not affecting the performance of the Manager's obligations hereunder) shall not relieve it of its obligation to make payments to the Manager hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration, shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either party that arose before the

Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

6.4 Post-Termination Arrangements

In the event of termination of this Agreement:

- (a) the Manager shall deliver to Distribution all books, records, accounts, systems and manuals which it has developed and maintained relating to Distribution, Distribution's facilities and the Business pursuant to this Agreement;
- (b) the parties shall take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the orderly transfer of insurance and completion of any other matter contemplated by this Agreement; and
- (c) title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by the Manager for the Business shall pass to and vest in Distribution upon the passage of title from the vendor or supplier thereof and payment or reimbursement of costs by Distribution.

ARTICLE SEVEN

GENERAL MATTERS

7.1 Governing Law

This Agreement shall be conclusively deemed to be a contract made under, and shall for all purposes be construed and interpreted in accordance with the laws of the Province of Ontario, and the laws of Canada applicable in such Province.

7.2 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.3 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

7.4 Amendments and Waivers

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

7.5 Further Assurances

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

7.6 Time of the Essence

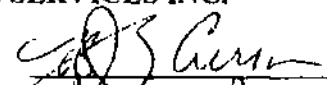
Time shall be of the essence of this Agreement.

7.7 No Partnership

It is understood and agreed that nothing contained in this Agreement nor any acts of the parties shall be deemed to constitute the Manager and Distribution as partners of each other.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the 1st day of February, 2001.

PUC SERVICES INC.

Per:  _____

Per:  _____

PUC DISTRIBUTION INC.

Per:  _____

Per:  _____

Appendix J – Vehicle Garage Fumes



To: Joint Health & Safety Committee

From: Al Tourigny, Randy Digulla, Paul Dalseg

Date: December 19, 2001

Re: Service Centre Garage Ventilation

The Sub Committee met on December 3 And December 18, 2001.

Discussions were held with the mechanic on whether mechanical changes like the installation of block heaters on trucks would help to reduce the exhaust emissions after cold startups. He felt it would not.

We reviewed documentation on the matter from Henderson Metal dated March 17/97 and A Memo from Tom Godfrey to the Health & Safety Committee dated December 18/97 (both attached).

The Sub Committee recommends that:

- 1) It be confirmed that the existing ventilation system is operating to its desired capacity.
(When was it last serviced and are the timers properly set?)
- 2) A qualified firm monitor the exhaust emissions for a specified period of time to determine if levels exceed the Government standards.
- 3) Review the results & respond accordingly.

Respectfully Submitted

Al Tourigny

Randy Digulla

Paul Dalseg

SITE VISIT REPORT
PUC Inc.
Second Line Service Centre
Sault Ste. Marie, Ontario
January 27, 2002

For Health and Safety Professionals Inc.

Jon Simonds, C.I.H., R.O.H.
Consulting Hygienist
O.H.S. Services

I. OVERVIEW:

Health and Safety Professionals Inc. were contacted by PUC Inc. to assist with an evaluation of indoor air quality at their Second Line Service Centre. Employees and the health and safety committee have raised concerns over air quality in the office and repair areas at the facility. The concerns involve the potential for health effects associated with the introduction of contaminants from the vehicle storage area located adjacent to the office and repair areas. Complaints arise primarily during the early morning hours after vehicles have been started and allowed to warm up in the garage area.

II. EVALUATION:

The service center is an older building with several separate ventilation systems in place. The large vehicle storage garage is an open storage area with a stand-alone ventilation system. The system is located along the centre line of the garage and includes two large fan units with attached exhaust drop legs situated along the centre of the garage. The system does not include an external fresh air intake. Equipment stored in the garage includes both large diesel service vehicles and smaller gasoline powered vans and pickup trucks. The repair areas are adjacent to the garage and are separated by a cement block wall. The ventilation system in this area uses the long hallway adjacent to the garage as the return air plenum. Both areas have corrugated steel roofs. The newer office areas have a separate ventilation system that provides air conditioning and uses a dropped ceiling as the return air plenum. Employees have expressed concerns over the potential for health effects from exhaust gases in the repair and office areas. These concerns are related to the detection of exhaust gas smells in the repair and office areas, which occur primarily during the early morning startup period and appear to get worse during colder winter months. Examination of the connecting wall between the garage and repair areas indicated several locations of obvious staining from contaminated air movement into the repair spaces.

III. COMMENTS:

SERVICE GARAGE

Brief visual examination of the ventilation system in the garage storage area indicates several obvious shortcomings.

- The system is situated along the centreline of the garage with exhaust drop legs only in this area. Due to the physics of air movement the potential for this system to remove exhaust gases in areas, which are not directly adjacent to the exhaust, drop legs is extremely limited.

- The system does not include a mechanism to introduce additional makeup air. The exhaust system will only function if there is air available to move. In order to have the system operate even marginally well the garage access door would have to remain open.
- Even with the garage access doors open-air movement would occur only in those areas down stream from the makeup air source.
- The ventilation system would appear to be under-designed considering the volume of the garage space and the current potential for contaminant generation. Under heavy contaminant loads it would take a very long time to provide sufficient air exchange in the space.

REPAIR AREAS

As indicated above, the ventilation system in this area uses the long hallway as a return air plenum. This produces a negative pressure in the hallway and in order for the system to remove air from the repair areas the doors to these areas must remain open. This also produces a relative negative pressure along the adjoining wall with the garage. The large volume differences and the pressure differential between the two spaces provide a mechanism to transport contaminated air into the repair areas. In addition the cement block wall and corrugated metal roofs allow a corridor for air exchange.

OFFICE AREAS

Although the newer office areas are ventilated separately if the doors adjacent to the hall way are left open contaminated air will also be transported into these areas.

IV. RECOMMENDATIONS:

1) AIR MONITORING

Air monitoring has been requested to determine the potential for health effects in the office and repair areas. Limited air monitoring would be useful for determining the magnitude of certain contaminants in the space; however there are no existing occupational exposure guidelines for diesel exhaust in office environments and evaluating the potential hazard would be difficult.

2) VENTILATION

A thorough evaluation of the ventilation system in the garage storage area should be conducted to determine the changes necessary to adequately exhaust contaminants from the space.

3) INSPECTION

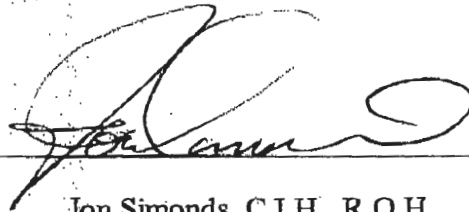
Inspect the connecting wall between the garage storage area and the repair offices and prevent air exchange between the two spaces. Evaluate the intake and exhaust arrangement for all ventilation systems to ensure contaminants are not being introduced between the systems.

4) PROCEDURES

- Evaluate current procedures for warm-up of vehicles during colder months to determine if all access doors to the garage are open during the warm-up period.
- Review the necessity to store and warm-up vehicles at this site.
- Evaluate the arrangement of vehicles in the garage area. Vehicles that are likely to produce the most exhaust contaminants should be parked as close as possible to the existing exhaust drop legs.

***Note:**

This report is based on limited examination of the ventilation systems at the site and is not intended to be a complete evaluation of either the ventilation systems or the potential hazards.

A handwritten signature in black ink, appearing to read 'Jon Simonds', is written over a horizontal line.

Jon Simonds, C.I.H., R.O.H.
Consulting Hygienist
O.H.S. Services

Date: February 18, 2002

To: Joint Health & Safety Committee

From: Al Tourigny

Re: Service Centre Garage Ventilation

A committee consisting of Randy Digulla, Clyde Healey, Tom Godfrey, Al Tourigny and Health and Safety professionals Jon Simonds and Louise Caicco Tett met on February 13/02 as a follow up of the Service Centre garage ventilation report submitted by Paul Dalseg, Randy Digulla and Al Tourigny.

The purpose of the meeting was to determine if monitoring of the garage and offices by a qualified outside firm was warranted, what process was to be used and what substance was to be monitored.

Further administrative controls were looked at to lesson the impact of exhaust emissions in the garage area.

1) Possible split of fleet-reviewed with Line Dept, Water Dept., Meter Dept. and Mechanic

-fleet is already split to optimum

2) Vehicles parked in front of offices:

-vehicles that are parked in front of offices are shut off as soon as they are parked and started only when leaving with the exception of a few ½ tons. These individuals have been reminded to shut off their vehicle.

3) Vehicles left running in the garage area:

-staff will be reminded to shut off their vehicles when in the garage area, even if it is only for a short duration.

4) Early start up procedure:

-discussions with different depts. concluded that some trucks can be moved out earlier in the morning but these vehicle numbers are limited by the nature of the work. Arrangements are being made to have vehicle #'s posted on the dept. white board for early morning move out. This procedure may still present a problem for staff that start early.

Note: The sub-committee of Dec.19, 2001 was included in the discussions.

Conclusion:

The Health and Safety committee members are asked to remind staff at their departmental meetings to shut off their vehicles when in the Service Centre garage area.

Health and Safety professionals Jon Simonds will monitor the garage and office area for Carbon Monoxide and Nitrogen dioxide for a three day period: Feb. 20th, 21st and 22nd. Randy Digulla and AL Tourigny will be present for the testing.

The results will be forwarded to the Health and Safety committee.

Appendix K – Reports, Memos and Justification for New Positions



INTEROFFICE MEMORANDUM

DATE: October 17, 2010
TO: Brian Curran
FROM: Dominic Parrella
c.c. Terry Greco, Claudio Stefano

SUBJECT: Staffing Needs

This memo addresses recommended staffing adjustments relative to establishing the 2011 budgets for both the electric and water utilities. This document builds on previous memos prepared for prior budgets. Accordingly some information has been extracted from the previous memos along with additional comments and analyses presented herein.

Electric Utility

The 2008 Rate Application included a staffing plan that is summarized in the table below. This plan was approved in May 2008 under OEB decision.

Department	2005 Identified Needs		Filled in 2006	Filled in 2007	2008	2009	2010	2011	2012	2013
	Positions Required	Total								
Engineering	• Technician – Electric succession planning	3			2	1				
	• Technician – Electric new positions	4	1					1	1	1
	• P&C Engineer (Identified May 2007)	1			1					
Line Department	• Pole Crews	9	3			3			3	
	• Maintenance Crew	3			3					
	• Succession Planning	1			1					
	• Supervisor	1	1							
	– Identified May 2007 –									
	• Forestry Technician	1			1					
Stations	• Work Planner	2			1		1			
	• Substation Electrician succession planning	1	1							
	• Substation Electrician maintenance needs	2			1		1			

Figure 1: Projected Six Year Staffing Plan (2008 Rate Approval)

Line Department

The rate approval provided by the OEB included the addition of a 3-person maintenance crew in 2008. This crew was added late in 2008. The approval also included an additional 3-person crew in 2009 for pole replacements. This has not yet occurred.

With all the movement of staff in the Line Dept through 2008 and 2009, it was noted that due to the lack of senior journeypersons in the department, it was not advisable to add more apprentices until late 2010. Therefore addition of the third pole crew was deferred to late 2010, and has so far not occurred.

At this point we have only 4 apprentices on staff, but the majority of journeypersons are still quite inexperienced. Furthermore, we do not have the equipment to accommodate another crew and would be late 2011 before the trucks would be available if we do move ahead with the purchases.

Therefore, it is proposed that the third pole crew be hired early Fall 2011 to coincide with arrival of the required equipment.

Forestry

A Forestry Tech was added in February 2009 and has proven to be very effective in advancing better forestry techniques. Peter continues to provide significant improvements to our vegetation management program.

Last year, Peter identified the need to address vegetation "hot spots" more proactively than our practice at that time. Hot spots, where tree branches are touching or even growing into high voltage lines, are a safety hazard to the general public with respect to potential for electrocution or fire. The existence of hot spots is in contravention of Ontario Regulation 22/04 and cannot be allowed to persist.

Peter had proposed the creation of 3-person forestry crew that would provide year-round line clearing to address these hot spots. This would in turn reduce the amount of work required of the contractors and would provide a safer line/tree environment.

Further review of this issue last year resulted in our accepting a proposal from the Wilderness Group to contract out a "demand crew" at a much reduced rate from the contract costs. This demand crew will be available through November 1 to April 30 at a rate of \$175 per hour compared to the contract rate of \$225. This reduced rate is more comparable to our projected internal rate for a forestry crew of \$133 per hour.

