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West Coast Huron Energy Inc. (WCHE) Asset Management Plan

WCHE has developed a number of processes and work flow procedures necessary to manage and maintain the distribution assets within its licensed service territory. The asset investment strategy for WCHE is illustrated within Appendix L.

Embedded with in the plan is the requirement for needs assessments. Ongoing assessments are done on a continue basis through annual inspections, work flow processes and trouble report procedures. In addition it is imperative for WCHE to participate and communicate with local developers along with municipal planners to assess future requirements for the distribution system. Attachments for these processes are detailed below.

- 1. Appendix J describes the annual process for annual inspection and maintenance of the distribution system. In addition to the annual inspection requirement for WCHE staff, contractors are used to perform yearly infrared scans on the entire distribution system along with bi annual pole testing on ¼ of the distribution system. Through this process information is gathered pertinent to the condition and state of the distribution system in its current state that lend to the needs assessment process to support capex and opex spending decisions.
- 2. Appendix K describes the day to day work flow methods which also lend itself to the needs assessment process.
- Appendix M illustrates another method of gathering data for both OEB reporting requirements and outage information that trend ongoing issues with the distribution system. This information is evaluated on an ongoing basis and used to support capex and opex spending decisions.
- Customer requests, participation in municipal planning and development meetings, market rules (Electrical Safety Authority requirements) all form part of the needs assessment process as well.
- 5. Distribution System analysis (feeder studies) WCHE has recently undergone a feeder study which has determined that its 27kv distribution system (loop) circuits M3 and M4 are very constrained and it lacks operational flexibility and the ability to support new load growth. Results of such studies and their recommendations along with priorities of needs over the next 5 years have been included within the portfolio.

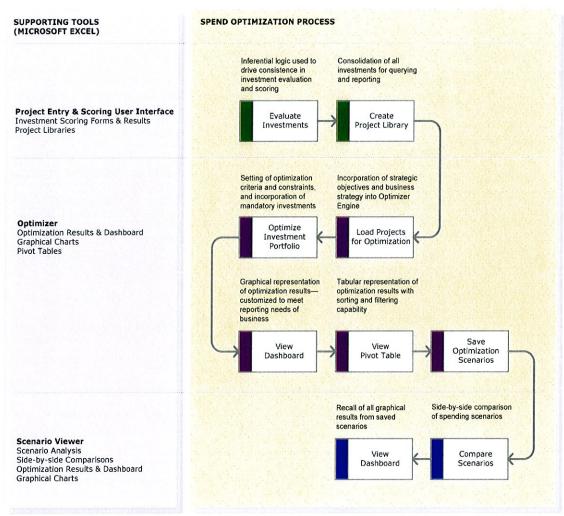
Elements listed above held identify areas of need which will form projects that become part of a portfolio which is developed throughout the year. The projects are then analyzed for their validity before being entered into our project library and optimized for the best outcome. With the optimization process employed the projects that bring the greatest value along with accelerated plans for projects that pose the greatest risk will be executed first. When all drivers are thoroughly and equally evaluated "reactive" situations can be avoided.

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Optimization Process



1.1 FUNCTIONAL Walkthrough

Optimizer Toolset is designed to facilitate the asset planning and budgeting processes through portfolio optimization. Portfolio optimization takes a holistic view of all expenditures by project/program and enables the determination of a spending portfolio that fits any given budget constraint and produces the highest cumulative weighted benefit across all nominated strategic objectives of the business.

Put another way, investment optimization focuses on selecting the optimum bundle of projects/programs that maximizes the strategic value with an acceptable risk exposure and for minimum cost. The contribution of individual projects is measured within the bundle. What portfolio optimization avoids, therefore, is the trap of budget entitlements. That is, budget allocation based primarily on subjective or organization political considerations, rather than to meet strategic objectives (maximize value) or to minimize risk for the least cost. The Optimizer toolset

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incorporates the latest techniques and mathematical algorithms, and the functionality fits the realities of today's operating requirements.

The overall Optimizer toolset is comprised of six components: Strategic Objectives, Project Entry and Scoring User Interface, Project Library, Optimizer Engine, Optimization Results Dashboard, and Scenario Viewer.

1.2 Strategic Objectives

A unique set of strategic business objectives is incorporated into the Optimizer. Business leaders outline the strategic value and risk frameworks you want to use to influence spend decisions. The strategic objectives and sub-criteria making up this framework need to be aligned with your business strategies and mission.

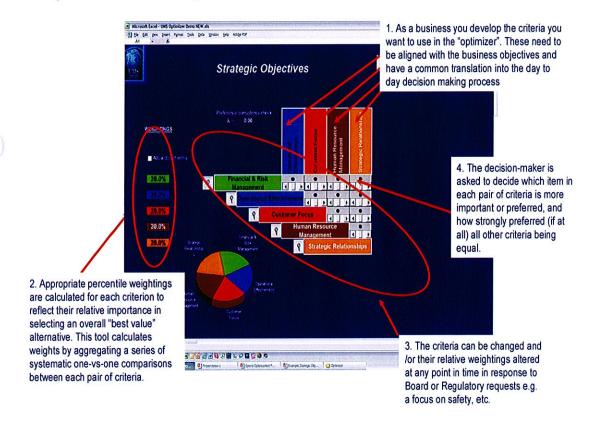




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Scoring Matrices

Subject Matter Experts (SMEs) facilitate the development of scoring matrices for all strategic objectives and decision parameters (both value and risk). Each proposed investment will be analyzed across these defined value parameters and risk domains. For our purposes, value is assessed as the benefit (or detriment) that would result if the investment were funded, whereas the risk is assessed in terms of the risk of deferral, or what could potentially happen (consequence and probability) for any investment not funded.

