RATE BASE - SUMMARY AND CONTINUITY STATEMENTS

As **Appendix "A",** GLPT has attached rate base continuity schedules in the format of Appendix 2-B from the Board's January 2, 2014 Filing Requirements.

The tables in the appendix cover the following periods:

1. 2012 CGAAP Actual
2. 2012 IFRS Actual
3. 2013 IFRS Actual
4. 2014 IFRS Forecast
5. 2015 IFRS Test Year
6. 2016 IFRS Test Year

APPENDIX “A”

Fixed Asset Continuity Schedule

Appendix 2-B of Filing Requirements

Fixed Asset Continuity Schedule
2012 CGAAP Actual

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	929,048	-	-	929,048	-	-	-	-	929,048
47	1715	Station Equipment	157,496,189	21,936,218	(1,898,058)	177,534,349	(46,062,347)	(4,004,131)	1,040,331	(49,026,148)	128,508,201
47	1720	Towers and Fixtures	23,683,888	-	-	23,683,888	(9,970,455)	(589,247)	-	(10,559,702)	13,124,186
47	1725	Poles and Fixtures	60,572,593	5,009,412	(7,900)	65,574,105	(16,103,804)	(1,526,027)	3,654	(17,626,177)	47,947,928
47	1730	Overhead Conductors & Devices	43,607,552	-	(34,559)	43,572,993	(11,815,721)	(1,052,152)	33,163	(12,834,709)	30,738,284
47	1740	Underground Conductors & Devices	160,387	-	-	160,387	(160,387)	-	-	(160,387)	-
	1745	Roads and Trails	966,915			966,915	(454,446)	(16,444)		(470,890)	496,025
47	1908	Buildings and Fixtures	466,272	26,824	-	493,096	(25,237)	(18,649)	-	(43,886)	449,210
13	1910	Leasehold Improvements	712,357	298,919	-	1,011,276	(18,581)	(45,188)	-	(63,769)	947,507
8	1915	Office Furniture & Equipment	474,714	13,812	-	488,526	(57,746)	(47,985)	-	(105,731)	382,795
50	1920	Computer Equipment - Hardware	2,025,918	200,942	-	2,226,860	(1,555,264)	(172,273)	-	(1,727,537)	499,322
10	1930	Transportation Equipment	1,203,594	56,472	(65,883)	1,194,183	(699,273)	(158,323)	65,883	(791,713)	402,470
8	1940	Tools, Shop and Garage Equipment	229,599	15,079	-	244,679	(32,384)	(23,496)	-	(55,880)	188,799
8	1955	Communication Equipment	2,042,136	4,262,603	-	6,304,739	(1,431,307)	(104,977)	-	(1,536,284)	4,768,455
8	1960	Miscellaneous Equipment	41,133	142,899	-	184,032	(15,121)	(10,957)	-	(26,078)	157,955
		Intangibles:									
47	1706	Land Rights	-	-	-	-	-	-	-	-	-
50	1925	Computer Software	2,570,597	709,455	-	3,280,052	(1,199,632)	(431,519)	-	(1,631,151)	1,648,901
	1990	Other Tangible Property	757,041	-	-	757,041	(757,041)	-	-	(757,041)	-
		Subtotal	**297,939,933**	**32,672,636**	**(2,006,400)**	**328,606,169**	**(90,358,748)**	**(8,201,367)**	**1,143,031**	**(97,417,084)**	**231,189,085**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	-	37,140	-	37,140	(1,207,050)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	-	24,676	-	24,676	(962,367)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	-	11,576	-	11,576	(451,471)
		Total	**295,245,653**	**32,672,636**	**(2,006,400)**	**325,911,889**	**(90,358,748)**	**(8,127,975)**	**1,143,031**	**(97,343,692)**	**228,568,197**

Fixed Asset Continuity Schedule
2012 IFRS Actual

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	236,001	-	-	236,001	-	-	-	-	236,001
47	1715	Station Equipment	110,011,382	22,326,216	(921,843)	131,415,755	-	(4,612,645)	58,447	(4,554,198)	126,861,557
47	1725	Poles and Fixtures	55,895,610	5,070,368	-	60,965,978	-	(2,149,930)	-	(2,149,930)	58,816,048
47	1730	Overhead Conductors & Devices	34,886,405	-	-	34,886,405	-	(740,984)	-	(740,984)	34,145,421
47	1740	Underground Conductors & Devices	33,081	-	-	33,081	-	(3,308)	-	(3,308)	29,772
47	1908	Buildings and Fixtures	256,150	26,824	-	282,974	-	(11,538)	-	(11,538)	271,436
13	1910	Leasehold Improvements	657,322	300,698	-	958,019	-	(49,051)	-	(49,051)	908,968
8	1915	Office Furniture & Equipment	355,191	13,812	-	369,003	-	(43,302)	-	(43,302)	325,701
50	1920	Computer Equipment - Hardware	421,149	200,942	-	622,090	-	(161,518)	-	(161,518)	460,573
10	1930	Transportation Equipment	444,600	56,472	(848)	500,224	-	(179,981)	848	(179,133)	321,091
8	1940	Tools, Shop and Garage Equipment	153,499	15,079	-	168,578	-	(20,708)	-	(20,708)	147,870
8	1955	Communication Equipment	977,933	4,346,855	-	5,324,788	-	(122,784)	-	(122,784)	5,202,004
8	1960	Miscellaneous Equipment	24,708	143,234	-	167,942	-	(11,051)	-	(11,051)	156,891
		Intangibles:									
47	1706	Land Rights	1,102,242	-	-	1,102,242	-	-	-	-	1,102,242
50	1925	Computer Software	2,125,915	716,292	-	2,842,207	-	(493,711)	-	(493,711)	2,348,496
		Subtotal	**207,581,187**	**33,216,791**	**(922,691)**	**239,875,287**	**-**	**(8,600,512)**	**59,294**	**(8,541,218)**	**231,334,070**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	-	31,902	-	31,902	(1,212,288)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	-	22,433	-	22,433	(964,610)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	-	10,524	-	10,524	(452,523)
		Total	**204,886,907**	**33,216,791**	**(922,691)**	**237,181,007**	**-**	**(8,535,653)**	**59,294**	**(8,476,359)**	**228,704,649**

Fixed Asset Continuity Schedule
2013 IFRS Actual

1

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	236,001	-	-	236,001	-	-	-	-	236,001
47	1715	Station Equipment	131,415,755	1,218,805	(296,636)	132,337,924	(4,554,198)	(4,941,538)	16,215	(9,479,522)	122,858,402
47	1725	Poles and Fixtures	60,965,978	1,838,329	(245,063)	62,559,243	(2,149,930)	(2,192,084)	56,585	(4,285,430)	58,273,814
47	1730	Overhead Conductors & Devices	34,886,405	30,213	-	34,916,618	(740,984)	(741,049)	-	(1,482,033)	33,434,585
47	1740	Underground Conductors & Devices	33,081	-	-	33,081	(3,308)	(3,308)	-	(6,616)	26,464
47	1908	Buildings and Fixtures	282,974	15,542	-	298,516	(11,538)	(16,778)	-	(28,316)	270,200
13	1910	Leasehold Improvements	958,019	36,097	-	994,116	(49,051)	(62,246)	-	(111,297)	882,819
8	1915	Office Furniture & Equipment	369,003	6,715	-	375,718	(43,302)	(44,372)	-	(87,674)	288,044
50	1920	Computer Equipment - Hardware	622,090	215,890	-	837,981	(161,518)	(177,436)	-	(338,954)	499,027
10	1930	Transportation Equipment	500,224	179,287	(4,692)	674,819	(179,133)	(129,138)	4,692	(303,579)	371,240
8	1940	Tools, Shop and Garage Equipment	168,578	26,299	-	194,878	(20,708)	(20,608)	-	(41,316)	153,561
8	1955	Communication Equipment	5,324,788	889,894	-	6,214,682	(122,784)	(380,438)	-	(503,223)	5,711,459
8	1960	Miscellaneous Equipment	167,942	-	-	167,942	(11,051)	(16,889)	-	(27,940)	140,002
		Intangibles:									
47	1706	Land Rights	1,102,242	-	-	1,102,242	-	-	-	-	1,102,242
50	1925	Computer Software	2,842,207	-	(2,900)	2,839,307	(493,711)	(557,809)	580	(1,050,940)	1,788,367
		Subtotal	**239,875,287**	**4,457,071**	**(549,291)**	**243,783,067**	**(8,541,218)**	**(9,283,693)**	**78,071**	**(17,746,839)**	**226,036,227**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	31,902	31,902	-	63,805	(1,180,385)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	22,433	22,433	-	44,866	(942,177)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	10,524	10,524	-	21,048	(441,999)
		Total	**237,181,007**	**4,457,071**	**(549,291)**	**241,088,787**	**(8,476,359)**	**(9,218,834)**	**78,071**	**(17,617,121)**	**223,471,666**

Fixed Asset Continuity Schedule
2014 IFRS Forecast

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	236,001	-	-	236,001	-	-	-	-	236,001
47	1715	Station Equipment	132,337,924	618,262	(57,716)	132,898,470	(9,479,522)	(4,964,707)	9,989	(14,434,239)	118,464,231
47	1725	Poles and Fixtures	62,559,243	3,238,450	(237,740)	65,559,953	(4,285,430)	(2,214,485)	76,861	(6,423,054)	59,136,899
47	1730	Overhead Conductors & Devices	34,916,618	-	-	34,916,618	(1,482,033)	(741,759)	-	(2,223,792)	32,692,825
47	1740	Underground Conductors & Devices	33,081	-	-	33,081	(6,616)	(3,308)	-	(9,924)	23,156
47	1908	Buildings and Fixtures	298,516	-	-	298,516	(28,316)	(17,272)	-	(45,588)	252,928
13	1910	Leasehold Improvements	994,116	46,300	-	1,040,416	(111,297)	(66,666)	-	(177,963)	862,453
8	1915	Office Furniture & Equipment	375,718	3,000	-	378,718	(87,674)	(45,065)	-	(132,739)	245,979
50	1920	Computer Equipment - Hardware	837,981	223,022	-	1,061,003	(338,954)	(181,110)	-	(520,064)	540,939
10	1930	Transportation Equipment	674,819	160,000	-	834,819	(303,579)	(161,166)	-	(464,745)	370,074
8	1940	Tools, Shop and Garage Equipment	194,878	19,547	-	214,425	(41,316)	(24,198)	-	(65,514)	148,910
8	1955	Communication Equipment	6,214,682	84,316	-	6,298,998	(503,223)	(431,675)	-	(934,897)	5,364,100
8	1960	Miscellaneous Equipment	167,942	-	-	167,942	(27,940)	(16,889)	-	(44,828)	123,113
		Intangibles:									
47	1706	Land Rights	1,102,242	-	-	1,102,242	-	-	-	-	1,102,242
50	1925	Computer Software	2,839,307	479	-	2,839,786	(1,050,940)	(446,227)	-	(1,497,167)	1,342,619
		Subtotal	**243,783,067**	**4,393,376**	**(295,456)**	**247,880,987**	**(17,746,839)**	**(9,314,527)**	**86,850**	**(26,974,516)**	**220,906,470**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	63,805	31,902	-	95,707	(1,148,483)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	44,866	22,433	-	67,298	(919,744)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	21,048	10,524	-	31,572	(431,475)
		Total	**241,088,787**	**4,393,376**	**(295,456)**	**245,186,707**	**(17,617,121)**	**(9,249,668)**	**86,850**	**(26,779,939)**	**218,406,768**

Fixed Asset Continuity Schedule
2015 IFRS Test Year

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	236,001	380,000	-	616,001	-	-	-	-	616,001
47	1715	Station Equipment	132,898,470	1,827,800	-	134,726,270	(14,434,239)	(5,320,736)	-	(19,754,975)	114,971,295
47	1725	Poles and Fixtures	65,559,953	5,630,000	-	71,189,953	(6,423,054)	(2,276,103)	-	(8,699,157)	62,490,796
47	1730	Overhead Conductors & Devices	34,916,618	-	-	34,916,618	(2,223,792)	(741,759)	-	(2,965,551)	31,951,066
47	1740	Underground Conductors & Devices	33,081	-	-	33,081	(9,924)	(3,308)	-	(13,232)	19,848
47	1908	Buildings and Fixtures	298,516	-	-	298,516	(45,588)	(17,231)	-	(62,819)	235,697
13	1910	Leasehold Improvements	1,040,416	180,000	-	1,220,416	(177,963)	(76,557)	-	(254,520)	965,896
8	1915	Office Furniture & Equipment	378,718	-	-	378,718	(132,739)	(45,141)	-	(177,880)	200,838
50	1920	Computer Equipment - Hardware	1,061,003	258,500	-	1,319,503	(520,064)	(210,393)	-	(730,457)	589,046
10	1930	Transportation Equipment	834,819	250,000	-	1,084,819	(464,745)	(168,047)	-	(632,792)	452,027
8	1940	Tools, Shop and Garage Equipment	214,425	-	-	214,425	(65,514)	(25,200)	-	(90,714)	123,710
8	1955	Communication Equipment	6,298,998	270,000	-	6,568,998	(934,897)	(444,304)	-	(1,379,201)	5,189,797
8	1960	Miscellaneous Equipment	167,942	-	-	167,942	(44,828)	(16,889)	-	(61,717)	106,225
		Intangibles:									
47	1706	Land Rights	1,102,242	-	-	1,102,242	-	-	-	-	1,102,242
50	1925	Computer Software	2,839,786	663,697	-	3,503,483	(1,497,167)	(420,370)	-	(1,917,538)	1,585,945
		Subtotal	**247,880,987**	**9,459,997**	**-**	**257,340,984**	**(26,974,516)**	**(9,766,038)**	**-**	**(36,740,554)**	**220,600,429**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	95,707	31,902	-	127,609	(1,116,581)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	67,298	22,433	-	89,731	(897,311)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	31,572	10,524	-	42,096	(420,951)
		Total	**245,186,707**	**9,459,997**	**-**	**254,646,704**	**(26,779,939)**	**(9,701,179)**	**-**	**(36,481,118)**	**218,165,586**

Fixed Asset Continuity Schedule
2016 IFRS Test Year

			Cost				Accumulated Depreciation				
CCA Class	**OEB**	**Description**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Opening Balance**	**Additions**	**Disposals**	**Closing Balance**	**Net Book Value**
N/A	1705	Land	616,001	580,000	-	1,196,001	-	-	-	-	1,196,001
47	1715	Station Equipment	134,726,270	5,455,404	-	140,181,674	(19,754,975)	(5,429,731)	-	(25,184,706)	114,996,969
47	1720	Towers and Fixtures	-	-	-	-	-	-	-	-	-
47	1725	Poles and Fixtures	71,189,953	2,807,200	-	73,997,153	(8,699,157)	(2,346,413)	-	(11,045,570)	62,951,583
47	1730	Overhead Conductors & Devices	34,916,618	-	-	34,916,618	(2,965,551)	(741,759)	-	(3,707,311)	31,209,307
47	1740	Underground Conductors & Devices	33,081	-	-	33,081	(13,232)	(3,308)	-	(16,540)	16,540
47	1908	Buildings and Fixtures	298,516	-	-	298,516	(62,819)	(17,231)	-	(80,051)	218,466
13	1910	Leasehold Improvements	1,220,416	250,000	-	1,470,416	(254,520)	(98,057)	-	(352,577)	1,117,839
8	1915	Office Furniture & Equipment	378,718	-	-	378,718	(177,880)	(45,141)	-	(223,021)	155,696
50	1920	Computer Equipment - Hardware	1,319,503	276,000	-	1,595,503	(730,457)	(207,271)	-	(937,727)	657,775
10	1930	Transportation Equipment	1,084,819	250,000	-	1,334,819	(632,792)	(154,152)	-	(786,944)	547,875
8	1940	Tools, Shop and Garage Equipment	214,425	-	-	214,425	(90,714)	(25,200)	-	(115,915)	98,510
8	1955	Communication Equipment	6,568,998	150,080	-	6,719,078	(1,379,201)	(458,307)	-	(1,837,508)	4,881,570
8	1960	Miscellaneous Equipment	167,942	-	-	167,942	(61,717)	(16,889)	-	(78,606)	89,336
		Intangibles:									
47	1706	Land Rights	1,102,242	-	-	1,102,242	-	-	-	-	1,102,242
50	1925	Computer Software	3,503,483	-	-	3,503,483	(1,917,538)	(292,728)	-	(2,210,266)	1,293,217
		Subtotal	**257,340,984**	**9,768,684**	**-**	**267,109,668**	**(36,740,554)**	**(9,836,187)**	**-**	**(46,576,741)**	**220,532,927**
47	1715	Disallowed Additions (MacKay)	(1,244,190)	-	-	(1,244,190)	127,609	31,902	-	159,512	(1,084,678)
47	1715	Disallowed Additions (LTT)	(987,043)	-	-	(987,043)	89,731	22,433	-	112,164	(874,879)
47	1730	Disallowed Additions (LTT)	(463,047)	-	-	(463,047)	42,096	10,524	-	52,620	(410,427)
		Total	**254,646,704**	**9,768,684**	**-**	**264,415,388**	**(36,481,118)**	**(9,771,327)**	**-**	**(46,252,445)**	**218,162,942**

WORKING CAPITAL ALLOWANCE

1.0 Summary

GLPT's approach to calculating its working capital requirement is consistent with prior applications. GLPT's total working capital requirements for 2015 and 2016 are $474,000 and $489,800 respectively. This is made up of a working capital amount calculated through a lead lag study prepared by Navigant Consulting Inc. ("Navigant") in 2010, plus an allowance for materials and supplies inventory which forms a part of GLPT's working capital but did not form a part of Navigant's lead lag study. The breakdown is summarized below in *Table 2-1-3 A.*

Table 2-1-3 A – Working Capital Requirements of GLPT

($000's)	2015	2016
Lead Lag Working Capital	$224.0	$239.8
Materials and Supplies	250.0	250.0
Total Working Capital Requirement	**$474.0**	**$489.8**

2.0 Lead Lag Study

In 2010, GLPT retained Navigant to undertake a working capital study for the purpose of updating the calculation of GLPT's working capital for the 2011 and 2012 test years. The methodology used in the working capital study remains relevant to GLPT for the upcoming test years, as there have been no significant changes in operations which would have an impact on GLPT's working capital requirements. As a result, GLPT did not retain Navigant to update the study for this rate application. For the 2015 and 2016 test years, GLPT used the methodology outlined in the 2010 report. This is the same approach GLPT applied in its 2013-2014 rate application (EB-2012-0300). GLPT will review the need to complete a new working capital study prior to filing its next rate application.

Results from the study applied to GLPT's proposed capital and OM&A expenses for 2015 and 2016 indicate that working capital amounts of $224,000 and $239,800 will be required by GLPT in each year, respectively. These amounts represent approximately 2.0% and 2.1% of proposed OM&A Expenses in 2015 and 2016, respectively. The following summary tables have been created using the methodology from Navigant's 2010 report and demonstrate the calculation of GLPT's working capital requirements for 2015 and 2016.

Table 2-1-3 B – 2015 Working Capital Calculation

Line	Description	2015 Amounts $s	Revenue Lag Time Days	Expense Lead Time Days	Net Lag Days	Working Capital Factor	Working Capital Requirements $s	(Less) GST/HST	Net Working Capital Requirements $s
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Payroll and Benefits	6,380,000	35.84	15.94	19.90	5.45%	347,810		
2	Rents and Leases	575,938	35.84	45.35	(9.51)	-2.61%	(15,012)		
3	Office Supplies	191,700	35.84	20.98	14.86	4.07%	7,805		
4	Outside Services	3,353,457	35.84	32.42	3.42	0.94%	31,381		
5	Property Insurance	365,000	35.84	(156.17)	192.01	52.61%	192,009		
6	Regulatory Expenses	155,000	35.84	(70.67)	106.50	29.18%	45,228		
7	Property Taxes	238,200	35.84	(107.41)	143.25	39.25%	93,483		
8	Total	11,259,295	35.84				702,704	(478,671)	**224,033**

Table 2-1-3 C – 2016 Working Capital Calculation

Line	Description	2016 Amounts $s	Revenue Lag Time Days	Expense Lead Time Days	Net Lag Days	Working Capital Factor	Working Capital Requirements $s	(Less) GST/HST	Net Working Capital Requirements $s
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Payroll and Benefits	6,654,900	35.84	15.94	19.90	5.44%	361,805		
2	Rents and Leases	587,428	35.84	45.35	(9.51)	-2.60%	(15,270)		
3	Office Supplies	195,524	35.84	20.98	14.86	4.06%	7,939		
4	Outside Services	3,363,650	35.84	32.42	3.42	0.93%	31,391		
5	Property Insurance	372,282	35.84	(156.17)	192.01	52.46%	195,305		
6	Regulatory Expenses	158,092	35.84	(70.67)	106.50	29.10%	46,004		
7	Property Taxes	240,400	35.84	(107.41)	143.25	39.14%	94,089		
8	Total	11,572,276	35.84				721,262	(481,452)	**239,809**

Table 2-1-3 D – 2015-2016 HST Calculation

Line	Description	2015 $s	2016 $s	Lag or Lead Days	2015 GST/HST Factor	2016 GST/HST Factor	2015 GST/HST Working Capital	2016 GST/HST Working Capital
	GST/HST Rate	13.00%	13.00%					
1	Revenues	39,900,000	40,300,000	(46.21)	-12.66%	-12.62%	(656,618)	(661,388)
2	Rents and Leases	575,938	587,428	45.29	12.41%	12.37%	9,291	9,450
3	Office Supplies	191,700	195,524	45.65	12.51%	12.47%	3,117	3,170
4	Outside Services	3,353,457	3,363,650	37.10	10.16%	10.14%	44,306	44,319
5	Regulatory Expenses	365,000	372,282	58.14	15.93%	15.89%	7,559	7,688
5	Capital Expenditures	8,603,930	8,751,453	37.10	10.16%	10.14%	113,675	115,308
6	Total						**(478,671)**	**(481,452)**

3.0 Materials and Supplies Inventory

GLPT maintains an inventory for operational purposes. This assists GLPT in maximizing reliability and customer satisfaction, as having the appropriate materials on hand at the appropriate times is critical to meet those objectives. Inventory consists primarily of routine materials and supplies inventory, with relatively low value and high turnover. GLPT's inventory levels are forecast to be approximately $250,000 in each of 2015 and 2016, with minor variations expected throughout each year as inventory is turned over.

ASSET MANAGEMENT AND CAPITAL BUDGETING

1.0 GLPT's Approach to Asset Management

GLPT's approach to asset management involves managing existing infrastructure and optimizing the replacement of assets. Key focus in these areas provides GLPT with the required information to make balanced asset life cycle decisions. GLPT makes these decisions with consideration given to competing factors such as asset age, cost and performance, while considering risk associated with non-negotiable constraints such as health, safety, security, and environmental factors. GLPT continues to improve its asset management approach with the development of tools and programs and believes that progress has been observed through continued improvements in reliability and quality of service.

1.1 Managing Existing Infrastructure

As part of managing existing infrastructure, GLPT deploys a comprehensive maintenance program which includes a variety of activities for inspecting and maintaining its lines and stations. These programs ensure the optimal life of an asset.

1.1.1 Lines

For transmission lines, a variety of assessments and inspections are carried out either by GLPT crews or by external consultants and may include; ground patrols, aerial patrols, infrared inspections, and detailed inspections. GLPT crews conduct patrol inspections of transmission lines annually to assess condition and to identify structural problems and hazards. Because

GLPT's transmission lines are primarily located in rural areas of northern Ontario, where the terrain is rugged and the vegetation is dense, specialized equipment or expertise is required. Analyses may also be performed by external consultants to provide additional detailed information on structures, conductors and insulators.

Where these inspections identify immediate deficiencies or potential hazards, GLPT undertakes the appropriate corrective maintenance to resolve the identified issue.

The information collected through inspections is used for planning and to identify trends in asset conditions. An example of this approach working effectively is the current wood structure replacement program. GLPT identified the need to establish a wood structure replacement program given the age and condition of the wood structures throughout the system. GLPT engaged PoleCare Inc. to carry out detailed condition assessments on most of the wood poles in GLPT's system. In 2010, non-destructive testing of 3,676 wood poles across 17 circuits was performed. The result of the testing was a comprehensive database which details physical condition of poles and remaining life. Based on this information GLPT has been able to implement a long term plan as well as set priority for the program.

GLPT collects real-time data from lines on a continuous basis using its Supervisory Control and Data Acquisition system ("SCADA"). The data collected through SCADA relates to power flow, fault data and power quality, and supplements the information collected through the inspection activities identified above.

GLPT also makes use of recently acquired LiDAR data that provides detailed information on transmission lines, structures and vegetation as well as a GIS system that supports the collection and maintenance of information regarding the transmission circuits. These tools provide vital field information to front line crews to allow for a more efficient, effective and safe program.

1.1.2 Stations

For transmission stations, a range of inspection and maintenance activities are carried out by GLPT on primary equipment, auxiliary equipment and the systems that ensure equipment protection. The testing and inspection of station equipment have a wide range of frequencies (1 to 6 months & 1 to 6 years) to ensure that the health and the condition of the asset is known and updated regularly. These include visual inspections, functional tests, infrared inspections, oil sampling and dissolved gas analysis. These activities are conducted primarily by GLPT crews. However, where specialized equipment or expertise is required (for example infrared inspections), those activities are conducted by external consultants. The preventative maintenance activities are based on good utility practice and manufacturer specification.

The information gathered from these activities is documented and reviewed. Where immediate deficiencies or potential hazards are identified, GLPT undertakes the appropriate corrective maintenance to resolve the identified issue. Where corrective maintenance is not required, the information is retained in order to support GLPT's long term station planning and to assist in the identification of asset condition trends. An example of this approach working effectively was GLPT's Redevelopment project at Third Line TS, completed in 2012. Concerns regarding aging equipment, inadequate equipment ratings, operational maintainability and station configuration issues resulted in the need to proactively reconfigure the station and replace all station equipment that had the highest risk of affecting safety, security and customer connection reliability.

GLPT also collects real-time system data on a continuous basis using SCADA. The data collected through SCADA relates to power flow, fault data and power quality, and supplements the information collected through the inspection and maintenance activities identified above.

1.1.3 Asset Condition Assessments

In addition to the activities undertaken specifically for lines and stations, GLPT annually carries out asset condition assessments using internal staff. Periodically, GLPT retains external consultants to undertake additional asset condition assessments. Once complete, these condition assessments are incorporated into the Asset Management program and provide information for GLPT to make well informed decisions regarding the maintenance and capital programs.

1.2 Optimizing Asset Replacement

In order to optimize GLPT's asset replacement strategy, the maintenance and condition assessment program documentation is reviewed and assessed. The combination of the inspection and maintenance reports, coupled with the internal condition assessments, as well as third party analyses and SCADA information allow GLPT's engineering staff to effectively determine which facilities require capital improvements. This becomes GLPT's list of capital expenditure proposals. The capital expenditure proposals are analyzed using the information collected through all of the above-noted sources and is reviewed in conjunction with the criteria described below in order to assist in the prioritization of projects. The prioritization of projects is based on:

- Health and Safety:
  - exposure to the public and employees;
  - likelihood of an event occurring; and
  - consequences of an event.
- Environment:
  - exposure to the public and employees;
  - likelihood of an event occurring; and
  - consequences of an event.
- Reliability:
  - customer delivery point reliability statistics;
  - unsupplied energy statistics; and
  - specific system events (i.e. faults, equipment overloading, etc.).
- Regulatory:
  - applicable standards as per the TSC;
  - compliance with mandated requirements, such as:
    - ⇨ cyber security (CIP);
    - ⇨ environmental protection (i.e. oil containment); and
    - ⇨ vegetation management (i.e. NERC FAC-003).
- Resourcing:
  - resource adequacy – equipment and human;

   - market conditions – contractors and raw materials; and
   - timelines and budget constraints.
- Synergies:
   - location relative to other projects (i.e. coordination of crews for multiple projects within close proximity reduces costs).
- Stakeholder Feedback:
   - suggestions and feedback from annual customer meetings.

Once prioritized and approved, the list of proposals becomes GLPT's capital program portfolio.

SERVICE QUALITY AND RELIABILITY

GLPT uses Customer Delivery Point Performance Standards ("CDPPS") to monitor its service quality and reliability. CDPPS is made up of a System Average Interruption Frequency Index ("SAIFI") and a System Average Interruption Duration Index ("SAIDI"). GLPT's CDPPS are attached as **Appendix 'A'**.

In 2011 both SAIDI and SAIFI peaked primarily as a result of an outage on the 115 kV section of GLPT's Third Line TS. The station serves the largest loads in the GLPT system, as it supplies power to the City of Sault Ste. Marie and to large industrial loads that include ESSAR Steel Inc., and Flakeboard Inc. Each of these loads are connected directly to and depend exclusively upon the 115 kV section of Third Line TS for reliable supply. The 115kv Third Line Station was replaced in 2012 through a significant capital project that was reviewed and approved by the OEB in EB-2009-0408 and EB-2011-0291.

In 2013 SAIDI peaked in the 0-15 MW load block primarily as a result of a transformer failure at Northern Avenue TS. The outage required GLPT to undertake a capital project to replace the transformer, as described in Exhibit 2, Tab 1, Schedule 1.

In addition to the above noted factors, GLPT has experienced an increase in outages related to the 44 kV supply points in the Wawa area. This has contributed to declining SAIDI and SAIFI performance in the 0-15 MW load block. GLPT is planning upgrades at Highway 101 TS (2015 capital project) and Anjigami TS (2016 capital project) which will improve reliability in the 44 kV section of its transmission system.

Table 2-3-1 A - T-SAIFI Data for 2010-2013

	Number of Outages			
Customer Delivery Point	**2013**	**2012**	**2011**	**2010**
(>80 MW)	-	1.0	1.0	-
(40-80 MW)	2.0	-	1.0	-
(15-40MW)	-	3.0	4.0	-
(0-15 MW)	24.0	43.0	39.0	28.0
A - Total Outages	***26.0***	***47.0***	***45.0***	***28.0***
B - Customers Served	19	21	21	21
SAIFI (A/B)	**1.4**	**2.2**	**2.1**	**1.3**

Figure 2-3-1 A – T-SAIFI Data for 2010-2013

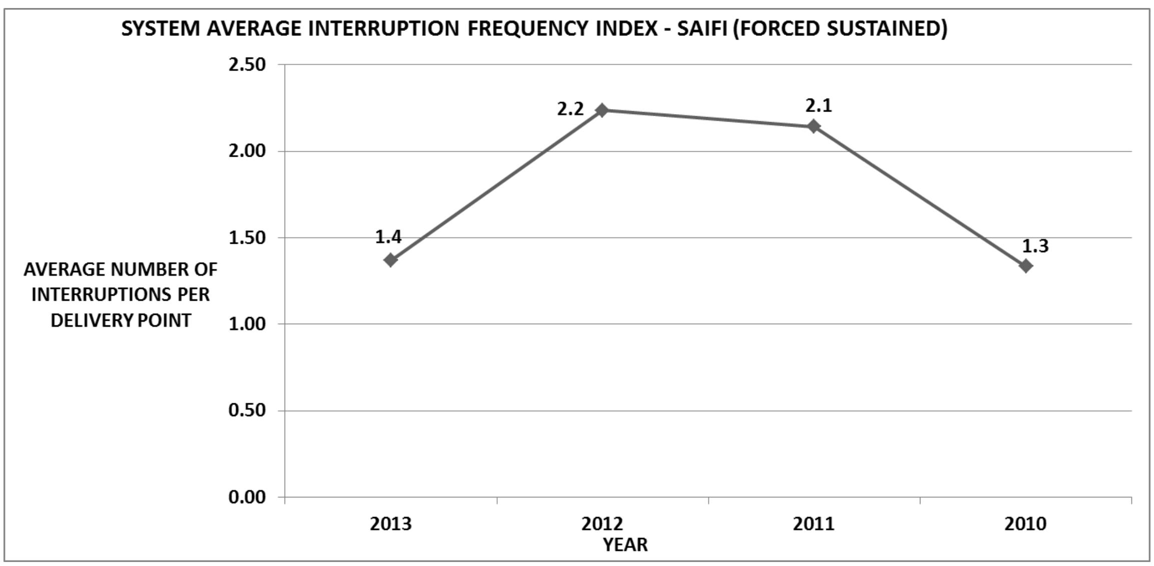
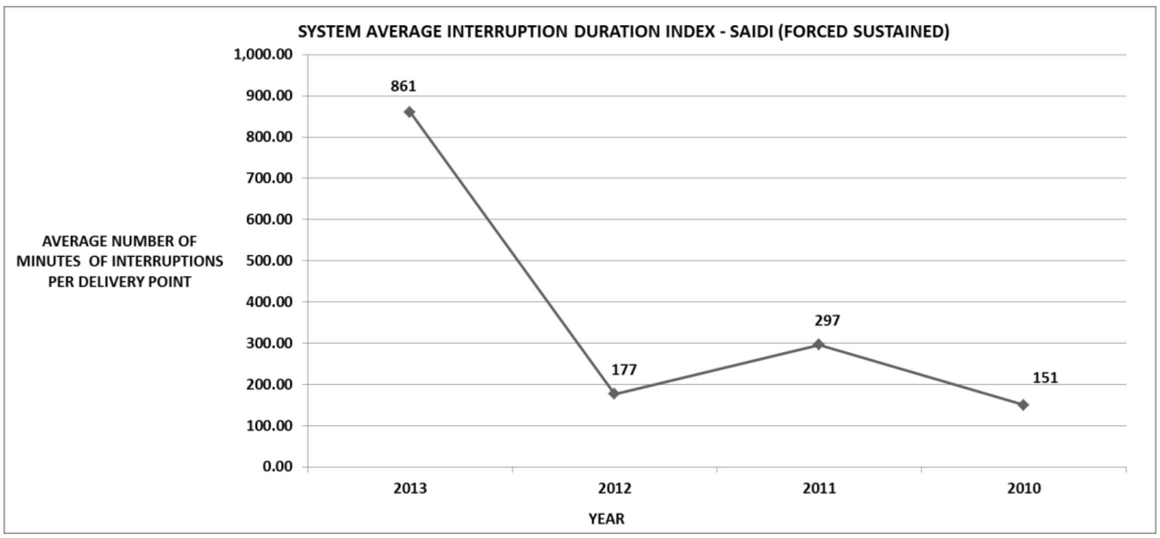


Table 2-3-1 B - T-SAIDI Data for 2010-2013

	Interruption Duration (minutes)			
Customer Delivery Point	**2013**	**2012**	**2011**	**2010**
(>80 MW)	-	16	356	-
(40-80 MW)	23	-	345	-
(15-40MW)	-	44	1,442	-
(0-15 MW)	16,338	3,652	4,088	3,165
A -Total Interruption Duration (minutes)	***16,361***	***3,712***	***6,231***	***3,165***
B - Customers Served	19	21	21	21
SAIDI (A/B)	**861**	**177**	**297**	**151**

Figure 2-3-1 B – T-SAIDI Data for 2010-2013



<u>APPENDIX "A"</u>

GLPT Customer Delivery Point Performance Standards (CDPPS)

Great Lakes Power

Great Lakes Power Limited – Transmission

Customer Delivery Point Performance Standards (CDPPS)

December 2007

1. Introduction

A transmitter shall develop performance standards that apply at the customer delivery point level and that: (Code section 4.5)

(a) reflect typical transmission system configurations that take into account the historical development of the transmitter's transmission system at the customer delivery point level;

(b) reflect historical performance at the customer delivery point level;

(c) are, where applicable, consistent with the comparable performance standards applicable to all delivery points throughout the transmitter's transmission system;

(d) establish acceptable bands of performance at the customer delivery point level for transmission system configurations, geographic area, load, and capacity levels;

(e) establish appropriate triggering events to be used to initiate technical and economic evaluations by the transmitter and its customers regarding performance standards at the customer delivery point level, as well as the circumstances in which any such triggering event will not require the initiation of a technical or economic evaluation;

(f) establish the steps to be taken based on the results of any evaluation that has been so triggered, as well as the circumstances in which such steps need not be taken; and

(g) establish any circumstances in which the performance standards will not apply.

GLPL CDPP Standards will include two components:

1) Relate the reliability of supply to the size of load being served at the delivery point where the triggers are taken from Hydro One Networks Inc. (Hydro One) CDPPS document using Hydro One's statistics (refer to section 2) to identify GLPL Delivery Point (DP) performance "outliers".

2) Once data is available, maintain a customer's individual historical delivery point performance based on a minimum of five years of DP data to establish baseline triggers to identify GLPL DP performance "inliers".

The performance standards and triggers for identifying "outliers" are provided in section 3 and for identifying "inliers" are provided in section 4.

GLPL shall report to the Ontario Energy Board (the "Board") no later than the end of the first quarter of 2010 on the results of its assessment of its minimum performance standards and on whether it intends to propose any material changes for review and approval by the Board.[1]

2. Performance Standards Based on Size of Load Being Served

GLPL will use Hydro One's Customer Delivery Point Performance Standards and triggers based on the size of load being served (as measured in megawatts by a delivery point's total average station load[2]) are provided in Table 1 below.

Table 1: Delivery Point Performance Standards Based on Load Size

Performance Measures	**Delivery Point Performance Standards** (Based on a Delivery Point's Total Average Station Load)							
	0 to 15MW		**>15 to 40MW**		**>40 to 80MW**		**>80MW**	
	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance	Standard (Average Performance)	Minimum Standard of Performance
DP Frequency of Interruptions (Outages/yr)	**4.1**	**9.0**	**1.1**	**3.5**	**0.5**	**1.5**	**0.3**	**1.0**
DP Interruption Duration (min/yr)	**89**	**360**	**22**	**140**	**11**	**55**	**5**	**25**

The above Hydro One DP performance standards are based on historical (1991-2000) performance, as measured by the frequency and duration of outages of all momentary and sustained interruptions[3] caused by forced outages, excluding outages resulting from extraordinary events that have had "excessive" impact on the transmission system and that, in Hydro One's assessment, strongly skew the historical performance. Included in this category of excluded events are the 1998 Ice Storm, 2003 Blackout, tornadoes, earthquakes, other acts of God and any other significant event having "excessive" impact on performance that is beyond the reasonable control of, and not a result of the fault or negligence of Hydro One.

[1] Board Decision and Order EB-2006-0201 dated June 6, 2007 section 4 page 8

[2] The load size groups are to be based on the total station gross load, where Average Gross Load (MW) = (Total Energy Delivered in the Station (MWh) + Total Energy Generated at the Station Site (MWh))/8760 hours.

[3] Momentary interruption is any forced interruption to a delivery point lasting less than 1 minute and a sustained interruption is any interruption to a delivery point lasting 1 minute or longer. A delivery point is interrupted whenever its requisite supply is interrupted as a result of a forced outage of one or more Networks' components causing load loss. Interruptions caused by GLPL's customers are recorded but not charged against GLPL reliability performance for the customer initiating the interruption, but are charged against GLPL reliability performance for other interrupted customers.

3. Performance Standards to Identify Performance "Outliers"

The Hydro One minimum standard of performance will be used as triggers by GLPL to initiate technical and financial evaluations with affected customers. GLPL is committed to compare GLPL delivery point performance against the Hydro One delivery point performance standards in 2009, when GLPL has five (5) years of data. Further to the Board's direction referenced in section 1 above, GLPL will review its decision to commit to the Hydro One standards.

At least until that time, the Hydro One minimum standard of performance will apply to all existing GLPL transmission load customers. For new or expanding customer loads, the delivery point performance requirements will be specified and paid for by the customer based on their connection needs and negotiated as part of the connection cost recovery agreement (CCRA).

When the three year rolling average of delivery point performance falls below the minimum standard of performance (i.e. performance "outlier") or when delivery point customers indicate that analysis is required, GLPL will initiate technical and financial evaluations to determine the root cause of unreliability and if any remedial action is required to improve reliability.

4. Performance Standards to Identify Performance "Inliers"

The performance standard to maintain the historical reliability performance levels at each customer DP will identify customer delivery points with deteriorating trends in reliability performance (i.e. performance "inliers") notwithstanding the fact that they are satisfactory performers as outlined in section 3. Specifically, a performance baseline trigger for the frequency and duration of forced (momentary and sustained) interruptions is to be set at each delivery point, based on that delivery point's fixed 10 year 2004 to 2013 average performance, plus one standard deviation (1σ). The performance baseline triggers are to include forced outages resulting from force majéure events, but exclude events which have excessive impact on the transmission system that in GLPL's assessment, strongly skew the historical trend of the measure e.g. tornadoes, earthquakes, other acts of God and any other significant event having "excessive" impact on performance that is beyond the reasonable control of, and not a result of the fault or negligence of GLPL.

Until GLPL has 10 years of data, GLPL will treat existing customers and new/modified customers by excluding them from identification as an "inlier" until a minimum of 5 years of data is available to establish the baseline triggers. The baseline triggers for these delivery points will be updated each year until 10 years of performance data is available. DP performance that is worse than either baseline trigger (frequency or duration) in two consecutive years will be a candidate for remedial action. GLPL will respond by initiating technical and financial evaluations with affected customers to determine the root cause of the unreliability and remedial measures required to restore the historical reliability of DP performance.

Further to the Board's direction referenced in section 1 above, GLPL will analyze the data after 5 years of data is available for existing customers and will review its decision to commit to the "inlier" standard.

As a result of insufficient statistical data during the 2007 to 2009 period, deteriorating performance will be monitored but no delivery point will be classified as an "inlier". During this period, GLPL shall meet annually with each existing customer to review DP performance and to initiate remedial action when the root cause is within GLPL's control[4].

5. Remedial Costs to Address Performance "Outliers and Inliers"

As specified by the Code, GLPL will not attribute the costs associated with network investment to any customer. Any variance from that approach requires a determination of the Board further to a request by any party, including GLPL.[5]

GLPL does not charge customers for the cost of the initial technical and financial evaluation. The cost to prepare the final estimate is the only portion of the technical and financial evaluation that is included as part of the cost of the remedial work.[6]

GLPL will cover the remedial costs, including appropriate asset maintenance costs which include on-going maintenance and asset replacement to restore/sustain the inherent reliability performance of the existing assets to what was designed originally. These expenditures are made on an ongoing basis consistent with "good utility practices", irrespective of actual delivery point performance or of whether a delivery point is a performance "outlier or inlier". No customer financial/capital contribution is required for these normal maintenance expenditures.[7]

To encourage proceeding with only those reliability performance improvements that are technically and economically practical and to limit the subsidization of reliability improvement costs by other pool customers, GLPL's level of incremental investment for improving the performance of an "outlier or inlier", beyond what was the original design, will be limited to the present value of three years worth of transformation and/or transmission line connection revenue[8] associated with that delivery point. Any funding shortfalls for improving delivery point reliability performance, beyond what was the original design, will be made up by affected delivery point customers in the form of a financial/capital contribution. Cost responsibility for these investments is to be consistent with the new Market Rules and the Transmission System Code. Affected delivery point

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[4] Board Decision and Order EB-2006-0201 dated June 6, 2007 section 4 page 7
[5] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.9 page 19
[6] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.9 page 19
[7] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.9 page 20
[8] In the special case where a delivery point pays only network tariffs, transmission line connection tariffs are to be used as proxy in the revenue calculation.

customers will be responsible for all the costs associated with any new/modified facilities required on facilities (lines and stations) they own. The financial/capital contribution requirement is to be detailed in a Connection Cost Recovery Agreement (CCRA) to be signed with the affected customers, before any work to improve delivery point "outlier or inlier" performance begins.

Where specific GLPL transmission facilities are serving two or more customers in common with performance "outlier or inlier" performance, GLPL will approach all affected customers to determine their willingness to contribute jointly.[9]

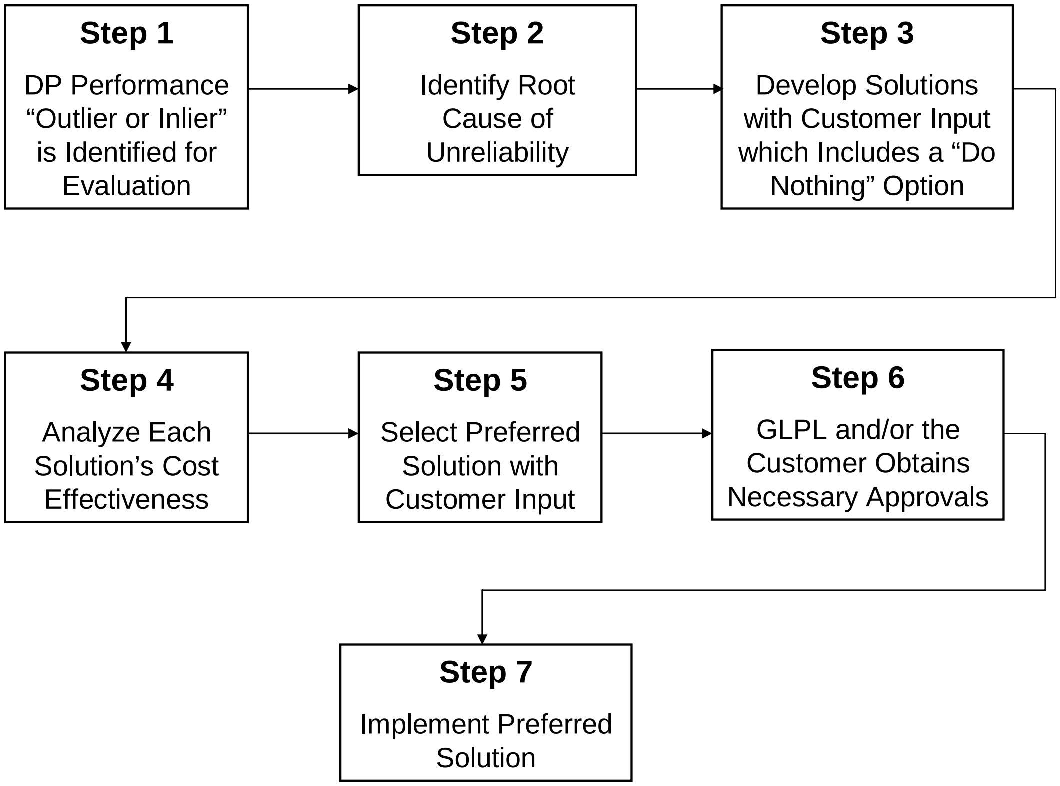
Where a customer contribution is required to improve or expand the transmission system to correct performance "outlier or inlier" performance, the customer will be given the right to undertake contestable work consistent with those applicable to new customer connections in the Code.[10]

When GLPL completes work to restore delivery point performance to standard, it will continue to monitor the delivery point the year after the work is completed. If future performance suggests that the standard has not been met, then GLPL will review the work that has taken place and will identify corrective action, possibly with the financial participation of the customer. GLPL will not as a practice wait another 3 years and start a new technical and financial evaluation. GLPL will review and identify customer delivery point performance annually, regardless of the investment history.[11]

6. Implementation Process to Address Performance "Outliers and Inliers"

The Customer Delivery Point Performance Standards define triggers for GLPL to initiate technical and financial evaluations with affected customers. Each year GLPL reviews reliability performance with its customers based on forced outage statistics which are compiled in January of each year once the previous year's data has been reviewed. For customer delivery points that are identified as performance "outliers or inliers" identified as per section 3 or 4 above, GLPL will negotiate timing, solution, cost sharing arrangement, and any other related matters with each customer wanting to proceed with the delivery point reliability performance improvements based on the process outlined below.

[9] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.12 page 22
[10] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.13 page 23
[11] Board Decision and Order RP-1999-0057 and EB-2002-0404 dated July 25, 2005 section 2.3.19 page 19



Step 1 - DP Performance "Outlier or Inlier" is Identified for Evaluation

GLPL compiles the DP data for each year by the end of January including identifying any "outliers or inliers" that may require a technical and financial evaluation. GLPL will inform each customer of the results where it's DP is an "outlier and/or inlier" and determines with the customer if GLPL will proceed with a technical and financial evaluation. The timing of starting the process for each customer will be discussed with the customer and will be base on prioritizing the "outliers and inliers".

Step 2 - Identify Root Cause of Unreliability
(Timeline: 1 to 2 months)

GLPL will analyze the available data and obtain additional data as necessary to determine if there is a root cause for the unreliability or whether there are several factors.

Step 3 – Develop Solutions with Customer Input which includes a "Do Nothing" Option (Timeline: 1 month)

The data from Step 2 will be discussed with the customer and possible options (including a "do nothing" option) will be developed focused on improving the reliability of the delivery point.

Step 4 - Analyze Each Solution's Cost Effectiveness
(Timeline: 1 month)

Estimated costs of implementing each option are prepared and cost/benefit analysis is undertaken to determine the most cost effective solution. Any cost sharing with the customer is identified for each option.

Step 5 - Select Preferred Solution with Customer Input
(Timeline: 1 to 2 months)

Based on the results of Step 4, the selection of the preferred solution will be discussed with the customer. With respect to any cost sharing the customer will have to agree to pay its share if GLPL proceeds to implement that option as the selected option.

Step 6 – GLPL and/or the Customer Obtain Necessary Approvals
(Timeline: 2 months)

GLPL will then obtain internal approval to proceed with the preferred solution. For "outliers or inliers", where the customer must make a financial/capital contribution, the customer will obtain internal approval to pay the required contribution.

Step 7 – Implement Preferred Solution
(Timeline: To be Determined)

The timing/schedule for the preferred solution will consider customer impacts, nature of the remedial measures, equipment deliveries, GLPL resource capabilities, other investment priorities, and outage/resource availability. Where a customer has the obligation to pay a financial/capital contribution the customer and GLPL will execute a Connection Cost Recovery Agreement (CCRA) prior to commencement of work on the preferred solution.

Note: Timelines are based on dealing with one customer regarding one "outlier or inlier". If more than one customer is involved in dealing with a DP performance issue then the timelines will likely be longer because of the increased complexity of dealing with more than one customer.

OPERATING REVENUE

1.0 Revenues

GLPT's operating revenue consists of transmission services revenue earned in the normal course of business. This revenue is received monthly from the Independent Electricity System Operator ("IESO") 14 business days after the end of the month in which it was earned.

A numerical summary of GLPT's revenue for the period of 2012 actual to the 2015 and 2016 test years is set out below. Variances in operating revenue are driven by changing revenue requirement in each year, and by variations in provincial peak loads from year to year.

Table 3-1-1 A – Numerical Summary of Operating Revenue

USofA	Description	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
4110	Transmission Services Revenue	$37,663.0	$38,101.6	$40,431.5	$38,731.1	$38,731.1	$38,731.1	$38,731.1
	Year-over-year Variance		$438.6	$2,329.9	($1,700.4)	$0.0	$0.0	$0.0

GLPT's 2012 actual revenue is based on actual volumes applied against the UTR and revenue allocators for transmitters approved in EB-2011-0268. GLPT's 2013 actual revenue is based on actual volumes applied against the UTR and revenue allocators for transmitters approved in EB-2012-0031. GLPT's 2014 forecast revenue is based on the revenue requirement approved by the Board for GLPT in EB-2012-0300.

Consistent with the forecasting methodology used in EB-2012-0300, in calculating a 2014, 2015 and 2016 revenue forecast, GLPT assumed no changes in revenue requirement. Further to that, GLPT has assumed the actual provincial peak volumes will be equal to the approved provincial charge determinant forecast for each year, resulting in forecasted revenue for each year being equal to GLPT's Board-Approved 2014 revenue requirement from EB-2012-0300. Therefore, GLPT expects that it would incur a deficiency in each of 2015 and 2016 with no change in revenue requirement, as demonstrated in the tables below.

Table 3-1-1 B – 2015 Test Year Revenue Deficiency

2015 GLPT Revenue Forecast ($)	**$38,731,104**
2015 Test Year Base Revenue Requirement	**39,782,071**
Gross Revenue Deficiency/(Sufficiency)	**$1,050,967**

Table 3-1-1 C – 2016 Test Year Revenue Deficiency

2016 GLPT Revenue Forecast ($)	**$38,731,104**
2016 Test Year Base Revenue Requirement	**40,230,644**
Gross Revenue Deficiency/(Sufficiency)	**$1,499,540**

CHARGE DETERMINANT FORECAST & VARIANCE ANALYSIS

1.0 Methodology

GLPT has developed a charge determinant forecast for directly connected customers using the same methodology as used in its 2013-14 rate application, EB-2012-0300. As demonstrated in Exhibit 8, Tab 1, Schedule 1, the results of this forecast are combined with the approved charge determinants for Ontario's other three electricity transmitters in order to derive the UTR in Ontario.

GLPT's approach to forecasting its customer loads is to take the historical average of the previous five years for each customer, and adjust that average to account for any forecasted variances that are known and measurable. GLPT identifies these variances through direct communication with its connected customers.

1.1 Historical Information

[FILED IN CONFIDENCE]

1.2 Known and Measurable Variations

1.2.1 Changes to Customer Landscape

[FILED IN CONFIDENCE]

1.2.2 Communication

[FILED IN CONFIDENCE]

1.3 Results by Delivery Point

[FILED IN CONFIDENCE]

2.0 Proposed Charge Determinants

GLPT's calculations produce an estimated value for the 2015 charge determinants for each pool which is slightly higher than the approved figures from EB-2012-0300. In 2016, GLPT is projecting a slight increase in charge determinants for the reasons described in Section1.2.2 above. These variances are demonstrated in *Table 3-1-2 C* and *Table 3-1-2 D* below.

Table 3-1-2 C – Charge Determinants – Approved vs. 2015 Proposed

	Annual Charge Determinants (MW)		
	Network	**Line Connection**	**Transformation Connection**
Approved GLPT per EB-2012-0300	3,445.341	2,461.434	455.652
GLPT 2015 proposal	3,489.236	2,725.624	626.252
Variance	43.895	264.190	170.600

Table 3-1-2 D – Charge Determinants – 2015 Proposed vs. 2016 Proposed

	Annual Charge Determinants (MW)		
	Network	**Line Connection**	**Transformation Connection**

GLPT 2015 proposal	3,489.236	2,725.624	626.252
GLPT 2016 proposal	3,498.236	2,734.624	635.252
Variance	9.000	9.000	9.000

3.0 Variance Analysis

GLPT has prepared *Table 3-1-2 E* to display the actual and forecast charge determinants for 2010-2014 compared to the charge determinants used in the calculation of the UTR for the same years. These determinants are only related to customers connected to GLPT's transmission system.

