

Schedule 2-2-1

Gross Assets – Property, Plant & Equipment and Accumulated Depreciation

Continuity Statements

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 EDR Approved	Variance to 2006 Actual			2006 Balance
		Additions	Ret./Other *	Amortization	
1805-Land					
Gross Assets	182,807		-18,488		164,319
Accumulated Amortization					
Net Book Value	182,807		-18,488		164,319
1806-Land Rights					
Gross Assets	30,889				30,889
Accumulated Amortization					
Net Book Value	30,889				30,889
1808-Buildings and Fixtures					
Gross Assets	117,285		-45,962		71,323
Accumulated Amortization	-29,739		45,961	-19,849	-3,627
Net Book Value	87,546		-1	-19,849	67,696
1815-Transformer Station Equipment - Normally Primary above 50 kV					
Gross Assets	21,284,255	37,742	8,846,507		30,168,503
Accumulated Amortization	-2,383,978			-1,589,932	-3,973,910
Net Book Value	18,900,277	37,742	8,846,507	-1,589,932	26,194,593
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	2,216,807	117,874			2,334,680
Accumulated Amortization	-652,344			-225,652	-877,996
Net Book Value	1,564,463	117,874		-225,652	1,456,684
1830-Poles, Towers and Fixtures					
Gross Assets	52,662,762	9,435,556			62,098,318
Accumulated Amortization	-10,470,964			-7,322,251	-17,793,215
Net Book Value	42,191,798	9,435,556		-7,322,251	44,305,103
1840-Underground Conduit					
Gross Assets	59,650,111	5,288,343			64,938,453
Accumulated Amortization	-12,319,777			-8,035,286	-20,355,063

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 EDR Approved	Variance to 2006 Actual			2006 Balance
		Additions	Ret./Other *	Amortization	
Net Book Value	47,330,334	5,288,343		-8,035,286	44,583,390
1850-Line Transformers					
Gross Assets	40,461,338	5,319,870			45,781,207
Accumulated Amortization	-7,707,893			-5,382,893	-13,090,786
Net Book Value	32,753,445	5,319,870		-5,382,893	32,690,421
1855-Services					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1860-Meters					
Gross Assets	6,318,320	1,085,736	-174,999		7,229,057
Accumulated Amortization	-1,539,007			-915,028	-2,454,035
Net Book Value	4,779,313	1,085,736	-174,999	-915,028	4,775,022
1905-Land					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1908-Buildings and Fixtures					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1915-Office Furniture and Equipment					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1920-Computer Equipment - Hardware					
Gross Assets					

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 EDR Approved	Variance to 2006 Actual			2006 Balance
		Additions	Ret./Other *	Amortization	
Accumulated Amortization					
Net Book Value					
1925-Computer Software					
Gross Assets		9,847			9,847
Accumulated Amortization				-2,298	-2,298
Net Book Value		9,847		-2,298	7,549
1930-Transportation Equipment					
Gross Assets	7,946	30,127			38,072
Accumulated Amortization	-126			-9,644	-9,770
Net Book Value	7,820	30,127		-9,644	28,302
1935-Stores Equipment					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1940-Tools, Shop and Garage Equipment					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1945-Measurement and Testing Equipment					
Gross Assets	294,500				294,500
Accumulated Amortization	-143,394			-76,193	-219,587
Net Book Value	151,106			-76,193	74,913
1950-Power Operated Equipment					
Gross Assets					
Accumulated Amortization					
Net Book Value					
1955-Communication Equipment					

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 EDR Approved	Variance to 2006 Actual			2006 Balance
		Additions	Ret./Other *	Amortization	
Gross Assets					
Accumulated Amortization					
Net Book Value					
1960-Miscellaneous Equipment					
Gross Assets	771,789	383,892			1,155,680
Accumulated Amortization	-215,464			-263,080	-478,544
Net Book Value	556,325	383,892		-263,080	677,136
1995-Contributions and Grants - Credit					
Gross Assets	-4,691,492	-3,926,934			-8,618,426
Accumulated Amortization	366,426			627,575	994,001
Net Book Value	-4,325,066	-3,926,934		627,575	-7,624,425
2005-Property Under Capital Leases					
Gross Assets					
Accumulated Amortization					
Net Book Value					
TOTAL					
Gross Assets	179,307,313	17,782,051	8,607,059		205,696,422
Accumulated Amortization	-35,096,260		45,961	-23,214,531	-58,264,830
Net Book Value	144,211,053	17,782,051	8,653,020	-23,214,531	147,431,592

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 Balance	2007 Changes			2007 Balance
		Additions	Ret./Other *	Amortization	
1805-Land					
Gross Assets	164,319		-59,548		104,771
Accumulated Amortization					
Net Book Value	164,319		-59,548		104,771
1806-Land Rights					
Gross Assets	30,889				30,889
Accumulated Amortization					
Net Book Value	30,889				30,889
1808-Buildings and Fixtures					
Gross Assets	71,323		-6,796		64,527
Accumulated Amortization	-3,627		3,473	-7,693	-7,847
Net Book Value	67,696		-3,323	-7,693	56,680
1815-Transformer Station Equipment - Normally Primary above 50 kV					
Gross Assets	30,168,503	80,190			30,248,693
Accumulated Amortization	-3,973,910			-824,544	-4,798,454
Net Book Value	26,194,593	80,190		-824,544	25,450,239
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	2,334,680				2,334,680
Accumulated Amortization	-877,996			-81,145	-959,141
Net Book Value	1,456,684			-81,145	1,375,539
1830-Poles, Towers and Fixtures					
Gross Assets	62,098,318	3,885,695			65,984,013
Accumulated Amortization	-17,793,215			-3,053,259	-20,846,474
Net Book Value	44,305,103	3,885,695		-3,053,259	45,137,539
1840-Underground Conduit					
Gross Assets	64,938,453	1,570,261			66,508,714
Accumulated Amortization	-20,355,063			-3,075,890	-23,430,953

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 Balance	2007 Changes			2007 Balance
		Additions	Ret./Other *	Amortization	
Net Book Value	44,583,390	1,570,261		-3,075,890	43,077,761
1850-Line Transformers					
Gross Assets	45,781,207	2,194,033			47,975,240
Accumulated Amortization	-13,090,786			-2,321,956	-15,412,742
Net Book Value	32,690,421	2,194,033		-2,321,956	32,562,498
1855-Services					
Gross Assets		152,715			152,715
Accumulated Amortization				-2,316	-2,316
Net Book Value		152,715		-2,316	150,399
1860-Meters					
Gross Assets	7,229,057	526,863			7,755,920
Accumulated Amortization	-2,454,035			-376,168	-2,830,203
Net Book Value	4,775,022	526,863		-376,168	4,925,717
1905-Land					
Gross Assets			1,322,514		1,322,514
Accumulated Amortization					
Net Book Value			1,322,514		1,322,514
1908-Buildings and Fixtures					
Gross Assets		134,508	21,158,187		21,292,695
Accumulated Amortization			-2,771,556	-444,295	-3,215,851
Net Book Value		134,508	18,386,631	-444,295	18,076,844
1915-Office Furniture and Equipment					
Gross Assets		68,933	1,123,460		1,192,393
Accumulated Amortization			-676,264	-119,990	-796,254
Net Book Value		68,933	447,196	-119,990	396,139
1920-Computer Equipment - Hardware					
Gross Assets		75,982	2,525,350		2,601,332

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 Balance	2007 Changes			2007 Balance
		Additions	Ret./Other *	Amortization	
Accumulated Amortization			-2,062,750	-316,195	-2,378,945
Net Book Value		75,982	462,600	-316,195	222,387
1925-Computer Software					
Gross Assets	9,847		12,881,276		12,891,123
Accumulated Amortization	-2,298		-11,077,554	-376,625	-11,456,477
Net Book Value	7,549		1,803,722	-376,625	1,434,646
1930-Transportation Equipment					
Gross Assets	38,072	65,401	1,957,452		2,060,925
Accumulated Amortization	-9,770		-1,962,598	-65,049	-2,037,417
Net Book Value	28,302	65,401	-5,146	-65,049	23,508
1935-Stores Equipment					
Gross Assets		3,336	18,750		22,086
Accumulated Amortization			-16,946	-735	-17,681
Net Book Value		3,336	1,804	-735	4,405
1940-Tools, Shop and Garage Equipment					
Gross Assets		21,622	442,530		464,152
Accumulated Amortization			-297,944	-36,584	-334,528
Net Book Value		21,622	144,586	-36,584	129,624
1945-Measurement and Testing Equipment					
Gross Assets	294,500		67,610		362,110
Accumulated Amortization	-219,587		-35,131	-35,692	-290,410
Net Book Value	74,913		32,479	-35,692	71,700
1950-Power Operated Equipment					
Gross Assets			15,143		15,143
Accumulated Amortization			-14,063	-533	-14,596
Net Book Value			1,080	-533	547
1955-Communication Equipment					

Capital Asset Continuity Statements

* Asset retirements and other changes

	2006 Balance	2007 Changes			2007 Balance
		Additions	Ret./Other *	Amortization	
Gross Assets		32,667	84,173		116,840
Accumulated Amortization			-69,219	-7,320	-76,539
Net Book Value		32,667	14,954	-7,320	40,301
1960-Miscellaneous Equipment					
Gross Assets	1,155,680	250,309	651,732		2,057,721
Accumulated Amortization	-478,544		-39,081	-182,490	-700,115
Net Book Value	677,136	250,309	612,651	-182,490	1,357,606
1995-Contributions and Grants - Credit					
Gross Assets	-8,618,426	-1,427,769			-10,046,195
Accumulated Amortization	994,001			376,058	1,370,059
Net Book Value	-7,624,425	-1,427,769		376,058	-8,676,136
2005-Property Under Capital Leases					
Gross Assets			158,669		158,669
Accumulated Amortization			-57,298	-32,480	-89,778
Net Book Value			101,371	-32,480	68,891
TOTAL					
Gross Assets	205,696,422	7,634,746	42,340,502		255,671,670
Accumulated Amortization	-58,264,830		-19,076,931	-10,984,901	-88,326,662
Net Book Value	147,431,592	7,634,746	23,263,571	-10,984,901	167,345,008

Capital Asset Continuity Statements

* Asset retirements and other changes

	2007 Balance	2008 Changes			2008 Balance
		Additions	Ret./Other *	Amortization	
1805-Land					
Gross Assets	104,771				104,771
Accumulated Amortization					
Net Book Value	104,771				104,771
1806-Land Rights					
Gross Assets	30,889				30,889
Accumulated Amortization					
Net Book Value	30,889				30,889
1808-Buildings and Fixtures					
Gross Assets	64,527				64,527
Accumulated Amortization	-7,847			-5,973	-13,820
Net Book Value	56,680			-5,973	50,707
1815-Transformer Station Equipment - Normally Primary above 50 kV					
Gross Assets	30,248,693	343,346			30,592,039
Accumulated Amortization	-4,798,454			-822,396	-5,620,850
Net Book Value	25,450,239	343,346		-822,396	24,971,189
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	2,334,680				2,334,680
Accumulated Amortization	-959,141			-82,893	-1,042,034
Net Book Value	1,375,539			-82,893	1,292,646
1830-Poles, Towers and Fixtures					
Gross Assets	65,984,013	4,210,183			70,194,196
Accumulated Amortization	-20,846,474			-3,239,619	-24,086,093
Net Book Value	45,137,539	4,210,183		-3,239,619	46,108,103
1840-Underground Conduit					
Gross Assets	66,508,714	1,389,535			67,898,249
Accumulated Amortization	-23,430,953			-3,215,295	-26,646,248

Capital Asset Continuity Statements

* Asset retirements and other changes

	2007 Balance	2008 Changes			2008 Balance
		Additions	Ret./Other *	Amortization	
Net Book Value	43,077,761	1,389,535		-3,215,295	41,252,001
1850-Line Transformers					
Gross Assets	47,975,240	3,261,373			51,236,613
Accumulated Amortization	-15,412,742			-2,501,922	-17,914,664
Net Book Value	32,562,498	3,261,373		-2,501,922	33,321,949
1855-Services					
Gross Assets	152,715	1,114,623			1,267,338
Accumulated Amortization	-2,316			-14,767	-17,083
Net Book Value	150,399	1,114,623		-14,767	1,250,255
1860-Meters					
Gross Assets	7,755,920	526,970			8,282,890
Accumulated Amortization	-2,830,203			-411,559	-3,241,762
Net Book Value	4,925,717	526,970		-411,559	5,041,128
1905-Land					
Gross Assets	1,322,514				1,322,514
Accumulated Amortization					
Net Book Value	1,322,514				1,322,514
1908-Buildings and Fixtures					
Gross Assets	21,292,695				21,292,695
Accumulated Amortization	-3,215,851			-444,366	-3,660,217
Net Book Value	18,076,844			-444,366	17,632,478
1915-Office Furniture and Equipment					
Gross Assets	1,192,393	134,600			1,326,993
Accumulated Amortization	-796,254			-149,877	-946,131
Net Book Value	396,139	134,600		-149,877	380,862
1920-Computer Equipment - Hardware					
Gross Assets	2,601,332	964,549			3,565,881

Capital Asset Continuity Statements

* Asset retirements and other changes

	2007 Balance	2008 Changes			2008 Balance
		Additions	Ret./Other *	Amortization	
Accumulated Amortization	-2,378,945			-395,761	-2,774,706
Net Book Value	222,387	964,549		-395,761	791,175
1925-Computer Software					
Gross Assets	12,891,123	300,000			13,191,123
Accumulated Amortization	-11,456,477			-360,173	-11,816,650
Net Book Value	1,434,646	300,000		-360,173	1,374,473
1930-Transportation Equipment					
Gross Assets	2,060,925	85,000			2,145,925
Accumulated Amortization	-2,037,417			-120,343	-2,157,760
Net Book Value	23,508	85,000		-120,343	-11,835
1935-Stores Equipment					
Gross Assets	22,086				22,086
Accumulated Amortization	-17,681			-591	-18,272
Net Book Value	4,405			-591	3,814
1940-Tools, Shop and Garage Equipment					
Gross Assets	464,152				464,152
Accumulated Amortization	-334,528			-39,000	-373,528
Net Book Value	129,624			-39,000	90,624
1945-Measurement and Testing Equipment					
Gross Assets	362,110				362,110
Accumulated Amortization	-290,410			-27,227	-317,637
Net Book Value	71,700			-27,227	44,473
1950-Power Operated Equipment					
Gross Assets	15,143				15,143
Accumulated Amortization	-14,596			-124	-14,720
Net Book Value	547			-124	423
1955-Communication Equipment					

Capital Asset Continuity Statements

* Asset retirements and other changes

	2007 Balance	2008 Changes			2008 Balance
		Additions	Ret./Other *	Amortization	
Gross Assets	116,840				116,840
Accumulated Amortization	-76,539			-3,524	-80,063
Net Book Value	40,301			-3,524	36,777
1960-Miscellaneous Equipment					
Gross Assets	2,057,721	945,445			3,003,166
Accumulated Amortization	-700,115			-250,737	-950,852
Net Book Value	1,357,606	945,445		-250,737	2,052,314
1995-Contributions and Grants - Credit					
Gross Assets	-10,046,195	-670,273			-10,716,468
Accumulated Amortization	1,370,059			495,888	1,865,947
Net Book Value	-8,676,136	-670,273		495,888	-8,850,521
2005-Property Under Capital Leases					
Gross Assets	158,669				158,669
Accumulated Amortization	-89,778			-48,482	-138,260
Net Book Value	68,891			-48,482	20,409
TOTAL					
Gross Assets	255,671,670	12,605,351			268,277,021
Accumulated Amortization	-88,326,662			-11,638,741	-99,965,403
Net Book Value	167,345,008	12,605,351		-11,638,741	168,311,618

Capital Asset Continuity Statements

* Asset retirements and other changes

	2008 Balance	2009 Changes			2009 Balance
		Additions	Ret./Other *	Amortization	
1805-Land					
Gross Assets	104,771				104,771
Accumulated Amortization					
Net Book Value	104,771				104,771
1806-Land Rights					
Gross Assets	30,889				30,889
Accumulated Amortization					
Net Book Value	30,889				30,889
1808-Buildings and Fixtures					
Gross Assets	64,527				64,527
Accumulated Amortization	-13,820			-7,070	-20,890
Net Book Value	50,707			-7,070	43,637
1815-Transformer Station Equipment - Normally Primary above 50 kV					
Gross Assets	30,592,039	70,000			30,662,039
Accumulated Amortization	-5,620,850			-828,703	-6,449,553
Net Book Value	24,971,189	70,000		-828,703	24,212,486
1820-Distribution Station Equipment - Normally Primary below 50 kV					
Gross Assets	2,334,680				2,334,680
Accumulated Amortization	-1,042,034			-81,122	-1,123,156
Net Book Value	1,292,646			-81,122	1,211,524
1830-Poles, Towers and Fixtures					
Gross Assets	70,194,196	4,162,088			74,356,284
Accumulated Amortization	-24,086,093			-3,337,813	-27,423,906
Net Book Value	46,108,103	4,162,088		-3,337,813	46,932,378
1840-Underground Conduit					
Gross Assets	67,898,249	1,475,000			69,373,249
Accumulated Amortization	-26,646,248			-3,190,163	-29,836,411

Capital Asset Continuity Statements

* Asset retirements and other changes

	2008 Balance	2009 Changes			2009 Balance
		Additions	Ret./Other *	Amortization	
Net Book Value	41,252,001	1,475,000		-3,190,163	39,536,838
1850-Line Transformers					
Gross Assets	51,236,613	2,588,746			53,825,359
Accumulated Amortization	-17,914,664			-2,521,780	-20,436,444
Net Book Value	33,321,949	2,588,746		-2,521,780	33,388,915
1855-Services					
Gross Assets	1,267,338	1,120,360			2,387,698
Accumulated Amortization	-17,083			-56,692	-73,775
Net Book Value	1,250,255	1,120,360		-56,692	2,313,923
1860-Meters					
Gross Assets	8,282,890	851,983			9,134,873
Accumulated Amortization	-3,241,762			-411,266	-3,653,028
Net Book Value	5,041,128	851,983		-411,266	5,481,845
1905-Land					
Gross Assets	1,322,514				1,322,514
Accumulated Amortization					
Net Book Value	1,322,514				1,322,514
1908-Buildings and Fixtures					
Gross Assets	21,292,695				21,292,695
Accumulated Amortization	-3,660,217			-445,892	-4,106,109
Net Book Value	17,632,478			-445,892	17,186,586
1915-Office Furniture and Equipment					
Gross Assets	1,326,993	59,350			1,386,343
Accumulated Amortization	-946,131			-88,931	-1,035,062
Net Book Value	380,862	59,350		-88,931	351,281
1920-Computer Equipment - Hardware					
Gross Assets	3,565,881	936,593			4,502,474

Capital Asset Continuity Statements

* Asset retirements and other changes

	2008 Balance	2009 Changes			2009 Balance
		Additions	Ret./Other *	Amortization	
Accumulated Amortization	-2,774,706			-575,717	-3,350,423
Net Book Value	791,175	936,593		-575,717	1,152,051
1925-Computer Software					
Gross Assets	13,191,123	7,438,667			20,629,790
Accumulated Amortization	-11,816,650			-965,037	-12,781,687
Net Book Value	1,374,473	7,438,667		-965,037	7,848,103
1930-Transportation Equipment					
Gross Assets	2,145,925	67,000			2,212,925
Accumulated Amortization	-2,157,760			-114,228	-2,271,988
Net Book Value	-11,835	67,000		-114,228	-59,063
1935-Stores Equipment					
Gross Assets	22,086				22,086
Accumulated Amortization	-18,272			-840	-19,112
Net Book Value	3,814			-840	2,974
1940-Tools, Shop and Garage Equipment					
Gross Assets	464,152				464,152
Accumulated Amortization	-373,528			-27,502	-401,030
Net Book Value	90,624			-27,502	63,122
1945-Measurement and Testing Equipment					
Gross Assets	362,110				362,110
Accumulated Amortization	-317,637			-10,535	-328,172
Net Book Value	44,473			-10,535	33,938
1950-Power Operated Equipment					
Gross Assets	15,143				15,143
Accumulated Amortization	-14,720			-124	-14,844
Net Book Value	423			-124	299
1955-Communication Equipment					

Capital Asset Continuity Statements

* Asset retirements and other changes

	2008 Balance	2009 Changes			2009 Balance
		Additions	Ret./Other *	Amortization	
Gross Assets	116,840				116,840
Accumulated Amortization	-80,063			-2,612	-82,675
Net Book Value	36,777			-2,612	34,165
1960-Miscellaneous Equipment					
Gross Assets	3,003,166	922,200			3,925,366
Accumulated Amortization	-950,852			-344,067	-1,294,919
Net Book Value	2,052,314	922,200		-344,067	2,630,447
1995-Contributions and Grants - Credit					
Gross Assets	-10,716,468	-458,107			-11,174,575
Accumulated Amortization	1,865,947			430,702	2,296,649
Net Book Value	-8,850,521	-458,107		430,702	-8,877,926
2005-Property Under Capital Leases					
Gross Assets	158,669				158,669
Accumulated Amortization	-138,260			-20,409	-158,669
Net Book Value	20,409			-20,409	
TOTAL					
Gross Assets	268,277,021	19,233,880			287,510,901
Accumulated Amortization	-99,965,403			-12,599,801	-112,565,204
Net Book Value	168,311,618	19,233,880		-12,599,801	174,945,697

Schedule 2-2-2

Gross Assets – Property, Plant & Equipment and Accumulated Depreciation

Gross Assets Table

Gross Capital Assets (ending balances)