This arrangement has proven effective over the past year. We have just recently extended the Line Clearing Contract with Wilderness for another year at the same prices in effect in 2009.

However, as we progress with our more aggressive approach to line clearing, we may eventually reach a point where a forestry crew is preferable to utilizing contractors to do the regular and demand work. We will continue to monitor the situation to ensure this arrangement provides for long term benefit to the utility.

Work Planner

The position of Work Planner was first filled early February 2009 with Al Cannard. Al was effectively in the position for 4 months before moving into the Supervisor position

for Espanola Hydro. Mike Palaro replaced Al as Work Planner in late June. However he reverted to Lead Hand on at the end of August. Greg Barrett moved into the position at that time. At this point, although the position has undergone much flux, we have nonetheless seen valuable and effective output from the position.

Management is convinced the position provides significant value to the Department and is eager to move forward on filing the second position, as approved in the 2008 rate application. It is therefore recommended to move ahead with the posting in early 2011.

Metering

It is noted that metering staff which retired in 2009 have not been replaced due to the unknown impact of Smart Meters on staffing needs. In the 2010 budget, allocation was provided to add a "Smart Systems Analyst" to the Metering or Stations staffing compliment. This position was intended to provide additional resource to deal with effective use of the extensive amount of data that will be provided by the AMI with respect to operational aspects. This position has not yet been filled, but will need to be filled by year-end.

Water Treatment Operations

Maintenance Staff

In 2010 a second Supervisor was added to the WTO Department in order to address management oversight of the outside contracts. Furthermore, in order to better focus efforts on the maintenance of all systems we serve, the position of Lead Hand Maintenance was approved and was to be filled from existing staff, but has not yet been implemented.

We continue to struggle to cope with much needed maintenance of equipment related to all the systems we manage. The SSM WTP is now 25 years old and we have performed very little maintenance on the existing equipment. We are severely deficient in this area and we need to provide more support in this regard. Furthermore, we will soon be adding water softening equipment at the wells and corrosion control equipment at the WTP and the west wells, resulting in more equipment to maintain. In addition, we have taken on many additional systems over the years through the outside service contracts. Our Instrument Techs are unable to keep up with the workload.

A Millwright is required in Water Treatment Operations in order to provide support in this regard and to free up the Instrument Techs to focus on electrical equipment as opposed to mechanical equipment.

Operating Staff

Operational demands for the SSM systems has been growing recently and will continue to do so in the new year. Regulation requiring that we maintain at least 1 mg/L chlorine residual at every point in the distribution system resulted in the requirement to raise residual leaving the wells and treatment plant. This has resulted

in increased frequency of barrel changes and injection pump maintenance at the wells, thereby using more operator (and Instrument Tech) time.

Upgrades to the disinfection at the wells in order to meet regulated contact time has resulted in significant increase the amount of chlorine and ammonia usage. As a result, the amount of operator labour required to change out barrels has almost doubled (i.e. from bi-weekly before the change to now weekly). This operation requires two operators due to the chemical hazard involved.

Furthermore, the CT changes are now plagued by clogging ammonia injection lines which requires the addition of softening for the carrier water. This will add significant additional labour demands for operators to manage the softening equipment and salt usage.

Also, compliance with the new lead regulations has resulted in the need to implement corrosion control. The implementation of corrosion control will add more equipment and chemicals to the treatment plant and the west wells. Also, there will be ongoing distribution sampling to monitor process effectiveness that has to carry on indefinitely.

At least one additional Operator is required as soon as possible for the SSM operations to address these increased labour requirements.

DWQMS

Efforts have been ongoing now for more than three years to develop and implement a Quality Management System (QMS) and Operational Plan required under the new MOE licensing regime. Throughout the process we have struggled to understand the eventual impact on our operations of this new regulatory requirement.

Implementation and maintenance of the QMS requires the following ongoing activities:

- Annual external audits;
The provincially appointed auditor (CGSB) will conduct an independent external audit of our system each year. CGSB will require that we produce records and results of our internal audits. They will not perform our first audit until we can demonstrate at least 3 months of QMS operational history which includes internal audits.
- Regular internal audits;
Regulation requires that we conduct annual internal audits in addition to the annual external audit. We are required to audit each of the 21 elements of the Standard each year for each system. At this time we have 5 systems that we operate. The only feasible way to do this is to audit different elements each month so that all 21 are audited within the year. Every Corrective Action Request (CAR) issued as result of these audits must be addressed within a reasonable time frame. This is clearly a substantive administrative burden.
- Annual Management Review;
The DWQMS requires senior management to:
 - “...conduct an annual review that evaluates the continuing suitability, adequacy and effectiveness of the Quality Management System and that includes consideration of:
 - a) incidents of regulatory non-compliance,
 - b) incidents of adverse drinking-water tests,
 - c) deviations from critical control point limits and response actions,

At least once a year, we must verify the currency and the validity of the information used in the risk assessment for each system we operate. The actual risk assessment and outcomes must be redone every three years at a minimum, unless changing conditions indicate that it should be done more frequently. Again, more administrative burden.

- Ongoing updates;
Elements #9 through #18 all require ongoing upkeep to ensure information is accurate and up-to-date – more administrative burden

Element 3 of the DWQMS is "**Commitment and Endorsement**" which requires a written endorsement of the QMS by Top Management and the Owner. Following are some extracts of the components of this element:

"PLAN – The Operational Plan shall contain a written endorsement of its contents by Top Management and the Owner.

DO – Top Management shall provide evidence of its commitment to an effective Quality Management System by:

- a) ensuring that a Quality Management System is in place that meets the requirements of this Standard,
- b) ensuring that the Operating Authority is aware of all applicable legislative and regulatory requirements,
- c) communicating the Quality Management System according to the procedure for communications, and
- d) determining, obtaining or providing the resources needed to maintain and continually improve the Quality Management System."

"... This is a critical element to put into place early on in the implementation. The PLAN component of Element 3 requires that the operational plan is endorsed, in writing, by top management and the owner. The DO component of Element 3 requires that top management is able to **prove** its commitment to the QMS. Top management must be aware of the QMS, and provide direction and resources..."

"... The QMS must be adopted as an integral part of your organization **and necessary resources must be provided, from now and into the future...**"

This last sentence is clear. We must provide adequate resources to implement and administer DWQMS in the long term. And this involves both Sault Ste. Marie and all the outside contracts.

We therefore have come to the realization that success in meeting the DWQMS regulatory burden will definitely require a full time person. It is recommended therefore that a fulltime position be created as a management position.

Essentially the role would need to address two functions. First is the development of programs and documents. The second is ongoing maintenance and program improvement. These functions entail the following:

1) Program Development

Set up of the original DWQMS content for Sault Ste. Marie has been the major component of the work load to date. Moving forward the DWQMS content will have to be developed for all the other contracts we manage. This will still rely

heavily on resources that are knowledgeable with the systems and the processes involved.

Implementation will require bringing together resources for:

1. developing SOPs for operator guidance,
2. developing a DWQMS communication format to include updating senior management, updating owners at our contracts to ensure endorsement, responsibilities, direction and buy in.
3. applying DWQMS content to the operational plans to keep them effective.
4. developing reports for DWQMS effectiveness and that meet the DWQMS requirements.

2) Program Maintenance

Going forward it will become an administrative task to apply the above, schedule audits, monitor progress and implement changes. This will certainly become a major undertaking. Much of this content will fall within Springboard RRAM which adds another administrative element in order to keep operators trained and involved.

The discussion above was presented last year at budget time. It is now one year later and we still find ourselves in the same position we were in last year. Progress on accreditation has been next to nil. And with every day that passes the threat of failure draws closer.

Once again, in keeping with our tradition of underestimating the impacts of new legislation we have inadequately prepared for implementation and we are now inadequately prepared to maintain and support ongoing compliance. A full time permanent position dedicated to DWQMS is long overdue.

Water Distribution

The position of Work Planner was filled in mid March 2009. To-date the results have been excellent. The Planner has proven very effective in addressing intricate planning issues, researching issues, and supporting the coordination of work activities. We have experienced more effective job planning, providing greater transfer of information to field staff, less field re-work, less damage to infrastructure and less frustration for field staff and customers.

The Work Planner has also provided the following services:

- Acts as liaison between Engineering Staff and Water Distribution Staff.
- Provides knowledge-based decision making (combining theoretical and practical).
- Provides knowledge transfer to junior employees – setting and preparing a stringent protocol as to the way tasks are to be undertaken.
- Provides maintenance follow-up to repairs and the purchase of conventional and unique tools to expedite work.
- Coordinates activities between PUC Services and other utilities, contractors, etc.
- Provides quality Customer Relations in the delivery of information to maintain a strong corporate image.

- Provides support to the Manager and Supervisor enabling their focus on management issues.

In 2008 the Department started moving to a different operational model. Rather than PUC crews performing all watermain connections and service transfers, we are now providing one or two licensed operators to oversee the work that is now performed by the contractor. Although this method is freeing up staff to focus on maintenance activities, the volume of road construction activities continues to increase, and we continue to fall short of meeting our maintenance targets. The volume of City road works has increased substantially over the several years.

The Department continues to fall behind in meeting work demands. Once again, for the fourth consecutive year we did not complete the annual check of fire hydrants.

Furthermore, we have not been able to make any real progress in maintaining system valves. In 2009 we were not able to perform any valve cycling at all. We continue to encounter leaking and inoperable valves in the course of conducting road construction work which leads to delays in the construction and forced (high) contractor costs to make the repairs before construction can continue.

Normally we try to utilize outside contractors to fulfill system maintenance work required under outside contracts such as Blind River or Echo Bay.

However, during the Fall of 2009 we had to use Department staff to perform flushing of the Blind River system required under the contract. The planned contractor was not available when required. As a result we lost two operators for two full weeks. Also we have been using our staff to maintain the hydrants and valves in Echo Bay as required under the contract for several years now.

Based on the comments coming back from the various members of Town Councils and residents, our staff do a far better job than contractors and are much better received by them

Water Distribution - Field Service Crew

We now have a number of service contracts with other municipalities that require annual hydrant flow checks, valve cycling, system flushing and swabbing. Our expectation was that we would contract out the services of others (like A1 Hydrant Services) to perform these contract obligations. However, as experienced last Fall in Blind River the timing does not always work out such that we had to commit our own staff to the task. Furthermore staffing changes have occurred with A1 and we are now having an extremely difficult time getting professional results from them.

In the case of Blind River, we performed uni-directional flushing that proved to be extremely effective in addressing the poor water quality situation in the distribution system. It appears from the comments received in the field that our staff did a much better job than the contractor had been doing in the past.

An evaluation of contract commitments for all external contracts demonstrates that we could commit one two-person crew for 20 weeks annually and at an average savings of 30% under the contractor price, to our benefit.

The balance of time available would be committed to the SSM operations. Annual flow checking of the city's 2,250 hydrants takes about 14 weeks annually and winterizing

takes another 21 weeks (one two person crew). There is a need to reinforce staffing in the Department to support the performance of identified maintenance activities.

Furthermore, we need to address the issue of swabbing. Swabbing of watermain is a best practice that is proven effective in treating water quality concerns. Other than the odd trial, we have not yet undertaken any swabbing of the Commission's watermain. The addition of a Field Service Crew would not provide the resources needed to provide effective implementation of a swabbing program in Sault Ste. Marie. However, it is proposed that staff would be trained and utilized to perform the swabbing required under the external contracts as a starting point in order to move towards an ongoing local program.

Additional Vacuum Truck

In 2004 a vacuum excavator truck was added to the fleet to support Water and Lines operations. The truck has proven to be an immense success. It has afforded us significant savings in costs related to labour and restoration associated with excavations. In addition it has provided significant improvements in staff productivity, significant benefits in the health and safety aspects of certain tasks, and significantly reduces impacts to the physical environment.

Over the past number of years we have continued to ramp up our capital and O&M works for both water and electric each year. We expect to continue to increase the volume of these activities over the next five years as we continue to add operations staff and as new staff gain experience and become more productive.

We are now at the point where one vacuum excavator is not enough to facilitate the growing volume of work. In the meantime we are contracting a commercial truck to supplement our own unit. But this method is very unproductive and costly.