Table 3-1-2 E – Charge Determinant Variance Analysis

	Network	Line Connection	Transformation Connection
2010 UTR Forecast	4,150	2,847	2,778
2010 Actual	3,539	2,712	585
2010 Variance	*(612)*	*(135)*	*(2,193)*
% Variance	*-14.7%*	*-4.7%*	*-78.9%*
2011 UTR Forecast	4,020	2,939	1,058
2011 Actual	3,340	2,742	559
2011 Variance	*(680)*	*(197)*	*(499)*
% Variance	*-16.9%*	*-6.7%*	*-47.2%*
2012 UTR Forecast	3,955	2,937	985
2012 Actual	3,183	2,589	422
2012 Variance	*(771)*	*(349)*	*(564)*
% Variance	*-19.5%*	*-11.9%*	*-57.2%*
2013 UTR Forecast	3,445	2,461	456
2013 Actual	3,186	2,548	438
2013 Variance	*(259)*	*86*	*(17)*
% Variance	*-7.5%*	*3.5%*	*-3.8%*
2014 UTR Forecast	3,445	2,461	456
2014 Forecast	3,583	2,556	537
2014 Variance	*138*	*94*	*81*
% Variance	*4.0%*	*3.8%*	*17.9%*

GLPT’s load forecasts have historically been higher than actual for the reasons described below.

3.1 Network Variances

[FILED IN CONFIDENCE]

3.2 Line Connection Variances

[FILED IN CONFIDENCE]

3.3 Transformation Connection Variances

[FILED IN CONFIDENCE]

3.4 Summary

The forecast variances that have occurred have been the result of changes in circumstances that GLPT could not have been aware of at the time of preparing its forecast. Any alternative method for calculating a forecast would have been subject to the same variances. In addition, GLPT's charge determinant forecast makes up approximately 1% of the total forecast of all transmitters in the UTR calculation. Therefore, GLPT believes its forecasting techniques are sufficient and reliable, especially when giving consideration to the materiality of the forecast for calculating the UTR.

<u>OTHER INCOME</u>

1.0 Other Income

GLPT's other income consists of:

- Net Rent from Electric Property;
- Revenues and Expenses from Merchandising, Jobbing, Etc.;
- Interest and Dividend Income.

The table below outlines the trend of other income between periods of 2012 actual to the 2015 and 2016 test year figures. GLPT will reduce its Service Revenue Requirement by $89,900 in each of the test years to arrive at its Base Revenue Requirement to be recovered through the Uniform Transmission Rates.

Table 3-1-3 A – Summary of Other Income

($000's) USofA	Description	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
4210	Net Rent from Electric Property	($19.2)	($20.8)	($19.2)	($20.8)	($31.6)	($44.9)	($44.9)
4325	Revenues from Merchandising, Jobbing, Etc.	(258.7)	(75.0)	(1,997.2)	(75.0)	(75.0)	(75.0)	(75.0)
4330	Expenses of Merchandising, Jobbing, Etc.	259.1	75.0	1,999.5	75.0	75.0	75.0	75.0
4405	Interest and Dividend Income *Interest on bank balance*	(28.4)	(19.3)	(47.2)	(19.9)	(45.0)	(45.0)	(45.0)
	Total Other Income	**($47.2)**	**($40.1)**	**($64.2)**	**($40.7)**	**($76.6)**	**($89.9)**	**($89.9)**
	Year-over-year Variance		**$7.1**	**($24.1)**	**$23.5**	**($35.9)**	**($13.3)**	**$0.0**

1.1 Net Rent from Electric Property

Net Rent from Electric Property represents the net funds GLPT will collect in each year from two sources. GLPT generates revenue from GLPL related to fibre optic cable attachments, and revenue from Algoma Power Inc. ("API") related to local distribution attachments on its transmission structures.

1.1.1 Fibre Optic Attachments

Pursuant to an Agreement for Licensed Attachment dated July 1, 2009, GLPT granted GLPL access to its poles and other equipment, and permission to affix and maintain attachments to such poles and other equipment, in a manner and for an annual rental consistent with Board Decision No. RP-2003-0249. The annual revenue that GLPT will receive for this pole rental in the test years is estimated to be $32,500 for each of 2015 and 2016. This same arrangement existed when GLPT applied for its 2013 and 2014 revenue requirement in EB-2012-0300. However, in EB-2012-0300, GLPT accounted for the net benefit[1] of this arrangement as Net Rent from Electric Property. However, to simplify the accounting for this arrangement, GLPT is accounting for the gross revenue as Net Rent from Electric Property, with any offsetting operating costs being accounted for directly in OM&A.

[1] In accordance with the fibre optic agreement in place between GLPT and GLPL, GLPL bills to GLPT 41% of all OM&A costs incurred related to the fibre optic network. As a result, GLPT's annual net benefit is reduced by 41%. For the 2014 test year GLPT estimated net rent to be $20,800.

1.1.2 Local Distribution Attachments

Effective January 1, 2014 GLPT entered an Agreement for Licensed Occupancy of Power Utility Transmission Poles with API. In accordance with the terms and conditions of that agreement, GLPT allows API to affix and maintain attachments on its transmission poles for an annual fee per attachment. The negotiated fee was $28.61 per attachment per year, which was based on the current rate charged by Hydro One Networks Inc.[2] for the same type of attachment. GLPT anticipates collecting incremental annual revenue of approximately $12,400.

1.2 Revenues and Expenses from Merchandising, Jobbing, Etc.

With respect to Merchandising and Jobbing, these revenues and expenses are expected to net to zero in each of the test years. The amounts represent the costs and expenses of fully recoverable services provided by GLPT to other parties. GLPT does not actively pursue merchandising and jobbing activities, but will provide them under circumstances when they are required (for example, to act as an emergency responder). In 2013 and 2014, GLPT's actual and forecasted activity is primarily related to incremental costs of connecting prospective wind generators to its transmission system. The connection work consists of engineering, design and in one case construction of the line tap, as well as modification of the protection systems to facilitate connections. The two wind generators currently connecting to GLPT's system are Nodin Kitagan Limited Partnership and

[2] Per Hydro One Networks Inc.'s Tariff of Rates and Charges, approved in EB-2013-0141 and effective January 1, 2014

Nodin Kitagan 2 Limited Partnership[3] under electricity generation licences EG-2014-0023 and EG-2014-0024, respectively, and SP Development Limited Partnership[4] (not yet a licenced generator).

1.3 Interest and Dividend Income

With respect to Interest and Dividend Income, it is anticipated that GLPT will earn approximately $45,000 in each of 2015 and 2016 related to interest earned on cash held in GLPT's bank account.

[3] Project more commonly known as the Bow Lake wind farm
[4] Project more commonly known as the Goulais wind farm

SUMMARY OF OPERATING COSTS

1.0 Overview of GLPT's Operating Costs

GLPT's operating costs for the 2015 and 2016 test years include operations, maintenance and administration ("OM&A"); depreciation and amortization; income taxes; and property taxes. A summary of GLPT's operating costs is set out in the table below:

Table 4-1-1 A – Summary of Operating Costs

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Operations, Maintenance & Administration	$9,280.4	$10,100.0	$10,210.9	$10,305.5	$10,305.5	$11,021.1	$11,331.9
Depreciation & Amortization	8,535.7	9,152.3	9,218.8	9,196.9	9,249.7	9,701.2	9,771.3
Income Taxes	1,696.3	1,621.7	2,078.2	1,969.1	1,902.5	2,115.4	2,189.0
Property Taxes	236.4	243.0	235.7	246.6	236.1	238.2	240.4
Total Operating Costs	**$19,748.7**	**$21,117.0**	**$21,743.6**	**$21,718.1**	**$21,693.8**	**$23,075.9**	**$23,532.6**

Additional information for each item in the table can be found as follows:

- *OM&A* – Exhibit 4, Tab 2, Schedule 1,
- *Depreciation & Amortization* – Exhibit 4, Tab 3, Schedule 1,
- *Income Taxes* – Exhibit 4, Tab 4, Schedule 2, and
- *Property Taxes* – Exhibit 4, Tab 4, Schedules 3

<u>OM&A OVERVIEW</u>

1.0 Summary

This evidence provides an overview of GLPT's operations, maintenance and administration ("OM&A") expenditures. GLPT's proposed OM&A expenditures for the 2015 and 2016 test years will allow for the continued safe, reliable, secure, cost-efficient and environmentally responsible operation of the transmission system. OM&A increases sought by GLPT are $715,600 for 2015 and $310,800 for 2016, which are driven by inflation as well as cost variations resulting from identified changes in the regulatory environment and succession planning.

GLPT has determined these expenditure levels through its OM&A budgeting process and asset management program. GLPT's OM&A budgeting process is further discussed in Section 2.0 below, and its approach to asset management is further discussed at Exhibit 2, Tab 2, Schedule 1. Based upon this process, GLPT is seeking OM&A of $11,021,100 for 2015 and $11,331,900 for 2016.

As in prior applications, GLPT has engaged First Quartile Consulting ("1QC") to provide a benchmarking study to compare the requested 2015 and 2016 OM&A expenditures against other transmission providers in North America. The 1QC benchmarking study indicates that, in comparison to its peers, GLPT falls significantly below average on a cost per gross asset basis.

A summary of GLPT's OM&A expenses is presented in Table 4-2-1 A, below.

Table 4-2-1 A - Summary of OM&A Expenses

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Total OM&A	$9,280.4	$10,100.0	$10,210.9	$10,305.5	$10,305.5	$11,021.1	$11,331.9
Variance		$819.6	$110.9	$94.7	$0.0	$715.6	$310.8

2.0 OM&A Budget Process

GLPT's objective when preparing its OM&A budget for 2015 and 2016 was to establish a budget that is sufficient to operate a safe, reliable, secure, cost effective and environmentally responsible transmission system. In doing so, GLPT aligned its approach with that taken in previous rate applications.

GLPT utilized a three stage OM&A budget process to budget OM&A for 2015 and 2016 test years. In the first stage, GLPT applied an inflation factor to the most recent OEB-approved OM&A amount to determine a base OM&A. In the second stage, GLPT adjusted the base OM&A for any changes in operations that were not already included in the OEB-approved OM&A. In the third and final stage, GLPT confirmed that the amounts budgeted are sufficient to operate a safe, reliable, secure, cost effective and environmentally responsible transmission system through a detailed review of operations, or a bottom-up budget approach.

This budget process is consistent with the approach taken by GLPT in its most recent rate application (EB-2012-0300). As a result of applying the above noted budget approach, the Board Approved Settlement Agreement in EB-2012-0300 (the "Settlement Agreement") established a base OM&A amount of $10,100,000 for the 2013 test year and $10,305,500 for the 2014 test year.

2.1 Stage One - Application of Inflation Factor

The application of an inflationary factor is reasonable given that the bulk of GLPT's OM&A expenditures occur because of third party contracts, materials and supplies or internal labour, all of which are subject to either inflation or wage and benefit changes. GLPT has utilized the same methodology to determine the inflation factor as was agreed to and used in the Settlement Agreement. In the Settlement Agreement, the average annual increase of the All-items CPI in Ontario over the previous five years (2007-2011) was used, resulting in an inflation factor of 2.035%. Therefore, consistent with the Settlement Agreement, GLPT has applied an inflation factor that is equal to the average annual increase of the All-items CPI in Ontario for the period of 2009-2013[1], or 1.995% to establish a base amount for each of 2015 and 2016.

[1] http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09g-eng.htm shows an increase in All-items CPI from 113.7 in 2009 to 123.0 in 2013, which equates to compounding annual increases of 1.995%

2.2 Stage Two - Adjustment for Changes in Operations

While the base amount determined in the first stage provides sufficient funding to meet current operations it does not address incremental costs that are expected to arise in the test years.

There are upcoming challenges in the regulatory environment that are driving additional non-discretionary spending in order to ensure long-term compliance. As described at Section 3.1 below, GLPT is seeking approval to include $360,000 in incremental non-discretionary expenses in its 2015 OM&A related to regulatory compliance. Of the $360,000 in incremental costs, $205,000 is related to one-time program development activities that GLPT does not expect to incur in 2016, and $155,000 is related to permanent increases required to maintain the programs and ensure long-term compliance.

In addition, over the course of the next three years, three employees in GLPT's System Control Centre will become eligible for retirement[2], creating an inevitable and non-discretionary need for succession planning within that department. As described at Section 3.1 below, GLPT will hire one incremental First Operator in 2015 and two additional incremental First Operators in 2016 for a total increase of three full time employees by 2016. The fully loaded cost GLPT has included in OM&A, including current and post-employment benefits, is $150,000 for each First Operator. Due to the position's need for extensive training (including NERC's certification as Transmission System Operators) and on-the-job experience, a transition period of 12-18 months is

[2] GLPT described the upcoming retirements and the need for succession planning in EB-2012-0300

required from the time of hire to the time the new employee can work independently in the role. Therefore, while these cost increases are one-time in nature, the offsetting cost savings related to the retirements will not be realized until after 2016.

Accordingly, GLPT is seeking approval for a total 2015 OM&A budget of $11,021,100. In preparing its 2016 OM&A budget, GLPT has removed the $205,000 in one-time 2015 costs and added $300,000 in incremental 2016 costs associated with two additional First Operators. GLPT is therefore seeking approval for a total 2016 OM&A budget of $11,331,900 inclusive of inflation equal to 1.995%.

To assist the Board in following the movement of its OM&A budget, GLPT has prepared *Table 4-2-1 B* below.

Table 4-2-1 B - Evolution of GLPT's OM&A Budget

Total OM&A		**($000's)**
	CPI	
2013 Approved		**$10,100.0**
CPI Adjustment	2.035%	205.5
2014 Approved		**10,305.5**
CPI Adjustment	1.995%	205.6
Compliance Cost Increase - one-time		205.0
Compliance Cost Increase - permanent		155.0
Succession Planning		150.0
2015 Test Year		**11,021.1**
Compliance Cost Increase - one-time		(205.0)
CPI Adjustment	1.995%	215.8
Succession Planning		300.0
2016 Test Year		**$11,331.9**

2.3 Stage Three - Verification of Budget - Bottom-Up Approach

To ensure the budgeted OM&A expenditures for 2015 and 2016 will provide sufficient funding to allow for the continued safe, reliable, secure, cost effective and environmentally responsible operation of the transmission system, GLPT confirmed the budgeted OM&A expenditures with front line managers via a bottom-up approach. The bottom-up approach considers the needs and requirements of the organization in order to ensure sufficient funding to address those needs and requirements without sacrificing safety, reliability, security or environmental stewardship. This entailed a complete review of work plans and staffing requirements for all aspects of GLPT.

As noted above, and as verified by the bottom-up approach applied, GLPT is confident that the OM&A figure is sufficient to continue to manage the organization, taking into account anticipated changes in operations.

2.4 Economic Assumptions Used

In calculating the budget for the 2015 and 2016 test years GLPT relied on the following economic assumptions:

- As described in Section 2.1 above, GLPT used the average annual increase of the All-items CPI in Ontario over the previous five years (2009-2013) [3] as the inflation factor when calculating increases for OM&A expenditures in both 2015 and 2016. GLPT calculates this inflation factor to be

[3] http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09g-eng.htm shows an increase in All-items CPI from 113.7 in 2009 to 123.0 in 2013, which equates to compounding annual increases of 1.995%

1.995%. This calculation is consistent with the methodology used in the Board Approved Settlement Agreement in EB-2012-0300.

- GLPT has a collective agreement in place with the Power Workers Union that is effective until December 31, 2015. This collective agreement governs approximately 50% of GLPT's total salary and wage expenses (approximately $2.3 million annually). While the negotiated wage increase for 2015 (2.75%) is higher than the inflation factor of 1.995%, GLPT is confident it will be able to manage the resultant cost increases within the total 2015 and 2016 OM&A envelopes.

3.0 Summary Tables

GLPT's OM&A activities include but are not limited to the following:

- *Operations* includes activities relating to inspection, general engineering, testing, system control and work planning.

- *Maintenance* relates to preventative maintenance activities and corrective maintenance. Preventative maintenance includes maintenance carried out on a cyclical basis for structures and devices to avoid failure. Corrective maintenance is activity relating to the repair and replacement of equipment that either has failed or is about to fail.

- *Administration* relates to activities which include accounting, general administration, health, safety, and environment, information technology and regulatory activities.

GLPT's OM&A expenses are summarized by functional area in *Table 4-2-1 C*, below. GLPT's 2013 and 2014 Approved OM&A was approved on an envelope basis, and not on an account-by-account basis, and as a result GLPT has excluded the '2013 Approved' and '2014 Approved' columns from the following tables displaying detailed OM&A information.

Table 4-2-1 C – OM&A Expenses by Functional Areas

($000's)	2012 Actual	2013 Actual	2014 Forecast	2015 Test Year	2016 Test Year
Operations	$4,026.7	$4,404.6	$4,283.0	$4,941.4	$5,130.9
Maintenance	1,729.6	1,899.5	2,113.6	2,058.2	2,099.3
Administration	3,524.1	3,906.7	3,908.9	4,021.5	4,101.7
Total OM&A	**$9,280.4**	**$10,210.9**	**$10,305.5**	**$11,021.1**	**$11,331.9**

An account-by-account summary of GLPT's OM&A costs for 2012 through the 2015 and 2016 test years is provided in *Table 4-2-1 D*.

1 *Table 4-2-1 D – OM&A Costs by Uniform System of Accounts*

($000's)						
USofA	**Description**	**2012 Actual**	**2013 Actual**	**2014 Forecast**	**2015 Test Year**	**2016 Test Year**
	Transmission Expenses - Operation					
4805	Operation Supervision and Engineering	$500.7	$775.5	$533.6	$692.2	$706.0
4810	Load Dispatching	1,441.2	1,479.5	1,452.7	1,766.9	1,893.0
4815	Station Buildings and Fixtures Expense	789.6	764.5	807.2	841.2	858.0
4820	Transformer Station Equipment - Labour	313.3	376.4	279.0	283.3	288.9
4825	Transformer Station Equipment - Supplies and Exp.	130.9	229.1	112.8	140.0	142.8
4830	Overhead Line Expenses	485.6	334.6	366.6	425.6	434.1
4845	Miscellaneous Transmission Expenses	310.5	381.4	662.0	723.1	737.5
4850	Rents	55.0	63.5	69.2	69.2	70.6
	Transmission Expenses - Maintenance					
4910	Mtce of Transformer Station Buildings and Fixtures	54.8	76.7	48.5	54.3	55.4
4916	Mtce of Transformer Station Equipment	593.2	570.6	801.9	738.2	752.9
4930	Mtce of Poles, Towers, and Fixtures	4.0	105.1	74.7	76.9	78.5
4935	Mtce of Overhead Conductors and Devices	23.7	113.7	33.1	34.6	35.3
4940	Mtce of Overhead Lines - Right of Way	966.6	909.5	1,005.3	1,004.2	1,024.3
4945	Mtce of Overhead Lines - Roads and Trails Repairs	87.4	124.0	150.0	150.0	153.0
	Administrative and General Expenses					
5605	Executive Salaries and Expenses	853.4	923.0	1,055.0	1,124.3	1,146.7
5615	General Administrative Salaries and Expenses	1,203.2	1,782.9	1,457.5	1,768.2	1,803.5
5620	Office Supplies and Expenses	218.4	196.3	187.5	140.0	142.8
5630	Outside Services Employed	756.2	483.9	625.0	398.7	406.7
5635	Property Insurance	267.8	343.0	355.4	365.0	372.3
5655	Regulatory Expenses	161.0	143.6	161.6	155.0	158.1
5665	Miscellaneous General Expenses	43.8	12.8	46.0	48.3	49.2
5680	Electrical Safety Authority Fees	20.3	21.2	21.0	22.0	22.4
	Subtotal Operations	4,026.7	4,404.6	4,283.0	4,941.4	5,130.9
	Subtotal Maintenance	1,729.6	1,899.5	2,113.6	2,058.2	2,099.3
	Subtotal A&G	3,524.1	3,906.7	3,908.9	4,021.5	4,101.7
	Total OM&A	**$9,280.4**	**$10,210.9**	**$10,305.5**	**$11,021.1**	**$11,331.9**

2

3 ## 3.1 Trends & Cost Drivers

4 ### 2012 Actual – 2013 Actual

5 The increase in costs between 2012 actual and 2013 actual is the most significant year-
6 over-year increase displayed in the table. As described in EB-2012-0300, GLPT was able

to foresee a number of the cost increases related to various cost drivers. The most significant cost drivers that were experienced on an actual basis are described below. While there were other movements in costs among the accounts, these are the drivers that were material in nature:

Labour Capitalization

As a result of a decrease in the level of capital expenditures incurred by GLPT in 2013 compared to 2012, and a decrease in the internal labour requirement associated with the 2013 capital program, there was a decrease in the allocation of internal labour to capital projects. While this resulted in upward pressure on OM&A of approximately $500,000, it enabled GLPT to allocate more internal resources to activities such as asset management, maintenance planning, risk management and protection and control. As demonstrated in Exhibit 4, Tab 2, Schedule 2, while there are forecasted increases in overall labour costs, GLPT is forecasting total labour capitalization in the 2015 and 2016 test years to be comparable to 2013. GLPT's internal resources will continue to focus primarily on scheduled operations and maintenance activities, while capital work is typically undertaken by contractors. This is due to the relatively small staff complement at GLPT.

Corporate Cost Allocation

In EB-2012-0300, GLPT had forecasted an increase in its 2013 corporate cost allocation from $200,000[4] to $469,700. However, GLPT agreed to reduce its 2013 OM&A expenditures as part of the Settlement Agreement related to the application. Therefore, while GLPT's share of the overall corporate costs did not change, GLPT reduced the amount it paid to its affiliate related to its corporate cost allocation on an actual basis to $400,000, which represented an increase of $200,000 over 2012. As indicated in Exhibit 4, Tab 2, Schedule 3, GLPT's corporate cost allocation for 2015 and 2016 is forecast to be $411,500 and $419,700, respectively.

Consulting & Contracts

GLPT incurred approximately $250,000 in consulting and contract costs in 2013 that were incremental to 2012, particularly related to operations supervision and engineering activities. These incremental costs were related to enhancements to GLPT's asset information repository and other asset management tools, regulatory compliance and customer connection activities. GLPT is anticipating a reduction in these costs in 2014.

2013 Actual – 2014 Forecast

GLPT's 2014 OM&A budget of $10,305,500 was approved in EB-2012-0300 through the Settlement Agreement on an envelope basis. Subsequent to the approval of the

[4] In GLPT's 2011-2012 rate application (EB-2010-0291), GLPT included $200,000 related to the corporate cost allocation in 2012 OM&A. While this was lower than the actual amount incurred in the year, it was reflective of GLPT taking a phased approach to incorporating the corporate cost allocation into revenue requirement.

Settlement Agreement, GLPT prepared a bottom-up budget for 2014 using the approved amount as the overall target, allocating the envelope to the various USofA accounts. Since there was not a specific allocation approved in the Settlement Agreement, GLPT is considering its budget to be the approved OM&A for 2014. GLPT is not forecasting any material variances from budget at the time of filing this application, and as a result GLPT's 2014 forecast is equal to its 2014 approved OM&A budget.

In 2014, GLPT is anticipating an increase in legal and regulatory costs associated with the preparation and filing of this application ($200,000). GLPT is managing this cost increase within its approved envelope through management of internal labour and labour-related costs, and through a reduction in other consulting and contract costs compared to 2013. While there are other movements in balances among the accounts, GLPT is not forecasting any other material variances between its 2013 actual costs and its 2014 forecast.

2014 Forecast – 2015 Test Year

Compliance Requirements

As described in Section 2.0 above, GLPT has determined that, aside from forthcoming changes required in the regulatory environment, it is feasible to continue to operate a safe, reliable, secure and environmentally responsible transmission system using a base OM&A of $10,305,500, plus inflation of 1.995% (as described in Section 2.4 above).

With that said, there are a number of non-discretionary one-time and continuing changes taking place in the electricity industry in Ontario that affect GLPT and its compliance program. These changes include, among other things:

i. Updates to various Critical Infrastructure Protection ("CIP") standards governed by the North American Electric Reliability Corporation ("NERC");
ii. The IESO has indicated that the definition of the Bulk Electric System ("BES"), as defined by NERC, is expected to change and be adopted by the IESO in the test period. The definitional change is likely to have the effect of deeming all of GLPT's 230 kV transmission facilities and the majority of GLPT's 115 kV transmission facilities to be part of the BES for NERC/IESO regulatory purposes. This will result in new security and other measures that GLPT must put in place to maintain compliance with the NERC requirements.
iii. Other reporting requirements related to compliance with existing and evolving NERC, IESO and Northeast Power Coordinating Council ("NPCC") standards[5].

These changes are driving additional non-discretionary spending to ensure compliance. GLPT is forecasting that it will incur costs in the amount of $360,000 in 2015 to address its overall regulatory compliance program. This total can be broken out into three distinct categories:

[5] These standards include COM-001-1.1, COM-002-2, EOP-001-2.1b, EOP-005-1, EOP-002-2, EOP-008-1, FAC-003-1, PER-005-1, PER-003-1, among others

i. $125,000 related to the fully loaded cost of filling a full-time salaried position of Compliance Analyst. This includes base wages, incentive pay, benefits, as well as a reasonable estimate for office, travel and training expenses. This position would have responsibility for the execution of the compliance program at GLPT, and would be a permanent annual cost.

ii. $30,000 for incremental annual training costs related to NERC's Transmission System Operator certification for GLPT's system control operators. Currently, 5 of GLPT's 9 operators have achieved and are maintaining their NERC certification. The annual training cost required to maintain the certification for these operators is embedded in GLPT's base OM&A. However, effective July 1 2016, all of GLPT's system control operators will be required to achieve and maintain NERC certification. As a result, GLPT will bear the incremental non-discretionary cost of training required to maintain NERC Transmission System Operator certification for 4 additional system control operators. GLPT estimates that this will be an annual cost of $30,000.

iii. $205,000 to engage a third party consultant in 2015 to complete a review of all existing and upcoming standards, including the BES definitional change, and further develop a comprehensive compliance program. While GLPT is currently managing its compliance among various members of its management team and existing staff, the comprehensive compliance program will provide a single reference and a single resource for ensuring compliance with all standards (particularly those related to NERC). It is anticipated that GLPT will have the program completed in 2015, at which point GLPT's Compliance Analyst, with support from its management team, will take ownership of the program and be responsible for its execution. The program will allow for knowledge transfer, regulatory changes and personnel changes while remaining sustainable. The program will consist of procedures, processes and roles and responsibilities that will aid in the better management of the compliance program and reduce workloads that are currently spread over various departments. As regulations, standards and responsibilities continue to evolve and change, utilities need a method to identify gaps and continuously improve core programs. This compliance program will be a resource to ensure that GLPT maintains required compliance while minimizing long-term workload related to oversight of the program. Hydro One described the need for a similar compliance program in Exhibit C1 of EB-2012-0031. This is a one-time cost GLPT will incur in 2015.

Succession Planning

GLPT's System Control Centre has a core staff of two Senior Operators, five First Operators and one Second Operator. Three of these operators will be eligible for retirement in the next three years. As a result, GLPT will be required to hire and train new staff members to work in the System Control Centre as a succession plan throughout the test years in this application. Due to the unique nature of the position and the considerable training requirements, a new hire requires a minimum of 12-18 months of on the job experience and training to learn the position and be deemed competent to perform the functions of the job. Training requirements include NERC certification as a Transmission System Operator[6] which on its own is expected to take approximately six months for each new hire. Therefore, it is imperative that GLPT is proactive in seeking replacements for the upcoming retirements so it can provide appropriate on the job training and experience to develop competencies. GLPT is forecasting that it will hire one new First Operator in 2015, and two new First Operators in 2016. The incremental cost included in OM&A is $150,000 for 2015 which represents the fully loaded cost of one additional employee.

The system control operator position is unique to GLPT's transmission system and control area as it requires an understanding of that specific system. The position involves the independent real time management of the system and requires knowledge of specific limits and contingencies for equipment within the region, knowledge of varying types of protections systems and a thorough understanding of emergency preparedness plans pertaining to the control area.

It will be challenging for GLPT to find qualified applicants who have an existing understanding of GLPT's system, and therefore it is likely that a new hire will be unfamiliar with GLPT's specific characteristics. In addition, there is not a trade designation for this type of position. Therefore, because of the nature of the position it

[6] NERC certification as Transmission System Operator is mandatory for new hires in GLPT's System Control Centre and will be mandatory for all GLPT System Control Operators effective July 1, 2016 as a result of a change in the definition of the BES.

will take a significant amount of time for new employees to learn GLPT's system, attain NERC Transmission System Operator certification and for management to deem the individual as competent to work alone in the role. GLPT's recently upgraded System Control and Data Acquisition ("SCADA") system will facilitate the development of new hires, particularly with the Operator Training Simulator completed in 2013. However, as noted above, an overlap period of 12-18 months will be required before a new hire will be deemed competent.

The cost increases related to succession planning are temporary in nature. As new hires become competent and retirements occur, there will be cost savings realized by GLPT. However, due to the extensive overlap period required for training and experience with GLPT's system, the offsetting retirements and associated cost savings are not expected to occur until after the 2016 test year.

2015 Forecast – 2016 Test Year

Compliance Requirements

As described above, GLPT is forecasting a non-discretionary cost increase of $360,000 in 2015 related to regulatory compliance. However, $205,000 of this incremental cost is related to one-time program development activities in 2015, and this cost will not be incurred in 2016.

Succession Planning

As described above, GLPT intends to fill two additional First Operator positions in 2016 to ensure preparedness for upcoming retirements. The additional incremental cost included in 2016 OM&A is $300,000, which represents the fully loaded cost of two additional First Operators. The offsetting retirements and associated cost savings are not expected to occur until after the 2016 test year, however due to the extensive overlap period required (12-18 months) for training and experience with GLPT's system it is critical that GLPT is proactive in executing a responsible and effective succession plan prior to the retirements taking place.

As a result, GLPT's 2016 test year OM&A is equal to the 2015 OM&A, less the one-time 2015 compliance amount of $205,000, plus the incremental succession planning costs of $300,000, plus inflation at a factor of 1.995%.

4.0 Benchmarking

In EB-2009-0408, EB-2010-0291 and in EB-2012-0300, GLPT provided the Board with a benchmarking report prepared by 1QC. GLPT engaged 1QC to update the benchmarking report for its 2015 and 2016 test years, the results of which can be found at **Appendix "A"** to this schedule. 1QC was engaged to analyze the costs of operation of the GLPT transmission system, in comparison with those of other transmission providers in North America. There are very few true "peers" for comparison, since GLPT is somewhat unique in terms of its size, rural geographic location, and dense vegetation. Nevertheless, it is important to gain some understanding of the relative costs of operation of the system in comparison to other transmission providers, in order to determine reasonable rates for operating the company. 1QC used the data from a panel of companies who have provided that data during detailed annual benchmark studies of North American transmission utilities as a basis for comparison against GLPT, augmented by information filed by the companies with FERC. 1QC's overall conclusion, based on the primary comparison, is that GLPT falls significantly below average on a cost per gross asset basis. 1QC's specific conclusions are as follows:

1. GLPT compares favourably against the panel of companies on the total of Operations and Maintenance ("O&M") and Administrative and General ("A&G") expenses, ranking within the first quartile of the panel.

2. GLPT's A&G costs have been relatively flat, thus remaining below the median of the panel.

3. For O&M costs without A&G costs, GLPT is below the first quartile value for most years.

As confirmed by the independent benchmarking report prepared by 1QC, GLPT continues to operate a cost-efficient transmission system that is safe, secure, reliable and environmentally responsible.

5.0 OM&A Costs per FTE

Consistent with Appendix 2-L of the January 2, 2014 Filing Requirements, GLPT has provided its OM&A costs per FTE for test years 2015 and 2016 in **Appendix "B"**.

6.0 Regulatory Costs

Consistent with Appendix 2-M of the January 2, 2014 Filing Requirements, GLPT has provided an overview of regulatory costs for test years 2015 and 2016 in **Appendix "C"**.

APPENDIX "A"

First Quartile Consulting Benchmarking Report

GREAT LAKES POWER TRANSMISSION OPERATION COST ANALYSIS

PREPARED BY:
FIRST QUARTILE CONSULTING, LLC

JULY 7, 2014

FIRST QUARTILE CONSULTING

INTRODUCTION

Great Lakes Power Transmission LP (GLPT) is a transmission owner and operator serving a portion of northern Ontario, Canada. First Quartile Consulting (1QC) was engaged to analyze the costs of operation of the GLPT transmission system, in comparison with those of other transmission providers in North America. There are very few true “peers” for comparison, since GLPT is somewhat unique in terms of its size, rural geographic location, and dense vegetation. Nevertheless, it is important to gain some understanding of the relative costs of operation of the system in comparison to other transmission providers, in order to determine reasonable rates for operating the company. 1QC used the data from a panel of companies who have provided that data during detailed annual benchmark studies of North American transmission utilities as a basis for comparison against GLPT, augmented by information filed by the companies with FERC.

ANALYSIS APPROACH

1QC performed a set of analyses to determine how GLPT compared against a panel of companies with regard to Transmission Line, Transmission Substation and related Administrative and General (A&G) expenses. The primary basis for the comparison was a data set of Transmission Lines & Substations O&M expenses which is gathered during the annual 1QC transmission & distribution benchmark study. That study doesn’t collect A&G costs as part of the standard comparisons.

The definitions used for separation of direct O&M costs versus A&G costs in the 1QC study are those used in the FERC uniform system of accounts. Canadian utilities typically capture the A&G costs together with the O&M costs, and report them as OM&A.

To address the need to include A&G costs in the comparison, we gathered A&G expense data back to 2010 from available FERC reports. These A&G expenses as reported are for the whole utility operation. Therefore, it was necessary to make an allocation of A&G expenses for just transmission lines & substations. A very straightforward calculation was used to allocate A&G to transmission: (transmission O&M expense / (transmission + distribution + customer service)) * total A&G expense = transmission portion of A&G expense.

GLPT’s Transmission lines & substations O&M expenses and its O&M + A&G expenses were compared against the 1QC panel. To perform a valid comparison, it was necessary to normalize the data to account for the different sizes of the companies. For the primary normalizing factor we chose total transmission lines & substations assets. Through analysis over the years, we have determined that total assets is the appropriate normalization factor for transmission spending and that it is possible to accurately predict a company’s O&M expenses based upon the value of the assets they have. See **Appendix A** for a more complete explanation of the selection of normalizing factor.

Beginning in 2013, a change in Canadian accounting rules required GLPT to adopt the International Financial Reporting Standards (IFRS), which caused GLPT to adjust the value of its asset base, effectively writing down the value of its gross assets by the amount of the accumulated depreciation at the end of 2012. Because we use gross assets for the normalizing factor in the analysis, this change makes a significant difference in the outcome of the analysis. For the purposes of the analysis, we have adjusted the figures for GLPT to include the value of the accumulated depreciation as of the end of 2012 as part of the asset value figures for later years. This has the effect of making the comparisons between GLPT and the other members of the comparison panel essentially “fair”.

RESULTS AND CONCLUSIONS

Based upon our primary comparisons, GLPT falls significantly below average on a cost per asset basis. In Figures 1 to 3 below, the mean and quartiles are calculated without GLPT’s data. They are based solely on our panel of companies, so that GLPT is being compared against a data set without influencing it. In the bar charts to the right of the line charts, the companies in our comparison panel are shown individually. GLPT is not included on those charts.

Note that the values for years 2014 to 2016 are projected based upon 2010 to 2013 actual data. For all of the graphs, only companies for which A&G data was available were used.

In Figure 1 below, showing GLPT compared against the panel of companies on the total of O&M and A&G, GLPT compares favorably against the panel, ranking within the first quartile of the panel.

Figure 1

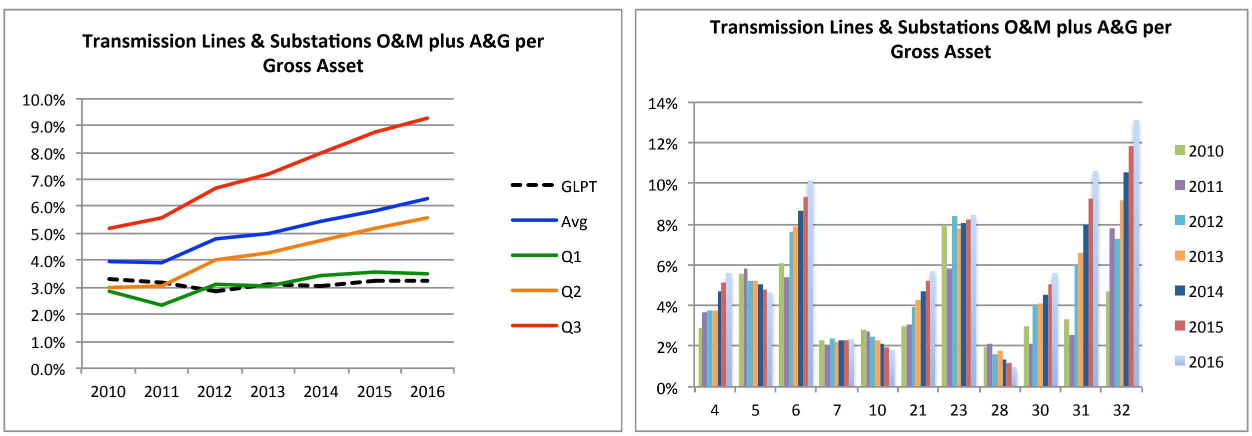


Figure 2 shows just the A&G cost per asset. GLPT’s A&G costs have been relatively flat, thus remaining below the median of the panel.

Figure 2

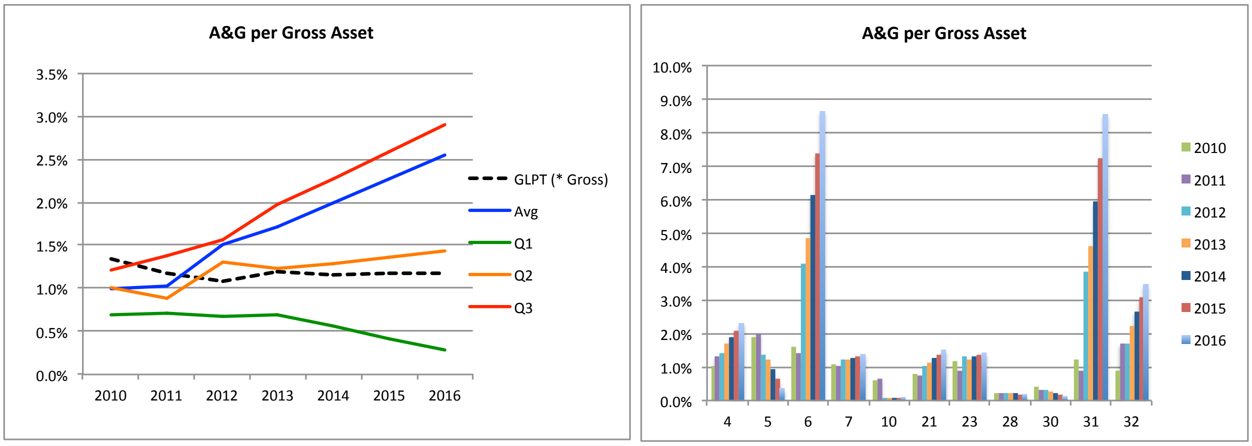
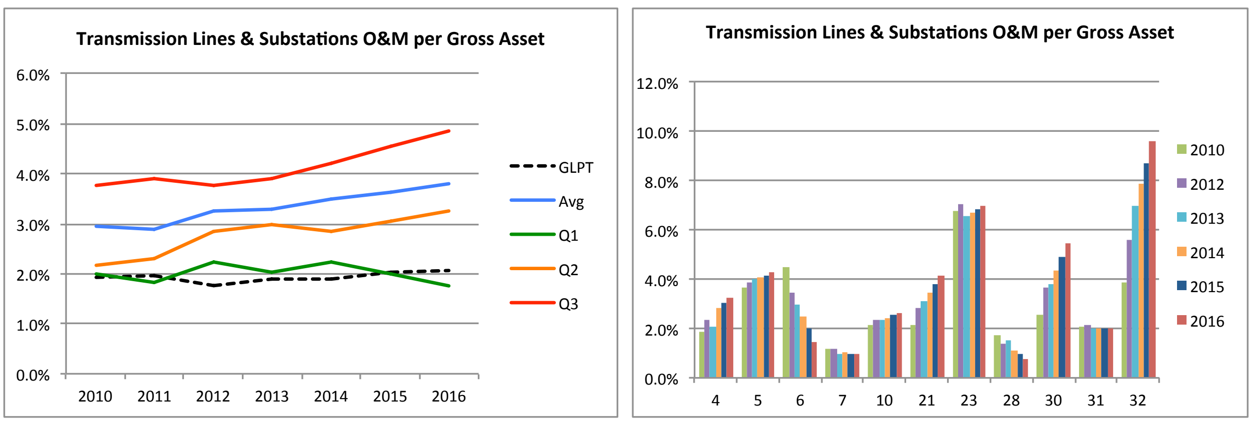


Figure 3 below shows the O&M costs without the A&G costs. GLPT's costs are below the first quartile value for most years. The projection for 2016 shows GLPT moving into the 2nd quartile, with a very slight growth combined with an anticipated reduction in O&M at the first quartile level for the panel.

Figure 3



For other comparisons, we also normalized spending based upon customers and circuit kilometers, as shown in Figures 4 and 5 below. Neither of these comparisons is recommended and the results are about as expected for GLPT, which is a small transmission operator. In studying the relationship between O&M spending and various normalizing variables, we have conducted regression analyses in which the r^2 value for the relationship is calculated. A value of 1.0 represents a perfect correlation. The r^2 value for assets is .81, for circuit kilometers is .25, and for customers is .56. Appendix A provides a more complete description of this analysis.

Figure 4

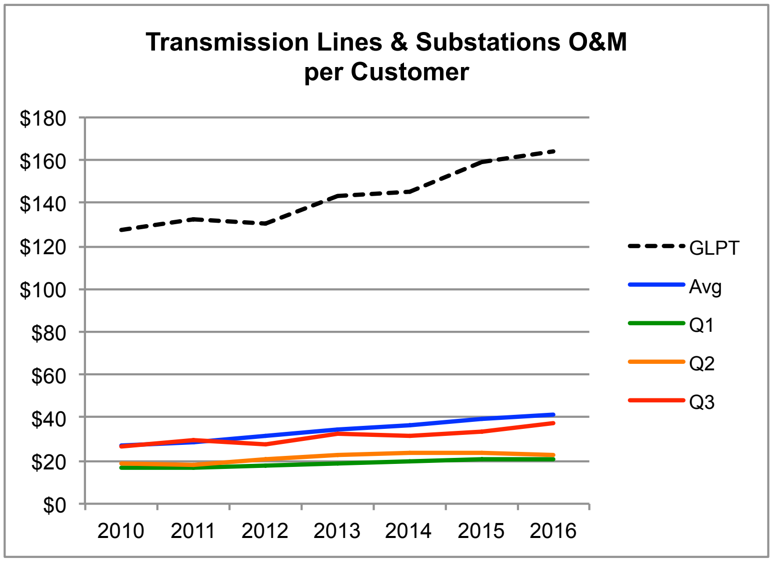
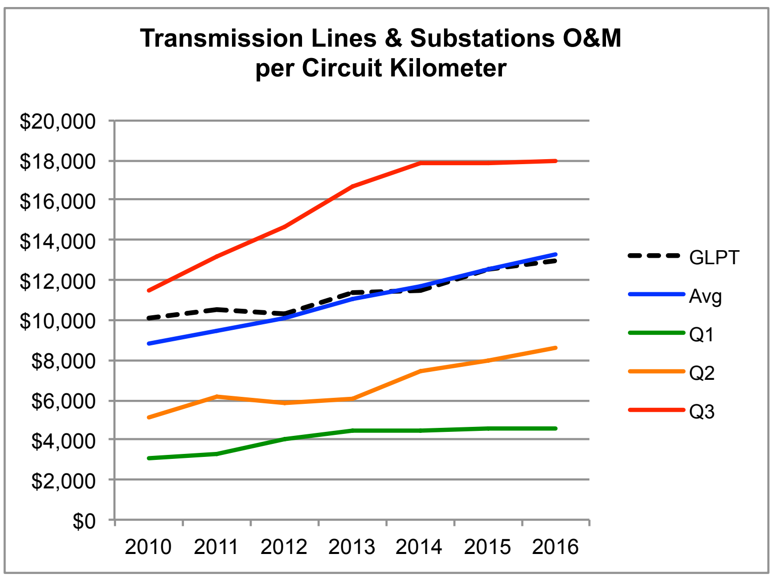


Figure 5



Two other possible normalizing factors (denominators) (kWh transmitted and megawatt miles) were excluded because of lack of data, but neither has been demonstrated to be better than assets at predicting transmission & substation O&M spending.

APPENDIX A: WHY "ASSETS" IS THE APPROPRIATE DENOMINATOR.

Over a span of more than 20 years of executing benchmark studies of electric transmission and distribution operations in North American utilities, the consultants at 1QC have performed a variety of analyses of the resulting data. One question of enduring interest is how to normalize the data from different companies in order to make both fair and understandable comparisons. Through a number of different analyses and reporting efforts, it has become clear that with an appropriate normalizing factor, it is possible to make fair comparisons, and that it is also possible to explain the results in ways that make them useful to regulators and companies.

For many years, the studies have been consistent in terms of identifying the normalizing factor that produces the best predictor of operating costs in transmission and distribution. Using simple and more complex linear regressions, our consultants have tested the relationship between the normalizing factor and the resulting O&M costs. Given the difference in the functions of transmission and distribution, separate studies have been performed for transmission and distribution (and indeed for substation operations). The exact regression results change from year to year, but the basic conclusions have been consistent.

For this study, 1QC re-ran the comparison to verify that the basic conclusions haven't changed. The results of that analysis are presented below.

To determine the appropriate denominators (normalizing factors) to use for analysis, we compare the dependent variable, in this case O&M spending, to various independent variables: customers, circuit kilometers, and assets. We look for a strong correlation between the two variables. For transmission lines and substations O&M spending, the strongest correlation exists between spending and assets. The relationship between spending and customers or circuit km is weaker. Typically, there are companies included in the analysis that drive the regression to be stronger or weaker, so we ran the analysis both including and excluding those companies.

The table below shows R^2 correlation coefficient values for the dependent and independent variables. The table was generated without A&G expenses because of the method used for estimating A&G expenses. We used 3 years worth of data in order to determine the correct normalizing factor -- 2011YE, 2012YE and available data from 2013YE (data collection is not yet complete).

Including All Companies

	Transmission Lines & Subs Assets	Customers	Transmission Circuit Kilometers	
Transmission Lines & Subs O&M Expenses	0.8532	0.15133	0.6635	2011YE
Transmission Lines & Subs O&M Expenses	0.50577	0.25666	0.52704	2012YE
Transmission Lines & Subs O&M Expenses	0.45488	0.36188	0.50383	2013YE

Excluding Extreme Outliers

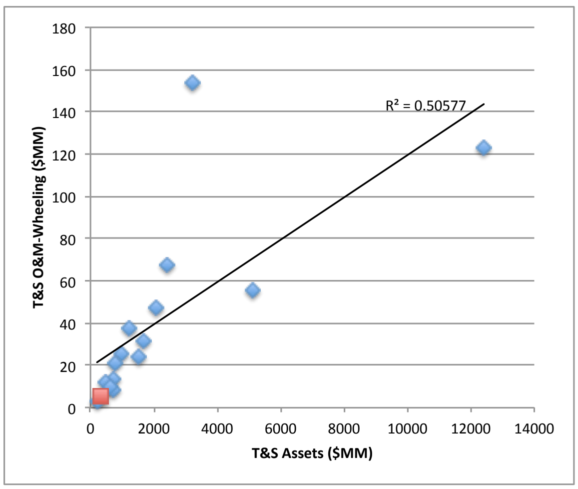
	Transmission Lines & Subs Assets	Customers	Transmission Circuit Kilometers	
Transmission Lines & Subs O&M Expenses	0.75569	0.5874	0.11178	2011YE
Transmission Lines & Subs O&M Expenses	0.81275	0.55962	0.2553	2012YE
Transmission Lines & Subs O&M Expenses	0.6618	0.45467	0.52044	2013YE

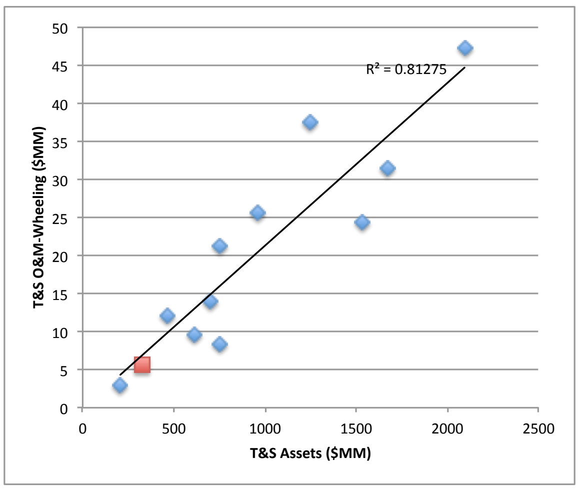
As before, we have found assets to be the appropriate normalizing factor because it appears to have a higher predictive value (whether extreme companies are included or excluded) when there are big differences in customer density among companies in the comparison panel.

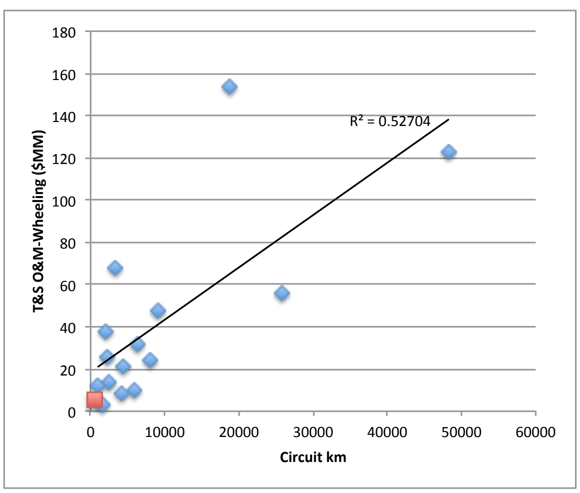
Transmission operators do not all have end-use customers, which is one reason customers is such a weak normalizing factor. Kilometers is also weak because the costs of operating substations are included in the dependent variable and substations are not accounted for very effectively when kilometers is used as a normalizing factor.

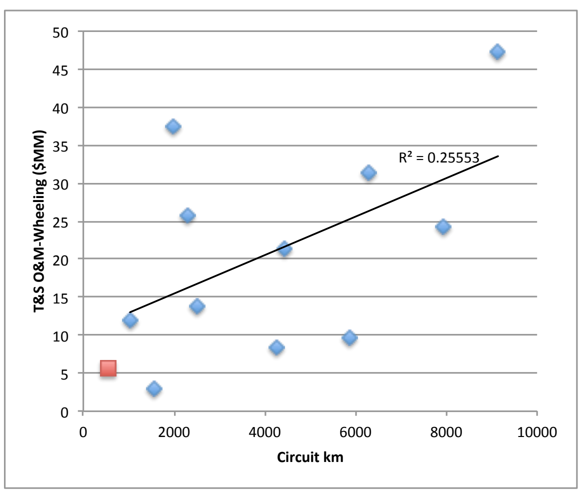
Shown below are the individual graphs from which the R^2 values are derived. In each graph, GLPT has been added to the graph to show where they fall compared to the other companies, but they are not included in the calculation of the correlation coefficient. It is appropriate to determine the correlation coefficients independently of GLPT's data, since by performing the analysis this way GLPT's data isn't influencing the findings. We present graphs for 2012YE since that relates to the data used for the rest of the analysis discussed in the body of the report.