Gross Capital Asset Account	2009 Projection	2008 Projection	Var \$	2008 Projection	2007 Actual	Var \$
1805-Land	104,771	104,771		104,771	104,771	
1806-Land Rights	30,889	30,889		30,889	30,889	
1808-Buildings and Fixtures	64,527	64,527		64,527	64,527	
1815-Transformer Station Equipment - Normally Primary above 50 kV	30,662,039	30,592,039	70,000	30,592,039	30,248,693	343,346
1820-Distribution Station Equipment - Normally Primary below 50 kV	2,334,680	2,334,680		2,334,680	2,334,680	
1830-Poles, Towers and Fixtures	74,356,284	70,194,196	4,162,088	70,194,196	65,984,013	4,210,183
1840-Underground Conduit	69,373,249	67,898,249	1,475,000	67,898,249	66,508,714	1,389,535
1850-Line Transformers	53,825,359	51,236,613	2,588,746	51,236,613	47,975,240	3,261,373
1855-Services	2,387,698	1,267,338	1,120,360	1,267,338	152,715	1,114,623
1860-Meters	9,134,873	8,282,890	851,983	8,282,890	7,755,920	526,970
1905-Land	1,322,514	1,322,514		1,322,514	1,322,514	
1908-Buildings and Fixtures	21,292,695	21,292,695		21,292,695	21,292,695	
1915-Office Furniture and Equipment	1,386,343	1,326,993	59,350	1,326,993	1,192,393	134,600
1920-Computer Equipment - Hardware	4,502,474	3,565,881	936,593	3,565,881	2,601,332	964,549
1925-Computer Software	20,629,790	13,191,123	7,438,667	13,191,123	12,891,123	300,000
1930-Transportation Equipment	2,212,925	2,145,925	67,000	2,145,925	2,060,925	85,000
1935-Stores Equipment	22,086	22,086		22,086	22,086	
1940-Tools, Shop and Garage Equipment	464,152	464,152		464,152	464,152	
1945-Measurement and Testing Equipment	362,110	362,110		362,110	362,110	
1950-Power Operated Equipment	15,143	15,143		15,143	15,143	
1955-Communication Equipment	116,840	116,840		116,840	116,840	
1960-Miscellaneous Equipment	3,925,366	3,003,166	922,200	3,003,166	2,057,721	945,445
1995-Contributions and Grants - Credit	-11,174,575	-10,716,468	-458,107	-10,716,468	-10,046,195	-670,273
2005-Property Under Capital Leases	158,669	158,669		158,669	158,669	
TOTAL	287,510,901	268,277,021	19,233,880	268,277,021	255,671,670	12,605,351

Variances in excess of the below-noted materiality threshold appear in **bold**

Net Fixed Assets	168,311,618		167,345,009	
Materiality Threshold		1,683,116		1,673,450

Gross Capital Assets (ending balances)

Gross Capital Asset Account	2007 Actual	2006 Actual	Var \$	2006 Actual	2006 EDR Approved	Var \$
1805-Land	104,771	164,319	-59,548	164,319	182,807	-18,488
1806-Land Rights	30,889	30,889		30,889	30,889	
1808-Buildings and Fixtures	64,527	71,323	-6,796	71,323	117,285	-45,962
1815-Transformer Station Equipment - Normally Primary above 50 kV	30,248,693	30,168,503	80,190	30,168,503	21,284,255	8,884,249
1820-Distribution Station Equipment - Normally Primary below 50 kV	2,334,680	2,334,680		2,334,680	2,216,807	117,874
1830-Poles, Towers and Fixtures	65,984,013	62,098,318	3,885,695	62,098,318	52,662,762	9,435,556
1840-Underground Conduit	66,508,714	64,938,453	1,570,261	64,938,453	59,650,111	5,288,343
1850-Line Transformers	47,975,240	45,781,207	2,194,033	45,781,207	40,461,338	5,319,870
1855-Services	152,715		152,715			
1860-Meters	7,755,920	7,229,057	526,863	7,229,057	6,318,320	910,737
1905-Land	1,322,514		1,322,514			
1908-Buildings and Fixtures	21,292,695		21,292,695			
1915-Office Furniture and Equipment	1,192,393		1,192,393			
1920-Computer Equipment - Hardware	2,601,332		2,601,332			
1925-Computer Software	12,891,123	9,847	12,881,276	9,847		9,847
1930-Transportation Equipment	2,060,925	38,072	2,022,853	38,072	7,946	30,127
1935-Stores Equipment	22,086		22,086			
1940-Tools, Shop and Garage Equipment	464,152		464,152			
1945-Measurement and Testing Equipment	362,110	294,500	67,610	294,500	294,500	
1950-Power Operated Equipment	15,143		15,143			
1955-Communication Equipment	116,840		116,840			
1960-Miscellaneous Equipment	2,057,721	1,155,680	902,041	1,155,680	771,789	383,892
1995-Contributions and Grants - Credit	-10,046,195	-8,618,426	-1,427,769	-8,618,426	-4,691,492	-3,926,934
2005-Property Under Capital Leases	158,669		158,669			
TOTAL	255,671,670	205,696,422	49,975,248	205,696,422	179,307,313	26,389,109

Variances in excess of the below-noted materiality threshold appear in **bold**

Net Fixed Assets	147,431,592		144,211,053
Materiality Threshold		1,474,316	1,442,111

Schedule 2-2-3

Gross Assets – Property, Plant & Equipment and Accumulated Depreciation

Accumulated Depreciation Table

Accum'd Amortization (ending balances)

Gross Capital Asset Account	2009 Projection	2008 Projection	Var \$	2008 Projection	2007 Actual	Var \$
1610-Miscellaneous Intangible Plant						
1805-Land						
1806-Land Rights						
1808-Buildings and Fixtures	-20,890	-13,820	-7,070	-13,820	-7,847	-5,973
1810-Leasehold Improvements						
1815-Transformer Station Equipment - Normally Primary above 50 kV	-6,449,553	-5,620,850	-828,703	-5,620,850	-4,798,454	-822,396
1820-Distribution Station Equipment - Normally Primary below 50 kV	-1,123,156	-1,042,034	-81,122	-1,042,034	-959,141	-82,893
1830-Poles, Towers and Fixtures	-27,423,906	-24,086,093	-3,337,813	-24,086,093	-20,846,474	-3,239,619
1835-Overhead Conductors and Devices						
1840-Underground Conduit	-29,836,411	-26,646,248	-3,190,163	-26,646,248	-23,430,953	-3,215,295
1845-Underground Conductors and Devices						
1850-Line Transformers	-20,436,444	-17,914,664	-2,521,780	-17,914,664	-15,412,742	-2,501,922
1855-Services	-73,775	-17,083	-56,692	-17,083	-2,316	-14,767
1860-Meters	-3,653,028	-3,241,762	-411,266	-3,241,762	-2,830,203	-411,559
1905-Land						
1906-Land Rights						
1908-Buildings and Fixtures	-4,106,109	-3,660,217	-445,892	-3,660,217	-3,215,851	-444,366
1910-Leasehold Improvements						
1915-Office Furniture and Equipment	-1,035,062	-946,131	-88,931	-946,131	-796,254	-149,877
1920-Computer Equipment - Hardware	-3,350,423	-2,774,706	-575,717	-2,774,706	-2,378,945	-395,761
1925-Computer Software	-12,781,687	-11,816,650	-965,037	-11,816,650	-11,456,477	-360,173
1930-Transportation Equipment	-2,271,988	-2,157,760	-114,228	-2,157,760	-2,037,417	-120,343
1935-Stores Equipment	-19,112	-18,272	-840	-18,272	-17,681	-591
1940-Tools, Shop and Garage Equipment	-401,030	-373,528	-27,502	-373,528	-334,528	-39,000
1945-Measurement and Testing Equipment	-328,172	-317,637	-10,535	-317,637	-290,410	-27,227
1950-Power Operated Equipment	-14,844	-14,720	-124	-14,720	-14,596	-124
1955-Communication Equipment	-82,675	-80,063	-2,612	-80,063	-76,539	-3,524
1960-Miscellaneous Equipment	-1,294,919	-950,852	-344,067	-950,852	-700,115	-250,737
1965-Water Heater Rental Units						
1970-Load Management Controls - Customer Premises						

Accum'd Amortization (ending balances)

Gross Capital Asset Account	2007 Actual	2006 Actual	Var \$	2006 Actual	2006 EDR Approved	Var \$
1610-Miscellaneous Intangible Plant						
1805-Land						
1806-Land Rights						
1808-Buildings and Fixtures	-7,847	-3,627	-4,220	-3,627	-29,739	26,112
1810-Leasehold Improvements						
1815-Transformer Station Equipment - Normally Primary above 50 kV	-4,798,454	-3,973,910	-824,544	-3,973,910	-2,383,978	-1,589,932
1820-Distribution Station Equipment - Normally Primary below 50 kV	-959,141	-877,996	-81,145	-877,996	-652,344	-225,652
1830-Poles, Towers and Fixtures	-20,846,474	-17,793,215	-3,053,259	-17,793,215	-10,470,964	-7,322,251
1835-Overhead Conductors and Devices						
1840-Underground Conduit	-23,430,953	-20,355,063	-3,075,890	-20,355,063	-12,319,777	-8,035,286
1845-Underground Conductors and Devices						
1850-Line Transformers	-15,412,742	-13,090,786	-2,321,956	-13,090,786	-7,707,893	-5,382,893
1855-Services	-2,316		-2,316			
1860-Meters	-2,830,203	-2,454,035	-376,168	-2,454,035	-1,539,007	-915,028
1905-Land						
1906-Land Rights						
1908-Buildings and Fixtures	-3,215,851		-3,215,851			
1910-Leasehold Improvements						
1915-Office Furniture and Equipment	-796,254		-796,254			
1920-Computer Equipment - Hardware	-2,378,945		-2,378,945			
1925-Computer Software	-11,456,477	-2,298	-11,454,179	-2,298		-2,298
1930-Transportation Equipment	-2,037,417	-9,770	-2,027,647	-9,770	-126	-9,644
1935-Stores Equipment	-17,681		-17,681			
1940-Tools, Shop and Garage Equipment	-334,528		-334,528			
1945-Measurement and Testing Equipment	-290,410	-219,587	-70,823	-219,587	-143,394	-76,193
1950-Power Operated Equipment	-14,596		-14,596			
1955-Communication Equipment	-76,539		-76,539			
1960-Miscellaneous Equipment	-700,115	-478,544	-221,571	-478,544	-215,464	-263,080
1965-Water Heater Rental Units						
1970-Load Management Controls - Customer Premises						

Accum'd Amortization (ending balances)

Gross Capital Asset Account	2009 Projection	2008 Projection	Var \$	2008 Projection	2007 Actual	Var \$
1975-Load Management Controls - Utility Premises						
1980-System Supervisory Equipment						
1985-Sentinel Lighting Rental Units						
1990-Other Tangible Property						
1995-Contributions and Grants - Credit	2,296,649	1,865,947	430,702	1,865,947	1,370,059	495,888
2005-Property Under Capital Leases	-158,669	-138,260	-20,409	-138,260	-89,778	-48,482
TOTAL	-112,565,204	-99,965,403	-12,599,801	-99,965,403	-88,326,662	-11,638,741

*Variances in excess of the below-noted materiality threshold appear in **bold***

<i>Net Fixed Assets</i>	168,311,618		167,345,009
<i>Materiality Threshold</i>		1,683,116	1,673,450

Accum'd Amortization (ending balances)

Gross Capital Asset Account	2007 Actual	2006 Actual	Var \$	2006 Actual	2006 EDR Approved	Var \$
1975-Load Management Controls - Utility Premises						
1980-System Supervisory Equipment						
1985-Sentinel Lighting Rental Units						
1990-Other Tangible Property						
1995-Contributions and Grants - Credit	1,370,059	994,001	376,058	994,001	366,426	627,575
2005-Property Under Capital Leases	-89,778		-89,778			
TOTAL	-88,326,662	-58,264,830	-30,061,832	-58,264,830	-35,096,260	-23,168,570

*Variances in excess of the below-noted materiality threshold appear in **bold***

Net Fixed Assets	147,431,592		144,211,053
Materiality Threshold		1,474,316	1,442,111

Schedule 2-3-1

Capital Budget

System Expansions

SYSTEM EXPANSIONS

The Ontario Energy Board defines ‘expansions’ as “...an addition to a distribution system in response to a request for additional customer connections that otherwise could not be made; for example, by increasing the length of the distribution system;” (See Distribution System Code Revised July 24, 2008). EWU does not have any ‘expansion’ plans in the test year.

Schedule 2-3-2

Capital Budget

Planning and Budgeting Process

PLANNING AND BUDGETING PROCESS

1. PLANNING PROCESS

The following outlines EWU's capital project planning process.

The EWU operation and administration system planning process is a formalized process which is performed at least once a year to determine priority capital projects for consideration when developing a capital plan.

Operations

Some capital projects are driven by growth within the service area. The City of Windsor has a multi-year development plan. EWU uses this plan to identify areas of growth within the City which will need infrastructure additions or enhancements.

At least once a year the EWU System Planning Engineer forecasts system load. Planning requires the following steps.

1. Review historical data.
2. Incorporate development information for specific areas of the City from the City of Windsor's development plan.
3. Layer in specific project data received from customer projects.
4. Use station and feeder loading information from the SCADA system to identify areas where the distribution system needs enhancement or expansion.

Alternatives to deal with system expansion are considered.

EWU assesses asset conditions through a variety of means, including transformer loading reports run by the Engineering Department annually, visual inspections in accordance with the Distribution System Code intervals, infra-red scanning, feedback from field staff, and customer feedback.

Not all large capital projects are initiated by the need to extend physical plant. Other needs are identified from time to time by the results of plant inspections coupled with preventative maintenance programs. This component of EWU's planning process is essential to ensure reliability and prudent capital expenditures.

After projects requiring the attention of EWU are identified, the costs and benefits of discretion projects are identified.

Prioritization is based on a number of considerations, including:

- Reliability;
- Health and safety;
- Environmental; and
- Location relative to other projects (i.e. coordination of crews for multiple projects within proximity reduces costs).

Capital expenditure proposals are prioritized by EWU's Engineering staff based on the criteria described above, and are then considered as part of EWU's capital expenditure budget approval process. The Engineering staff take into consideration issues such as risks associated with not completing the work, the consequences of not completing the work (such as the duration of

1 outages, the number of customers potentially affected, and the economic cost to those
2 customers), and the probability of those risks occurring when determining which projects should
3 be completed in the year in question. In addition, the engineering staff consider the alternatives
4 to completing the work (I.e., is there a work around that is possible?) as well as the availability
5 of capital and manpower to complete the work.

6
7 After execution of the annual capital plan, performance of the plan relative to budget is
8 monitored.

9
10 Administration

11 Managers assess the needs of their departments on an ongoing basis. Through the annual
12 budgeting process, managers and their staff identify the projects that need to take place in the
13 coming year and identify the projects that are expected to be necessary in the subsequent 2 years.
14 Managers generally rely on historical experience and industry best practices to identify
15 sustainability and enhancement projects. In consultation with Finance, the Executive and, in
16 some cases, external experts, Managers evaluate the costs and benefits of the potential projects.

17
18 EWU prioritizes the potential projects based on a number of considerations, including:

- 19 • Health and Safety;
- 20 • Environmental;
- 21 • Customer Service; and
- 22 • Needs of operations.

Capital expenditure proposals are prioritized by EWU based on the criteria described above and are then considered as part of EWU's capital expenditure budget approval process. Staff take into consideration issues such as risks associated with not completing the work, the consequences of not completing the work (such as customer service quality impacts, health and safety issues, and the impact on operations), and the probability of those risks occurring when determining which projects should be completed in the year in question. In addition, the staff consider the alternative to completing the work (I.e. is there a work around possible?), as well as the availability of capital and manpower to complete the work.

After execution of the annual capital plan, performance of the plan relative to budget is monitored.

2. BUDGETING PROCESS

The following comments provide an overview of EWU's budgeting process for capital projects.

Overall Budget Process

The budget is prepared annually by management and is reviewed and approved by the Board of Directors. The budget is prepared before the start of each fiscal year and once approved it remains constant and also provides a plan against which actual results are evaluated. All EWU budgets are prepared using the zero based or a bottom-up budgeting approach.

1 Responsibilities

2 Each Manager is responsible for preparing the capital budget and forecasts for their respective
3 departments. It is the responsibility of Finance to coordinate the budget process and identify
4 standards that should be used across the organization. It is the responsibility of the CFO to
5 present and recommend the budget to the Board of Directors for approval. The budget is an
6 important planning tool for EWU as it translates capital plans into a common financial plan.
7 The final budget document provides a comprehensive package of departmental budgets that
8 collectively ensure the appropriate resources are designated for the various capital needs of the
9 utility for the coming year.

10
11 Budget Review Process

12 Budget templates are distributed by Finance to each of the Managers. Each budget is reviewed
13 by Finance to ensure the financial projections are sufficient for known and expected activities.
14 Once the budget is reviewed and approved by Finance, the budget is then consolidated. The
15 consolidated budget is presented and reviewed by the Executive and adjusted if necessary. The
16 consolidated budget is then presented to the EWU Board of Directors and is formally approved.
17 The principles of this process were applied to derive the capital costs in this Exhibit.

18
19 Actual-to-Budget Review Process

20 Once the budget is final, each Manager reviews and tracks progress against the budget on a
21 monthly basis. Monthly financial review meetings are scheduled with the Managers, responsible
22 Finance and Lead Executive member to review the actual operating results and to discuss

- 1 anticipated future results against the budget given the upcoming work plans. The CFO approves
- 2 the updated forecast for presentation to the Board of Directors.

3

Schedule 2-3-3

Capital Budget

Capitalization Policy

CAPITALIZATION POLICY

EWU's capitalization policy is in accordance with Canadian Generally Accepted Accounting Principles. In particular, EWU follows the guidelines set out in Section 3061 of the CICA Handbook.

A capital expenditure is defined as any significant expenditure incurred to acquire, construct or develop land, buildings, plant, engineering structures, machinery and equipment expected to provide future economic benefits to the company and its customers. A capital asset must have a useful life of greater than one year and the expenditure must provide a benefit lasting beyond one year. Capital expenditures must be \$1,000 or greater to be capitalized. Capital assets include land and buildings, electric plant, distribution facilities, meters, rolling stock, office furniture, computer hardware and software, and other equipment. Capital assets are recorded at cost, whether capital assets are purchased or constructed, with cost being determined on material, purchased services, labour and overheads, as applicable.

Capital expenditures also include the improvement or "betterment" of existing assets. "Betterment" includes the cost incurred to enhance the service potential of an existing capital asset. Service potential can be enhanced by increasing the previously assessed physical output or service capacity, lowering associated operating costs, extending the useful life, or improving the quality of output.

Expenditures that are designed to maintain an asset in its original state are not capital expenditures and should be charged to an operating account. Expenditures incurred in the activities of the business, maintenance of the service potential or when the benefit would be used up in one year should be expensed in the period incurred and should not form part of the capital assets.

Capital assets are amortized on a straight-line basis, over their estimated service life as follows:

Buildings	50 years
Transformer station	40 years
Substation equipment	30 years
Distribution system – overhead	25 years
Distribution system – underground	25 years
Transformers	25 years
Meters	25 years
Services	25 years
Office equipment	10 years
Rolling Stock	4-8 years
Computer hardware and software	5 years
Other equipment	8-20 years
Assets under capital lease	3 years.

Schedule 2-4-1

Allowance for Working Capital

Overview and Calculation by Account

Working Capital Allowance by Account

		Working Capital Allowance Factor:	
		15.0%	
Account Grouping	Account Description	2009 Projected Acct Balance	Working Capital Allowance
3350-Power Supply Expenses	4705-Power Purchased	133,436,767	20,015,515
	4708-Charges-WMS	15,179,962	2,276,994
	4714-Charges-NW	13,492,527	2,023,879
	4716-Charges-CN	8,645,425	1,296,814
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	339,332	50,900
	5010-Load Dispatching	195,795	29,369
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	636,860	95,529
	5035-Overhead Distribution Transformers- Operation	28,547	4,282
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	514,330	77,150
	5055-Underground Distribution Transformers - Operation	102,162	15,324
	5065-Meter Expense	418,352	62,753
	5075-Customer Premises - Materials and Expenses	18,012	2,702
	5085-Miscellaneous Distribution Expense	31,083	4,662
3550-Distribution Expenses - Maintenance	5112-Maintenance of Transformer Station Equipment	105,270	15,791
	5114-Maintenance of Distribution Station Equipment	242,216	36,332
	5130-Maintenance of Overhead Services	1,152,138	172,821
	5135-Overhead Distribution Lines and Feeders - Right of Way	760,019	114,003
	5155-Maintenance of Underground Services	333,342	50,001
	5160-Maintenance of Line Transformers	360,624	54,094
3650-Billing and Collecting	5310-Meter Reading Expense	285,434	42,815
	5315-Customer Billing	275,353	41,303
	5320-Collecting	29,632	4,445

Working Capital Allowance by Account

		Working Capital Allowance Factor: 15.0%	
Account Grouping	Account Description	2009 Projected Acct Balance	Working Capital Allowance
	5335-Bad Debt Expense	693,075	103,961
3700-Community Relations	5410-Community Relations - Sundry	53,949	8,092
3800-Administrative and General Expenses	5610-Management Salaries and Expenses	5,855,605	878,341
	5615-General Administrative Salaries and Expenses	2,157,056	323,558
	5620-Office Supplies and Expenses	238,503	35,775
	5630-Outside Services Employed	862,078	129,312
	5635-Property Insurance	503,642	75,546
	5640-Injuries and Damages	323,383	48,507
	5645-Employee Pensions and Benefits	5,857,457	878,619
	5655-Regulatory Expenses	727,395	109,109
	5660-General Advertising Expenses	81,245	12,187
	5665-Miscellaneous General Expenses	60,942	9,141
	5675-Maintenance of General Plant	1,488,213	223,232
	5680-Electrical Safety Authority Fees	37,214	5,582
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	513,858	77,079
TOTAL		196,036,797	29,405,520

Schedule 3-1-1

Summary of Operating Revenue

OPERATING REVENUE SUMMARY

A summary of Operating Revenue is set out in Table 3-1-1A below.

Table 3-1-1 A – Operating Revenue Summary

	2007	2008	2009
Throughput Revenue	43,064,744	45,243,121	51,791,752
Other Revenue	3,150,828	2,633,426	2,443,802
TOTAL	46,215,572	47,876,547	54,235,554

**Pro-forma, as if EDR rates became effective January 1st*

Schedule 3-2-1

Throughput Revenue

Overview

THROUGHPUT REVENUE OVERVIEW

Load Forecast

To establish EWU's distribution revenue forecast, Elenchus Research Associates (ERA) was retained to prepare a load forecast and associated weather normalization methodology report ("ERA Report"). EWU adopts this report as part of its evidence in this proceeding. A copy of the ERA Report has been filed in confidence with the Board because the report makes reference to individual customer load data.