1.3 Project Entry and Scoring User Interface

Consistency, accuracy, and precision are all important in ensuring effective evaluation of investments. However, in our experience, consistency is the most important because, at its root, investment optimization is a relative process. Accuracy, although comparison secondary in importance, is also necessary to achieve a clear and truthful depiction of the value and risk associated with each investment. Precision is tertiary in importance and is to be achieved when consistency and accuracy are not jeopardized. To this end, the Optimizer offers an inferential Project Entry and Scoring User Interface that dramatically facilitates the task of assembling the data needed to evaluate investments. "Data input" is the program-guided and user-executed process by which all data and assumptions relevant to the evaluation of work, projects or investments are queried for, responded to and collected as program inputs.

1.4 Project Library

The Project Library functions as a database of all investment information. OPEX spend is stored in the Library.

All CAPEX and The Library is divided into four major categories of information: Demographics – where basic information about each investment, such as year, location, and budget process data is captured, Revised January 16th, 2009

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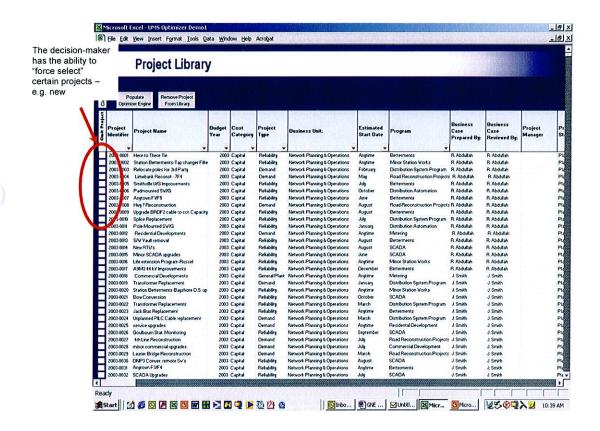
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- Cost where the investment cost information is broken down,
- Value where the results of the investment scorings are captured, and
- Risk where the results of the risk assessment are captured.

The Project Library is created from the Project Entry and Scoring User Interface. This relationship between the Project Entry and Scoring User Interface and the Project Library allows for both the information needed for analysis and the additional information required for value determination to be retained for audit, detailed analysis and historical/ reference purposes.



1.5 Optimizer Engine

The Optimizer Engine brings all of the decision parameters together for rapid analysis and easy business studies of multiple issues, including complete flexibility for scenario analysis. The user is in total control over the analysis parameters. The Optimizer allows the user to designate the investment cost type and budget limits that they wish to analyze (OPEX, CAPEX, or both). In addition to budgetary constraints, users are able to apply any combination of target constraints (e.g., safety performance, plant reliability, resource availability, remediation cost, etc), or any other operational program targets to a given optimization scenario. Likewise, complete flexibility is provided to the user over the optimization parameters. The default analysis is an

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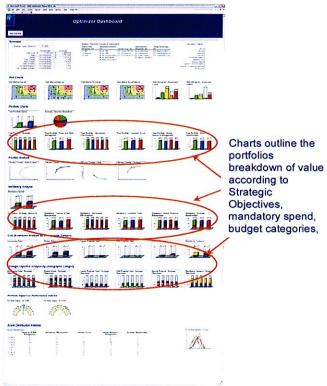
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optimization across all the strategic objectives, however, any combination of the strategic objectives or sub-objectives or risk parameters can be selected or unselected for more targeted analysis. In addition to the optimization criteria, the Optimizer allows the user to further enhance the analysis by designating investments as mandatory or discretionary. Investments can be marked as mandatory either individually or by category. The Optimizer also allows for inclusion of dependencies and exclusivities among investments.

1.6 Optimization Results Dashboard

The Optimizer provides both graphical and tabular outputs. The graphical outputs are provided in a thumbnail "Dashboard" as well as full screen charts. This approach allows for quick scanning across all parameters and still provides for detailed analysis where appropriate.



There are many standard charts included in the dashboard - Risk Breakdowns, Cost Breakdowns, Value Breakdowns, and Frontier Analysis (allowing users to compare the selected portfolio against the efficient frontier, or maximum achievable value or risk mitigation at any spending level). If desired, all of the Optimizer's graphical outputs can customized on the engagement to meet the needs. You can choose to include additional Target Analysis (allowing the direct impact of portfolio spend to be calculated in terms of performance targets reliability, availability, emissions limits. The primary limitation on the graphical outputs is the availability of your data inputs.

The tabular outputs take advantage of Excel's pivot table capabilities to provide complete sorting, filtering, and report printing control. These results are easily saved and archived for scenario analysis or incorporation into the budgeting systems.