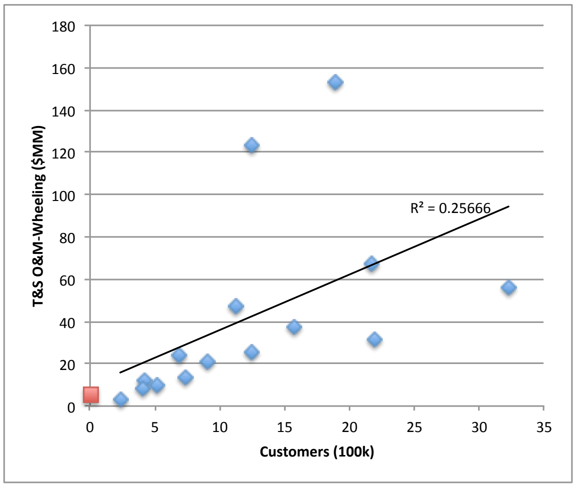
Including all Companies **Excluding Extreme Outliers**



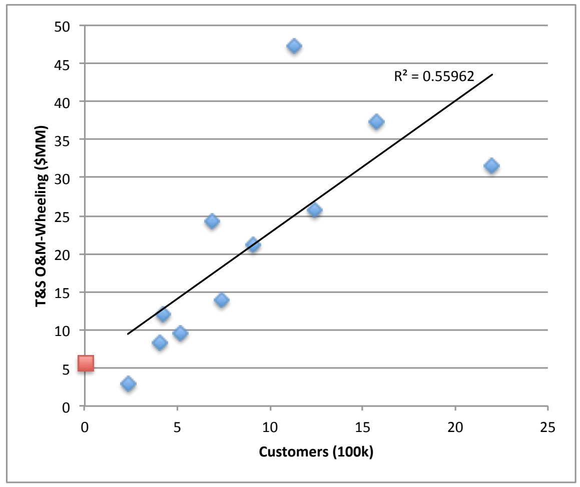








T&S O&M-Wheeling ($MM)
Customers (100k)
R² = 0.25666



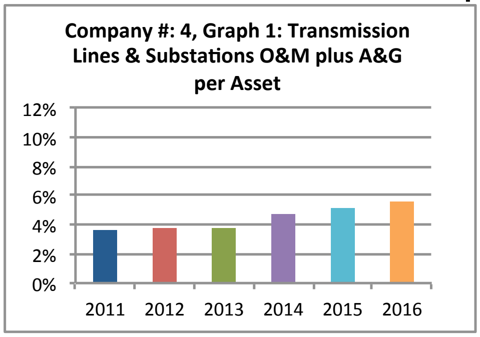
T&S O&M-Wheeling ($MM)
Customers (100k)
R² = 0.55962

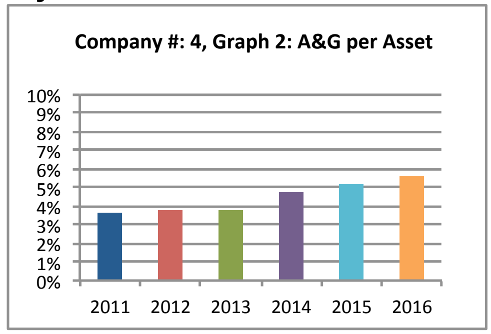
APPENDIX B: DEMOGRAPHICS OF THE COMPARISON PANEL

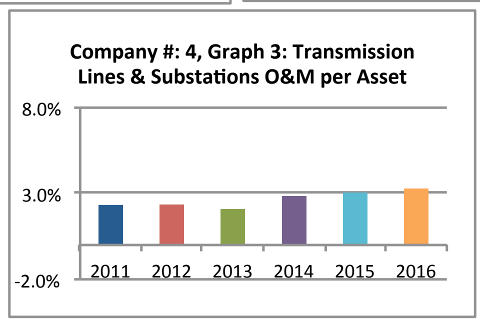
ID	CHARACTERISTICS	GEOGRAPHIC LOCATIONS	VOLTAGES/KM	TERRAIN	NUMBER OF CUSTOMERS	INDUSTRIAL CUSTOMERS	% Ind'l
4	Combined D&T	Southeast US	69kV : 603km, 100kV class : 3456km, 300kV Class: 1956km	flat, dense trees	2,244,289	1962	0.087%
5	Combined D&T	MidAtlantic US	69kV : 35km, 200kV class: 1120km, 300kV Class: 519km; 400kV Class and Above: 350	flat, dense trees	1,240,986	5559	0.448%
6	Combined D&T	MidAtlantic US	100kV class: 307km, 200kV Class: 251km, 300kV Class: 881, 400kV Class and above: 302	flat, dense trees	1,578,200	3,111	0.197%
7	Combined D&T	Southwest US	69kV : 4548km, 100kV class : 10986km, 300kV Class: 9267km	flat, few trees	3,266,126	6,564	0.201%
10	Combined D&T	MidWest US	69kV : 1131km, 100kV class : 2390km, 300kV Class: 768km	flat, some trees	893,122	4,862	0.544%
21	Combined D&T	MidAtlantic US	69kV class : 194km, 100kV class: 619, 200kV Class: 950km, 300kV class: 43, 400kV class: 654km	flat, dense trees	2,164,582	9,219	0.426%
23	Combined D&T	MidWest US	69kV : 1796km, 100kV class : 3464km, 200kV Class : 541km, 300kV Class : 1852km	flat, some trees	690,080	4,822	0.699%
28	Combined D&T	Southwest US	<69kV : 735km, 100kV class : 667km, 300kV Class : 1786km, 400kV Class and above : 907km	flat, few trees	405,153	635	0.157%
30	Combined D&T	Northwest US	<69kV : 203km, 100kV class :2755km, 200kV Class : 506km, 400kV Class and above : 825km	flat, dense trees	1,083,395	3,710	0.342%
31	Combined D&T	MidWest US	100kV class :239km, 200kV Class : 4643km, 300kV Class : 4250km, 400kV class: 144	flat, dense trees	3,828,849	1,999	0.052%
32	Combined D&T	Northwest US	100kV class :808km, 200kV Class : 900km, 300kV Class : 612, 400kV Class and above : 353km	flat, dense trees	823,215	265	0.032%

APPENDIX C: INDIVIDUAL BAR CHARTS FOR COMPARISON PANEL

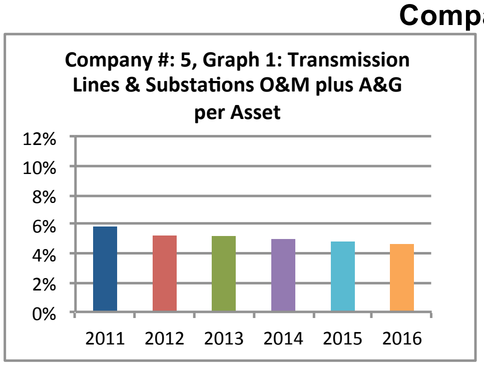
Company #4

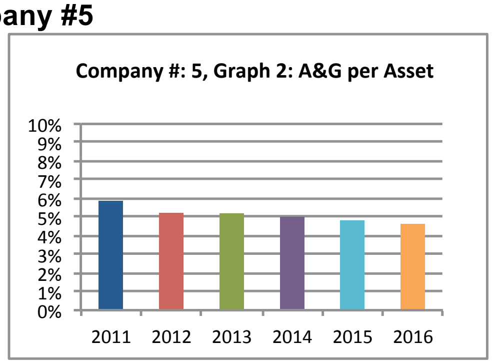


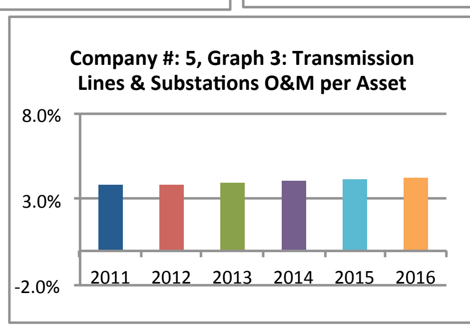




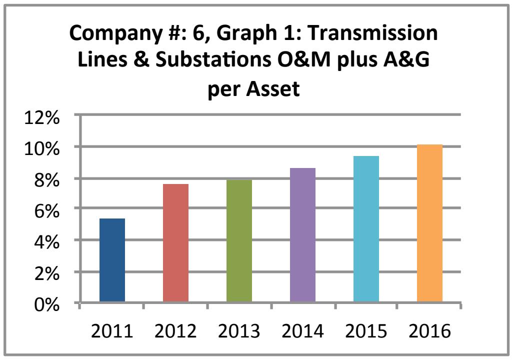
Company #5

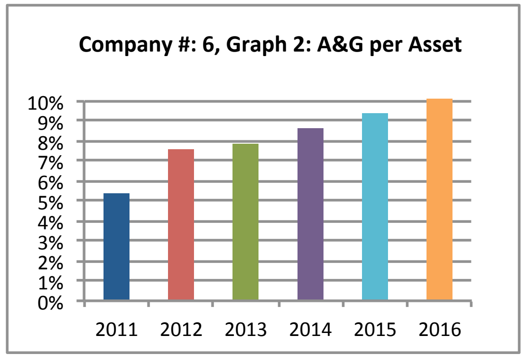


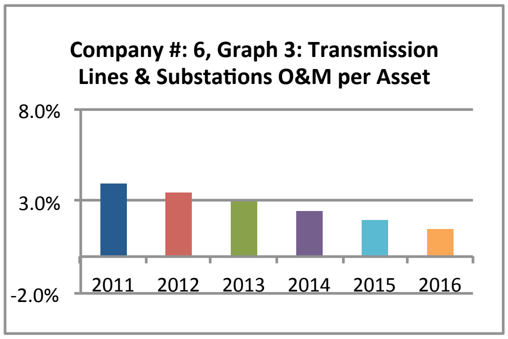




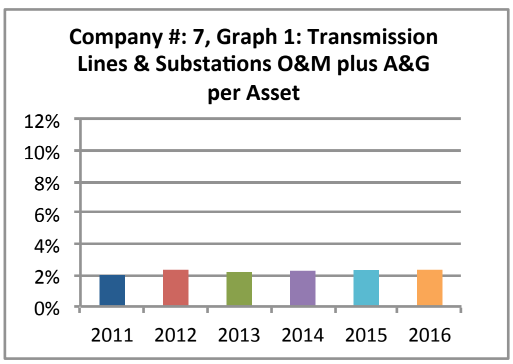
Company #6

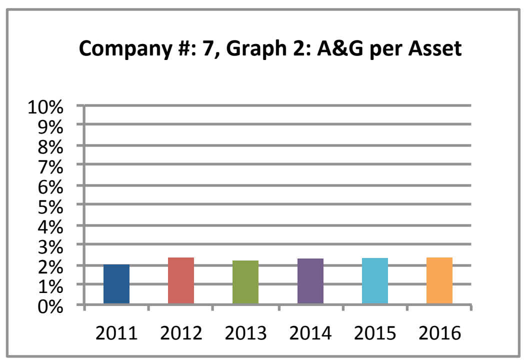


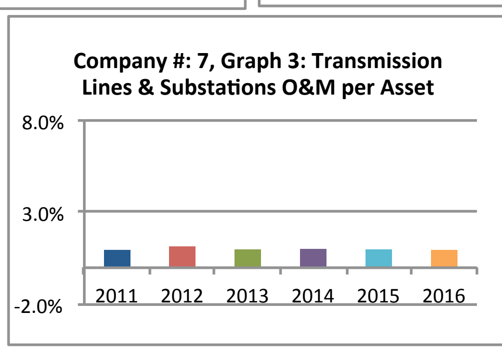




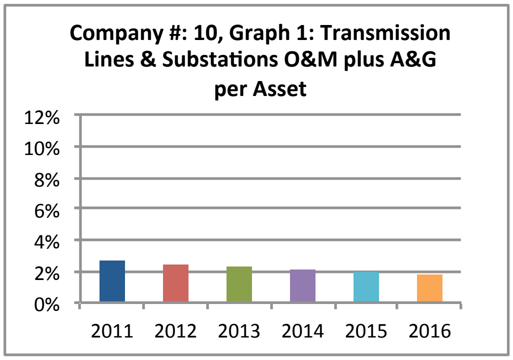
Company #7

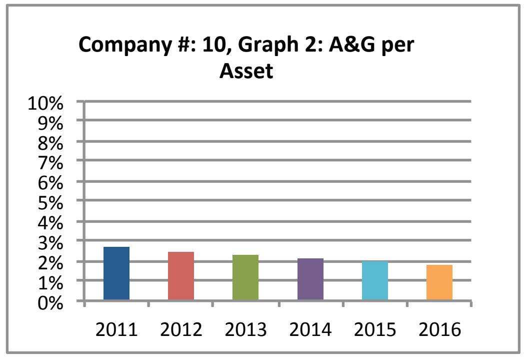


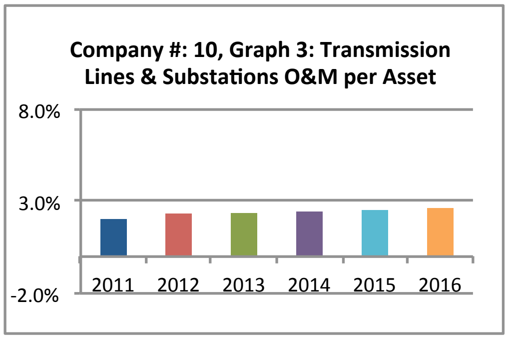




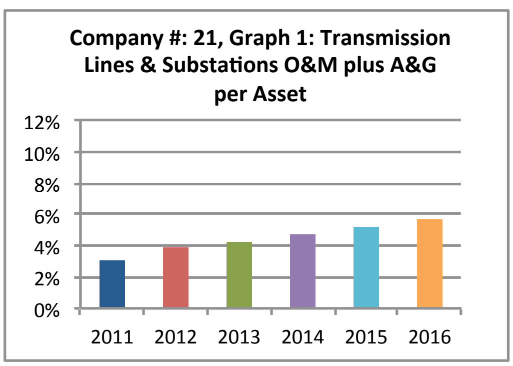
Company #10

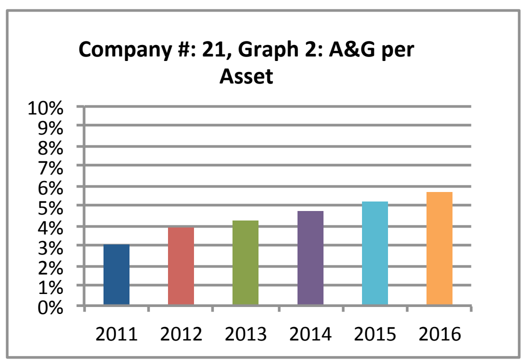


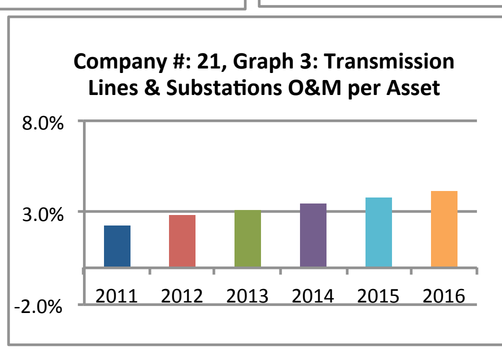




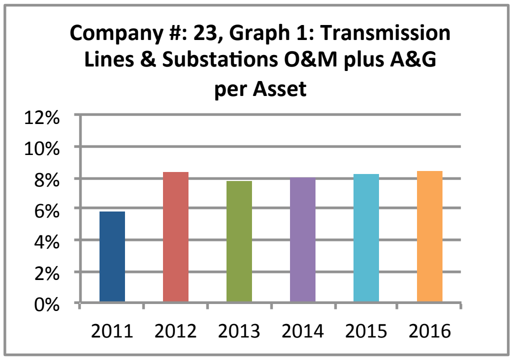
Company #21

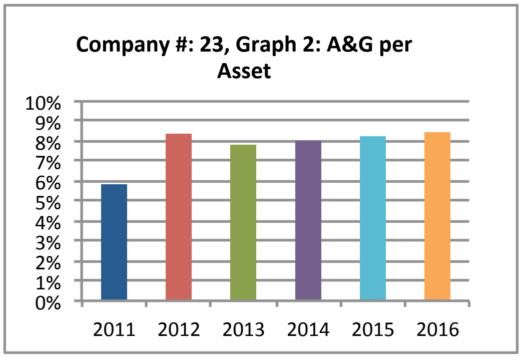


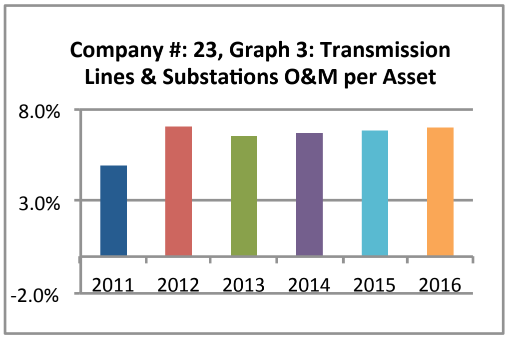




Company #23







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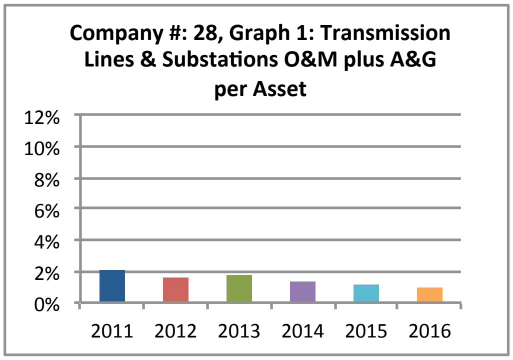

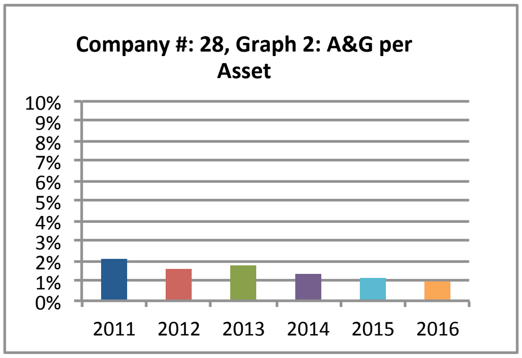

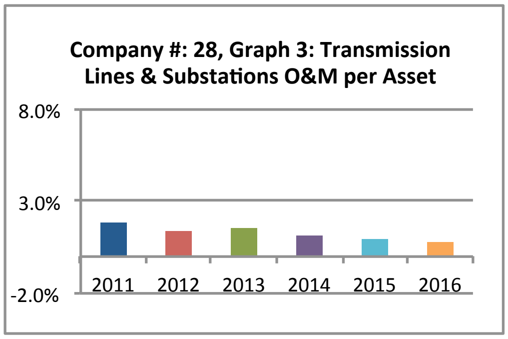

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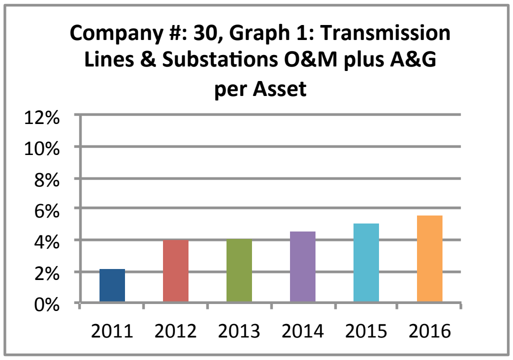

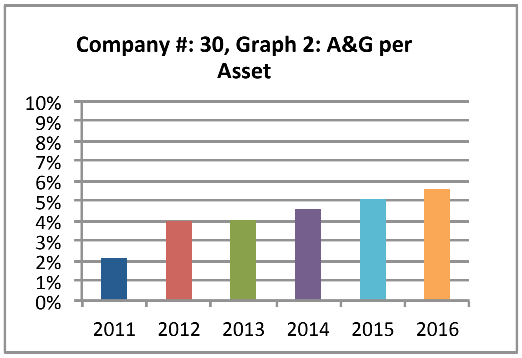

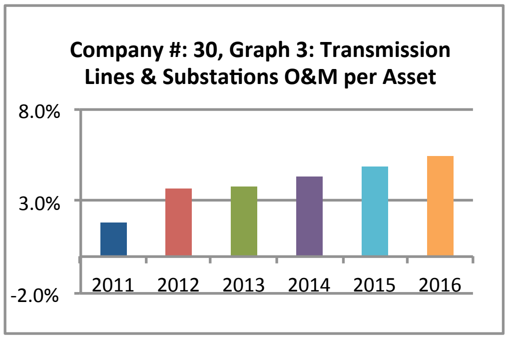

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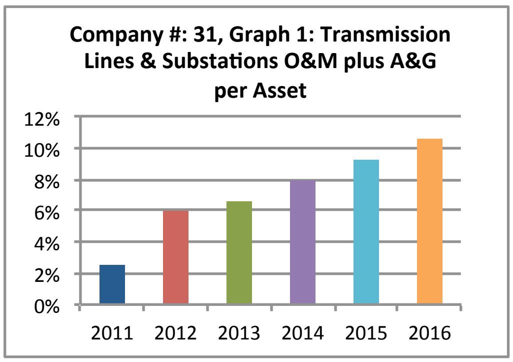

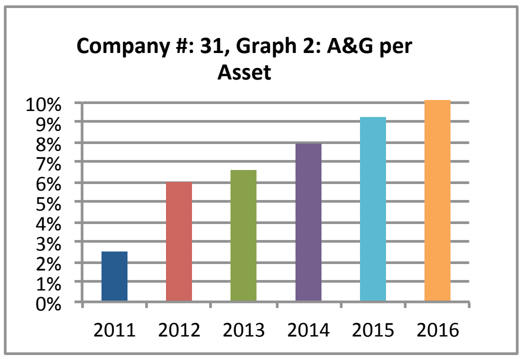

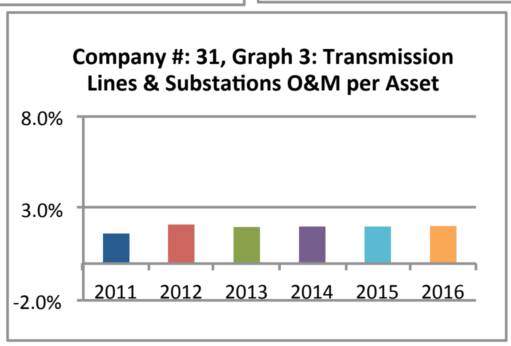

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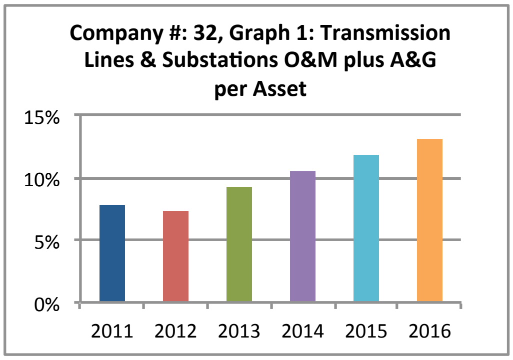
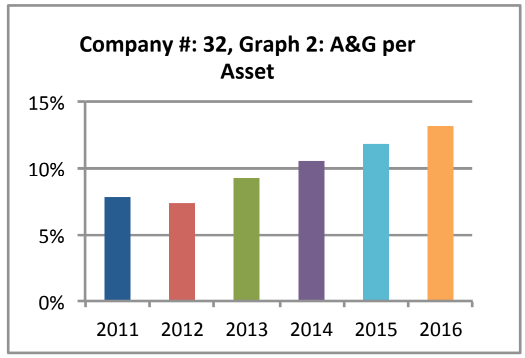
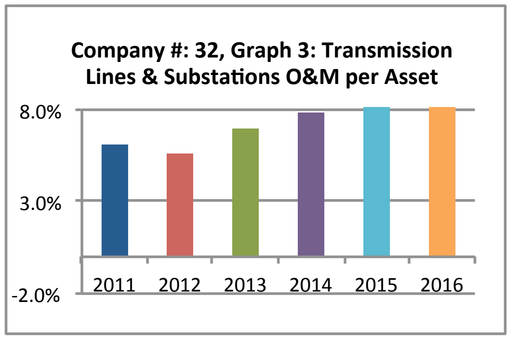

Company #: 32, Graph 1: Transmission Lines & Substations O&M plus A&G per Asset
15%
10%
5%
0%
2011
2012
2013
2014
2015
2016


Company #: 32, Graph 2: A&G per Asset
15%
10%
5%
0%
2011
2012
2013
2014
2015
2016


Company #: 32, Graph 3: Transmission Lines & Substations O&M per Asset
8.0%
3.0%
-2.0%
2011
2012
2013
2014
2015
2016

APPENDIX "B"

OM&A per FTE

Appendix 2-L of Filing Requirements

	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Total OM&A ($000's)	$9,280.4	$10,100.0	$10,210.9	$10,305.5	$10,305.5	$11,021.1	$11,331.9
Number of FTE's	51.4	52.4	47.1	53.4	51.0	53.9	55.7
OM&A Cost per FTE ($000's)	**$180.6**	**$192.7**	**$216.9**	**$192.9**	**$202.1**	**$204.5**	**$203.4**

APPENDIX "C"

Regulatory Cost Schedule

Appendix 2-M of Filing Requirements

Regulatory Cost Category	USoA Account	Ongoing or One-time Cost?	2014 Application	2013 Actual	2014 Forecast	% Change in bridge year vs. last year of actuals	2015 Test Year	% Change in Test Year vs. Bridge Year	2016 Test Year	% Change in Test Year vs. Test Year
(A)	(B)	(C)	(D)	(E)	(F)	(G) = [(F)-(E)]/(E)]	(H)	(I) = [(H)-(F)]/(F)]	(J)	(K) = [(J)-(H)]/(H)]
1. OEB Annual Assessment	5655	Ongoing	$117,261	$90,472	$100,000	10.5%	$95,000	-5.0%	$96,895	2.0%
2. OEB Section 30 Costs (Applicant-originated)	5655	Ongoing	$0	$7,768	$0	-100.0%	$5,000	n/a	$5,100	n/a
3. OEB Section 30 Costs (OEB-initiated)	5655	Ongoing	$0	$10,103	$5,000	-50.5%	$5,000	n/a	$5,100	n/a
4. Expert Witness cost for regulatory matters	5630	Ongoing	$0	$0	$0	n/a	$0	n/a	$0	n/a
5. Legal costs for regulatory matters	5630	Ongoing	$175,115	$4,307	$150,000	3382.5%	$15,000	-90.0%	$100,000	566.7%
6. Consultant costs for regulatory matters	5630	Ongoing	$26,574	$0	$25,000	n/a	$5,000	-80.0%	$25,000	400.0%
7. Operating expenses associated with staff resources allocated to regulatory matters ***	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8. Operating expenses associated with other resources allocated to regulatory mattters ***	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9. Other regulatory agency fees or assessments - **Canadian Electricity Association**	5655	Ongoing	$58,072	$48,568	$56,600	16.5%	$50,000	-11.7%	$50,998	2.0%
10. Any other costs for regulatory matters	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
11. Intervenor Costs	5630	Ongoing	$26,574	$0	$25,000	n/a	$0	n/a	$25,000	n/a

EMPLOYEE COMPENSATION

1.0 Compensation

In accordance with the Filing Requirements, GLPT has provided *Table 4-2-2 A* outlining employee compensation for the period of 2012 actual to the 2015 and 2016 test years.

Appendix "A" of this schedule outlines GLPT's approach to employee incentive pay. **Appendix "B"** of this schedule is GLPT's current collective agreement with the Power Workers' Union. GLPT's current collective agreement expires on December 31, 2015. Negotiations with the Power Workers' Union are expected to occur in 2015 to establish a new agreement to be effective January 1, 2016.

2.0 Employees

Historical and Bridge Years

GLPT has established a core team of employees to operate and manage its transmission system and will continue to maintain its workforce through training, development and succession planning. As indicated in *Table 4-2-2 A*, GLPT experienced a slight decrease in Full Time Equivalents ("FTEs") in 2013 as a result of the combination of the following drivers:

- Employees being away from work due to disability or maternity leave;
- Employee departures creating vacancies that were not immediately filled, and
- A decrease in overtime hours worked.

These fluctuations are largely driven by timing and were backfilled by temporary contract resources during the year. As a result, GLPT is forecasting that the employee count will return to historical levels in the 2014 bridge year.

Test Years

GLPT's FTE complement is forecasted to increase by two FTEs in each of 2015 and 2016 as a result of the addition of a full time Compliance Analyst and succession planning in GLPT's System Control Centre.

As described in Exhibit 4, Tab 2, Schedule 1, GLPT is planning to fill a Compliance Analyst position to assist with the development and maintenance of a non-discretionary compliance program required to conform to changing industry and regulatory standards.

Also described in Exhibit 4, Tab 2, Schedule 1, GLPT is planning to hire three additional First Operators (one in 2015, two in 2016) for succession planning purposes. Three of GLPT's operators will be eligible for retirement in the next three years, and as a result of the position's need for extensive training and on-the-job experience, a transition period of 12-18 months is required from the time of hire to the time the new employee can work independently in the role. Therefore, it is important that GLPT is proactive in executing a responsible and effective succession plan prior to the retirements taking place.

The cost increases related to succession planning are temporary in nature. As new hires become competent and retirements occur, there will be cost savings realized by GLPT. However, due to the extensive overlap period required for training and experience with GLPT's system, the offsetting retirements and associated cost savings are not expected to occur until after the 2016 test year.

3.0 Benefits

GLPT offers a fair and reasonable benefit package to all of its full time employees. The current benefit package includes basic health, vision and dental coverage, short- and long-term disability coverage and life insurance.

GLPT's package also offers pension and post-retirement benefits to employees as follows:

Defined Benefit (DB) Pension Plan – GLPT offers a DB pension plan to all full time unionized employees regardless of start date, and all full time salaried employees who started with the company before January 1, 1997. Any unionized employee who has been enrolled in the plan for at least 5 years has the option to remain in the plan if transferred to a salaried position, regardless of their start date. GLPT's most recent actuarial report, dated December 31, 2012, is attached as **Appendix "C"** of this schedule.

Defined Contribution (DC) Pension Plan – GLPT offers a DC plan to all salaried employees who started with the company after January 1, 1997. The DC plan includes a base employer contribution of 3% of earnings, plus a matching employer contribution of up to 5% for a maximum employer contribution of 8% of base earnings.

Post-Employment Benefit Plan – GLPT offers post-employment benefits including health, dental, vision and life insurance to all eligible unionized employees, regardless of start date, and eligible salaried employees who started with the company before January 1, 2005. Any unionized employee who transfers to a salaried position will qualify for post-employment benefits only if they started with the company before January 1, 2005.

Table 4-2-2 A – Employee Compensation

All figures except FTE's shown in $000's	2012 Actual	2013 Application	2013 Actual	2014 Application	2014 Forecast	2015 Test Year	2016 Test Year
Number of FTE's (Incl. Part Time)							
Union	25.2	25.6	23.1	26.6	25.9	26.7	28.5
Management & Executive	10.0	9.0	9.5	9.0	9.0	9.5	9.5
Non-Union	16.2	17.8	14.5	17.8	16.1	17.7	17.7
Total	**51.4**	**52.4**	**47.1**	**53.4**	**51.0**	**53.9**	**55.7**
Total Salary & Wages							
Union (Includes Overtime)	$2,070.7	$2,146.7	$1,937.0	$2,296.5	$2,234.0	$2,366.4	$2,600.6
Mgmt & Exec (Includes Incentive Pay)	$1,360.7	$1,183.6	$1,194.7	$1,220.3	$1,107.4	$1,292.1	$1,317.9
Non-Union (Includes Incentive Pay)	$1,023.7	$1,233.3	$937.2	$1,271.5	$1,085.5	$1,254.2	$1,282.8
Total	**$4,455.1**	**$4,563.5**	**$4,068.9**	**$4,788.3**	**$4,426.8**	**$4,912.7**	**$5,201.4**
Total Current & Accrued Benefits							
Union	$978.7	$809.5	$1,021.9	$870.3	$1,207.1	$1,272.7	$1,407.9
Management & Executive	$431.3	$362.5	$393.9	$373.7	$273.7	$284.3	$288.2
Non-Union	$388.3	$469.1	$360.5	$483.6	$377.9	$398.2	$415.4
Total	**$1,798.3**	**$1,641.1**	**$1,776.3**	**$1,727.6**	**$1,858.8**	**$1,955.1**	**$2,111.5**
Total Compensation (Salary, Wages & Benefits)							
Union	$3,049.3	$2,956.2	$2,958.9	$3,166.9	$3,441.1	$3,639.1	$4,008.5
Mgmt & Exec (Includes Incentive Pay)	$1,792.1	$1,546.0	$1,588.5	$1,594.0	$1,381.1	$1,576.4	$1,606.1
Non-Union (Includes Incentive Pay)	$1,412.0	$1,702.3	$1,297.7	$1,755.1	$1,463.4	$1,652.4	$1,698.3
Total	**$6,253.4**	**$6,204.5**	**$5,845.2**	**$6,516.0**	**$6,285.6**	**$6,867.9**	**$7,312.9**
Average Yearly Base Wages							
Union	$76.4	$78.1	$79.6	$80.4	$81.9	$84.3	$87.1
Mgmt & Exec (Includes Incentive Pay)	$136.1	$131.5	$125.8	$135.6	$123.0	$136.0	$138.7
Non-Union (Includes Incentive Pay)	$63.2	$63.6	$64.8	$71.4	$67.6	$70.9	$72.5
Average Yearly Benefits							
Union	$38.9	$31.6	$44.2	$32.7	$46.5	$47.7	$49.5
Management & Executive	$43.1	$40.3	$41.5	$41.5	$30.4	$29.9	$30.3
Non-Union	$24.0	$26.4	$24.9	$27.2	$23.5	$22.5	$23.5
Grand Total							
Total Compensation	**$6,253.4**	**$6,204.5**	**$5,845.2**	**$6,515.9**	**$6,285.6**	**$6,867.9**	**$7,312.9**
Total Compensation charged to OM&A	**$5,151.3**	**$5,599.9**	**$5,210.4**	**$5,892.5**	**$5,914.5**	**$6,254.8**	**$6,660.1**
Total Compensation Capitalized	**$1,102.1**	**$604.6**	**$634.8**	**$623.4**	**$371.1**	**$613.1**	**$652.8**
Percentage of Compensation Capitalized	**17.6%**	**9.6%**	**10.9%**	**9.6%**	**5.9%**	**8.9%**	**8.9%**

In the Management and Executive line, GLPT has included all employees with managerial responsibilities, including the Health, Safety and Environment Specialist.

APPENDIX "A"

Employee Incentive Plan

1.0 <u>Description</u>

All permanent, non-union employees with at least three months of service participate in GLPT's variable pay program. The target incentive compensation ranges from 5% to 25% of base salary. Depending on performance results, the incentive compensation paid out can range from zero to two times the target incentive compensation. As an example, an employee with a target incentive pay of 10% may receive actual incentive pay ranging anywhere from 0% to 20% of base salary, depending upon performance in the year. It is GLPT's goal that over the course of an employee's employment with GLPT, the employee will on average meet their target level of performance. As such, GLPT forecasts its incentive pay expense in the test years assuming that each employee will achieve but not exceed the target. To the extent GLPT employees achieve higher than the budgeted incentive pay, this is at the shareholder's direct expense. GLPT believes that its performance incentives are tight but attainable.

2.0 <u>Performance Measures</u>

The employee incentive plan is based on three key performance criteria. The key performance criteria include GLPT corporate performance (40%), working group performance (40%) and individual performance (20%).

2.1 <u>GLPT Corporate Performance</u>

GLPT corporate performance objectives are determined at the beginning of the year based on the annual operating plan and are tied directly to Net Operating Income ("NOI"). The extent to which GLPT meets its performance objectives will determine the incentive paid under the GLPT corporate performance criteria.

2.2 <u>Working Group Performance</u>

Working group performance objectives are based against specific goals that are relevant to each working group. Working groups are determined based on duties and functions within the organization and the duties and functions of the organization as a whole. The common working group performance objectives include:

<u>Health, Safety, Security and Environment ("HSSE")</u>

- Zero high-risk HSSE incidents and zero lost time injuries;
- Maintain effective HSSE management systems; and
- Continue to reinforce and promote safe work practices and management team commitment to HSSE within the organization and the public.

In addition to the intrinsic, self-evident value of HSSE, this is to the benefit of the ratepayer as incidents affect productivity and work completion and also can be costly in respect of work stoppage, investigation, legal review and rehabilitation.

<u>Operations, Maintenance and Administration Costs</u>

- All planned work accomplished within established OM&A budget.

<u>Capital Budget</u>

- Ensure projects are managed and completed on scope, schedule and budget; and
- Ensure that all capital projects are completed as per plan with respect to budget and scope. Project actual spending not to exceed + or – 10% variance to budget.

This benefits ratepayers by increasing the reliability and performance of the transmission system.

Leadership Development

- GLPT's management team will participate in leadership development training throughout the course of the year

Leadership development is important for GLPT to promote individual development and provide appropriate tools and resources to enable managers to build effective teams. This will help increase competence, efficiency and productivity of working groups at GLPT, with the benefits ultimately received by the ratepayer.

2.3 Individual Performance

Individual performance measures an individual's contribution to the achievement of the objectives of their working group and GLPT. The individual contribution is assessed in terms of results achieved by the employee against individual goals, as well as competencies demonstrated in meeting these deliverables. Key competencies include create value, foster teamwork, deliver results, make a difference, and provide leadership.

<u>APPENDIX “B”</u>

Collective Agreement

AGREEMENT entered into this 22nd day of May 2013 (to take effect January 1, 2013)

Between

GREAT LAKES POWER LIMITED(GLPL)/GREAT LAKES POWER TRANSMISSION LP(GLPT)

(hereinafter called the “Company”)

- and -

POWER WORKERS’ UNION
CUPE LOCAL 1000

(hereinafter called the “Union”)

Article 1 RECOGNITION

1.1 The Company recognizes the Power Workers’ Union – CUPE Local 1000 as the bargaining agent for all employees except foreman, persons above the rank of foreman, office staff and construction staff. The Company shall recognize and bargain with the regular committees as established by this agreement.

Article 2 RELATIONSHIP

2.1 It is recognized that the business of the Company is continuous and that the employees must be prepared to assist in maintaining service at all hours of the day or night, if available.

2.2 No employee shall be discriminated against by the Company or by the Union because he/she is or is not a member of the Union, because of Union activities or because of exercising his/her right provided by law or by this agreement.

2.3 The Company recognizes the need to keep employees informed of planned technological changes that would impact significantly on jobs. The Company also recognizes the need to consider re-deployment and retraining as preferred alternatives when introducing new technology.

2.4 Senior employees are expected to give assistance in training junior employees.

2.5 The Company and the employees covenant that they will co-operate to the fullest extent in carrying out the terms of this agreement. This will be accomplished by the process outlined in Article 17.

2.6 Human Rights

The Company will maintain a non-discrimination policy and actively pursue a non-discriminatory work environment.

Article 3 MANAGEMENT RIGHTS

3.1 The Company has and shall retain the exclusive right and power to manage its business and direct its working force including, but without limiting the generality of the foregoing, the right to hire, suspend, discharge for just cause, promote, demote and discipline any employee, subject to the terms of this agreement.

Article 4 UNION SECURITY

4.1 All employees, as a condition of employment, who have completed thirty (30) days employment, will be required to authorize deductions from pay in an amount equal to the current monthly union dues as determined by the Union.

4.2 During the term of this agreement, the Company agrees to deduct regular union dues from the wages of each employee in the bargaining unit. The current monthly dues will be deducted in equal amounts from each pay received in the calendar month, and shall be remitted to the Financial Officer of the Union within ten (10) working days of the final monthly deduction.

4.3 Notwithstanding Clause 4.2, in consideration of deductions of dues by the Company, the Union agrees to indemnify and save harmless the Company against any claim or liability arising out of or resulting from the collection of these dues.

4.4 Employees excluded from the bargaining unit shall not perform work normally done by employees within the bargaining unit unless such work is an emergency and regular employees are not available, or for testing purposes, or for instruction or training purposes.

4.5 When the Company schedules a meeting with an employee to discuss work performance, the employee has the right to request a Union representative to attend.

4.6 Annually, the supervisor will review the employee file for letters of reprimand and the supervisor will determine whether the current behaviour warrants removal of the letter, if not a meeting will be arranged where the employee may have a Union representative in attendance and a plan shall be established with the employee's co-operation which, if followed, will ultimately result in removal of the letter.

Article 5 EMPLOYEE CATEGORIES

5.1 Definition of Employees

Temporary Employee: is an employee who is hired for a specific purpose and for a limited duration (up to nine (9) months). An extension of a maximum of an additional three (3) months will be by mutual consent of the Company and the Union. The Company may terminate his/her employment at any time by giving at least one (1) week's notice.

It is understood and agreed that only Article 4, Article 7, Article 8 (with the exception of Article 8.2.2), and Article 21 and those benefits required by law shall apply to temporary employees.

Temporary employees will be hired at a job class which reflects the job to be done and the required skills/knowledge of the individual hired. A temporary employee may, with employer approval, be put into a job class category up to Class B in any Power Workers' Union – CUPE Local 1000 job class as outlined in this Collective Agreement.

At nine (9) months when a temporary job is to continue as per Article 5.1 or the Company's decision in other cases, the following will occur:

(a) The incumbent of a temporary position will be offered health benefit coverage equivalent to Blue Choice Hospital Health Plan. The Company will pay ninety per cent (90%) of the premium.

(b) Seniority will be established and will accumulate as from the date of hire i.e. in the event a temporary employee is hired into a regular job in the Company, he/she will bring seniority equivalent to the number of months of continuous service as a temporary employee prior to accepting the regular posting.

The Principle Steward will be notified prior to temporary employees being hired detailing the work they will be performing and the duration of the assignment.

Probationary Employee: is an employee who is hired to determine his/her suitability for employment. An employee shall be considered probationary for six (6) continuous calendar months. If the employee is retained, his/her seniority shall commence from his/her original date of employment.

Regular Employee: is an employee of the Company who has successfully completed the probationary period.

5.2 Seniority shall be defined as the length of service a regular employee has established with the Company from the day the employee last entered the employ of the Company. An employee shall lose seniority rating under any of the following conditions:

(1) the employee resigns and is not rehired within ten (10) working days;

(2) the employee is discharged and not reinstated;

(3) the employee is laid off for a period exceeding eighteen (18) calendar months;

(4) the employee fails to return to work after layoff within fourteen (14) calendar days after being notified by registered mail to do so. If such failure to return is caused by sickness certified by a duly qualified medical practitioner, the time for return while prevented by illness shall be extended for a further period not to exceed a maximum of six (6) calendar months;

(5) the employee retires.

5.3 When an employee is placed on LTD his/her vacation and recognized holiday pay shall be prorated on the basis of time worked thereafter.

An employee, receiving benefits from the Workers' Safety and Insurance Board for illness or injury arising out of the duties of their job, shall also receive an additional payment from the Company which will be the lesser of ten per cent (10%) of the employee's normal wage or the amount necessary that, when combined with the pre-tax equivalent of the compensation payments, will bring the total equivalent gross payments from the two sources to one hundred per cent (100%) of the employee's normal wage. The Union will work with the Company and the injured worker to achieve the earliest reasonable return to work for the injured worker.

When an employee is receiving WSIB benefits for a period greater than one (1) year, his/her vacation and recognized holiday pay shall be prorated on the basis of time worked thereafter.

Article 6 STRIKES AND LOCKOUTS

6.1 There shall be no lockout by the Company and no interruption, work stoppage, strike, sit-down, or picketing of the operation of the Company's system by an employee or employees during the life of this agreement.

6.2 The Company agrees that hourly rated employees will not be required to cross picket lines except to perform duties required for the operation of the Company's system and the maintenance of machinery and equipment within the Company's system and under no circumstances will an individual employee or group of employees be required to use force in the crossing of a picket line.

Article 7 GRIEVANCE AND ARBITRATION PROCEDURE

7.1 Disagreements relating to the interpretation, application, administration or alleged violations of this agreement shall be considered fit matter for grievance and shall be promptly dealt with in the following manner:

All grievances and replies to grievances must be set out in writing in all steps and shall be addressed through normal line management.

Step 1

The alleged grievance must be submitted in writing to the supervisor responsible for his/her area and department within fifteen (15) working days of the event which gave rise to the grievance or, in the case of a monetary item, within fifteen (15) working days of receipt of the employee's pay. Within five (5) working days of submitting the alleged grievance, the employee, assisted by a steward, shall take up the matter with the supervisor responsible for his/her area. Failing settlement within five (5) working days of Step 1, the grievance may be processed within the next ten (10) working days to Step 2. Step 1 may be eliminated with reference to any grievance for discharge or suspension.

Step 2

Within ten (10) working days of notifying the Vice-President/General Manager of the Company or his/her alternate of invoking Step 2, the grievance committee of the Union shall meet with the Vice-President/General Manager or his/her alternate. The reply of the Company to the grievance at Step 2 will be made to the grievor and the Principle Steward or his/her alternate within ten (10) working days of the meeting. Failing settlement at Step 2, within thirty (30) calendar days from the date of the reply of the Vice-President/General Manager, or his/her alternate, the grievance may be processed to arbitration as defined in the current Labour Relations Act of Ontario.

7.2 Permission will be granted to stewards to deal with grievances arising in their own work areas. Time spent by the steward investigating and settling such grievances will be without loss of normal earnings. A steward will not absent himself/herself from his/her normal work area without permission of the supervisor in charge.

7.3 The Company shall grant leave without loss of normal earnings to employees who are members of a grievance committee acting under Step 2 of the grievance procedure and to employees when attending a meeting called by the Company. When a steward who is working away from his/her normal work area attends a meeting called by the Company or attends a meeting under this procedure, the Company will provide transportation, if available, or will pay mileage in order for the said steward to attend such meetings.

7.4 Grievances affecting more than one employee, or any grievance brought forward by the Company, or where differences arise between the Company and the Union concerning the interpretation or general application of this agreement which may be considered as policy matters, shall be submitted in writing by either party within seven (7) working days of the alleged occurrence and shall be dealt with in the manner provided in the grievance procedure commencing at Step 2. It is the intention of the parties that the filing of policy grievances by an employee or employees shall not be used to bypass the regular grievance procedure.

7.5 Local Union officers, stewards, and committee members who are employees of the Company, shall have the right to originate a grievance for an employee on behalf of employees concerned, in the manner prescribed in the grievance procedure. The grievors involved shall be listed on the grievance form.

7.6 The parties agree that all grievances shall be submitted to single panel arbitration. The arbitrator shall be selected from a pool of arbitrators that are mutually agreed to by the parties. It is agreed by the parties that the arbitrator shall not have the power to alter or to change any of the provisions of this agreement, or to substitute any new provisions for any existing provisions or to provide a decision which is inconsistent with the terms of this agreement, providing that they are not in conflict with any legislation affecting the parties.

7.7 The Union shall have the right at any time to have the assistance of representatives of the Power Workers' Union – CUPE Local 1000 when dealing or negotiating with the Company.

Article 8 — WORK SCHEDULES AND WAGE PROVISIONS RELATING THERETO

PART 1 – GENERATION EMPLOYEES

8.1 Hours of Work

(a) Sault Ste. Marie Employees

Normal Hours of Work

To work eight (8) hours per day, five (5) days per week, Monday through Friday, so as to work forty (40) hours per week, 0800 hours to 1630 hours with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours, but can be adjusted through department consensus and Company approval. When an adjustment is in effect, the Company reserves the right to return to normal hours, providing they give seven (7) calendar days notice. Failure to give the appropriate notice to the employee's will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

Optional Hours of Work – Maintenance Employees

To work ten (10) hours per day on a seven (7) day shift schedule so as to work on average forty (40) hours per week.

The hours of work shall normally be from 0700 hours to 1730 hours with one-half (1/2) hour allowance for lunch between 1200 and 1300 hours.

(b) Wawa Employees

Normal Hours of Work

To work eight (8) hours per day, five (5) days per week, Monday through Friday, so as to work forty (40) hours per week, 0800 hours to 1630 hours, with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours, but can be adjusted through department consensus and Company approval. When an adjustment is in effect, the Company reserves the right to return to normal hours, providing they give seven (7) calendar days notice. Failure to give the appropriate notice to the employee's will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

Optional Hours of Work – Wawa Employees

To work ten (10) hours per day, four (4) consecutive days per week, Monday through Friday, so as to work forty (40) hours per week. The hours of work shall normally be from 0700 hours to 1730 hours with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours.

(c) Special Shifts When Necessary (Temporary Employees Only)

Temporary employees will work the established shift at straight time, up to forty (40) hours per week, after which the rates in 8.2 apply.

(d) Shift Schedule for Planned Generation Maintenance, Planned Major Maintenance and Associated Work

A shift schedule may be established at the discretion of the Company (Sault Hydro, Wawa Hydro) for planned generation maintenance and associated work. The following provisions shall apply to every such shift schedule:

(i) An outage schedule shall be posted annually giving the dates and proposed locations of work when the schedule will apply. Applicable rates shall apply as per Article 8.1 normal hours of work and Article 8.2 overtime. The employees will be given an opportunity to volunteer to work on the outage schedule. Employees shall be assigned as necessary to obtain required crew compliment. Employees shall be assigned to the schedule with a minimum of twenty-one (21) days notice. It is recognized that employees beginning or ending a scheduled vacation period will not normally be included on the weekends preceding or following their vacation period.

(ii) Every employee will normally be required to work a maximum of five (5) weeks on the maintenance schedule. If an outage is cancelled with more than two (2) weeks notice the normal hours of work shall be resumed. If an outage is cancelled with less than two (2) weeks notice, then the outage shall count as one of the five (5) required outages. The affected employees shall be given the option to work as scheduled or revert to the normal hours of work.

(iii) Each employee on the outage schedule will be scheduled to receive forty (40) hours of pensionable time per week so as to average approximately two thousand and eighty (2,080) pensionable hours per year.

(iv) Consecutive days off shall be scheduled during the normal work week (Monday to Friday) for each employee on the shift schedule.

(v) At the Company's request, employees who voluntarily work on time off scheduled in Article 8.1 (d) (iv) shall be paid at straight time-overtime, for the normal working hours (as defined in Article 8.1). Employees required to work due to a forced outage shall be paid at rates specified in Article 8.2.

(vi) The shift cycle may consist of shifts of eight (8) hours over five (5) consecutive days, ten (10) hours over four (4) consecutive days, or twelve (12) hours per day so as to average forty (40) hours per week, at the discretion of the Company in consultation with the affected employees.

(e) Other Employees (Day Workers)

Normal Hours of Work

To work eight (8) hours per day, five (5) days per week, Monday through Friday, so as to work forty (40) hours per week, 0800 hours to 1630 hours with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours, but can be adjusted through department consensus and Company approval. When an adjustment is in effect, the Company reserves the right to return to normal hours, providing they give seven (7) calendar days notice. Failure to give the appropriate notice to the employee's will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

PART 2 – TRANSMISSION EMPLOYEES

(a) Normal Hours of Work

To work eight (8) hours per day, five (5) days per week, Monday through Friday, so as to work forty (40) hours per week, 0800 to 1630 hours, with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours but can be adjusted through department consensus and Company approval. When an adjustment is in effect, the Company reserves the right to return to normal hours, providing they give seven (7) calendar days notice. Failure to give the appropriate notice to the employee's will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

(b) Exceptions to Normal Hours of Work

1. Equipment Mechanics

To work eight (8) hours per day, five (5) days per week, from Monday to Saturday, so as to work forty (40) hours per week, between the hours of 0700 hours and 1530 hours with one-half (1/2) hour allowance for lunch but, can be adjusted through department consensus and Company approval.

One person shift – Tuesday through Friday – 1300 to 2130 and, Saturday – 0700 to 1530 so as to work forty (40) hours per week, based on seniority.

2. Optional Hours of Work

To work ten (10) hours per day, four (4) consecutive days per week, Monday through Friday, with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours. Hours of work will be scheduled between the hours of 0700 to 1730 hours or 0800 to 1830 hours, so as to work on average forty (40) hours per week. These optional hours may be implemented when mutually agreed by impacted staff and the Company. Optional hours will be implemented when there is a supporting business case and no negative customer impact.

(c) System Control Employees

(i) 7 day week

The Company requires certain employees to work rotating shifts on a seven (7) day per week schedule in its system control operations. The Company will provide seven (7) days notice to affected employees when it is required to transfer the employee from/to the seven (7) day operation shift schedule or any change to the existing shift schedule. Rotational opportunities, such as training and project work, will be identified on the shift schedule and can be established outside the current schedule. Failure to give the appropriate notice to the employee will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

A twelve (12) month schedule will be posted thirty (30) days prior to its starting date. The schedule will average forty (40) hours per week and will indicate the days, hours of work (shift) and position for each employee. The regular schedule will be prepared so that each employee's time is balanced to zero plus or minus eight (8) hours.

Rotational opportunities may exist within the department and assignments will be considered on a voluntary basis. The employee will be compensated at the appropriate rate. These rotational opportunities will be limited to ninety (90) days and not intended to fill a vacancy.

Normal Hours of Work

To work eight (8) hours per day so as to work forty (40) hours per week with, where possible, two (2) consecutive days off after completion of forty (40) hours but, can be adjusted through department consensus and Company approval.

The shift shall normally be:

Day Shift	-	0800 hours to 1600 hours
Afternoon Shift	-	1600 hours to 2400 hours
Midnight Shift	-	2400 hours to 0800 hours

Current Schedule (Senior Operators/Second Operator Performing Outage Coordinator Duties)

To work ten (10) hours per day on a seven (7) day shift schedule so as to work on average forty (40) hours per week.

Day Shift	-	0700 hours to 1700 hours

Current Schedule (First and Second Operators)

To work twelve (12) hours per day on a seven (7) day shift schedule so as to work on average forty (40) hours per week.

Day Shift	-	0800 hours to 2000 hours
Night Shift	-	2000 hours to 0800 hours

(ii) Other Employees (Day Workers)

Normal Hours of Work

To work eight (8) hours per day, five (5) days per week, Monday through Friday, so as to work (40) hours per week, 0800 hours to 1630 hours with one-half (1/2) hour allowance for lunch between 1200 hours and 1300 hours, but can be adjusted through department consensus and Company approval. When an adjustment is in effect, the Company reserves the right to return to normal hours, providing they give seven (7) calendar days notice. Failure to give the appropriate notice to the employee's will require applicable premium rate to be paid for all regular hours worked until such seven (7) days has elapsed after the original notice has been given.

8.1.1 Employees will be entitled to two (2) fifteen (15) minute paid breaks per day.

8.2 Overtime

All time worked continuous with and in excess of the current schedule shall be at double time.

Overtime will be offered to Regular Employee's of their respective Company before temporary employees or contract workers unless the work is a continuation of the original assignment and the regular employees are qualified to do the work.

8.2.1 Rest Time

Employees should come to work adequately rested so they can perform their duties effectively and safely.

Day workers who work more than four (4) hours during the period between 2200 and the next regular scheduled shift shall be allowed a rest period of five (5) hours with compensation at the basic hourly rate. Double time rates will apply until a rest period is taken.

An employee who is required to work continuously for more than sixteen (16) hours, or an employee who accumulates sixteen (16) hours of working time in any twenty-four (24) hour period without a minimum five (5) hour continuous break between 2300 and 0700 hours, shall be entitled to an eight (8) hour rest period.

Employees may use vacation, banked time or unpaid leave for the remainder of the regular scheduled shift subject to supervisory approval.

8.2.2 Banked Time

Banked time provisions will apply to all employees of the Company.

Employees who work overtime shall have the option of the following to a maximum of one hundred (100) hours of banked time.

Being paid the overtime hours at the appropriate premium rates or banking the overtime at the appropriate premium rates to be taken as paid time off taken at a mutually agreeable time.

8.3 On Call

8.3.1 Each employee when requested shall be available for "On Call" duty. These employees shall share this duty on a rotation basis. When "On Call", the employee shall make himself/herself available within telephone or radio communication whether at his/her home or in the immediate proximity to his/her work centre in order that he/she may proceed, upon instruction, and without delay, to work as directed.

8.3.2 "On Call" duty for a regular work day shall commence at the normal quitting time on the day scheduled for "on call" duty and shall extend until normal starting time on the following day.

8.3.3 "On Call" duty for a weekend shall commence at normal quitting time on the last regular working day of each week and terminate at normal starting time on the first regular working day of the week next following.

8.3.4 "On Call" duty shall also include any holiday occurring on a Tuesday, Wednesday or Thursday and shall commence at normal quitting time on the day prior and extend until normal starting time on the day following that holiday.

8.3.5 An "On Call" schedule will be reviewed with the employees concerned and posted.

8.3.6 In addition to regular overtime pay, for any time worked and holiday pay, where applicable, an employee shall receive for all scheduled "On Call" hours:

Effective January 1, 2013 - $ 2.10 per hour
Effective January 1, 2014 - $ 2.15 per hour
Effective January 1, 2015 - $ 2.20 per hour

Employees scheduled for "On Call" on a statutory holiday will be paid double the "On Call" rate for the statutory holiday.

8.3.7 Every effort will be made to so arrange a schedule that employees leaving or returning from vacation shall not be required to be "On Call".

8.3.8 When the Company requests changes to the posted "On Call" schedule the employee required to take additional "On Call" periods will be paid double the "On Call" rate for the additional coverage.

8.3.9 Generation, Sault Ste. Marie Maintenance employees scheduled for "On Call" on a statutory holiday, will be permitted to work at regular hourly rate and take an alternate day off at a mutually agreed upon time by the employee and the supervisor.

8.4 Minimum Call-Out

Employees called out to work other than their normal hours shall be paid at the applicable premium rate with a minimum of four (4) hours pay.

8.5 Shift Differential

When employees are required to work shifts, they shall receive a shift bonus as follows:

(a) Eight (8) Hour Shifts

Effective January 1, 2013 – one dollar and thirty-six cents ($1.36) per hour on evening shift, and one dollar and forty-eight cents ($1.48) per hour on night shift, presently established as 2400 hours to 0800 hours.

Effective January 1, 2014 – one dollar and forty-six cents ($1.46) per hour on evening shift, and one dollar and fifty-eight cents ($1.58) per hour on night shift, presently established as 2400 hours to 0800 hours.