The net load forecast for EWU's service territory for the 2008 bridge year and 2009 test year, has been forecasted to decrease by 13.6% and 17.4% respectively from 2006 EDR approved load levels and 6.5% and 10.6% from 2007 normalized load levels, as presented in Table 3-2-1 A below.

This forecasted decrease is reflective of the current economic environment within the City of Windsor that is projected to prevail in the coming years. The economic downturn is mainly related to the high concentration of automotive manufacturing plants within the EWU service territory that are experiencing plant closures or downsizing measures. This has impacted not only the Large Use rate classes to which these automotive manufacturing plants belong, but also the small and medium size commercial customer classes (some of these are direct feeder companies to these automotive plants) and the Residential rate class.

1

2 Some of the economic indicators are as follows:

- 3 • The unemployment rate for the Windsor area ranked 1st in the country at
4 9.6% (August 2008);
- 5 • Housing starts for the first quarter of 2008 have decreased by 25% as
6 compared to the 1st quarter 2007;
- 7 • Canada Mortgage and Housing Corporation statistics report net migration for
8 the Windsor Metropolitan Area at –424 in 2006 compared to 6,149 in 2001;
- 9 • According to Statistics Canada 2001 Census for the Windsor Metropolitan
10 Area, the manufacturing industry makes up 28.8% of the total labour force;
11 and
- 12 • Tool and die shops, parts makers and other facilities associated with the
13 automotive assembly plants are experiencing the negative impacts of the Big
14 3 Automotive manufacturers' downturn.

15

16 The most significant decreases in forecasted load relate to the Large Use – Regular
17 and Large Use – 3TS rate classes whose composition includes the large automotive
18 manufacturing customers that are either closing, have closed or are downsizing their
19 operations. Specifically, the Large Use – Regular class contains an automotive
20 manufacturing customer who made up 35% of the class total in 2006 and most of
21 2007 and whose facility has shutdown a significant part of its operations at the end

1 of 2007 with a further announcement of full closure of this facility in 2009. The
2 Large Use – 3TS also contains an automotive manufacturing plant that has
3 shutdown a majority of its operation (more than half) from 2006 levels. An
4 announcement has been made that yet another automotive manufacturing plant
5 within this rate class will cease operations in 2010. This facility currently employs
6 1,400 people. This particular customer makes up approximately 25% of the class
7 consumption (based on 2007 consumption levels).

8

9 The economic conditions on which the forecasted decreases in load are based are not
10 cyclical in nature but rather permanent.

11

12 Given that EWU and its experts are not aware of an approved methodology to
13 reflect incremental conservation, therefore, EWU has not incorporated incremental
14 conservation in its load or revenue forecast.

15

16 Customer Counts

17 The individual rate class customer counts and connections have been forecasted at
18 2007 levels for the remainder of 2008 and for 2009, to reflect the impact of the
19 above-described economic conditions within EWU's service territory and as
20 contained within the Load Forecast Report provided by ERA. Given the combined
21 decrease in housing starts, high unemployment rates and increase in out migration

1 growth in the residential rate class it is not likely that any growth will occur in the
2 Residential class. Similarly, no growth is expected within the General Service rate
3 classes based on the negative impact of the automotive downturn on these industrial
4 and commercial customers.

5

6 Table 3-2-1 B and Table 3-2-1 C below provide a summary of the historical
7 normalized and forecasted load quantities as well as customer counts/connections
8 for each rate class. Table 3-2-1 D provides the average use per customer based on
9 the normalized historical and forecasted loads and customer/connections derived
10 from the ERA Report.

11

12 Throughput Revenue

13 EWU's throughput revenue for the period 2007 to 2009 on an actual and projected
14 basis is set out at Table 3-2-1 E below.

1

2 *Table 3-2-1 A – Historical and Forecasted Load Quantities*

	2006 EDR Approved	2006 Actual	2006 Normalized*	2007 Actual	2007 Normalized*	2008f Normalized*	2009f Normalized*
Residential (kWh)	673,872,389	656,672,461	668,201,976	667,620,645	656,399,705	651,371,731	642,120,095
GS<50 (kWh)	251,217,394	244,005,032	248,976,740	242,351,722	246,352,539	245,035,845	242,703,228
GS>50 (kWh)	1,053,221,287	1,072,373,448	1,078,546,583	1,057,316,490	1,060,616,916	1,034,451,276	1,013,230,091
(kW)	2,707,203	2,750,831	2,766,766	2,716,616	2,725,040	2,649,212	2,601,990
Intermediate (kWh)	96,780,188	51,426,927	51,426,927	54,606,899	54,606,899	54,989,147	55,374,071
(kW)	237,020	134,948	134,948	138,359	138,359	140,072	141,807
LU - Regular (kWh)	531,673,768	427,474,441	427,474,441	421,466,779	421,466,779	359,902,762	277,467,527
(kW)	933,152	870,552	870,552	838,146	838,146	679,517	539,634
LU -3TS (kWh)	520,153,212	488,505,123	488,505,123	446,869,974	446,869,974	348,558,580	339,147,498
(kW)	1,051,978	1,005,297	1,005,297	902,266	902,266	658,654	637,577
LU -FA (kWh)	81,825,128	75,018,462	75,018,462	76,708,349	76,708,349	76,062,397	75,421,885
(kW)	137,491	136,961	136,961	134,319	134,319	133,790	133,262
Street Lights (kWh)	16,439,727	16,904,360	16,904,360	16,887,318	16,887,318	16,887,318	16,887,318
(kW)		48,440	48,440	48,555	48,555	48,555	48,555
Sentinel Lights (kWh)	1,173,917	967,060	967,060	1,026,773	1,026,773	995,165	964,529
(kW)		2,663	2,663	2,779	2,779	2,681	2,586
USL (kWh)	4,633,951	4,433,473	4,433,473	4,292,331	4,292,331	4,245,819	4,199,811
Total Retail kWh	3,230,990,961	3,037,780,787	3,060,455,145	2,989,147,280	2,985,227,583	2,792,500,040	2,667,516,053

3

4 * Based on Table 14 in the ERA Report

1 *Table 3-2-1 B – Historical & Forecasted Weather Normalized Consumption*
 2 *(Residential, GS<50, GS>50) and Historical and Forecasted Consumption (LU-*
 3 *Regular, LU-3TS, LU-FA, Street Lighting, Sentinel, USL)*

		2003	2004	2005	2006	2007	2008F	2009F
Residential	kWh	672,503,738	661,639,031	670,849,214	668,201,976	656,399,705	651,371,731	642,120,095
GS<50	kWh	250,011,449	247,612,761	249,613,484	248,976,740	246,352,539	245,035,845	242,703,228
GS>50	kWh	1,144,323,793	1,125,342,474	1,101,857,720	1,078,546,583	1,060,616,916	1,034,451,276	1,013,230,091
	kW	2,890,588	2,843,529	2,746,085	2,766,766	2,725,040	2,649,212	2,601,990
Intermediate	kWh	53,233,369	52,602,302	50,258,516	51,426,927	54,606,899	54,989,147	55,374,071
	kW	131,987	129,095	127,305	134,948	138,359	140,072	141,807
LU-Regular	kWh	518,021,518	457,137,275	455,612,990	427,474,441	421,466,779	359,902,762	277,467,527
	kW	969,142	900,058	888,688	870,552	838,146	679,517	539,634
LU-3TS	kWh	500,747,586	516,136,719	510,796,871	488,505,123	446,869,974	348,558,580	339,147,498
	kW	1,031,058	1,030,734	1,026,580	1,005,297	902,266	658,654	637,577
LU-FA	kWh	60,405,509	79,064,802	82,150,730	75,018,462	76,708,349	76,062,397	75,421,885
	kW	115,472	136,115	141,462	136,961	134,319	133,790	133,262
Street Lighting	kWh	16,274,199	16,529,690	16,714,185	16,904,360	16,887,318	16,887,318	16,887,318
	kW	46,939	47,728	48,185	48,440	48,555	48,555	48,555
Sentinel	kWh	1,174,442	1,125,888	1,103,357	967,060	1,026,773	995,165	964,529
	kW	3,231	3,129	3,012	2,663	2,779	2,681	2,586
USL	kWh	4,485,215	4,510,305	4,461,311	4,433,473	4,292,331	4,245,819	4,199,811

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5 * Compilation of information contained in the ERA Report

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2 *Table 3-2-1 C – Historical and Forecasted Customer Count/Connections*

	Residential	GS<50	GS>50	Intermed.	LU-R	3TS	FA	Street Light	Sent Light	USL
2003	73,476	7,071	1,192	3	7	3	1	22,624	807	687
2004	74,712	7,092	1,194	3	6	3	1	23,008	778	704
2005	75,725	7,133	1,191	3	6	3	1	23,223	774	771
2006	76,311	7,128	1,188	3	6	3	1	23,358	778	844
2007	76,439	7,079	1,190	3	6	3	1	23,350	770	886
2008f	76,439	7,079	1,190	3	6	3	1	23,350	770	886
2009f	76,439	7,079	1,190	3	6	3	1	23,350	770	886

3 * Based upon Table 15 of the ERA Report

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2 *Table 3-2-1 D – Average Use per Customer*

	Average Use	2003	2004	2005	2006	2007	2008F	2009F
Residential	per kWh	9,153	8,856	8,859	8,756	8,587	8,521	8,400
GS<50	per kWh	35,357	34,914	34,994	34,929	34,800	34,614	34,285
GS>50	per kWh	960,003	942,498	925,153	907,867	891,275	869,287	851,454
	per kW	2,425	2,382	2,306	2,329	2,290	2,226	2,187
Intermediate	per kWh	17,744,456	17,534,101	16,752,839	17,142,309	18,202,300	18,329,716	18,458,024
	per kW	43,996	43,032	42,435	44,983	46,120	46,691	47,269
LU-Regular	per kWh	74,003,074	76,189,546	75,935,498	71,245,740	70,244,463	59,983,794	46,244,588
	per kW	138,449	150,010	148,115	145,092	139,691	113,253	89,939
LU-3TS	per kWh	166,915,862	172,045,573	170,265,624	162,835,041	148,956,658	116,186,193	113,049,166
	per kW	343,686	343,578	342,193	335,099	300,755	219,551	212,526
LU-FA	per kWh	60,405,509	79,064,802	82,150,730	75,018,462	76,708,349	76,062,397	75,421,885
	per kW	115,472	136,115	141,462	136,961	134,319	133,790	133,262
Streetlighting	per kWh	719	718	720	724	723	723	723
	per kW	2	2	2	2	2	2	2
Sentinel	per kWh	1,455	1,447	1,426	1,243	1,333	1,292	1,253
	per kW	4	4	4	3	4	3	3
USL	per kWh	6,529	6,407	5,786	5,253	4,845	4,792	4,740

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2 Table 3-2-1 E – Throughput Revenue

Distribution Revenue	2009	2008
<i>* Pro-forma, as if EDR rates became effective January 1st</i>	Projection *	Projection *
Residential	23,575,087	21,439,822
General Service Less Than 50 kW	6,297,590	5,846,152
General Service 50 - 4,999 kW	15,153,239	13,374,797
General Service 3,000 to 4,999 kW - Intermediate Use	297,443	71,533
Large Use - Regular	1,914,743	1,724,171
Large Use - 3TS	3,186,302	2,226,497
Large Use - Ford Annex	1,289,615	1,202,257
Unmetered Scattered Load	176,092	304,075
Back-up/Standby Power		
Sentinel Lighting	109,799	45,091
Street Lighting	1,201,569	532,380
Gross Revenue (before Transformer Allowances)	53,201,478	46,766,776
Transformer Allowances	-1,409,726	-1,523,655
Total Revenue	51,791,752	45,243,121
Less: Low voltage charges embedded in distribution rates		
DISTRIBUTION REVENUE	51,791,752	45,243,121

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Schedule 3-2-2

Throughput Revenue

Weather Normalized Forecast
Methodology

Filed in Confidence

Schedule 3-3-1

Other Revenue

Description of Other Revenue Sources

DESCRIPTION OF OTHER REVENUE SOURCES

In the course of carrying out distribution activities, EWU recovers revenue for a number of associated activities. The revenue recovered from these activities offsets EWU's revenue requirement and therefore reduces the amount that would otherwise need to be recovered from customers through distribution rates. These amounts are summarized in Table 3-3-1 A below.

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

	2007 Actual	2008 Bridge Year	2009 Test Year
Distribution Services Revenue	255,666	276,809	269,649
Rent from Electric Property	503,984	445,582	453,616
Other Utility Operating Income	4,699		
Late Payment Charges	1,031,298	1,005,119	979,749
Miscellaneous Service Revenue	627,592	390,093	421,473
Gain on Disposition on Property	239,000		
Miscellaneous Non-Operating Revenue	405,505	431,823	235,316
Foreign Exchange Gain/Losses	752		
Interest and Dividend Income	82,332	84,000	84,000
TOTAL OTHER REVENUE	3,150,828	2,633,426	2,443,803

In 2009, just as was budgeted to be the case in 2008, EWU anticipates recovering revenue in 6 categories. The natures of the activities that result in these revenues are noted below.

Distribution Services Revenue

- This represents the standard supply service – administration charge. This applies to all customers not contracted with a retailer for commodity purchases. These revenues remain relatively stable year over year.

Rent from Electric Property

- These are generally revenues related to the Board-approved charges for telephone, cable and other companies to affix their lines and other equipment to EWU poles. These amounts remain relatively stable year-over-year.

Late Payment Charges

- These are revenues related to the Board-approved specific service charge that EWU applies when customers fail to pay their electricity bills in a timely fashion. These amounts remain relatively stable year-over-year.

Miscellaneous Service Revenue

- Specific Service Charges generally fall into this category. The amount in this account varies depending on the situation associated with each of the Specific Service Charges. There are also other miscellaneous charges which include the following: Bell and Cogeco cable installs, stale dated cheque revenues, and pole transfer charges.

Miscellaneous Non-Operating Revenue

- EWU receives revenues for the sale of scrap line and poles and those revenues are reflected in this account. The amount in this account is heavily dependent on the amount of scrap available for sale in a given year and the market prices for scrap materials.

1 Interest and Dividend Income

- 2 • This accounts for the interest income that is received. EWU does not have investments in
- 3 private or public companies and does not receive any dividends. This amount remains
- 4 relatively stable year-over-year.

Schedule 3-3-2

Other Revenue

Specific Service Charges

SPECIFIC SERVICE CHARGES

The Specific Service Charges (“SSC”) EWU seeks to continue to use are the SSCs approved by the Board in EWU’s 2006 EDR, which are set out in Exhibit 1, Tab 1, Schedule 17.

EWU is seeking to amend the rate applicable to one of those SSCs. In EWU’s 2006 EDR, the Settlement Proposal stated:

“The Applicant shall modify its EDR Application to charge the specific service charges as proposed in the Handbook with the exception of one charge. The “Disconnect/Reconnect at the meter – after regular hours charge” shall be charged at the amended rate of \$65.00 as proposed by the Applicant.”

The Intervenors took the position that specific service charges should be in accordance with the Handbook, which, for this charge, is \$185.00. However, at the time, the \$65.00 charge more accurately reflected the regulated company’s costs of providing the service.

EWU seeks to return the rate to \$185.00. The basis for the \$65.00 rate no longer exists. EWU proposes this adjustment in order to mitigate subsidization between customers using the after hours service and other ratepayers.

1 For the remaining SSCs, EWU proposes to continue to charge the same rates as were approved
2 in EWU's 2006 EDR.

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Schedule 3-4-1

Revenue Sharing

Description of Revenue Sharing

DESCRIPTION OF REVENUE SHARING

EWU does not have revenue sharing arrangements with its customers.

Schedule 3-5-1

Retail Service Transmission Rates

Description of Retail Service
Transmission Rates

DESCRIPTION OF RETAIL SERVICE TRANSMISSION RATES

EWU proposes to adjust its Retail Service Transmission Rates (“RSTR”) on the basis of the Board’s Decision and Rate Order in EB-2008-0113. In that Decision and Rate Order, the Board set Uniform Transmission Rates (“UTR”) to be implemented on January 1, 2009. These rates will replace the UTR approved by the Board on October 17, 2007 (EB-2007-0759). The October 17, 2007 UTR are the basis of EWU’s current RSTR, as approved by the Board in EWU’s 2008 IRM (EB-2007-0894).

Using the same methodology employed in the 2006 EDR, EWU calculates the RSTR for 2009 as set out in Attachment A.

Attachment A

Retail Transmission Rates (kWh Customer Classes)

	Retail Transmission Rate (\$/kWh)			Increment (\$/kWh)		Proposed Retail Transmission Rate (\$/kWh)			Change	
	Network	Connection	Total	Network	Connection	Network	Connection	Total		
RESIDENTIAL										
Regular	0.0051	0.0039	0.0090	0.0006	0.0002	0.0057	0.0041	0.0098	\$ 0.0008	8.64 %
GENERAL SERVICE										
Less than 50 kW	0.0047	0.0036	0.0083	0.0005	0.0002	0.0052	0.0038	0.0090	\$ 0.0007	8.63 %
Greater than 50 kW (to 4,999 kW)										
Intermediate Use (3,000 - 4,999 kW)										
Large Use (> 5,000 kW)										
Unmetered Scattered Load	0.0047	0.0036	0.0083	0.0005	0.0002	0.0052	0.0038	0.0090	\$ 0.0007	8.63 %
Sentinel Lighting										
Street Lighting										
Back-up/Standby Power										
Other (Large Use - 3 TS)										
Other (Large Use - Ford Annex)										

	Network*		Connection**	
	Line	Transformation	Subtotal	
Total Cost (actual)	\$ 3,319,495	\$ 632,847	\$ 1,608,047	\$ 2,240,894
Total Cost (projected)	\$ 3,693,118	\$ 750,835	\$ 1,618,035	\$ 2,368,870
Total Revenue	\$ 3,318,694	\$ 636,053	\$ 1,616,192	\$ 2,252,245
Variance	\$ 374,424	\$ 114,783	\$ 1,842	\$ 116,625
Cost/Revenue Ratio	1.11	1.18	1.00	1.05

Retail Transmission Rates (kW Customer Classes)

	Retail Transmission Rate \$/kW					Increment \$/kW				Proposed Retail Transmission Rate (\$/kW)					Change	
	Network	Line	Connection Transformation	Subtotal	Total	Network	Line	Connection Transformation	Subtotal	Network	Line	Connection Transformation	Subtotal	Total		
RESIDENTIAL																
Regular																
GENERAL SERVICE																
Less than 50 kW																
Greater than 50 kW (to 4,999 kW)	1.6180			1.2676	2.8856	0.1825			0.0656	1.8005			1.3332	3.1338	\$ 0.2482	8.60 %
Intermediate Use (3,000 - 4,999 kW)	2.1928			1.7179	3.9107	0.2474			0.0890	2.4402			1.8069	4.2471	\$ 0.3364	8.60 %
Large Use (> 5,000 kW)	2.2266	0.4545	1.3181	1.7726	3.9992	0.2512	0.0820	0.0015	0.0835	2.4778	0.5365	1.3196	1.8561	4.3339	\$ 0.3347	8.37 %
Unmetered Scattered Load																
Sentinel Lighting	1.4804			1.1597	2.6401	0.1670			0.0601	1.6474			1.2198	2.8672	\$ 0.2271	8.60 %
Street Lighting	1.4785			1.1584	2.6369	0.1668			0.0600	1.6453			1.2184	2.8637	\$ 0.2268	8.60 %
Back-up/Standby Power																
Other (Large Use - 3 TS)	2.2266	0.4545	0.0000	0.4545	2.6811	0.2512	0.0820	0.0000	0.0820	2.4778	0.5365	0.0000	0.5365	3.0143	\$ 0.3332	12.43 %
Other (Large Use - Ford Annex)	2.2266	0.4545	0.0000	0.4545	2.6811	0.2512	0.0820	0.0000	0.0820	2.4778	0.5365	0.0000	0.5365	3.0143	\$ 0.3332	12.43 %

	Network*		Connection**		Subtotal
		Line	Transformation		
Total Cost (actual)	\$	3,319,495	\$	632,847	\$ 2,240,894
Total Cost (projected)	\$	3,693,118	\$	750,835	\$ 2,368,870
Total Revenue	\$	3,318,694	\$	636,053	\$ 2,252,245
Variance	\$	374,424	\$	114,783	\$ 116,625
Cost/Revenue Ratio		1.11		1.18	1.05

Retail Transmission Rates (Notes)

*** Network Charges**

Total Cost was determined as follows:

- 1) The actual Transmission Network Costs for a recent 3 month period (June 2008 through August 2008) were ascertained to be \$3,319,495;
- 2) The actual Transmission Network Costs (\$3,319,495) were divided by the current IESO Transmission Network Charge (\$2.31) to determine the 3 month volume;
- 3) The 3 month volume was multiplied by the IESO Transmission Network Charge set out in Ontario Uniform Transmission Rate Order EB-2008-0113 (\$2.57) effective January 1, 2009, to determine the projected Total Cost of \$3,693,118.

Total Revenue is the actual Retail Network Transmission Rate billings for the period of June 2008 through August 2008.

****Connection Charges**

Total Cost was determined as follows:

- 1) The actual Transmission Connection Costs for a recent 3 month period (June 2008 through August 2008) were ascertained to be \$632,847 for Line Connection and \$1,608,047 for Transformation Connection;
- 2) The actual Line Connection Costs (\$632,847) and Transformation Connection Costs (\$1,608,047) were divided by the current IESO Transmission Connection Charges (\$0.59 and \$1.61, respectively) to determine the 3 month volume for each Connection Charge;
- 3) The 3 month volume for each Connection Charge was multiplied by the IESO Transmission Connection Charges set out in Ontario Uniform Transmission Rate Order EB-2008-0113 (\$0.70 for Line Connection and \$1.62 for Transformation Connection) effective January 1, 2009, to determine the projected Line Connection Cost of \$750,835 and the projected Transformation Connection Cost of \$1,618,035.

Total Revenue is the actual Retail Connection Transmission Rate billings for the period of June 2008 through August 2008. Those billings are apportioned between Line Connection and Transformation Connection in the same proportions as the costs were incurred.