A second truck including a second operator is required. The cost of a unit would be in the range of \$500,000. It is noted that if approved, the unit would not be delivered until late 2011.

Engineering

The long term plan for the electric operations, as presented in the 2008 Rate Application, also included the creation of one additional Electrical Engineering Technician position each year for three years starting in 2011. This plan needs to be implemented in order to provide the technical support for the continued growth of the capital budget towards identified target levels.

Similarly, in the water operations, the long term plan calls for increased capital works over the next 5 years. The higher levels of capital works will have to continue for an indefinite period of time (at least 20 years) to address the coming burden of infrastructure replacement. A fourth Water Engineering Technician needs to be added in 2012 to support the increasing capital works.

Office Administration

In all departments regulatory burden continues to grow and increase in demands every year across all aspects of our operations. It is the reality of our times and clearly

Staffing Recommendations

Based on the considerations noted above, the following new staff are recommended to be phased in over time as noted below:

Department	Identified Needs		2011	2012	2013	2014
	Position	Total				
Engineering	Electric Technician ¹	3	1	1	1	
	Water Technician	1		1		
	CAD Technician (Facilities)	1	1			
Line	Pole Crew ¹	6	3			3
	Work Planner ¹	1	1			
Water Treatment	Quality Assurance Technician	1	1			
	Water Treatment Operator	1	1			
	Millwright	1	1			
Water Distribution	Field Service Crew ²	2	2			
	Vac Truck Operator ³	1	1			
General	Admin Assistant ⁴	1	1			
Safety & Environment	Supervisor Plant & Mtce	1	1			
	Safety & Env Technician	1	1			

Notes: 1 – Identified in 2008 Rate Application.

2 – Field Service Crew to be allocated 45% external contracts, 55% SSM operations.

3 – Vac Truck Operator to be shared 75% water and 25% electric.

4 – Admin Assistant to be shared 50% Operations (Line, Water, Stations/Metering) and 50% Safety and Environment





INTEROFFICE MEMORANDUM

DATE: October 16, 2009
TO: Brian Curran
FROM: Dominic Parrella
c.c. Terry Greco, Claudio Stefano

SUBJECT: Staffing for Operations & Engineering

The 2008 Rate Application included a staffing plan that is summarized in the table below. This plan was approved in May 2008 under OEB decision.

Department	2005 Identified Needs		Filled in 2006	Filled in 2007	2008	2009	2010	2011	2012	2013
	Positions Required	Total								
Engineering	• Technician – Electric succession planning	3			2	1				
	• Technician – Electric new positions	4	1					1	1	1
	• P&C Engineer (identified May 2007)	1			1					
Line Department	• Pole Crews	9	3			3			3	
	• Maintenance Crew	3			3					
	• Succession Planning	1			1					
	• Supervisor	1	1							
	-- Identified May 2007 --									
	• Forestry Technician	1			1					
Stations	• Work Planner	2			1		1			
	• Substation Electrician succession planning	1	1							
	• Substation Electrician maintenance needs	2			1		1			

Figure 1: Projected Six Year Staffing Plan (2008 Rate Approval)

Line Department

The 2008 Rate Application included the following information:

"Prior to 2004, we typically replaced no more than 80 poles per year through typical construction and maintenance activities. In order to reach the target level (399 poles per

year), it was determined that three additional crews dedicated year-round to pole replacements were required.

In 2005 an additional Line Department crew was added in order to increase the rate of annual pole replacements. While the crew was not in place until mid-April, good progress was made with 172 deteriorated poles being replaced in 2005.

In 2006 a second crew was added. In line with typical hiring time frames, the crew was not in place until mid-May. Also, due to customer demands and budget constraints, efforts were diverted away from pole replacements and we again were unable to achieve the full program in 2006. Furthermore productivity actually declined due to the high number of apprentices that were introduced.

The 2006 rate approval came in \$800,000 less than requested, resulting in a severe restriction on cash flow. Therefore, in order to preserve cash flow, all discretionary overtime was eliminated. This move impacted severely on our ability to meet the 2006 pole replacement targets. We had targeted 250 replacements but were only able to achieve 152 replacements in 2006.

Again in 2007, the shortfall in revenue resulting from the reduced rate approval continues to take its toll on our efforts to accelerate pole replacements. Also there is a growing backlog of poles identified in prior year's testing that have not yet been replaced.

Previous discussion anticipated the need for a third pole replacement crew to be added in 2007. At this time, available funds will not allow this. Furthermore, qualified Power Line Maintainers are not readily available in the labour market and we are approaching our limit of allowable apprentices to journeyperson ratio. Therefore we anticipate adding the third pole crew in 2009 and a fourth in 2012. Implementation of the full pole replacement program will be delayed until then."

The rate approval provided by the OEB included the addition of a 3-person maintenance crew in 2008. This crew was added late in 2008. The approval also included an additional 3-person crew in 2009 for pole replacements. This has not yet occurred.

With all the movement of staff in the Line Dept through 2008 and 2009, we are in a situation now where it is not advisable to add more apprentices due to the lack of senior journeypersons in the department. It is therefore proposed that the third pole crew be deferred to late 2010.

Forestry

A Forestry Tech was added in February 2009. Peter Bursche has already proven to be very effective in advancing better forestry techniques.

Peter has identified the need to address vegetation "hot spots" more proactively than our current practice. Hot spots, where tree branches are touching or even growing into high voltage lines, are a safety hazard to the general public with respect to potential for electrocution or fire. The existence of hot spots is in contravention of Ontario Regulation 22/04 and cannot be allowed to persist.

Peter has proposed the creation of 3-person forestry crew that would provide year-round line clearing to address these hot spots. This will in turn reduce the amount of work required of the contractors and will provide a safer line/tree environment. Attached is a copy of his proposal for reference.

It is proposed that rather than adding the third pole crew that was scheduled for late 2009, it would be more effective for the overall benefit of operations to add a forestry crew. Addition of the third pole crew is impractical at this time due to the high number of apprentices.

A full-time forestry crew would address the "extras" that we currently encounter each year on the line clearing contract as well as addressing the ongoing hot spots. Extras relate to removal of danger tress or negotiated removals with property owners and are costly to address under contract operations. Furthermore, the increased attention to line clearing year-round will significantly reduce the occurrence of outages due to tree contacts.

Addition of a forestry crew is expected to eliminate the occurrence of extras on the line clearing contract as well as reduce the amount of work the contractor will perform. The cost of the crew and equipment is estimated at \$256,000 per year. The overall cost of contract work is expected to be reduced in the range of this amount such that the net effect to the line clearing budget should be negligible. However, we expect to significantly improve outage performance.

Work Planner

The position of Work Planner was first filled early February 2009 with Al Cannard. Al was effectively in the position for 4 months before moving into the Supervisor position for Espanola Hydro. Mike Palaro replaced Al as Work Planner in late June. However he reverted to Lead Hand on at the end of August. Greg Barrett moved into the position at that time.

At this point, although the position has undergone such flux, we have nonetheless seen valuable work from the incumbents during that time. Management is confident the position provides significant value to the Department. However it is proposed that the second position not be filled until later in 2010 in order to allow some time for Greg to settle in and for the position (including the rest of staff) to mature in their respective roles a bit further before introducing more change.

Metering

It is noted that staffing requirements to support ongoing operations and maintenance of Smart Meters is identified elsewhere.

It is also noted that Department staff that retired earlier in 2009 have not been replaced, in anticipation of the potential impact of Smart Meters implementation on staffing needs.

Stations

It is noted the rate application included provision for an additional Substation Electrician in 2010 to address increased maintenance requirements. This needs to be included in the 2010 budget.

Engineering

The long term plan for the electric operations, as presented in the 2008 Rate Application, also included the creation of one additional Electrical Engineering Technician position each year for three years starting in 2011. This plan needs to be implemented in order to provide the technical support for the continued growth of the capital budget towards identified target levels.

Similarly, in the water operations, the long term plan calls for increased capital works over the next 5 years. It is proposed that a fourth Water Engineering Technician be added in 2012 to support the increasing capital works.

Water Treatment Operations

With the addition of Richard's Landing, Blind Rive and the two North Shore systems, in addition to the ongoing increase of regulatory burden, a second Supervisor has been approved for the Department at this time. Furthermore, in order to focus more effort on the maintenance of all systems we serve, the position of Lead Hand Maintenance will be created, but will not add any more staff.

In addition to these changes, staff are currently investigating the feasibility and impacts of moving away from a 24/7 type operation in the municipal water treatment plant to a straight days type operation. This arrangement would have the benefit of freeing up the existing staff to work in the field where we need them rather than carrying on the 24/7 shift program. However any movement in this area will take significant planning and evaluation time and effort and will involve a longer term horizon.

Water Distribution

The position of Work Planner was filled in mid March 2009. To-date the results have been excellent. The Planner has proven very effective in addressing intricate planning issues, researching issues, and supporting the coordination of work activities. We have experienced more effective job planning, providing greater transfer of information to field staff, less field re-work, less damage to infrastructure and less frustration for field staff and customers.

The Work Planner has also provided the following services:

- Acts as liaison between Engineering Staff and Water Distribution Staff.
- Provides knowledge-based decision making (combining theoretical and practical).
- Provides knowledge transfer to junior employees – setting and preparing a stringent protocol as to the way tasks are to be undertaken.
- Provides maintenance follow-up to repairs and the purchase of conventional and unique tools to expedite work.
- Coordinates activities between PUC Services and other utilities, contractors, etc.
- Provides quality Customer Relations in the delivery of information to maintain a strong corporate image.

- Provides support to the Manager and Supervisor enabling their focus on management issues.

In late 2008 we contracted flow testing of hydrants for colour coding. The work continued through 2009 and is now approaching completion. In addition we contracted out a leak detection survey for the entire system, which is also nearing completion at this time. There has been relatively little hydrant repair work resulting from the flow testing activities. However, a number system leaks have been discovered so far. We have repaired 4 watermain leaks, 2 water services have been identified as a leaking on the Customer's side of the curb box, and currently we have identified 8 other potential leaks that require further investigation.

In 2008 the Department started moving to a different operational model. Rather than PUC crews performing all watermain connections and service transfers, we are now providing one or two licensed operators to oversee the work that is now performed by the contractor. Although this method is freeing up staff to focus on maintenance activities, the volume of road construction activities continues to increase, and we continue to fall short of meeting our maintenance targets. The volume of City road works has increased substantially over the past two years.

The Department continues to fall behind in meeting work demands. Once again, for the third year in a row we did not complete the annual check of fire hydrants. Although flow testing compensates for this in 2009, this testing does not provide an operational check of every hydrant. This annual check is a legislated requirement.

Furthermore, we have not been able to make any progress in maintaining system valves. In 2009 we were not able to perform any valve cycling at all. We continue to encounter leaking and inoperable valves in the course of conducting road construction work which leads to delays in the construction and forced (high) contractor costs to make the repairs before construction can continue.

In addition, this fall we had to use Department staff to perform flushing of the Blind River system, as required under the contract. The planned contractor was not available when required. As a result we lost two operators for two full weeks. Also we have been using our staff to maintain the hydrants and valves in Echo Bay as required under the contract.

Water Distribution - Field Service Crew

We now have a number of service contracts with other municipalities that require annual hydrant flow checks, valve cycling, system flushing and swabbing. Our expectation was that we would contract out the services of others (like A1 Hydrant Services) to perform these contract obligations. However, as experienced this fall in Blind River the timing does not always work out such that we had to commit our own staff to the task.

In the case of Blind River, we performed uni-directional flushing that proved to be extremely effective in addressing the poor water quality situation in the distribution

system. It appears from the comments received in the field that our staff did a much better job than the contractor had been doing in the past.

An evaluation of contract commitments for all external contracts demonstrates that we could commit one two-person crew for 20 weeks annually and at an average savings of 30% under the contractor price, to our benefit.

The balance of time available would be committed to the SSM operations. Annual flow checking of the city's 2,250 hydrants takes about 14 weeks annually and winterizing takes another 21 weeks (one two person crew). There is a need to reinforce staffing in the Department to support the performance of identified maintenance activities.

Furthermore, we need to address the issue of swabbing. Swabbing of watermain is a best practice that is proven effective in treating water quality concerns. Other than the odd trial, we have not yet undertaken any swabbing of the Commission's watermain. The addition of a Field Service Crew would not provide the resources needed to provide effective implementation of a swabbing program in Sault Ste. Marie. However, it is proposed that staff would be trained and utilized to perform the swabbing required under the external contracts as a starting point in order to move towards an ongoing local program.