Effective January 1, 2015 – one dollar and fifty-six cents ($1.56) per hour on evening shift, and one dollar and sixty-eight cents ($1.68) per hour on night shift, presently established as 2400 hours to 0800 hours.

(b) Twelve (12) Hour Shifts

Employees who are scheduled to work extended hours and who work midnights from 1900 hours to 0700 hours will receive a shift bonus as follows:

Effective January 1, 2013 one dollar and seventy cents ($1.70) per schedule hour.

Effective January 1, 2014 one dollar and eighty cents ($1.80) per schedule hour.

Effective January 1, 2015 one dollar and ninety cents ($1.90) per schedule hour.

8.6 Temporary Group Leaders

8.6.1 When an employee is requested and agrees to be a temporary Group Leader or performs contract monitoring for a period of one (1) or more working days he/she will be paid at a Group Leader job class A, B, C, or minimum job class 17. The rate paid depends on the employee's experience and/or size and complexity of the project, as determined by the Company. In the event no one agrees, the Company will appoint an employee. Temporary Group Leader positions will be posted for projects exceeding four (4) weeks in duration with the appropriate wage rate identified. For clarity, contract monitoring may be completed by bargaining unit or non-bargaining unit employees. If intended to be filled by bargaining unit employees such contract monitoring projects exceeding four (4) weeks in duration will be posted with the appropriate wage rate identified.

8.6.2 A roster will be posted each year where employees will be given the opportunity to apply for temporary Group Leader positions of a duration of four (4) weeks or less. The Company will draw from this list to fill these positions as they arise.

8.7 Relief Supervisor

8.7.1 When an employee acts as a Relief Supervisor, he/she shall be paid a differential of five per cent (5%) of his/her normal rate converted to cents per hour in addition to his/her normal rate. It is understood that the appointment of a Relief Supervisor from the Union membership will be avoided whenever possible if it adversely affects the "On Call" schedule or availability of personnel.

Article 9 RECOGNIZED HOLIDAYS

9.1 Statutory holidays for temporary employees and employees serving a probationary period will be prorated based on regular hours worked in the four (4) weeks proceeding the statutory holiday. After the completion of a three (3) months' probationary period employees will be paid for the following holidays, or if the day falls on a Sunday, for the day observed as the holiday, unless off on an approved leave of absence: New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday, Labour Day, Thanksgiving Day, Remembrance Day, Christmas Day, Boxing Day, Easter Monday and Family Day.

9.2 All time worked on any of the above named holidays will be paid at the rate of double-time in addition to the normal day's pay for all employees.

9.3 The Company reserves the right to determine the size of crew necessary for any or all of these holidays. Forty-eight (48) hours' notice will be given to the necessary crew except in the case of an emergency breakdown.

9.4 Employees working ten (10) hour shifts will be able to use two (2) hours of banked time per statutory holiday to top up the eight (8) hour statutory holiday pay.

9.5 When a statutory holiday falls on a scheduled day off, with mutual agreement the employee may take the scheduled day of work prior or after the statutory holiday without pay.

__Article 10__ __VACATIONS__

10.1

All employees will receive vacation with pay on the following schedule;

After one (1) years' employment	- 2 weeks
After three (3) years' employment	- 3 weeks
After ten (10) years' employment	- 4 weeks
After fifteen (15) years' employment	- 5 weeks
After twenty (20) years' employment	- 6 weeks
After twenty-six (26) years' employment	- 6 weeks plus one day
After twenty-seven (27) years' employment	- 6 weeks plus two days
After twenty-eight (28) years' employment	- 6 weeks plus three days
After twenty-nine (29) years' employment	- 6 weeks plus four days
After thirty (30) years' employment	- 7 weeks

10.2 Vacations are not to be taken in periods of more than two (2) weeks at one time unless special arrangements are made.

10.3 Employees will have the month of January in each year to submit suggested vacations. Within two (2) weeks, the Company will post a vacation schedule for those employees covered by this agreement. Every effort will be made to allow employees to have at least two (2) weeks' vacation between June 1st and September 1st. The Company will attempt to grant preference of remaining vacation time as requested by the employees but the final decision regarding vacation schedules rests with the Company.

10.4 It is recognized that employees will not carry over vacations from one calendar year to the next. However, employees who are entitled to three (3) or more weeks' vacation, may be allowed to carry over one or two weeks' vacation respectively, when a special excursion is planned and approved by the Company. This privilege will not be extended to any employee more frequently than once every five (5) years.

10.5 An employee who becomes ill while on vacation shall not be placed on sick leave until after termination of the vacation. Under exceptional circumstances in case of very serious illness, accident, or injury; sick leave may be granted if the employee submits with his/her application for sick benefit a certificate of a qualified doctor certifying to his/her illness and approved by insurance carrier. The employee would then be entitled to the unused portion of his/her vacation after recovery from illness.

Article 11 SICK LEAVE

11.1 The Company agrees to pay eighty-five per cent (85%) of an employee's normal earnings for the first three (3) days of sick leave providing, if requested by his/her immediate supervisor, the employee submits with his/her application for sick benefit a certificate of a qualified doctor certifying to his/her illness. After three (3) days of sick leave an employee will receive eighty per cent (80%) of normal weekly earnings rounded up to the nearest one dollar ($1.00) provided he/she has satisfied Great-West Life requirements for the short term weekly benefits insurance.

11.2 If an employee is absent and requires a Doctor's certificate the Company will reimburse the employee for the cost of the Doctor's certificate upon proof of payment.

Article 12 PENSION AND INSURANCE

12.1 The existing pension plan (GLPL Pension Registration No. 0338053 and GLPT Pension Registration No. 1212844), revised in accordance with changes negotiated for this agreement, shall continue in effect. Regular employees hired after January 1, 1991 shall become a member of the applicable Plan after three (3) months of continuous service. Credited service for pension purposes shall commence at that date.

12.2 The existing Group Insurance benefits as set out in the GLPL Group Plan 321032 and in the GLPT Group Plan 162565 with the Great-West Life Assurance Company and in the GLPL Group Plan 0087887-001 and in the GLPT Group Plan 0048956-001 with RBC Insurance Company revised in accordance with changes negotiated for this agreement, shall continue in effect.

12.2.1 Under the above noted insurance plan or similar plan (equivalent or better), the following basic benefits will be provided:

(1) Life Insurance

(2) Weekly Indemnity

(3) Long Term Disability

(4) Vision Care

(5) Dental Plan

(6) Extended Health Care and Drug Plan

LTD eligibility is as defined in the Group Plan with the RBC Insurance Company.

12.3 The Company agrees to pay one hundred per cent (100%) of the premium costs of the benefits plans listed in 12.2.1 above and one hundred per cent (100%) of the Employer Health Tax, with the exception of the orthodontics plan and major restorative plan where the Company will pay fifty per cent (50%) of the cost up to one thousand five hundred dollars ($1,500) in each plan in each year. If the insurance carrier is changed from Great-West Life the new plan will be equal to or better.

12.4 Benefits For Retirees

Eligible members participate in the applicable Group Benefit Plan for Retirees 321032A (GLPL) or 162565 (GLPT) with Great-West Life based on the following:

Eligibility criteria for retiree benefits for existing bargaining unit employees employed as of January 1, 2010 is any member who on the date of retirement is represented by the Union and who have a minimum age 55 years and a minimum of two (2) years of continuous service.

Eligibility criteria for retiree benefits for bargaining unit employees hired on or after January 1, 2010 is any member who on the date of retirement is represented by the Union and who have a minimum age of 55 years and a minimum of fourteen (14) years of continuous service.

Members who have retired according to the provisions of this Agreement will be eligible to participate in the applicable Group Benefit Plan for GLPL Retirees 321032A or Group Benefit Plan for GLPT Retirees 162565 with Great-West Life based on the terms and conditions specified in the plans:

i) Life Insurance three thousand dollars ($3,000) (basic only);
ii) Pay-direct Drug Insurance;
iii) Health Insurance.

Further, they will be eligible for re-imbursement directly from the applicable Company as follows:

i) Basic Dental Services;
ii) One set of dentures;
iii) Vision Care Expense up to a maximum of four hundred dollars ($400.00) for two (2) consecutive calendar years.

12.5 With the exception of (i) of this clause, after thirty-six (36) months on long term disability, if the employee is unable to return to work he/she shall lose seniority and be removed from the payroll. At this time, continuation of healthguard coverage shall be made available at the Company's expense.

(i) If the employee has fourteen (14) years' service when the thirty-six (36) months on long term disability is reached, the employee may either stay on LTD until age fifty-five (55) and then retire under the disability retirement option of the retirement plan or stay on LTD and be removed from the payroll.

12.6 It is acknowledged and agreed that additional benefits granted by the Company in this agreement satisfy the requirements of the refund provisions of the rebate section of the Employment Insurance Premium Reduction Program.

Article 13 JOB POSTING AND SELECTION

13.1 In making reductions, additions, or replacements to the work force, or in making promotions or demotions, seniority, ability and proficiency will be the governing factors, but where ability and proficiency are relatively equal, seniority with the Company from the last date of hire will govern. All such vacancies or additions, except for vacation relief, casual or emergency work, shall be posted on the bulletin boards within ten (10) working days of becoming vacant for at least seven (7) calendar days, with such vacancies being posted in all areas on the same day. No applications for the positions posted will be accepted after the seventh day posting. Group Leader positions will be posted and selected within the Business Unit. If there are no successful applicants within the Business Unit the posting and selection provisions shall be extended to the Company.

An employee may decline promotion at any time without affecting his/her seniority or promotional rights.

13.1.1 Subject to all the provisions of this article, any employee who will be absent for more than seven (7) calendar days on an approved leave of absence of thirty (30) days or less may lodge in writing with his/her immediate Company supervisor a request to be considered for specified vacancies that arise during his/her period of absence. This request will constitute sufficient reason for him/her to be considered as any other applicant.

13.1.2 The names of the successful applicants shall be posted on the bulletin board for at least five (5) calendar days within ten (10) working days following the last day of posting on the bulletin board.

13.2 An employee established in the bargaining unit who is promoted or transferred outside the bargaining unit for a period of more than one (1) year, but remains in the employ of the Company, may be reassigned to the bargaining unit, and shall retain overall seniority for vacation, pension, and benefit purposes but shall be deemed to be a new employee on the Union seniority list.

13.3 An employee established in the bargaining unit who is promoted or transferred outside the bargaining unit for a period of less than one (1) year, but remains in the employ of the Company, may be reassigned to the bargaining unit and shall retain his/her seniority from the date of his/her employment.

13.4 The Company shall notify the Union of all persons so promoted or transferred.

13.5 Where an applicant does not receive a position applied for, he/she shall, upon request to his/her supervisor, be counselled as to what steps should be taken to be more likely to succeed in future applications.

Article 14 LAYOFF AND RECALL

14.1 In the event of a layoff, employees in the bargaining unit shall be laid off in the reverse order of their seniority, provided the Company can retain a staff qualified to perform the work available. Employees shall be recalled on the basis of their seniority, provided they are qualified to do the work available.

14.2 Notice Period

The Company will notify the Union at least sixty (60) days prior to the effective date of layoff of designated employees. The Company and the Union will meet and discuss alternatives.

The Company will give the employees who are to be laid off as much advance notice as possible and in no case less than six (6) weeks.

Article 15 LEAVE OF ABSENCE

15.1 General

15.1.1 All employees are required to give as much notice as possible to their immediate supervisor when, due to illness or otherwise, they are unable to report for work. Any employee absenting himself/herself from work without providing reasonable cause shall be subject to disciplinary action.

Any employee absenting himself/herself from work without providing reasonable cause, for more than two (2) consecutive work days, may be subject to dismissal.

15.1.2 If the Union requires a Union representative to be released from their normal duties to perform Union business, the Union will compensate the Company in the following manner:

(i) absences less than or equal to five (5) days - the employee's normal rate of pay;

(ii) all absences after five (5) days - normal rate of pay plus benefits totalling forty-two per cent (42%) will be reimbursed.

On giving sixteen (16) days notice to the Company such absences will be accommodated insofar as the regular operation of the department in which he/she is employed will permit.

Normally absences for the Principal Steward will not exceed twenty (20) days per year and ten (10) days per year to the Stewards.

Where delegates have incurred expenses in order to attend a Union Convention and, because of a Company emergency, are unable to attend the Convention, the Company shall reimburse the two (2) delegates for non-recoverable expenses.

15.1.3 An employee of the Company who is elected or selected for a position with the Union or anybody with which the Union is affiliated or who is elected to public office, must make application for a leave of absence in writing at least three (3) weeks in advance of such leave. Approval will not be unjustly withheld; however, only one employee at any one time will be granted a leave of absence under this paragraph.

15.1.4 With the mutual consent of the employee and his/her supervisor, employees will be allowed forty (40) hours leave of absence annually at their request for additional time off. It is understood that such requests for leave of absence will normally be granted. Such time off will be without pay and may be used at the employee's discretion with a minimum of one-half (1/2) of a shift off.

15.1.5 A personal leave of absence without pay in addition to leave provided under 15.1.4 may be granted by the Company. The employee shall direct his/her written request for such leave to his/her immediate supervisor. A written reply shall be given.

15.1.6 In the case of any leave of absence without pay which exceeds thirty (30) days, the employee's seniority will be frozen for the duration of the leave of absence at the level attained prior to the leave of absence. In this case, all costs (employee and Company) of the normal indemnities will be payable by the employee. Any vacation credits will be pro rated on the time actually worked.

15.1.7 Employees called to Her Majesty's service or enlisting during a period when Canada is at war, shall be reinstated upon their return with all privileges and seniority ratings they had when leaving the service of the Company.

15.1.8 When in the Company's judgement the circumstances warrant such action a leave of absence with pay will be granted to a maximum of three (3) days per calendar year.

This leave is based upon reasons of personal emergency, such as severe illness in the immediate family which would necessitate remaining away from work until adequate arrangements could be made for outside help or in cases where an employee is faced with the effects of a severe storm, fire or flood.

15.2 Bereavement Leave

15.2.1 *Effective upon ratification*, whenever a death occurs to a member of the immediate family of an employee, the Company will compensate the employee for any time lost from work up to a maximum of four (4) consecutive work days which include the day of the funeral. The Company agrees to consider the granting of up to two (2) additional days with pay for traveling time, provided cause is shown for the need of this time. Compensation shall be at the regular hourly rate of the employee for a normal work day. The term "immediate family", for the purpose of this paragraph, to be considered to include only the following:

(i) the spouse, parents, sister, brother, child, grandchildren, mother-in-law or father-in-law, son-in-law, daughter-in-law or grandparents of the employee; and

(ii) a relative or foster children residing in the household of the employee.

15.2.2 *Effective upon ratification*, whenever a death occurs to a member of the family who is not considered as immediate family, the Company will compensate the employee for one (1) day of lost time in order to attend the funeral. For purposes of this clause, family other than immediate shall be interpreted to mean: brother-in-law, sister-in-law, spouses' grandparents, aunt or uncle, niece or nephew.

15.3 Jury and/or Witness Duty

The difference in wages between an employee's straight time wage, excluding premium pay, and the fee allowed will be paid by the Company to any employee required to serve on a jury or to be a court witness in the District of Algoma. Exceptions to this case shall be taken to the Company for consideration.

Article 16 ALLOWANCES

16.1 Travel

16.1.1 The Company will supply transportation, at its own discretion either in Company vehicles or by public transportation, for employees carrying out their normal duties when travelling between work centres. Time spent in travelling will be paid for at the applicable rate when an employee is required to travel between work centres. Employees will travel from their work centres to and from the job on the Company's time. The words "work centre" shall, for the purpose of this clause, be where the employee is normally reporting for work.

16.1.2 Employees working away from their regular work centre during the week will be allowed to return to that centre on Company time for the weekend, unless they are required for weekend work.

16.1.3 Except in the case of an emergency, when employees are required to be away from home overnight, every effort will be made to give at least forty-eight (48) hours' notice of such requirement.

16.1.4 Any employee covered by this agreement whose work requires him/her to be away overnight from where he/she normally resides, will be provided with room and board with a maximum of two (2) to a room when in permanent crew quarters.

16.1.5 Separate quarters shall be made available for all Operating and Maintenance crews when required to work at outlying stations, except in the case of an emergency.

The Company will provide recreational facilities (to be agreed upon by the Company and representatives of the Union) at permanent quarters established for work crews working outside the Sault area where space in these quarters is available.

16.1.6 Compensation for travel outside of normal working hours to receive training shall be paid as follows:

(i) Travel to training that is required by legislation or deemed mandatory by the Company is paid at applicable rates.

(ii) Travel to courses held within the Algoma District which have been identified by the supervisor and employee as developmental will be paid at straight time, up to a maximum of four (4) return trips per year and at applicable rates after four (4) trips per year.

(iii) Travel to courses held outside of the District of Algoma which have been identified by the supervisor and employee as developmental shall not be paid.

In all cases the employer pays for the course, course materials, meals and accommodations.

Developmental training is defined as all training with the exception of that which is legislated or deemed mandatory by the Company.

16.2 Tools and Clothing

16.2.1 The Company will supply regulation rubber gloves for all employees who are required to work on or near live lines or apparatus.

16.2.2 All employees will supply the personal tools of their trade. When equivalent conversion tools (metric, etc.) are required on Company work, they will be supplied by the Company. The Company will supply all other appropriate tools and equipment, also overalls and work gloves when, in the opinion of the Company, such are needed. Worn out or broken personal tools will be replaced by the Company at no cost to the employee when the broken or worn out tools are turned in for replacement.

Notwithstanding the above paragraph, employees hired after January 1, 1994 will supply the personal tools of the trade, both metric and standard sizes.

16.2.3 The Company will reimburse the employee for one hundred per cent (100%) of the cost of a pair of an approved electric shock resistant safety boots or shoes per year upon presentation of proof of purchase. The type of boot or shoe purchased must be appropriate for the nature of the work in which the employee is involved. Additional pairs may be purchased and will be equally subsidized upon demonstration of need and proof of purchase.

16.3 Employees forced to transfer within the Company will be reimbursed for their moving expenses to a maximum of five thousand dollars ($5,000).

16.4 Where an employee covered by this agreement is required to work/live under extreme conditions which include; no running water, lack of proper toilet facilities, limited road access and no electricity he/she will be paid a weekly allowance of two (2) hours pay per day (Job Class 17). The Company will endeavour to minimize the number of times employees are required to work under such conditions.

16.5 If mutually agreeable in lieu of actual meal expenses associated with an overnight stay, away from their normal work centre, an employee may elect a board allowance of seventy-five dollars ($75.00) per day effective January 1, 2013, eighty dollars ($80.00) per day effective January 1, 2014 and eighty-five dollars ($85.00) per day effective January 1, 2015. The seventy-five dollar ($75.00) value is based on a breakfast allowance of fifteen dollars ($15.00), a lunch allowance of twenty dollars ($20.00) and a dinner allowance of forty dollars ($40.00). The eighty dollar ($80.00) value is based on a breakfast allowance of fifteen dollars ($15.00), a lunch allowance of twenty-five dollars ($25.00) and a dinner allowance of forty dollars ($40.00). The eighty-five dollar ($85.00) value is based on a breakfast allowance of twenty dollars ($20.00), a lunch allowance of twenty-five dollars ($25.00) and a dinner allowance of forty dollars ($40.00). On the first day away from their normal work center the meal expense will be prorated to include lunch and dinner and on the day the employee returns home to include breakfast and lunch unless the employee works past 1800 hours then the dinner allowance would apply.

16.6 If mutually agreeable in lieu of a hotel an employee may elect a room allowance of fifty dollars ($50.00) per day.

Article 17 WORKING RELATIONS COMMITTEES

The Company and the Power Workers' Union – CUPE Local 1000 have agreed to work together to improve relationships and organizational effectiveness through co-operation and a commitment to excellence. In this way employees can influence the decision making process in matters concerning our future. In working together we will demonstrate fair and equitable treatment to all employees.

We will adhere to the following Guiding Principles:

- Foster an open, honest forum of information exchange

- Encourage and respect differing opinions
- Actively promote decisions formed by consensus
- Respect rights and privileges of all parties
- Focus on decisions that are good for people and good for business
- Focus on our future rather than our past

17.1 Stewards: The Company will recognize eight (8) stewards.

17.2 Grievance Committee: The Company will recognize a Committee of not more than four (4) employees.

17.3 Negotiating Committee: The Company will recognize a Negotiating Committee of not more than five (5) employees as well as a representative(s) of the Power Workers' Union and an executive member of the Union.

The five (5) employees on the Negotiating Committee will be paid their regular hourly rate for time spent in negotiating a collective agreement during normal working hours up to a maximum of forty (40) hours per employee.

It is understood that negotiation means time up to but not including conciliation and mediation.

17.4 The Working Relation Committee shall be kept informed of the names and addresses of all officers, stewards and committee members of the Union. The Company will advise the Principal Steward of the Union of the names of the Company personnel to be notified with reference to the grievance procedure.

17.5 Senior Company representatives (2) and utility representatives (2) will constitute a working group which will meet regularly so that issues that do occur are resolved quickly and a positive relationship is established to minimize future issues. The working group will act as a sounding board for Company policies which might affect Union members. This will not circumvent the normal supervisory role in solving day-to-day issues.

<u>Article 18</u> <u>SAFETY RELATED CLAUSES</u>

The parties are committed to the health and safety of all employees as demonstrated in the Company Joint Health and Safety Policies and Safety Work Management Systems.

18.1 Time will be scheduled during regular working hours for all employees to maintain their Company mandated safety training. Those employees not on duty will be paid applicable premium rates when instructed by the Company to attend such training sessions.

18.2 The Union and the Company agree to observe the provincial health and safety regulations and the safety regulations prescribed and published by the Company from time-to-time. The Union will co-operate with the Company in encouraging employees to observe the safety regulations, and to work in a safe manner. The Company agrees to discuss and review safety concerns as they occur with the union safety representatives. The union safety representatives shall assist, make recommendations to and co-operate with the Company to ensure the Safety Procedures and Programs are implemented. The Company will involve union health and safety representatives and/or other union members as required in System Safety Accident Investigations.

18.3 The Company will consult with the Union and supply safety clothing when, in the opinion of the Company, such is needed.

Article 19 **CONTRACTING OUT**

19.1 The Company will endeavour to provide involved staff with information on available work packages which have been bid by contractors and will consider crew ideas on cost savings, safety and customer services as well as staff interest before deciding to contract out or do internally. The following four (4) items will be discussed:

1. Estimated value of the work
2. Scope of the work
3. Location of the work
4. Estimated date of Commencement and Duration of the work

The Company will regularly inform the Principal Steward about these discussions.

19.2 The Company agrees that during the term of the current agreement with Power Workers' Union-CUPE Local 1000 no regular employee of the Company shall be laid off or demoted as a result of the contracting out of work by the Company.

Article 20 **GENERAL**

20.1 Inclement Weather

When, in the opinion of the person in charge, weather conditions are such that, except in the case of an emergency, outside work should not be performed, employees reporting for work at their normal starting time at their work centres, will be paid their normal wages for the first day, and one-half (1/2) of their normal wages for any additional days for time not worked.

20.2 Where the Company requests an employee to acquire and/or retain a driver's licence for which a medical examination or driving test is a requirement, the Company shall pay for the cost of the examination and any travel time involved for such testing.

Article 21 **WAGES AND CLASSIFICATIONS**

21.1 Wage rates shall be paid as they appear in the following sections of the agreement and shall be for pay purposes only.

21.2 EMPLOYEE CLASSIFICATIONS

Senior Operator 26

System Control First Operator
- Class A 24
- Class B (training/orientation) 21

System Control Second Operator
- Class A 20
- Class B - Fourth Year 18
- Class C - Third Year 14
- Class D - Second Year 10
- Class E - First Year 4

Group Leader
- Class A (Year 3) ………………………………… 5 steps above the highest rate supervised
- Class B (Year 2)………………………………… 3 steps above the highest rate supervised
- Class C (Year 1) ………………………………… 2 steps above the highest rate supervised

The minimum job class for a Group Leader will be job class 17.

Trades Technicians	
Class A1	18
Class A2	17
Class A3	16
Class B - Fourth Year	13
Class C - Third Year	12
Class D - Second Year	9
Class E - First Year	3
Electronic Technologist / P&C Technologist	
Class A	20
Class B - Fourth Year	16
Class C - Third Year	13
Class D - Second Year	10
Class E - First Year	9
Planner	19
Customer Service Representative, Tool Repair Person, Forester	
Class A	14
Class B - Fourth Year	12
Class C - Third Year	10
Class D - Second Year	7
Class E - First Year	6
Utility Arborist (Effective January 1, 2013)	17
Utility Arborist (Effective January 1, 2014)	18
Stores Clerk	
Class A	10
Class B - Fourth Year	7
Class C - Third Year	5
Class D - Second Year	4
Class E - First Year	3
Station Maintainer	
Class A	11
Class B - Fourth Year	7
Class C - Third Year	5
Class D - Second Year	4
Class E - First Year	3
Meter Data Clerk	
Class A	11
Class B	6
Class C	3
Meter Service Provider Technical Assistant	14
Civil Maintainer	
Class A	6
Class B - Second Year	4
Class C - First Year	2

Labourer 2

21.3 Job Classes

Job Class	2013	2014	2015
1	21.89	22.47	23.09
2	22.89	23.50	24.15
3	24.04	24.68	25.36
4	25.04	25.70	26.41
5	26.11	26.80	27.54
6	27.09	27.81	28.57
7	28.19	28.94	29.74
8	28.74	29.50	30.31
9	29.22	29.99	30.81
10	30.31	31.11	31.97
11	30.81	31.63	32.50
12	31.35	32.18	33.06
13	32.34	33.20	34.11
14	33.43	34.32	35.26
15	34.38	35.29	36.26
16	35.28	36.21	37.21
17	36.10	37.06	38.08
18	36.87	37.85	38.89
19	37.72	38.72	39.78
20	38.56	39.58	40.67
21	39.34	40.38	41.49
22	39.73	40.78	41.90
23	40.15	41.21	42.34
24	40.94	42.02	43.18
25	41.70	42.81	43.99
26	42.49	43.62	44.82
Student 1	18.05	18.53	19.04
Student 2	18.52	19.01	19.53

21.4 Cost of Living Adjustment

If the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2014 is greater than the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2013, a onetime lump sum payment will be made prior to March 31, 2015 based on the following table:

PERCENTAGE CHANGE IN CPI	PAYMENT AS A PER CENT OF GROSS EARNINGS
<3.00	0.00
>=3.00<3.50	0.50
>=3.50<4.00	1.00
>=4.00<4.50	1.50
>=4.50	2.00

Similarly, if the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2015 is greater than the average monthly CPI for Ontario for the twelve (12) months ending December 31, 2014, a onetime lump sum payment will be made prior to March 31, 2016 based on the following table:

PERCENTAGE CHANGE IN CPI	PAYMENT AS A PER CENT OF GROSS EARNINGS
<3.00	0.00
>=3.00<3.50	0.50
>=3.50<4.00	1.00
>=4.00<4.50	1.50
>=4.50	2.00

21.5 All employees covered by this agreement will be paid every second Thursday by 1500 hours by direct deposit to a bank account, but in the event the Thursday on which payday falls is a holiday, employees shall receive their pay the previous day. Cheque stubs will be forwarded to the employee's Work Centre.

21.6 When major changes are proposed to be made in any classification, or new classifications are requested by the Company, during the term of this agreement, wage rates and hours of work for the change shall be subject to negotiation.

Article 22 CLASSIFICATION CHANGES AND PROGRESSIONS

22.1 The wage rates, progression schedules, classifications and categories of employees covered by this agreement shall be those shown in Article 21.

22.1.1 All employees moving through an annual progression grid will have their performance monitored on an ongoing basis and documented at least annually by the employee's supervisor. Where an employee's performance is not satisfactory he/she shall be informed of the areas of work that are deficient. Progressions will be based on the recommendation of the employee's supervisor. When progression is withheld, the Company shall meet with the employee, who may request the presence of his/her steward, or another Union representative, and shall give the employee the reason for withholding progression. Two (2) months thereafter his/her general performance will be reviewed and if found satisfactory, the employee shall be granted the progression.

22.1.2 If his/her progress and general performance are still unsatisfactory, the employee shall:

(1) in the case of a new employee in the first training classification, be terminated;

(2) in the case of an employee above the starting classification in any category, remain in such class for at least one (1) year and then may again request a reclassification and recommendation from his/her supervisor;

(3) in the case of an employee who was previously transferred from another category, revert to his/her former job if it is available. If it is not available, he/she may be transferred to other available work, providing he/she is qualified. Failing this, his/her employment may be terminated.

Article 23 DURATION OF AGREEMENT

23.1 This agreement shall remain in effect from January 1, 2013 to December 31, 2015 and from year to year thereafter unless either party gives notice in writing to the other party not more than ninety (90) days and not less than thirty (30) days prior to December 31st in any year of their desire to alter same.

23.2 Working conditions during the term of this Agreement shall be outlined in this Agreement and any Mid-Term Agreement.

A Mid-Term is a modification of the Collective Agreement executed by the parties in the following format during the term of the Collective Agreement.

Mid-Term Agreement

Title ____________________

Number ____________________

Date ____________________

It is jointly agreed that the following Mid-Term shall form part of the Collective Agreement between the parties.

SIGNED ON BEHALF OF:

GREAT LAKES POWER TRANSMISSION LP

____
Vice-President, Operations

GREAT LAKES POWER LIMITED

____
Vice-President, Operations

POWER WORKERS' UNION
CUPE LOCAL 1000

____
Principal Steward

____
Steward

____
Steward

____
Steward

____
Steward

____
Steward

____
Vice-President, Power Workers' Union

APPENDIX "C"

Actuarial Valuation – December 31, 2012

MERCER

TALENT • HEALTH • RETIREMENT • INVESTMENTS

REPORT ON THE ACTUARIAL VALUATION FOR FUNDING PURPOSES AS AT DECEMBER 31, 2012 RETIREMENT PLAN OF GREAT LAKES POWER TRANSMISSION LP

SEPTEMBER 2013

Financial Services Commission of Ontario Registration Number: 1212844
Canada Revenue Agency Registration Number: 1212844

MARSH & McLENNAN COMPANIES

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes and the results are sensitive to all the assumptions used in the valuation.

Should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the plan assuming it is wound up in the future. In fact, even if the plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the *Ontario Pensions Benefits Act*, the Income Tax Act and related regulations that are effective as of the valuation date. Mercer is not engaged in the practice of law or tax advice. This report does not constitute and is not a substitute for legal advice.

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Summary of Results

	31.12.2012	31.12.2011
Going Concern Financial Status		
Market value of assets	$17,097,900	$15,531,800
Going concern funding target	$16,303,400	$15,731,400
Funding excess (shortfall)	$794,500	($199,600)
Prior Year Credit Balance	($307,600)	$0
Net position	$486,900	($199,600)
Hypothetical Wind-up Financial Position		
Wind-up assets	$17,037,900	$15,471,800
Wind-up liability	$22,532,900	$20,636,200
Wind-up excess (shortfall)	($5,495,000)	($5,164,400)
Funding Requirements in the Year Following the Valuation[1]		
Total current service cost	$438,200	$394,900
Estimated members' required contributions	($133,400)	($131,700)
Estimated employer's current service cost	$304,800	$263,200
Expense allowance	$100,000	$60,000
Total	$404,800	$323,200
Employer's current service cost as a percentage of members' pensionable earnings[2]	12.7%	11.5%
Minimum special payments – in year after Valuation	$539,400	$256,800
Minimum special payments – one year after Valuation	$753,800	$578,600
Estimated minimum employer contribution – in year after Valuation	$944,200	$580,000
Estimated maximum eligible employer contribution	$5,899,800	$5,487,600
Next required valuation date	December 31, 2013	December 31, 2012

[1] Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report.

[2] Excluding expense allowance

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Introduction

To Great Lakes Power Transmission LP

At the request of Great Lakes Power Transmission LP, we have conducted an actuarial valuation of the Retirement Plan of Great Lakes Power Transmission LP (the “Plan”), sponsored by Great Lakes Power Transmission LP (the “Company”), as at the valuation date, December 31, 2012. We are pleased to present the results of the valuation.

Effective July 1, 2012, the Pension Benefits Act (Ontario) and the Regulations to the Act were amended to require plans to provide immediate vesting to all Ontario plan members and to provide grow-in benefits to certain Ontario members whose employment is terminated at the initiation of their employer. Although the Plan will be amended to reflect these requirements, the changes do not materially impact the cost of the Plan. The cost of these legislated minimum benefit improvements is reflected in the valuation.

The Regulations to the Pension Benefits Act have changed. The Company now has the option to defer new special payments by up to one year following the valuation date. Furthermore, temporary solvency relief measures were introduced that apply to the first valuation prepared as of a date on or after September 30, 2011 and before September 29, 2014. The Company’s elections in respect of these funding options are described under the Terms of Engagement below.

Purpose

The purpose of this valuation is to determine:

- The funded status of the plan as at December 31, 2012 on going concern, hypothetical wind-up and solvency bases;

- The minimum required funding contributions from 2013, in accordance with the Pensions Benefits Act; and

- The maximum permissible funding contributions from 2013, in accordance with the *Income Tax Act*.

The information contained in this report was prepared for the internal use of the Great Lakes Power Transmission LP and for filing with the Financial Services Commission of Ontario and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Financial Services Commission of Ontario and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2013, or as at the date of an earlier amendment to the Plan.

Terms of Engagement

In accordance with our terms of engagement with the Great Lakes Power Transmission LP, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.

- As instructed by Great Lakes Power Transmission LP, we have reflected a margin for adverse deviations in our going concern valuation by reducing the going concern discount rate by 0.45% per year.

- We have reflected the Great Lakes Power Transmission LP decisions for determining the solvency funding requirements, summarized as follows:
  - The same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations.
  - Although permissible, no benefits were excluded from the solvency liabilities.
  - Solvency smoothing was used.
  - The one-year deferral of new solvency special payments was used.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2011

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2012. The Plan will be amended effective July 1, 2012 to reflect the amendment made to the Pension Benefits Act (Ontario) and the Regulations to the Act as described in the Introduction of this report. The upcoming changes do not materially impact the cost of the Plan. The cost of these legislated minimum benefit improvements is reflected in the valuation.

We are not aware of any other pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarised in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

	Current valuation	Previous valuation
Expenses Allowance:	$100,000	$60,000

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern methods and assumptions is provided in Appendix C. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

There have been a number of changes to the Pension Benefits Act (Ontario) and the Regulations to the Act which impact the funding of the Plan.

Effective July 1, 2012, the Pension Benefits Act (Ontario) and the Regulations to the Act were amended to require plans to provide immediate vesting to all Ontario plan members and to provide grow-in benefits to certain Ontario members whose employment is terminated at the initiation of their employer. The Plan will be amended to reflect these requirements. The cost of these legislated minimum benefit improvements is reflected in the valuation and resulted in no material change in the cost of the Plan.

The Regulations to the Pension Benefits Act were amended in November 2012 to reflect previously announced changes. The measures introduced are as follows:

- On a permanent basis, the regulations were amended to:
  - Permit solvency and going concern special payments to be amortized beginning up to one year after the valuation date;
  - Permit the use of irrevocable letters of credit from financial institutions to cover solvency deficiencies up to 15% of a plan's solvency liabilities, in lieu of special payments to eliminate the deficiency over the prescribed period.
- Temporary solvency relief measures were introduced for valuations prepared as of a date on or after September 30, 2011 and before September 30, 2014 (the “2012 funding relief”). In the first valuation of a plan with a valuation date in the prescribed period, the regulations were amended to:
  - Permit the consolidation of existing solvency payment schedules into a single new five-year payment schedule;
  - Extend the solvency payment schedule to a maximum of 10 years (from the current maximum of five years) for a new solvency deficiency determined in the report, subject to the consent of plan beneficiaries.

The Company's elections in regard to these new funding options are as follows:

For the actuarial valuation as at December 31, 2011, the first valuation date within the prescribed period for temporary solvency relief, the Company elected to utilize the temporary solvency relief measure by consolidating existing solvency special payment. In addition, the Company elected to defer the start of new going-concern and solvency special payments to 12 months after the valuation date.

For the current actuarial valuation as at December 31, 2012, the Company has elected to defer the start of new going-concern and solvency special payments to 12 months after the valuation date.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation. Our valuation reflects the financial position of the Plan as of the valuation date and does not take into account any experience after the valuation date.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

On July 29, 2004, the Supreme Court of Canada dismissed the appeal in Monsanto Canada Inc. versus Superintendent of Financial Services ("*Monsanto*"), thereby upholding the requirements to distribute surplus on partial plan wind-up under The *Pension Benefits Act (Ontario).* The decision has retroactive application and applies on the termination of Ontario employees if they are included in a partial plan wind-up, regardless of the province in which the pension plan is registered.

We are not aware of any partial plan wind-up having been declared in respect of the Plan where the Monsanto decision may apply. In preparing this actuarial valuation, we have therefore assumed that all the Plan's assets are available to cover the Plan's liabilities presented in this report. The subsequent declaration of a partial wind-up of the Plan where *Monsanto* may apply in respect of a past event, or disclosure of an existing past partial wind-up, could cause an additional claim on the Plan's assets, the consequences of which would be addressed in a subsequent report. We note the discretionary nature of the power of the regulatory authorities to declare partial wind-ups and the lack of clarity with respect to the retroactive scope of that power. We are making no representation as to whether the regulatory authorities might declare a partial wind-up in respect of other events in the Plan's history.

3

Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	31.12.2012	31.12.2011
Assets		
Market value of assets	$17,097,900	$15,531,800
Going concern funding target		
Active members	$7,386,000	$6,634,600
Pensioners and survivors	$8,917,400	$9,096,800
Total	$16,303,400	$15,731,400
Funding excess (shortfall)	$794,500	($199,600)
Prior year credit balance	($307,600)	$0
Net position	$486,900	($199,600)

The going concern funding target includes a provision for adverse deviations.

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		($199,600)
Interest on funding excess (funding shortfall) at 5.75% per year		($11,500)
Employer's special payments, with interest		$580,400
Expected funding excess (funding shortfall)		$369,300
Net experience gains (losses)		
• Investment return	$526,900	
• Increases in pensionable earnings	$3,600	
• Increase in YMPE	($6,300)	
• Indexation	$59,700	
• Mortality	($75,600)	
• Retirement	$64,400	
• Expenses	($93,400)	
Total experience gains (losses)	$479,300	$479,300
Transfer from Generation Plan		($45,300)
Net impact of other elements of gains and losses		($8,800)
Funding excess (shortfall) as at current valuation		$794,500

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The current service cost during the year following the valuation date compared with the corresponding value determined in the previous valuation, is as follows:

	2013	2012
Total current service cost	$438,200	$394,900
Estimated members' required contributions	($133,400)	($131,700)
Estimated employer's current service cost	$304,800	$263,200
Expense allowance	$100,000	$60,000
Total	$404,800	$323,200
Employer's current service cost expressed as a percentage of members' pensionable earnings	12.7%	11.5%

The key factors that have caused a change in the employer's current service cost since the previous valuation are summarized in the following table:

Employer's current service cost as at previous valuation	11.5%
Demographic changes	0.7%
Other elements[3]	0.5%
Employer's current service cost as at current valuation	12.7%

Discount Rate Sensitivity

The following table summarises the effect on the going concern funding target shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding target	$16,303,400	$18,825,300
Current service cost		
• Total current service cost	$438,200	$547,900
• Estimated members' required contributions	($133,400)	($133,400)
• Estimated employer's current service cost	$304,800	$414,500
• Expense allowance	$100,000	$100,000
Total	$404,800	$514,500

[3] Other elements include the addition of half year of interest to adjust for timing.

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Valuation Results – Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date. However, to the extent permitted by law, the actuary may disregard:

- Benefits that would not be payable under the hypothesized scenario
- Plan member earnings after the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	31.12.2012	31.12.2011
Assets		
Market value of assets	$17,097,900	$15,531,800
Termination expense provision	($60,000)	($60,000)
Wind-up assets	$17,037,900	$15,471,800
Present value of accrued benefits for:		
active members	$10,976,600	$9,216,900
pensioners and survivors	$11,556,300	$11,419,300
Total wind-up liability	$22,532,900	$20,636,200
Wind-up excess (shortfall)	($5,495,000)	($5,164,400)

Wind-up Incremental Cost to December 31, 2013

The wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	31.12.2012	31.12.2011
Number of years covered by report	1 year	1 year
Total hypothetical wind-up liabilities at the valuation date (A)	$22,532,900	$20,636,200
Present value of projected hypothetical wind-up liability at the next required valuation (including expected new entrants) plus benefit payments until the next required valuation (B)	$23,036,400	$21,007,600
Hypothetical wind-up incremental cost (B – A)	$503,500	$371,400

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the financial position of the Plan on a hypothetical wind-up basis unchanged from the valuation date and the next required valuation date, if actual experience is exactly in accordance with the going concern valuation assumptions. This is because it does not reflect the fact that the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarises the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate which is 1.00% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	$22,532,900	$26,330,900

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Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	**Reflected in valuation based on the terms of engagement**
The circumstance under which the Plan is assumed to be wound up could differ for the solvency and hypothetical wind-up valuations.	The same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up.
Certain benefits can be excluded from the solvency financial position. These include: (a) any escalated adjustment (e.g. indexing), (b) certain plant closure benefits, (c) certain permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	No benefits were excluded from the solvency liabilities shown in this valuation.
The financial position on the solvency basis needs to be adjusted for any Prior Year Credit Balance.	A Prior Year Credit Balance has been reflected in the financial position.
The solvency financial position can be determined by smoothing assets and the solvency discount rate over a period of up to 5 years.	Solvency assets and liabilities were smoothed over 3.5 years.
The benefit rate increases coming into effect after the valuation date can be reflected in the solvency valuation.	Not applicable.

Financial Position

The financial position on a solvency basis, compared with the corresponding figures from the previous valuation, is as follows:

	31.12.2012	31.12.2011
Assets		
Market value of assets	$17,097,900	$15,531,800
Termination expense provision	($60,000)	($60,000)
Net assets	$17,037,900	$15,471,800
Liabilities		
Total hypothetical wind-up liabilities	$22,532,900	$20,636,200
Surplus (shortfall) on a market value basis	($5,495,000)	($5,164,400)
Prior Year Credit Balance	($307,600)	$0
Liability smoothing adjustment	$2,766,100	$2,351,600
Asset smoothing adjustment	($179,500)	$218,300
Surplus (shortfall) on a solvency basis	($3,216,000)	($2,594,500)
Transfer ratio	74%	75%

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Minimum Funding Requirements

The Act prescribes the minimum contributions that the Company must make to the Plan.

The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going-concern current service cost and special payments to fund any going-concern or solvency shortfalls. The Company has elected to defer for one-year the new solvency special payments. Accordingly, the minimum monthly contribution requirements determined herein reflect the Company's elections.

On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

	Employer's contribution rule			Estimated employer's contributions	
Period beginning	**Monthly current service cost**[4]	**Explicit monthly expense allowance**	**Minimum monthly special payments**	**Monthly current service cost including expense allowance**	**Total minimum monthly contributions**
January 1, 2013	12.7%	$8,333	$44,948	$33,735	$78,683
January 1, 2014	12.7%	$8,333	$62,813	$34,561	$97,374

The estimated contribution amounts above are based on projected members' pensionable earnings. Therefore the actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions are made in accordance with the Act.

The development of the minimum special payments is summarized in Appendix A.

Other Considerations

Differences between Valuation Bases

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

[4] Expressed as a percentage of members' pensionable earnings.

Timing of Contributions

Funding contributions are due on a monthly basis. Contributions for current service cost including the expense allowance must be made within 30 days following the month to which they apply. Special payment contributions must be made in the month to which they apply.

Retroactive / Excess Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution, along with an allowance for interest, is due no later than 60 days following the date this report is filed.

The special payments based on this report that are required to be made between the valuation date and the date this report is filed are less than the minimum special payments required under the previous valuation report for the same period. The additional special payments made prior to filing this report may be used to reduce the otherwise required contributions to be made following the filing of this report and before the filing of the next report.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the transfer ratio revealed in an actuarial valuation is less than one. If the transfer ratio shown in this report is less than one, the plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits, and otherwise should take the prescribed actions.

Additional restrictions are imposed when:

- The transfer ratio revealed in the most recently filed actuarial valuation is less than one and the administrator knows or 'ought to know' that the transfer ratio of the Plan has declined by 10% or more since the date the last valuation was filed.
- The transfer ratio revealed in the most recently filed actuarial valuation is greater than or equal to one and the administrator knows or 'ought to know' that the transfer ratio of the Plan has declined to less than 0.9 since the date the last valuation was filed.

As such, the administrator should monitor the transfer ratio of the Plan and, if necessary, take the prescribed actions.

Letters of Credit

Effective January 1, 2013, minimum funding requirements in respect of solvency deficiencies that otherwise require monthly contributions to the pension fund may be met, in the alternative, by establishing an irrevocable letter of credit from a financial institution for an amount equal to the solvency special payments plus interest. The maximum permissible face amount of such a letter of credit is equal to 15% of the solvency liabilities of the plan at the valuation date. Required solvency special payments in excess of this maximum must be met by monthly contributions to the pension fund.

7

Maximum Eligible Contributions

The *Income Tax Act* (the "ITA") limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan. However, notwithstanding the limit imposed by the ITA, for plans which are not 'Designated' as defined in the ITA, in general, the minimum required contributions under the Act can be remitted.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going concern or on a hypothetical wind-up basis the maximum permitted contributions are equal to the employer's current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan which is fully funded on both going concern and hypothetical wind-up bases, the employer can remit a contribution equal to the employer's current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going concern and hypothetical wind-up bases, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Schedule of Maximum Contributions

The Company is permitted to fully fund the greater of the going concern and hypothetical wind-up shortfalls; $5,495,000, as well as make current service cost contributions. The portion of this contribution representing the payment of the hypothetical wind-up shortfall can be increased with interest at 3.77% per year from the valuation date to the date the payment is made, and must be reduced by the amount of any deficit funding made from the valuation date to the date the payment is made.

Assuming the Company contributes the greater of the going concern and hypothetical wind-up shortfall of $5,495,000 as of the valuation date, the rule for determining the estimated maximum eligible annual contributions, as well as an estimate of the maximum eligible contributions until the next valuation are as follows:

	Employer's contribution rule			Estimated employer's contributions
Year beginning	Monthly current service cost[5]	Monthly expense allowance	Deficit Funding	Monthly current service cost including expense allowance
January 1, 2013	12.7%	$8,333	N/A	$33,735

[5] Expressed as a percentage of members' pensionable earnings.

The employer's current service cost in the above table was estimated based on projected members' pensionable earnings. The actual employer's current service cost will be different from these estimates and, as such, the contribution requirements should be monitored closely to ensure compliance with the ITA.

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Actuarial Opinion

In our opinion, for the purposes of the valuations:

- the membership data on which the valuation is based are sufficient and reliable
- the assumptions are appropriate.
- the methods employed in the valuation are appropriate

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Ontario Pension Benefits Act (OPBA)*.

Caroline Lavoie	John Marks
Fellow of the Society of Actuaries	Associate of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries	Associate of the Canadian Institute of Actuaries
September 27, 2013	September 27, 2013
Date	Date

APPENDIX A

Prescribed Disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description	Result
Transfer Ratio	The ratio of: (a) solvency assets minus the lesser of the Prior Year Credit Balance and the minimum required employer contributions until the next required valuation; to (b) the sum of the solvency liabilities and liabilities for benefits, other than benefits payable under qualifying annuity contracts that were excluded in calculating the solvency liabilities.	0.74
Prior Year Credit Balance	Accumulated excess of contributions made to the pension plan in excess of the minimum required contributions (note: only applies if the Company chooses to treat the excess contributions as a Prior Year Credit Balance).	$307,600
Solvency Assets	Market value of assets including accrued or receivable income and excluding the value of any qualifying annuity contracts[6].	$17,037,900
Solvency Asset Adjustment	The sum of:	
	(a) the difference between smoothed value of assets and the market value of assets	($179,500)
	(b) the present value of any going concern special payments (including those identified in this report) within the prescribed period following the valuation date	$0
	(c) the present value of any previously scheduled solvency special payments (excluding those identified in this report)	$2,274,400
	(d) the face amount of letters of credit in place on the valuation date	$0
		$2,094,900

[6] In accordance with accepted actuarial practice, for purposes of determining the financial position, the market value of plan assets was adjusted for any in-transit benefit payments, contributions, and other in-transit cash flows, and reduced by a provision for estimated termination expenses payable from the Plan's assets that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

Defined Term	Description	Result
Solvency Liabilities	Liabilities determined as if the plan had been wound up on the valuation date, including liabilities for plant closure benefits or permanent layoff benefits that would be immediately payable if the employer's business were discontinued on the valuation date of the report, but, if elected by the plan sponsor, excluding liabilities for, (a) any escalated adjustment, (b) excluded plant closure benefits, (c) excluded permanent layoff benefits, (d) special allowances other than funded special allowances, (e) consent benefits other than funded consent benefits, (f) prospective benefit increases, (g) potential early retirement window benefit values, and (h) pension benefits and ancillary benefits payable under a qualifying annuity contract.	$22,532,900
Solvency Liability Adjustment	The amount by which solvency liabilities are adjusted as a result of using a solvency valuation interest rate that is the average of market interest rates calculated over the period of time used in the determination of the smoothed value of assets.	($2,766,100)
Solvency Deficiency	The amount by which the sum of:	
	(a) the solvency liabilities	$22,532,900
	(b) the solvency liability adjustment	($2,766,100)
	(c) the prior year credit balance	$307,600
		$20,074,400
	Exceeds the sum of	
	(d) the solvency assets	$17,037,900
	(e) the solvency asset adjustment	$2,094,900
		$19,132,800
		$941,600

Timing of Next Required Valuation

In accordance with the Act the next valuation of the Plan would be required at an effective date within one year of the current valuation date if:

- The ratio of solvency assets to solvency liabilities is less than 85%.
- The employer elected to exclude plant closure or permanent lay-off benefits under Section 5(18) of the regulations, and has not rescinded that election.

Otherwise, the next valuation of the Plan would be required at an effective date no later than three years after the current valuation date.

Accordingly, the next valuation of the Plan will be required as of December 31, 2013.

Special Payments

Based on the results of this valuation, the Plan is not fully funded. In accordance with the Act, any going concern deficits must be amortized over a period not exceeding 15 years and any solvency deficits must be amortized over a period not exceeding 5 years.

For purposes of the December 31, 2011 valuation report the Company elected to make use of Option 4 of the solvency relief measures (consolidation of existing solvency special payment schedule into a single new 5-year schedule). The consolidated solvency special payments schedules created in that valuation are identified in the table below because they are treated differently from regular special payments schedules in the event of actuarial gains.

The Company has elected to defer for one-year the new solvency special payments. Accordingly, the minimum monthly contribution requirements determined herein reflect the Company's elections.

As such, special payments must be made as follows:

Type of payment	Start date	End date	Monthly Special Payment	Present Value Solvency Basis[7]
Consolidated Solvency	December 31, 2011	December 31, 2016	$18,131[8]	$807,700
Solvency	December 31, 2012	December 31, 2017	$26,817	$1,466,700
New Solvency	December 31, 2013	December 31, 2018	$17,865	$941,600
Total			$62,813	$3,216,000

As the Plan does not have a going concern deficit, going concern special payments revealed in the previous valuation are no longer required.

In accordance with the Regulations to the Pension Benefits Act, the 2012 funding relief measures and the Company's elections there under, any new solvency deficiency must be amortized over a period not exceeding five years from December 31, 2013. The present value of the previously scheduled solvency payments is lower than the solvency shortfall resulting in a solvency deficiency of $941,600. As such, special payments must be increased by $17,865 per month, from December 31, 2013 until December 31, 2018.

[7] Calculation is based on the average solvency discount rate.

[8] In accordance with the solvency relief measures, the prior solvency schedule of $34,549 per month was re-amortized into a new 5-year schedule of $18,131 per month effective January 1, 2012.

Pension Benefit Guarantee Fund (PBGF) Assessment

The PBGF assessment base and liabilities are derived as follows:

Solvency assets	$17,097,900	(a)
PBGF liabilities	$22,532,900	(b)
Solvency liabilities	$22,532,900	(c)
Ontario asset ratio	100%	(d) = (b) ÷ (c)
Ontario portion of the fund	$17,097,900	(e) = (a) x (d)
PBGF assessment base	$5,435,000	(f) = (b) – (e)
Amount of additional liability for plant closure and/or permanent layoff benefits which is not funded and subject to the 2% assessment pursuant to s.37(4)	$0	(g)

The PBGF assessment is calculated as follows:

$5 for each Ontario member	$260	(h)
0.5% of PBGF assessment base up to 10% of PBGF liabilities	$11,266	(i)
1.0% of PBGF assessment base between 10% and 20% of PBGF liabilities	$22,533	(j)
1.5% of PBGF assessment base over 20% of PBGF liabilities	$13,926	(k)
Sum of (h), (i), (j) and (k)	$47,985	(l)
$300 for each Ontario member	$15,600	(m)
Lesser of (l) and (m)	$15,600	(n)
2.0% of additional liabilities ((g) x 2%)	$0	(o)
Total Guarantee Fund Assessment ((n) + (o), no less than $250) (before applicable tax)	$15,600	(p)

Prior Year Credit Balance

The Prior Year Credit Balance was determined as follows:

Prior Year Credit Balance at previous valuation	$0	(a)
Actual employer contributions (with interest)	$915,500	(b)
Required employer contributions (with interest)	$607,900	(c)
Prior Year Credit Balance at current valuation	$307,600	(d) = (a) + (b) – (c)

APPENDIX B

Plan Assets

The pension fund is held by RBC Investor Services. In preparing this report, we have relied upon the auditors' report signed by Deloitte LLP without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2012
January 1	$13,689,158
PLUS	
Members' contributions	$132,848
Company's contributions	$890,303
Transfers from Generation Pension Plan	$1,903,902
Investment income and net capital gains (losses)	$1,402,381
	$4,329,434
LESS	
Pensions paid	$694,435
Lump-sum refunds	$0
Investment expenses	$83,412
Administration expenses	$150,781
	$928,628
December 31	$17,089,964

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation
Market value of invested assets	$17,089,964
In-transit amounts	
• Transfers	$7,906
Market value of assets adjusted for in-transit amounts	$17,097,870

We have tested the pensions paid, and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk which is commensurate with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy			Actual Asset Mix as at December 31, 2012
	Minimum	**Target**	**Maximum**	
Canadian bonds	35%	40%	45%	37%
Canadian equities	20%	25%	30%	26%
Global equities	30%	35%	40%	33%
Cash and equivalents	0%	0%	0%	4%
		100%		100%

Because of the mismatch between the Plan's assets (which are invested in accordance with the above investment policy) and the Plan's liabilities (which tend to behave like long bonds) the Plan's financial position will fluctuate over time. These fluctuations could be significant and could cause the Plan to become under, or over, funded even if the Company contributes to the Plan based on the funding requirements presented in this report.