Schedule 4-1-1

Overview

Summary of Operating Costs

SUMMARY OF OPERATING COSTS

EWU anticipates total OM&A expenses of \$25,282,116 in 2009. A primary driver in the variance for the period 2007-2009 is the timing issues related to filling vacant positions and the reflection of costs of wages and benefits in the marketplace.

EWU purchases services and products from external suppliers to support its operations and administration. In 2007, over \$8,024,141 was spent on these services and products. As of the July 31, 2008, EWU had spent over \$4,470,323 on these services and products. EWU anticipates similar end-of-year expenditure levels for 2007-2009.

In respect of Shared Services, EWU retained Paula Zarnett of BDR North America to perform an independent expert evaluation of EWU's transfer pricing arrangements with its affiliates. The study found EWU's affiliate transfer pricing and corporate cost allocation methodology to be reasonable and appropriate.

EWU uses a straight-line method of amortization. On this basis, EWU seeks to recover \$11,487,968 in depreciation expenses in 2009.

EWU's loss factors have improved since the 2006 EDR Application and EWU therefore seeks a downward adjustment of its loss factors. EWU proposes that the Total Loss Factor for <5,000kW customers should be 1.0377 for secondary metered and 1.0273 for primary metered.

- 1
- 2 In 2009, EWU anticipates property taxes of \$513,858 and Payments in Lieu of Corporate Income
- 3 Taxes (PILs) of \$2,178,577 and Ontario Capital Tax of \$418,577.

Schedule 4-2-1

Operation, Maintenance and Administration Costs

Overview

Operation, Maintenance and Administration Costs

1. SUMMARY

EWU has proposed OM&A costs for the 2009 test year that will allow EWU to continue operating its distribution system safely, reliably and in a cost-efficient manner. EWU determined these costs based on its planning and budgeting process.

EWU's OM&A expenses can be numerically summarized as follows:

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

	2007	2008	2009
Operations, Maintenance & Administration	\$21,250,685.0	\$23,131,093.0	\$25,282,116.0
\$ Variance		\$1,880,408.0	\$2,151,023.0
% Variance		8.85%	9.30%

EWU's OM&A activities cover the following six functional areas:

- **Operations:** these activities encompass inspecting, monitoring, and activities that are normally planned or scheduled, except in the instance of sub-station and transformer station preventive maintenance programs which are planned and scheduled but expensed as a Maintenance activity.
- **Maintenance:** these activities encompass actions performed in a reactionary manner based on the results of an Operations related activity or in response to an unplanned or unscheduled activity or due to a breakdown. Maintenance also includes sub-station and transformer station preventative maintenance programs which are planned and scheduled.

- 1 • **Billing and Collecting:** these activities include meter reading, customer billing,
2 collecting and bad debt expenses. Meter reading reflects costs of meter reading
3 all routes, as performed by an outside contractor. Customer billing includes costs
4 of mailing customer bills, late payment and credit notices, cash handling and
5 processing. Collecting costs relate to collection of outstanding debt performed by
6 a 3rd party collection agency. Bad debt includes actual amounts of customer debt
7 written off in the year, plus any adjustments in the allowance for doubtful
8 accounts.
- 9 • **Administrative and General Expenses (“Administration”):** these activities
10 include general administration, information technology, finance, regulatory,
11 human resources, site and fleet services, purchasing, and stores. This category
12 reflects all of the salaries, employee pension and benefits and related general
13 expenses for executive and management staff. Staff costs (wages, pensions,
14 benefits, etc) associated with Billing and Collecting, Community Relations and
15 Administration staff are included in this category. Costs for outside services
16 employed for legal, professional and consulting activities are reflected here as
17 well as insurance and maintenance of general plant expenses.
- 18 • **Community Relations:** these activities include internal and external community
19 relations. Internal relations includes employee appreciation events, and employee
20 recognition. External relations includes promotional product giveaway, local
21 events support, and contributions to programs that provide assistance to the
22 distribution customers in paying their electricity bill.
- 23 • **Taxes Other Than Income Taxes (“Other Taxes”):** this includes annual costs
24 for municipal and property taxes and capital taxes. For the bridge and test year
25 (2008 and 2009) capital tax is included as part of income taxes to reflect amounts
26 derived from the PILs model.

27 OM&A costs attributed to these functional areas can be numerically summarized as
28 follows:

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1 *Table 4-2-1 B – OM&A Costs by Functional Areas*

OM&A Expenses			
Account Grouping	2007 Actual	2008 Projection	2009 Projection
Operation	2,326,928	2,237,577	2,284,473
Maintenance	2,143,136	2,873,040	2,953,609
Billing and Collecting	1,243,284	1,284,475	1,283,494
Community Relations	43,602	59,335	53,949
Administration	14,444,327	16,192,418	18,192,733
Other Taxes	1,049,408	484,248	513,858
TOTAL	21,250,685	23,131,093	25,282,116

2
3 It is apparent from Table 4-2-1 B that the Administration grouping is the most significant
4 driver of the total annual OM&A variances, accounting for approximately 93% of the
5 total OM&A variance from 2007 to 2008, and 93% from 2008 to 2009. Annual variances
6 in OM&A are further described in Section 2 below.

7
8 All of EWU's OM&A expenses are subjected to rigorous planning and budgeting process
9 described below in Section 3.

10

2. VARIANCE ANALYSIS

The Board requires an explanation for variances greater than 1% of distribution expenses. For EWU the 1% threshold represents \$367,701 in 2009. EWU has reviewed the total variance of each functional area, as well as the individual OEB USofA accounts in determining where explanations are necessary. EWU has used a more stringent threshold and has explained variances greater than \$50,000 in the tables below. Using this threshold allows for greater coverage of variance explanations. At least 94% of the variances, year over year, have been addressed in detail.

EWU's OM&A costs are forecasted to increase by 8.85% of total OM&A expenses before income taxes from 2007 to 2008, and are projected to increase by 9.3% in 2009 over the 2008 level. These year-to-year increases are discussed below.

Forecast 2008-2009 Variance

EWU forecasts its OM&A to increase by approximately \$2,151,023 in 2009. This variance is almost entirely attributable (93%) to an increase in the Administrative and General Expenses grouping. A break-down and explanations for all variances over \$50,000 on an account basis are set out in the following table:

1

Table 4-2-1 C - Variance Analysis – 2008 – 2009

	Account	2008-2009 \$ Increase/(Decrease)	Explanation
<u>ACCOUNTS</u>			
Operations			
Load Dispatching	5010	58,437	As part of adopting industry best practices, an audit is to be performed by a 3 rd party consultant to check EWU's cyber security standards relative to those of NERC. Cyber security standards protect EWU from various types of cyber attacks. A similar audit was performed in 2006, and based on that experience, \$50,000 is budgeted for 2009. In addition, new SCADA connections are forecasted at \$5,000/yr. The remaining \$3,400 variance is due to wage adjustments.
Maintenance			
Overhead Distribution Lines and Feeders	5135	136,406	An internal engineering study found that EWU does not trim trees as extensively as other utilities that have better reliability statistics than EWU. As such, the study indicated that EWU should increase the clearances between energized lines and trees as a measure to improve the reliability statistics. Dollars budgeted in 2009 account for the additional costs related to these increased clearances.
Maintenance of Underground Services	5155	(113,334)	EWU will be completing the second year of its program to remove abandoned, de-energized underground cables. Expenditures in this regard are \$100,000 less than the previous year. For further detail please see the 2007-2008 variance analysis.
Administration			
Management Salaries and Expenses	5610	510,234	For greater detail, please see Exhibit 4, Tab 2, Schedule 2.
General Administrative Salaries and Expenses	5615	408,689	For greater detail, please see Exhibit 4, Tab 2, Schedule 2.

Outside Services Employed	5630	75,564	Variance relates to retaining expert external advisors in respect of pay equity legislation.
Employee Pensions and Benefits	5645	316,669	For greater detail, please see Exhibit 4, Tab 2, Schedule 2.
Regulatory Expenses	5655	392,835	Increase in costs over 2008 levels will be directly attributable to costs associated with the 2009 cost of service filing. This represents 50% of the total estimated COS expenditures. These amounts are expensed over 2 years to cover incremental filing costs since EWU plans to file its next cost of service application in 2 years (i.e. based on a 2011 test year).
Maintenance of General Plant	5675	233,719	This variance is made up of changes to many areas with the more significant ones described below. Property maintenance – general plant costs have increased by \$63,000 for 2009 due to the following: • re-tendering of contracts (and therefore updated pricing) • additional contracts for the maintenance of security cameras and security door access • other building servicing expenses. Vehicle leasing costs have a variance of \$67,000. This relates to replacement of approximately 19 older vehicles. Fuel costs have a variance of \$50,000. Fuel costs were estimated based on reviews and analysis of Stats Can information and estimated consumption values, based on history.
<u>TOTAL EXPLAINED</u>		<u>2,019,219</u>	
<u>TOTAL VARIANCE</u>		<u>2,151,023</u>	
<u>PERCENT EXPLAINED</u>		<u>94%</u>	

1 **Forecasted 2007 - 2008 Variance**

2 From 2007 to 2008, OM&A expenses are forecast to increase by \$1,880,408. These
3 variances are described in detail in the following table:

Table 4-2-1 D - Variance Analysis – 2007 – 2008

	Account	2007-2008 \$ Increase/(Decrease)	Explanation
<u>ACCOUNTS</u>			
Operations			
Operation Supervision and Engineering	5005	(101,453)	In 2007, field operation costs were higher than anticipated by \$100,000. This arose due to unplanned maintenance issues with transformer stations, additional overtime labour costs in the Control Room plus adjustments associated with a change in vehicle burden rates.
Underground Distribution Lines & Feeders	5045	90,051	This increase results from a manhole inspection program scheduled for 2008 at a cost of \$150,000 (for further detail, see Exhibit 2, Tab 1, Schedule 1), of which, \$96,000 is for the services of a structural engineer who will coordinate inspections, provide reports and recommendations. The offsetting decreases result from vehicle burden rate adjustments.
Underground Distribution Transformers	5055	(93,271)	This variance arises because of a projected decrease in the number of transformers inspected in 2008 compared to 2007.
Maintenance			
Maintenance of Overhead Services	5130	389,723	Two factors caused this variance: Storm related costs were lower than historic levels in 2007. Storm related costs are forecasted for \$174,000 more in 2008 than in 2007. The 2008 budget is based upon historic levels. \$196,000 is forecasted in 2008 for the replacement of single poles.
Overhead Distribution Lines and Feeders	5135	67,206	Storm related costs were lower in 2007 than forecasted for 2008. The 2008 budget was based upon historic levels. 90% of this budget amount is tendered out to arborist contractors.
Maintenance of Underground Services	5155	212,674	As part of the rehabilitation of the right of way, EWU is removing abandoned underground cables that are no longer operative. \$200,000 is planned in 2008 as the 1 st year of a two year program. There is an offsetting effect from the sale of scrap

			from this project that appears in account 4390.
Maintenance of Line Transformers	5160	78,717	\$66,000 of this variance is related to failed submersible transformers and the remaining variance is the result of storm costs. Storm related costs were lower in 2007 than forecasted for 2008. The 2008 budget was based upon historic levels.
Administration			
Management Salaries and Expenses	5610	390,715	For greater detail, please see Exhibit 4, Tab 2, Schedule 2.
General Administrative Salaries and Expenses	5615	598,483	For greater detail, please see Exhibit 4, Tab 2, Schedule 2. \$88,259 of this increase relates to reallocation of software maintenance fees to this account from 5615.
Office Supplies and Expenses	5620	(88,259)	Decrease relates to reallocation of software maintenance fees to account 5615.
Employee Pensions and Benefits	5645	576,646	For greater detail, please see Exhibit 4, Tab 2, Schedule 2.
Regulatory Expenses	5655	65,424	EWU is forecasting an increase in costs based on review of historical trends and expansion of OEB activities in 2008.
Maintenance of General Plant	5675	222,776	This variance relates to increases in vehicle leasing costs of approximately \$241,000. The budget includes replacement of approximately 19 older vehicles in 2008. 4 line trucks accounted for \$125,000 of this variance each of which were at least 13 years old. The balance relates to vehicles that are between 8 and 18 years old. There are various offsetting costs related to other aspects underlying this account.
Taxes			
Taxes Other Than Income	6105	(565,160)	In 2007, this account included the actual capital tax expense. In 2008, this expense is grouped with income tax expense.
<u>TOTAL EXPLAINED</u>		<u>1,844,272</u>	
<u>TOTAL VARIANCE</u>		<u>1,880,408</u>	
<u>PERCENT EXPLAINED</u>		<u>98%</u>	

3. EWU'S OM&A PLANNING AND BUDGETING PROCESSES

3.1 Planning Process

The following outlines EWU's OM&A project planning process.

The EWU operation and administration planning process is a formalized process which is performed at least once a year to determine priority OM&A projects for consideration when developing an OM&A plan.

Operations

EWU assesses asset conditions through a variety of means including transformer loading reports run by the Engineering Department annually, visual inspections in accordance with Distribution System Code intervals, infra-red scanning, feedback from field staff and customer feedback.

OM&A projects are initiated by the need to maintain and operate physical plant. EWU's planning process is essential to ensure reliability and prudent OM&A expenditures.

After projects requiring the attention of EWU are identified, the costs and benefits of discretionary projects are identified.

Prioritization is based on a number of considerations, including:

- Reliability;
- Health and safety;
- Environmental; and
- Location relative to other projects (i.e., coordination of crews for multiple projects within proximity reduces costs).

OM&A expenditure proposals are prioritized by EWU's Engineering staff based on the criteria described above, and are then considered as part of EWU's OM&A expenditure budget approval process. The Engineering staff take into consideration issues such as risks associated with not completing the work, the consequences of not completing the work (such as the duration of outages, the number of customers potentially affected, and the economic cost to those customers), and the probability of those risks occurring when determining which projects should be completed in the year in question. In addition, the Engineering staff consider the alternatives to completing the work (i.e., the possibility of a work around) as well as the availability of capital and manpower to complete the work.

After execution of the annual OM&A plan performance of the plan relative to budget is monitored.

1 Administration

2 Managers assess the needs of their departments on an ongoing basis. Through the annual
3 budgeting process, managers and their staff identify the projects that need to take place in
4 the coming year and identify the projects that are expected to be necessary in the
5 subsequent 2 years. Managers generally rely on historical experience and industry best
6 practices to identify projects. In consultation with Finance, the Executive and, in some
7 cases, external experts, Managers evaluate the costs and benefits of the potential projects.

8
9 EWU prioritizes the potential projects based on a number of considerations, including:

- 10 • Health and safety;
- 11 • Environmental;
- 12 • Customer service; and
- 13 • Needs of operations.

14
15 OM&A proposals are prioritized by EWU based on the criteria described above and are
16 then considered as part of EWU's OM&A budget approval process. Staff take into
17 consideration issues such as risks associated with not completing the work, the
18 consequences of not completing the work (such as customer service quality impacts,
19 health and safety issues, and the impact on operations), and the probability of those risks
20 occurring when determining which projects should be completed in the year in question.
21 In addition, the staff consider the alternative to completing the work (i.e. is there a work

1 around possible), as well as the availability of capital and manpower to complete the
2 work.

3
4 After execution of the annual OM&A plan, performance of the plan relative to budget is
5 monitored.

6 7 **3.2 Budgeting Process**

8 The following comments provide an overview of EWU's budgeting process for OM&A
9 projects.

10 11 Overall Budget Process

12 The budget is prepared annually by management and is reviewed and approved by the
13 Board of Directors. The budget is prepared before the start of each fiscal year and once
14 approved it remains constant and also provides a plan against which actual results are
15 evaluated. All EWU budgets are prepared using the zero based or a bottom-up budgeting
16 approach.

17 18 Responsibilities

19 Each Manager is responsible for preparing the OM&A budget and forecasts for their
20 respective departments. It is the responsibility of Finance to coordinate the budget

1 process and identify standards that should be used across the organization. It is the
2 responsibility of the CFO to present and recommend the budget to the Board of Directors
3 for approval. The budget is an important planning tool for EWU as it translates OM&A
4 plans into a common financial plan. The final budget document provides a
5 comprehensive package of departmental budgets that collectively ensure the appropriate
6 resources are designated for the various OM&A needs of the utility for the coming year.

7
8 Budget Review Process

9 Budget templates are distributed by Finance to each of the Managers. Each budget is
10 reviewed by Finance to ensure the financial projections are sufficient for known and
11 expected activities. Once the budget is reviewed and approved by Finance, the budget is
12 then consolidated. The consolidated budget is presented and reviewed by the Executive
13 and adjusted if necessary. The consolidated budget is then presented to the EWU Board
14 of Directors and is formally approved. The principles of this process were applied to
15 derive the OM&A costs in this Exhibit.

16
17 Actual-to-Budget Review Process

18 Once the budget is final, each Manager reviews and tracks progress against the budget on
19 a monthly basis. Monthly financial review meetings are scheduled with the Managers,
20 Responsible Director, Finance and Lead Executive member to review the actual OM&A
21 results and to discuss anticipated future results against the budget given the upcoming

- 1 work plans. The CFO approves the updated forecast for presentation to the Board of
- 2 Directors.

Schedule 4-2-2

Operation, Maintenance and Administration Costs

Staffing and Employee Expenses

STAFFING AND EMPLOYEE EXPENSES

1. OVERVIEW

EWU has employees who are:

- fully dedicated to the regulated business;
- employees who are shared between the regulated business and affiliates; and
- employees who are fully dedicated to affiliates.

The nature of those relationships and the allocation of the shared services and direct assignment of fully dedicated costs are set out in the Shared Services section of this Application at Exhibit 4, Tab 2, Schedule 4. The costs incurred by EWU, through the allocation of shared costs and direct assignment of fully dedicated costs, are the costs that impact electricity distribution rates. Accordingly, it is those net employee numbers and the associated costs that are considered below.

The tables in this section are an extrapolation of costs based on the number of staff in each category, and while costs related to aspects set out in this Schedule are included in regulatory accounts on a full allocation basis, the costs provided in the tables below provide an approximate value based upon the overall FTE cost driver attributable to EWU.

2. STAFFING

The numbers of net, full-time equivalent EWU employees are set out below according to employee type. The employee types are based on the Board's definitions as set out in the 2006 Distribution Rate Handbook. They are:

- Executive – CEO, COO, VP(s), General Manager(s), Director(s);
- Management – Operation, Middle and Supervisory Managers;
- Non-unionized – Positions not included in union bargaining unit that have no supervisory or management responsibilities; and
- Unionized – Positions that are part of a union bargaining unit.

A summary of EWU's number of FTEs applicable to EWU distribution services is set out at Table 4-2-2 A below.

Table 4-2-2-A – Full Time Equivalents

	2007	2008	2009
Executive	9	9	9
Management	18	19	20
Non-unionized	22	25	28
Unionized	141	146	147
Total	189	198	204

The changes in the FTE's for the period 2007 – 2009 reflected in Table 4-2-2 A above arise because of the following reasons:

- Five FTE's are related to an increased allocation of employees who are shared between the regulated business and affiliates. EWU's share of employees goes from 51% in 2007 to 54% in 2009. These five FTE's relate to changes to the Management, Non-unionized and Unionized categories only;
- Three FTE's represent operations apprentices to deal with transition of older workers out of the work force; and
- Seven FTE's represent operations and administration staff that are both new employees as well as filled vacancies.

These increases in FTE's partly account for the variances in accounts related to Management Salaries and Expenses (5610), General Administrative Salaries and Expenses (5615) and Employee Pensions and Benefits (5645).

In 2007, EWU employed four individuals in the unionized category on a part-time basis. In 2008 and 2009, EWU anticipates employing two individuals on a part-time basis. Those employees will provide shared services to EWU and its affiliates and accordingly, on a FTE-equivalent basis, will account for less than one employee.

3. COMPENSATION

In 2006, prior to the reorganization of EWU, a comprehensive review was begun of various human resources approaches, including:

- Performance management;
- Core corporate accountabilities & competencies;
- Management salary plan;
- Management incentive pay plan; and
- Succession planning.

The amalgamation of EnWin Powerlines Ltd. (former regulated company) and EnWin Utilities Ltd. (Serve Co) on January 1, 2007 heightened the importance of these initiatives.

Work on performance management, succession planning and core corporate accountabilities and competencies have helped to modernize EWU's approach to human resources management. Evaluating and developing performance, accountabilities and competencies are increasingly the focus of EWU's employee reviews and tied to compensation and incentive pay.

Table 4-2-2 B below represents the wage and salary of EWU by major category on a total and average basis for the years 2007, 2008 and 2009.

Table 4-2-2 B – Employee Compensation (Wages/Salaries)

	2007		2008		2009	
	Total	Average	Total	Average	Total	Average
Executive	1,014,118	114,719	1,171,321	131,314	1,220,885	135,654
Management	1,413,648	80,184	1,635,068	86,972	1,830,148	90,691
Non-unionized	1,581,875	72,931	1,891,894	75,797	2,235,848	81,068
Unionized	8,530,640	60,621	8,623,094	59,241	9,195,285	62,570
Total	12,540,281	66,393	13,321,377	67,198	14,482,166	71,089

EWU has developed a salary structure around a report prepared by the Hay Consulting Group in 2006. The Hay Report considered 10,375 incumbents in 33 organizations. Among the companies regulated by the Ontario Energy Board that participated in the study were Enbridge Gas Distribution Inc., Enersource Hydro Mississauga, Oakville Hydro Corporation, Oshawa PUC Networks Inc., Toronto Hydro Corporation, and Union Gas Ltd. The results of the Hay Report revealed that for some positions, EWU compensation was below the 50th percentile. In 2007, EWU established a salary structure that places its management and non-unionized employees on salary adjustment paths towards the 50th percentile position. The executive employees continue to be compensated at levels below the 50th percentile. The Hay Report excluded any consideration of unionized compensation levels.

Based upon the Hay Report as an independent reference, the salary increases for Executive, Management and Non-unionized employees over the period 2007 – 2009 are reasonable.

These increases partly account for the variances in accounts related to Management Salaries and Expenses (5610), General Administrative Salaries and Expenses (5615) and Employee Pensions and Benefits (5645).