Additional Vacuum Truck

In 2008 a vacuum excavator truck was added to the fleet to support Water and Lines operations. The truck has proven to be an immense success. It has afforded us significant savings in costs related to labour and restoration associated with excavations. In addition it has provided significant improvements in staff productivity, improves the health and safety aspects of certain tasks, and lessens the impact to the environment.

Over the past five years we have continued to ramp up our capital and O&M works for both water and electric each year. We expect to continue to increase the volume of these activities over the next five years as we continue to add operations staff and as new staff gain experience and become more productive.

We are now at the point where one vacuum excavator is not enough to facilitate the growing volume of work. We have been contracting a commercial truck through 2009 to supplement our own unit.

A second truck including a second operator is required. It is noted that if approved, the unit would not be delivered until late 2010.

Furthermore, 2010 is a "light" year for the vehicle budget and therefore it would be an opportune time to add the second vacuum truck. The cost of a unit would be in the range of \$500,000.

Fleet Department

Over the past 5 to 10 years the number of vehicles the company owns and maintains has grown substantially. This has occurred due to the addition of the city wastewater contract, the external water/wastewater contracts, the addition of operating and

management staff in the operations departments and the addition of standby generators associated with contract facilities in addition to specialized equipment such as the vacuum truck.

In addition, the automotive industry in general has evolved continuously with ever more sophisticated technology, both for heavy equipment and light duty vehicles. The evolving technology requires more sophisticated testing/diagnostic equipment and consequently places greater demands on staff to upgrade training and knowledge on a continuous basis. Also, if we are to advance our efforts towards "greening" the fleet, greater effort will be required.

Our electric and water operations utilize specialized hydraulics for lifting and digging. Commercial mechanics are generally not trained to properly service these specialized systems. Electric and water utility fleet mechanics are specifically trained and certified to work on these systems. Local specialized service is not available. In addition, sending out these vehicles to out-of-town dealers is very disruptive to our daily activities such that there are significant down side impacts to operations.

A review of the costs associated with farming out the servicing of light duty vehicles demonstrates that we could perform the work more efficiently and at less cost (50% less) than sending them out to dealers.

While garages may offer service and inspection "specials" at reduced rates, they do so based on their ability to up-sell items that they "recommend" for replacement (brake components are an excellent example). Their mark-up on the materials ranges from 10 to 30%, depending on the cost of items. For example, mark-up on brake parts is 30% while mark-up on a transmission would be 10%.

Additional benefits to in-house servicing that would make Fleet operations more effective and efficient include:

- When contracting out repairs there are added (hidden) costs due to shuttling of the vehicles, and moving equipment on and off, at times causing delays for work crews.
- The vehicle would be ready for use in a more timely fashion with less down time. Garage servicing results in loss of the vehicle for unknown (and sometimes lengthy) periods of time.
- Our staff would perform a higher level of inspection and are not prone to changing parts "prematurely"
- Reduced costs for parts and materials since we buy direct from the distributor.

These cost savings and benefits combined with the need for more resources to maintain the increased fleet of large trucks and back-up generators provides justification for the addition of a second full time Mechanic.

Office Administration

In all departments regulatory burden continues to grow and increase in demands every year across all aspects of our operations. It is the reality of our times and clearly will not diminish in time. Operational management staff are especially impacted.

They have to contend with increased regulatory demands in the face of increased construction demands while trying to cope with the need (ever more critical) to address maintenance issues, all under the overarching need to ensure a safe and healthy work place. Furthermore the implementation of Cayenta will introduce more administrative burden on management staff.

There are numerous issues today that did not exist 10 years ago that have all contributed to the administrative loading on management staff. These include:

- | | |
|----------------------|---------------------|
| ▪ Reg. 22/04, | ▪ IESO reporting, |
| ▪ DWQMS, | ▪ MOE inspections, |
| ▪ lead testing, | ▪ ESA inspections, |
| ▪ monthly reporting, | ▪ Green Energy Act, |
| ▪ market rules, | ▪ Cayenta, |
| ▪ OEB initiatives, | ▪ Springboard RRAM, |
| ▪ OPA initiatives, | |

Management staff are continuously challenged to cope with operational demands. They should not be challenged with routine office administration duties as well. Management already spend too much time performing clerical work. This only detracts from their ability to deal with operational and supervisory matters. It is proposed that an Admin Assistant be added to the operations group to be shared amongst the various departments.

Within the Water Distribution Department, the following are examples of where the Admin Assistant would provide clerical support for existing activities. Other departments would have comparable lists.

- Dead-end Flushing Program records,
- Equipment Maintenance records,
- Employee Training records,
- Employee Certification Renewals & Upgrades,
- DSO Records,
- GIS Updates,
- Departmental Health & Safety - Minutes of Meeting,
- Hydrant Maintenance Data

Health and Safety Administration

Safety is our number one priority. We all have a role to play in this regard. Management staff are clearly the driving force within our organization in promoting a culture of safety in our organization. Management staff have come to rely more and more on the efforts of the Manager Safety & Environment for support in carrying out their duties in this area.

However the demands on the Manager Safety & Environment have grown over the years due to increased workforce, increased diversity of operations, and increased regulatory demands.

All PUC staff have come to rely this position for support. But the position is overwhelmed with demands. The position requires full time dedicated support to be truly effective. It is recommended that a management position be added to support and supplement the Manager's role.

Furthermore, there is a real need to add permanent full-time clerical support for the Manager in the form of a dedicated Health & Safety Admin Assistant. It is proposed that the Admin Assistant be shared between the Manager and the VP Operations & Engineering.

Staffing Recommendations

Based on the considerations noted above, the following new staff are recommended to be phased in over time as noted below:

Department	Identified Needs		2010	2011	2012	2013	2014
	Position	Total					
Engineering	Electric Technician ¹	3		1	1	1	
	Water Technician	1			1		
Line	Pole Crew ¹	6		3			3
	Forestry Crew	3	3				
	Work Planner ¹	1		1			
Stations	Substation Electrician ¹	1	1				
Metering	Smart Systems Analyst	1	1				
Fleet	Mechanic	1	1				
Water Distribution	Field Service Crew ²	2	2				
	Vac Truck Operator ³	1		1			
Operations	Admin Assistant ⁴	1	1				
Ops/Safety	Admin Assistant ⁵	1	1				

Notes: 1 – Identified in 2008 Rate Application.

2 – Field Service Crew to be allocated 45% external contracts, 55% SSM operations.

3 – Vac Truck Operator to be shared 75% water and 25% electric.

4 – Admin Assistant to be shared equally by Line, Water, Stations and Metering departments.

5 – Admin Assistant to be shared 25% VP Ops & Eng and 75% Mgr Safety & Environment



2009 Budget

Hourly staff increases in 2009 budget

- 8 permanent
- Admin position – Cayenta S/W
- Line Dept. – 3 power line maintainers -
October 2009
- Water Dept. – planner
- Water Treatment – 1 sampler and 2 Blind
River operators
- Engineering Dept. - Electrical Tech.

2009 Budget

- Management payroll
- 2 Budgeted additions in 2008
 - Engineering – Protection and Control (P & C) Engineer – not yet filled
 - Customer Service - Billing Supervisor – Dec. 2008
- 1 Budgeted permanent addition in 2009
 - Network Administrator
 - Temporary upgrades to fill Smart Meter and DWQMS coordinators

2010 Budget

Hourly staff increases in 2010 budget

- 1 add'l permanent staff
- Substation electrician per previous long term plan
- Admin position – Cayenta – budgeted but not filled in 2009 – rebudgeted for 2010
- 2 add'l students – hydrant painting and pole treatment
- Engineering – one retirement in 2009 – covered by previous succession planning
- Meter dept. – 3 retirements in 2009 – one to be replaced in 2010 – others pending review of smart meter operating requirements

2010 Budget

Hourly staff increases in 2010 budget

- Add'l line crew and planner from long term plan moved to 2011
- Water Treatment – add'l operator added in 2009
- Customer Service – temporary half person equivalent and temporary upgrade to supervisor for smart meter implementation
- Add'l maintenance mechanic w/w (replacement for employee on modified work)

2010 Budget

- Management payroll
- 3 budgeted permanent additions in 2010
 - CDM Program Officer
 - Billing Systems Analyst – Smart Meters
 - Smart Systems Analyst – Smart Meters
- Espanola Line Supervisor added in 2009
- Supervisor Water Treatment added in 2009
- Budgeted temporary positions (4)
 - Accounting Supervisor – 2 year term
 - Safety and Environment Supervisor – 1 year term
 - Operations Admin Assistant – 1 year term
 - Mechanic Supervisor – 1 year term
 - Temporary positions to provide resources for Cayenta, Springboard, and smart meter implementation and other special projects (HST, IFRS, etc.)

2011 Budget

Hourly staff increases in 2011 budget

- 4 add'l permanent staff
- Electric Engineering Tech as per long term plan
- Operations Admin assistance – temp in 2010
- Water treatment – additional operator and mill right
- Movement of w/w electrician to Plant & Maint in 2010
- Business System Analyst – budgeted 2010 – to be filled in late 2010 or early 2011
- Meter dept. – 3 retirements in 2009 – one replaced in 2010 – others pending review of smart meter operating requirements
- Billing and Operations smart meter/grid positions budgeted but yet to be filled

2011 Budget

Hourly staff increases in 2011 budget

- Customer Service – temporary half person equivalent for smart meter implementation
- Billing – temporary half person equivalent for smart meter implementation
- Scada Operator

2011 Budget

- Management payroll
- 3 budgeted permanent additions in 2010
 - CDM Program Officer
 - Billing Systems Analyst – Smart Meters
 - Smart Systems Analyst – Smart Meters
- To be filled in late 2010 or 2011
- Customer Service temporary upgrade to supervisor for smart meter implementation
- H&S Coordinator
- Telecom Manager to be added pending divestiture outcome

2012 Budget

Hourly staff increases in 2012 budget

- 3 add'l permanent staff
- Line Department planner
- Engineering Electrical Tech.
- Water Treatment – SCADA integrator
- Add'l water distribution temp labour 1,000 hours
- Water Treatment – temp clerical for full year for DWQMS continued implementation
- Wastewater – temp Mechanic for 3 months

2012 Budget

- Management payroll
- 2 permanent additions that were budgeted in 2011 to be filled in 2012
 - Billing Systems Analyst – Smart Meters
 - position under review
 - currently one supervisor for billing and customer service – likely course of action – add a customer service supervisor and reassign current supervisor to billing supervisor with TOU/smart meter responsibilities
- Operations - Smart Systems Analyst – Smart Meters
- Position under review

2013 Budget

Hourly payroll

- 5 add'l permanent staff
- 4 water labourers – to address water flushing, line dept. labour needs, etc. (remove 4 water distribution temp labourers @ 1,000 hours each)
- Engineering GIS Tech
- Water Treatment – SCADA integrator to be filled from 2012 budget

2013 Budget

- Salaried payroll
- 2 add'l permanent staff
 - Water Quality Specialist (Water Dept.)
 - Quality Management System Coordinator (Water Treatment Dept.)
- Smart Systems Analyst from 2012 budget to be filled in 2013
- P&C Engineer to be recruited
- Finance Supervisor retirement transition or additional permanent staff

Appendix L – Conversion Program by Station

Long-Term Construction Forecast - Voltage Conversion Program

<i>Year</i>	<i>Description</i>	<i>Budget</i>	<i>Comments</i>
Convert Sub 10			
2012	Construct 35 KV lines on Willoughby St from Reid St to Sub 10	\$550,000	To provide 35 KV source for Sub 10
2012	Rebuild Sub 10	\$2,000,000	Due to growth and grid restrictions, need to accelerate the rebuild of Sub 10.
2014	Convert to 12 KV in the balance of the Sub 10 area	\$600,000	On-going voltage conversion. Final stage of Sub 10 conversion. Mostly rear lot construction
		\$3,150,000	
Convert Sub 14			
2013	Convert to 12 KV in the Sub 14 area in the Pine St area	\$330,000	On-going voltage conversion. Mostly rear lot construction commercial services
2013	Convert to 12 KV in the Sub 14 area of Wawanosh, McNabb, Willow and Pine	\$725,000	On-going voltage conversion within road allowance. Poles are in need of replacement.
2014	Convert to 12 KV in the Sub 14 area along Chapple St	\$330,000	On-going voltage conversion. Mostly underground commercial services
2014	Convert to 12 KV in the Sub 14 area in the Caledon - Leslie St area	\$330,000	On-going voltage conversion. Mostly rear lot construction
		\$1,715,000	
Convert Sub 17			
2012	Upgrade grounding and fencing at Sub 17	\$100,000	Upgrade grounding and fencing, conduct EIA and remediate site after removal of transformers
2015	Convert to 12 KV in the Sub 17 area along Ontario & Forest Ave area and McGregor &	\$750,000	On-going voltage conversion within road allowance.
2018	Convert to 12 KV in the Laronde St area	\$1,060,000	On-going voltage conversion. Mostly underground 4 KV plant that must be rebuilt (2150m @ \$495/m)