APPENDIX C

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have used the market value of assets.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the projected unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date, based on projected final average earnings. This is referred to as the funding target. For each individual plan member, accumulated contributions with interest are established as a minimum actuarial liability.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements in respect of accrued benefits and absent additional contributions.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost has been expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. However, the current service cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	5.75%	5.75%
Explicit expenses:	$100,000	$60,000
Inflation:	2.25%	2.25%
ITA limit / YMPE increases:	2.75%	2.75%
Pensionable earnings increases:	3.25%	3.25%
Post retirement pension increases:	2.00%	2.00%
Interest on employee contributions:	5.75%	5.75%
Retirement rates:	60% at unreduced age, remainder at age 65	60% at unreduced age, remainder at age 65
Termination rates:	None	None
Mortality rates:	100% of the rates of the 1994 Uninsured Pensioner Mortality Table	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using Scale AA	Fully generational using Scale AA
Disability rates:	None	None
Eligible spouse at retirement:	80%	80%
Spousal age difference:	Male 3 years older	Male 3 years older

The assumptions are best estimates with the exception that the discount rate includes a margin for adverse deviations, as shown in Rationale for Assumptions.

Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken 2012 earnings and assumed that such pensionable earnings will increase at the assumed rate.

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy.
- Additional returns assumed to be achievable due to active equity management equal to the fees related to active equity management. Such fees were determined by the difference between the provision for total investment expenses and the hypothetical fees that would be incurred for passive management of all assets.
- Implicit provision for investment expenses determined as the average rate of investment expenses paid from the fund over the last 3 years.
- A margin for adverse deviations of 0.45%.

The discount rate was developed as follows:

Assumed investment return	6.35%
Additional returns for active management	0.35%
Investment expense provision	(0.50%)
Margin for adverse deviation	(0.45%)
Net discount rate	5.75%

Expenses

The assumption is based on the average amount of non-investment expenses over the last 3 years.

Inflation

The inflation assumption is based on market expectations of long-term inflation implied by the yields on nominal and real return bonds at the valuation date.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Pensionable Earnings

The assumption is based on general wage growth assumptions increased by our best estimate of future merit and promotional increases over general wage growth considering current economic and financial market conditions.

Post Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above.

Interest on Employee Contributions

The assumption is based on Plan terms and the underlying investment return assumption.

Retirement Rates

Due to the size of the Plan, there is no meaningful retirement experience. The assumption is based on the Plan provisions and our experience with similar plans and employee groups.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

Due to the size of the Plan, there is no meaningful mortality experience.

We have assumed mortality rates in accordance with the 1994 Uninsured Pensioners mortality table and have used projection scale AA to project mortality improvements from 1994 and into the future. Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 19.8 years for males and 22.1 years for females.

Information included in a draft report on a Canadian Institute of Actuaries study of Canadian pensioners mortality experience indicates that mortality has recently improved faster than estimated by projection scale AA. Mortality tables and a mortality improvement scale to replace the 1994 Uninsured Pensioners mortality table and projection scale AA for Canadian pension plan purposes are included in the draft report. However, the final report on the mortality tables and mortality projection scale and related guidance from the Canadian Institute of Actuaries on the use of the mortality tables and projection scale were not published when the valuation work was completed. We expect that the mortality assumption will be changed in the first valuation of the plan prepared following publication of the final report and guidance on mortality tables and projection scale, based on Canadian experience.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on an industry standard for non-retired members (actual status used for retirees).

Spousal Age Difference

The assumption is based on an industry standard showing males are typically 3 years older than their spouse.

APPENDIX D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

No benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries Standards of Practice applicable for December 31, 2012.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

We have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2012 and December 30, 2013.*

We have not included a provision for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member	
Lump sum	70% of active members under age 55 and 50% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate annuities from a life insurance company.
Basis for Benefits Assumed to be Settled through a Lump Sum	
Mortality rates:	UP94 Generational
Interest rate:	2.40% per year for 10 years, 3.60% per year thereafter
3.5-year smoothed interest rates used for solvency adjustment:	3.20% per year for 10 years; 4.70% per year thereafter
Basis for Benefits Assumed to be Settled through the Purchase of an Annuity	
Mortality rates:	UP94 Generational
Interest rate:	2.96% per year
3.5-year smoothed interest rates used for solvency adjustment:	4.02% per year
Retirement Age	
Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
Grow-in:	The benefit entitlement and assumed retirement age of Ontario members whose age plus service equals at least 55 at the valuation date, reflect their entitlement to grow into early retirement subsidies
Other Assumptions	
Special payments	Discounted at the average interest rate of 3.77% per year
Post retirement indexation:	1.24% per year for 10 years, 2.00% per year thereafter (1.45% per year for 10 years, 2.00% per year thereafter, for solvency liability adjustment)
Family composition:	Same as for going concern valuation
Maximum pension limit:	$2,696.67 for each year of service
Termination expenses:	$60,000

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the hypothetical wind-up liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected hypothetical wind-up liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members terminate, retire and die consistent with the termination, retirement and mortality rates used for the going concern valuation.
- Pensionable earnings, the *Income Tax Act* pension limit and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.
- Active members accrue pensionable service in accordance with the terms of the Plan.
- To accommodate for new entrants to the Plan, we have added to the projected liability, an amount equal to the average annual liability of new entrants that have joined the Plan in the last three years. The demographics and earnings of the new entrants are consistent with the new entrants hired over the past three years.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used an adjusted market value method to determine the smoothed value of defined benefit plan assets. Under this method, the differences between all investment returns accrued during a given year and the expected investment returns using the going-concern interest rate are spread on a straight line basis over five years. As a result, the asset value produced as at December 31, 2012 recognizes the following percentages of excess investment income that arose in those prior years.

Year	Percentage of gains (losses) recognized
2008 and before:	100%
2009:	80%
2010:	60%
2011:	40%
2012:	20%

The asset value produced by this method is related to the market value of assets, with the advantage that, over time, the smoothed asset value will tend to be more stable than market values. The smoothed value of the assets determined as at December 31, 2012 under the adjusted market value method is $16,910,489.

Actuarial Value of Assets as at December 31

		2009[9]	2010	2011	2012
Expected rate of return		6.00%	6.00%	6.00%	5.75%
Net Investment returns		$943,692	$1,031,017	($32,196)	$1,318,969
Expected investment return		$325,508	$704,478	$794,735	$792,242
Investment gains (losses)		$618,184	$326,539	($826,931)	$526,727
Investment gains (losses) excluded					
2012	80%				$421,381
2011	60%				($496,159)
2010	40%				$130,616
2009	20%				$123,637
Total					$179,475
Market value on December 31, 2012 (before in-transits)					$17,089,964
Unrecognized investment gains (losses)					$179,475
Actuarial value on December 31, 2012					$16,910,489
Actuarial value as a % of market value					98.9%

Note: all figures before in-transits

[9] Smoothing Adjustment reflects the fact that the pension fund only has 3.5 years of history with no assets prior to July 1, 2009.

The smoothed value of defined benefit assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation
Smoothed value of defined benefit assets	$16,910,489
In-transit amounts	
• Members' contributions	$0
• Company's contributions	$0
• Expenses	$0
• Transfers	$7,906
Smoothed value of defined benefit assets, adjusted for in-transit amounts	$16,918,395

The solvency position is determined in accordance with the requirements of the Act.

APPENDIX E

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2012, provided by the Great Lakes Power Transmission LP.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. Contributions and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

Membership Data

	31.12.2012	31.12.2011
Active Members		
Number	29*	29*
Total pensionable earnings for the following year	$2,393,179	$2,285,574
Average pensionable earnings for the following year	$82,523	$78,813
Average years of pensionable service	14.6 years	13.6 years
Average age	46.8	47.1
Accumulated contributions with interest	$1,853,300	$1,694,270
Pensioners and Survivors		
Number	22	22
Total annual lifetime pension	$632,746	$627,468
Total annual temporary pension	$61,729	$70,709
Average annual lifetime pension	$28,761	$28,521
Average age	69.9	68.9

* Excludes frozen member, not accruing benefit.

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

Reconciliation of membership

	Active, Frozen and Disabled Members	Retirees and Survivors	Total
Total at 31.12.2011	**30**	**22**	**52**
New entrants	-	-	-
Terminations:			
• Not vested	-	-	-
• Transfers/refunds	-	-	-
• Deferred pensions	-	-	-
Deaths	-	-	-
Retirements	-	-	-
Beneficiaries	-	-	-
Total at 31.12.2012	**30**	**22**	**52**

The distribution of the active members by age and pensionable service as at December 31, 2012 is summarized as follows:

Distribution of Active members by Age Group and Pensionable Service as at 31.12.2012

	Years of Pensionable Service								
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35+**	**Total**
Under 20									0
20 - 24									0
25 - 29	1								1
30 – 34	2								2
35 – 39	2	2	1						5
40 – 44		3	1						4
45 – 49		3	1		1	1			6
50 – 54		1	1	1	1	2	2		8
55 – 59	1					1		1	3
60 – 64		1							1
65+									
Total	6	10	4	1	2	4	2	1	30

The distribution of the inactive members by age as at December 31, 2012 is summarized as follows:

Distribution of Inactive Members by Age Group as at 31.12.2012

	Deferred Pensioners		Pensioners and Survivors	
Age	**Number**	**Average Monthly Pension**	**Number**	**Average Monthly Pension**
45 – 49				
50 – 54				
55 – 59			2	$2,734
60 – 64			7	$2,896
65 – 69			3	$2,499
70 – 74			4	$2,440
75 – 79			3	$2,080
80 – 84			1	**
85 – 89			2	$809
90 – 94				
95 – 99				
Total	0	$0	22	$2,397

** Cell suppressed for confidentiality.

APPENDIX F

Summary of Plan Provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by the Great Lakes Power Transmission LP. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the plan provisions in effect on December 31, 2012. The Plan will be amended effective July 1, 2012 to reflect the amendment made to the Pension Benefits Act (Ontario) and Regulations to the Act. The upcoming changes do not materially impact the cost of the Plan. The cost of these legislated minimum benefit improvements is reflected in the valuation.

The following is a summary of the main provisions of the Plan in effect on December 31, 2012 (including the pending amendment that will be effective July 1, 2012). This summary is not intended as a complete description of the Plan.

Background	The Retirement Plan of Great Lakes Power Limited (the "Plan") was preceded by the Retirement Annuity Plan (the "Previous Plan"), which was established on January 1, 1940, and was underwritten by Canada Life Assurance Company Group Annuity Policy P.747. Effective January 1, 1966, the Previous Plan was replaced by the Amended Retirement Annuity Plan. Contributions to the Previous Plan were discontinued and Policy P.747 was placed on a paid-up basis. Effective April 1, 1987, Policy P.747 assets and liabilities were rolled into the Plan. A separate plan was established for designated executives on January 1, 1980, and the assets and liabilities under the Amended Retirement Annuity Plan for executives who became covered under the Retirement Plan for Designated Executives of Great Lakes Power Limited were transferred to this newly established plan. With effect from January, 1981, the name of the Amended Retirement Annuity Plan was changed to the Retirement Plan of Great Lakes Power Limited. The Plan was restated effective January 1, 1988, to comply with the revised Pension Benefits Act of Ontario and incorporate all amendments up to January 1, 1993. The Plan was then amended and restated effective January 1, 1992 to incorporate all of the revisions necessary to comply with the Income Tax Act. Effective January 1, 1997, the Company started a Defined Contribution Plan for all employees, who are not members of the union. All non-union members were given the option of continuing in this Plan or transferring to the defined contribution plan. The Plan has been amended further from time to time since January 1, 1992. Effective July 1, 2009 employees of the "Distribution" and "Transmission" businesses of Great Lakes Power Limited (the "Company") were transferred to separate companies affiliated with the Company, Great Lakes Power Distribution Inc. ("GLPD") and Great Lakes Power Transmission LP ("GLPT"). These employees were members of the Plan prior to July 1, 2009. New pension plans were established for the current and future employees of GLPD and GLPT. An application is being submitted to the Financial Services Commission of Ontario for the transfer of assets and liabilities from the Plan to the new pension plans with respect to the transferred employees' benefits accrued prior to July 1, 2009 in the Plan as well as benefits in the Plan for inactive members formerly employed by the "Distribution" and "Transmission" businesses of the Company.
Eligibility for membership	All full-time employees who are members of the union, and who are hired on or after January 1, 1997, become members of the Plan following completion of three months of Continuous Service. Prior to 1997, all full-time employees, including those who were not members of the union, were eligible to become members of the Plan. Each employee, who is a member of the union and is employed on a less than full-time basis, may join the Plan following completion of 24 months of Continuous Service provided that the employee has: • earned at least 35% of the YMPE; or • worked 700 or more hours in each of the two immediately preceding consecutive calendar years.

Employee Contributions

Members are required to contribute to the Plan at the rates indicated below:

	Contribution Rate on Gross Earnings up to the YMPE	Contribution Rate on Gross Earnings above the YMPE
January 1, 1966 – June 30, 1970	2-1/3%	4%
July 1, 1970 – February 28, 1981	3%	5%
March 1, 1981 – February 28, 1986	4%	6%
March 1, 1986 – June 30, 1989	4-1/2%	6-1/2%
From July 1, 1989	5%	7%

Prior to June 1, 1982, gross earnings were defined as total remuneration. Effective June 1, 1982 gross earnings were redefined as total remuneration excluding overtime, for determining both benefits and employee contributions.

Members may make additional voluntary contributions to the maximum permitted under the Income Tax Act.

Retirement Dates

Normal Retirement Date

- The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday.

Early Retirement Date

- Members who have attained age 55 may retire early on a reduced pension. The reduction is ¼ of 1% for each month prior to age 65. Members who have attained age 55 and for whom the sum of age plus continuous years of service amount to not less than 85, may retire early with an unreduced pension.

  All members who retire early will also receive a temporary pension (payable for life but in no event past age 65) of 0.7% of annual gross earnings up to the average YMPE for the five calendar years immediately preceding the calendar year of retirement times years of credited service since January 1, 1966 (maximum 35 years).

Postponed Retirement

- An active member may postpone retirement beyond the normal retirement date, but not beyond the end of the calendar year in which they attain age 71. Under these circumstances, members are entitled to continue membership in the plan and have the right to continue to accrue pension benefits. The pension benefit accrued up to Normal Retirement Date shall be actuarially increased to reflect such postponement.

Normal Retirement Pension	Each member retiring at his Normal Retirement Date will be entitled to receive an annual pension benefit, payable monthly equal to: • 2.0% of the member's average annual gross earnings for the five consecutive years, during the 10 calendar years preceding Normal Retirement Date that produce the highest such average, times the number of years of Credited Service (subject to a maximum of 40 years); **Less** • 0.7% of such earnings not in excess of the average YMPE for the five calendar years, immediately preceding the calendar year of the Normal Retirement Date, times the number of years of Credited Service since January 1, 1966, (maximum 35 years). Credited Service is equal to Continuous Service from date of employment with the Company for members who joined the plan when first eligible prior to January 1, 1991. For other members, Credited Service is equal to Continuous Service from the date of plan entry. The above pension formula applies for members retiring after December 31, 1985. A previous formula applied for members retiring up to December 31, 1985. In no event, however, will the member's benefit exceed the applicable maximum pension limits as prescribed by the Income Tax Act.
Maximum Pension	The maximum pension provisions are as follows: Pre-1992 Service Maximum Pension • The member's pension shall not exceed the member's years of pensionable service, prior to January 1, 1992, to a maximum of 35 years multiplied by the lesser of: (i) $1,715; and (ii) 2.0% of the average of the member's best three consecutive years' remuneration from the Company. Post-1991 Service Maximum Pension • The member's pension shall not exceed the member's years of pensionable service, on or after January 1, 1992, multiplied by the lesser of: (i) $2,696.67 or such greater amount permitted under the Income Tax Act; and (ii) 2.0% of the member's highest average indexed compensation, as defined in the Income Tax Act.

Post Retirement Adjustments	Each member who retires after 1994, will have their pension adjusted annually beginning in 1996. The annual adjustment will be granted in January of each year, based on the increase in the Consumer Price Index (CPI) for the 12 months ending the previous September 30th. For example, the adjustment effective January 2000, will be based on the increase in the CPI for the period September 30, 1998 to September 30, 1999. If the CPI increase is less than 2.0%, then the annual adjustment is equal to 100% of the CPI increase. Otherwise the annual adjustment is equal to 50% of the CPI increase, with a minimum adjustment of 2.0% and a maximum adjustment of 5.0%. Members who have retired less than 12 months prior to the January adjustment will receive a pro-rata share of the increase based on the number of months since commencement. As of September 1, 2009, the Plan is amended to grant an ad-hoc increase in certain retired members' pensions.
Disability Benefits	A member who suffers total and permanent disability will receive, commencing at his normal retirement date, a deferred pension calculated as for normal retirement, except that: (a) the service of the member with the Company will include the period during which the member is totally and permanently disabled; and (b) it will be assumed that the member continued to receive remuneration from the Company at the rate of his earnings at the time of disability.
Death Before Retirement	**For Service Prior to January 1, 1987** In event of death before retirement the designated beneficiary will receive a lump sum refund of the member's contributions, if any, with interest. **For Service on and After January 1, 1987** In the event of death before retirement, the designated beneficiary will receive the commuted value of the deferred pension plus a refund of excess contributions, if any. Excess contributions are employee contributions, if any, plus interest, in excess of those required to fund 50% of the commuted value of the deferred pension.
Death After Retirement	Upon death of the member after retirement, the member's spouse, if then surviving, will receive an annuity for life equal to 50% of the pension that the member had been receiving. Under the Pension Benefits Act of Ontario, married members must receive a joint and survivor pension that pays at least 60% of the amount of pension that the member had been receiving, unless both the member and spouse waive this option. The amount of pension would be actuarially equivalent to the normal form of pension. In the case of a member without a spouse at retirement, the normal form of pension guarantees a minimum return equal to the member's contributions with interest to date of retirement. The member may also elect an optional form of pension prior to retirement.

Termination Benefits	**For Service Prior to January 1, 1987** A member is entitled to a deferred pension commencing at his Normal Retirement Date, calculated on the same basis as the retirement benefit but based on earnings and service completed to the date of termination. **For Service On and After January 1, 1987** A member is entitled to a deferred pension commencing at his Normal Retirement Date, calculated on the same basis as the retirement benefit but based on earnings and service completed to the date of termination. In addition, a member is also entitled to a refund of excess contributions, if any. Notwithstanding the above, a member may, in lieu of this deferred pension, elect to transfer the commuted value of the deferred pension.
Transferred Members	Each member who elected to transfer out of the Plan into the Defined Contribution Plan as of January 1, 1997, and chose to maintain their defined benefits for past service, will have their benefits calculated based on average earnings and the average YMPE for all service, including service form January 1, 1997 to the date of termination.

APPENDIX G

Employer Certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2012 of the Retirement Plan of Great Lakes Power Transmission LP, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Great Lakes Power Transmission LP engagement with the actuary described in section 2 of this report, particularly the requirement to include a margin of 0.45% in the discount rate used to perform the going concern valuation
- The valuation reflects the Company's decisions in regards to determining the going concern and solvency funding requirements.
- A copy of the official plan documents and of all amendments made up to December 31, 2012 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The asset information summarised in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2012.
- All events subsequent to December 31, 2012 that may have an impact on the Plan have been communicated to the actuary.

Sept 26, 2013
Date

Scott Seabrook
Signed

Scott Seabrook
Name

MERCER

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SHARED SERVICES & CORPORATE COST ALLOCATION

1.0 Current Shared Services

The services and assets that will be shared between GLPT and Great Lakes Power Limited ("GLPL") in the 2015 and 2016 test years are the following:

- The office complex;
- Fibre optic systems; and
- Radio systems.

The cost sharing mechanisms and contracts for each of these shared assets and services are the same as those approved in EB-2009-0408, EB-2010-0291 and EB-2012-0300.

The proportional cost of these shared assets and services that is borne by GLPT is broken out in *Table 4-2-3 A* below. A discussion of how these services will be shared in the 2015 and 2016 test years follows.

Attached at **Appendix 'A'** to this schedule are the Board's Shared Services tables for 2015 and 2016.

Table 4-2-3 A – Current Shared Services

($000's)	2012 Actual	2013 Actual	2014 Application	2014 Forecast	2015 Test Year	2016 Test Year
Office Complex						
Rent	$169.0	$171.2	$178.2	$179.1	$174.5	$177.9
Operations & Maintenance	367.0	347.7	414.2	374.9	378.7	386.2
SCADA equipment licence	280.6	210.5	-	-	-	-
Fibre Optic System licence						
Depreciation	63.2	63.2	138.3	138.2	138.2	141.0
Operations & Maintenance	82.5	82.5	82.5	82.5	103.3	105.4
Radio System costs	33.4	34.8	33.0	37.0	40.6	41.4
Total Shared	**$995.7**	**$909.9**	**$846.2**	**$811.7**	**$835.2**	**$851.9**

2.0 Office Complex

The office complex utilized by GLPT is located at 2 Sackville Road in Sault Ste. Marie, Ontario. The office complex is owned by GLPL and, pursuant to a lease dated July 1, 2009, GLPT leases it in its entirety from GLPL. This arrangement has not changed since GLPT's last rate application (EB-2012-0300). The initial term of the lease is due to end on December 31, 2014. However, in accordance with section 4 of the lease GLPT has provided notice to GLPL that it is exercising its option to extend the term of the lease for an additional five years ending December 31, 2019. The lease rate in the extension term is to be at the current market rate for comparable premises. This ensures that the transfer pricing arrangement is compliant with the OEB's Affiliate Relationships Code (the "ARC") in that the compensation paid is based on a current market price. To verify the appropriate market rate, an independent real estate appraiser was retained in early 2014 to conduct a Market Lease Rate Analysis and issue a Consulting Report for the property at 2

Sackville Road (see attached at **Appendix 'B'**). The annual rent that GLPT pays GLPL is in the middle of the range of fair market rentals for triple net leases as assessed by this independent appraiser. This is consistent with the approach used in GLPT's prior rate applications.

GLPT's net rental cost of the building and property is forecast to be $174,500 for 2015 and $178,000 for 2016, with the forecasted increase being a result of inflation. As established in EB-2009-0408, and subsequently reinforced in EB-2010-0291 and EB-2012-0300, the lease structure that GLPT has been utilizing and will continue to utilize in the 2015 and 2016 test years is consistent with prudent planning and has resulted in demonstrable avoided costs.

GLPT estimates its share of operations and maintenance costs of the building to be $378,700 and $386,200 for the 2015 and 2016 test years, respectively.

3.0 Fibre Optic System

GLPT currently uses a fibre optic communication system to transmit SCADA data, telephone communications, corporate business data, protective relay signals, telemetry, truck radio voice circuits and IESO metering information. The system uses fibre optic laser technology to transmit control and voice signals between transmission stations. The fibre optic system is very reliable and mitigates the problems associated with transmitting communications and data signals through the high voltage environment of GLPT's transmission system.

Pursuant to an agreement dated June 30, 2009, GLPT has obtained a licence from GLPL for use of a fibre optic system for a three year term, which term is automatically renewable for subsequent one year terms unless GLPT at its option terminates. GLPT intends to extend the agreement through 2015 and 2016. Prior to 2014, the annual cost charged to GLPT was approximately $5,300 per month, or $63,200 annually. This represented approximately 41% of the depreciation cost of the system. As described in EB-2012-0300, the existing fibre network is being upgraded to replace end-of-life and obsolete equipment, with the upgrade scheduled to be complete in 2014. As a result of this upgrade and the associated increase in depreciation expense, it is anticipated that GLPT's share of the annual depreciation expense will increase by $75,000 beginning in 2014.

Therefore, GLPT's proportionate share of the depreciation cost of the fibre optic system is estimated to be approximately $140,000 for the 2015 and 2016 test years. It is important to note that, as highlighted in EB-2012-0300, the cost is still significantly lower than the cost of owning and operating a stand-alone fibre network to provide the same services. For example, assuming a useful life for accounting purposes of 15 years, and a cost of capital rate of 7.7%, GLPT's current annual cost of $140,000 is representative of a rate base amount of approximately $1,000,000.[1] Therefore, to the extent that the cost of installing a new fibre optic system is greater than $1,000,000, it is more cost-efficient to continue to lease the existing system. GLPT conservatively estimates that the cost of replacement would be in excess of $5,000,000. Therefore, GLPT's cost in extending the agreement through the test period is still competitive relative to the cost that would otherwise be incurred if GLPT elected to install its own fibre optic system. Given that there remains no market to acquire the necessary fibre optic system capacity, and that it is not cost-effective for GLPT to build its own system, the cost-based approach used here is compliant with the ARC.

In addition to the depreciation cost, GLPT is responsible for 41% of the operating and maintenance costs associated with the fibre optic system.[2] Pursuant to the agreement, the costs are managed by GLPL and billed to GLPT on a quarterly basis, and are forecast to be $102,800 for 2015, and $104,900 for 2016. The increase over 2014 is related to the inclusion of the rental cost associated with affixing attachments to GLPT's transmission structures. In prior applications, this cost was accounted for as a reduction to GLPT's Other Income streams. However, to simplify the accounting for this arrangement, GLPT is accounting for the gross revenue as Net Rent from Electric Property, with any

[1] A $1 million asset would result in annual revenue as follows: Depreciation recovery - $1,000,000 / 15 years = ~$67,000. Return on capital - $1,000,000 * 7.7% = $77,000. Total cost of capital: ~$144,000
[2] The 41% is based on 12 of the 29 system junglemux nodes being dedicated to GLPT.

offsetting operating costs being accounted for directly in OM&A. This is consistent with the treatment applied to Other Income in Exhibit 3, Tab 1, Schedule 3.

4.0 Radio Systems

Pursuant to an agreement dated June 30, 2009, GLPT is licensing radio system assets to GLPL for a three year term, which term is automatically renewable for subsequent one year terms unless GLPL at its option terminates. GLPT anticipates that the agreement will continue to be extended through the end of the test period. The system is situated in a remote area and is used by both GLPT and GLPL in the normal course of each company's business communications. Due to the cost of constructing and maintaining these assets in their remote location, it would not make economic sense for either company to duplicate the existing radio system.

GLPL pays GLPT a licence fee which is cost based and based on the percentage of radios in use on the overall system. The total annual depreciation cost for the radio system is approximately $11,000, of which approximately half is passed on to GLPL. In addition, approximately $70,000 in operating and maintenance costs are incurred at radio tower sites, of which half again is passed on to GLPL.

5.0 SCADA Equipment

Pursuant to an agreement dated June 30, 2009, GLPT licenced Supervisory Control and Data Acquisition ("SCADA") equipment from GLPL at a cost of 50% of the total depreciation cost of the existing equipment, with no return on capital investment. While the agreement was set to expire on June 30, 2012, GLPT extended the agreement for one additional year plus one quarter (to September 30, 2013) to allow for appropriate parallel operation with the new SCADA system that was completed in Q4-2012. The depreciation cost charged to GLPT was approximately $23,400 per month, or $280,600 annually. Effective September 30, 2013 GLPT no longer requires use of the existing SCADA equipment, and no longer leases the equipment from GLPL. GLPT will not have a SCADA lease cost during the test period.

6.0 Corporate Cost Allocation

6.1 Proposed Corporate Cost Allocation

Prior to filing its 2013-2014 rate application (EB-2012-0300), GLPT retained Navigant Consulting, Ltd. ("Navigant") to perform an analysis of the allocation of corporate costs associated with services shared between GLPT and affiliates. Navigant's report was filed as **Appendix 'B'** to Exhibit 4, Tab 2, Schedule 4 in EB-2012-0300.

As outlined in Navigant's report, the services shared between GLPT and its affiliates are: Corporate Shared Services, which includes Information Technology, Equity Resourcing, Tax, Human Resources and Finance, and Executive Oversight Services.

Navigant's analysis was based upon allocation approaches commonly used by regulated utilities and recognized that Brookfield-related entities take either an Owner/Operator or Shareholder role in the management of its various investments, depending on the ownership structure. Navigant's analysis utilizes a cost-based pricing approach.

While Navigant's report was prepared with specific references to budgets for 2013 and 2014, the methodology employed is still relevant for 2015 and 2016. Due to the continued relevance of the methodology and the simplicity of the exercise required to update the test year figures, GLPT did not retain Navigant to update the report. Instead, GLPT updated the report information using 2015 and 2016 budgets and updated cost drivers, applying the same approach to cost allocation for these years as was applied by Navigant for 2013 and 2014. The analysis indicates that a corporate cost allocation to GLPT of $411,500 for 2015 and $419,700 for 2016 is reasonable.

Table 4-2-3 B and *Table 4-2-3 C* below demonstrate the calculation of the amounts attributable to each of the five entities that form a part of the Electric Utility Group, as defined in Navigant's report. The total column on the far right side of each table represents the total corporate budget for the Electric Utility Group for each year.

Table 4-2-3 B – Calculation of 2015 Corporate Cost Allocation

		2015					
Shared Services	**Allocation**	**Transelec**	**GLPT**	**WETT**	**CSC**	**EBSA**	**Total**
IT	Revenue	$ -	$ 3,247	$ 4,703	$ 1,915	$ 15,634	$ 25,499
Shareholder Comm.	Revenue	$ -	$ 12,986	$ 18,813	$ 7,658	$ 62,537	$ 101,995
Tax	Assets	$ -	$ 4,721	$ 8,780	$ 3,914	$ 16,157	$ 33,572
HR	Employees	$ -	$ 2,603	$ 717	$ 425	$ 29,826	$ 33,572
Finance	Assets	$ -	$ 153,027	$ 284,576	$ 126,851	$ 523,659	$ 1,088,113
Shared Services Sub-total		**$ -**	**$ 176,584**	**$ 317,590**	**$ 140,763**	**$ 647,814**	**$ 1,282,750**
Executive Oversight - fixed to variable split	50%						
Fixed	Equal	$ 137,901	$ 137,901	$ 137,901	$ 137,901	$ 137,901	$ 689,507
Variable	Assets	$ -	$ 96,969	$ 180,328	$ 80,382	$ 331,828	$ 689,507
Executive Oversight Sub-total		**$ 137,901**	**$ 234,870**	**$ 318,229**	**$ 218,283**	**$ 469,729**	**$ 1,379,013**
Total Allocation		**$ 137,901**	**$ 411,454**	**$ 635,819**	**$ 359,046**	**$ 1,117,543**	**$ 2,661,764**

Table 4-2-3 C – Calculation of 2016 Corporate Cost Allocation

Shared Services	Allocation	2016 Transelec	GLPT	WETT	CSC	EBSA	Total
IT	Revenue	$ -	$ 3,311	$ 4,797	$ 1,953	$ 15,946	$ 26,007
Shareholder Comm.	Revenue	$ -	$ 13,245	$ 19,189	$ 7,811	$ 63,785	$ 104,030
Tax	Assets	$ -	$ 4,816	$ 8,955	$ 3,992	$ 16,479	$ 34,241
HR	Employees	$ -	$ 2,655	$ 731	$ 433	$ 30,421	$ 34,241
Finance	Assets	$ -	$ 156,080	$ 290,253	$ 129,382	$ 534,106	$ 1,109,821
Shared Services Sub-total		**$ -**	**$ 180,107**	**$ 323,926**	**$ 143,571**	**$ 660,738**	**$ 1,308,341**
Executive Oversight - fixed to variable split	50%						
Fixed	Equal	$ 140,652	$ 140,652	$ 140,652	$ 140,652	$ 140,652	$ 703,262
Variable	Assets	$ -	$ 98,903	$ 183,925	$ 81,986	$ 338,448	$ 703,262
Executive Oversight Sub-total		**$ 140,652**	**$ 239,556**	**$ 324,578**	**$ 222,638**	**$ 479,101**	**$ 1,406,525**
Total Allocation		**$ 140,652**	**$ 419,662**	**$ 648,503**	**$ 366,209**	**$ 1,139,838**	**$ 2,714,866**

As indicated in the tables above, the shared services and executive oversight costs were allocated to the various entities based on specific cost drivers. *Table 4-2-3 D* below demonstrates the calculation of each of the 'Revenue', 'Assets' and 'Employees' cost drivers for each entity, which were updated as of December 31, 2013.

Table 4-2-3 D – Calculation of Cost Drivers for Corporate Cost Allocation

Allocation Basis	Line	$ Millions Transelec	GLPT	WETT	CSC	EBSA	Total
Ownership Percentage by Brookfield	**A**	28%	100%	50%	100%	100%	
Management Oversight(1), or Board only (0)	**B**	0	1	1	1	1	
Revenue							
Total Gross Revenue	**C**	$ 439	$ 39	$ 113	$ 23	$ 188	$ 802
Adjusted for Ownership and Management	**= A x B x C**	$ -	$ 39	$ 57	$ 23	$ 188	$ 306
Revenue Allocator		0%	**13%**	18%	8%	61%	100%
Assets							
Total Gross Assets	**D**	$ 3,610	$ 228	$ 848	$ 189	$ 781	$ 5,656
Adjusted for Ownership and Management	**= A x B x D**	$ -	$ 228	$ 424	$ 189	$ 780	$ 1,621
Asset Allocator		0%	**14%**	26%	12%	48%	100%
Employees							
Total Employees	**E**	$ 505	$ 49	$ 27	$ 8	$ 562	$ 1,151
Adjusted for Ownership and Management	**= A x B x E**	$ -	$ 49	$ 14	$ 8	$ 561	$ 632
Employee Allocator		0%	**8%**	2%	1%	89%	100%

The agreement for services was filed as **Appendix 'C'** to Exhibit 4, Tab 2, Schedule 4 of EB-2012-0300. This agreement for services has not changed since that filing.

<u>APPENDIX "A"</u>

Shared Services Tables

Appendix 2-N of Filing Requirements

Shared Services - 2014 Forecast						
Entity Incurring Cost	Service Offered	Pricing Methodology	Allocation Driver	Total Cost Incurred ($000's)	GLPT Allocation ($000's)	% Allocation
GLPT	Office Complex					
	Rent	Market-Based	Sq. Footage	$341.2	$179.1	52.5%
	O&M	Cost-Based	Sq. Footage	$740.2	$374.9	50.6%
GLPL	Fibre Optic System					
	Depreciation	Cost-Based	41% Depr.	$337.1	$138.2	41.0%
	O&M	Cost-Based	41% OM&A	$201.3	$82.5	41.0%
GLPT	Radio System	Cost-Based	50% of Costs	$74.0	$37.0	50.0%

Shared Services - 2015 Test Year						
Entity Incurring Cost	Service Offered	Pricing Methodology	Allocation Driver	Total Cost Incurred ($000's)	GLPT Allocation ($000's)	% Allocation
GLPT	Office Complex					
	Rent	Market-Based	Sq. Footage	$336.2	$174.5	51.9%
	O&M	Cost-Based	Sq. Footage	$748.7	$378.7	50.6%
GLPL	Fibre Optic System					
	Depreciation	Cost-Based	41% Depr.	$337.1	$138.2	41.0%
	O&M	Cost-Based	41% OM&A	$251.9	$103.3	41.0%
GLPT	Radio System	Cost-Based	50% of Costs	$81.2	$40.6	50.0%

Shared Services - 2016 Test Year						
Entity Incurring Cost	Service Offered	Pricing Methodology	Allocation Driver	Total Cost Incurred ($000's)	GLPT Allocation ($000's)	% Allocation
GLPT	Office Complex					
	Rent	Market-Based	Sq. Footage	$342.9	$177.9	51.9%
	O&M	Cost-Based	Sq. Footage	$763.6	$386.2	50.6%
GLPL	Fibre Optic System					
	Depreciation	Cost-Based	41% Depr.	$343.8	$141.0	41.0%
	O&M	Cost-Based	41% OM&A	$257.0	$105.4	41.0%
GLPT	Radio System	Cost-Based	50% of Costs	$82.8	$41.4	50.0%

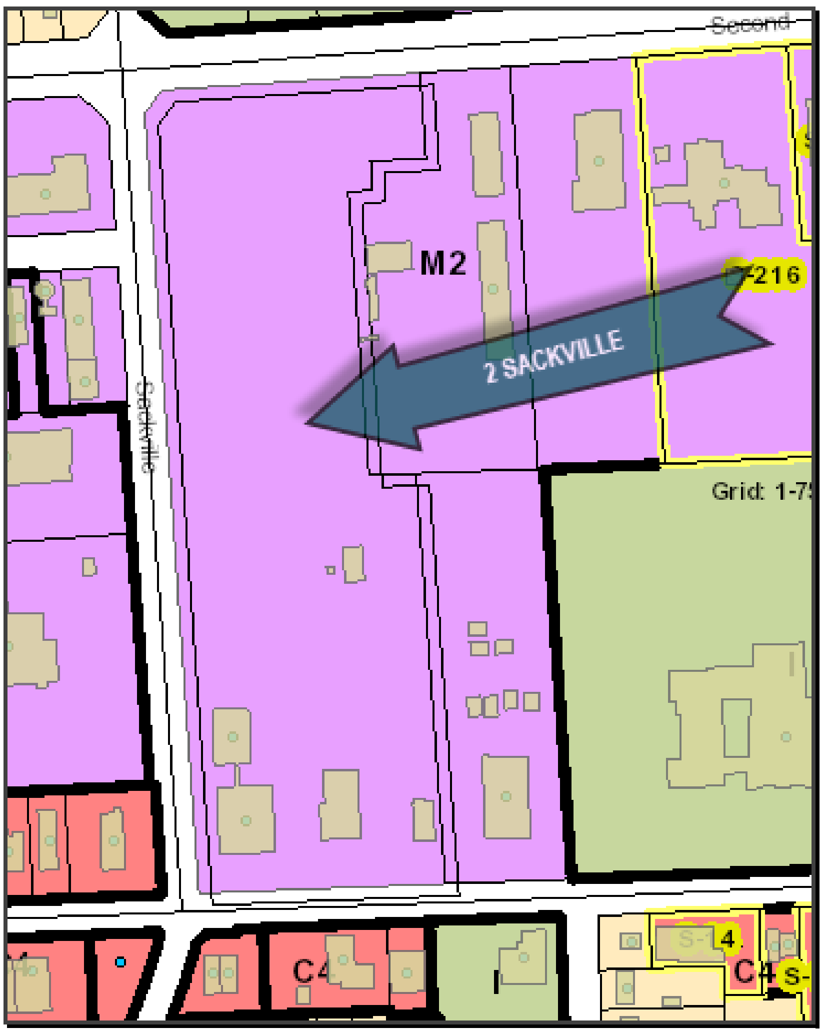
APPENDIX "B"

Market Lease Rate Analysis

Consulting Report: Market Lease Rate Analysis

Concerning a Property Located at:
2 Sackville Road, Sault Ste. Marie, ON

As of: March 24, 2014



Prepared For:
Great Lakes Power Transmission

2 Sackville Road
Sault Ste. Marie, Ontario P6A 6J6

Prepared By:
Area Real Estate Appraisals

853 Queen St. East
Sault Ste. Marie, Ontario P6A 2A8

March 24, 2014

Great Lakes Power Transmission
2 Sackville Road
Sault Ste. Marie, Ontario
P6A 6J6

ATTN: Duane Fecteau, VP Operations

RE: Market Lease Rate Analysis Concerning a Property located at 2 Sackville Road, Sault Ste. Marie, Ontario

In accordance with your instructions, I have investigated the local real estate market in order to establish parameters concerning market lease rates of commercial/office, industrial properties and a portion of the vacant industrial land located at the above referenced property. The scope of the analysis is as follows:

1. Review of the Market Lease Rate Analysis prepared by our firm for GLP on February 27, 2009;
2. Survey of brokers familiar with commercial/industrial building sales and leases throughout the Sault Ste. Marie market area;
3. Review of current, expired and sold listings on the MLS system;
4. Review of appraisal files on commercial/industrial buildings and industrial land over the past year.

The purpose of this analysis is to assist Great Lakes Power Transmission. in determining Market Lease Rates of the subject property for internal purposes. It may not be distributed to or relied upon by other persons or entities without written permission of Area Real Estate Appraisals. However, Algoma Power Inc. may provide only complete, final copies of the letter in its entirety (but not component parts) to third parties.

The following analysis sets forth the most pertinent data gathered, the techniques employed and the reasoning leading to the opinion of value. The analysis, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP) and the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute.

Based on the analysis contained in the following Consulting Report, the Market Lease Rates for the properties and land occupied by Great Lakes Power Transmission as at March 24, 2014 will be:

Property Type	Lease Rates	
Type 1: Commercial/Office	First & Second Floor	$6.50 PSF to $8.50 PSF NET
	Lower Level	$2.00 PSF to $4.00 PSF NET
Type 2: Industrial	Building "A"	$6.50 PSF NET
	Building "B"	$4.50 PSF NET
Type 3: Vacant Land	$2,560.00/MONTH	$30,720/YEAR NET

The information included is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to future behavior of consumers, and the general economy, which are highly uncertain. Therefore, while our analysis was conscientiously prepared on the basis of our experience, and the data available, we make no warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, we are not responsible for future marketing efforts, and other management actions upon which actual results may depend.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis or if Area Real Estate Appraisals can be of further service, please contact us.

Respectfully submitted,

____

Samuel Butkovich, AACI, PApp
Senior Appraiser - Certificate #2805
AREA Real Estate Appraisals
A Division of RE/MAX Sault Ste. Marie Realty Inc.

Executive Summary

▪ **Subject Property**	2 Sackville Road, Sault Ste. Marie, ON
▪ **Property Type**	MPAC Code 540 – Other Industrial
▪ **Ownership**	GREAT LAKES POWER LIMITED
▪ **Legal Description**	PLAN 763 LOT 1 TO 32 LANE CLOSED DELEWARE BALTIMORE BALMORAL AVE. CLOSED PLAN H732 LOT 14 PT PCL 12220 AWS RP 1R9112 PT 1
▪ **Building Sizes**	
1. Commercial/Office	24,572 SF / 18,216 SF (Basement)
2. Industrial Building "A"	8,020 SF / 720 SF (Mezzanine)
3. Industrial Building "B"	3,200 SF
▪ **Land Size**	13.46 acres (total site) 6.04 acres (portion assumed separate)
▪ **Property Type 1: Commercial/Office**	$6.50 PSF to $8.50 PSF NET (1st & 2nd Floors) $2.00 PSF to $4.00 PSF NET (Lower Level) Based on the properties analyzed there has been a slight increase in commercial/office lease rates since 2009.
▪ **Property Type 2: Industrial**	$6.50 PSF NET (Building "A") $4.50 PSF NET (Building "B") Based on the properties analyzed there has been a slight decrease in industrial lease rates since 2009.
▪ **Property Type 3: Vacant Land**	$30,720/YEAR NET ($2,560.00/MONTH) Based on the properties analyzed there has been a slight increase in industrial vacant land lease rates since 2009.

Scope of Work

According to the Canadian Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate scope of work. CUSPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

The following information defines the Scope of Work taken by the appraiser(s):

▪ **Report Type**	Market Lease Rate Analysis in Consulting Report Format
▪ **CUSPAP Reporting Type Description**	This analysis will constitute the basic outline and content of a Narrative Consulting Report. This format provides the client with the best method for understanding the appraiser's reasoning and conclusions, and assists the appraiser in analyzing the problem logically.
▪ **Inspection**	Samuel G. Butkovich AACI, PApp; the author of this report inspected the subject site and the exterior of the subject improvements in March 2014.
▪ **Purpose of the Analysis**	To assist Great Lakes Power Transmission in determining the Market Lease Rates of the subject property for internal purposes
▪ **Scope of the Work**	Review of the Market Lease Rate Analysis prepared by our firm for GLP on February 27, 2009; Interviews were conducted with; 1. Building Owners 2. Commercial Developers 3. Property Managers 4. Rental Agents 5. Commercial Brokers Comparable building information was obtained from MPAC; Geowarehouse, MLS and office files.

Market Conditions

Local Real Estate Overview

In recent years, Sault Ste. Marie has experienced record levels of construction. The greatest activity however has been in the Public sector (schools, capital projects). With all levels of government experiencing budgetary constraints, this is anticipated to subside in the near to midterm future. The table following is a summary of the last two years.

Table 1

THE CORPORATION OF THE CITY OF SAULT STE. MARIE

PERMITS SUMMARY

Year: 2012 Start Month: 1 End Month: 12

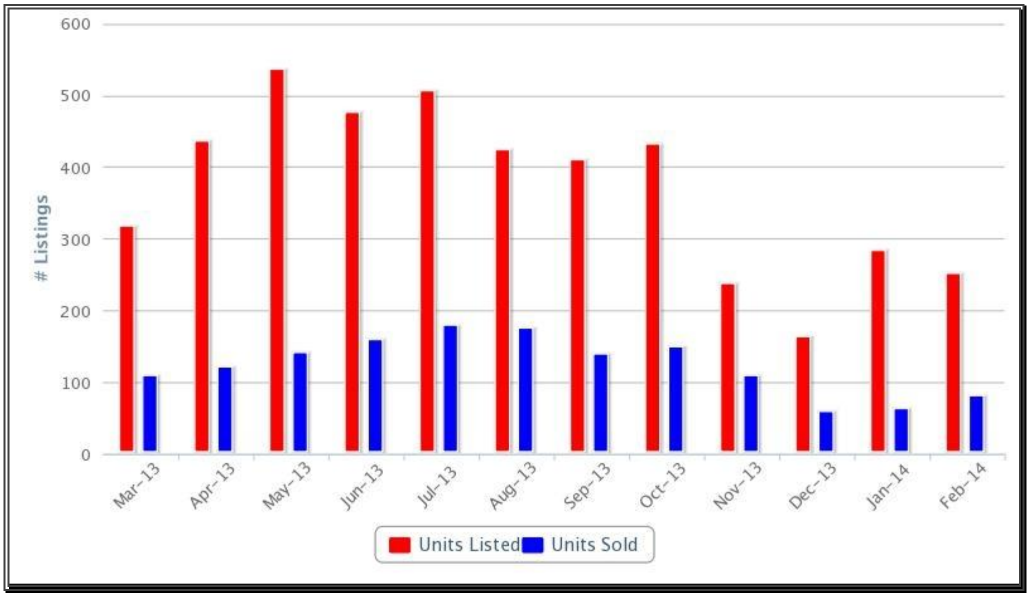
2013 Stats (in red)

BUILDING CLASS	PERMIT TYPE	NEW PERMITS NUM OF UNITS	NEW PERMITS NUMBER OF PERMITS	NEW PERMITS VALUE OF WORK	ALTERATIONS ADDTIONS NUM OF UNITS	ALTERATIONS ADDTIONS NUMBER OF PERMITS	ALTERATIONS ADDTIONS VALUE OF WORK	TOTAL NUM OF UNITS	TOTAL NUMBER OF PERMITS	TOTAL VALUE OF WORK
COMMERCIAL										
	COMMERCIAL BLDG.	0	2	$2,410,000.00	0	137	$15,911,222.07	0	139	$18,321,222.07
	DETACHED GARAGE	0	0	$0.00	0	1	$2,250.00	0	1	$2,250.00
	SIGN	0	0	$0.00	0	156	$451,001.00	0	156	$451,001.00
COMMERCIAL TOTAL		0	2	$2,410,000.00	0	294	$16,364,473.07	0	296	$18,774,473.07
										$16,574,741
INDUSTRIAL										
	INDUSTRIAL BLDG.	0	2	$414,000.00	0	76	$8,137,317.40	0	78	$8,551,317.40
INDUSTRIAL TOTAL		0	2	$414,000.00	0	76	$8,137,317.40	0	78	$8,551,317.40
										$5,985,105
INSTITUTIONAL										
	CHURCH	0	0	$0.00	0	1	$30,000.00	0	1	$30,000.00
	INSTITUTIONAL BLDG.	0	1	$11,700,000.00	0	46	$9,683,620.69	0	47	$21,383,620.69
INSTITUTIONAL TOTAL		0	1	$11,700,000.00	0	47	$9,713,620.69	0	48	$21,413,620.69
										$50,797,973
RESIDENTIAL										
	APARTMENT	4	1	$600,000.00	8	41	$1,425,014.48	12	42	$2,025,014.48
	DETACHED GARAGE	0	0	$0.00	0	195	$2,990,817.27	0	195	$2,990,817.27
	DUPLEX	0	0	$0.00	1	12	$70,490.00	1	12	$70,490.00
	SEMI-DETACHED	6	3	$1,068,000.00	0	15	$70,285.00	6	18	$1,138,285.00
	SIGN	0	0	$0.00	0	1	$4,800.00	0	1	$4,800.00
	SINGLE FAM. DWELLING	96	96	$27,802,250.00	0	628	$6,928,368.30	96	724	$34,730,618.30
	SWIMMING POOLS	0	0	$0.00	0	17	$212,000.00	0	17	$212,000.00
	TRIPLEX	0	0	$0.00	1	16	$207,800.00	1	16	$207,800.00
RESIDENTIAL TOTAL		106	100	$29,470,250.00	10	925	$11,909,575.05	116	1,025	$41,379,825.05
										$48,761,675
GRAND TOTAL		106	105	$43,994,250.00	10	1342	$46,124,986.21	116	1,447	$90,119,236.21
										$122,119,495

Building permits from all sources in 2013 were up 36% over 2012. As the table indicates, the largest growth section is in the Institutional category.

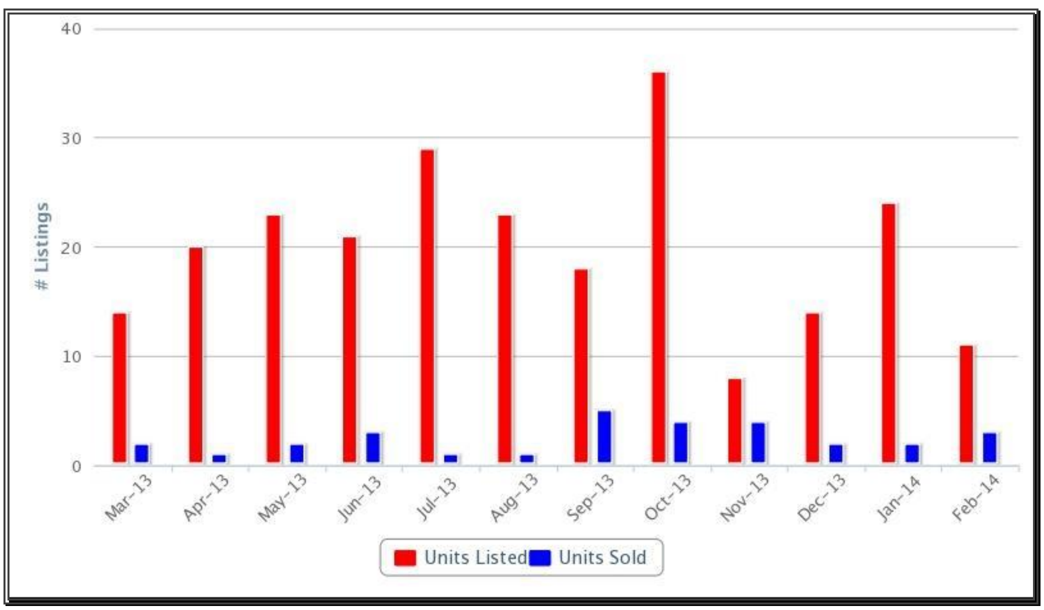
The local market is best classified as a moderate buyers market.

Graph 1 - Residential Sales



Most commercial transactions in this market are transacted outside of the multiple listing systems. Generally speaking, the market has been stable.

Graph 2 - Commercial Activity



Local Economy Overview[1]

The following is a summary of key local achievements as reported by our provincial government.

- $408 MILLION NEW SAULT AREA HOSPITAL

The new Sault Area Hospital (SAH) opened its doors to patients on March 6, 2011. The new hospital accommodates 291 beds, an expanded emergency department, more clinical space and gives residents access to a full range of hospital services, including acute care, pediatrics, surgical care, mental health programs and a new cancer radiation therapy facility.

- $400 MILLION BROOKFIELD RENEWABLE POWER WIND FARM

Brookfield Renewable Power development of a 189 megawatt wind turbine project. The wind farm created hundreds of construction jobs, 15 permanent jobs and generates enough power for 40,000 homes.

- $250 MILLION STARWOOD SOLAR ENERGY PROJECTS

Land acquisitions and financing have allowed work to be completed on phase one and phase two of several solar energy projects in Sault Ste. Marie by Starwood Energy. Local jobs were created in engineering, construction and ongoing management, operations and maintenance of the new solar farms.

- $173 MILLION FOR EDUCATION AND NEW SCHOOLS

The province has provided more than $30 million in additional annual operating funding for Sault Ste. Marie schools over the last 8 years. The additional provincial investment has led to smaller class sizes, improved test scores and higher graduation rates among students in Sault Ste. Marie. The government has also provided approximately $85 million to build new schools in Sault Ste. Marie. The Algoma District School Board (ADSB) received $46.7 million for Superior Heights Collegiate and Vocational school and $15.5 for the new Francis H. Clergue French Immersion public elementary school. Additionally the Huron Superior Catholic District School Board (HSCDSB) received $11.2 million to expand St. Patrick's elementary school and Le Conseil Scolaire Catholique du Nouvel-Ontario (CSCNO) received $10.4 million to expand Notre-Dam-des Écoles from K-12. In addition nearly $200 million is being provided for upgrades and improvements to existing school infrastructure in the Sault and Algoma region.

- $135 MILLION CO-GENERATION PLANT AT ESSAR STEEL ALGOMA

Essar Steel Algoma made a $135 million investment to build a 70 megawatt co-generation plant which is powered by waste gases from the steel making process. The Development of the plant created 200 construction jobs, benefits the environment by reducing green house gases, has made Essar Steel Algoma more competitive, has created greater job security for steel workers and their families, and is making Ontario less reliant on imported electricity.

[1] SOURCE: http://www.davidorazietti.onmpp.ca/mNews/1434?l=EN

- $130 MILLION CONTRACT FOR POLLARD TICKET FINISHING PLANT

Through Ontario Lottery and Gaming (OLG) and the Ministry of Public Infrastructure Renewal, Pollard Ltd. has secured a $130 million contract to finish Ontario Lottery tickets in Sault Ste. Marie. The new plant opened in 2008 and created 60 new jobs.

- $40 MILLION FOR NEW LONG-TERM CARE HOME

The government, Extendicare and Sault College are partnering to build a new 256 bed long-term care home that will be located on six acres of the college's campus at the end of Northern Avenue.