4. OVERTIME

In 2008 and 2009, EWU has not budgeted overtime costs at the Executive, Management or Non-unionized levels.

The budget for Unionized overtime is set out in Table 4-2-2 C below.

Table 4-2-2 C – Employee Compensation (Overtime)

	2007 Total	2008 Total	2009 Total
Executive	-	-	-
Management	33,273	-	-
Non-unionized	-	-	-
Unionized	318,837	383,461	361,099
Total	352,110	383,461	361,099

5. BENEFITS

EWU's benefit costs have increased and are anticipated to increase in the test year predominantly as a result of the increase in premiums and other fees charged by independent 3rd parties that provide the benefits. Other increases are due to filled vacancies and new hires.

Table 4-2-2 D below represents the benefit costs of EWU by major category on a total and average basis for the years 2007, 2008 and 2009.

Table 4-2-2 D – Employee Compensation (Benefits)

	2007		2008		2009	
	Total	Average	Total	Average	Total	Average
Executive	195,149	22,076	226,136	25,352	227,019	25,224
Management	321,966	18,262	361,005	19,202	373,901	18,528
Non-unionized	346,659	15,982	416,204	16,675	450,739	16,343
Unionized	1,977,029	14,049	2,050,225	14,085	2,175,059	14,800
Total	2,840,802	15,040	3,053,569	15,403	3,226,718	15,839

For these reasons, variances are occurring in accounts related to Employee Pensions and Benefits (5645).

6. INCENTIVES

EWU has developed incentive pay plans for its various employment categories. The incentive pay plans encourage safe and productive work practices among unionized employees and encourage Executive, Management and Non-unionized employees to find ways to go beyond the ordinary outcomes of their positions.

The budget for incentives is set out at Table 4-2-2 E below.

Table 4-2-2 E – Employee Compensation (Incentives)

	2007		2008		2009	
	Total	Average	Total	Average	Total	Average
Executive	82,224	9,301	83,562	9,368	84,900	9,433
Management	61,933	3,513	65,943	3,508	70,652	3,501
Non-unionized	61,616	2,841	70,738	2,834	77,961	2,827
Unionized	54,149	385	91,200	627	92,172	636
Total	259,922	1,376	311,443	1,571	325,685	1,599

These increases partly account for the variances in accounts related to Management Salaries and Expenses (5610), General Administrative Salaries and Expenses (5615) and Employee Pensions and Benefits (5645).

7. COMPENSATION CHARGED TO OPERATIONS AND MAINTENANCE

EWU compensation that is related to operations and maintenance component expenditures is exclusively unionized labour. The year-over-year increases are associated with compensation increases specified in the collective bargaining agreements.

Table 4-2-2 F – Total Employee Compensation Charged to Operation and Maintenance

	2007 Total	2008 Total	2009 Total
Executive	-	-	-
Management	-	-	-
Non-unionized	-	-	-
Unionized	2,638,611	2,708,013	2,749,913
Total	2,638,611	2,708,013	2,749,913

These increases partly account for the variances in accounts related to Management Salaries and Expenses (5610), General Administrative Salaries and Expenses (5615) and Employee Pensions and Benefits (5645).

8. PENSION

EWU participates in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer plan, on behalf of its employees. The plan is a contributory defined benefit pension plan. In 2007, the contribution rates were 6.5% for employee's earnings below the year's maximum pensionable earnings and 9.6% thereafter. During 2007, EWU contributed \$937,000

1 to the fund on behalf of employees that carry out distribution services. It is forecasted that EWU
2 will contribute \$993,000 in 2008 and \$1,079,000 in 2009.

3
4 These increases partly account for the variances in accounts related to Management Salaries and
5 Expenses (5610), General Administrative Salaries and Expenses (5615) and Employee Pensions
6 and Benefits (5645).

7

Schedule 4-2-3

Operation, Maintenance and Administration Costs

Purchase of Services and Products

PURCHASE OF SERVICES AND PRODUCTS

EWU utilizes many suppliers of services and products to meet its OM&A needs. Most transactions with suppliers for OM&A services and products result in direct charges to OM&A accounts. Some products are purchased into inventory and these products ultimately are used for OM&A or capital projects. EWU provides this information for both the historic year (2007) and the bridge year (2008). As a result, there are 4 lists of suppliers (i.e. 2007 OM&A, 2007 Inventory, 2008 OM&A, 2008 Inventory). These lists provide the names of those suppliers, a summary of the nature of the transactions with each supplier, and a notation of whether the transaction is based on RFP/RFQ pricing, market pricing, or a specialized pricing method (e.g., single source or regulated). In addition, the annual dollar value of the aggregate transactions for each list are included. The lists were developed based on EWU's accounts payable and purchasing card records for the specified time periods.

The lists are grouped as follows:

1) **Attachment A:** Companies that provided services or products used for OM&A in 2007. These companies represent all suppliers who transacted for more than \$4,500 with EWU. These transactions account for over 90% of the total purchases of products and services charged to OM&A.

2) **Attachment B:** Companies that provided products that were inventoried by EWU in 2007. These companies represent all suppliers who transacted for more than \$7,500 with EWU. These transactions account for over 95% of the total purchases of products and services charged to inventory.

3) **Attachment C:** Companies that provided services or products used for OM&A in 2008, as of July 31. These companies represent all suppliers who transacted for more than \$4,500 with EWU. These transactions account for over 90% of the total purchases of products and services charged to OM&A.

4) **Attachment D:** Companies that provided products that were inventoried by EWU in 2008, as of July 31. These companies represent all suppliers who transacted for more than \$3,500 with EWU. These transactions account for over 95% of the total purchases of products and services charged to inventory.

Purchasing Policy

A copy of EWU's Purchasing Policy is set out at Attachment E to this Schedule.

Attachment A

2007 Purchased Services & Products - OM&A

Vendor	Activity	Priced by
ABELL PEST CONTROL INC	Building Maintenance - Pest Control	RFP/RFQ
ADMIN PROF CONF CANADA	Training	Market
ABLOY CANADA INC.	Meter Reading Tools	RFP/RFQ
AIR CANADA	Travel	Market
ALLEGRA PRINT	Office Supplies/Printing	RFP/RFQ
AMSDALL INC	Office Supplies	RFP/RFQ
ANDY CAP AMHERSTBURG	Vehicle Operations & Maintenance	RFP/RFQ
APEX MOTOR EXPRESS LTD	Freight	RFP/RFQ
APPLIED COMPUTER SOLUTIONS INC	Maintenance - Computer Services	RFP/RFQ/Market
ARTCAL GRAPHICS LONDON	Vehicle Operations & Maintenance	RFP/RFQ
AUTOMATION CENTRE, L.C.	Computer Software Maintenance	RFP/RFQ/Market
BADGER DAYLIGHTING INC	Pole Vacuum Excavation	RFP/RFQ
BELL CANADA	Telephone Services	Market
BFI CANADA INC	Building Maintenance - Garbage Disposal	RFP/RFQ
BORDEN, LADNER, GERVAIS, LLP	Consulting - Legal	Market
BRIAN'S FOOTWEAR LTD.	Safety Equipment	Market
BRINKS CANADA LIMITED	Armoured Car Service	RFP/RFQ
CAMEO PROMOTIONAL PRODUCTS	Corporate Gifts	Market
CANADA POST CORPORATION	Postage	Single Source
CANADIAN MENTAL HEALTH ASSOCIATION	Employee Assistance Program	Market
CARLETON RESCUE EQUIPMENT	Safety Equipment	RFP/RFQ
CARQUEST WINDSOR	Vehicle Operations and Maintenance	RFP/RFQ
CHECKER INDUSTRIAL	Vehicle Operations and Maintenance	RFP/RFQ
CHUBB SECURITY SYSTEMS	Building Maintenance - Security System	RFP/RFQ
CHUM WINDSOR	Advertising	Market
CLASSIC BODY SHOP	Vehicle Operations and Maintenance	RFP/RFQ
CITY OF WINDSOR	Software Maintenance/Tax Roll Inquiries	Regulated/Market
CLEAN HARBORS CANADA INC	PCB Oil Disposal Services	RFP/RFQ
COLBRO EQUIPMENT	Small Tools repair rental	RFP/RFQ
COLLECTION SERVICE OF WINDSOR LTD	Collections	RFP/RFQ
COMMERCIAL EQUIPMENT CORP	Small Tools	RFP/RFQ
COOPER POWER SYSTEMS	Underground Cable Maintenance	RFP/RFQ
COXON TOWING SERVICE	Vehicle Operations and Maintenance	RFP/RFQ
DATASPLICE LLC	Software Maintenance	RFP/RFQ/Market
DELL CANADA INC	Computer Equipment	RFP/RFQ/Market
DELOITTE & TOUCHE	Consulting Services	RFP/RFQ
DIAZO PRODUCTS LTD	Drafting	RFP/RFQ
DIGITAL BOUNDARY GROUP	Consulting Services	RFP/RFQ
DUCHARME, MCMILLEN & ASSOCIATES CANADA	Consulting Services	RFP/RFQ
EAGLE FURNISHINGS	Office Equipment	RFP/RFQ
ELECTRICAL UTILITIES SAFETY ASSOCIATION	Safety Association - Training/Testing	Single Source
ELECTRICITY DIST ASSOC TORONTO	Training	Market
ELECTROZAD SUPPLY CO LTD	Electrical Components	RFP/RFQ
ELENCHUS RESEARCH ASSOCIATES	Consulting Services	RFP/RFQ
EMC CORPORATION OF CANADA	Software Maintenance	RFP/RFQ/Market
ENWIN UTILITIES LTD	Utilities	Single Source/Regulated
EQUIFAX	Credit Checks	RFP/RFQ
ERE GROUP INC	Scada Security Audit	RFP/RFQ
EXOMARK INCORPORATED	Website Development	RFP/RFQ
FERGUSON GEOSCIENCE	Environmental Science Testing	RFP/RFQ
FOREST CITY FIRE PROTECTION	Building Maintenance	RFP/RFQ
FOREST GLADE TREE EXPERTS	Tree Trimming	RFP/RFQ
FOSS NATIONAL LEASING	Vehicle Leasing	RFP/RFQ
G4S SECURITY SERVICES (CANADA) LTD.	Security	RFP/RFQ
GE CAPITAL	Vehicle Leasing	RFP/RFQ
GENICS INC.	Safety Inspections	RFP/RFQ

2007 Purchased Services & Products - OM&A

Vendor	Activity	Priced by
GIOVANNI CABOTO CLUB	Employee Training Space	Market
GOLDER ASSOCIATES LTD	Consulting Services	RFP/RFQ
GRAYBAR ELECTRIC ONTARIO LTD	Electrical Supplies	RFP/RFQ
GREEN SHIELD CANADA	Employee Extended Health Benefits	Market
GREEN-PORT ENVIRONMENTAL MANAGERS LTD	Disposal Services	RFP/RFQ
HADRIAN EXCAVATING, INC	Construction Services	RFP/RFQ
HARGREAVES MANDAL INC.	Annual Report	RFP/RFQ
HENRY FORD HEALTH SYSTEM	Medical Exams	Market
HONEYWELL LIMITED	Building Maintenance - HVAC	RFP/RFQ
HUBBELL BULLER LANDSCAPE	Lawn/Alley Restorations	RFP/RFQ
HYDRO ONE	Joint pole use/Station Maintenance	Regulated/Market
IBM CANADA LTD.	Software Maintenance	RFP/RFQ/Market
INDUSTRIAL HYGIENE AND ENVIRONMENTAL	Safety Supplies/Equipment	RFP/RFQ
INSIGHT CANADA, INC	Software Maintenance	RFP/RFQ/Market
ITRON	Meter Reading Hardware/Software Maintenance	RFP/RFQ/Market
JAKE'S CRANE SERVICE & MACHINERY MOVERS	Crane Services	RFP/RFQ
JESSTEC INDUSTRIES INC.	Meter Reading Equipment	RFP/RFQ
KELCOM	Telephone Services	RFP/RFQ
KELCOM O/A WINDSOR COPIER	Photocopier Services	RFP/RFQ
KELLY SERVICES (CANADA) LTD.	Temporary Services	RFP/RFQ
KEN LAPAIN & SONS	Vehicle Operations & Maintenance	RFP/RFQ
KINECTRICS INC	Consulting Services	RFP/RFQ
KPMG LLP	Consulting Services	RFP/RFQ
LANDACE HYDRAULICS	Small Tools repair	RFP/RFQ
LANDGRAFF TREE SERVICE	Tree Trimming	RFP/RFQ
LEGAL WATCH LIMITED	Consulting Services	Market
LIGHTING MAINTENANCE LTD	Building Maintenance	RFP/RFQ
LIGHTNING EQUIPMENT	Vehicle Operations & Maintenance	RFP/RFQ
LINEMANS TESTING LABORATORIES	Rubber Goods Testing	RFP/RFQ
LITCO SYSTEMS INC.	Software Maintenance	RFP/RFQ/Market
LORNE M. CURTIS	WSIB Consulting	Market
LOVAS STANLEY/RAY & BERNDTSON INC.	Consulting Services	Market
M.E.T. UTILITIES MANAGEMENT LTD	Meter Reading	RFP/RFQ
MAILING INNOVATIONS	Software Maintenance/Leased Equipment	RFP/RFQ
	Transparent Lan Service/Internet Access/	
MAXESS NETWORKX	DNS Hosting/Scada Monitoring Services	Market
MCTAGUE LAW FIRM LLP	Consulting - Legal	RFP/RFQ
MICHELIN NORTH AMERICA CANADA INC.	Vehicle Tires	RFP/RFQ
MILLER,CANFIELD,PADDOCK AND STONE LLP	Consulting - Legal	RFP/RFQ
MODERN NIAGARA HVAC SERVICES INC	HVAC Repairs	RFP/RFQ
MONARCH OFFICE SUPPLY LTD	Office Supplies	RFP/RFQ
MOTOROLA CANADA LIMITED	Software Maintenance	RFP/RFQ/Market
MOUSSEAU, DELUCA, MCPHERSON, PRINCE	Consulting - Legal	RFP/RFQ
NEPTUNE TECHNOLOGY GROUP (CANADA) LTD.	Meters	RFP/RFQ
NET CYCLOPS INC	Software Maintenance	RFP/RFQ/Market
NEWALTA INDUSTRIAL SERVICES INC	Building Maintenance	RFP/RFQ
O.C. TANNER RECOGNITION COMPANY LTD.	Employee Recognition	Market
OGILVY RENAULT LLP/ S.E.N.C.R.L.	Consulting - Legal	RFP/RFQ
OLIVERS SPRING SERV	Vehicle Operations & Maintenance	RFP/RFQ
OMNI FACILITY SERVICES CANADA CORP	Janitorial Services	RFP/RFQ
ONTARIO LINE CLEARING & TREESERVICES LTD	Tree Trimming	RFP/RFQ
ORACLE CORPORATION CANADA INC.	Software Maintenance	RFP/RFQ/Market
OTIS CANADA INC	Building Maintenance - Elevator	RFP/RFQ
PEERELESS STEEL COMP	Building Maintenance	RFP/RFQ
PEFCO ONTARIO	Small Tools & Misc Shop Supplies	RFP/RFQ
PETROLINE PETROLEUMS	Fuel	RFP/RFQ

2007 Purchased Services & Products - OM&A

Vendor	Activity	Priced by
POSI-PLUS TECHNOLOGIES INC.	Fleet Vehicle Services	RFP/RFQ
POSTAGE BY PHONE	Postage	RFP/RFQ/Market
PURULATOR COURIER LTD	Courier	RFP/RFQ
QUASAR	Consulting - Audit	RFP/RFQ
QUINLAN INC	Property Maintenance	RFP/RFQ
RAUTH ROOFING LIMITED	Building Repairs - Roofing	RFP/RFQ
RBC GLOBAL SERVICES	Billing Services	RFP/RFQ
RICK D. LAMKIE & ASSOCIATES	Consulting Services	Market
ROGERS	Telephone Services	RFP/RFQ
ROSE CITY FORD SALES LTD	Fleet Vehicle Services	RFP/RFQ
Roth Mosey & Partners LLP	Consulting Services	RFP/RFQ
S & C ELECTRIC CANADA LTD	Hydro Equipment/Switches	RFP/RFQ
SALT SPRING SOFTWARE, INC.	Computer Hardware/Software	RFP/RFQ
SERBU TIRE LTD	Fleet Vehicle Services	RFP/RFQ
SHELL CANADA PRODUCTS LTD	Diesel	RFP/RFQ
SHEPHERD UTILITY SUPPLY	Small Tools & Misc Shop Supplies	RFP/RFQ
SIMUL CORPORATION	Consulting Services	RFP/RFQ
SKYLIFT INC	Fleet Vehicle Repairs - mini derrick	RFP/RFQ
SPRINGBOARD MANAGEMENT INC	Consulting Services	Market
STERLING MARINE FUELS	Diesel	RFP/RFQ
SUN MICROSYSTEMS OF CANADA INC	Hardware & Software Maintenance Contract	RFP/RFQ/Market
TARGET BUILDING MATERIALS LTD	Building Maintenance	RFP/RFQ/Market
TEAM TRUCK CENTRES MAIDSTONE	Vehicle Operations & Maintenance	RFP/RFQ
TECUMSEH WINDOW CLEANING INC.	Building Maintenance	RFP/RFQ
TELUS	Telephone Services	RFP/RFQ
TELUS MOBILITY	Telephone Services	RFP/RFQ
THE DOCK & DOOR COMPANY LTD	Building Maintenance - Overhead Doors	RFP/RFQ
THE SPI GROUP INC.	EBT	Market
THE WINDSOR STAR	Advertising	Market
TOROMONT	Fleet Vehicle Services	RFP/RFQ
TRACTION WINDSOR	Vehicle Operations & Maintenance	RFP/RFQ
TST OVERLAND EXPRESS	Freight	RFP/RFQ
UNION GAS	Utilities	Single Source/Regulated
UNIQUE TRAINING & DEVELOPMENT	Employee Travel & Training	Market
UTILISMART	Wholesale/Retail Settlement Services	RFP/RFQ
UTILITY RISK MANAGEMENT	Employee Training	Market
WADDICK FUELS	Gasoline	RFP/RFQ
WAFFLES ELECTRIC LIMITED	Electrical Service (Journeyman)	RFP/RFQ
WESTON MANAGEMENT RESOURCES	HR Consulting	Market
WILLIAMS MOBILE SERVICE	Fleet Vehicle Services	RFP/RFQ
WINDSOR FACTORY SUPPLY LTD	Small Tools	RFP/RFQ
WINDSOR LAWNSCAPE	Substation Maintenance - Lawn Cutting	RFP/RFQ
WINDSOR MOBILE WASH LTD	Fleet Vehicle Services	RFP/RFQ
WURTH CANADA LIMITED	Small Tools & Misc Shop Supplies	RFP/RFQ
XEROX CANADA LTD.	Mail Services	RFP/RFQ
Grand Total		\$8,024,141

Attachment B

2007 Purchased Services & Products - Inventory

Vendor	Activity	Priced by
ABB INC.	Distribution Transformer	RFP/RFQ
ACKLANDS GRAINGER INC	Safety Equipment	RFP/RFQ
BEL VOLT SALES LTD	Electrical Components	RFP/RFQ
BENNETT BUSINESS FORMS LTD.	Bill Stock	RFP/RFQ
CARTE INTERNATIONAL INC.	Submersible Distribution Transformer	RFP/RFQ
CHAMPION PRODUCTS	Building Supplies	RFP/RFQ
DIGIPRINT	Office Supplies	RFP/RFQ
ELECTRICAL UTILITIES SAFETY ASSOCIATION	Safety Services	RFP/RFQ
ELECTROZAD SUPPLY CO LTD	Electrical Components	RFP/RFQ
EPAC	Misc Line Hardware	RFP/RFQ
GESCAN, DIV OF SONEPAR CANADA INC	Electrical Supplies	RFP/RFQ
GUELPH UTILITY POLE CO LTD	Wood Poles	RFP/RFQ
GUILLEVIN INTERNATIONAL COMPANY	Small Tools & Supplies	RFP/RFQ
HD SUPPLY UTILITIES	Electrical Components	RFP/RFQ
ITRON CANADA INC	Meter Reading Equipment	RFP/RFQ
JESSTEC INDUSTRIES INC.	Meter Reading Equipment	RFP/RFQ
KING LUMINAIRE COMPANY LTD	Photocell Receptacle	RFP/RFQ
LANDACE HYDRAULICS	Small Tools & Misc Shop Supplies	RFP/RFQ
LAPRAIRIE, INC	SL Maintenance	RFP/RFQ
LINEMANS TESTING LABORATORIES	Gloves/Rubber Goods Testing	RFP/RFQ
MERCHANTS PAPER COMPANY WINDSOR LTD	Building Supplies	RFP/RFQ
NEDCO	Small Tools & Misc Shop Supplies	RFP/RFQ
NEXANS ENERGY DIV OF NEXANS CANADA INC	Cabling	RFP/RFQ
POWER DISTRIBUTION SUPPLY	Electrical Components	RFP/RFQ
PRIORITY 1 PRINTING	Paper Products	RFP/RFQ
PROLINER UTILITY PRODUCTS	Gloves	RFP/RFQ
ROYAL ENVELOPE LTD	Paper Products	RFP/RFQ
SHEPHERD UTILITY SUPPLY	Small Tools & Misc Shop Supplies	RFP/RFQ
STRESSCRETE LIMITED	Concrete Poles	RFP/RFQ
THE COMPUTER MEDIA GROUP	Office Supplies	RFP/RFQ
TORBRAM ELECTRIC SUPPLY	Electrical Components	RFP/RFQ
WADDICK FUELS	Gasoline	RFP/RFQ
WESTBURNE RUDDY ELECTRIC	Electrical Components	RFP/RFQ
WESTERN EQUIPMENT	Small Tools	RFP/RFQ
WINDSOR FACTORY SUPPLY LTD	Small Tools	RFP/RFQ
WOLSELEY INDUSTRIAL PRODUCTS GROUP	Small Tools	RFP/RFQ
Grand Total		<u>\$2,301,929</u>