<i>Year</i>	<i>Description</i>	<i>Budget</i>	<i>Comments</i>
		\$1,910,000	
Convert Sub 4			
2013	Rebuild to 35 & 12 KV lines on MacDonald from Pim to Pine St.	\$600,000	On-going voltage conversion and improve grid security
2015	Rebuild to 35 & 12 KV lines on MacDonald from Pine St. to Lake St. + install step-dns for	\$800,000	On-going voltage conversion and improve grid security
2016	Upgrade station grounding and fencing	\$250,000	Residential area - will require some upgrades to suit area
		\$1,650,000	
Convert Sub 5			
2016	Purchase and install switchgear and transformers for Sub 5	\$1,200,000	Final step in conversion of Sub 5
		\$1,200,000	
Overall Total		\$9,625,000	

Appendix M – New Building Reports and Shareholder Resolutions

SUBJECT: APPROVAL TO PROCEED WITH NEW INTEGRATED BUILDING

**PRESENTED TO: PUC INC. BOARD OF DIRECTORS
MEETING OF MARCH 25, 2009**

RECOMMENDATION

That the Board approves staff proceeding with the new integrated office building and service centre as previously brought before the Board and that the matter be presented to the shareholder for approval as per the shareholders agreement regarding capital expenditures.

BACKGROUND

Over the last several years the replacement of the current office building and service centre has been recommended by staff and the need recognized by the Board. Proceeding with the project has been postponed on several occasions due to various reasons. As a result of the July 1st implementation of cost of service rates in the PUC Distribution, completion of financial restructuring in both PUC Distribution and PUC Inc. and increased revenues in both PUC Services and PUC Telecom, staff recommends proceeding with construction commencing in 2010. Financial modeling indicates that the project can be accommodated while maintaining desired infrastructure projects and the current level of payments to the municipal shareholder.

The following assumptions were incorporated in the analysis:

- construction of the new facilities would commence in the spring of 2010 with January 1, 2012 as the occupancy date used in the model
- the sale of the two existing service centres would bring proceeds of \$3 million
- the sale of the Queen Street office building would bring proceeds of \$1 million which in the model have been retained in the Commission
- shareholder loans are at the recently restructured amounts
- PUC Distribution's rebased rates will be approved by the OEB in 2012 and will include:
 - o smart meter revenue,
 - o additional revenue for the increased rate base as a result of increased capital expenditures for the period 2009 to 2012,
 - o increased PILs revenue recovery,
 - o increased recovery of expenses from the 2008 approved level due to inflation,
 - o and increased recovery of expenses as a result of the LDC's share of the new facility expenses
- financing of 60% of the smart meter project and annual electric infrastructure program in order to maintain the deemed debt to equity level

- Loan rates are based on recent Infrastructure Ontario posted rates (varying from 4.43% to 5.13% for locked in loans depending on term and 1.06% (floating) for construction loans)
- Water rate increases of 3 to 5% will be required annually in order to finance the targeted capital expenditure levels
- Revenues will remain consistent for Telecom, Services and Energies – no provision has been made for increases as has been the actual trend over the last couple of years
- Increased expenses have been included commencing in 2012 in the affiliate companies for increased operating expenses (property taxes), asset charge and cost of capital charge as a result of the new facility
- Estimates of increased property taxes net of utility cost savings, WAN communication savings and internal maintenance labour have been included in the model – reduced maintenance costs of the current building in the areas of parking lots, HVAC systems, structural repairs, etc. have not been factored into the model
- Dividends from the affiliates to PUC Inc. are based on available funds on an annual basis (further tax planning in the way of inter-company loans will result in additional retention of funds from that included in the model)

The attached summary indicates net income of between \$1.2 and \$1.5 million from 2008 to 2011. Net income increases commencing in the LDC rebasing year of 2012 to between \$2.4 and \$2.8 million. Working capital remains consistent at acceptable levels until the 2012 LDC rebasing years when it begins to increase. The total of interest and dividend payments to the municipal shareholder is \$2.5 million from 2008 to 2011. From 2012 to 2015, no dividends are included in the model; however the total of the interest of \$1.9 million and increased municipal portion of the property taxes attributable to the new facilities is in excess of \$2.5 million. Pending the outcome of the 2012 rate rebasing application, the model indicates that the dividend of \$565,000 paid in 2009, 2010 and 2011, may be able to be paid in 2012 and 2013 in addition to the property taxes. Beyond 2013 funds in excess of the dividend of \$565,000 and additional property taxes are available for disbursement as dividends at the Board's discretion.

RATIONALE

The above recommendation is being made in order that staff can proceed with presenting a request to the shareholder for approval to proceed with the construction of a new integrated office and service centre facility.

Prepared by: Terry Greco
Date: March 20, 2009
Submitted by: Terry Greco
Date: March 25, 2009
Attachments: Financial Projections

PUC Inc. Consolidated Income Statement

	Est 2008	Budget 2009	2010	2011	Rebase 2012	2013	2014	2015
Revenue	\$28,848,843	\$30,488,252	\$31,891,838	\$32,327,485	\$37,116,463	\$37,545,979	\$38,007,437	\$38,476,919
Expenditures	(\$27,619,739)	(\$29,113,899)	(\$30,391,650)	(\$31,016,283)	(\$34,248,791)	(\$34,854,014)	(\$35,502,247)	(\$36,079,259)
Net Income	\$1,229,104	\$1,384,353	\$1,500,188	\$1,309,202	\$2,867,672	\$2,691,965	\$2,505,190	\$2,397,660

PUC INC. Consolidated - WORKING CAPITAL STATEMENT

Net Income	\$1,229,104	\$1,384,353	\$1,500,188	\$1,309,202	\$2,867,672	\$2,691,965	\$2,505,190	\$2,397,660
Add Depreciation	\$4,765,394	\$5,102,878	\$5,700,118	\$5,900,118	\$6,475,118	\$6,675,118	\$6,875,118	\$7,075,118
Less Capital Ex (net)	(\$6,688,884)	(\$14,839,605)	(\$22,876,000)	(\$8,033,520)	(\$8,194,191)	(\$8,358,075)	(\$8,525,236)	(\$8,685,741)
	(\$694,386)	(\$8,352,374)	(\$15,675,894)	(\$824,200)	\$1,148,599	\$1,009,008	\$855,072	\$777,038
Add disposal of properties	\$0	\$0	\$0	\$3,000,000	\$0	\$0	\$0	\$0
Add proceeds of borrowing	\$0	\$8,000,000	\$17,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Less loan repayments	\$0	(\$280,000)	(\$600,000)	(\$3,680,000)	(\$1,240,000)	(\$1,320,000)	(\$1,400,000)	(\$1,480,000)
Add Reg Assets & Smart Meters	\$623,812	\$623,812	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	\$0	\$0
Increase (decrease) in W/C	(\$70,574)	(\$8,562)	\$474,306	\$245,800	\$1,858,599	\$1,439,008	\$1,455,072	\$1,297,038

Working Capital								
Opening Working Capital	\$16,433,587	\$16,383,013	\$15,789,372	\$15,698,597	\$15,379,317	\$17,025,892	\$18,463,937	\$19,919,010
Increase (decrease) in W/C	(\$70,574)	(\$8,562)	\$474,306	\$245,800	\$1,858,599	\$1,439,008	\$1,455,072	\$1,297,038
Changes in non-cash items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend to Municipal S/H	\$0	(\$565,060)	(\$565,060)	(\$565,060)	(\$12,024)	(\$983)	\$0	\$0
Working Capital	\$16,363,013	\$15,789,372	\$15,698,597	\$15,379,317	\$17,025,892	\$18,463,937	\$19,919,010	\$21,216,048

# days working capital	78	87	81	73	76	82	88	93
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PUBLIC UTILITIES COMMISSION - INCOME STATEMENT

	Est 2008	Budget 2009	2010	2011	2012	2013	2014	2015
Revenue	\$11,054,625	\$11,838,256	\$12,291,921	\$12,897,259	\$13,532,349	\$14,193,673	\$14,887,787	\$15,616,325
Loan proceeds/transfer from Capital		\$3,700,000	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures								
Operating, Maint & Admin	(\$7,745,225)	(\$9,401,345)	(\$8,574,300)	(\$9,746,153)	(\$10,689,289)	(\$10,849,497)	(\$11,024,968)	(\$11,204,418)
Capital Expenditures (Net)	(\$3,664,000)	(\$6,752,842)	(\$3,185,000)	(\$2,960,000)	(\$2,980,000)	(\$3,700,000)	(\$4,000,000)	(\$4,500,000)
Total Expenditures	(\$11,409,225)	(\$16,154,187)	(\$12,759,300)	(\$12,706,153)	(\$13,669,289)	(\$14,549,497)	(\$15,024,968)	(\$15,704,418)
Local Improvements (Net)	\$111,836	\$111,836	\$111,836	\$83,400	\$40,000	\$0	\$0	\$0
Disposal of Queen St. Building	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$0	\$0
Change in working capital	(\$242,764)	(\$504,095)	(\$355,544)	\$274,506	\$903,060	(\$355,824)	(\$137,181)	(\$88,090)

PUBLIC UTILITIES COMMISSION - WORKING CAPITAL

	Est 2008	Budget 2009	2010	2011	2012	2013	2014	2015
Opening Working Capital	\$3,429,409	\$3,186,645	\$2,882,550	\$2,327,006	\$2,601,513	\$3,504,573	\$3,148,749	\$3,011,567
Increase (decrease) in W/C	(\$242,764)	(\$504,095)	(\$355,544)	\$274,506	\$903,060	(\$355,824)	(\$137,181)	(\$88,090)
Transfer (to) from Capital Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$3,186,645	\$2,682,550	\$2,327,006	\$2,601,513	\$3,504,573	\$3,148,749	\$3,011,567	\$2,923,477
# days working capital	102	61	67	75	94	79	73	68

PUC INC. RESOLUTION

Agenda Item # 5.1

Date: March 25, 2009

Moved by:

Seconded by:

Resolution:

"That the Board approves staff proceeding with the new integrated office building and service centre as previously brought before the Board and that the matter be presented to the shareholder for approval as per the shareholders agreement regarding capital expenditures "

☒ Carried ☐ Defeated ☐ Deferred
☐ Referred ☐ Amended ☐ Officially Read Not
Dealt With

Chair
Chair

Action

<input type="checkbox"/> Chair	<input type="checkbox"/> PUC Inc.	<input type="checkbox"/>
<input type="checkbox"/> President	<input type="checkbox"/> PUC Telecom	<input type="checkbox"/>
<input type="checkbox"/> Secretary	<input type="checkbox"/> PUC Services	<input type="checkbox"/>
<input type="checkbox"/> Treasurer	<input type="checkbox"/> PUC Energies	<input type="checkbox"/>

RESOLUTION OF THE SHAREHOLDER

OF

PUC INC.

New Corporate Building

WHEREAS the C. J. Murphy Centre is no longer capable of accommodating the current and future number of staff, nor can it allow for maintenance to be performed on many large pieces of equipment that are used by both electrical and water crews;

WHEREAS the renovation and expansion of the C.J. Murphy Centre can only be accomplished at a cost that approaches that of a new integrated corporate office building;

WHEREAS a new integrated building would be constructed to a LEED certification, would include renewable energy generation options, would achieve annual savings in energy and staff time and reduce building maintenance costs;

WHEREAS the Board of PUC Inc. at its meeting of March 25, 2009 has approved the following resolution:

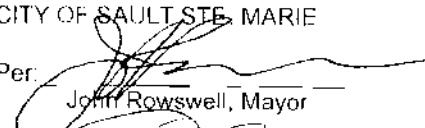
"That the Board approves staff proceeding with the new integrated office building and service centre as previously brought before the Board and the matter be presented to the shareholder for approval as per the shareholder's agreement regarding capital expenditures."