- $22 MILLION FOR SAULT COLLEGE

The government has made major investments in Sault College as part of the plan to spend $6.2 billion over 4 years on Ontario's post secondary education The province has provided $14 million in additional program and operating funding and $8 million toward the construction of a new academic building valued at $25 million. The new academic facility will allow Sault College to expand and improve innovative programs such as aviation, which will help to attract more students to the school and our community. The building will feature a reconfigured gateway entrance, a 120-seat multimedia lecture theatre, 19 flexible classrooms, a learning commons on all three floors, and is expected to create 250 jobs.

- $20 MILLION FOR ALGOMA UNIVERSITY

The province has provided over $12 million in additional program and operating funding and $8 million toward the construction of a new Bio-Science and Technology Centre valued at $16 million. The Centre was launched in September of 2009 creating 160 new jobs for the community. The new facility will bring together teaching, research and commercial activities in a dynamic atmosphere to foster innovation and growth.

Provincial funds were also attributable to the following achievements:

- $16.5 Million Huron Central Railway Upgrades
- $15.8 Million Toward Construction Of Invasive Species Research Centre And Research Chair At Algoma University
- $10.3 Million In New Funding For Northern Tourism
- $8.3 Million For Social Housing
- $7.8 Million To Build Donald Doucet Youth Centre
- $7.3 Million Toward New Algoma Public Health Building
- $6.2 Million West End Community Centre
- $6.2 Million In New Provincial Gas Tax Funding
- $5.6 Million To Build A New State-Of-The-Art Forensic Building
- $5.6 Million Toward The Truck Traffic Route – Carmen's Way

- $5.2 Million To Build New Flakeboard Ltd. Plant And Make Additional Improvements
- $5 Million Toward New Agawa Canyon Tour Train
- $4.7 Million For Essar Centre
- $4 Million In New Provincial Funding For Community Groups
- $3.5 Million For Third Line Extension
- $3.5 Million For Sault Area Cellular Service
- $3.1 Million For Boardwalk And Hub Trail Expansion
- $3 Million For The New Sutherland Group Tech-Centre
- $2.7 Million For Algoma Residential Community Hospice
- $2.5 Million For New Solar Panel Manufacturer
- $2.2 Million For Emergency Medical Services (Ems) Centre
- $2 Million For Ellsin Tire Recycling Plant
- $2 Million For A New CT Scanner At Sault Area Hospital

Since 2003, additional provincial investments that have helped build and improve Sault Ste. Marie while also creating short and long-term jobs include:

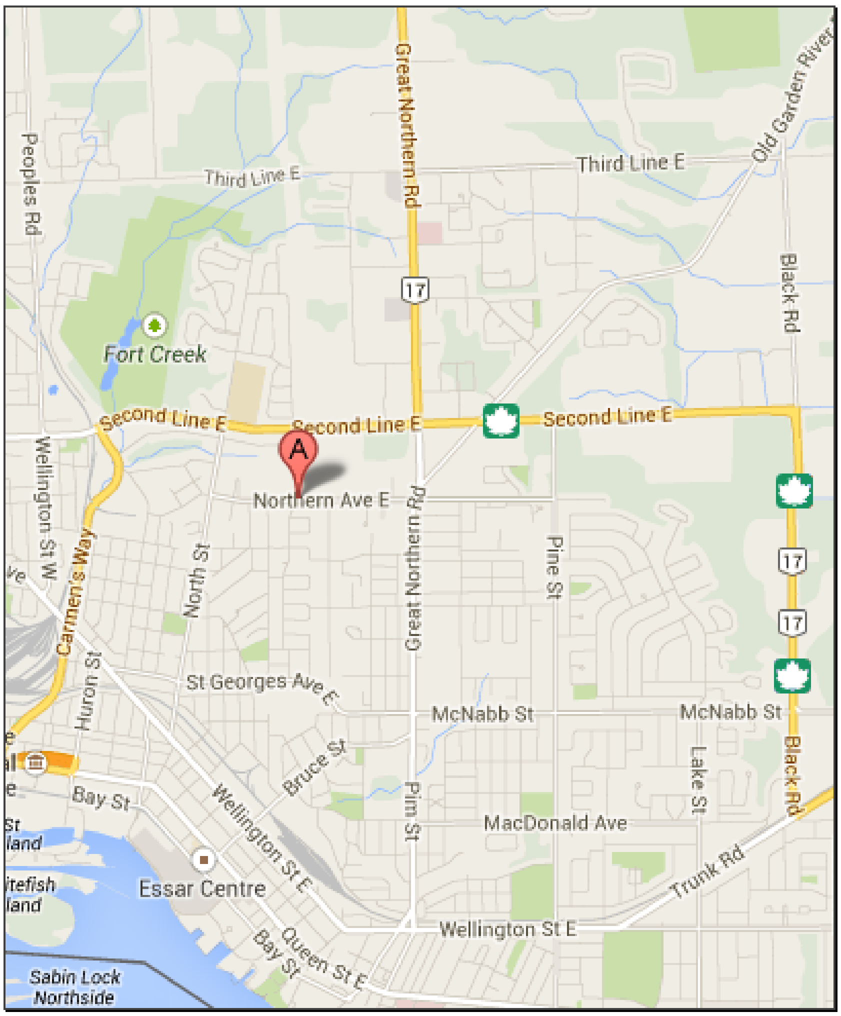
- $30 million new funding for road improvements
- $17.2 million in new provincial transfers under the Ontario Partnership Fund (OMPF) in 2014
- $9.8 million new provincial gas tax program
- $6.4 million social housing improvements
- $5.6 million Carmen's Way
- $4.2 million Conservation Authority infrastructure - source water protection
- $3.1 million Rehabilitation of Single Lane Bridges
- $3.0 million Municipal Infrastructure Investment Initiative (MIII) 2008
- $2.7 million COMRIF
- $1.9 million land ambulance annually
- $1.6 million Recreational Infrastructure Canada/Ontario 2009
- $1.0 million for 8 new city police officers annually

Subject Property Identification

Location Summary

The subject is located in the central sector of the city, just west of one of the most established business districts known as the Golden Mile (Great Northern Road). It is situated in a prime commercial/industrial location with excellent exposure on Sackville Road, Northern Avenue and Second Line. The only sector considered superior to the Golden Mile would be the north sector of the city which is located north of Second Line West. This area is currently the most rapidly expanding commercial areas in the city and includes the new Sault Area Hospital facility, Wal-Mart, Home Depot and other Box Store style developments.

Map 1: Subject Neighbourhood Map



Property Summary

The property that is the subject of this analysis is described as 2 Sackville Road in the City of Sault Ste. Marie, District of Algoma. Property details are summarized as follows;

- **Legal Description** PLAN 763 LOT 1 TO 32 LANE CLOSED DELEWARE BALTIMORE BALMORAL AVE. CLOSED PLAN H732 LOT 14 PT PCL 12220 AWS RP 1R9112 PT 1
- **Roll Number** 57-61-030-056-149-00-0000
- **PIN Number** 315580001
- **Property Type** MPAC Code 540 – Other Industrial
- **Registered Owner** GREAT LAKES POWER LIMITED
- **Frontage** 438.62'
- **Depth** Irregular
- **Land Size** 13.46 acres
- **Utilities & Services** All city services & utilities available to the site.
- **Zoning** M-2
- **Assessment** $3,396,000 (Assessed Value based on January 1, 2012 Valuation Date)

Map 2: Subject Plat Map

Improvement Summary

The site is improved with commercial and industrial use properties. Improvement details are summarized as follows:

BUILDING #1: COMMERCIAL

- Commercial / Office Building
- 1 storey (part) / 2 storey (part)
- 24,572 SF
- 18,216 SF (Basement)
- Built in 1968 & 1995
- Overall average condition
- Locker & shower rooms, male & female washrooms on both levels, boardroom, lunch room, elevator, partitioned offices two stairwells. Building link – 36 feet – 2 levels. Loading dock and overhead doors. Basement height is 11 feet.

BUILDING #2: INDUSTRIAL

- Industrial Building "A": Metering Shop
- 1 storey plus mezzanine
- 8,020 SF
- 720 SF (Mezzanine)
- Built in 1995
- Overall average condition
- Work shop area for trades. Building consists of garage, electrical shop and repair shop. Mezzanine is used as storage. Building height is 25 feet.

BUILDING #3: INDUSTRIAL

- Industrial Building "B": Storage / Repair Shop
- 1 storey
- 3,200 SF
- Built in 1969
- Building Height is 25 feet.
- Overall average condition
- Work shop area for trades people. Building consists of garage & repair shop.

Vacant Land Summary

The total site size is 13.46 acres, however this report is based on the assumption that a portion of the vacant land is a separate parcel of property. Details of the vacant industrial land to be analyzed is summarized as follows:

- **Gross Land Area** 6.04 acres
- **Est. Usable Land Area** 100%
- **Shape** Irregular
- **Topography** Level
- **Frontage** Frontage on Second Line and Sackville Road
- **Depth** Irregular
- **Zoning** Industrial

Aerial View of the Subject Property

Property Type 1: Commercial/Office

<u>Market Analysis</u>

In order to determine current market lease rates, property managers or rental agents were queried for updated information on commercial/office properties. Each building surveyed was previously inspected by a member of the firm. Current lease rates and vacancies were not available on every building as some of the parties contacted did not return our request for updates.

There has been no significant change to the information provided in our 2009 report regarding the supply of commercial/office leased space. As stated previously, these buildings are typically located in the downtown area, in the Central Business District (CBD) and would be classified as Class "A" Commercial Buildings. In Sault Ste. Marie, a Class "A" property would be a multi-storey building with an attractive entrance lobby, elevators and barrier free access. There are no buildings in this market area over nine (9) stories and most private sector properties are five (5) stories or less.

Map 3: Central Business District (CBD)

There remains to be a proliferation of office space on the second and third floor of the older commercial buildings in this district. Vacancy rates continue to be conservatively estimated at 25% to 35%.

An updated survey of the various office buildings in the private sector was undertaken and the results are as follows:

COMMERCIAL/OFFICE COMPARABLES

COMPARABLE #1: STATION TOWER							
Address	**Area (SF)**	**Class**	**Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
421 Bay Street	64,903	A	*Gross	$18.25	$19.23	$10.06	5 years

View of waterfrontage from three sides of the building. TD Bank and Subway on the main floor. Core tenants include; law firms, accounting firms and several other professionals. (*with escalation)

COMPARABLE #2: ELGIN STREET TOWERS							
Address	**Area (SF)**	**Class**	**Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
390 Bay Street	49,325	A	Gross	$20.75	$23.75	$12.75	Various

Property is located on the north sdie of Bay Street, across from Station Mall. Partial view of the St. Mary's River from the upper floors. Tenants include; law firms, engineering firms and other professional offices.

COMPARABLE #3: SOO CENTRE							
Address	**Area (SF)**	**Class**	**Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
123 March Street	33,941	A	Gross	$18.00	$20.00	$11.50	5 years

This property is located one block north of Queen Street East next to the District Court House and Land Registry Office. There would be limited view of the waterfront on the south side (upper floors). Tenants include; opticians and other professionals. Parking is less than adequate.

COMPARABLE #4: MCCARDA BUILDING							
Address	Area (SF)	Class	Type	Rate (Low)	Rate (High)	Costs*	Term
369 Queen Street East	29,319	B	Gross	$16.00	$18.00	$8.26	5 years

Building was converted from Sault Star (printing & offices). Basic interior finishing and façade. Parking in the rear is adequate but access is difficult from the parking area. Mixture of government agencies as tenants as well as constituency office for the Conservative party. (*estimated)

COMPARABLE #5: THE QUEENSCENTRE							
Address	Area (SF)	Class	Type	Rate (Low)	Rate (High)	Costs*	Term
477 Queen Street East	55,134	B	Gross	$16.00	$18.00	$9.44	5 years

This building was converted to its present use from a department store. It is slightly less than the standard expected in a Class "A" building. The south side of the building has an obstructed view of the St. Mary's River. There is above average parking available. Tenants include; dentists, government offices (across from courthouse) and various professionals. (*estimated)

COMPARABLE #6: BAILEY HOOSGOVENS							
Address	Area (SF)	Class	Type	Rate (Low)	Rate (High)	Costs	Term
405 Queen Street East	20,220	A	Gross	$16.00	$16.00	$6.66	5 years

This building is on the south side of Queen Street at the corner of Elgin Street. There is an obstructed view of the waterfront from the upper floors on the south side of the building. Building will be completely occupied by Children's Aid.

COMPARABLE #7: WALRUS BUILDINGS							
Address	**Area (SF)**	**Class**	**Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
452 & 464 Albert St. East	24,050	B+	Gross	$19.00	$20.50	$11.50	5 years

These buildings are on the north side of Albert Street near the District Court House and Registry Office. The location is negatively affected by the properties on Grace Street which is primarily made up of rooming houses and run down single family homes. Tenants include; real estate and government offices.

COMPARABLE #8: FAMILY DENTISTRY							
Address	**Area (SF)**	**Class**	**Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
766 Bay Street	6,400	B	Net	$10.00	$12.00	N/A	5 years

This building contained 2 units, both on one floor. The building is on the north side of Bay Street with a view of the St. Mary's River. This building was converted from an automobile dealership.

OFFICE LEASED SPACE

Property managers and leasing agents contacted confirmed that the market for most office space remains tight, particularly for space over 3,000 SF in Class "A" buildings. We were also able to confirm that recent leases were negotiated at:

Table 2

Summary of Comparable Office Leases Prepared by AREA Real Estate Appraisals March 2014					
#	**Address**	**Area (SF)**	**Lessee**	**Net Price**	**Gross Price**
1	123 March Street	3,150	WEBFORMS	$7.50	$19.00
2	262 Queen St. East	1,800	HEALTHGEAR	$15.00	$25.00
3	535 Queen St. East	2,000	BROKER LINK	$13.50	$23.67
4	390 Bay Street	1,866	NESBITT BURNS	$11.50	$20.00
5	111 Elgin Street	6,000	KPMG	$12.25	$23.25
6	120 Brock Street	1,200	MIRIAM'S BOOKKEEPING	N/A	$14.25 + Utilities
7	424 Pim Street	1,050	N/A	$8.00	N/A
8	71 Black Road	13,500 each	TWO 1 LEVEL BLDGS.	$8.50	$14.25

OFFICE GROSS LEASE RATES

The table below is a summary of the information obtained from property managers and realtors familiar with rental activity in Class "A" and Class "B" buildings throughout the market area.

Table 3

Summary of Commercial Lease Rates Obtained from Comparable Sault Ste. Marie Market Data								
#	**Name**	**Area (SF)**	**Class**	**Lease Type**	**Rate (Low)**	**Rate (High)**	**Costs**	**Term**
1	STATION TOWER	64,903	A	Gross*	$18.25	$19.23	$10.06	5 years
2	ELGIN ST. TOWERS	49,325	A	Gross	$20.75	$23.75	$12.75	Various
3	SOO CENTRE	33,941	A	Gross	$18.00	$20.00	$11.50	5 years
4	McCARDA BUILDING	29,319	B	Gross	$16.00	$18.00	$8.26	5 years
5	QUEENSCENTRE	55,134	B	Gross	$16.00	$18.00	$9.44	5 years
6	BAILEY HOOSGOVENS	20,220	A	Gross	$16.00	$16.00	$6.66	5 years
7	WALRUS BUILDINGS	24,050	B+	Gross	$19.00	$20.50	$11.50	5 years
8	FAMILY DENTISTRY	6,400	B	Net	$10.00	$12.00	N/A	5 years

* with escalation

As the information would suggest, gross lease rates for Class "A" buildings would be in the $16.00 to $23.75 PSF range. Common area and maintenance charges (CAM) in these buildings ranged from $10.05 to $12.75 PSF.

The gross rate would likely decline to $16.00 to $20.50 PSF for buildings classified as Class “B” or lesser quality. Second and third floor space in the downtown area continues to rent from $8.00 to $10.00 but would only offer limited amenities and would likely be deficient of parking.

OPERATING COSTS

The survey indicates that operating costs are now ranging from $6.66 to $12.75 PSF. The survey also indicates that most office building leases are on gross leases with escalation clauses built in for increases in operating costs. Consequently, base rates have remained relatively stable although gross rates have escalated due to increased operating costs in the 20% to 30% range over the past five years.

OFFICE NET LEASE RATES

Table 4

Net Rental Rate		
	Low	**High**
STATION TOWER	$8.19	$9.17
ELGIN ST. TOWERS	$8.00	$11.00
SOO CENTRE	$6.50	$8.50
McCARDA BUILDING	$7.74	$9.74
QUEENSCENTRE	$6.56	$8.56
BAILEY HOOSGOVENS	$9.34	$9.34
WALRUS BUILDINGS	$7.50	$9.00
FAMILY DENTISTRY	$10.00	$12.00

The net rental rate in Class “A” buildings ranged from $6.50 to $11.00 PSF. Of course, several factors such as the overall size and location in the building (i.e. 1st floor, penthouse etc.) will influence the rental rate.

The net rental rate in Class B and lower buildings ranged from $6.56 to $12.00 PSF. Common area and maintenance charges (CAM) in these buildings ranged from $8.26 to $11.25 PSF.

OFFICE VACANCY RATES

The property managers, developers and building owners interviewed indicated that vacancy rate for quality office space in the Sault Ste. Marie market area ranges from 10% to 20%. The rate would be considerably higher for the downtown business district in older buildings without elevators and barrier free access.

Market Analysis Summary & Conclusions

As stated in our 2009 analysis, the subject building is a relatively modern office building with elevators, emergency power and is structurally sound with excellent parking facilities. The subject building continues to be rated in an *average condition* and located in an *inferior location* as compared to the buildings analyzed.

Given the age and location of the building and based on the information obtained through analysis of comparable transactions; the market rent for the subject building is estimated to be between $16.00 PSF and $20.00 PSF gross. Using average operating costs of $10.00 PSF, the net rental rate is $6.50 to $8.50 PSF. This value is well supported in the market as evidenced in the forgoing analysis. This rate would apply to all of the area “above grade”. Lower level, “below grade” finished office space would be rated inferior and would be more difficult to rent. The market rate for finished office space in the subject property below grade is $10.00 PSF to $12.00 PSF gross or $2.00 to $4.00 net.

Table 5

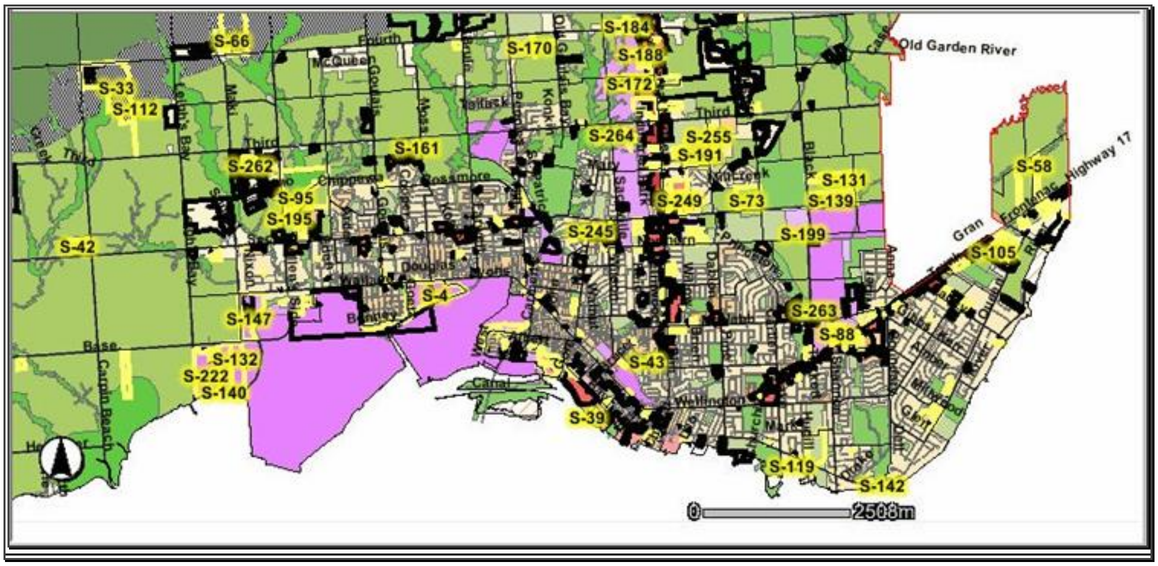
Property Type	Level	Lease Rates
Type 1: Commercial/Office	First & Second Floor	$6.50 PSF to $8.50 PSF NET
	Lower Level	$2.00 PSF to $4.00 PSF NET

Property Type 2 – Industrial Buildings

Market Analysis

There are several industrial zones in the city. The areas coloured in magenta on the map below represent industrial zones. The comparable lease information used in the analysis was obtained from properties in various locations around the city.

Map 4: Industrial Zones in Sault Ste. Marie



In order to estimate current market lease rates, property managers or rental agents were queried for lease rates on industrial properties. Data obtained from office files and MLS was also utilized in the analysis. Full information was not available on every building as some of the parties interviewed were reluctant to divulge information.

INDUSTRIAL COMPARABLES

COMPARABLE #1					
Address	**Area (SF)**	**Rate/SF**	**Net/Gross**	**Listing Date / Term**	**Status**
40 Industrial Crt. A	5,940	$6.95	Gross	10 year term	Closed
This building is a distribution warehouse for the Purolator Company. There are some finished offices and several loading docks along both sides of the building. The space is gnerally open with very little interior finish.					

COMPARABLE #2, #3 & #4

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
235 Drive In Road	7,932	$6.17	Net	5 year term	Closed
235 Drive In Road	2,346	$6.77	Net	5 year term	Closed
235 Drive In Road	869	$8.14	Net	5 year term	Closed

Industrial use building located on the north side of Drive-In Road at the north-east corner of Drive-In Road and Industrial Park Crescent. There are three tenants currently leasing the property.

COMPARABLE #5

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
783 Great Northern Road*	6,000	$7.50	Triple Net	5 year term	Closed

Situated on a busy corridor on the west side of great Northern Road, south of Third Line. Across from the new hospital. This is a single tenant building currently leased to Bridgestone Tires.

COMPARABLE #6

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
815 Great Northern Road*	18,104	$8.62	Net	5 year term	Closed

This building is situated on Great Northern Road between Driive-in Road and Third Line East. It was completely renovated after it was purchased in 2007. The front of the building is highly finished office space and mezzanine. The rear part is shop area with 23' ceiling height.

COMPARABLE #7

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
178 Drive-In Road	2,150	$7.70	Gross	14-Apr-09	Sold

This building is a small industrial mall situated in an insusrtrial park setting. The property is on the south side of Drive-In Road near Great Northern Road.

COMPARABLE #8

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
40 White Oak Drive	3,600	$6.67	N/A	26-Sep-13	Asking

Centrally located in convenient hilltop area. Open space with 10 foot ceilings. Possible commercial or light industrial uses. Bay area has overhead door. Includes two washrooms. Ample parking and has good visibility with storefront presence.

COMPARABLE #9

Address	Area (SF)	Rate/SF	Net/Gross	Listing Date / Term	Status
1024 Third Line W.	4,814	$6.23	N/A	09-Apr-13	Asking

Large concrete block utility building in located in the west end of the city. 5 overhead doors, high ceiling, fenced in compound yard, office space & lunch room. Building can be used for a variety of uses.

COMPARABLE #10					
Address	**Area (SF)**	**Rate/SF**	**Net/Gross**	**Listing Date / Term**	**Status**
132 Industrial Crt. A.	9,586	$8.00	Fully Net	04-Mar-14	Asking

Industrial or commercial space for lease. Mostly warehouse with four 14 foot doors with 23 foot ceilings. Many uses possible. Convenient loading dock. Office area includes reception, washroom, and private offices. Ample parking and outdoor storage.

COMPARABLE #11 & #12					
Address	**Area (SF)**	**Rate/SF**	**Net/Gross**	**Listing Date / Term**	**Status**
60 Pim Street	399	$7.52	Gross	02-Apr-13	Asking
60 Pim Street	913	$8.21	Gross	26-Aug-13	Expired

Office and industrial space located in downtown location. Common washroom, ample parking included. Industrial space includes bay area with overhead door and private office.

COMPARABLE #13					
Address	**Area (SF)**	**Rate/SF**	**Net/Gross**	**Listing Date / Term**	**Status**
562 Cathcart Street	4,900	$9.80	Triple Net	06-Dec-10	Expired

Metal industrial building with large warehouse area, office space and lunchroom. Tenant has full use of proeprty which has paved parking area and a fenced compound.

INDUSTRIAL COMPARABLE LEASED LISTINGS

It appears that the industrial leases are written on two scenarios, on a triple net[2] and a gross[3] basis.

Table 6

Summary of Industrial Lease Rates Prepared by AREA Real Estate Appraisals						
#	**Address**	**Area (SF)**	**Rate PSF**	**Net / Gross**	**Listing Date / Term**	**Status**
1	40 Industrial Crt. A.	5,940	$6.95	Gross	10 year term	Closed
2	235 Drive In Road	7,932	$6.17	Net	5 year term	Closed
3	235 Drive In Road	2,346	$6.77	Net	5 year term	Closed
4	235 Drive In Road	869	$8.14	Net	5 year term	Closed
5	783 Great Northern Road*	6,000	$7.50	Triple Net	5 year term	Closed
6	815 Great Northern Road*	18,104	$8.62	Net	5 year term	Closed
7	178 Drive-In Road	2,150	$7.70	Gross	14-Apr-09	Sold
8	40 White Oak Drive	3,600	$6.67	N/A	26-Sep-13	Asking
9	1024 Third Line W.	4,814	$6.23	N/A	09-Apr-13	Asking
10	132 Industrial Crt. A.	9,586	$8.00	Fully Net	04-Mar-14	Asking
11	60 Pim Street	399	$7.52	Gross	02-Apr-13	Asking
12	60 Pim Street	913	$8.21	Gross	26-Aug-13	Expired
13	562 Cathcart Street	4,900	$9.80	Triple Net	06-Dec-10	Expired
* Information from 2009 - unable to obtain updated lease details.						

Table 7

Rate Summary	
Minimum……………	$6.17
Maximum……………	$9.80
Average…………….	$7.56
Median………………	$7.52

INDUSTRIAL NET LEASE RATES

Based on the properties surveyed and the information provided, the net lease rate for industrial buildings (closed deals) is in the range of $6.17 to $8.62 PSF. Currently there is industrial space available from $6.23 PSF to $8.00 PSF (both triple net). The highest (asking price) was $9.80 PSF (triple net), however, this listing has expired.

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[2] A lease agreement that designates the lessee (the tenant) as being solely responsible for all of the costs relating to the asset being leased in addition to the rent fee applied under the lease. The structure of this type of lease requires the lessee to pay for net real estate taxes on the leased asset, net building insurance and net common area maintenance.

[3] Gross lease: A property lease in which the tenant pays the base rent and the landlord agrees to pay all expenses which are normally associated with ownership, such as utilities, repairs, insurance, and (sometimes) taxes.

Market Analysis Summary & Conclusions

As stated in our 2009 analysis, there are three separate industrial buildings on the site however, only two of the buildings would be considered to be rentable. The small, metal clad shop on the east side of the metering shop would simply be ancillary to the metering shop. The most elaborate structure is the 8,020 SF building situated on the east side of the main office building on Sackville Road. This building has frontage and visibility from Northern Avenue and will be referred to as Industrial Building “A”. The second building was built in 1969 and is a 3,200 SF metal clad building used primarily for storage. It is situated at the rear of the property and will be referred to as Industrial Building “B”.

What is noteworthy is that there is a large volume of vacant industrial space currently for sale on the market. This includes two buildings that are currently for sale; a 43,000 +- square foot industrial building at 510 Second Line that once housed the Public Utilities Commission and a 60,000 SF vacant industrial building situated at 59 Industrial Park Crescent. Both of these buildings are close to the subject and; when sold, could introduce an additional 100,000 SF of industrial space for lease in the city. The increased supply could drive renewal lease rates down in competitive properties throughout the city.

Industrial Building “A”: This building would command the highest rental rate of the two buildings. For the purpose of this report; the market rent for this building would be $6.50 PSF net.

Industrial Building “B”: This building has only a minimal degree of interior finish but would be suitable for dry storage or manufacturing because of its ceiling height. There is only one small office that is heated and the remaining building is open space. For the purpose of this report; the market rent for this building would be $4.50 PSF net.

Table 8

Property Type	Lease Rates	
Type 2: Industrial	Building “A”: Metering Shop	$6.50 PSF NET
	Building “B”: Storage / Repair Shop	$4.50 PSF NET

Property Type 3 – Vacant Industrial Land

Market Analysis

In order to determine current market lease rates for industrial vacant land research was conducted on tracts of industrial land that sold within the city of Sault Ste. Marie. Full details of the comparable sales analyzed are retained in the appraiser's file. Adjustments are summarized as follows:

- The transactions dated back to March of 2007. Consequently, an adjustment was required for the time elapsed between the effective date of the report and the sale date.
- The properties ranged in size from 0.52 acres to 47.91 acres. For comparative purposes, they were compared on a price per acre basis (the zonal unit rate).
- All of the sales had similar physical characteristics. No adjustment required.

Table 9

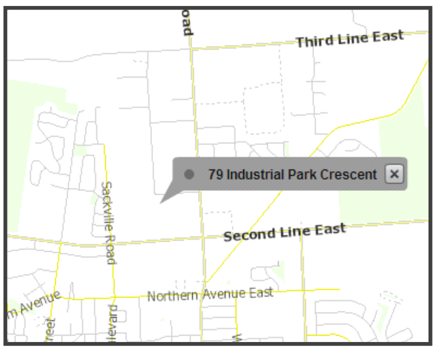
Vacant Industrial Land Sales
Prepared by Area Real Estate Appraisals Inc.

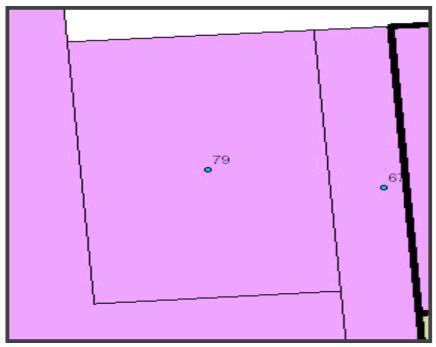
Sale #	Location	Size (Ac)	Date of Sale	Price	$/Acre	Adj$/AC	Zoning
1	79 Industrial Park Cr.	3.68	01-Nov-11	$ 199,000	$ 54,076	$57,930	M2
2	67 Industrial Park Cr.	1.39	07-Oct-13	$ 85,000	$ 61,151	$61,960	M2
3	211 Industrial Park Cr.	1.55	01-Aug-06	$ 35,000	$ 22,581	$27,749	M2
4	219 Industrial Park Cr.	1.32	30-Aug-06	$ 55,000	$ 41,586	$51,006	M2
5	227,235,243,251 Industrial Pk. Cresc.	17.42	18-Sep-07	$ 325,000	$ 18,655	$22,292	M2
6	219 Industrial Pk. Cresc. (Rear)	1.80	02-Aug-07	$ 71,800	$ 39,807	$47,722	M2
7	873 Second Line E.	2.93	17-Jul-08	$ 140,000	$ 47,782	$55,907	M2
8	1303 Trunk Road	0.95	01-Dec-12	$ 40,000	$ 42,105	$43,735	M2
9	John Street	0.52	01-Aug-08	$ 40,000	$ 76,923	$89,909	M1
10	195 Industrial Park Cr.	1.55	23-Apr-12	$ 75,000	$ 48,387	$51,143	M2
11	77 Third Line West	47.91	12-Feb-14	$ 475,000	$ 9,914	$9,941	M2
	Minimum	....			$ 9,914	$ 9,941	
	Maximum	....			$ 76,923	$ 89,909	
	Mean	....			$ 42,088	$ 47,209	
	Median	....			$ 42,105	$ 51,006	
	Avg. Most Similar	....			$ 50,929	$ 56,918	

The table above summarizes the adjustment process. Before adjustments, the value range was between $9,914 (the largest parcel) and $76,923 (the smallest parcel) per acre. This changed to $9,941 to $89,909 after adjustments. It is obvious from the spread that there is a significant range amongst the sales. These sales demonstrate the effect of economies of scale which dictates that:

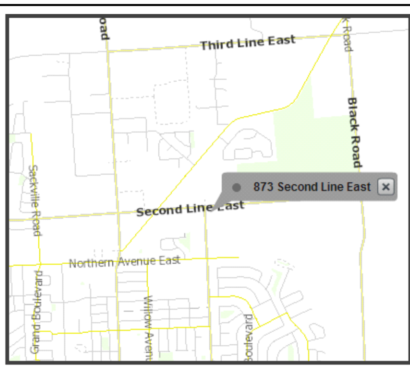
> *Generally speaking, economies of scale dictates that the average cost per unit lowers through increased production since fixed costs are shared over an increased number of goods. Smaller parcels will normally sell for more on a per unit basis than similarly zoned parcels of larger tracts.*

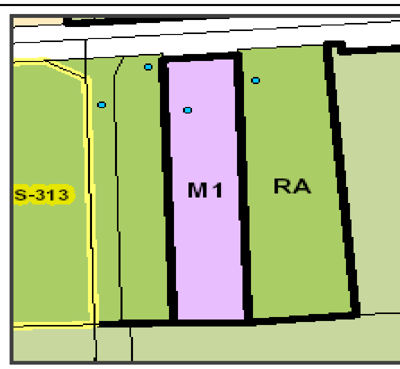
COMPARABLE #1						
Location	**Size (Ac)**	**Date of Sale**	**Price**	**$/Acre**	**Adj$/AC**	**Zoning**
79 Industrial Park Cr.	3.68	01-Nov-11	$199,000	$54,076	$57,930	M2
Level lot at corner located in industrial park setting. Close to Board of Works.						





COMPARABLE #7						
Location	**Size (Ac)**	**Date of Sale**	**Price**	**$/Acre**	**Adj$/AC**	**Zoning**
873 Second Line E.	2.93	17-Jul-08	$140,000	$47,782	$55,907	M2
Site is currently occupied by self storage business.						





Sale #1 and #7 are most similar in size to the subject, having sold for $57,930 and $55,907 per acre after adjustments. This is slightly higher than the average value of $47,209 per acre. The subject is in a superior location and would warrant an upward adjustment for location; therefore, it was concluded that $60,000 per acre is the estimated zonal value of the industrial land.

Once again; the formula for calculating the value of the subject land is relatively simple whereby the size of the property is multiplied by the zonal value;

6.04 acres (size) x $60,000 per acre (zonal value) = $384,000

It has been concluded from the foregoing sales analysis, that the Current Unimproved Market Value of the industrial vacant land is estimated at $384,000.

Map 4: View of Transmission Line

INDUSTRIAL VACANT LAND LEASE RATE

Determination of Market Rent:

The formula for establishing market rent for vacant land is simply an interpolation of the formula used to determine value when the Income (I) and the Capitalization Rate (R) is known.

V = I ÷ R

In this situation, the value (V) of the land is known (estimated) through the analysis of comparable property sales. The capitalization rate (R) is also market derived from the analysis of sales. The formula for determination of market rent is:

I = V X R

Income is the net annual income that is required to meet the investment objectives.

Capitalization Rates:

Table 10[4]

INDUSTRIAL						
MARKET	SINGLE-TENANT A		MULTI-TENANT B		TREND	
CITY	LOW	HIGH	LOW	HIGH	A	B
Vancouver	5.00%	6.00%	5.50%	6.50%	►	▲
Calgary	5.75%	6.50%	5.50%	6.50%	►	▲
Edmonton	5.75%	6.50%	5.50%	6.50%	►	►
Toronto	5.50%	6.50%	6.25%	7.00%	►	▲
Ottawa	6.00%	6.50%	6.50%	7.00%	►	►
Montreal	6.75%	7.50%	7.00%	7.75%	►	►
Winnipeg	6.25%	7.00%	6.75%	7.50%	►	►
Halifax	6.50%	7.00%	7.25%	7.75%	►	►
Victoria	6.00%	6.50%	6.50%	6.75%	►	►

Market Analysis Summary & Conclusions

Capitalization Rates for industrial property in Northern Ontario are typically are higher than in the larger urban centers (see above chart). On the other hand, land capitalization rates will by lower than improved property capitalization rates as there is no need to allow for depreciating buildings. Given the Capitalization Rates are ranging from 5.0% to 6.75% across Canada, it is probable that an investor would be satisfied with an 8.0% return on a vacant industrial land lease in Northern Ontario.

Assuming the land value is $384,000 as concluded in the market analysis and the capitalization rate is 8%, the market rent is calculated using the formula described previously;

I = V X R

= $384,000 x 8.0% **= $30,720 per year or $2,560 per month**

This does not include realty taxes which would be the responsibility of the lessee.

Table 11

Property Type	Lease Rates	
Type 3: Vacant Land	$2,560.00/MONTH	$30,720/YEAR NET

[4] This report and other research materials can be found on our website at www.colliers.com/canada. Questions related to information herein should be directed to the Research Department at +1 416 643 3477. This document has been prepared by Colliers International for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, express or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising therefrom. © Colliers International 2014.

Limiting Conditions and Assumptions

1. The estimated market value of the real estate which is the subject of this appraisal pertains to the value of the fee simple interest in the real property. The property rights appraised herein exclude mineral rights, if any.

2. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).

3. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Other empirical data required interpretative analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following Contingent and Limiting conditions.

4. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.

5. The author of this report cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, toxic wastes or contaminated materials, soil or sub-soil conditions, environmental, engineering or other technical matters which might render this property more or less valuable than as stated herein. If it came to our attention as the result of our investigation and analysis that certain problems may exist, a cautionary note has been entered in the body of the report.

6. The legal description of the property and the area of the site were obtained from the Municipal Office. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

7. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

8. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to

any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

9. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements, which appear in the Addenda, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

10. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

11. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

12. It is imperative that the reader or any other interested party be aware that the Appraiser did not inspect the premises for fire detection or smoke detection systems, or for the presence of carbon monoxide detectors, nor did the Appraiser inspect the condition of such equipment, if present. The Appraiser takes no responsibility whatsoever for the lack of, or condition of, detection devices that may be located on the premises, nor does the Appraiser warrant compliance in any manner of such equipment, if present.

13. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

14. The property has been valued on the basis that all leases, agreements to lease, or other contractual agreements relating to the terms and conditions of the tenants' occupation of space within the subject property are fully enforceable, notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this appraisal.

15. The property has been valued on the basis that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental arrangements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants' occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, and are full enforceable notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this appraisal, unless such conditions have been identified and noted in this report.
16. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.
17. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.
18. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a CO-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.
19. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.
20. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.
21. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made therefore, including provisions for additional compensation to permit adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these assumptions and limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a

judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.

22. Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.
23. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.
24. The value expressed herein is in Canadian dollars.
25. This report is only valid if it bears the original signature(s) of the author(s).
26. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or contemplated future interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).
- I have made a personal exterior inspection the property that is the subject of this report.
- I had no one else provided significant professional assistance in the development of the conclusions contained in this report.
- The Appraiser has established sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- My value conclusion and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.
- The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, Samuel G. Butkovich AACI, has fulfilled the requirements of the program.
- The value estimate contained in this report applies as of March 24, 2014. This date may be referred to as the effective date of valuation.

Samuel Butkovich, AACI, Papp **March 24, 2014**

Senior Appraiser - Certificate #2805

AREA Real Estate Appraisals

A Division of RE/MAX Sault Ste. Marie Realty Inc.

PURCHASE OF NON-AFFILIATE SERVICES

1.0 Overview

In the course of operating its transmission business, GLPT relies on the purchase of services from non-affiliated companies. Services purchased by GLPT from non-affiliated companies include but are not limited to: vegetation management services, audit services, equipment and material testing, janitorial services, electrical support, construction activities, training services, legal services, pension administration, building maintenance, snowplowing and engineering support services. GLPT's procurement procedure is attached at **Appendix 'A'** to this schedule. GLPT's non-affiliate services purchases are made in accordance with this procedure.

2.0 Contractor Pre-Qualification

Where GLPT believes there may be safety or environmental concerns associated with a project or a particular type of work, GLPT will carry out a contractor pre-qualification process. A safe and healthy workplace is an important part of GLPT's work environment. As such, GLPT takes a number of steps to ensure that contractors, particularly those carrying out physical work on behalf of the company, demonstrate a level of dedication to health and safety that is consistent with GLPT's own commitment to health and safety. This process, which GLPT refers to as its contractor pre-qualification process, is described in detail below:

1. Interested contractors are sent an application form,

2. The contractor completes the application form and returns it to GLPT along with any additional information requested. Information requested includes business history, safe work performance, health and safety policies and information, and environmental policies and information.

3. GLPT evaluates the information supplied and requests additional information as required. GLPT determines whether the contractor is qualified to work for GLPT, depending on the level of risk that is associated with the work sought by the contractor.

4. Annually, contractors are requested to update certain information in the application form. Some examples of information requiring updates include Workplace Safety & Insurance Board experience ratings, training completed, and Ministry of Labour orders.

APPENDIX "A"

GLPT Procurement Procedure

Great Lakes Power Transmission LP

Procurement Procedure

March 25, 2011

1 Overview

This procedure provides internal Management and control over the process of procuring goods and services. The procedure stipulates that the procurement of goods and services will be in accordance with the procedure framework (Section 3), the requirement is for competitive bids whenever commercially practicable (Section 4.2), all participants will conduct themselves in an ethical and fiscally principled manner (Section 2), and, that each control point must be approved in accordance with the Spending Approval Procedure.

1.1 Revision History

Version	Reason for version	Author	Date Approved	Approver	Signature
1.0	Initial Publication	M. McCracken	June 18, 2010	D. Fecteau	DF
1.0	Initial Publication	D. Fecteau	June 18, 2010	A. McPhee	AM
1.1	Minor Updates	D. Fecteau	March 5, 2011	A. McPhee	[signature]

1.2 Review Period

This procedure is to be reviewed annually to ensure continued relevancy and accuracy.

1.3 Responsibilities

1.3.1 Owner

The Owner of this procedure is the Vice President and General Manager

1.3.2 Manager

The Manager of this procedure is the Director of Administration

1.3.3 Compliance

Employees are required to comply with the procurement procedure; Managers are responsible for ensuring that employees within his or her department are aware of the procurement procedure.

Managers are also responsible for ensuring that expenditures within their department are for an approved budgeted line item, the expenditure does not exceed the approved budget, and it is charged to the proper Work Order (WO) prior to the issuance of a PO.

1.4 Target Audience

The procurement procedures are for all operational and administration staff\consultants at Great Lakes Power Transmission (GLPT).

1.5 Conflict Escalation

The Purchasing Department will work with Requestor but also departmental Managers to resolve any disagreement(s)/dispute(s) with regards to this procedure. In the event of an outstanding disagreement between or with the above parties, the procedure Owner represents the final escalation point.

2 Principles

The following principles shall be taken into account during any procurement of goods or services by GLPT:

Health and Safety: GLPT continuously strives to achieve excellence in safety performance and be recognized as industry leaders in accident prevention. Our overall objective is to achieve zero high risk safety incidents and zero lost time injuries for all employees, Contractors, and the public that are within close proximity of our facilities. Procurement of goods and services shall comply with GLPT Contractor safety Management which is detailed in the Safety Procedures.

Environmental Issues: GLPT accepts the responsibility entrusted to us to manage natural resources in ways to ensure sustainable development and public safety. Procurement of goods and services shall comply with GLPT Contractor environmental Management which is detailed in the Environment Procedures.

Accountability: Expenditures must be made in accordance with sound business practices and applicable requisitioning and approval practices of GLPT at the time of initiation of procurement process.

Honesty/Integrity: Maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside the organization;

Ethical and Transparent: Acquiring goods and services through the consistent application of transparent processes, and professional standards of business ethics in accordance with the GLPT – Code of Business Conduct and Ethics. In addition, employees and consultants shall not use their authority for personal gain and shall reject any business practices that are improper.

Discrimination and Harassment: No employee shall knowingly participate in acts of discrimination or harassment towards any person that he or she has business relations with.

Business Gifts and Hospitality: Employees and consultants shall preserve the image and integrity of themselves and of GLPT; business gifts other than items of small intrinsic value should not be accepted.

Competition: Remaining conscious of the advantages of maintaining a continuing relationship with a Supplier. Any arrangement which might prevent the effective operation of fair competition must be avoided.

Conflict of Interest: Employees and consultants shall avoid situations where personal interest which may infringe, or might reasonably be deemed by others to infringe, on a member's impartiality in any matter relevant to his or her procurement related duties.

Such instances should be immediately declared to the Vice President and General Manager before entering into any agreement. Recommendations will be made by the Vice President and General Manager on how to avoid, neutralize, or mitigate the risks based on the specifics of the situation.

Confidentiality: Take all reasonable steps to ensure that we comply with all confidentiality obligations. The confidentiality of information received in the course of duty must be respected and should not be used for personal gain or to the advantage of the Supplier; information given in the course of duty should be true and fair and not designed to mislead.

Conformity to the Laws: Employees and consultants must comply with all of the laws in which we practice; the rules and regulations of GLPT and the Ontario Energy Board; any professional institutions that we might be a member of; and our contractual obligations.

3 Procedure Framework

The purpose of this procedure is to describe the processes to be followed for the acquisition/lease of goods and services. The acquisition/lease of goods and services are classified into two categories. Category one consists of Operations, Regular Maintenance, and Administration (OM&A). Category two consists of Capital or Major Maintenance (MM) projects.

This procedure document does not outline the authorization levels for approval of category two projects or spending approval limits for both categories one and two expenditures. (Please refer to the Spending Approval Procedure). This procedure outlines the steps to be followed **after** satisfying all requirements of the Spending Approval Procedure.

3.1 Objectives

The objective of this procedure is to ensure that all stakeholders (GLPT Operations, Partners, and Ratepayers) needs are adequately assessed and acquisition/lease of goods and services are properly justified prior to purchase. The intent of this procedure is to: ensure operations have the tools required to operate a safe, reliable, environmentally responsible and efficient transmission system, ensure (where appropriate) acquisitions/lease of services are acquired through a competitive procurement process (Section 4.2), and ensure appropriate internal controls and audit trails are maintained. To ensure GLPT meets this objective the following specific objectives will be adhered to:

- The Purchasing Department is to be utilized as much as possible, in order to allow others to focus efforts on specific departmental tasks. This will ensure enhanced operational efficiency and support the internal controls and audit trails. The Purchasing Department will liaise with the requester and existing/potential Suppliers.

- Obtaining quotes or proposals from multiple Suppliers is preferable to single sourcing when possible. Single sourcing (Section 4.2.6) may be necessary and suitable in certain circumstances, and when the risks associated with single sourcing can be mitigated.

- Qualification and selection of Suppliers will be conducted based on certain criteria. Selection criteria include but are not limited to any of the following.

    - Health and safety considerations
    - Environmental considerations
    - Prequalification of Suppliers (All Suppliers should be prequalified[1])
    - Price variations
    - Community support and strategic business relationships
    - Past procurement experience
    - Available information about Suppliers
    - Timeframe for selection
    - Nature of goods/services being procured
    - Availability of Suppliers

- Decisions made in the selection of Suppliers and service providers must be adequately documented.

- Documentation is required for each purchase to ensure purchasing files are consistently maintained with all required information. This will also facilitate the maintenance of an inventory database, and proper tracking and accounting for disposals of assets.

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[1] It will be the responsibility of the requesting/approving individual to determine if the prequalification program is required, as this requirement will not be enforced upon Vendors, service providers, or Contractors who do not pose safety or environmental concerns.

When there is uncertainty as to the requirement of a prequalification, consultation with the Health, Safety and Environmental Specialist will be required to reach a conclusion.

- Expenditures on goods and services are not to be broken down arbitrarily into smaller amounts to circumvent the documented authorization limits.

This Procedure document covers major purchases completed via Purchase Orders (PO), Standing Purchase Orders (SPO), and direct invoicing, as well as minor purchases completed via Procurement Cards (ProCard) and Fleet Cards.

3.2 Major Purchase

For all external purchases of goods and services, which are not ProCard purchases, a PO or SPO must be issued for the item or service through the Purchasing Department. The only exceptions are in the case of emergencies and where a Purchase Requisition and sourcing are not feasible or applicable; such expenditures include but are not limited to payroll, utility bills, insurance, property taxes, regulatory fees, fuel, etc.

3.2.1 Purchase Orders

A Purchase Requisition form is to be completed. This will include an estimated value for the purchase, a Work Order (WO) number and approval from a manager (subject to the "Spending Approval Procedure" limits). The estimated value of the expenditure will be calculated as follows:

> The estimated value of the purchase of goods and services excludes taxes. For a lease it will be the sum of rental/lease payments over the contracted or expected term and, if applicable, would include the purchase option at the end of the rental/lease period, and the residual value payment, including any expected renewal periods. If a contingent obligation is associated with the lease, the estimated value of the contingency must be included as part of the total expenditure for approval purposes.

The Purchase Requisition will be sent to the Purchasing Department to be sourced. Multiple quotes will be obtained when possible/reasonable (Section 4.2). When not possible or reasonable, formal documentation of sourcing methodology is necessary on the Purchase Requisition. Examples include instances where the Requestor has already sourced a highly specialized product/service, or the nature of the product/service is such there are no other Vendors available. The documentation will serve to verify to stakeholders that value for money is being ensured and to assist with audit purposes.

The documentation related to the quotes will be retained with the Purchase Requisition for audit purposes.

The quoted price should be within 10% of the estimated value, where it is not, the Purchaser will communicate with the approving manager prior to creating a PO.

When the Purchaser is satisfied that the above requirements have been met he/she will create a PO.

3.2.2 Standing Purchase Orders

When certain goods are repeatedly purchased, or services are retained throughout the year, a SPO will be more efficient and preferred over repeatedly following the PO procedures noted above in section 3.2.1.

Requirements are equivalent to those requirements set out above in 3.2.1 for a regular PO, excluding the need for sourcing once a SPO has been established.

Annual review of SPO's is required. This will be in the form of an analysis outlining the sourcing decisions.

3.2.3 Direct Invoicing

As noted above in section 3.2 invoices that are not on PO's include but are not limited to payroll, utility bills, insurance, property taxes, regulatory fees and expenses, etc. Direct invoicing is acceptable in cases where a Purchase Requisition and sourcing are not feasible. In addition direct invoicing is acceptable in cases of Emergency.

Approval of all direct invoicing will be evident by a manager's signature on invoice.

3.3 Minor Purchases

Because of the nature of ProCard and Fleet Card purchases, a Purchase Requisition and PO is not required. However, a WO must be created or assigned prior to the reconciliation process which is completed by accounting. All receipts MUST be included with the monthly reconciliation as set out in the detailed ProCard Guidelines. In the event that a receipt is not available, authorization will be required and approval is left to the discretion of the manager.

Receipts assist in the fulfillment of Inventory requirements; all tools, equipment and furniture greater than $200 are to be capitalized and recorded in inventory databases, as required in the separate Inventory Database Procedures.

Purchases under a ProCard are categorized as Travel/Conferences/Seminars, Low Dollar Items (under $200) or Emergencies. Purchases under a Fleet Card are categorized as fuel or minor vehicle maintenance costs (under $200).

3.3.1 Travel/Conferences/Seminars

The P-Card is to be used for approved GLPT travel expenses, approved GLPT conferences, or approved seminars.

3.3.2 Low Dollar Items

For purchases of goods and services (those not exceeding $200, all taxes included), it is efficient to use the procurement card with no requirement to utilize the Purchasing Department; however managerial approval must be obtained after the purchase. This is evident through the Manager's review and approval of the reconciliation. The P-Card may also be used to purchase Emergency items (see below). For in-depth instructions on the utilization of the P-Card, please refer to the procedures outlined in the Purchasing Card Program Guideline.

Expenditures are not to be broken down arbitrarily into smaller amounts to circumvent the limit. Purchases of goods and services which fall outside of these requirements will require formal detailed documentation of the special situation, with evidence of a manager's review. All purchases of goods and services will be monitored and subject to periodic reviews.

3.3.3 Emergency

Advance approvals are not required for Emergency expenditures. However, the Emergency details must be noted through the monthly P-Card or Fleet Card reconciliation process.

3.3.4 Fuel and Minor Vehicle Maintenance

Fleet Cards are to be used for fuel and minor vehicle maintenance costs (costs < $200). A Fleet Card is found in each company vehicle for this purpose.

4 <u>Contracts and Competitive Procurement</u>

4.1 Contracts

Contracts can be utilized for any of the above purchasing options. Contracts may be preferred for services that have increased health safety and environmental concerns or for large purchases. A contract is not required when the costs associated with the process of obtaining a contract do not provide sufficient business justification. The ultimate determination for whether a contract is required will be the responsibility of the requester.

When certain goods are repeatedly purchased, or services are retained throughout the year a contract may be preferred by the Requestor/Purchaser or the Vendor. All contracts and agreements must be submitted to the Director of Administration and the Vice President and General Manager for approval.

The Contract Specialist is to be utilized when questions arise as to the need or requirement of a contract. The Contract Specialist should be consulted in the initial stages of implementing a contract and he/she will assist with the formal documentation.

Contracts are to be reviewed annually.

4.2 Competitive Procurement

It will be the responsibility of the Purchasing Department to ensure the following procedures for competitive procurement are followed.

4.2.1 Purchases up to $5,000

Can be executed on a non-competitive basis and the decision as to whether to source and seek multiple verbal quotations rests with the Purchasing Department.

4.2.2 Purchases $5,000 up to $25,000

To be considered as competitive the procurement of goods or services should be based on at least three bids, which may be oral or written, but the details must be attached to the Purchase Requisition. Typical information may include:

- Vendor's name,
- Vendor phone number,
- contact person's name and number;
- prices quoted, and,
- date.

If less than three quotes are received, an explanation is to be provided and attached to the Purchase Requisition.

4.2.3 Purchases $25,000 up to $250,000

To be considered as competitive the procurement of goods or services should be based on at least three written quotes which must be attached to the Purchase Requisition. The Requestor may choose to RFP if deemed appropriate. If less than three quotes are received, the Purchaser or Requestor is to provide an explanation and attach it to the Purchase Requisition.

4.2.4 Purchases Over $250,000 [formal RFP process required]

To be considered competitive the procurement of goods or services should be solicited through a formal written Request for Proposal (RFP) with the scope developed by the Requestor as appropriate for the type of goods and services, that can be either:

- solicited among three or more potential Vendors that might reasonably be expected to be appropriately qualified; or,
- solicited to at least two Vendors selected on the basis of formal written qualifications, documented GLPT Vendor evaluation reviews, or,

successful and positive experiences related to previous GLPT requirements or projects.

If less than three quotes are received, an explanation is to be provided and attached to the Purchase Requisition.

4.2.5 Award to Non-Lowest Bid

Award of the bid to a materially non-lowest price Supplier or service provider is justified from time to time but it must continue to adhere to the approved spending limits on the Purchase Requisition.

Non-Lowest Bid justifications shall objectively and quantifiably address some or all of the following factors:

- Quality/safety or schedule reasons,
- Total value or life-cycle costs,
- Experience (general or site specific),
- Continuity of service or expertise previously engaged, and/or
- Compatibility with existing equipment, systems, and/or protocols.