Attachment C

2008 Purchased Services & Products to July 31 - OM&A

Vendor	Activity	Priced by
AIRD & BERLIS LLP	Consulting - Field Work	RFP/RFQ
ALEO ASSOCIATES INC.	Engineering	RFP/RFQ
AMSDALL INC	Maintenance - Computer Services	RFP/RFQ
AUTOMATION CENTRE, L.C.	Software Maintenance	RFP/RFQ
BDR NORTH AMERICA INC	Consulting Services	RFP/RFQ
BELL CANADA	Telephone Services	Market
BELLAIRE LANDSCAPE INC	Property Maintenance	RFP/RFQ
BFI CANADA INC	Building Maintenance	RFP/RFQ
BLACK & MCDONALD LTD	Construction Services	RFP/RFQ
BRIAN'S FOOTWEAR LTD.	Safety Equipment	RFP/RFQ
BRINKS CANADA LIMITED	Armoured Car Service	RFP/RFQ
CAMEO PROMOTIONAL PRODUCTS	Corporate Gifts	RFP/RFQ
CANADA POST CORPORATION	Postage	Single Source
CANADIAN MENTAL HEALTH ASSOCIATION	Employee Assistance Program	Market
CARQUEST WINDSOR	Vehicle Operations and Maintenance	RFP/RFQ
CHUBB SECURITY SYSTEMS	Building Maintenance	RFP/RFQ
CHUM WINDSOR	Advertising	RFP/RFQ
COGECO CABLE CANADA INC	Cable Services	RFP/RFQ
COLLECTION SERVICE OF WINDSOR LTD	Collections	RFP/RFQ
CORPORATION OF CITY OF WINDSOR	Tax Roll Inquiries	Market
CURRY BLUE PRINT LTD	Office Supplies	RFP/RFQ
DELL CANADA INC	Computer Equipment	RFP/RFQ/Market
DELOITTE & TOUCHE	Consulting Services	RFP/RFQ
DUCHARME, MCMILLEN & ASSOCIATES CANADA	Consulting Services	RFP/RFQ
ECKLER PARTNERS LTD.	Consulting Services	Market
ELECTRICAL UTILITIES SAFETY ASSOCIATION	Safety Association - Training/Testing	Single Source
ELECTRICITY DIST ASSOC TORONTO	Training	Market
ELENCHUS RESEARCH ASSOCIATES	Consulting Services	Market
ENWIN UTILITIES LTD	Utilities	Single Source/Regulated
EXOMARK INCORPORATED	Website	RFP/RFQ
FERGUSON GEOSCIENCE	Lab Services	RFP/RFQ
FOREST GLADE TREE EXPERTS	Tree Trimming	RFP/RFQ
FOSS NATIONAL LEASING	Vehicle Leasing	RFP/RFQ
FREIGHTLINER TEAM TRUCK CENTRES	Vehicle Fleet Sales	RFP/RFQ
G4S SECURITY SERVICES (CANADA) LTD.	Security	RFP/RFQ
GE CAPITAL	Vehicle Leasing	RFP/RFQ
GLOBAL SOURCE MAINTENANCE RENEWAL	Hardware Maintenance	RFP/RFQ/Market
GOLDER ASSOCIATES LTD	Consulting Services	RFP/RFQ
GREEN SHIELD CANADA	Employee Extended Health Benefits	Market
HADRIAN EXCAVATING, INC	Construction Services	RFP/RFQ
HD SUPPLY UTILITIES	Line Hardware - Miscellaneous	RFP/RFQ
HEATON SANITATION LTD	Vacuum Services	RFP/RFQ
HONEYWELL LIMITED	Building Maintenance	RFP/RFQ
HYDRO ONE	Walker II Mtnc/Joint Use of Poles	RFP/RFQ
IBM CANADA LTD.	Software Maintenance	RFP/RFQ
ITRON INC - ATT ORDER PROCESSING WPP	Meter Reading Hardware/Software Maint	RFP/RFQ
KELCOM	Telephone Services	RFP/RFQ
KELCOM O/A WINDSOR COPIER	Photocopier Services	RFP/RFQ
KELLY SERVICES (CANADA) LTD.	Temporary Services	RFP/RFQ
KEN LAPAIN & SONS LTD ESSEX	Vehicle Operations & Maintenance	RFP/RFQ
KPMG LLP	Consulting Services	RFP/RFQ
LANDGRAFF TREE SERVICE	Tree Trimming	RFP/RFQ
LEGAL WATCH LIMITED	Consulting Services	Market
LINEMANS TESTING LABORATORIES	Misc Shop Supplies	RFP/RFQ
LORNE M. CURTIS	WSIB Consulting	RFP/RFQ

2008 Purchased Services & Products to July 31 - OM&A

Vendor	Activity	Priced by
LOVAS STANLEY/RAY & BERNDTSON INC.	Consulting Services	Market
M.E.T. UTILITIES MANAGEMENT LTD	Meter Reading	RFP/RFQ
MAILING INNOVATIONS/SECAP FINANCE	Office Supplies	RFP/RFQ
	Transparent Lan Service/Internet Access/	
MAXESS NETWORKX	DNS Hosting/Scada Monitoring Services	Market
MCTAGUE LAW FIRM LLP	Consulting - Legal	RFP/RFQ
MEARIE GROUP	Insurance	RFP/RFQ
MEDIASTREET COMMUNICATIONS	Advertising	Market
MEGGER LIMITED	Small Tools	RFP/RFQ
MICHELIN NORTH AMERICA CANADA INC.	Vehicle Repairs	RFP/RFQ
MILLER,CANFIELD,PADDOCK AND STONE LLP	Consulting - Legal	RFP/RFQ
MODERN NIAGARA HVAC SERVICES INC	HVAC Repairs	RFP/RFQ
MONARCH OFFICE SUPPLY LTD	Office Supplies	RFP/RFQ
MOTOROLA CANADA LIMITED	Software Maintenance	RFP/RFQ/Market
MOUSSEAU, DELUCA, MCPHERSON, PRINCE	Consulting - Legal	RFP/RFQ
MWH PETROLEUM EQUIPMENT INC	Fleet Vehicle Services	RFP/RFQ
NEPTUNE TECHNOLOGY GROUP (CANADA) LTD.	Meter Reading Equipment	RFP/RFQ
NET CYCLOPS INC	Scada Firewall	RFP/RFQ
OGILVY RENAULT LLP/ S.E.N.C.R.L.	Consulting - Legal	RFP/RFQ
OMNI FACILITY SERVICES CANADA CORP	Janitorial Services	RFP/RFQ
ORACLE CORPORATION CANADA INC.	Software Maintenance	RFP/RFQ/Market
PETROLINE PETROLEUMS	Fuel	RFP/RFQ
POIRIER ELECTRIC LIMITED	Contracted Services - Electrical	RFP/RFQ
POSTAGE BY PHONE	Postage	Single Source
PUROLATOR COURIER LTD	Courier	RFP/RFQ
QUEEN'S INDUSTRIAL RELATIONS CENTRE	Employee Training	Market
RBC GLOBAL SERVICES	Billing Services	RFP/RFQ
ROGERS	Telephone Services	RFP/RFQ
ROSE CITY FORD SALES LTD	Fleet Vehicle Services	RFP/RFQ
SAPPHIRE Conference	Training	Market
SERBU TIRE LTD	Fleet Vehicle Services	RFP/RFQ
SHIBLEY RIGHTON LLP	Consulting Services	RFP/RFQ
SPRINGBOARD MANAGEMENT INC	Consulting Services	Market
STERLING MARINE FUELS	Diesel	RFP/RFQ
SYMCOR INC.	Payment Processing	RFP/RFQ
TEAM TRUCK CENTRES	Vehicle Operations & Maintenance	RFP/RFQ
TECUMSEH WINDOW CLEANING INC.	Building Maintenance	RFP/RFQ
TELUS	Telephone Services	RFP/RFQ
THE DOCK & DOOR COMPANY LTD	Building Maintenance	RFP/RFQ
THE SPI GROUP INC.	EBT	Market
THE WINDSOR STAR	Advertising	Market
TPC WIRE & CABLE	Cabling	RFP/RFQ
TST OVERLAND EXPRESS	Freight	RFP/RFQ
UNION GAS	Natural Gas	Single Source/Regulated
UNIQUE TRAINING & DEVELOPMENT	Employee Training & Travel	Market
UTILISMART	Wholesale/Retail Settlement Services	RFP/RFQ
WILLIAMS MOBILE SERVICE	Fleet Vehicle Services	RFP/RFQ
WINDSOR DISPOSAL SERVICE LTD	Building Maintenance	RFP/RFQ
WINDSOR FACTORY SUPPLY LTD	Small Tools	RFP/RFQ
WINDSOR MOBILE WASH LTD	Fleet Vehicle Services	RFP/RFQ
XEROX CANADA LTD.	Mail Services	RFP/RFQ
Grand Total		4,470,323

Attachment D

2008 Purchased Services & Products to July 31 - Inventory

Vendor	Activity	Priced by
ABB INC.	Distribution Transformer	RFP/RFQ
ASEA BROWN BOVERI	Transformer	RFP/RFQ
BEL VOLT SALES LTD	Electrical Components	RFP/RFQ
BENNETT BUSINESS FORMS LTD.	Bill Stock	RFP/RFQ
CARTE INTERNATIONAL INC.	Submersible Distribution Transformer	RFP/RFQ
CHAMPION PRODUCTS	Building Supplies	RFP/RFQ
ELECTROZAD SUPPLY CO LTD	Electrical Components	RFP/RFQ
EPAC	Small Tools	RFP/RFQ
FASTENAL INDUSTRIAL&CONSTRUCTION SUPPLIES	Small Tools	RFP/RFQ
HD SUPPLY UTILITIES	Line Hardware	RFP/RFQ
HOLLAND CHEMICAL & JANITORIAL	Misc Shop Supplies	RFP/RFQ
ITRON CANADA INC	Meter Reading Equipment	RFP/RFQ
JESSTEC INDUSTRIES INC.	Meter Reading Equipment	RFP/RFQ
KING LUMINAIRE COMPANY LTD	Photocell Receptacle	RFP/RFQ
LANDACE HYDRAULICS	Small Tools & Misc Shop Supplies	RFP/RFQ
LAPRAIRIE, INC	Small Tools	RFP/RFQ
MERCHANTS PAPER COMPANY WINDSOR LTD	Building Supplies	RFP/RFQ
MOLONEY ELECTRIC	Distribution Transformer	RFP/RFQ
NEXANS ENERGY DIV OF NEXANS CANADA INC	Cable	RFP/RFQ
PRIORITY 1 PRINTING	Paper Products	RFP/RFQ
PROLINER UTILITY PRODUCTS	Gloves	RFP/RFQ
ROYAL ENVELOPE LTD	Paper Products	RFP/RFQ
SHEPHERD UTILITY SUPPLY	Small Tools & Misc Shop Supplies	RFP/RFQ
STRESSCRETE LIMITED	Concrete Poles	RFP/RFQ
SUPREME X INC.	Office Supplies	RFP/RFQ
THE COMPUTER MEDIA GROUP	Office Supplies	RFP/RFQ
TORBRAM ELECTRIC SUPPLY	Electrical Components	RFP/RFQ
WADDICK FUELS	Fuel	RFP/RFQ
WESCO	Small Tools	RFP/RFQ
WESTBROOK PRODUCTS LIMITED	Electrical Components	RFP/RFQ
WESTBURNE RUDDY ELECTRIC	Electrical Components	RFP/RFQ
WESTERN EQUIPMENT	Small Tools	RFP/RFQ
WINDSOR FACTORY SUPPLY LTD	Small Tools	RFP/RFQ
WOLSELEY INDUSTRIAL PRODUCTS GROUP	Small Tools	RFP/RFQ
WOLSELEY WATERWORKS GROUP	Small Tools	RFP/RFQ
Grand Total		<u>\$1,040,409</u>

Attachment E



ENWIN GROUP OF COMPANIES

PURCHASING POLICY AND PROCEDURES

EnWin Utilities Ltd., EnWin Energy, and the Windsor Utilities Commission

October 13, 2004

Amended July 25, 2005

Amended July 16, 2007

Amended February 19, 2008 Job Title: Director, Purchasing Services



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Purchasing Card	22,23,24,25,26
Scrap, Surplus, Obsolete Items	33,34
Single Source Items	28
Small Items	25



PURCHASING OBJECTIVES

- a. To purchase the right items in the right quantity at the right price from the right source at the right time.
- b. To co-ordinate the requirements of all Departments of the Companies' and by standardization, to reduce the kind of goods used by the Companies to the smallest number consistent with the needs of the various Departments.
- c. To maintain a high standard of service to minimize inconvenience to Departments by means of stocking within designated stores areas and/or direct purchases.
- d. Expedite delivery of material to coincide with requirements of user Departments.
- e. To utilize appropriate control procedures to ensure proper accountability for all purchases and applications of purchases with the Companies
- f. To dispose of, to the best advantage, all material and equipment which has been declared surplus or obsolete
- g. Provide for security of inventory against damage and physical or financial loss.
- h. Except as otherwise stated herein, all purchases of goods, services or equipment in excess of the small purchase or Amex card limit shall be made by the Purchasing Department on a competitive basis in keeping with accepted purchasing practices and procedures, and in accordance with the Code of Ethics of the Purchasing Management Association of Canada (P.M.A.C.) applicable laws, this policy and any directions or regulations made pursuant hereto.
- i. Every purchase valued in excess of \$1,000.00 shall be covered by a Purchase Order, including written contracts for payment record and control purposes. This policy does not apply to the purchase of utilities, small petty cash items, vehicle leases, package delivery or freight charges, unless included in a Purchase Order, and Amex Card Purchases.
- j. An exemption shall apply to the purchases of insurance, legal services, audit services, tax services, investment services sourced by the C.F. O. or employee benefits, wage or salary administration sourced by Human Resources. Legal and Financial Consulting Services are subject to approval of the C.E.O. or designated Vice-President, prior to engagement. The C.F.O. shall present a report to the Board of Directors for exempted purchases, at regularly scheduled Board meetings.
- k. This policy applies to all purchases of the *EnWin* Group of Companies, including the Windsor Utilities Commission, (herein referred to as the Companies) unless superceded by Bylaw, or resolution.
- l. This policy should be applied to meet the Companies budget objectives, both Operating and Capital. Purchases shall not be split to contravene this policy.



- m. Goods or Services that are specifically listed in Companies' Capital Budgets, that have been approved by the Board of Directors, need not be resubmitted to the Board/Commission for approval should the purchase exceed limits provided in this policy, but are within the approved budget expenditure. See Capital Purchases, page 10
- n. Items requiring deposits such as cable reels or core charges for automotive replacement parts shall have a separate account created for tracking purposes.
- o. The Companies require that all vendors/contractors/suppliers performing work on company property shall provide satisfactory evidence of sufficient insurance and WSIB clearance to the Purchasing Department, to be eligible for specified work, prior to commencement of any such work.
- p. If it becomes necessary to modify, delete, or add to a specification for an open RFQ/RFP or Tender, the Purchasing Department shall issue Addenda to all vendors on the Bid List, unless a vendor has already declined to bid. The Addenda shall indicate a place for the vendor to acknowledge receipt of the Addenda. Vendors shall be required to confirm receipt in their submission.
- q. If it becomes necessary to withdraw or to extend the closing date of an RFQ/RFP or Tender, the Purchasing Department shall issue Addenda or Letters to all vendors on the Bid List, unless a vendor has already declined to bid. Upon notification of a time extension, a vendor who as already submitted may have their bid returned upon request. Bids submitted prior to a withdrawal shall be returned to bidders unopened.
- r. Approval authority of a requisitioner shall be in accordance with the Authority List submitted to the Purchasing Department.
- s. The Purchasing Department and the Companies' designated broker will carry out all details related to the import of foreign goods or services and the proper export documents to accompany shipments should any returns be required.



DEFINITIONS

a. PURCHASE REQUISITION

An approved instrument used to initiate all purchases (equipment, material, services, and leases), and out of the ordinary requirements of inventoried materials, with the exception of those listed in paragraph (i) & (j) above. Requisitions are initiated by the User Department in Maximo and completed detailing the user requirements including industry description, and any applicable specification. The requisitioning department shall be responsible for preparing functional and technical specifications for the goods and services to be acquired in a manner that will facilitate the achievement of the optimal combination of quality, performance, time and choice.

b. REQUEST FOR QUOTATION

An Approved instrument whereby the *EnWin* Purchasing Department requests suppliers to quote prices, terms, delivery, etc. for specified services, and/or material.

c. INVITATION TO TENDER

An approved instrument whereby the *EnWin* Purchasing Department may invite contractors or consultants to tender prices for specified construction projects or contracted services.

d. REQUEST FOR PROPOSALS

An approved instrument whereby the *EnWin* Purchasing Department can call for prices on materials or services that may best serve the interest of the Companies, where a performance specification only, has been developed.

e. PURCHASE ORDER or VENDOR CONTRACT (BLANKET PURCHASE ORDER)

An approved instrument that agrees to purchase material or services as quoted, tendered or proposed at agreed prices, terms, etc., for a specified period. If it becomes necessary to change any terms of a Purchase Order, a Purchase Order Change will be issued by the Purchasing Department, detailing the changes.

f. CONTRACT PURCHASE ORDER

An approved instrument that agrees to purchase material or services as quoted, tendered or proposed at agreed prices, terms, etc., The Purchase Order will reference *EnWin* or WUC Standard Contract Documents in order to incorporate them as part of the Purchase Agreement. If it becomes necessary to change any terms of a Contract Purchase Order, a Purchase Order Change will be issued by the Purchasing Department, detailing the changes.



g. OPENING COMMITTEE

A Committee of two or more individuals shall open quotations, tenders, and proposals. The Committee may consist of two Purchasing Department representatives, the Director, Purchasing Services, or his designate, and a staff member. The Director, Purchasing Services and one other VP/Director level individual shall open high value Quotations and Proposals, such as those requiring a co-signature of the C.E.O., or approval of the Board

h. PURCHASING CARD

A card intended to facilitate the purchase and payment of materials and/or services required to conduct the business of the *Companies*.

i. CROSS FUNCTIONAL TEAM

Cross-functional team may consist of representatives from User department and Purchasing to evaluate submissions and recommend the most suitable vendor from responses submitted.

j. EMERGENCY MATERIAL OR SERVICES.

Emergency requirements shall be defined as items or services, which have to be sourced quickly, generally outside normal working hours where time is of the essence; Materials are not normal stores stock. Examples of situations that may require emergency items are: loss of life, health, correction of safety problems, loss of service, large economic loss, spill of pollutants, inconvenience to the public, etc. Emergency procedures may require temporary suspension of provisions of the Purchasing Policy as determined by a Department Head.

k. LIMITS OF AUTHORITY AND PRICES

Dollar values stated in this document are intended to be including tax amounts.

CONFIDENTIALITY

Release of Bidder and result information

- a. Information regarding names and/or number of bidders requested to submit bids or responding to Requests for Quotations/Tenders/Proposals, etc. will be kept confidential from third parties.
- b. With respect to sealed bids and facsimile quotes, prices shall remain confidential from third parties.
- c. Personal, proprietary and third party information will be protected.
- d. The confidentiality of information received during the course of business must be respected and not used for personal gain
- e. Any personal interest that may impinge or may be construed to impinge on an employee's impartiality in any circumstance in the performance of their duties must be reported to their supervisor and/or the Director of Purchasing.
- f. Any information supplied to the Windsor Utilities Commission in response to a Request for Quotation/Proposal, may be subject to disclosure under the Municipal Freedom of Information and Protection of Individual Privacy Act (Bill 49)

COMPLIANCE

The Business Community must have confidence in the integrity of the Purchasing Policy and Procedures of the Companies. An employee who knowingly contravenes the Company Purchasing Policy and Procedure, or fails to act in accordance with this Policy, shall be subject to disciplinary action, up to and including discharge.

Any supplier of goods and/or services who knowingly contravenes the company Purchasing Policy may be prohibited from bidding on future contracts or performing work on behalf of the companies. Management, based on the severity of the infraction will determine the term of disqualification.

Any supplier of goods and/or services who knowingly misrepresents any detail pertaining to a good considered for purchase, or misrepresents the qualifications or experience of an employee may be prohibited from bidding on future contracts for the supply of goods and/or services. Management, based on the severity of the infraction will determine the term of disqualification.



EMPLOYEE NOTICE

Employees are advised that a verbal authorization or commitment on their part to a vendor to proceed with the supply of goods or services, can form a legal contract that is valid and enforceable under law as any written contract document. Employees may not enter into verbal agreements with other parties on behalf of the Companies unless an emergency situation exists as defined in this Policy. (Page 5.J.)



PURCHASING METHODS

a. Request for Quotation:

Quotations shall be obtained from approved suppliers for all materials valued over \$1,000.00 to maintain competitive pricing. For items valued in total under \$50,000.00, Purchasing Department, at its discretion, may source materials based on facsimile quotations as dictated by circumstances. The prime evaluation factor for this method will be price.

b. Negotiations

Consulting services, Contractor Services and Contracted Services valued at under \$10,000.00 may be negotiated by the User Department or Purchasing. A Purchase Order shall be issued in either case.

c. Miscellaneous Materials

Small non-inventory and miscellaneous materials totaling under \$500.00 may be purchased by means of a Purchasing Card issued to the user.

d. Invitation to Tender

Tenders shall be obtained from approved Consulting Firms, Professional or Contracting Firms for consulting or contracted services valued over \$100,000.00. Tenders will be publicly advertised if the department estimate of the work is \$50,000.00 or more, unless pre-qualification of vendors has been undertaken. This method is used when we know what we want done and how we want it done. Vendors will compete on the pricing to complete the many detailed specifications in the work we require. A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during analysis of the quotes received. This decision matrix will be a significant factor in determining the successful proponent.

e. Request for Proposal

Proposals may be requested by public advertising. It seeks best value through competitive bidding. The RFP describes in detail the project to be undertaken, the intended result of the project and criteria for choosing the successful contractor. The RFP may indicate a preferred procedure of completing the work, or it may not. One proposal will be identified as the most likely to provide best value, based on the known evaluation criteria, and an award for the contract will be made. The RFP process should be used when the purchase is not solely a product or commodity but requires a solution to a problem, where solutions are expected to be hard to evaluate, or price is not the only criterion. A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during analysis of the quotes received. This decision matrix will be a significant factor in determining the successful proponent.



f. Purchasing Card

Purchases may be made by authorized cardholders up to their limits of authority and in accordance with the Purchasing Card Policy, included herein.