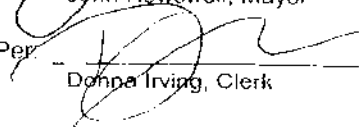
And,

WHEREAS according to the PUC Inc. Shareholder Agreement, PUC Inc. must seek approval for single capital expenditures beyond an authorized limit.

RESOLVED that approval is given this 25th day of May 2009 to PUC Inc. to make the necessary expenditures to proceed with the preparation of drawings and estimates for a new integrated corporate building for PUC Services Inc.

THE CORPORATION OF THE
CITY OF SAULT STE MARIE

Per: 
John Rowsell, Mayor

Per: 
Donna Irving, Clerk

SUBJECT: NEW CORPORATE BUILDING

PRESENTED TO: PUC INC. BOARD OF DIRECTORS
MEETING OF SEPTEMBER 2, 2010

RECOMMENDATION

1. That the Board approve a budget of \$22,180,000 for the construction of a new corporate building.
2. That the Board approve a request to the Shareholder for Shareholder approval to proceed with the building.

BACKGROUND

At its meeting of March 25, 2009 the Board approved "staff proceeding with the new integrated office building and service centre as previously brought before the Board and that the matter be presented to the shareholder for approval as per the shareholders agreement regarding capital expenditures." On April 27th City Council passed a shareholder resolution allowing PUC Services "to make the necessary expenditures to proceed with the preparation of drawings and estimates for a new integrated corporate building for PUC Services Inc."

PUC Services has worked closely with MGP Architects, Engineer Inc. to finalize the floor requirements and final building design. The total area of the building has increased from 92,548 sq. ft. to 109,168 sq. ft. Office requirements have increased by 10,690 sq. ft. as a result of moving more water treatment staff into the new building; allowing more space for common areas such as hallways, etc; and for future staff increases. The area for vehicle storage was increased by 6,280 sq. ft. to accommodate the existing fleet of large trucks and to accommodate future growth.

With the larger space requirements the cost estimate increased from \$19,111,030 to \$23,191,893 excluding architect fees of \$1,436,000, furniture costs of \$929,000 and miscellaneous costs such as moving of \$213,000. Building estimates also include a 5% design allowance and a 3% construction allowance that were not in the original estimate.

RATIONALE

Given the significant increase in building costs the architect was requested to identify where costs could be reduced. A number of cost reductions have been identified but the largest reduction can be achieved by delaying the construction of the vehicle storage area by three or four years and to continue to use the garage portion of the C. J. Murphy. This would reduce the building cost to \$19,600,000. As this area is an engineered building it can easily be added at a later date without a significant increase in what it would cost if it were part of the initial building construction. Once the outcome of the 2012 rate application to the OEB is known a decision can be taken to build the vehicle storage area and sell the C. J. Murphy building. A recent appraisal of the property estimated the retail value of the building at approximately \$1.5 million.

Removing the vehicle storage area brings the total estimated cost including architect and other expenses to \$22,180,000. Further cost reductions will be pursued. The estimate for new furniture, for example, should be significantly lower as the current figure anticipates all staff will require new office furniture or workstations, which is not the case.

We want to be in a position to go out to tenders early in 2011 with an April construction start. Several large buildings in the City will be close to completion at that time and our building should attract strong

interest from major contractors. In addition we hope to be in the new building by the end of 2012 to ensure that our rate rebasing application includes the cost of the new building to Distribution customers. The attached financial analysis of the impact of the new building on the PUC affiliates and the Commission indicates that if our rate application is successful in 2012 we will have the capacity to cover the building's capital and operating expenses.

As the capital cost for the new building exceeds the Board's \$5,000,000 limit for single capital expenditures, shareholder approval is required to proceed.

Prepared by: H. J. Brian Curran
Date: August 27, 2010

Submitted by: H. J. Brian Curran
Date: September 2, 2010

ATTACHMENTS: Financial Projections and New Building Financing

Memo

To: Brian Curran, Dominic Parrella, Claudio Stefano
From: Terry Greco
CC: Diana Caputo
Date: August 27, 2010
Re: Financial Projections and New Building Financing

Attached are financial projections for the PUC group of companies up to 2016 (next rebasing year after 2012). The projections are based on the current corporate structure without the pending transfer of PUC Services to direct City ownership. The transfer should have no effect on the financial data other than the presentation of the combined corporate summary. The projections indicate that although working capital will be at the low end of acceptable over the next couple of years, the new building project is financially viable under the model's assumptions. The results of the 2012 rate rebasing application are the most critical factor in the projections.

Included with the summaries are the assumptions used in the projections. Please review the assumptions (ie capex levels, etc) and provide comments.

Once you have had a chance to review, we should meet to discuss and update the assumptions.

[Handwritten signature]

Long Term Projections

New Building Assumptions

New building cost = \$22,180,000

Excludes taxes

Includes architect estimate of building \$19,600,000

Furniture at \$929,000

Architect fees at \$1,436,000

Moving expense, Quantity surveyor, LEEDs consultant, Enviro emissions testing and reimbursable expenses at \$213,000

\$19,600,000

\$929,000

\$1,436,000

\$213,000

\$22,178,000

Disposal of Trbovich @ \$1,500,000 (proceeds to offset building cost)

Disposal of Queen St office building @\$1,000,000 (proceeds to remain in Commission)

25 year loan @ 6% - \$20,700,000

(Current Infrastructure Ontario loan for 25 years at 5%)

Construction to start in 2011 and finish in 2012 (2012 occupancy?)

Increased rates in Distribution, increased revenue in Services and increased expenses in affiliates included in 2012 projections

Increased property taxes based on estimated assessed value of \$20,000,000

Increased property taxes = \$1.078 million compared to \$236,000 = \$842,000

Increased taxes to City = \$620,000 (balance to school board)

Estimated operating savings from reduced utility costs, reduced WAN costs and reduced mail costs = \$159,000

Public Utilities Commission

Assumptions

Borrow \$5.2 million on line of credit at RBP plus .5% = 3.25%

Repay over 4 years and delay the increase in capex beyond City projects until 2013

Repayment = 2011 and 2012 \$1,000,000, 2013 and 2014 \$1,600,000

10% rate increases through 2015

2% increase in costs each year commencing in 2011 and added \$200,000 in expenses in 2011

Payments to PUC Services Inc. for portion of increased expenses (property taxes net of operating savings) for new integrated building commencing in 2012

Payments to PUC Services Inc. for portion of new integrated building costs : increased asset charge and cost of capital charge commencing in 2012

Well softening required as a result of changes made due to MOE mandated well upgrades
- capital costs for 4 well sites $(\$150,000 + \$18,000 + \$30,000 + \$18,000) \times 2$, annual salt costs of $4 \times \$6,250 +$ descaling at year 10 and 20 $(\$30,000 \times 4)$

As per Long Term Outlook – Water Utility (Dominic Parrella, Dec. 16, 2009) - goal to reach gross expenditure level of \$8.32 million (\$8.1 million net of recoveries).

Outlook Summary

- low working capital until 2015 when 30 days reached
- may need to adjust debt repayment schedule or capex in 2013 and 2014
- debt free after 2014
- increased capex commencing in 2013
- target capex reached in 2015
- increase in rates as a result of add'l new building expenses = 9%

PUC Distribution

Assumptions

First year at rebased rates is July 1, 2008.

Revenue increase of 1% per year in non-rebasing years.

2012 Rebase year - added \$10 million to the rate base for net additional capital expenditures from 2008 to 2012 @ 7% = \$700,000 + increased PILs recovery in revenue by \$70,000 + increased expenses since 2008 eligible for recovery by \$1.225 million (difference in 2009 expenses and projected 2012 expenses) + \$888,909 for increased s/c costs from PUC Services (asset and cost of capital charges).

Revenue generated from smart meter rate adder

Increase = return on assets plus add'l operating expenses plus add'l depreciation expense.

Additional labour expense excluded from expenses and revenue recovery.

Regulatory carrying charges reduced in 2008 and 2009 as a result of recovering the variances.

Cost of Power expense a pass-through to customers – increased by 5% in 2011 and 3% per year thereafter

Expense increases of 2% per year commencing in 2011.

Also added additional \$150,000 in 2011 operating expenses for add'l crew?

Add'l smart meter operating expenses. Add'l labour expense excluded from expenses and revenue recovery.

Payments to PUC Services Inc. for portion of increased expenses (property taxes net of operating savings) for new integrated building commencing in 2012 – in opex and capex.

Payments to PUC Services Inc. for portion of new integrated building costs = increased asset charge and cost of capital charge in 2012 – in opex and capex.

Note payable to PUC Inc. reduced to deemed debt/equity in 2009.

Note payable to PUC Inc. at 6.1% of \$26,534,000 - restructured to deemed debt/equity in 2009.

Commencing in 2011 – borrowing \$2 million per year (25 years @ 5.00%) – less than 60% of net annual capital expenditures in order to remain below 60/40 deemed debt to equity structure.

Smart meter financing - estimated project cost of \$7.5 million - \$5.0 million @ 4.2% for 15 years.

Capex - 2011 based on 2010 budget level less 2010 wholesale meter cost plus 2% per year (Approved capital expenditure level of \$5.4 million per report filed with rate application plus admin allocation of \$.9 less recoveries of \$.8 = \$5.5). Additional \$.6 added to capex in 2010 to complete smart meters. Increased allocation to capex for new building commencing in 2012

Unfunded variances relating to cost of energy, IMO charges and market readiness costs. Reg. Assets to be recovered over a two year period. Reg. liabilities - refund to customers 2010/11. Smart Meter startup funding @ \$1/customer/month in 2008 and 2009 - \$1.68 per month commencing May 1, 2010.

Rebase Year 2012 Add'l Revenue

- i) increased asset base = \$5M capex less \$2.5 retirements x 4 (2009,2010,2011,2012) = \$10M * 7% return = \$700,000
- ii) add'l new building costs = increased op costs (taxes) net of savings (fibre, maint. lab) plus increased C of C and Asset charge
- iii) add'l PILs = current in rates \$1.3M less projected taxes of \$960,000 grossed up to \$1,370,000 = \$70,000
- iv) add'l expenses = 2009 budget * 1.02 * 1.02 * 1.02 = \$9.032108 for 2010, 2011, 2012 less approved in 2008 rates of \$7.810 = \$1.225M

Outlook Summary

- based on receiving requested rates in 2012
- 6% increase to total revenue in 2012

- 19% increase to distribution revenue in 2012
- working capital low until 2013
- working capital increases in 2011 to 2015 to 54 days
- dividends paid to Inc. until 2013
- funds available for dividends thereafter – review dividend level

PUC Telecom

Assumptions

Revenue increases of 2% per year commencing in 2011 – Service and other revenue

Current level of customers is maintained

Opex (util.) and Admin (consultant) reduced by \$15,000 each in 2011. Expense increases of 2% per year commencing in 2011.

Payments to PUC Services Inc. for portion of increased expenses (property taxes net of operating savings) for new integrated building commencing in 2012

Payments to PUC Services Inc. for portion of new integrated building costs = increased asset charge and cost of capital charge commencing in 2012

Interest expense – intercompany loan interest to PUC Inc.

Capex – reduced by \$65,000 in 2011, 2% increase per year on balance commencing 2011

Dividends to PUC Inc. based on maintaining approximately \$300,000 in working capital in PUC Telecom

Outlook Summary

- dividend to Inc. annually in addition to interest payment
- \$300,000 maintained in working capital

PUC Services

Assumptions

Revenue increases of 2% per year commencing in 2011

Commencing 2012 - recovery from affiliates for new building - asset charge (based on depreciation as per current procedure) plus cost of capital charge for assets purchased by PUC Services (as per current procedure) plus increased expenditures (property taxes)

Expense increases of 2% per year commencing in 2011

Increased expenses (property taxes net of operating savings) for new integrated building commencing in 2012

Interest expense – intercompany loan interest to PUC Inc.