Justifications must be re-approved annually and/or on a project by project basis as applicable to the nature and value of the goods or service and in accordance with the Spending Approval Procedure.

Similarly, if the lowest price bid is >25% lower than the next highest bid, the requestor must provide an explanation which includes:

- Confirmation that the scope was the same for all Vendors;
- Confirmation that the winning bidder is capable of delivering the goods and services according to the scope, quality, schedule and without safety, environmental or operational risk.

4.2.6 Exemption from Requirement for Competitive Procurement

On occasion a purchase of larger dollar value goods or services may be exempt from the requirement for competitive procurement (as defined in sections 4.2.1 – 4.2.4). To be exempt from the competitive requirement, Requestor will be required to provide a Sole Source justification, approved in accordance with the Spending Approval Procedure and with a minimum of a Vice President and General Manager or their designates approval. Sole Source justifications shall objectively address either of the following factors:

- Urgency of the need (and why there was insufficient time to perform a competitive sourcing),
- The need for equipment goods or services.
- Steps taken to mitigate financial exposure inherent in sole sourcing.

Sole Source Justifications are to be documented on or attached to the Purchase Requisition, and must be re-approved annually and/or on a project by project basis as applicable to the nature and value of the goods or service.

5 Definitions

Asset - Defined in accordance with CICA Handbook.

Assets have three essential characteristics:

(a) They embody a future benefit that involves a capacity, singly or in combination with other assets, in the case of profit-oriented enterprises, to contribute directly or indirectly to future net cash flows;

(b) The entity can control access to the benefit; and

(c) The transaction or event giving rise to the entity's right to, or control of, the benefit has already occurred.

Capital Spending – Defined in accordance with the CICA Handbook.

Cost is the amount of consideration given up to acquire, construct, develop, or better an item of property, plant and equipment and includes all costs directly attributable to the acquisition, construction, development or betterment of the asset including installing it at the location and in the condition necessary for its intended use.

Purchases which extend the life or improve the reliability of existing assets. The total cost of Capital purchases includes all direct and/or indirect costs.

Contractors – Any person, consultant, or business performing a services or offering goods to GLPT who is not a GLPT employee.

ELKE – Work Management software.

Emergency - Purchases required to avoid or shorten an unexpected or actual outage, or to complete a project that the delay of which is expected to result in increased costs.

Financial Work Order (FWO) – Spending approval form for Capital or Major Maintenance with a total cost of less than $250,000.

Investment Request Form (IRF) – Spending approval form for Capital or Major Maintenance projects with a total cost that is greater than $250,000.

Major Maintenance – Purchases which include significant maintenance projects undertaken to maintain the reliability and efficiency of operations but do not extend the useful life of the asset. All Major Maintenance expenses are recorded as a Major Maintenance expense on the income statement.

Management/Managers – Refers to all GLPT Management including supervisors, superintendents, business controller, Managers and the Vice President and General Manager.

Property, Plant and Equipment – Defined in accordance with the CICA Handbook.

Identifiable tangible assets that meet all of the following criteria:

(i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other property, plant and equipment;
(ii) have been acquired, constructed or developed with the intention of being used on a continuing basis; and
(iii) are not intended for sale in the ordinary course of business.

Purchase Order (PO) – A commercial document issued by a buyer to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to the buyer. Sending a PO to a Supplier constitutes a legal offer to buy products or services.

Purchase Requisition (See Appendix #1) – A request submitted to the Purchasing Department to obtain quotes from various Suppliers. Must be completed and approved prior to committing to a purchase, must also reference a WO. This appendix can be found on the GLPT intranet at http://w6/its/itpolicies.nsf

Purchaser – The person responsible for fulfilling a Purchase Requisition which includes sourcing and creating PO.

Purchasing Department – The group of employees responsible for overseeing the acquisition of goods/service.

Requestor – The person who has formally requested a good or service on behalf of GLPT.

Standing Purchase Order (SPO) – A long term (1 year) commitment to a Supplier for material against which short-term releases will be generated to satisfy requirements.

Supplier – Party providing a good or service to GLPT

Vendor – Supplier of goods or services

Work Order (WO) – A number assigned from the ELKE system to every item or service acquired. This number may already be in place if a purchase is for a project in progress, or it may be new if the item is the first purchase of a project or stand alone item.

6 References

-Purchasing Card Program Guideline

-Fleet Card Program Guideline

-Spending Approval Procedure

-Capital Asset Management Procedures including Inventory Database Procedures (Currently in development)

ONE-TIME COSTS

GLPT has and will continue to incur one-time costs related to various minor operational, maintenance and administrative activities. However, GLPT does not anticipate that it will over-recover costs in the test years or in future years as a result of one-time costs incurred. The specific material one-time costs included in the test years of this application are as follows:

Regulatory Compliance

As described in Section 3.1 of Exhibit 4, Tab 2, Schedule 1, GLPT is forecasting that it will incur one-time costs equal to $205,000 in its 2015 test year related to the establishment of a regulatory compliance program. The costs forecasted for 2015 are related to the engagement of one or more third parties for a specified period of time, and as a result GLPT does not expect any carry-over into the 2016 test year. In light of this, GLPT has reduced its 2016 test year OM&A by $205,000 to account for the anticipated reduction in costs before applying inflation.

Succession Planning

As described in Section 3.1 of Exhibit 4, Tab 2, Schedule 1, as a result of upcoming retirements GLPT will hire one incremental First Operator in 2015 and two additional incremental First Operators in 2016 for a total increase of three full time employees by 2016. The fully loaded cost GLPT has included in OM&A, including current and post-employment benefits, is $150,000 for each First Operator. Due to the position’s need for extensive training (including NERC's certification as Transmission System Operators) and on-the-job experience, a transition period of 12-18 months is required from the time of hire to the time the new employee can work independently in the role. Therefore, while these cost increases are one-time in nature, the offsetting cost savings related to the retirements will not be realized until after 2016.

<u>DEPRECIATION AND AMORTIZATION</u>

1.0 Depreciation 2012-2016

GLPT uses straight-line depreciation calculations based on the depreciable gross book value of each asset class, in accordance with IFRS. The rates used by GLPT, shown in *Table 4-3-1 A* below, are the same as those approved in EB-2012-0300. GLPT has made no changes to assumptions in calculating depreciation expense since that application. As required by IFRS, the estimated useful lives of GLPT's assets are reviewed annually; differences from previous estimates are accounted for prospectively as a change in estimate.

Table 4-3-1 A – Depreciation Rates

USofA	Component Description	Useful Life	Depr. Rate
1705	Land	Indefinite	0.00%
1715	Buildings	50	2.00%
1715	Civil Works	50	2.00%
1715	Major Electrical Equipment	45	2.22%
1715	Ancillary Electrical Equipment	30	3.33%
1715	CIRS	35	2.86%
1715	Transformers	45	2.22%
1715	Station Supervisory Equipment (software)	20	5.00%
1715	Station Supervisory Equipment (software)	15	6.67%
1715	Station Supervisory Equipment (Access Controls)	10	10.00%
1715	Station Supervisory Equipment (Hardware)	5	20.00%
1730	Overhead Conductor	60	1.67%
1740	Underground Conductors	40	2.50%
1908	Structures and Improvements	25	4.00%
1910	Leasehold Improvements - 5 year	5-20	5%-20%
1915	Office Building and Equipment	10	10.00%
1920	Computer Hardware	5	20.00%
1930	Transportation Equipment	5	20.00%
1940	Tools and Work Equipment	10	10.00%
1955	Communication Equipment (Fibre optic)	30	3.33%
1955	Communication Equipment (terminal equipment)	15	6.67%
1960	Miscellaneous Equipment	10	10.00%
1720 / 1725	Poles, Towers and Fixtures (wood)	45	2.22%
1720 / 1725	Poles, Towers and Fixtures (composite)	60	1.67%
1720 / 1725	Poles, Towers and Fixtures (steel)	60	1.67%
	Intangibles:		
1745	Intangibles - Clearing Rights of Way	Indefinite	0.00%
1925	Intangibles (Long Term Software)	15	6.67%
1925	Intangibles (Short Term Software)	5	20.00%
1925	Intangibles (Access Controls)	10	10.00%

Table 4-3-1 B below outlines GLPT's depreciation expense by asset class.

Table 4-3-1 B – Depreciation Expense by Asset Class

OEB	Description	2012 CGAAP Actual	2012 IFRS Actual	2013 IFRS Actual	2014 IFRS Approved	2014 IFRS Forecast	2015 IFRS Test Year	2016 IFRS Test Year
1705	Land	-	-	-	-	-	-	-
1715	Station Equipment	4,004.1	4,612.6	4,941.5	5,263.6	4,964.7	5,320.7	5,429.7
1725	Poles and Fixtures	1,526.0	2,149.9	2,192.1	2,228.9	2,214.5	2,276.1	2,346.4
1730	Overhead Conductors & Devices	1,052.2	741.0	741.0	766.0	741.8	741.8	741.8
1740	Underground Conductors & Devices	16.4	3.3	3.3	3.3	3.3	3.3	3.3
1908	Buildings and Fixtures	18.6	11.5	16.8	21.3	17.3	17.2	17.2
1910	Leasehold Improvements	45.2	49.1	62.2	58.5	66.7	76.6	98.1
1915	Office Furniture & Equipment	48.0	43.3	44.4	35.8	45.1	45.1	45.1
1920	Computer Equipment - Hardware	172.3	161.5	177.4	177.2	181.1	210.4	207.3
1930	Transportation Equipment	158.3	180.0	129.1	173.3	161.2	168.0	154.2
1940	Tools, Shop and Garage Equipment	23.5	20.7	20.6	18.6	24.2	25.2	25.2
1955	Communication Equipment	105.0	122.8	380.4	114.9	431.7	444.3	458.3
1960	Miscellaneous Equipment	11.0	11.1	16.9	2.6	16.9	16.9	16.9
Intangible Assets:								
1706	Land Rights	-	-	-	-	-	-	-
1925	Computer Software	431.5	493.7	557.8	397.8	446.2	420.4	292.7
							-	
Less: Disallowed Additions:							-	
1715	Disallowed Additions (MacKay)	(31.9)	(31.9)	(31.9)	(31.9)	(31.9)	(31.9)	(31.9)
1715	Disallowed Additions (LTT)	(22.4)	(22.4)	(22.4)	(22.4)	(22.4)	(22.4)	(22.4)
1730	Disallowed Additions (LTT)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
	Total Annual Depreciation:	**8,136.5**	**8,535.7**	**9,218.8**	**9,196.9**	**9,249.7**	**9,701.2**	**9,771.3**

Table 4-3-1 C and *Table 4-3-1 D* demonstrate continuity for depreciation amounts for each of the years 2012 through the 2015 and 2016 test years.

Table 4-3-1 C – IFRS Accumulated Depreciation Continuity 2012-2014

($000's) USofA	Description	2012 Actual Opening Accumulated Depreciation	2012 Annual Depreciation	2012 Disposals	2013 Opening Accumulated Depreciation	2013 Annual Depreciation	2013 Disposals	2014 Opening Accumulated Depreciation	Forecasted 2014 Annual Depreciation	Forecasted 2014 Disposals	2014 Forecast Closing Accumulated Depreciation
1705	Land	-	-	-	-	-	-	-	-	-	-
1715	Station Equipment	-	$4,612.6	($58.4)	$4,554.2	$4,941.5	($16.2)	$9,479.5	$4,964.7	($10.0)	$14,434.2
1720	Towers and Fixtures	-	-	-	-	-	-	-	-	-	-
1725	Poles and Fixtures	-	2,149.9	-	2,149.9	2,192.1	(56.6)	4,285.4	2,214.5	(76.9)	6,423.1
1730	Overhead Conductors & Devices	-	741.0	-	741.0	741.0	-	1,482.0	741.8	-	2,223.8
1740	Underground Conductors & Devices	-	3.3	-	3.3	3.3	-	6.6	3.3	-	9.9
1908	Buildings and Fixtures	-	11.5	-	11.5	16.8	-	28.3	17.3	-	45.6
1910	Leasehold Improvements	-	49.1	-	49.1	62.2	-	111.3	66.7	-	178.0
1915	Office Furniture & Equipment	-	43.3	-	43.3	44.4	-	87.7	45.1	-	132.7
1920	Computer Equipment - Hardware	-	161.5	-	161.5	177.4	-	339.0	181.1	-	520.1
1930	Transportation Equipment	-	180.0	(0.8)	179.1	129.1	(4.7)	303.6	161.2	-	464.7
1940	Tools, Shop and Garage Equipment	-	20.7	-	20.7	20.6	-	41.3	24.2	-	65.5
1955	Communication Equipment	-	122.8	-	122.8	380.4	-	503.2	431.7	-	934.9
1960	Miscellaneous Equipment	-	11.1	-	11.1	16.9	-	27.9	16.9	-	44.8
1990	Other Tangible Property	-	-	-	-	-	-	-	-	-	-
Intangible Assets:											
1745	Road and Trails	-	-	-	-	-	-	-	-	-	-
1925	Computer Software	-	493.7	-	493.7	557.8	(0.58)	1,050.9	446.2	-	1,497.2
Less: Disallowed Additions											
1715	Disallowed Additions (MacKay)		(31.9)	-	(31.9)	(31.9)	-	(63.8)	(31.9)	-	(95.7)
1715	Disallowed Additions (LTT)		(22.4)	-	(22.4)	(22.4)	-	(44.9)	(22.4)	-	(67.3)
1730	Disallowed Additions (LTT)	-	(10.5)	-	(10.5)	(10.5)	-	(21.0)	(10.5)	-	(31.6)
	Totals	**$0.0**	**$8,535.7**	**($59.3)**	**$8,476.4**	**$9,218.8**	**($78.1)**	**$17,617.1**	**$9,249.7**	**($86.9)**	**$26,779.9**

Table 4-3-1 D – IFRS Accumulated Depreciation Continuity 2015-2016

($000's) USofA	Description	2015 Forecast Opening Accumulated Depreciation	Forecasted 2015 Annual Depreciation	Forecasted 2015 Disposals	2016 Opening Accumulated Depreciation	Forecasted 2016 Annual Depreciation	Forecasted 2016 Disposals	2016 Forecast Closing Accumulated Depreciation
1705	Land	-	-	-	-	-	-	-
1715	Station Equipment	$14,434.2	5,320.7	$0.0	$19,755.0	5,429.7	$0.0	$25,184.7
1720	Towers and Fixtures	-	-	-	-	-	-	-
1725	Poles and Fixtures	6,423.1	2,276.1	-	8,699.2	2,346.4	-	11,045.6
1730	Overhead Conductors & Devices	2,223.8	741.8	-	2,965.6	741.8	-	3,707.3
1740	Underground Conductors & Devices	9.9	3.3	-	13.2	3.3	-	16.5
1908	Buildings and Fixtures	45.6	17.2	-	62.8	17.2	-	80.1
1910	Leasehold Improvements	178.0	76.6	-	254.5	98.1	-	352.6
1915	Office Furniture & Equipment	132.7	45.1	-	177.9	45.1	-	223.0
1920	Computer Equipment - Hardware	520.1	210.4	-	730.5	207.3	-	937.7
1930	Transportation Equipment	464.7	168.0	-	632.8	154.2	-	786.9
1940	Tools, Shop and Garage Equipment	65.5	25.2	-	90.7	25.2	-	115.9
1955	Communication Equipment	934.9	444.3	-	1,379.2	458.3	-	1,837.5
1960	Miscellaneous Equipment	44.8	16.9	-	61.7	16.9	-	78.6
1990	Other Tangible Property	-	-	-	-	-	-	-
Intangible Assets:								
1745	Road and Trails	-	-	-	-	-	-	-
1925	Computer Software	1,497.2	420.4	-	1,917.5	292.7	-	2,210.3
Less: Disallowed Additions								
1715	Disallowed Additions (MacKay)	(95.7)	(31.9)	-	(127.6)	(31.9)	-	(159.5)
1715	Disallowed Additions (LTT)	(67.3)	(22.4)	-	(89.7)	(22.4)	-	(112.2)
1730	Disallowed Additions (LTT)	(31.6)	(10.5)	-	(42.1)	(10.5)	-	(52.6)
	Totals	**$26,779.9**	**$9,701.2**	**$0.0**	**$36,481.1**	**$9,771.3**	**$0.0**	**$46,252.4**

TAX OVERVIEW

Income tax for regulatory purposes for the period of 2012 actual to the 2015 and 2016 test years, inclusive, is discussed in Exhibit 4, Tab 4, Schedule 2 and summarized in *Table 4-4-1 A*, below.

Property tax expenses for the period of 2012 actual to the 2015 and 2016 test years, inclusive, are discussed in Exhibit 4, Tab 4, Schedule 3 and summarized in *Table 4-4-1 A*, below.

Table 4-4-1 A – Summary of Income and Property Taxes

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Income Tax	$1,696.3	$1,621.7	$2,078.2	$1,969.1	$1,902.5	$2,115.4	$2,189.0
Property Tax	236.4	243.0	235.7	246.6	236.1	238.2	240.4
Total Tax	**$1,932.7**	**$1,864.8**	**$2,313.9**	**$2,215.7**	**$2,138.6**	**$2,353.6**	**$2,429.4**

INCOME TAX

1.0 Introduction

Income tax for regulatory purposes for the period of 2012 actual to the 2015 and 2016 test years, inclusive, is as calculated in *Table 4-4-2 E* below, and summarized in *Table 4-4-2 A* below.

Table 4-4-2 A - Summary of Income Tax Expense

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Federal Corporate Tax	$960.2	$918.0	$1,176.4	$1,114.6	$1,076.9	$1,197.4	$1,239.1
Provincial Corporate Tax	736.1	703.8	901.9	854.5	825.6	918.0	949.9
Total Income Tax	**$1,696.3**	**$1,621.7**	**$2,078.2**	**$1,969.1**	**$1,902.5**	**$2,115.4**	**$2,189.0**

The facts and assumptions underlying the calculation of income tax are:

- The income tax calculation reflects only current taxes payable;
- Applicable income tax rates are set out in *Table 4-4-2 B* below;
- Tax expense is calculated using the "stand alone" principle;
- Capital cost allowance for regulatory purposes is calculated based on the assumption that the maximum capital cost allowance is taken to minimize income tax payable in each year;
- Where other deductions are available for tax purposes, GLPT will take the deductions to minimize income tax payable in each year; and
- Interest expenses will be based on GLPT's deemed interest expense.

Each of these facts and assumptions is discussed below.

2.0 Current Taxes

Similar to GLPT's previous rate applications, no provision is made for future income taxes that result from timing differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Accordingly, the taxes payable method will result in the income tax payable being different from the amount that would have been recorded, had the combined Canadian Federal and Ontario statutory income tax rate been applied to the regulatory net income before tax. For regulatory purposes, future taxes have been excluded from revenue requirement. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the Board and recovered from customers at that time.

3.0 Tax Rates

GLPT has used the relevant tax rates described in *Table 4-4-2 B* to calculate income tax for the purposes of this application.

Table 4-4-2 B - Summary of Income Tax Rates

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Federal Corporate Tax	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Provincial Corporate Tax	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
Total Income Tax	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**

4.0 Stand Alone Principle

As per the Board's decision in EB-2009-0408, GLPT, while a limited partnership, has calculated income tax for purposes of this rate application on a stand alone basis as though GLPT was a stand alone corporate entity operating in Canada within the Province of Ontario.

5.0 Capital Cost Allowance

Capital Cost Allowance ("CCA") used for calculating income tax for regulatory purposes is set out in Exhibit 4, Tab 4, Schedule 4 and can be summarized as follows:

Table 4-4-2 C - Summary of Annual CCA Claims

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Capital Cost Allowance (CCA)	$12,560.4	$12,752.7	$13,229.2	$12,051.3	$12,377.2	$12,024.3	$11,886.3

6.0 Financing Fees

Financing fees incurred by GLPT in 2008 were deductible for tax purposes over a five-year period ending in 2013. GLPT has no further financing fees available for deduction.

7.0 Interest

Table 4-4-2 D below outlines the total interest expense deducted in GLPT's tax calculation. For additional details on the interest expense used, please refer to Exhibit 4, Tab 4, Schedule 5.

Table 4-4-2 D – Deemed Interest Expense

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Deemed Interest Expense	$8,546.0	$8,921.4	$8,908.5	$8,737.7	$8,709.5	$8,605.7	$8,601.5

8.0 Income Tax Calculation

GLPT's income taxes are calculated in *Table 4-4-2 E* below.

Table 4-4-2 E – Income Tax Calculation

($000's)	Reference (Ex-Tab-Sch)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year Current	2015 Test Year Proposed	2016 Test Year Current	2016 Test Year Proposed
Total Revenue		$37,663.0	$38,141.6	$40,431.5	$38,771.8	$38,807.7	$38,821.0	$39,872.0	$38,821.0	$40,320.5
Less:										
Operation, mtce and admin	4-2-1	9,280.4	10,100.0	10,210.9	10,305.5	10,305.5	11,021.1	11,021.1	11,331.9	11,331.9
Property Taxes	4-4-3	236.4	243.0	235.7	246.6	236.1	238.2	238.2	240.4	240.4
Sub-Total		28,146.2	27,798.6	29,984.9	28,219.7	28,266.1	27,561.7	28,612.6	27,248.7	28,748.2
Deduct:										
Interest	4-4-4	8,546.0	8,921.4	8,908.5	8,737.7	8,709.5	8,605.7	8,605.7	8,601.5	8,601.5
Financing fees		638.6	4.8	4.8	-	-	-	-	-	-
Capital cost allowance	4-4-5	12,560.4	12,752.7	13,229.2	12,051.3	12,377.2	12,024.3	12,024.3	11,886.3	11,886.3
Taxable Income		6,401.2	6,119.7	7,842.4	7,430.7	7,179.4	6,931.7	7,982.6	6,760.9	8,260.4
Federal Corporate Tax		960.2	918.0	1,176.4	1,114.6	1,076.9	1,039.8	1,197.4	1,014.1	1,239.1
Provincial Corporate Tax		736.1	703.8	901.9	854.5	825.6	797.1	918.0	777.5	949.9
Total Income Tax		**$1,696.3**	**$1,621.7**	**$2,078.2**	**$1,969.1**	**$1,902.5**	**$1,836.9**	**$2,115.4**	**$1,791.6**	**$2,189.0**
Statutory rates		**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**	**26.50%**

PROPERTY TAX

1.0 Overview

GLPT is forecasting total property taxes for the 2015 test year to be $238,200 and 2016 test year to be $240,400. Property taxes are driven by two distinct cost drivers:

1. Payments in Lieu of Taxes to First Nations, and
2. Payments for other municipal taxes.

Table 4-5-3 A below outlines the total property taxes from 2012 actual through to the 2015 and 2016 test years.

Table 4-5-3 A – Payments in Lieu of Taxes & Property Taxes

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Payments to First Nations	$128.8	$128.8	$128.8	$128.8	$128.8	$128.8	$128.8
Other Municipal Taxes	107.6	114.2	106.9	117.8	107.3	109.4	111.6
Total Property Taxes	**$236.4**	**$243.0**	**$235.7**	**$246.6**	**$236.1**	**$238.2**	**$240.4**

2.0 Payments in Lieu of Taxes to First Nations

GLPT utilizes property located on various First Nations properties. The aggregate amount of payments to First Nations in lieu of taxes is forecasted to remain constant at $128,800 in each of 2015 and 2016.

In the Board's decision on EB-2009-0408, it approved a variance account to track any variances between the approved payments in lieu of taxes and any new payments to First Nations in lieu of taxes that may be negotiated before GLPT's next rate application. GLPT is still negotiating with at least one First Nation group regarding payments in lieu of taxes; as such GLPT is requesting to maintain the variance account as discussed in Exhibit 6, Tab 1, Schedule 3.

3.0 Payments for Other Municipal Taxes

GLPT property is subject to municipal and property taxes. GLPT's municipal taxes are forecast to be $109,400 for the 2015 test year and $111,600 for the 2016 test year, with the increases from the 2014 forecast related to an inflationary impact of 1.995%. For further information on GLPT's inflation factor, please refer to Section 2.4 of Exhibit 4, Tab 2, Schedule 1.

INTEREST EXPENSE

As noted in Exhibit 5, Tab 1, Schedule 1, GLPT has adopted the capital structure and the methodology outlined in the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (EB-2009-0084). As such, GLPT's deemed capital structure for rate making purposes is 60% debt and 40% common equity. The 60% debt component is comprised of 4% deemed short term debt and 56% long term debt.

In *Table 4-4-4 A* below, GLPT calculates the total deemed interest expense to be deducted from income in calculating income tax payable**.**

Table 4-4-4 A – Interest Expense Calculation

($000's)	2012 Actual	2013 Approved	2013 Actual	2014 Approved	2014 Forecast	2015 Test Year	2016 Test Year
Rate Base	$217,309.6	$226,854.4	$226,527.8	$222,115.3	$221,398.6	$218,760.2	$218,654.1
Portion Deemed as Debt	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Deemed Debt	130,385.7	136,112.6	135,916.7	133,269.2	132,839.2	131,256.1	131,192.4
Long Term Debt Component	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
Deemed Long Term Debt	121,693.4	127,038.4	126,855.5	124,384.6	123,983.2	122,505.7	122,446.3
Long Term Debt Rate	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%	6.87%
Short Term Debt Component	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Deemed Short Term Debt	8,692.4	9,074.2	9,061.1	8,884.6	8,855.9	8,750.4	8,746.2
Short Term Debt Rate	2.08%	2.08%	2.08%	2.11%	2.11%	2.11%	2.11%
Deemed Interest Expense (Sch 5-1-1)	**$8,546.0**	**$8,921.4**	**$8,908.5**	**$8,737.7**	**$8,709.5**	**$8,605.7**	**$8,601.5**

GLPT assumes that the deemed short term debt rates for each test year will be updated in accordance with the December 11, 2009 Cost of Capital Report, upon the final decision in this case.

CAPITAL COST ALLOWANCE (“CCA”)

Table 4-4-5 A – CCA – 2012 Actual

		U.C.C. December 31, 2011	Additions 2012	Disposals 2012	Interest Capitalized 2012	Total 2012 Additions Net	C.C.A. On Opening	C.C.A. On Additions	Total C.C.A. Claimed	U.C.C. December 31, 2012
CLASS 1	4%	89,630,573	-	(645,564)	-	(645,564)	3,585,223	(12,911)	3,572,312	85,412,697
CLASS 8	20%	1,199,755	4,434,394	(24,200)	(103,294)	4,306,900	239,951	430,690	670,641	4,836,013
CLASS 10	30%	477,752	56,472	-	-	56,472	143,326	8,471	151,796	382,428
CLASS 13 - 5 Year	SL	5,530	-	-	-	-	1,580	-	1,580	3,950
CLASS 13 - 10 Year	SL	51,334	-	-	-	-	5,429	-	5,429	45,905
CLASS 13 - 15 Year	SL	125,785	-	-	-	-	9,317	-	9,317	116,468
CLASS 13 - 20 Year	SL	497,651	298,919	-	-	298,919	25,521	7,473	32,994	763,577
CLASS 47	8%	78,155,902	26,972,454	(217,805)	(610,200)	26,144,449	6,252,472	1,045,778	7,298,250	97,002,101
CLASS 50	55%	1,032,169	910,397	-	-	910,397	567,693	250,359	818,052	1,124,514
		171,176,451	**32,672,636**	**(887,569)**	**(713,494)**	**31,071,572**	**10,830,511**	**1,729,860**	**12,560,371**	**189,687,652**

Table 4-4-5 B – CCA – 2013 Actual

		U.C.C. December 31, 2012	Additions 2013	Disposals 2013	Interest Capitalized 2013	Total 2013 Additions Net	C.C.A. On Opening	C.C.A. On Additions	Total C.C.A. Claimed	U.C.C. December 31, 2013
CLASS 1	4%	85,412,697	-	(10,595)	-	(10,595)	3,416,508	(212)	3,416,296	81,985,807
CLASS 8	20%	4,836,013	937,339	-	(16,458)	920,881	967,203	92,088	1,059,291	4,697,604
CLASS 10	30%	382,428	179,287	(8,202)	-	171,085	114,728	25,663	140,391	413,122
CLASS 13 - 5 Year	SL	3,950	-	-	-	-	1,580	-	1,580	2,370
CLASS 13 - 10 Year	SL	45,905	36,097	-	-	36,097	5,429	1,805	7,233	74,769
CLASS 13 - 15 Year	SL	116,468	-	-	-	-	9,317	-	9,317	107,150
CLASS 13 - 20 Year	SL	763,577	-	-	-	-	40,467	-	40,467	723,110
CLASS 47	8%	97,002,101	3,088,457	-	(174,011)	2,914,446	7,760,168	116,578	7,876,746	92,039,800
CLASS 50	55%	1,124,514	215,890	-	-	215,890	618,483	59,370	677,852	662,552
		189,687,652	**4,457,071**	**(18,797)**	**(190,469)**	**4,247,805**	**12,933,882**	**295,292**	**13,229,173**	**180,706,283**

Table 4-4-5 C – CCA – 2014 Forecast

		Forecast U.C.C. December 31, 2013	Forecast Additions 2014	Forecast Disposals 2014	Forecast Interest Capitalized 2014	Total 2014 Additions Net	Forecast C.C.A. On Opening	Forecast C.C.A. On Additions	Total C.C.A. Claimed	Forecast U.C.C. December 31, 2014
CLASS 1	4%	81,985,807	-	-	-	-	3,279,432	-	3,279,432	78,706,374
CLASS 8	20%	4,697,604	106,863	-	-	106,863	939,521	10,686	950,207	3,854,260
CLASS 10	30%	413,122	160,000	-	-	160,000	123,936	24,000	147,936	425,185
CLASS 13 - 5 Year	SL	2,370	-	-	-	-	1,580	-	1,580	790
CLASS 13 - 10 Year	SL	74,769	46,300	-	-	46,300	9,038	2,315	11,353	109,716
CLASS 13 - 15 Year	SL	107,150	-	-	-	-	9,317	-	9,317	97,833
CLASS 13 - 20 Year	SL	723,110	-	-	-	-	40,467	-	40,467	682,644
CLASS 47	8%	92,039,800	3,856,712	-	(160,000)	3,696,712	7,363,184	147,868	7,511,052	88,225,460
CLASS 50	55%	662,552	223,501	-	-	223,501	364,403	61,463	425,866	460,187
		180,706,283	**4,393,376**	**-**	**(160,000)**	**4,233,376**	**12,130,879**	**246,333**	**12,377,212**	**172,562,447**

Table 4-4-5 D – CCA – 2015 Test Year

		Forecast U.C.C. December 31, 2014	Forecast Additions 2015	Forecast Disposals 2015	Forecast Interest Capitalized 2015	Total 2015 Additions Net	Forecast C.C.A. On Opening	Forecast C.C.A. On Additions	Total C.C.A. Claimed	Forecast U.C.C. December 31, 2015
CLASS 1	4%	78,706,374	-	(656,790)	-	(656,790)	3,148,255	(13,136)	3,135,119	74,914,465
CLASS 8	20%	3,854,260	270,000	-	-	270,000	770,852	27,000	797,852	3,326,408
CLASS 10	30%	425,185	250,000	-	-	250,000	127,556	37,500	165,056	510,130
CLASS 13 - 5 Year	SL	790	-	-	-	-	790	-	790	-
CLASS 13 - 10 Year	SL	109,716	180,000	-	-	180,000	13,668	9,000	22,668	267,048
CLASS 13 - 15 Year	SL	97,833	-	-	-	-	9,317	-	9,317	88,515
CLASS 13 - 20 Year	SL	682,644	-	-	-	-	40,467	-	40,467	642,177
CLASS 47	8%	88,225,460	7,457,800	-	(250,000)	7,207,800	7,058,037	288,312	7,346,349	88,086,911
CLASS 50	55%	460,187	922,197	-	-	922,197	253,103	253,604	506,707	875,677
		172,562,447	**9,079,997**	**(656,790)**	**(250,000)**	**8,173,207**	**11,422,044**	**602,280**	**12,024,324**	**168,711,330**

**Forecast disposals in 2015 represent the net book value of 2013 and 2014 disposals GLPT is seeking to recover through the IFRS Gains and Losses sub-Account of 1508 ($656,790). The proceeds upon disposition will be triggered on January 1, 2015, the effective date of GLPT's revenue requirement (January 1, 2015).

1 *Table 4-4-5 E – CCA – 2016 Test Year*

		Forecast U.C.C. December 31, 2015	Forecast Additions 2016	Forecast Disposals 2016	Forecast Interest Capitalized 2016	Total 2016 Additions Net	Forecast C.C.A. On Opening	Forecast C.C.A. On Additions	Total C.C.A. Claimed	Forecast U.C.C. December 31, 2016
CLASS 1	4%	74,914,465	-	-	-	-	2,996,579	-	2,996,579	71,917,886
CLASS 8	20%	3,326,408	150,080	-	-	150,080	665,282	15,008	680,290	2,796,198
CLASS 10	30%	510,130	250,000	-	-	250,000	153,039	37,500	190,539	569,591
CLASS 13 - 5 Year	SL	-	-	-	-	-	-	-	-	-
CLASS 13 - 10 Year	SL	267,048	250,000	-	-	250,000	31,668	12,500	44,168	472,879
CLASS 13 - 15 Year	SL	88,515	-	-	-	-	9,317	-	9,317	79,198
CLASS 13 - 20 Year	SL	642,177	-	-	-	-	40,467	-	40,467	601,710
CLASS 47	8%	88,086,911	8,262,604	-	(250,000)	8,012,604	7,046,953	320,504	7,367,457	88,732,058
CLASS 50	55%	875,677	276,000	-	-	276,000	481,622	75,900	557,522	594,155
		168,711,330	**9,188,684**	**-**	**(250,000)**	**8,938,684**	**11,424,926**	**461,412**	**11,886,338**	**165,763,676**

2

COST OF CAPITAL AND RATE OF RETURN

1.0 Cost of Capital

GLPT has adopted the capital structure and the methodology outlined in the EB-2009-0084 Report of the Board on the Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (the "Cost of Capital Report").

2.0 Capital Structure

GLPT's deemed capital structure for rate making purposes is 60% debt and 40% common equity. This capital structure is the same as approved in the Board Approved Settlement Agreement in EB-2012-0300. The 60% debt component is comprised of 4% deemed short term debt and 56% long term debt

3.0 Cost of Equity

GLPT's currently approved ROE is 9.36% for the 2014 rate year[1].

GLPT's evidence reflects an ROE rate of 9.36% for each of the 2015 and 2016 test years. This figure is consistent with the currently approved rate. Prior to implementing a 2015 or 2016 revenue requirement, GLPT will update its revenue requirement for each test year with the Board-approved ROE figure, in accordance with the Cost of Capital Report.

[1] Per Approved Settlement Agreement in EB-2012-0300, and per the Board's Cost of Capital Parameter Update letter dated November 25, 2013.

4.0 Cost of Short Term Debt

The Board has determined that the deemed amount of short-term debt that should be factored into rate setting be fixed at 4% of rate base. GLPT's currently approved cost of short-term debt is 2.11% for the 2014 rate year. Consistent with GLPT's approach to ROE, GLPT's evidence reflects the currently approved short-term debt rate of 2.11% for each of 2015 and 2016. GLPT will update the short term debt rate for each test year in accordance with the Cost of Capital Report.

5.0 Cost of Long Term Debt

The Board has determined that the deemed amount of long-term debt that should be factored into rate setting be fixed at 56% of rate base. GLPT's long term debt rate is calculated to be 6.87% for both 2015 and 2016, consistent with the long term debt rate approved for GLPT in EB-2012-0300. GLPT is forecasting no new debt for 2015 or 2016.

As at December 31, 2013, GLPT holds $119 million[2] in long term debt in the form of third party, Series 1 bonds, with interest payable at a rate of 6.60% and an effective rate of interest of 6.874%. Interest and principal is paid semi-annually on June 16th and December 16th of each year. Principal repayments began December 16, 2013, with the debt amortizing according to a 25-year mortgage-style schedule. Total payments,

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[2] The initial principal of this facility was $120 million, with $1 million repaid in accordance with the terms of the debt facility on December 16, 2013

inclusive of interest, are $4,932,950. The remaining principal will be reimbursed through a balloon payment on maturity in June 2023.

The Board determines in the Cost of Capital Report that for embedded debt, the rate approved in prior Board decisions shall be maintained for the life of each active instrument, unless a new rate is negotiated, in which case it will be treated as new debt. The rate on embedded debt was approved by the Board as part of EB-2009-0408 at 6.874%.

6.0 Cost of Capital Summary

GLPT's 2015 and 2016 proposed cost of capital is summarized in *Table 5-1-1 A* and *Table 5-1-1 B*, respectively.

Table 5-1-1 A – Cost of Capital – 2015

2015 Test Year	Capital Component ($000's)	Capital Component (%)	Deemed Rates (%)	Return Component (%)	Return Component ($000's)
Deemed Debt	$ 131,256.1	60.00%			
Long Term	$ 122,505.7	56.00%	6.87%	3.85%	$ 8,421.0
Short Term	$ 8,750.4	4.00%	2.11%	0.08%	$ 184.6
Deemed Equity	$ 87,504.1	40.00%	9.36%	3.74%	$ 8,190.4
Rate Base:	$ 218,760.2	100.00%		7.68%	$ 16,796.1

Table 5-1-1 B – Cost of Capital - 2016

2016 Test Year	Capital Component ($000's)	Capital Component (%)	Deemed Rates (%)	Return Component (%)	Return Component ($000's)
Deemed Debt	$ 131,192.4	60.00%			
Long Term	$ 122,446.3	56.00%	6.87%	3.85%	$ 8,417.0
Short Term	$ 8,746.2	4.00%	2.11%	0.08%	$ 184.5
Deemed Equity	$ 87,461.6	40.00%	9.36%	3.74%	$ 8,186.4
Rate Base:	$ 218,654.1	100.00%		7.68%	$ 16,787.9

DEFERRAL AND VARIANCE ACCOUNTS OVERVIEW

1.0 Deferral and Variance Accounts Overview

GLPT is requesting approval for continuance of the following deferral/variance accounts:

- Five sub-accounts of account 1508:
  - Costs related to a legal claim made by Comstock Canada Inc. (the "Comstock Claim");
  - Property Tax and Use and Occupation Permit Fee Variances;
  - Changes in IFRS;
  - IFRS Gains and Losses; and
  - Incremental costs related to an upcoming change to the definition of the Bulk Electric System ("BES");

In addition, based upon the Board's Decision in EB-2009-0409, GLPT will continue to maintain in the test period sub-accounts for Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs, within account 1508, and based upon the Accounting Procedures Handbook, GLPT will also continue to maintain in the test period account 1592 for tax variances, account 1595 related to previously approved regulatory liability repayments and account 1575 related to IFRS-CGAAP Transitional PP&E Amounts (for disbursement only).

GLPT has provided additional details in:

- Exhibit 6, Tab 1, Schedule 2 - Account 1508;
- Exhibit 6, Tab 1, Schedule 3 - Account 1575; and
- Exhibit 6, Tab 1, Schedule 4 - Account 1595.

2.0 Disbursal of Deferral Accounts

GLPT is requesting approval to disburse the balances in the following accounts:

- four sub-accounts of account 1508:
    - Comstock Claim;
    - IFRS Gains and Losses (2013-2014);
    - East-West Tie Line Initiative Variance Account; and
    - Support Costs for OEB Designation Process for EWT,
- Account 1575 related to IFRS-CGAAP Transitional PP&E Amounts, and
- Account 1595 related to previously approved regulatory liability repayments.

2.1 Proposed Disbursal Methodology

Account 1595 is currently being disbursed to the benefit of ratepayers over a 3 year period. The repayment period began on January 1, 2013 with the implementation of UTR for the 2013 calendar year. Therefore, at December 31, 2014, there will be one year remaining in the payback period. Subject to the approval of the various account balances that GLPT is seeking to disburse as part of this Application, it is GLPT's position that the most administratively efficient method to disburse the various account balances would be to aggregate the balance of all accounts, including the remaining balance in account 1595, and disburse the balance over a three year period beginning in 2015. The total amount GLPT is seeking to disburse is a debit balance of $2,363,448, which results in a proposed annual disbursal over the three year period of $787,816. This includes all of the balances sought for approval for the accounts listed in section 2.0 above. All account balances

GLPT is seeking to disburse would be cleared by December 31, 2017 under this proposal. This disbursal methodology is consistent with prior rate applications, and is described in more detail in Exhibit 6, Tab 3, Schedule 1.

GLPT has provided a continuity schedule of deferral and variance accounts at Exhibit 6, Tab 4, Schedule 1.

3.0 New Deferral Account

GLPT is requesting approval to establish one new sub-account within account 1508 for recording incremental costs related to new customer connections to GLPT's system. The need for this account and the accounting and control process is described in Exhibit 6, Tab 2, Schedule 1.

ACCOUNT 1508 – OTHER REGULATORY ASSETS

1.0 Summary

As at December 31, 2013, GLPT has eight active sub-accounts of Account 1508 – Other Regulatory Assets. The eight sub-accounts are related to:

i) Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs[1];

ii) Comstock Claim;

iii) Property Tax and Use and Occupation Permit Fee Variances;

iv) Changes in IFRS;

v) IFRS Gains and Losses;

vi) Incremental costs related to addressing an upcoming change to the definition of the Bulk Electric System ("BES");

vii) Variances related to expenses allocated to East-West Tie Line initiatives; and

viii) Support Costs for the OEB Designation Process for EWT.

2.0 Infrastructure Investment, Green Energy Initiatives and Preliminary Planning Costs

As described in EB-2012-0300, GLPT is using this sub-account to capture OM&A expenses and capital expenses related to renewable generation connection, system planning, and infrastructure investment arising from the *Green Energy and Green*

[1] This account was approved by the OEB in its decision on EB-2009-0409, which was an application by GLPT to establish a deferral account to record expenses related to renewable generation connection, system planning, and infrastructure investment arising from the *Green Energy and Green Economy Act, 2009*.

Economy Act, 2009 ("GEA"). GLPT has not had a requirement to use this account since EB-2012-0300, and therefore the account balance remains at $0.

GLPT is requesting to maintain this variance account for future use, as required.

3.0 Comstock Claim

In its 2011-2012 rate application (EB-2010-0291), GLPT sought the Board's direction on whether costs arising from a claim from Comstock Canada Ltd. ("Comstock") in respect of a design build contract for the Transmission Reinforcement Project approved in EB-2003-0162 should be included in Construction Work in Progress or in a designated deferral account. In accordance with the Board's Order in EB-2010-0291 a deferral account was established to record costs incurred and to be incurred in respect of the Comstock claim. As a result, GLPT transferred the balance of the costs from Construction Work in Progress into the deferral account. This transfer of costs was reflected in GLPT's 2010 audited financial statements, and as a result the transfer was effective as of December 31, 2010. *Table 6-1-2 A* below demonstrates the evolution of this account up to December 31, 2014.

Table 6-1-2 A – Comstock Costs

Year	Opening Balance	Costs Incurred	Cumulative Costs	Carrying Charges	Cumulative Carrying Charges	Closing Account Balance
2010	$0	$1,660,623	$1,660,623	$0	$0	$1,660,623
2011	1,660,623	106,634	1,767,257	24,920	24,920	1,792,177
2012	1,792,177	375,800	2,143,057	27,855	52,775	2,195,833
2013	2,195,833	93,664	2,236,721	31,928	84,704	2,321,425
2014	2,321,425	-	2,236,721	32,880	117,584	2,354,305
			$2,236,721		**$117,584**	**$2,354,305**

GLPT is not seeking recovery of costs incurred in 2014 in this application and therefore it has not forecasted any 2014 costs in the table above

As described in Exhibit 6, Tab 3, Schedule 1, GLPT is seeking to disburse the December 31, 2013 balance in this account, plus 2014 carrying charges for a total of $2,354,305. GLPT is proposing to disburse the balance over a three year period beginning in 2015, and is seeking continuation of the account to capture costs incurred after December 31, 2013.

The costs incurred by GLPT up to December 31, 2013 are related to legal and witness costs associated with the proceeding to that date. The following steps occurred: Approximately 44,000 documents have been exchanged between the parties since the onset of the litigation, and examinations for discovery were substantially completed. In late June 2013, Comstock made a proposal under the Bankruptcy and Insolvency Act and obtained an Order appointing PricewaterhouseCoopers (“PWC”) Interim Receiver.

As part of the proposal under the Bankruptcy and Insolvency Act the following activity as it relates to GLPT has taken place:

On August 7, 2013, the court made an order approving the commencement of a sale and investor solicitation process ("SISP") pursuant to which prospective bidders could make a bid to purchase Comstock or make an investment in Comstock. Potential bidders had until September 27, 2013 to submit an offer.

PWC had interest from 17 potential purchasers of which 14 of the 17 potential bidders reviewed company specific data. Of the 14 potential bidders, PWC only received one offer to purchase. The offer to purchase was from HB Construction Company Ltd. ("HB").

On November 29, 2013 Comstock's CCAA counsel served on GLPT a Notice of Motion, returnable December 9, 2013, seeking an Order approving the sale of Comstock's assets, including litigation claims, to HB, while providing that HB would have no liability for any costs incurred in connection with litigation claims prior to the date on which the sale closed. In other words, the proposed asset purchase agreement had all outstanding lawsuits being transferred to HB without transferring to HB any liability for any costs incurred to date. This proposed transaction would have eliminated GLPT's (and the ratepayers') opportunity for court awarded costs against the Plaintiff that have been recorded in the Comstock deferral account to date.

GLPT vigorously opposed this motion, taking the position that if the GLPT lawsuit was to be purchased by HB, then the potential liability for costs should also be assumed by HB. If GLPT and the ratepayer were to be exposed to HB pursuing the lawsuit, then GLPT and the ratepayer should have the right to seek recovery of the costs incurred in defending the claim through the legal process, as such is consistent with the normal cost rules in commercial litigation (where a party that stands to benefit from potential litigation must bear the associated risk as well).

Before the motion judge ruled on this matter, HB agreed to drop from the proposed asset purchase agreement the clause insulating it from pre-closing litigation claim costs for the litigation claims it was purchasing. Moreover, HB also decided not to purchase the GLPT claim, which may indicate an assessment made as to the merits of this claim. HB entered into and executed an amended asset purchase agreement reflecting these changes, for which an Approval and Vesting Order was granted. As a result of the executed amended asset purchase agreement, Comstock sold the majority of its assets and some of its litigation claims, but not the claim against GLPT, to HB in December 2013, and all funds generated from the sale were used to pay off a portion of Comstock's secured creditor .

Comstock is still in the receivership process. GLPT submits that it is acting prudently in defending its position with respect to the outstanding claim. It submits that the fact that this claim was not purchased as one of the claims that HB purchased along with the assets of Comstock evidences the prudency of GLPT's management of this claim. The CCAA

Monitor has advised that a decision has not been made on the status of Comstock and its claim post-CCAA. The CCAA Monitor has not provided any timelines.

GLPT has taken all actions necessary to protect the interest of the ratepayer at all stages of this lawsuit. In GLPT's opinion the costs to date have been incurred prudently to ensure that the ratepayers' interest is protected and the merits of the claim are properly evaluated. GLPT is seeking to recover the costs at this time due to the materiality of the balance in the account and the fact that the continuation of the claim and the timelines for such are unknown at this time, with no indication being given as to when such a determination will be made. The portion GLPT is seeking to disburse is the actual balance at December 31, 2013, plus carrying charges for 2014. GLPT is also seeking approval to continue use of this sub-account so that to the extent GLPT incurs costs related to the Comstock claim in 2014 and in future years, GLPT can continue to record the costs in this sub-account of 1508 until the matter is resolved. In addition, while the likelihood of recovering legal costs from Comstock is small, to the extent there is cost recovery this would be recorded as a credit to the Comstock deferral account and will be disbursed in a future application.

4.0 Property Tax and Use and Occupation Permit Fee Variances

As described in EB-2010-0291 and EB-2012-0300, GLPT is using this sub-account to capture variances in payments in lieu of taxes paid to First Nations as compared to the base cost embedded in revenue requirement for each year. GLPT has not had a requirement to use this account since its last rate application, and therefore the account balance remains at $0. However, as noted in Exhibit 4, Tab 5, Schedule 4, GLPT is still negotiating with more than one First Nation group; and, as such GLPT is requesting to maintain this variance account for future use, as required.

5.0 Changes in IFRS

In the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the Board authorized GLPT to maintain a variance account to track and record impacts on test year revenue requirements resulting from any changes to existing IFRS standards or changes in the interpretation of such standards. GLPT has not had a requirement to use this account, and therefore the account balance remains at $0.

GLPT is requesting to maintain this variance account for future use, as required.

6.0 IFRS Gains and Losses

As part of the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the Board authorized GLPT to maintain a deferral account to record costs in respect of IFRS gains and losses resulting from premature asset component retirements, subject to a depreciation credit that would be calculated based on the amount of depreciation in approved revenue requirement that will not be incurred as a result of the premature retirement of the asset. GLPT incurred a total loss on disposal of $452,924 for 2013 and is forecasting a loss on disposal of $208,606 for 2014, net of proceeds from disposition. This amount is forecast to be offset by total depreciation credits of $27,392.

The depreciation credit has been calculated based on the amount of depreciation in approved revenue requirement that was not incurred as a result of the premature retirement of assets. *Table 6-1-2 B* provides details of the gains and losses from 2013 and 2014.

Table 6-1-2 B – Details of Gains and Losses – 2013 & 2014

Year	Project Description	Cost	Depreciation	Net Book Value	Proceeds from Disposition	(Gain)/Loss on Sale	Depreciation Credit	Net Amount to Account
2013	Fleet Replacements	$4,620	$4,620	$0	$12,232	($12,232)	$0	($12,232)
2013	2013 Wood Structure Replacement	245,063	56,585	188,478	-	188,478	(14,287)	174,191
2013	Northern Ave T2 Transformer	284,882	12,464	272,419	3,800	268,619	(6,677)	261,942
2013	Other Miscellaneous projects	14,726	4,403	10,323	2,264	8,059	(3,739)	4,320
	2013 Subtotal	**$549,291**	**$78,071**	**$471,220**	**$18,296**	**$452,924**	**($24,703)**	**$428,222**
2014	2014 Wood Structure Replacement	$237,741	$76,861	$160,880	$0	$160,880	($1,857)	$159,023
2014	Watson Battery Replacement	57,716	9,989	47,726	-	47,726	(832)	46,894
	2014 Subtotal	**$295,456**	**$86,850**	**$208,606**	**$0**	**$208,606**	**($2,689)**	**$205,917**
	Forecasted Totals - Dec 31, 2014	**$844,747**	**$164,922**	**$679,826**	**$18,296**	**$661,530**	**($27,392)**	**$634,138**

The table above demonstrates that a portion of the depreciation credit was related to losses incurred in 2013. However, as a result of an oversight, GLPT did not report the depreciation credit in RRR Report 3.1.1 as at December 31, 2013. Therefore, the entire depreciation credit has been accounted for as a 2014 transaction, and the forecasted balance at December 31, 2014 is appropriately calculated.

Carrying charges will not accrue on the balance of this account until GLPT's revised revenue requirement is effective. GLPT is applying for its 2015 revenue requirement to be effective January 1, 2015. Prior to January 1, 2015, the amounts remain in GLPT's approved rate base and thus they are earning a return as a component of rate base. If carrying charges were applied in this account as well, the return would be counted twice.

As a result of an oversight in GLPT's RRR Report 3.1.1 for December 31, 2013, carrying charges were applied to the balance of the account. Therefore, a credit has been applied to the carrying charges as a 2014 transaction so that the December 31, 2014 balance is appropriately calculated. *Table 6-1-2 C* below demonstrates how the transactions have been recorded.

Table 6-1-2 C – IFRS Gains & Losses Account Balance

Year	Opening Balance	Net Loss Incurred	Depreciation Credits	Cumulative Balance	Carrying Charges	Cumulative Carrying Charges	Closing Account Balance
2013	$0	$452,924	$0	$452,924	$966	$966	$453,890
2014	453,890	208,606	(27,392)	634,138	(966)	-	634,138
				$634,138		**$0**	**$634,138**

As a result, GLPT is seeking to disburse the forecast December 31, 2014 balance of $634,138 over a three year period, as described in Exhibit 6, Tab 3, Schedule 1.

GLPT is requesting to maintain this variance account for future use, as required.

7.0 Incremental costs related to addressing an upcoming change to the definition of the Bulk Electric System ("BES")

As part of the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the Board authorized GLPT to establish a deferral account for incremental costs relating to addressing an upcoming change to the definition of the BES. It was agreed that GLPT should establish two sub-accounts under this deferral account; one for OM&A expenses and one for capital expenses. GLPT has only recorded costs in the OM&A sub-account. *Table 6-1-2 D* below outlines the amounts recorded in this account to date.

Table 6-1-2 D - BES Variance Account Costs – OM&A

Year	Opening Balance	Costs Incurred	Cumulative Costs	Carrying Charges	Cumulative Carrying Charges	Closing Account Balance
2013	$0	$6,928	$6,928	$33	$33	$6,961
2014	6,961	-	6,928	102	135	7,063
			$6,928		**$135**	**$7,063**

GLPT had an actual account balance of $6,961 in the OM&A sub-account, at December 31, 2013, inclusive of carrying charges. The amount is not material at December 31, 2013, and it is likely that GLPT will continue to record costs in the account. In light of this, GLPT is not seeking to disburse the balance in this application. However, GLPT is seeking approval to continue use of this sub-account to record incremental costs related to the adoption of BES in 2014 and in future years.

8.0 Variances related to expenses allocated to East-West Tie Line initiatives

As part of the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the Board authorized GLPT to establish a deferral account to track and record variances between the forecasted amounts that have been removed from GLPT's test year OM&A, and the actual amounts transferred to EWT LP in each test year. The estimated amounts to be allocated to EWT LP in 2013 and 2014 were $550,000 and $340,000, respectively. These amounts were deducted from GLPT's core OM&A for each year in EB-2012-0300, as it was forecast that these costs would be recovered from EWT LP in lieu of being collected by GLPT through the 2013 or 2014 UTR. To the extent costs were transferred to EWT LP, they were the responsibility of EWT LP and its shareholders.

On August 7, 2013 the OEB issued a Decision and Order designating Upper Canada Transmission (now known as NextBridge Infrastructure) to undertake the development work related to the East-West Tie Line. Up to and including that date in 2013, GLPT had allocated $275,036 in costs to EWT LP. These costs were related to senior employees allocating time and expenses to the EWT project. As a result, GLPT is seeking to recover $274,963 (the variance between $550,000 forecast and $275,036 actual) through the use of this account for 2013. Furthermore, GLPT is forecasting that it will allocate $0 to EWT LP in 2014. However, as a result of the re-allocation of resources, instead of incurring the $340,000 forecast in EB-2012-0300, GLPT is forecasting that it will incur costs of $170,000. Therefore, GLPT is seeking recovery of $170,000 in costs forecast to be incurred in 2014 that were initially forecast to be allocated to EWT LP. *Table 6-1-2 E* below outlines the amounts recorded in this account to date, inclusive of carrying charges.