POLICIES



1. CAPITAL PURCHASES

Prior to contracting for a purchase, a completed and properly signed Capital Expenditure Justification Form is required for purchases \$10,000 or greater. Included in this requirement are vehicles purchased or leased. Labour capitalized to work orders is included in the approval policy.

The Purchasing department will not issue a purchase order without a completed Capital Expenditure Justification Form nor will Accounting issue a cheque without a completed Capital Expenditure Justification Form.

Should a contemplated purchase exceed the authorized value submitted on the Capital Expenditure Justification Form, the requestor is required to resubmit for approval.

2. FORMAL CONTRACT AGREEMENTS

Use of vendor documents should be avoided whenever possible, however, occasionally, a vendor's Formal Agreement may be required when the standard Purchase Order terms and conditions are not suitable because of the complexity of a contract.

3. PREQUALIFICATION OF CONTRACTORS, AND CONSULTANTS

Contractors and/or Consultants who wish to be included in the Companies approved contractor/consultant list will be requested to prequalify annually by the Purchasing Department. Only those contractors/consultants who have been prequalified will be asked to submit quotations or tenders for the various outside contract work required.

4. PURCHASING CARD

The Purchasing Card is designed to streamline the Companies' purchasing process to better support the organization's operating needs, without eroding good business practices or circumventing internal controls. Therefore, all cards are issued through, and with the concurrence of the designated Purchasing Card Co-ordinator. A card may be revoked at any time, for any reason, by the Cardholder's department or the Purchasing Card Coordinator. Failure to use the Card in accordance with Company Policy and Procedure, may result in disciplinary action against the user.

Only those individuals who are specifically authorized within their department may participate in this programme. In addition, no one other than the Cardholder (IE; the individual) is authorized to use the card.



The Bank will send a monthly summary statement of the Companies' Card purchases to the Finance Department for payment. The monthly processing steps are summarized as follows:

- Authorized Cardholders make purchases in the normal course of business and prepare a log of the purchases.
- Cardholders receive monthly statements for reconciliation purposes only, payment is not made from the individual statements. Payment is made from the summary statement sent to the Finance Department.
- The Finance Department receives and pays the monthly summary Purchasing Card statement.
- The Finance Department utilizes the individual cardholders' statements and corresponding receipts/packing slips received from the approving Manager to charge the appropriate department and work orders as indicated by the approving Manager.
- Each month the Cardholder must submit the monthly card statement along with the corresponding receipts/packing slips, to the individual who has the authority to approve requisitions, purchases and payment (e.g. Manager, Department Head), for approval and assignment of expense types, department numbers, and work order numbers. Cardholders who do not process their statements on line in PeopleSoft must submit and Expense Report prepared electronically on Excel using the approved Expense Report Template.

4. INVENTORY ITEMS

This category covers all material managed through the Inventory Control Programme that is handled and stored for the Companies.

Initiation

The Purchasing Department shall source inventory items. Users shall advise the Purchasing Department of special requirements for planned projects.

Limits of Authority

- Up to \$250,000 Director, Purchasing, Fleet, & Site Services
- Over \$250,000 - requires co-signature of C.E.O.



5. NON-INVENTORY ITEMS

This category covers items that are not held in stock but are ordered for delivery directly to the point of use and have prior budgetary approval. Examples of these types of items are furniture, office equipment, vehicles, and capital tools.

Initiation

Non-inventory Items shall be sourced by the Purchasing Department upon receipt of an approved Purchase Requisition from the user department.

Small items totaling less than \$1000.00 may be purchased directly by the user department by means of a Purchasing Card.

Limits of Authority

- Up to \$100,000.00 - Director, Purchasing, Fleet, & Site Services
- Over \$100,000.00 - Co-signature of the CEO

6. SMALL, NON-INVENTORY & MISCELLANEOUS ITEMS requested by user departments under \$1,000.00

This category covers small dollar items that are not readily available from inventory and are required expeditiously for maintaining project continuity

Initiation:

User Department may requisition, telephone or E-mail request, providing necessary charge numbers to the Buyer. A Purchasing Card may be used for purchases up to \$500.00 by the User Department.

Limits of Authority

- Up to \$1000.00

7. SINGLE SOURCE ITEMS

This category covers materials or equipment that have only one source of supply. They may be inventory or non-inventory items.



Initiation

The Purchasing Department shall negotiate the price to be paid with the supplier and shall source items, upon receipt of an approved Purchase Requisition from a User Department.

The Purchasing Department, for single source items up to \$10,000.00 may accept facsimile quotations

Limits of Authority

- Up to \$100,000 - Purchasing Department
- Over \$100,000 - **Director, Purchasing Services** will obtain Co-signature of the CEO

8. **Formal Contract Agreements**

Initiation

It shall be the responsibility of the Department Head requiring the service, jointly with the **Director, Purchasing Services** to determine if it is in the best interest of the company to establish a Formal Agreement with a vendor.

In these circumstances, it is the responsibility of the Department Head requiring the service, acting within their authority under the Purchasing Policy, to understand and accept the terms and conditions of the vendor's Formal Agreement.

Should the Department Head have any doubt or lack complete comprehension of any wording, language, term or condition, within the Formal Agreement, it shall be the Department Head's responsibility to contact the **Director, Purchasing Services** or the VP Finance for clarification.

The Director, Purchasing or VP Finance will seek outside legal advice on the content and implications of the Formal Agreement, if warranted.

Where a Formal Agreement is used, the Director, Purchasing Services will issue a Purchase Order within the authorization of the Purchasing Policy, incorporating the Formal Agreement.

9. **EMERGENCY ITEMS**

This category covers items that have to be sourced quickly, generally outside normal working hours where time is of the essence, and are not held in stock



Initiation

Initiation of emergency purchases is the responsibility of the affected department, generally outside of normal working hours and may require suspension of the provisions of the Purchasing Policy. Any suspension of the Purchasing Policy shall be reported in writing by the affected department to the CEO, and the **Director, Purchasing Services** on the first regular working day following the emergency.

10. EMERGENCY SERVICES

This category covers services that have to be sourced quickly, generally outside normal working hours where time is of the essence

Initiation

Initiation of emergency purchases is the responsibility of the affected department, generally outside of normal working hours and may require suspension of the provisions of the Purchasing Policy. Any suspension of the Purchasing Policy shall be reported in writing by the affected department to the C.E.O., and the **Director, Purchasing Services** on the first regular working day following the emergency.

11. CONSULTING SERVICES

This category covers the sourcing of the services of consulting firms and professionals to accomplish a defined task. During the selection process, ability, experience with similar projects, personnel available, and reputation can be considered. Selection criteria, such as weighting, shall be determined in advance. Selection based solely on price may not be in the best interest of the company.

Initiation

Legal and Financial Consulting Services are subject to approval of the C.E.O. or designated Vice-President, prior to engagement.

The Purchasing Department shall source Consulting Services. The User Department will supply all necessary specifications, performance criteria and project information to enable a proponent to provide a reasonable response. Values over \$10,000 shall be by Invitation to Tender or Request for Proposal. Where necessary, Company Contract Documents will be used, with a Purchase

Order, referencing the contract document. (Contract Purchase Order) **If necessary, an MEA/CEO client/consultant agreement for Municipal Works (2006) will be used.**

Limits of Authority

- Up to \$10,000 - Department Head with written report to the Vice-President
- \$10,000 to \$50,000 - Vice-President
- \$50,001 to \$100,000 - C.E.O.
- Over \$100,000 - Board of Directors

12. CONTRACTOR SERVICES

This category covers the sourcing of the services of outside firms to construct, maintain or repair a defined facility or equipment.

Initiation

The User Department may source contracted Services. Values over \$10,000 shall be by Invitation to Tender or Request for Proposal. Where necessary, Company Contract Documents will be used, with a Purchase Order, referencing the contract document. (Contract Purchase Order) If necessary, the User Department will provide a P.E.O agreement.

Limits of Authority

- Up to \$10,000 - Department Head, with written report to the Vice-President
- \$10,000 to \$50,000 - Vice-President
- \$50,001 to \$100,000 - C.E.O.
- Over \$100,000 - Board of Directors

13. CONTRACTED SERVICES

This category covers the sourcing of the services of outside firms to construct, maintain or repair a defined facility or equipment.

Initiation

The User Department may source contracted Services. Values over \$10,000 shall be by Invitation to Tender or Request for Proposal. Where necessary, Company Contract Documents will be used, with a Purchase Order, referencing the contract document. (Contract Purchase Order) If necessary, the User Department will provide a P.E.O Agreement.

Limits of Authority

- Up to \$10,000 - Department Head, with written report to the Vice-President
- \$10,000 to \$50,000 - Vice-President
- \$50,001 to \$100,000 - C.E.O.
- Over \$100,000 - Board of Directors

14. SCRAP, OBSOLETE OR SURPLUS ITEMS

This category covers items that are to be disposed of by sale or otherwise as a result of being scrapped, obsolete or surplus.

Initiation

Scrap, obsolete or surplus items shall be disposed of upon the advice of a User department by sale or otherwise as deemed appropriate by the Purchasing Department in the best interest of the Company. The Purchasing Department must dispose of all obsolete or surplus items.

Limits of Authority

Disposal shall be the responsibility of the Director, Purchasing, Fleet, & Site Services.

15. BID IRREGULARITIES

This policy sets out the most frequent deviations occurring when calling for bids. Listed in order of severity, the most severe deviations can render a bid invalid since the nature of the deviation is such that the Corporation does not have firm evidence that a contract may be entered into, IE; the offer of the bidder in response to our solicitation (tender, etc.) is not authorized and therefore, not available for consideration. Accordingly, these deviations will result in automatic rejection of the bid. This policy will facilitate the analysis and award process of solicitations for Company staff, in that the method of handling most common bid irregularities will be set out.

1. Late bids, by any amount of time..... Automatic rejection
2. Bids not completed in ink.....Automatic rejection
3. Execution of Agreement to Bond.....Automatic rejection
 - Bond company corporate seal or equivalent proof of authority to bind company, or signature missing
4. Surety company not operating in the Province of Ontario.....Automatic rejection
5. Execution of bid bonds.....Automatic rejection
 - Corporate seal or equivalent proof of authority to bind company, or signature of the bidder, or both, missing
 - Corporate seal or equivalent proof of authority to bind company, or signature of bond company, or both, missing



6. Uncertified Cheque.....Automatic rejection
7. Security in form other than specified.....Automatic rejection
8. Cheque drawn on other than a Chartered Bank.....Automatic rejection
9. Unsealed tender envelopes.....Automatic rejection
10. Failure to provide proof of Insurance when requested.....May be rejected.
 - Bidder may be given up to two working days, including the day of notification to provide satisfactory proof of Insurance requirement.
11. Bids received by another department of Corporation.....May be considered
 - Requesting documents must clearly state the vendor response must be received at the location stipulated in the documents before closing time or the bid will be considered informal and rejected.
12. Proper response envelope or label not used.....May be considered
 - Bid must have been received before closing.
13. Qualified bids (bids restricted by a statement).....Accepted
 - Accepted unless specified otherwise in solicitation
14. Bids received on documents other than provided in request.....Accepted
 - Alternate documents must contain all information requested on provided documents
 - Accepted unless specified otherwise in solicitation
15. Insufficient financial security (deposit or bid bond).....Automatic rejection
 - Accepted if security amount is not specified in request and insufficiency is trivial
 - Rejected if security amount is specified in request.
16. Part bids (all items not bid).....Accepted
 - Accepted unless complete bid has been specified in solicitation
17. Bids containing minor clerical errors.....Accepted
 - Bidder must correct and initial changes within two working days
 - Corrections provided by facsimile will be accepted.



18. Uninitialed, minor changes to request documents.....Accepted

- Bidder must correct and initial changes within two working days
- Corrections provided by facsimile will be accepted.

19. Alternate items bid.....May be considered

- Bidder is required to provide sample where possible, and complete specification information to permit evaluation or alternate will not be considered.

20. Mathematical errors not consistent with unit prices.....May be considered

- Bidder must accept corrections as made by the Purchasing Department.
- Corporation reserves the right to accept or reject the bid outright.

21. Pages missing.....May be considered

- Missing pages must be minor error.

22. Bid documents which suggest the bidder has made a major error in bid...Rejection

- Purchasing Department should consult with corporate solicitor on case by case basis

16. BID DEPOSIT LIMITS

Department Estimate:	Certified Cheque or Bid Bond Minimum Deposit Required
Less than \$20,000.00	\$1,500.00
\$20,000 to \$50,000.00.....	\$2,000.00
\$50,000.01 to \$100,000.00.....	\$5,000.00
\$100,000.01 to \$200,000.00.....	\$10,000.00
\$200,000.01 to \$300,000.00.....	\$20,000.00
\$300,000.01 to \$500,000.00.....	\$30,000.00
\$500,000.01 and over	10% of total bid, including tax

Bid Bond requirements may be waived subject to the scrutiny and sign-off of the C.E.O.



17. PERFORMANCE BONDS

Prior to award of a Purchase Order, the Purchasing Department will obtain a Performance Bond from successful bidders for 50% of the value of their bid, including applicable taxes, as well as a 50 % Labour and Material Bond for a period of one year from the date of the Purchase Order.

Performance Bonds will generally be obtained for construction services and/or equipment greater than \$35,000.00 where a performance specification has been stipulated. The Performance Bond is intended to ensure the specification is met after provision of the service, or installation and testing of equipment. The Labour & Material Bond is intended to protect the company from a contractors sub-contractors in the event the contractor does not fulfill his obligations to the sub-contractors

Performance Bond requirements may be waived subject to the scrutiny and sign-off of the C.E.O.

PROCEDURES

1. CAPITAL PURCHASES

Procedure:

The requestor will complete at Capital Expenditure Justification Form and submit the completed form to their supervisor. If approved the Manager shall affix their signature to the form and submit it to the next level for approval. This process shall continue until all signatures have been obtained.

Should a contemplated purchase exceed the authorized value submitted on the Capital Expenditure Justification Form, the requestor is required to resubmit for approval.

2. PREQUALIFICATION OF CONTRACTORS/CONSULTANTS

Procedure:

The Purchasing Department shall advertise annually to permit interested proponents to submit requests to be prequalified.

Proponents shall be required to submit details on work experience, safety record, WSIB, certified personnel, insurance, equipment etc.

Submissions will be reviewed by an Opening Committee, for each company. Successful proponents notified in writing by the Purchasing Department.

Requests for inclusion after the prequalification process will be reviewed on their own merit.

A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during selection of pre-approved vendors. This decision matrix will be a significant factor in determining the successful proponents.

3. PURCHASING CARD

Procedure

Items/services viewed as potential candidates for the Purchasing Card are those items/services normally purchased with low value Purchase Orders and Petty Cash with the exception of Provincial Tax Exempt items. It is required that Provincial Tax Exempt purchases be made through the use of a Purchase Order, however, all purchases will receive the GST rebate.

Purchasing Card purchases should not be greater than \$ 500.00, including taxes. Higher limits may be permitted depending on circumstances. Authorization must be obtained in advance from the Department Manager and the Purchasing Card Coordinator

Cardholder's Responsibility

- Ensure the proper use of the Purchasing Card. The Purchasing Card is user-specific; no one shall attempt to purchase an item using a card issued to another person. Delegation of authority is not permitted in making transactions.
- Verifying the correctness of all monthly statements and taking appropriate and timely action to identify and correct any errors. It is the primary responsibility of each Cardholder to perform a reconciliation of the monthly activity statements with the charge slips/receipts/packing slips. The Cardholder must cross-check the charge slips and the transaction log/requisitions against the monthly activity statement to verify accuracy.
- The Purchasing Card must be signed upon receipt
- Immediately notifying the issuing Bank if the card is lost or stolen. The Cardholder must also notify the Purchasing Card Coordinator during business hours.
- Any updates/modifications to a Cardholder's name, address, transaction limit, etc. are made through the Purchasing Card Coordinator using the application form
- Cardholders must ensure purchase limits are will not be exceeded prior to the purchase. Should the card be repeatedly used over limit, the Purchasing Card may be cancelled.
- During the period of reconciliation, the Finance Department will process the summary statement for payment on behalf of the entire organization. It is imperative that any discrepancies between the actual purchases and the monthly cardholder's statement be reported to the Purchasing Card Co-ordinator. If an error is discovered on the monthly activity statement, the Cardholder should telephone the associated vendor to investigate.

Manager's Responsibility

- The individual responsible for the cost centre must notify the Purchasing Card Co-ordinator of the employees designated to be assigned a Purchasing Card.
- The individual responsible for the cost centre must determine the monthly credit limit for each Purchasing Card issued, subject to approval of the C.F.O. or designate. The standard maximum Purchasing Card credit limit is \$ 5,000.00 per month.
- The individual responsible for the cost centre must also notify the Purchasing Card Coordinator of any changes or deletions to the authorities delegated.
- Review, sign, allocate account distributions, and forward the monthly Cardholders' statements, with the corresponding receipts/packing slips to the Finance Department. The
- signature of the approving individual indicates that all charges for the Cardholder have been reviewed and approved, in compliance with the Companies' Policies and Procedures



- All Purchasing Card purchases will be charged to the expense types, department numbers, and work order numbers as indicated by the approving Manager.

Purchasing Card Coordinator's Responsibilities

- Responsible for maintaining a file of the individuals authorized for Purchasing Card transactions, assisting in resolution of problems, and administering the overall programme.
- The Purchasing Card Co-ordinator handles maintenance of the cards. Any updates/modifications to a Cardholder's name, address, transaction limit, and Monthly credit limit, etc. are made through the Purchasing Card Coordinator using the application form.
- Act on behalf of the Companies to ensure the issuing bank corrects any discrepancies.

Finance Department Responsibilities

- Responsible for approving and paying the monthly summary Purchasing Card statement, and charging an established Suspense Account by Department.
- The Finance Department utilizes the individual cardholders' statements and corresponding receipts/packing slips received from the approving Manager to clear the Suspense Account and charge the appropriate account distributions as indicated by the approving Manager.
- The Finance Department makes one payment to the issuing bank on behalf of all Cardholders and posts the individual department totals to the established suspense account. When the individual cardholders' statements and corresponding receipts/packing slips are received from the approving Managers, the appropriate account numbers are charged and the suspense account is credited.
- Maintain records of purchases in the Finance Department for seven years.
- Provide a written Monthly Report of Purchases to C.F.O. and Vice-Presidents

Application for Card

An applicant requesting the card must submit a completed application, approved by the individual who has the authority to approve requisitions, purchases and payment (e.g. Manager, Department Head,) in writing to the Purchasing Card Coordinator. The application is titled Purchasing Card Application. The application must be completed in its entirety, including the cost centre number (department number).

The applicant and the Manager must sign and date the form.

The Purchasing Card Coordinator approves and processes all requests for a card. Requests are retained in a permanent file for administrative purposes.



All issued Purchasing Cards must be picked up from the Purchasing Card Co-ordinator and the back signed upon receipt. The Cardholder is also required to sign an acknowledgment letter, stating the Purchasing Card was received and will only be used for authorized purchases. The card may only be used by the individual named on the card.

Using the Purchasing Card

The Purchasing Card Programme is designed for the purchase of low dollar items in an efficient manner and with minimal administrative work.

Transactions limit is \$ 500.00 including taxes. Larger purchases may not be broken into smaller purchases in order to remain below the transaction limit.

Materials/services covered by a Purchase Order, or Vendor Contract must not be purchased with the Purchasing Card.

The Purchasing Card must not be used for expenses normally claimed on a Travel Authority e.g. travel expenses, hotels, meals, etc.

Purchases must be within the monthly credit limit, generally \$5,000.00, established when applying for the Purchasing Card.

If an item purchased with the Card is returned, the merchant must credit the card account. Include the credit receipt/packing slip for the transaction, and indicate the transaction was a credit.

A monthly activity statement for each account is mailed to the Cardholder. A consolidated summary statement is sent to the Finance Department for payment process. Every month the Cardholder must submit the monthly card statement along with the corresponding receipts/packing slips, to their Manager for approval, assignment of Account Distributions, and subsequent forwarding to the Finance Department. The Cardholder must verify that all items included on the monthly activity statement are legitimate. The Cardholder must immediately notify the Purchasing Card Coordinator of any unauthorized charges. Timeliness of reporting errors or unauthorized use of the account is imperative. There is a limit of 60 days from the statement date for filing any disputes.

Suppliers

The Purchasing Card is accepted by many of the Companies' suppliers with which the Companies have traditionally conducted business.

Some merchants have been purposely excluded from the Purchasing Card Programme, IE; travel suppliers, airlines and hotels. If the card is presented to an excluded merchant, the



transaction may be declined. If the decline is questionable, the Cardholder should contact the Customer Service number indicated on the card, to determine if the transaction was declined because of merchant exclusion or it exceeded the cardholder's transactional dollar limit or monthly credit limit. If the merchant was improperly excluded, contact the Purchasing Card Coordinator. If the transactional dollar amount or monthly credit limit was exceeded, contact the individual who approved the issuance of the Purchasing Card, to determine if the card limit should be increased.

Auditing

Audits may be conducted to ensure that proper expenditure of funds has occurred and to gather data on how, where, and for what purpose the cards were used.

- Comparison of Cardholder supplied information to Purchasing Card consolidated data
- Requests for explanations of any discrepancies found between Cardholder data and Purchasing Card consolidated data
- Review of Cardholder receipts and records to confirm expenditures are in accordance with the Companies' Purchasing Card Policies and Procedures.

4. INVENTORY ITEMS

Procedure

- a. Purchasing Department based on established stock order points and advice from user departments shall initiate a Request for Quotation. Vendor Contracts may be used for repeat purchases, for a specified period of time. Users may request higher stock order points in writing for owned inventory items.
- b. The Opening Committee shall open sealed quotations.
- c. The Purchasing Department shall prepare a quotation summary and recommendation signed by the Director, Purchasing Services.
- d. Up to \$250,000.00 value, the Purchasing Department is authorized to proceed.
- e. Over \$250,000.00 value, the **Director, Purchasing Services** shall obtain the required co-signature.
- f. After the required approval, the Purchasing Department shall issue Purchase Order(s) signed by the **Director, Purchasing Services** or his designate for the specific items.
- g. A storekeeper will make the receipt of material. The receipt information will be passed to the Finance Department. Any discrepancies between a purchase order and an invoice will be resolved by the buyer for that order, and approved by the **Director, Purchasing Services**.