Reduced interest payment from Services to Inc. by \$300,000 in 2013 (from \$532,638 to \$232,638) in order to maintain sufficient working capital

New building cost = \$22,180,000

Estimated proceeds of sale of Trbovich building = \$1,500,000

Loan proceeds of \$20,700,000

Interest expense – new building – expected to be eligible for Infrastructure Ontario funding - \$20,700,000 @ 5% for 25 years

Interest capitalized in 2011 and 2012 for new building

Capex – 2% increase per year commencing 2011

Outlook Summary

- slight decreases in working capital 2013 to 2015
- at adequate level in 2015

PUC Energies

Assumptions

5% increases in sentinel light rates commencing 2010

Expense increases of 2% per year commencing in 2011

Payments to PUC Services Inc. for portion of increased expenses (property taxes net of operating savings) for new integrated building commencing in 2012.

Payments to PUC Services Inc. for portion of new integrated building costs = increased asset charge and cost of capital charge commencing in 2012

2010 - Financing of 60% of \$710,000 investment in renewable generation project (WTP) - 25 years @ 5%

Additional revenue of \$5,000 per year for Steelton generation and \$80,184 for WTP generation – reduced annually by 1%

WTP solar to be moved to PUC Services

No provision for Algoma U or other generation projects

Solar panel depreciation = \$750,000/20 years

Generation expenses – additional \$16,037 per year for WTP

Outlook Summary

- adequate working capital moving forward
- opportunity to provide dividends to Inc. moving forward
- without add'l generation projects beyond Steelton and the WTP, could provide dividends of \$50,000 per year

PUC Inc.

Assumptions

Reduced administrative expense by \$150,000 in 2011 (new business expenses reduced from \$300,000 to \$150,000)

Expense increases of 2% per year commencing in 2011

Interest payments to City of \$1,934,920 annually

Dividends from PUC Distribution 2010 to 2013

Dividends from PUC Telecom annually (maintain \$300,000 working capital in PUC Telecom)

Dividend of \$610,080 to City in 2011 and 2012 (maintains \$2.5 million annual payment)

Continued dividend payments to City after 2012 – in addition to add'l property taxes from new building of \$620, 000

Projections indicate that, with requested rates in Distribution commencing in 2012, dividend payment can continue in addition to increased property taxes

Outlook Summary

- based on:
 - o interest and dividends from Distribution,
 - o interest and dividends from Telecom,
 - o interest from Services, and
 - o interest and dividend payments totaling \$2.545 million and City's estimated increased share of property taxes of \$620,000 working capital increases slightly from 2009 to 2016
- it appears from the analysis that the dividend payment could be made in addition to increased property taxes

PUC Inc. Consolidated Income Statement

Smart meter loan term: 15

	2008	2009	Budget 2010	2011	Rebates 2012	2013	2014	2015	2016
Revenue	\$29,657,011	\$31,612,547	\$31,933,290	\$33,425,891	\$39,117,032	\$39,237,588	\$39,703,645	\$40,178,011	\$41,889,461
Expenditures	(\$27,289,289)	(\$28,120,553)	(\$30,163,508)	(\$31,200,814)	(\$34,678,507)	(\$35,975,867)	(\$38,555,758)	(\$38,900,126)	(\$37,863,760)
Less dividends to Inc. from affiliates		(\$1,000,000)							
Net Income	\$2,357,742	\$2,491,994	\$1,769,782	\$2,225,076	\$4,438,525	\$3,261,715	\$3,147,889	\$3,277,884	\$4,035,701

(Revenue to PUC Services from affiliates for cost of smart meters not included but costs included in Capex below)

PUC INC. Consolidated - WORKING CAPITAL STATEMENT

Net Income	\$2,357,742	\$2,491,994	\$1,769,782	\$2,225,076	\$4,438,525	\$3,261,715	\$3,147,889	\$3,277,884	\$4,035,701
Add Depreciation	\$4,377,822	\$4,488,715	\$4,882,500	\$5,517,240	\$6,271,740	\$6,471,740	\$6,621,740	\$6,821,740	\$6,821,740
Less Capital Ex (net)	(\$7,047,027)	(\$7,559,775)	(\$10,128,779)	(\$15,629,386)	(\$23,271,072)	(\$28,998,026)	(\$39,061,784)	(\$39,228,941)	(\$39,802,882)
Add disposal of properties	(\$311,483)	\$0	(\$3,476,497)	(\$7,887,089)	(\$12,580,807)	\$835,430	\$757,845	\$670,684	\$1,054,759
Add proceeds of borrowing	\$0	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
Less loan repayments	\$0	\$3,500,000	\$1,926,000	\$9,385,940	\$22,700,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Add Reg Assets & Smart Meters	\$1,009,713	\$0	(\$247,329)	(\$316,130)	(\$7,794,390)	(\$1,329,356)	(\$1,422,677)	(\$1,517,039)	(\$1,611,876)
Increase (decrease) in W/C	\$698,250	\$726,442	(\$2,182,075)	\$1,182,741	\$0	\$0	\$0	\$0	\$0
Working Capital					\$3,844,803	\$1,506,074	\$1,334,968	\$1,153,645	\$1,442,883
Opening Working Capital	\$16,433,587	\$17,064,606	\$17,528,118	\$14,735,863	\$15,308,623	\$18,543,346	\$19,439,340	\$20,164,228	\$20,707,793
Increase (decrease) in W/C	\$698,250	\$726,442	(\$2,182,075)	\$1,182,741	\$0	\$0	\$0	\$0	\$0
Changes in non-cash items	(\$67,231)	\$947,150	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend to Municipal S/H	\$0	(\$810,080)	(\$510,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$810,080)	(\$610,080)	(\$610,080)
Working Capital	\$17,084,606	\$17,528,118	\$14,735,963	\$15,308,623	\$18,543,346	\$19,439,340	\$20,164,228	\$20,707,793	\$21,540,595

days working capital

79	78	63	58	67	74	75	75	76
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PUC DISTRIBUTION INC. - INCOME STATEMENT

	smart meter loan ten-15				
	Rebase year				
	2008	2009	2010	2011	2012
Revenue	\$15,423,775	\$15,980,976	\$16,256,537	\$17,396,911	\$20,314,569
Expenditures					
Operating, Maint & Admin	(\$7,702,806)	(\$8,601,753)	(\$9,006,548)	(\$9,359,329)	(\$9,539,106)
Increased ex - new s/c	\$0	\$0	\$0	\$0	(\$888,309)
S/H loan	(\$2,807,650)	(\$1,618,726)	(\$1,618,576)	(\$1,618,576)	(\$1,618,576)
Infrastructure Loan Int	\$0	\$0	\$0	(\$50,000)	(\$242,000)
Smart Meters Loan Int	\$0	\$0	\$0	(\$220,367)	(\$208,046)
Depreciation	(\$3,093,189)	(\$3,059,645)	(\$3,250,000)	(\$3,847,240)	(\$4,047,240)
Taxes	(\$1,045,700)	(\$980,000)	(\$876,178)	(\$568,938)	(\$775,642)
Total Expenditures	(\$14,649,345)	(\$14,160,124)	(\$14,751,303)	(\$15,684,511)	(\$17,223,320)
Net income	\$774,430	\$1,820,854	\$1,505,234	\$1,732,400	\$3,089,049

PUC DISTRIBUTION INC. - WORKING CAPITAL STATEMENT

	Rebase year				
	2008	2009	2010	2011	2012
Net income	\$774,430	\$1,820,854	\$1,505,234	\$1,732,400	\$3,089,049
Add back Depreciation	\$3,093,189	\$3,059,645	\$3,250,000	\$3,847,240	\$4,047,240
Less Capital Ex (net)	(\$4,241,484)	(\$5,390,731)	(\$7,142,235)	(\$6,418,080)	(\$6,951,914)
Add recovery of reg assets	\$626,541	\$782,262	(\$949,249)	\$0	\$0
Add smart meter rate adder	\$383,172	(\$2,926,754)	\$585,000	\$0	\$0
Add proceeds of borrowing	\$635,848	(\$2,654,724)	(\$2,771,251)	(\$838,440)	\$184,376
Less loan repayments	\$0	\$3,500,000	\$1,500,000	\$2,000,000	\$2,000,000
Increase (decrease) in W/C	\$635,848	\$845,276	(\$1,518,580)	\$862,470	\$1,792,966
Working Capital	\$8,807,167	\$9,671,529	\$9,516,805	\$7,048,225	\$7,110,695
Increase (decrease) in W/C	\$635,848	\$845,276	(\$1,518,580)	\$862,470	\$1,792,966
Changes in non-cash items	\$228,514	\$0	\$0	\$0	\$0
Dividend to PUC Inc.	\$0	(\$1,000,000)	(\$930,000)	(\$800,000)	(\$300,000)
Working Capital	\$9,671,529	\$9,516,805	\$7,048,225	\$7,110,695	\$8,603,661

# days working capital	55	52	37	35	41
				45	50
				54	56

PUBLIC UTILITIES COMMISSION - INCOME STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Revenue	\$11,902,745	\$11,225,970	\$12,383,083	\$13,579,767	\$14,894,707	\$16,344,709	\$17,927,763	\$19,688,154	\$20,251,002
Loan proceeds/transfer from Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures									
Operating, Maint & Admin	(\$7,476,831)	(\$8,535,312)	(\$9,625,659)	(\$9,081,232)	(\$10,052,945)	(\$10,181,660)	(\$10,306,943)	(\$10,436,027)	(\$10,620,988)
Depreciation	(\$1,699,031)	(\$1,787,574)	(\$1,800,000)	(\$1,871,280)	(\$1,927,418)	(\$1,985,241)	(\$2,044,798)	(\$2,106,142)	(\$2,169,328)
Total Expenditures	(\$9,175,862)	(\$10,322,886)	(\$10,425,659)	(\$10,952,512)	(\$11,980,364)	(\$12,166,901)	(\$12,351,742)	(\$12,542,169)	(\$12,790,314)
Net Income	\$2,727,083	\$903,084	\$1,957,424	\$2,827,255	\$2,914,343	\$4,177,808	\$5,576,022	\$7,125,985	\$7,460,688

PUBLIC UTILITIES COMMISSION - WORKING CAPITAL

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Net Income	\$2,727,083	\$903,084	\$1,957,424	\$2,827,255	\$2,914,343	\$4,177,808	\$5,576,022	\$7,125,985	\$7,460,688
Add back Depreciation	\$1,699,031	\$1,787,574	\$1,800,000	\$1,871,280	\$1,927,418	\$1,985,241	\$2,044,798	\$2,106,142	\$2,169,328
Less Capital Ex (net)	(\$5,190,404)	(\$7,893,101)	(\$5,353,790)	(\$3,565,000)	(\$3,990,978)	(\$5,054,741)	(\$6,825,294)	(\$8,397,363)	(\$8,554,980)
Add proceeds of borrowing	\$0	\$0	\$4,200,000	\$0	\$0	\$0	\$0	\$0	\$0
Add proceeds of sale of Admin Building	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less loan repayments	\$0	\$0	\$0	(\$1,000,000)	(\$1,000,000)	\$1,500,000	(\$1,600,000)	(\$1,600,000)	\$0
Increase (decrease) in W/C	(\$784,290)	(\$5,302,443)	\$2,803,634	(\$66,465)	(\$149,217)	\$1,008,308	(\$804,474)	\$834,764	\$1,075,034
Opening Working Capital	\$3,429,409	\$3,429,298	(\$1,884,062)	\$719,572	\$653,107	\$503,890	\$1,512,198	\$707,724	\$1,542,488
Increase (decrease) in W/C	(\$784,290)	(\$5,302,443)	\$2,803,634	(\$66,465)	(\$149,217)	\$1,008,308	(\$804,474)	\$834,764	\$1,075,034
Changes in non-cash items	(\$236,821)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (to) from Capital Fund	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$3,429,298	(\$1,884,062)	\$719,572	\$653,107	\$503,890	\$1,512,198	\$707,724	\$1,542,488	\$2,364,160
# days working capital	99	-42	19	17	12	33	14	30	45
Opening Capital Fund	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer (to) from Op Fund	(\$1,000,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance - Capital Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$259,362
Projected Rate Increase		11%	10%	10%	10%	10%	10%	10%	3%