Table 6-1-2 E – East-West Tie Line Initiatives Variance Account

Year	Opening Balance	Costs Incurred	Cumulative Costs	Carrying Charges	Cumulative Carrying Charges	Closing Account Balance
2013	$0	$274,963	$274,963	$1,091	$1,091	$276,054
2014	276,054	170,000	444,963	5,291	6,382	451,345
			$444,963		**$6,382**	**$451,345**

As a result, GLPT is seeking to disburse the forecast December 31, 2014 balance, inclusive of carrying charges, of $451,345 over a three year period as described in Exhibit 6, Tab 3, Schedule 1.

The EWT Designation process is now complete, and as a result GLPT is not requesting continuation of this account.

9.0 Support Costs for the OEB Designation Process for EWT

In the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the parties agreed that the Board should authorize GLPT to establish a deferral account to record costs incurred to support the Board through the designation process, as set out in the Board's Decision and Order dated July 12, 2012 for proceeding EB-2012-0180. The costs GLPT incurred in supporting the Board are separate from the costs GLPT had allocated to EWT LP in connection with EWT LP's designation application.

GLPT incurred $54,972 in incremental legal costs in 2012 and 2013. *Table 6-1-2 F* below outlines the amounts recorded in this account to date, inclusive of carrying charges.

Table 6-1-2 F – EWT Support Costs

Year	Opening Balance	Costs Incurred	Cumulative Costs	Carrying Charges	Cumulative Carrying Charges	Closing Account Balance
2012	$0	$52,952	$52,952	$384	$384	$53,336
2013	53,336	2,020	54,972	803	1,187	56,159
2014	56,159	-	54,972	808	1,995	56,967
			$54,972		**$1,995**	**$56,967**

As a result, GLPT is seeking to disburse the forecast December 31, 2014 balance of $56,967, inclusive of carrying charges, as described in Exhibit 6, Tab 3, Schedule 1.

The EWT Designation process is now complete, and as a result GLPT is not requesting continuation of this account.

ACCOUNT 1575 – IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS

1.0 Background

The Board has created account 1575 for utilities to record differences arising as a result of accounting policy changes caused by the transition from previous CGAAP to modified IFRS. GLPT's IFRS changeover date was January 1, 2013, with a transition date of January 1, 2012. As a result, GLPT's rate base was calculated based on IFRS starting in 2013, with property plant and equipment ("PP&E") values calculated under IFRS beginning January 1, 2012.

However, there is a difference in GLPT's December 31, 2012 PP&E value under CGAAP (closing balance for the calculation of rate base in 2012) vs IFRS (opening balance for the calculation of rate base in 2013). This difference is to be recorded in account 1575 for disposition.

1.1 Previous Application

When GLPT filed its 2013-2014 rate application (EB-2012-0300), the forecasted variance at December 31, 2012 was $297,495, where the opening IFRS value was lower than closing CGAAP value. This was a result of a variance in overall depreciation expense forecasted for 2012, and a variance in the net book value of the assets approved for retirement and recovery through USofA account 1505. In the settlement agreement approved by the Board on October 18, 2012, the parties agreed that GLPT would collect the forecasted variance of $297,495.

1.2 Current Application

The variance between GLPT's actual December 31, 2012 IFRS PP&E and actual December 31, 2012 CGAAP PP&E is $136,450, where the opening IFRS value is in fact higher than the closing CGAAP value. Therefore, GLPT collected the forecasted variance of $297,495 when it in fact should have paid $136,450 to the ratepayer. The actual reconciliation between IFRS and CGAAP PP&E at December 31, 2012 is demonstrated in *Table 6-1-3 A* below. The values are calculated and demonstrated in the rate base continuity tables found in Exhibit 2, Tab 1, Schedule 2.

Table 6-1-3 A – Reconciliation of December 31, 2012 PP&E

2012 CGAAP Closing NBV	$228,568,197
Variances:	
Construction Interest	544,155
Depreciation	(407,676)
Asset Disposals	(27)
Total Variances	136,452
2012 IFRS Closing NBV	**$228,704,649**

The significant difference in comparison to the forecast provided in EB-2012-0300 is driven by a difference in borrowing costs capitalized in 2012. For IFRS purposes, because GLPT's long-term debt is held at arm's length, GLPT capitalized borrowing costs at a rate equal to its rate of interest on outstanding debt, or 6.60%. However, under CGAAP, GLPT capitalized interest using the Board's prescribed rate for allowance for funds used during construction, or 3.54% on average. As a result, GLPT added $544,155 in incremental borrowing costs to its IFRS PP&E for 2012.

Additionally, the IFRS-CGAAP variance in GLPT's 2012 depreciation expense was $108,105 higher than that forecasted in EB-2012-0300. Therefore, GLPT is seeking to include this variance as a part of the true-up for account 1575.

GLPT is proposing to disburse the outstanding credit balance of $433,945 as a repayment to ratepayers to account for the actual 2012 variances. The amount is calculated in *Table 6-1-3 B* below.

Table 6-1-3 B – Calculation of IFRS-CGAAP PP&E Variances

	Previously Approved Variances	**Actual Variances**	**Outstanding Credit Balance**
Depreciation	($291,041)	(407,678)	($116,637)
Retirements	(6,454)	(27)	6,427
Borrowing Costs	-	544,155	544,155
Amount of payback/(collection)	**($297,495)**	**$136,450**	**$433,945**

Assuming GLPT's 2015 revenue requirement is effective January 1, 2015, the net credit balance in the account will be established on that date, as that is the date when GLPT's rate base will be revised to incorporate the net difference between CGAAP and IFRS rate base. Prior to that date, the $433,945 is not included in GLPT's rate base or revenue requirement, and no returns have been earned by GLPT on the amount. Therefore, no carrying charges should be accrued in the account up to December 31, 2014. The balance for disbursal is equal to the outstanding amount identified in the table.

In the settlement agreement approved by the Board on October 18, 2012, the parties agreed that for administrative efficiency, GLPT would aggregate the net disbursal amount for this account with the other deferral and variance accounts being disbursed in the application. GLPT is proposing the same method for disbursing the balance of this account in this application. In Exhibit 6, Tab 3, Schedule 1, GLPT is proposing to aggregate the balance of this account with its other existing deferral and variance accounts for disbursal over a three year period beginning in 2015. GLPT will track the balance of this account separately to ensure appropriate carrying charges (based on GLPT's rate of return on rate base) are applied to the principal balance beginning January 1, 2015.

ACCOUNT 1595 – THREE YEAR LIABILITY REPAYMENT

1.0 Three Year Liability Repayment

In the EB-2012-0300 settlement agreement approved by the Board on October 18, 2012, the parties agreed that GLPT would disburse $2,206,218 to ratepayers over a three year period beginning in 2013. At December 31, 2013 the balance of this account was $1,437,078. In 2014, GLPT reduced its revenue requirement for UTR purposes by $748,608, reflecting the return of funds to ratepayers for the year. As a result of the repayments from 2013 and 2014, GLPT is forecasting a balance of $699,363 at December 31, 2014 inclusive of carrying charges. The EB-2012-0300 settlement agreement indicated that the funds would be returned over a three year period, being 2013 through 2015. However, as described in Exhibit 6, Tab 3, Schedule 1, GLPT is proposing to aggregate this balance with other regulatory balances, and disburse the aggregate balance over a new three year period beginning in 2015.

As indicated in Exhibit 6, Tab 3, Schedule 1, GLPT is seeking to continue use of this account for the purpose of disbursing the aggregate balance of various deferral and variance accounts.

PROPOSED DEFERRAL & VARIANCE ACCOUNTS

1.0 Deferral Account Request

GLPT is requesting approval to establish a new sub-account within account 1508 for recording incremental costs related to new customer connections to GLPT's system. The need for this account and the accounting and control process is described in further detail below.

2.0 New Customer Connections

As indicated in Exhibit 3, Tab 1, Schedule 2, GLPT is experiencing some organic load growth in the Wawa area, as well as the connection of a new customer. While this particular new customer is not triggering material facility upgrades, GLPT has received information through the initial stages of the regional planning process indicating that there may be one or more new customer connections with projected loads that are likely to trigger upgrades to GLPT's transmission facilities.

New customer connections such as this can trigger incremental capital and OM&A costs for GLPT. Specifically, if a capital contribution is not required from the customer, or the contribution is less than the total cost of the upgrade, the remaining upgrade cost is the responsibility of GLPT. This can include upgrades to existing network or connection facilities, or new construction that is contestable work assigned to GLPT. The connection of new load customers at GLPT is very uncommon, and due to the rarity of this type of activity, GLPT does not have a capital or OM&A budget available or built into revenue requirement for new customer connections.

As a result, GLPT is seeking approval to establish a deferral account with an OM&A sub-account and a capital sub-account to capture incremental costs associated with new customer connections. The costs GLPT will record in this account are only those costs that are material and those that are not already provided for in revenue requirement.

3.0 Accounting and Control Process

The deferral account requested above will be managed in the same manner as existing GLPT deferral and variance accounts. The balance will be updated monthly and interest will be applied consistent with Board-approved rates**.** Balances will be reported to the Board as part of the quarterly reporting process. The outstanding balance will be submitted for approval by the Board and disbursal as part of a future filing.

DISBURSAL OF EXISTING DEFERRAL AND VARIANCE ACCOUNTS

1.0 Proposed Methodology for Disbursal

In this application GLPT is proposing to aggregate all of the deferral and variance account balances that GLPT is seeking approval for, and disburse the total amount over a three year period beginning in 2015. This is consistent with the approach applied in previous applications, and most recently in the Board-Approved Settlement Agreement related to EB-2012-0300. GLPT is seeking approval to disburse a total debit balance of $2,363,448 over that three year period, which would result in an increase in GLPT's annual revenue requirement for UTR of $787,816.

2.0 Existing Deferral and Variance Account Disbursals

GLPT is currently disbursing a deferral account balance to ratepayers over a three year period (account 1595). At December 31, 2014, there will be one year remaining in the scheduled 3-year payback. The forecasted December 31, 2014 credit balance of this account is $699,363. GLPT is seeking approval to disburse this balance as a part of this application.

3.0 New Deferral Account Disbursals

The subsections below deal with the individual accounts and sub-accounts that GLPT is proposing to disburse in this application. Section 3.0 below deals with the aggregation of the accounts, the treatment of carrying charges, and the proposed disbursal methodology.

3.1 Account 1508 – Sub-account Comstock Claim

As described in Exhibit 6, Tab 1, Schedule 2, GLPT is forecasting a debit balance of $2,354,305 in this sub-account at December 31, 2014, inclusive of carrying charges[1]. GLPT is seeking approval to disburse this balance as a part of this application.

3.2 Account 1508 – Sub-account IFRS Gains and Losses

As described in Exhibit 6, Tab 1, Schedule 2, GLPT is forecasting a debit balance of $634,138 in this sub-account at December 31, 2014, inclusive of carrying charges. GLPT is seeking approval to disburse this balance as a part of this application.

3.3 Account 1508 – Sub-account EWT Variance

As described in Exhibit 6, Tab 1, Schedule 2, GLPT is forecasting a debit balance of $451,345 in this sub-account at December 31, 2014, inclusive of carrying charges. GLPT is seeking approval to disburse this balance as a part of this application.

3.4 Account 1508 – Sub-account EWT Support Costs

As described in Exhibit 6, Tab 1, Schedule 2, GLPT is forecasting a debit balance of $56,967 in this sub-account at December 31, 2014, inclusive of carrying charges. GLPT is seeking approval to disburse this balance as a part of this application.

3.5 Account 1575 – IFRS-CGAAP Transitional PP&E Amounts

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[1] As noted in Exhibit 6, Tab 1, Schedule 3, GLPT is not seeking recovery of any costs incurred in 2014. To the extent costs are incurred in 2014 or later, GLPT will seek to recover those costs in a future application.

As described in Exhibit 6, Tab 1, Schedule 3, GLPT is forecasting a credit balance of $433,945 in this sub-account at December 31, 2014. This transaction will take effect on January 1, 2015 when GLPT's revised IFRS rate base is used for calculating GLPT's revenue requirement. As a result, no carrying charges were accrued up to December 31, 2014.

While the Board has established a mechanism for disbursing the balance of account 1575 through rate base and depreciation expense, GLPT is proposing an alternative method for disbursing this balance for the following reasons:

1. While the balance is material to GLPT and should be tracked and recovered, it is not a significant balance as it relates to total rate base, and does not materially impact the way rate base and revenue requirement is calculated in the test years,

2. GLPT has existing deferral and variance account balances being disbursed in the test year, and as a result the balance of this account can be aggregated with the other account balances and be disbursed over a three year period, and

3. GLPT has the ability to track carrying charges on this account separately, and therefore GLPT can apply carrying charges against this account at the Board-Approved rate that is equal to its approved cost of capital rate instead of the deemed rate of interest for deferral accounts

In light of the reasons set out above, GLPT is proposing to collect this balance over the same three year period beginning in 2015 by aggregating it with the balances of GLPT's other proposed deferral and variance account disbursals.[2] This is also consistent with the method for disbursing this account balance in EB-2012-0300, which was approved through a settlement agreement on October 18, 2012.

4.0 Aggregation of Accounts

Table 6-3-1 A below demonstrates the balances of the deferral and variance accounts that GLPT is seeking to disburse over a three-year period beginning in 2015. Positive amounts in the table are debit amounts that are receivable by GLPT, while negative amounts in the table are credit amounts that are payable by GLPT.

[2] GLPT takes the view that its proposal is the most administratively efficient way of disbursing this account balance. In the alternative, GLPT would propose to use the Board's recommended methodology for disbursal.

Table 6-3-1 A – Deferral and Variance Account Balances

($'s)		
Account Number	**Account Description**	**Dec 31, 2014 Balance Sought for Disbursal**
1595	Three Year Liability Amount (1 Yr Remaining)	($699,363)
1508	Legal Claim (Comstock)	2,354,305
1508	IFRS Gains and Losses (2013-2014)	634,138
1508	EWT Variance	451,345
1508	EWT Support Costs	56,967
1575	IFRS-CGAAP Transitional PP&E Amounts	(433,945)
	Total Deferral Accounts	**$2,363,448**

Subject to the approval of the various account balances that GLPT is seeking to disburse as part of this Application, GLPT is seeking to disburse the aggregate credit balance of $2,363,448 by increasing its 2015, 2016 and 2017 revenue requirement to be used in the calculation of UTR by one third of the amount in each year, or $787,816. This breakdown is provided in *Table 6-3-1 B.* As stated above, GLPT will continue to track the Transitional PP&E amount (account 1575) separately so as to ensure appropriate carrying charges are applied.

Table 6-3-1 B – Calculation of Annual Disbursal

Account Number	Account Description	Total Disbursal	Annual Disbursal
1595	Three Year Asset Disbursement	$2,797,393	$932,464
1575	Three Year Transitional PP&E Disbursement	(433,945)	(144,648)
	Total Disbursement	**$2,363,448**	**$787,816**

GLPT is not seeking to disburse forecasted carrying charges beyond December 31, 2014. However, it is GLPT's intent to continue to track carrying charges using the appropriate rates[3] and disburse the final balance through a true-up in a future application. The true-up will incorporate carrying charges beginning January 1, 2015, as well as any over- or under-recovery related to volume and revenue variances.

[3] Account 1575 will draw carrying charges at a rate equal to GLPT's return on rate base (currently 7.68%). All other accounts will draw carrying charges at the OEB's deemed rate for deferral and variance accounts (currently 1.47%).

CONTINUITY OF DEFERRAL AND VARIANCE ACCOUNTS

The tables below demonstrate the continuity of GLPT's deferral and variance accounts for 2012 and 2013 actual, 2014, 2015 and 2016 forecast. GLPT has reflected the proposed disbursal of its accounts, as described in Exhibit 6, Tab 3, Schedule 1.

Table 6-4-1 A – Continuity of Deferral and Variance Accounts

		2012										
Account Number	Description	Opening Principle as of Jan 1, 2012	Transactions in 2012	Dispositions in 2012	Transfers in 2012	Closing Principle as of Dec 31, 2012	Opening Interest as of Jan 1, 2012	Interest for 2012	Dispositions in 2012	Transfers in 2012	Closing Interest as of Dec 31, 2012	Account Balance at Dec 31, 2012
Regulatory Assets:												
1505	Unrecovered Plant (Third Line Disposal)	$ -	$ 863,369	$ (900,564)	$ -	$ (37,195)	$ -	$ (6,043)	$ -	$ -	$ (6,043)	$ (43,238)
1508	IFRS Transition Costs	274,023	5,325	-	-	279,348	2,512	4,093	-	-	6,605	285,953
1508	Green Energy Deferral	2,901,241	1,358,513	-	(4,011,710)	248,043	31,337	(5,995)	-	(27,191)	(1,849)	246,194
1508	OEB Cost Assessment Variances	21,072	-	-	-	21,072	379	310	-	-	689	21,760
1508	EWT Support Costs	-	52,952	-	-	52,952	-	384	-	-	384	53,336
1508	Legal Claim (Comstock)	1,767,257	375,800	-	-	2,143,057	24,920	27,855	-	-	52,775	2,195,833
1508	Property Tax Variances	-	(22,797)	-	-	(22,797)	-	(234)	-	-	(234)	(23,031)
1508	IFRS Gains and Losses	-	-	-	-	-	-	-	-	-	-	-
1575	IFRS-CGAAP Transitional PP&E Amounts	-	-	-	-	-	-	-	-	-	-	-
1592	Changes in Tax Legislation	-	16,368	-	-	16,368	-	110	-	-	110	16,478
1595	Aggregate Regulatory Asset	-	-	-	-	-	-	-	-	-	-	-
	Subtotal Regulatory Assets	**$4,963,592**	**$2,649,530**	**($900,564)**	**($4,011,710)**	**$2,700,848**	**$59,148**	**$20,480**	**$0**	**($27,191)**	**$52,437**	**$2,753,286**
Regulatory Liabilities:												
1574	Three Year Liability Amount	(2,023,019)	-	1,108,455	-	(914,563)	(170,562)	(32,284)	-	-	(202,846)	(1,117,409)
1595	Five Year Liability Amount	(2,434,552)	-	640,145	-	(1,794,408)	(65,199)	(31,489)	-	-	(96,689)	(1,891,097)
	Subtotal Regulatory Liabilities	**($4,457,571)**	**$0**	**$1,748,600**	**$0**	**($2,708,971)**	**($235,761)**	**($63,774)**	**$0**	**$0**	**($299,535)**	**($3,008,506)**
	Net Regulatory Asset (Liability) Balance	**$506,021**	**$2,649,530**	**$848,036**	**($4,011,710)**	**($8,123)**	**($176,613)**	**($43,293)**	**$0**	**($27,191)**	**($247,097)**	**($255,220)**

Table 6-4-1 A – Continuity of Deferral and Variance Accounts (cont'd)

2013												
Account Number	**Description**	**Opening Principle as of Jan 1, 2013**	**Transactions in 2013**	**Dispositions in 2013**	**Transfers in 2013**	**Closing Principle as of Dec 31, 2013**	**Opening Interest as of Jan 1, 2013**	**Interest for 2013**	**Dispositions in 2013**	**Transfers in 2013**	**Closing Interest as of Dec 31, 2013**	**Account Balance at Dec 31, 2013**
Regulatory Assets:												
1505	Unrecovered Plant (Third Line Disposal)	$ (37,195)	$ (595)	$ -	$ 37,790	$ -	$ (6,043)	$ -	$ -	$ 6,043	$ -	$ -
1508	IFRS Transition Costs	279,348	-	-	(279,348)	-	6,605	-	-	(6,605)	-	-
1508	Green Energy Deferral	248,043	-	-	(248,043)	-	(1,849)	1,272	-	577	-	-
1508	OEB Cost Assessment Variances	21,072	-	-	(21,072)	-	689	-	-	(689)	-	-
1508	EWT Support Costs	52,952	2,020	-	-	54,972	384	803	-	-	1,187	56,159
1508	Legal Claim (Comstock)	2,143,057	93,664	-	-	2,236,721	52,775	31,928	-	-	84,704	2,321,425
1508	Property Tax Variances	(22,797)	-	-	22,797	-	(234)	-	-	234	-	-
1508	EWT Variance	-	274,963	-	-	274,963	(2)	1,091	-	-	1,091	276,054
1508	BES	-	6,928	-	-	6,928	(1)	33	-	-	33	6,961
1508	IFRS Gains and Losses	-	452,924	-	-	452,924	-	966	-	-	966	453,891
1508	EWT Support Costs for OEB designation Pro	-										
1575	IFRS-CGAAP Transitional PP&E Amounts	-	297,494	-	(297,494)	-	-	-	-	-	-	-
1592	Changes in Tax Legislation	16,368	-	-	(16,368)	-	110	-	-	(110)	-	-
1595	Aggregate Regulatory Asset	-	-	-	-	-	-	-	-	-	-	-
	Subtotal Regulatory Assets	**$2,700,848**	**$1,127,399**	**$0**	**($801,738)**	**$3,026,509**	**$52,434**	**$36,094**	**$0**	**($550)**	**$87,981**	**$3,114,490**
Regulatory Liabilities:												
1595	Three Year Liability Amount	(914,563)	-	791,890	(992,670)	(1,115,343)	(202,846)	(22,750)	-	(96,139)	(321,735)	(1,437,078)
1595	Five Year Liability Amount	(1,794,408)	-	-	1,794,408	-	(96,689)	-	-	96,689	-	-
	Subtotal Regulatory Liabilities	**($2,708,971)**	**$0**	**$791,890**	**$801,738**	**($1,115,343)**	**($299,535)**	**($22,750)**	**$0**	**$550**	**($321,735)**	**($1,437,078)**
	Net Regulatory Asset (Liability) Balance	**($8,123)**	**$1,127,399**	**$791,890**	**$0**	**$1,911,166**	**($247,100)**	**$13,344**	**$0**	**($0)**	**($233,754)**	**$1,677,412**

Table 6-4-1 A – Continuity of Deferral and Variance Accounts (cont'd)

						2014						
Account Number	**Description**	**Opening Principle as of Jan 1, 2014**	**Forecast Transactions in 2014**	**Forecast Dispositions in 2014**	**Forecast Transfers in 2014**	**Forecast Closing Principle as of Dec 31, 2014**	**Opening Interest as of Jan 1, 2014**	**Forecast Interest for 2014**	**Forecast Dispositions in 2014**	**Forecast Transfers in 2014**	**Forecast Closing Interest as of Dec 31, 2014**	**Forecast Account Balance at Dec 31, 2014**
Regulatory Assets:												
1505	Unrecovered Plant	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1508	Green Energy Deferral	-	-	-	-	-	-	-	-	-	-	-
1508	EWT Support Costs	54,972	-	-	-	54,972	1,187	808	-	-	1,995	56,967
1508	Legal Claim (Comstock)	2,236,721	-	-	-	2,236,721	84,704	32,880	-	-	117,584	2,354,305
1508	Property Tax Variances	-	-	-	-	-	-	-	-	-	-	-
1508	EWT Variance	274,963	170,000	-	-	444,963	1,091	5,291	-	-	6,382	451,345
1508	BES	6,928	-	-	-	6,928	33	102	-	-	135	7,063
1508	IFRS Gains and Losses	452,924	181,214	-	-	634,138	966	(966)	-	-	-	634,138
1575	IFRS-CGAAP Transitional PP&E Amounts	-	(433,945)	-	-	(433,945)	-	-	-	-	-	(433,945)
1592	Changes in Tax Legislation	-	-	-	-	-	-	-	-	-	-	-
1595	Aggregate Regulatory Asset	-	-	-	-	-	-	-	-	-	-	-
	Subtotal Regulatory Assets	**$3,026,509**	**($82,731)**	**$0**	**$0**	**$2,943,778**	**$87,981**	**$38,115**	**$0**	**$0**	**$126,096**	**$3,069,874**
Regulatory Liabilities:												
1595	Three Year Liability Amount	(1,115,343)	-	748,608	-	(366,735)	(321,735)	(10,893)	-	-	(332,628)	(699,363)
	Subtotal Regulatory Liabilities	**($1,115,343)**	**$0**	**$748,608**	**$0**	**($366,735)**	**($321,735)**	**($10,893)**	**$0**	**$0**	**($332,628)**	**($699,363)**
	Net Regulatory Asset (Liability) Balance	**$1,911,166**	**($82,731)**	**$748,608**	**$0**	**$2,577,043**	**($233,754)**	**$27,222**	**$0**	**$0**	**($206,532)**	**$2,370,511**

Table 6-4-1 A – Continuity of Deferral and Variance Accounts (cont'd)

						2015						
Account Number	Description	Opening Principle as of Jan 1, 2015	Forecast Transactions in 2015	Forecast Dispositions in 2015	Forecast Transfers in 2015	Forecast Closing Principle as of Dec 31, 2015	Opening Interest as of Jan 1, 2015	Forecast Interest for 2015	Forecast Dispositions in 2015	Forecast Transfers in 2015	Forecast Closing Interest as of Dec 31, 2015	Forecast Account Balance at Dec 31, 2015
Regulatory Assets:												
1508	Green Energy Deferral	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1508	EWT Support Costs	54,972	-	-	(54,972)	-	1,995	-	-	(1,995)	-	-
1508	Legal Claim (Comstock)	2,236,721	-	-	(2,236,721)	-	117,584	-	-	(117,584)	-	-
1508	Property Tax Variances	-	-	-	-	-	-	-	-	-	-	-
1508	EWT Variance	444,963	-	-	(444,963)	-	6,382	-	-	(6,382)	-	-
1508	BES	6,928	-	-	-	6,928	135	102	-	-	237	7,165
1508	IFRS Gains and Losses	634,138	-	-	(634,138)	-	-	-	-	-	-	-
1575	IFRS-CGAAP Transitional PP&E Amounts	(433,945)	-	144,648	-	(289,297)	-	(11,109)	-	-	(11,109)	(300,406)
1595	Aggregate Regulatory Asset - 2015	-	-	(932,464)	3,004,060	2,071,596	-	37,357	-	(206,667)	(169,310)	1,902,285
	Subtotal Regulatory Assets	**$2,943,778**	**$0**	**($787,816)**	**($366,735)**	**$1,789,227**	**$126,096**	**$26,350**	**$0**	**($332,628)**	**($180,182)**	**$1,609,045**
Regulatory Liabilities:												
1595	Three Year Liability Amount	(366,735)	-	-	366,735	-	(332,628)	-	-	332,628	-	-
	Subtotal Regulatory Liabilities	**($366,735)**	**$0**	**$0**	**$366,735**	**$0**	**($332,628)**	**$0**	**$0**	**$332,628**	**$0**	**$0**
	Net Regulatory Asset (Liability) Balance	**$2,577,043**	**$0**	**($787,816)**	**$0**	**$1,789,227**	**($206,532)**	**$26,350**	**$0**	**$0**	**($180,182)**	**$1,609,045**

Table 6-4-1 A – Continuity of Deferral and Variance Accounts (cont'd)

2016

Account Number	Description	Opening Principle as of Jan 1, 2016	Forecast Transactions in 2016	Forecast Dispositions in 2016	Forecast Transfers in 2016	Forecast Closing Principle as of Dec 31, 2016	Opening Interest as of Jan 1, 2016	Forecast Interest for 2016	Forecast Dispositions in 2016	Forecast Transfers in 2016	Forecast Closing Interest as of Dec 31, 2016	Forecast Account Balance at Dec 31, 2016
Regulatory Assets:												
1508	Green Energy Deferral	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1508	Legal Claim (Comstock)	-	-	-	-	-	-	-	-	-	-	-
1508	Property Tax Variances	-	-	-	-	-	-	-	-	-	-	-
1508	Changes in IFRS	-	-	-	-	-	-	-	-	-	-	-
1508	BES	6,928	-	-	-	6,928	237	102	-	-	339	7,267
1508	IFRS Gains and Losses	-	-	-	-	-	-	-	-	-	-	-
1575	IFRS-CGAAP Transitional PP&E Amounts	(289,297)	-	144,648	-	(144,648)	(11,109)	(16,663)	-	-	(27,772)	(172,421)
1592	Changes in Tax Legislation	-	-	-	-	-	-	-	-	-	-	-
1595	Aggregate Regulatory Asset - 2016	2,071,596	-	(932,464)	-	1,139,131	(169,310)	23,599	-	-	(145,711)	993,420
	Subtotal Regulatory Assets	**$1,789,227**	**$0**	**($787,816)**	**$0**	**$1,001,411**	**($180,182)**	**$7,037**	**$0**	**$0**	**($173,145)**	**$828,266**
Regulatory Liabilities:												
	Subtotal Regulatory Liabilities	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Regulatory Asset (Liability) Balance	**$1,789,227**	**$0**	**($787,816)**	**$0**	**$1,001,411**	**($180,182)**	**$7,037**	**$0**	**$0**	**($173,145)**	**$828,266**

COST ALLOCATION TO RATE POOLS

1.0 Background

Hydro One Networks Inc. ("Hydro One") filed an application (EB-2010-0002) with the Board on May 19, 2010 for approval of a revenue requirement and charge determinant forecast for 2011 and 2012 Test Years. As a part of that application, HONI provided an update to the allocation of costs among the Uniform Transmission Rate ("UTR") pools. Hydro One filed a subsequent application with the Board on May 28, 2012 (EB-2012-0031) where its cost allocation methodology remained unchanged from what was approved by the Board in the Decision and Rate Order in Proceeding EB-2010-0002.

In accordance with the Board's Decision on Proposed Settlement Agreement related to GLPT's EB-2012-0300 application, GLPT's approved revenue requirement was allocated to the UTR pools on the same basis as Hydro One for each of 2013 and 2014. Effective January 1, 2014, GLPT's approved revenue requirement was allocated as follows:

Table 7-1-1 A – EB-2012-0031 Approved Figures

EB-2012-0031 Rate Order Approved Figures	Network	Line Connection	Transformation Connection	Total
Revenue Requirement	$23,194,964	$4,812,222	$9,975,310	$37,982,496

It is GLPT's intent to continue to allocate its revenue requirement to the UTR pools in accordance with Hydro One's most recent cost allocation methodology.

2.0 Test Year Revenue Requirement Allocation

As described in Exhibit 6, Tab 3, Schedule 1, GLPT is requesting disbursal of several deferral and variance accounts. The collective impact of this disbursal is expected to increase GLPT's revenue requirement by $787,816 for each of the 2015 and 2016 test years. As a result, GLPT's revenue required from UTR in 2015 and 2016 is the total base revenue requirement plus $787,816. GLPT has allocated the amounts demonstrated in *Table 7-1-1 B* below to the UTR pools for 2015 and 2016.

Table 7-1-1 B – Calculation of Revenue Requirement for Uniform Transmission Rates

($'s)	2015 Test Year	2016 Test Year
Base Revenue Requirement	$39,782,071	$40,230,644
Add: Annual Regulatory Account Disbursement	787,816	787,816
Revenue Requirement for Uniform Transmission Rates	**$40,569,887**	**$41,018,460**

As in EB-2012-0300, GLPT allocated its incremental revenue requirement to the transmission cost pools by applying the same proportions as was determined by the Board in EB-2010-0002. The resulting allocation of revenue requirement to each of the pools is summarized below.

Table 7-1-1 C – 2015 Revenue Requirement by Transmission Pool

2015 Test Year	**Network**	**Line Connection**	**Transformation Connection**	**Total**
Revenue Requirement	$24,775,019	$5,140,034	$10,654,834	$40,569,887

Table 7-1-1 D – 2016 Revenue Requirement by Transmission Pool

2016 Test Year	**Network**	**Line Connection**	**Transformation Connection**	**Total**
Revenue Requirement	$25,048,952	$5,196,866	$10,772,643	$41,018,460

Prior to implementation of rates for 2015 and 2016, GLPT will update its allocation of revenue requirement to remain consistent with Hydro One's allocation of revenue requirement for each of the 2015 and 2016 test years.

<u>CALCULATION OF UNIFORM TRANSMISSION RATES</u>

1.0 Overview

Transmission rates in Ontario have been established on a uniform basis for all transmitters in Ontario since April 30, 2002 as per RP-2001-0034/RP-2001-0035/RP-2001-0036/RP-1999-0044. The current Ontario Transmission Rate Schedules, effective January 1, 2014 and approved as part of the Board's EB-2012-0031 Decision and Order, are filed at Exhibit 8, Tab 1, Schedule 3.

Since rates are established on a uniform basis for the province, the revenue requirement of the four transmitters in the province, HONI, Canadian Niagara Power Inc., Five Nations Energy Inc., and GLPT, must be aggregated in order to calculate the total transmission revenue requirement for the province for a test year. Therefore, any change to the revenue requirement or charge determinant of any transmitter contributes to a change in the overall provincial transmission tariffs.

The overall revenue requirement must be allocated to the UTR Pools in order for uniform rates by pool to be established.[1] The revenue requirement by Rate Pool for all transmitters is based on the shares established by HONI's Cost Allocation process.[2] Once the revenue requirement by rate pool has been determined, then rates need to be established by the Board by applying the appropriate provincial charge determinants for

[1] GLPT's revenue is allocated to the Rate Pools in Exhibit 7, Tab 1, Schedule 1.
[2] HONI's cost allocation methodology was approved in its 2011-2012 application (EB-2010-0002) and remained unchanged in its 2013-2014 application (EB-2012-0031)

each pool to the associated total revenue requirement for each pool. The provincial charge determinants are the sum of all charge determinants for the four transmitters, by Rate Pool.

2.0 Current Uniform Transmission Rates

Table 8-1-1 A below demonstrates the calculation of the UTR that are in effect in 2014, with GLPT's information highlighted within the table. As noted above, the complete 2014 rate schedule can be found at Exhibit 8, Tab 1, Schedule 3.

Table 8-1-1 A – 2014 Uniform Transmission Rate Calculation

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$3,863,796	$801,616	$1,661,678	$6,327,089
CNPI	$2,816,704	$584,377	$1,211,362	$4,612,443
GLPT	$23,194,964	$4,812,222	$9,975,310	$37,982,496
H1N	$882,891,274	$183,172,052	$379,699,417	$1,445,762,743
All Transmitters	$912,766,737	$189,370,267	$392,547,767	$1,494,684,771

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	3,445.341	2,461.434	455.652	
H1N	234,635.292	227,880.899	196,795.322	
All Transmitters	238,851.173	231,224.393	197,995.764	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates ($/kW-Month)	**3.82**	**0.82**	**1.98**	
	↓	↓	↓	
FNEI	0.00423	0.00423	0.00423	
CNPI	0.00309	0.00309	0.00309	
GLPT	0.02541	0.02541	0.02541	
H1N	0.96727	0.96727	0.96727	
All Transmitters	1.00000	1.00000	1.00000	

3.0 Proposed Uniform Transmission Rates

GLPT's proposed 2015 and 2016 UTR incorporate GLPT's revenue requirement and charge determinants proposed in this application, and assume the revenue requirement and charge determinant values approved for the other transmitters in the Board's most recent Rate Order (EB-2012-0031) remain the same.[3]

Table 8-1-1 B demonstrates the calculation of GLPT's proposed UTR for 2015, while *Table 8-1-1 C* demonstrates the calculation of GLPT's proposed UTR for 2016. As indicated above, the changes in the 2015 and 2016 rates proposed in *Table 8-1-1 B* and *Table 8-1-1 C* respectively are driven only by GLPT's updated charge determinant forecast and revenue requirement.

[3] GLPT notes that HONI may be before the Board with a 2015-2016 rate application; however GLPT has not incorporated HONI's proposed revenue requirement or proposed charge determinants in the calculation of 2015-2016 proposed UTR.

Table 8-1-1 B – Proposed 2015 Uniform Transmission Rates

Transmitter	**Revenue Requirement ($)**			
	Network	**Line Connection**	**Transformation Connection**	**Total**
FNEI	$3,863,796	$801,616	$1,661,678	$6,327,089
CNPI	$2,816,704	$584,377	$1,211,362	$4,612,443
GLPT	$24,775,019	$5,140,034	$10,654,834	$40,569,887
H1N	$882,891,274	$183,172,052	$379,699,417	$1,445,762,743
All Transmitters	$914,346,793	$189,698,079	$393,227,291	$1,497,272,163

Transmitter	**Total Annual Charge Determinants (MW)**			
	Network	**Line Connection**	**Transformation Connection**	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	3,489.236	2,725.624	626.252	
H1N	234,635.292	227,880.899	196,795.322	
All Transmitters	238,895.068	231,488.583	198,166.364	

Transmitter	**Uniform Rates and Revenue Allocators**			
	Network	**Line Connection**	**Transformation Connection**	
Uniform Transmission Rates ($/kW-Month)	**3.83**	**0.82**	**1.98**	
	↓	↓	↓	
FNEI	0.00423	0.00423	0.00423	
CNPI	0.00308	0.00308	0.00308	
GLPT	0.02710	0.02710	0.02710	
H1N	0.96559	0.96559	0.96559	
All Transmitters	1.00000	1.00000	1.00000	

Table 8-1-1 C – Proposed 2016 Uniform Transmission Rates

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$3,863,796	$801,616	$1,661,678	$6,327,089
CNPI	$2,816,704	$584,377	$1,211,362	$4,612,443
GLPT	$25,048,952	$5,196,866	$10,772,643	$41,018,460
H1N	$882,891,274	$183,172,052	$379,699,417	$1,445,762,743
All Transmitters	$914,620,725	$189,754,911	$393,345,100	$1,497,720,736

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	187.120	213.460	76.190	
CNPI	583.420	668.600	668.600	
GLPT	3,498.236	2,734.624	635.252	
H1N	234,635.292	227,880.899	196,795.322	
All Transmitters	238,904.068	231,497.583	198,175.364	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates ($/kW-Month)	**3.83**	**0.82**	**1.98**	
	↓	↓	↓	
FNEI	0.00422	0.00422	0.00422	
CNPI	0.00308	0.00308	0.00308	
GLPT	0.02739	0.02739	0.02739	
H1N	0.96531	0.96531	0.96531	
All Transmitters	1.00000	1.00000	1.00000	

GLPT has also prepared *Table 8-1-1 D* and *Table 8-1-1 E* which are replicas of *Table 8-1-1 B* and *Table 8-1-1 C*, but show only the variances created by GLPT's revenue requirement and charge determinant forecast changes. *Table 8-1-1 D* shows the change from the currently approved rates to the 2015 proposed rates. *Table 8-1-1 E* shows the change from the 2015 proposed rates to the 2016 proposed rates.

Table 8-1-1 D – 2014-2015 Variance in Uniform Transmission Rates Driven By GLPT

Transmitter	Revenue Requirement ($)			
	Network	Line Connection	Transformation Connection	Total
FNEI	$0	$0	$0	$0
CNPI	$0	$0	$0	$0
GLPT	$1,580,056	$327,812	$679,524	$2,587,392
H1N	$0	$0	$0	$0
All Transmitters	$1,580,056	$327,812	$679,524	$2,587,392

Transmitter	Total Annual Charge Determinants (MW)			
	Network	Line Connection	Transformation Connection	
FNEI	-	-	-	
CNPI	-	-	-	
GLPT	43.895	264.190	170.600	
H1N	-	-	-	
All Transmitters	43.895	264.190	170.600	

Transmitter	Uniform Rates and Revenue Allocators			
	Network	Line Connection	Transformation Connection	
Uniform Transmission Rates ($/kW-Month)	**0.01**	**0.00**	**0.00**	
	↓	↓	↓	
FNEI	0.00000	0.00000	0.00000	
CNPI	-0.00001	-0.00001	-0.00001	
GLPT	0.00169	0.00169	0.00169	
H1N	-0.00168	-0.00168	-0.00168	
All Transmitters	0.00000	0.00000	0.00000	

Table 8-1-1 E – 2015-2016 Variance in Uniform Transmission Rates Driven By GLPT

Transmitter	**Revenue Requirement ($)**			
	Network	**Line Connection**	**Transformation Connection**	**Total**
FNEI	$0	$0	$0	$0
CNPI	$0	$0	$0	$0
GLPT	$273,932	$56,832	$117,808	$448,573
H1N	$0	$0	$0	$0
All Transmitters	$273,932	$56,832	$117,808	$448,573

Transmitter	**Total Annual Charge Determinants (MW)**			
	Network	**Line Connection**	**Transformation Connection**	
FNEI	-	-	-	
CNPI	-	-	-	
GLPT	9.000	9.000	9.000	
H1N	-	-	-	
All Transmitters	9.000	9.000	9.000	

Transmitter	**Uniform Rates and Revenue Allocators**			
	Network	**Line Connection**	**Transformation Connection**	
Uniform Transmission Rates ($/kW-Month)	**0.00**	**0.00**	**0.00**	
	↓	↓	↓	
FNEI	-0.00001	-0.00001	-0.00001	
CNPI	0.00000	0.00000	0.00000	
GLPT	0.00029	0.00029	0.00029	
H1N	-0.00028	-0.00028	-0.00028	
All Transmitters	0.00000	0.00000	0.00000	

3.0 Rate Impacts

As demonstrated in the table, the impact of this application to Ontario rate-payers is a $0.01 increase in the rate for the Network pool in 2015, with no further change in the rates for 2016. Overall, GLPT's request results in a 0.17% increase in Ontario's transmission revenue requirement pool for 2015, and a 0.03% increase in Ontario's transmission revenue requirement pool for 2016.

UNIFORM TRANSMISSION RATE RECONCILIATION

Table 8-1-2 A and *Table 8-1-2 B* below apply the provincial charge determinant forecast to the proposed rates and then to GLPT's allocation factor to reconcile the revenue forecast for GLPT for 2015 and 2016, respectively. As anticipated, the proposed UTR and Allocation Factors will eliminate GLPT's forecast deficiency in both 2015 and 2016.

Table 8-1-2 A – 2015 Rate Proof Calculation

	Network	Line Connection	Transformation Connection	
2014 Annual Charge Determinants (MW)	238,895,068	231,488,583	198,166,364	
2014 Approved Uniform Rates ($kW-Month)	$3.82	$0.82	$1.98	
2014 GLPT Allocation Factor	0.02541	0.02541	0.02541	
2014 GLPT Revenue Forecast	$23,197,665	$4,817,396	$9,983,233	$37,998,295
2015 Test Year UTR Revenue Requirement				$40,569,887
Gross Revenue Deficiency/(Sufficiency)				$2,571,593
2015 Proposed Uniform Rates ($kW-Month)	$3.83	$0.82	$1.98	
2015 Proposed GLPT Allocation Factor	0.02710	0.02710	0.02710	
2015 Test Year GLPT Revenue Forecast	$24,778,798	$5,140,818	$10,656,460	$40,576,076
2015 Test Year UTR Revenue Requirement				$40,569,887
Gross Revenue Deficiency/(Sufficiency)				($6,188)

Table 8-1-2 B – 2016 Rate Proof Calculation

	Network	Line Connection	Transformation Connection	
2014 Annual Charge Determinants (MW)	238,904,068	231,497,583	198,175,364	
2014 Approved Uniform Rates ($kW-Month)	$3.82	$0.82	$1.98	
2014 GLPT Allocation Factor	0.02541	0.02541	0.02541	
2014 GLPT Revenue Forecast	$23,198,539	$4,817,584	$9,983,687	$37,999,809
2016 Test Year UTR Revenue Requirement				$41,018,460
Gross Revenue Deficiency/(Sufficiency)				$3,018,651
2016 Proposed Uniform Rates ($kW-Month)	$3.83	$0.82	$1.98	
2016 Proposed GLPT Allocation Factor	0.02739	0.02739	0.02739	
2016 Test Year GLPT Revenue Forecast	$25,051,462	$5,197,387	$10,773,722	$41,022,571
2016 Test Year UTR Revenue Requirement				$41,018,460
Gross Revenue Deficiency/(Sufficiency)				($4,111)

Exhibit 8, Tab 1, Schedule 3

2014 Ontario Uniform Transmission Rate Schedules – EB-2012-0031

2014 ONTARIO UNIFORM TRANSMISSION RATE SCHEDULES

EB-2012-0031

The rate schedules contained herein shall be effective January 1, 2014.

Issued: January 9, 2014
Ontario Energy Board

TERMS AND CONDITIONS

(A) APPLICABILITY The rate schedules contained herein pertain to the transmission service applicable to: •The provision of Provincial Transmission Service (PTS) to the Transmission Customers who are defined as the entities that withdraw electricity directly from the transmission system in the province of Ontario. •The provision of Export Transmission Service (ETS) to electricity market participants that export electricity to points outside Ontario utilizing the transmission system in the province of Ontario. The Rate Schedule ETS applies to the wholesale market participants who utilize the Export Service in accordance with the Market Rules of the Ontario Electricity Market, referred to hereafter as Market Rules. These rate schedules do not apply to the distribution services provided by any distributors in Ontario, nor to the purchase of energy, hourly uplift, ancillary services or any other charges that may be applicable in electricity markets administered by the Independent Electricity System Operator (IESO) of Ontario. **(B) TRANSMISSION SYSTEM CODE** The transmission service provided under these rate schedules is in accordance with the Transmission System Code (Code) issued by the Ontario Energy Board (OEB). The Code sets out the requirements, standards, terms and conditions of the transmitter's obligation to offer to connect to, and maintain the operation of, the transmission system. The Code also sets out the requirements, standards, terms and conditions under which a Transmission Customer may connect to, and remain connected to, the transmission system. The Code stipulates that a transmitter shall connect new customers, and continue to offer transmission services to existing customers, subject to a Connection Agreement between the customer and a transmitter.

(C) TRANSMISSION DELIVERY POINT The Transmission Delivery Point is defined as the transformation station, owned by a transmission company or by the Transmission Customer, which steps down the voltage from above 50 kV to below 50 kV and which connects the customer to the transmission system. The demand registered by two or more meters at any one delivery point shall be aggregated for the purpose of assessing transmission charges at that delivery point if the corresponding distribution feeders from that delivery point, or the plants taking power from that delivery point, are owned by the same entity within the meaning of Ontario's *Business Corporations Act*. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV. **(D) TRANSMISSION SERVICE POOLS** The transmission facilities owned by the licenced transmission companies are categorized into three functional pools. The transmission lines that are used for the common benefit of all customers are categorized as Network Lines and the corresponding terminating facilities are Network Stations. These facilities make up the Network Pool. The transformation station facilities that step down the voltage from above 50 kV to below 50 kV are categorized as the Transformation Connection Pool. Other electrical facilities (i.e. that are neither Network nor Transformation) are categorized as the Line Connection Pool. All PTS customers incur charges based on the Network Service Rate (PTS-N) of Rate Schedule PTS.

The PTS customers that utilize transformation connection assets owned by a licenced transmission company also incur charges based on the Transformation Connection Service Rate (PTS-T). The customer demand supplied from a transmission delivery point will not incur transformation connection service charges if a customer fully owns, or has fully contributed toward the costs of, all transformation connection assets associated with that transmission delivery point. The PTS customers that utilize lines owned by a licenced transmission company to connect to Network Station(s) also incur charges based on the Line Connection Service Rate (PTS-L). The customer demand supplied from a transmission delivery point will not incur line connection service charges if a customer fully owns, or has fully contributed toward the costs of, all line connection assets connecting that delivery point to a Network Station. Similarly, the customer demand will not incur line connection service charges for demand at a transmission delivery point located at a Network Station. **(E) MARKET RULES** The IESO will provide transmission service utilizing the facilities owned by the licenced transmission companies in Ontario in accordance with the Market Rules. The Market Rules and appropriate Market Manuals define the procedures and processes under which the transmission service is provided in real or operating time (on an hourly basis) as well as service billing and settlement processes for transmission service charges based on rate schedules contained herein. **(F) METERING REQUIREMENTS** In accordance with the Market Rules and the Transmission System Code, the transmission service charges payable by Transmission Customers shall be collected by the IESO. The IESO will utilize Registered Wholesale Meters and a Metering Registry in order to calculate the monthly transmission service charges payable by the Transmission Customers. Every Transmission Customer shall ensure that each metering installation in respect of which the customer has an obligation to pay transmission service charges arising from the Rate Schedule PTS shall satisfy the Wholesale Metering requirements and associated obligations specified in Chapter 6 of the Market Rules, including the appendices therein, whether or not the subject meter installation is required for settlement purposes in the IESO-administered energy market. A meter installation required for the settlement of charges in the IESO-administered energy market may be used for the settlement of transmission service charges. The Transmission Customer shall provide to the IESO data required to maintain the information for the Registered Wholesale Meters and the Metering Registry pertaining to the metering installations with respect to which the Transmission Customers have an obligation to pay transmission charges in accordance with Rate Schedule PTS. The Metering Registry for metering installations required for the calculation of transmission charges shall be maintained in accordance with Chapter 6 of the Market Rules. The Transmission Customers, or Transmission Customer Agents if designated by the Transmission Customers, associated with each Transmission Delivery Point will be identified as Metered Market Participants within the IESO's Metering Registry. The metering data recorded in the Metering Registry shall be used as the basis for the calculation of transmission charges on the settlement statement for the Transmission Customers identified as the Metered Market Participants for each Transmission Delivery Point. The Metering Registry for metering installations required for calculation of transmission charges shall also indicate whether or not the demand associated with specific Transmission Delivery Point(s) to which a Transmission Customer is connected attracts Line and/or Transformation Connection Service Charges. This information shall be consistent with the Connection Agreement between the Transmission Customer and the licenced Transmission Company that connects the customer to the IESO-Controlled Grid. (**G) EMBEDDED GENERATION** The Transmission Customers shall ensure conformance of Registered Wholesale Meters in accordance with Chapter 6 of Market Rules, including

Metering Registry obligations, with respect to metering installations for embedded generation that is located behind the metering installation that measures the net demand taken from the transmission system if (a) the required approvals for such generation are obtained after October 30, 1998; and (b) the generator unit rating is 2 MW or higher for renewable generation and 1 MW or higher for non-renewable generation; and (c) the Transmission Delivery Point through which the generator is connected to the transmission system attracts Line or Transformation Connection Service charges. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. Accordingly, the distributors that are Transmission Customers shall ensure that connection agreements between them and the generators, load customers, and embedded distributors connected to their distribution system have provisions requiring the Transmission Customer to satisfy the requirements for Registered Wholesale Meters and Metering Registry for such embedded generation even if the subject embedded generator(s) do not participate in the IESO-administered energy markets. **(H) EMBEDDED CONNECTION POINT** In accordance with Chapter 6 of the Market Rules, the IESO may permit a Metered Market Participant, as defined in the Market Rules, to register a metering installation that is located at the embedded connection point for the purpose of recording transactions in the IESO-administered markets. (The Market Rules define an embedded connection point as a point of connection between load or generation facility and distribution system). In special situations, a metering installation at the embedded connection point that is used to settle energy market charges may also be used to settle transmission service charges, if there is no metering installation at the point of connection of a distribution feeder to the Transmission Delivery Point. In above situations: •The Transmission Customer may utilize the metering installation at the embedded connection point, including all embedded generation and load connected to that point, to satisfy the requirements described in Section (F) above provided that the same metering installation is also used to satisfy the requirement for energy transactions in the IESO-administered market. •The Transmission Customer shall provide the Metering Registry information for the metering installation at the embedded connection point, including all embedded generation and load connected to that point, in accordance with the requirements described in Section (F) above so that the IESO can calculate the monthly transmission service charges payable by the Transmission Customer.

APPLICABILITY:

The Provincial Transmission Service (PTS) is applicable to all Transmission Customers in Ontario who own facilities that are directly connected to the transmission system in Ontario and that withdraw electricity from this system.

	Monthly Rate ($ per kW)
Network Service Rate (PTS-N): $ Per kW of Network Billing Demand[1,2]	**3.82**
Line Connection Service Rate (PTS-L): $ Per kW of Line Connection Billing Demand[1,3]	**0.82**
Transformation Connection Service Rate (PTS-T): $ Per kW of Transformation Connection Billing Demand[1,3,4]	**1.98**

The rates quoted above shall be subject to adjustments with the approval of the Ontario Energy Board.

Notes:
1 The demand (MW) for the purpose of this rate schedule is measured as the energy consumed during the clock hour, on a "Per Transmission Delivery Point" basis. The billing demand supplied from the transmission system shall be adjusted for losses, as appropriate, to the Transmission Point of Settlement, which shall be the high voltage side of the transformer that steps down the voltage from above 50 kV to below 50 kV at the Transmission Delivery Point.
2. The Network Service Billing Demand is defined as the higher of (a) customer coincident peak demand (MW) in the hour of the month when the total hourly demand of all PTS customers is highest for the month, and (b) 85 % of the customer peak demand in any hour during the peak period 7 AM to 7 PM (local time) on weekdays, excluding the holidays as defined by IESO. The peak period hours will be between 0700 hours to 1900 hours Eastern Standard Time during winter
(i.e. during standard time) and 0600 hours to 1800 hours Eastern Standard Time during summer (i.e. during daylight savings time), in conformance with the meter time standard used by the IMO settlement systems.
3 The Billing Demand for Line and Transformation Connection Services is defined as the Non-Coincident Peak demand (MW) in any hour of the month. The customer demand in any hour is the sum of (a) the loss-adjusted demand supplied from the transmission system plus (b) the demand that is supplied by embedded generation for which the required government approvals are obtained after October 30, 1998 and which have installed capacity of 2MW or more for renewable generation and 1 MW or higher for non-renewable generation. The term renewable generation refers to a facility that generates electricity from the following sources: wind, solar, Biomass, Bio-oil, Bio-gas, landfill gas, or water. The demand supplied by embedded generation will not be adjusted for losses.
4 The Transformation Connection rate includes recovery for OEB approved Low Voltage Switchgear compensation for Toronto Hydro Electric System Limited and Hydro Ottawa Limited.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code, in particular the Connection Agreement as per Appendix 1 of the Transmission System Code, and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to services provided under this Rate Schedule.

RATE SCHEDULE: ETS	EXPORT TRANSMISSION SERVICE

APPLICABILITY:

The Export Transmission Service is applicable for the use of the transmission system in Ontario to deliver electrical energy to locations external to the Province of Ontario, irrespective of whether this energy is supplied from generating sources within or outside Ontario.

	Hourly Rate
Export Transmission Service Rate (ETS):	$2.00 / MWh

The ETS rate shall be applied to the export transactions in the Interchange Schedule Data as per the Market Rules for Ontario's Electricity Market. The ETS rate shall be subject to adjustments with the approval of the Ontario Energy Board.

TERMS AND CONDITIONS OF SERVICE:

The attached Terms and Conditions pertaining to the Transmission Rate Schedules, the relevant provisions of the Transmission System Code and the Market Rules for the Ontario Electricity Market shall apply, as contemplated therein, to service provided under this Rate Schedule.