PUC TELECOM INC. - INCOME STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Revenue	\$603,628	\$723,987	\$813,015	\$829,275	\$845,861	\$862,778	\$880,034	\$897,634	\$915,587
Expenditures									
Operating, Maint & Admin	(\$113,676)	(\$109,170)	(\$180,891)	(\$154,509)	(\$157,599)	(\$160,751)	(\$163,966)	(\$167,245)	(\$170,590)
Interest Expense		(\$72,601)	(\$144,018)	(\$144,018)	(\$144,018)	(\$144,018)	(\$144,018)	(\$144,018)	(\$144,018)
Increased ex - new s/c	\$0	\$0	\$0	\$0	(\$12,403)	(\$12,090)	(\$11,963)	(\$11,837)	(\$11,713)
Depreciation	(\$195,507)	(\$201,944)	(\$230,000)	(\$230,000)	(\$230,000)	(\$230,000)	(\$230,000)	(\$230,000)	(\$230,000)
Taxes	\$5,600	(\$129,800)	(\$43,878)	(\$51,650)	(\$54,888)	(\$59,847)	(\$64,409)	(\$68,667)	(\$72,673)
Total Expenditures	(\$303,583)	(\$507,515)	(\$598,787)	(\$580,177)	(\$598,908)	(\$608,706)	(\$614,356)	(\$621,768)	(\$628,994)
Net Income	\$300,045	\$216,472	\$214,228	\$249,098	\$246,952	\$256,072	\$265,677	\$275,866	\$286,592

PUC TELECOM INC. - WORKING CAPITAL STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Net Income	\$300,045	\$216,472	\$214,228	\$249,098	\$246,952	\$256,072	\$265,677	\$275,866	\$286,592
Add back Depreciation	\$195,507	\$201,944	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000
Less Capital Expenditures	(\$535,449)	(\$66,296)	(\$161,950)	(\$100,189)	(\$109,280)	(\$111,145)	(\$113,157)	(\$115,212)	(\$117,310)
Increase (decrease) in W/C	(\$39,897)	\$352,118	\$282,278	\$378,909	\$367,672	\$374,926	\$382,520	\$390,654	\$399,283
Working Capital									
Opening Working Capital	\$610,509	\$535,312	\$907,630	\$290,815	\$296,131	\$314,425	\$320,779	\$327,132	\$333,357
Increase (decrease) in W/C	(\$39,897)	\$352,118	\$282,278	\$378,909	\$367,672	\$374,926	\$382,520	\$390,654	\$399,283
Changes in non-cash items	(\$35,300)	\$20,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend to PUC Inc.	\$0	\$0	(\$899,093)	(\$373,593)	(\$349,378)	(\$388,573)	(\$376,167)	(\$384,430)	(\$393,162)
Working Capital	\$535,312	\$907,630	\$290,815	\$296,131	\$314,425	\$320,779	\$327,132	\$333,357	\$339,488
# days working capital	304	1,107	274	353	343	341	338	335	333

PUC SERVICES INC. - INCOME STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Revenue	\$10,640,637	\$11,853,030	\$12,455,606	\$12,714,918	\$15,468,499	\$15,653,168	\$15,880,382	\$16,112,888	\$16,350,791
Expenditures									
Operating, Maint & Admin	(\$8,485,800)	(\$9,356,123)	(\$10,310,242)	(\$10,516,307)	(\$10,726,493)	(\$10,940,883)	(\$11,159,560)	(\$11,382,612)	(\$11,610,124)
Interest Expense	\$0	(\$269,683)	(\$532,638)	(\$532,638)	(\$532,638)	(\$532,638)	(\$532,638)	(\$532,638)	(\$532,638)
Increased ex - new s/c	\$0	\$0	\$0	\$0	(\$683,000)	(\$683,000)	(\$710,593)	(\$724,805)	(\$739,301)
Service Centre loan	\$0	\$0	\$0	\$0	\$0	(\$1,035,000)	(\$983,600)	(\$952,200)	(\$910,800)
Depreciation	(\$1,086,509)	(\$1,204,592)	(\$1,400,000)	(\$1,400,000)	(\$1,954,500)	(\$1,954,500)	(\$1,954,500)	(\$1,704,500)	(\$1,704,500)
Taxes	\$149,000	(\$391,000)	\$0	\$0	(\$437,072)	(\$292,163)	(\$307,697)	(\$322,722)	(\$337,387)
Total Expenditures	(\$9,423,309)	(\$11,221,498)	(\$12,242,880)	(\$12,448,945)	(\$14,333,703)	(\$15,151,844)	(\$15,358,589)	(\$15,319,477)	(\$15,534,750)
Net Income	\$1,217,328	\$641,532	\$222,726	\$265,973	\$1,134,796	\$501,324	\$521,794	\$793,412	\$816,042

PUC SERVICES INC. - WORKING CAPITAL STATEMENT

Net Income	\$1,217,328	\$641,532	\$222,726	\$265,973	\$1,134,796	\$501,324	\$521,794	\$793,412	\$816,042
Add back Depreciation	\$1,086,509	\$1,204,592	\$1,400,000	\$1,400,000	\$1,954,500	\$1,954,500	\$1,954,500	\$1,704,500	\$1,704,500
Less Capital Ex (net)	(\$2,267,777)	(\$2,129,702)	(\$2,111,348)	(\$9,107,806)	(\$18,205,614)	(\$1,709,975)	(\$1,744,175)	(\$1,779,058)	(\$1,814,640)
Add disposal of properties	\$36,060	(\$283,478)	(\$488,622)	(\$7,441,833)	(\$13,116,319)	\$745,848	\$732,119	\$718,853	\$705,902
Add proceeds of borrowing	\$0	\$0	\$0	\$0	\$1,500,000	\$0	\$0	\$0	\$0
Less loan repayments	\$0	\$0	\$0	\$7,385,940	\$20,700,000	\$0	\$0	\$0	\$0
Increase (decrease) In W/C	\$36,060	(\$283,478)	(\$488,622)	(\$55,893)	\$1,697,741	(\$82,152)	(\$828,000)	(\$828,000)	(\$828,000)
Working Capital	\$2,240,311	\$2,005,716	\$2,049,188	\$1,580,566	\$1,504,673	\$3,202,415	\$3,120,263	\$3,024,382	\$2,915,235
Increase (decrease) In W/C	\$36,060	(\$283,478)	(\$488,622)	(\$55,893)	\$1,697,741	(\$82,152)	(\$828,000)	(\$828,000)	(\$828,000)
Changes in non-cash items	(\$270,655)	\$326,950	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend to PUC Inc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$2,005,716	\$2,049,188	\$1,560,566	\$1,504,673	\$3,202,415	\$3,120,263	\$3,024,382	\$2,915,235	\$2,793,137

days working capital

69	62	44	27	41	72	89	68	62
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PUC ENERGIES INC. - INCOME STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Revenue	\$100,610	\$73,751	\$87,900	\$174,554	\$177,871	\$181,404	\$185,165	\$189,184	\$193,413
Expenditures									
Operating, Maint & Admin									
Increased ex - new s/c									
Depreciation	\$62,927	(\$72,378)	(\$67,825)	(\$105,667)	(\$106,198)	(\$106,757)	(\$107,345)	(\$107,961)	(\$108,607)
Taxes	\$0	\$0	\$0	\$0	(\$4,134)	(\$4,030)	(\$3,988)	(\$3,946)	(\$3,904)
	(\$2,617)	(\$2,434)	(\$2,500)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)
	(\$10,210)	(\$181)	(\$180)	(\$180)	(\$180)	(\$180)	(\$180)	(\$180)	(\$180)
Total Expenditures	(\$75,754)	(\$74,993)	(\$70,505)	(\$145,847)	(\$150,513)	(\$150,967)	(\$151,513)	(\$152,087)	(\$152,691)
Net Income	\$24,856	(\$1,242)	\$17,395	\$28,708	\$27,358	\$30,437	\$33,652	\$37,077	\$40,721

(2,500)

PUC ENERGIES INC. - WORKING CAPITAL STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
Net Income	\$24,856	(\$1,242)	\$17,395	\$28,708	\$27,358	\$30,437	\$33,652	\$37,077	\$40,721
Add back Depreciation	\$2,617	\$2,434	\$2,500	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Less Capital Expenditures	(\$2,317)	(\$3,044)	(\$713,246)	(\$3,311)	(\$4,263)	(\$4,308)	(\$4,368)	(\$4,429)	(\$4,492)
Add proceeds of borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less loan repayments	\$0	\$0	\$0	(\$17,040)	(\$17,040)	(\$17,040)	(\$17,040)	(\$17,040)	(\$17,040)
Add provision for future taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) in W/C	\$25,156	(\$1,852)	(\$267,351)	\$48,357	\$46,055	\$49,089	\$52,244	\$55,608	\$59,189
Working Capital									
Opening Working Capital	\$1,251,270	\$1,286,636	\$1,284,784	\$1,017,433	\$1,065,790	\$1,111,845	\$1,160,933	\$1,213,178	\$1,268,785
Increase (decrease) in W/C	\$25,156	(\$1,852)	(\$267,351)	\$48,357	\$46,055	\$49,089	\$52,244	\$55,608	\$59,189
Changes in non-cash items	\$10,210	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend to PUC Inc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working Capital	\$1,286,636	\$1,284,784	\$1,017,433	\$1,065,790	\$1,111,845	\$1,160,933	\$1,213,178	\$1,268,785	\$1,327,975

PUC INC. - INCOME STATEMENT

Revenue	Note	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
		2,888,361	2,970,801	2,310,232	2,310,232	2,310,232	2,010,232	2,010,232	2,010,232	2,010,232
<u>Expenditures:</u>										
Administrative Expense		-278,878	-203,903	-565,113	-426,415	-434,944	-443,642	-452,515	-481,686	-470,797
Financial Expense - s/h		-2,545,400	-1,934,520	-1,934,920	-1,934,920	-1,934,920	-1,934,920	-1,934,920	-1,934,920	-1,934,920
Provision for Taxes		(23,000)	(18,000)	-	-	-	-	-	-	-
Total Expenditures		-2,847,278	-2,156,423	-2,500,033	-2,361,335	-2,368,864	-2,378,582	-2,587,435	-2,396,488	-2,406,717
Income		41,083	814,378	-189,801	-51,103	-69,631	-368,330	-377,203	-386,253	-595,484

PUC INC. - WORKING CAPITAL STATEMENT

	2008	2009	Budget 2010	2011	2012	2013	2014	2015	2016
<u>Proceeds from affiliates</u>									
PUC Distribution	\$0	\$0	\$950,000	\$800,000	\$300,000	\$300,000	\$0	\$0	\$700,000
PUC Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PUC Telecom	\$0	\$0	\$889,083	\$373,593	\$349,378	\$968,573	\$378,167	\$384,430	\$383,152
PUC Energies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$1,849,083	\$1,173,593	\$649,378	\$668,573	\$376,167	\$384,430	\$1,083,152
Additional payment to s/h	\$0	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)
Increased taxes for new s/c	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividend payable to s/h	\$0	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)	(\$610,080)
Increase (decrease) in W/C	\$41,083	\$204,298	\$1,049,213	\$512,410	(\$20,334)	(\$309,837)	(\$811,116)	(\$611,903)	\$87,587
Working Capital at Jan 1	\$3,524,380	\$3,585,413	\$3,769,711	\$4,818,924	\$5,331,334	\$5,311,000	\$5,001,163	\$4,390,047	\$3,778,144
Change in non cash items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Increase (decrease) in W/C	\$41,083	\$204,298	\$1,049,213	\$512,410	(\$20,334)	(\$309,837)	(\$811,116)	(\$611,903)	\$87,587
W/C at December 31	\$3,565,413	\$3,789,711	\$4,818,924	\$5,331,334	\$5,311,000	\$5,001,163	\$4,390,047	\$3,778,144	\$3,865,731

PUC INC. RESOLUTION

Agenda Item # 5.1

Date: September 2, 2010

Moved by:

Seconded by:

Resolution:

"That the Board approve

1) a budget of \$ 22,180,000 for the construction of a new corporate building.

2) a request to the Shareholder for Shareholder approval to proceed with the building."



Carried



Defeated



Deferred



Referred



Amended



Officially Read Not
Dealt With


Chair

Action



Chair



PUC Inc.



President



PUC Telecom



Secretary



PUC Services



Treasurer



PUC Energies