5. NON-INVENTORY ITEMS

Procedure

- a. The user department shall forward a Purchase Requisition and Specifications to the Purchasing Department. Vendor Contracts may be used for repeat purchases, for a specified period of time.
- b. The Purchasing Department shall initiate a request for quotation.
- c. An Opening Committee shall open sealed quotations.
- d. A Quotation Summary and Recommendation signed by the **Director, Purchasing Services** shall be prepared by the Purchasing Department in conjunction with the user department to ensure that specifications have been met for approval by the user department.
- e. Up to \$100,000.00 value, the Purchasing Department is authorized to proceed.
- f. Over \$100,000.00 value, the **Director, Purchasing Services** will obtain the required co-signature.
- g. After the required approval, the Purchasing Department shall issue Purchase order(s) signed by the **Director, Purchasing Services** or his designate for the specific items.
- h. The receipt of material will be by a storekeeper. The receipt information will be passed to the Finance Department. Any discrepancies between a purchase order and an invoice will be resolved by the buyer for that order, and approved by the **Director, Purchasing Services**.

6. SMALL, NON-INVENTORY & MISCELLANEOUS ITEMS requested by user departments under \$1,000.00

Procedure

- a. The Buyer will, after receipt of an approved requisition or communication, source the requirement as necessary and authorize the selected vendor to proceed. The Buyer will maintain a record of the transaction.
- b. Each card user will forward purchasing card documentation to the Finance department monthly with charge numbers and back up for all items on the AMEX Purchasing Card.
- c. A user may telephone from a vendor's premises to the Purchasing Department to request an immediate purchase from that vendor.

7. SINGLE SOURCE ITEMS

Procedure

- a. For non-inventory items, the user department shall forward an approved Purchase Requisition with a Specification to the Purchasing Department. The Purchasing Department shall negotiate Price with a summary signed by the **Director, Purchasing Services**, prepared by the Purchasing Department for approval by the user department. A cross-functional team may be established to evaluate submissions.
- b. Up to \$100,000.00 value, the Purchasing Department is authorized to proceed.
- c. Over \$100,000.00 value, the **Director, Purchasing Services** shall obtain the required co-signature.
- d. The Purchasing Department shall issue Purchase Orders signed by the **Director, Purchasing Services** or his designate for the specific items.
- e. A storekeeper will make the receipt of material. The receipt information will be passed to the Finance Department. Any discrepancies between a purchase order and an invoice will be resolved by the buyer for that order, and approved by the **Director, Purchasing Services**.

8. EMERGENCY ITEMS

Procedure

- a. The Purchasing Department upon receipt of the written report shall issue a confirming Purchase Order signed by the **Director, Purchasing Services** or his designate, following approval procedures set out in the Purchase of Non-Inventory Items. (page 25)
- b. A storekeeper will make the receipt of material. The receipt information will be passed to the Finance Department. Any discrepancies between a purchase order and an invoice will be resolved by the buyer for that order, and approved by the **Director, Purchasing Services**.

9. EMERGENCY SERVICES

Procedure

- a. The Purchasing Department upon receipt of the written report shall issue a confirming Purchase Order signed by the **Director, Purchasing Services** or his designate, following approval procedures set out in the Purchase of Non-Inventory Items. (page 25)
- b. A storekeeper will make the receipt of material. The receipt information will be passed to the Finance Department. Any discrepancies between a purchase order and an invoice will be resolved by the buyer for that order, and approved by the **Director, Purchasing Services**.

10. CONSULTING SERVICES

Procedure

- a. Each engagement over \$5,000.00 must have a letter/memorandum of engagement, which identifies the issues below, not limited to the following: File Description, Deliverables to be prepared, Deliverable Dates, Completion Date, Costs, Warning Flag, Review of File, Project Description, Reports Opinions meetings, Timetable, Expected Date of project Completion, Fixed Estimated Budget, T & M to an amount subject to review, Supplier to notify EnWin when 75% of Budget is expended.
- b. Up to \$10,000.00 value, the user department in conjunction with the Purchasing Department is authorized to negotiate and issue a Contract Purchase Order. A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during analysis of the quotes received. This decision matrix will be a significant factor in determining the successful proponent.
- c. Over \$10,000.00 value, Invitations to Tender shall be issued by the Purchasing department.
- d. The sealed tenders shall be opened by the Manager and the Director, Vice-President, or the C.E.O., with a representative from Purchasing. A committee consisting of the Director or Superintendent with a representative from Purchasing may open tenders under \$25,000.00.
- e. The Purchasing department shall prepare a Tender Summary and Recommendation signed by the Director.
- f. Up to \$10,000 the user department is authorized to proceed with approval from the Department Head, and the issue of a Contract Purchase Order.



- g. \$10,001 to \$50,000.00 values, the user department shall submit to Vice-President for approval.
- h. \$50,001.00 to \$100,000.00 values, the C.E.O.'s approval shall be obtained.
- i. Over \$100,000.00 the CEO shall obtain Board of Director approval.
- j. After required approval, a contract for the purchase of services shall be confirmed by the issue of a Purchase Order referencing the contract document. (Contract Purchase Order)
- k. A requisition must be provided by the User Department in order that the Purchase Order shall, by line, indicate the payment schedule provided in the contract. This includes deposits, progress payments, hold back and final payment.. The user department shall be responsible for receiving, approving and forwarding to the Finance Department and Stores for payment of all invoices related to the contract. The user department shall receive invoices for progress and final payments.
- l. If and when there is a requirement for extra work to be included in an existing contract, the user department will prepare a requisition detailing the project number, project title, consultant or contractor value of extra work required , percentage of retention, and amount due by this payment. Should the original scope plus the extra work dollar value exceed the approval originally obtained, the User Department is required to resubmit the total value for approval. The Contract Purchase Order will be modified to add the requisitioned extra work after approval.
- m. The invoice shall be signed by the Superintendent/Supervisor and approved for payment by the Department Head and forwarded to the Finance Department for payment, with a copy to the Stores Foreperson, to enable receipt of the service to date.

11.CONTRACTOR SERVICES

Procedure:

- a. Each engagement over \$5,000.00 must have a letter/memorandum of engagement, which identifies the issues below, not limited to the following: File Description, Deliverables to be prepared, Deliverable Dates, Completion Date, Costs, Warning Flag, Review of File, Project Description, Reports Opinions meetings, Timetable, Expected Date of project Completion, Fixed Estimated Budget, T & M to an amount subject to review, Supplier to notify EnWin when 75% of Budget is expended.



- b. Up to \$10,000.00 value, the user department in conjunction with the Purchasing Department is authorized to negotiate and issue a Contract Purchase Order. A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during analysis of the quotes received. This decision matrix will be a significant factor in determining the successful proponent.
- c. Over \$10,000.00 value, Invitations to Tender shall be issued by the Purchasing Department
- d. The sealed tenders shall be opened by the Department Head or Superintendent and the Director, Vice-President, or the C.E.O., with a representative from Purchasing. A committee consisting of the Director or Superintendent with a representative from Purchasing may open tenders under \$25,000.00.C.E.O.
- e. The Purchasing Department shall prepare a Tender Summary and Recommendation signed by the Director.
- f. Up to \$10,000 the user department is authorized to proceed with approval from the Department Head, and the issue of a Contract Purchase Order.
- g. \$10,001.00 to \$50,000.00 values, the user department shall submit to the Vice-President for approval.
- h. \$50,001.00 to \$100,000.00 values, the C.E.O.'s approval shall be obtained.
- i. Over \$100,000.00 the Director of Purchasing shall submit to the Board of Directors for approval.

After required approval, a contract for the purchase of services shall be confirmed by the issue of a Purchase Order referencing the contract document. (Contract Purchase Order)

- j. A requisition must be provided by the User Department in order that the Purchase Order shall, by line, indicate the payment schedule provided in the contract. This includes deposits, progress payments, hold back and final payment.. The user department shall be responsible for receiving, approving and forwarding to the Finance Department and Stores for payment of all invoices related to the contract.
- k. If and when there is a requirement for extra work to be included in an existing contract, the user department will prepare a requisition detailing the project number, project title, consultant or contractor value of extra work required, percentage of retention, and amount due by this payment. Should the original scope plus the extra work dollar value exceed the approval originally obtained, the User Department is required to resubmit the total value for approval. The Contract Purchase Order will be modified to add the requisitioned extra work
- l. The invoice shall be signed by the Superintendent/Supervisor and approved for payment by the Department Head and forwarded to the Finance Department for payment, with a copy to the Stores Foreperson to enable receipt of the service to date.



10. CONTRACTED SERVICES

Procedure:

- a. Each engagement over \$5,000.00 must have a letter/memorandum of engagement, which identifies the issues below, not limited to the following: File Description, Deliverables to be prepared, Deliverable Dates, Completion Date, Costs, Warning Flag, Review of File, Project Description, Reports Opinions meetings, Timetable, Expected Date of project Completion, Fixed Estimated Budget, T & M to an amount subject to review, Supplier to notify EnWin when 75% of Budget is expended.
- b. Up to \$10,000.00 value, the user department in conjunction with the Purchasing Department is authorized to negotiate and issue a Contract Purchase Order. A decision matrix will be created prior to receiving submissions that will list and weight each factor that will be considered during analysis of the quotes received. This decision matrix will be a significant factor in determining the successful proponent.
- c. Over \$10,000.00 value, Invitations to Tender shall be issued by the Purchasing department
- d. The sealed tenders shall be opened by the Department Head or Superintendent and the Director, Vice-President,, or the C.E.O., with a representative from Purchasing. A committee consisting of the Director or Superintendent with a representative from Purchasing may open tenders under \$25,000.00.
- e. The Purchasing department shall prepare a Tender Summary and Recommendation signed by the Director
- f. Up to \$10,000 the user department is authorized to proceed with approval from the Department Head, and the issue of a Contract Purchase Order.
- g. \$10,001.00 to \$50,000.00 values, the user department shall submit to the Vice-President for approval.
- h. \$50,001.00 to \$100,000.00 values, the C.E.O.'s approval shall be obtained.
- i. Over \$100,000.00 the Director of Purchasing shall submit to the Board of Directors for approval.
- j. After required approval, a contract for the purchase of services shall be confirmed by the issue of a Purchase Order referencing the contract document. (Contract Purchase Order)

- k. A requisition must be provided by the User Department in order that the Purchase Order shall, by line, indicate the payment schedule provided in the contract. This includes deposits, progress payments, hold back and final payment.. The user department shall be responsible for receiving, approving and forwarding to the Finance Department and Stores for payment of all invoices related to the contract.
- l. If and when there is a requirement for extra work to be included in an existing contract, the user department will prepare a requisition detailing the project number, project title, consultant or contractor value of extra work required, percentage of retention, and amount due by this payment. Should the original scope plus the extra work dollar value exceed the approval originally obtained, the User Department is required to resubmit the total value for approval. The Contract Purchase Order will be modified to add the requisitioned extra work after approval
- m. The invoice shall be signed by the Superintendent/Supervisor and approved for payment by the Department Head and forwarded to the Finance Department for payment, with a copy to the Stores Foreperson to enable receipt of the service to date.

13. SCRAP, OBSOLETE OR SURPLUS ITEMS

Procedure

- a. The Purchasing Department shall initiate a Request for Quotation or solicit bids from interested parties.
- b. An Opening Committee shall open sealed quotations. Where obsolete vehicles and/or equipment are being sold, the opening committee may consist of the Purchasing Staff member, and the Director, Purchasing Services.
- c. A Quotation Summary and Recommendation signed by the Director, Purchasing Services shall be prepared by the Purchasing Department for approval by the user department.
- d. The Purchasing Department is authorized to proceed.
- e. The Purchasing Department shall release the item to the successful bidder.
- f. Where obsolete vehicles are sold, a list of vehicles for sale will be posted on Company bulletin boards with the minimum (reserve) bid for each unit. The reserve bid amount will be determined by the published wholesale price for the unit and review between the auctioneer and Fleet Department staff. Interested employees of Companies, may submit a sealed bid for a unit(s) with the reserve the minimum acceptable bid. The highest bid, if more than one received, over the minimum will be accepted from an employee. The transfer of ownership will be processed per M.T.O requirements.. The Conditions of Sale shall include "as is - where is" and that the Corporation reserves the right to accept or reject any or all offers. Deposits with bids shall be Certified Cheque or cash, with the balance of payment being made in kind by the successful bidder. Where the high bid is higher than the posted reserve and considered by the Purchasing Department as fair value for the vehicle, considering its age, condition, etc., the sale shall be transacted. Where the high bid is not higher than the reserve the vehicle will not be sold to an employee. Vehicles not sold to employees will be sent for auction or public sale.

Leased vehicles may be available for employee purchase upon the expiry of the Corporations' lease. Interested employees should enter into direct negotiations with the Lessor. Fleet or Purchasing can provide the Lessor contact to an employee.
- g. The Purchasing Department will return cheques or cash to unsuccessful bidders and will forward the funds from successful bidders to the Finance Department
- h. Where scrap is sold, the Purchasing Department will submit to the Finance Department a General Credit & Charge Sales Sheet to initiate an invoice to the successful bidder.
- i. Sale of obsolete furniture and equipment etc, under \$1000.00 estimated value per item, will be offered to employees on sealed offer basis. The Corporation reserves the right to reject any or all offers for this material. The Purchasing Department may specify a minimum bid. All items



not sold to employees may be offered for sale to vendors or may be scrapped by the Purchasing Department, if the items are of little or no commercial value.

Schedule 4-2-4

Operation, Maintenance and Administration Costs

Shared Services

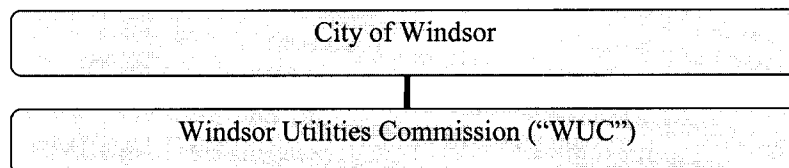
SHARED SERVICES

1. SHARED SERVICES

EWU has made some significant changes to its shared services context since its 2006 EDR application. The purpose of these changes has been to more closely align itself with the regulatory framework established by the Board.

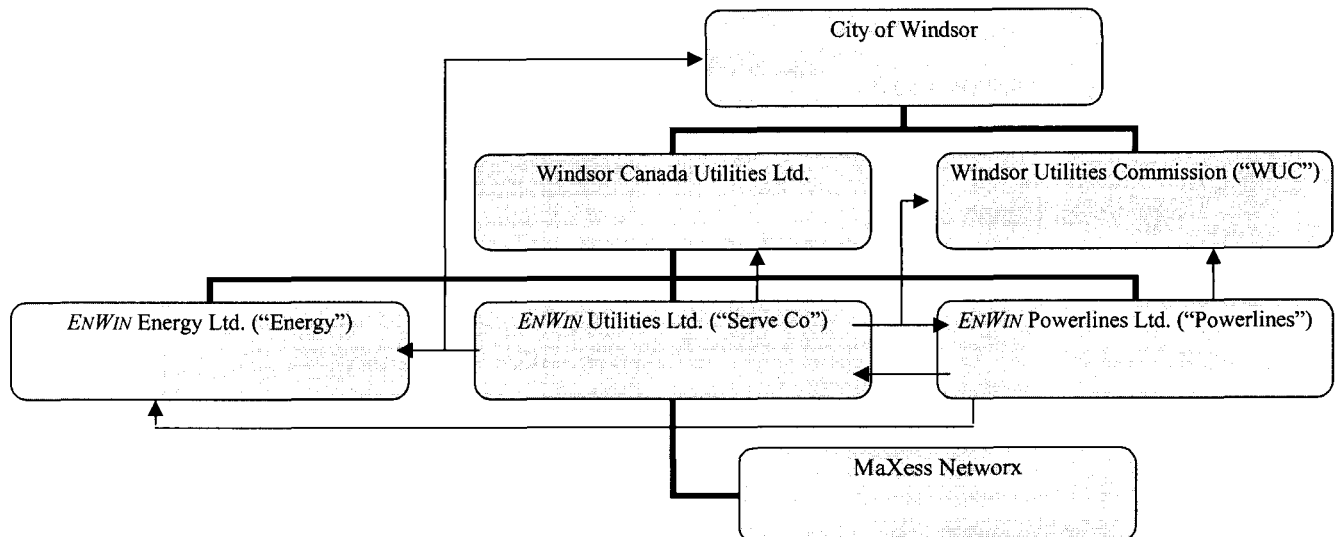
For about 80 years, electricity distribution in the City of Windsor (the “City”) was a function of the City’s Windsor Utilities Commission (the “WUC”). The WUC also provided water distribution. All management and support services related to these distribution activities were housed within the WUC. (Figure 4-2-4 A below)

Figure 4-2-4 A - Original Structure



With the deregulation of the electricity sector in 2000, changes were made to the WUC. Windsor Canada Utilities Ltd. became the parent company to a regulated distribution company, *ENWIN* Powerlines Ltd. (“Powerlines”), a non-regulated services company, *ENWIN* Utilities Ltd. (“Serve Co”, including telecommunications subsidiary MaXess Networx (“MaXess”)), and a non-regulated miscellaneous services provider, *ENWIN* Energy Ltd. (“EWE”). The water assets and water personnel remained in the WUC. Serve Co provided senior management and corporate services to the family of utilities. At the time, this structure was used by a number of electricity distribution companies. This fundamental structure was in place at the time of Powerlines’ 2006 EDR application. (Figure 4-2-4 B below).

Figure 4-2-4 B - Post Deregulation Structure



As a result of Serve Co providing management and services to Powerlines and some services in Powerlines being provided to its affiliates, there were a variety of affiliate transactions and shared services. These affiliate transactions and services were considered in the context of Powerlines' 2006 EDR application. In the course of that application, Powerlines reached a Settlement with the Intervenor in the application (Consumers Council of Canada, Energy Probe Research Foundation, The School Energy Coalition, Vulnerable Energy Consumers Coalition). The Settlement stated, in part, that:

"The costs the Applicant seeks to recover for services from its affiliates, and the revenues that it receives from affiliated companies for use of the Applicant's CIS system, sentinel light maintenance and other services are reasonable for the purpose of establishing distribution rates effective May 1, 2006."

The Settlement was approved by the Board.

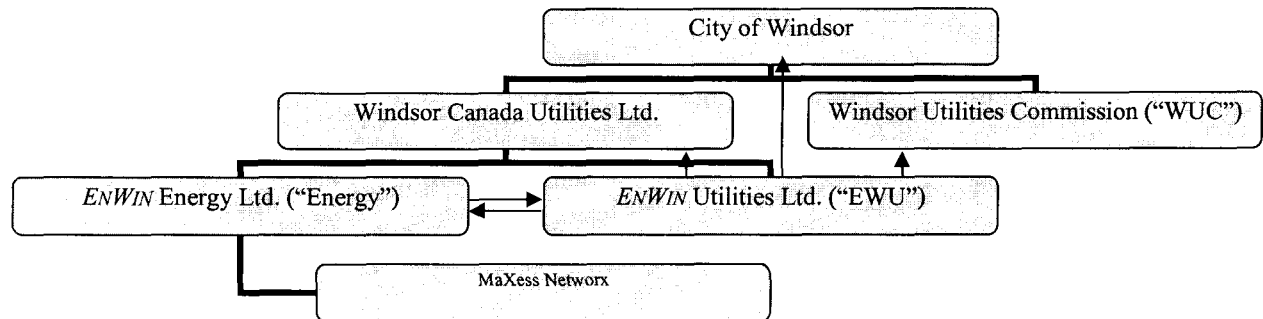
1 Arising from the affiliate transactions and shared services between Powerlines and Serve Co, the
2 Intervenor sought, and Powerlines agreed to “conduct a study and prepare a report related to
3 affiliate costs and revenues (the “Affiliate Report”). The Affiliate Report shall be provided to
4 the Board and the Intervenor.” The framework for the report was settled on as follows:

5
6 “The Applicant will undertake a tender process for the selection of a consultant
7 who will prepare the Affiliate Report. The Applicant will contact the Intervenor
8 in the EDR Application and seek from them input into the issues the Intervenor
9 would like addressed in the Affiliate Report. The Applicant will consider, but
10 will not be required to adopt, the Intervenor’s suggestions.”

11
12 Upon completion of the 2006 EDR application process, Powerlines went beyond the terms of the
13 Settlement and actively followed up with the Board regarding the structure of the family of
14 utilities. Powerlines took note that distributors with Serve Co affiliates appeared to run into
15 Affiliate Relationships Code (the “ARC”) issues. After extensive discussions over the course of
16 several months with various individuals within the Board, Powerlines engaged KPMG to
17 evaluate alternative structures for the family of utilities. In late 2006, a structure was chosen by
18 Powerlines, in consultation with the WUC, and with the approval of the shareholder. Powerlines
19 received a letter from the Intervenor group Energy Probe endorsing the structure.

20
21 On December 19, 2006, the Board issued a Decision and Order in EB-2006-0282 granting
22 Powerlines leave to amalgamate with Serve Co. On January 1, 2007, the amalgamation took
23 place. Since that date, the amalgamated company, called *ENWIN* Utilities Ltd. (“EWU”), has
24 been providing electricity distribution services to the City of Windsor service area and senior
25 management and corporate services to the remaining family of companies. With the exception
26 of the sale of MaXess by EWE in 2008, the January 1, 2007 structure, as shown below, remains
27 in place. (Figure 4-2-4 C below).

Figure 4-2-4 C - Current Structure



With the amalgamation, the 2006 concerns about affiliate costs and revenues between Powerlines and Serve Co were eliminated. First, the structure eliminated the transfer pricing regulatory transparency concerns by housing all shared costs within the regulated company. Second, the structure eliminated the transfer pricing complexity concerns by limiting the provision of services to the regulated company by an unregulated company. The only such service provided to EWU is OPA program management by EWE on a cost pass-through basis. Third, the structure eliminated the cost concerns by reducing the number of companies and thereby eliminating duplicate costs such as audit fees. Nevertheless, in the interest of satisfying its undertaking from the 2006 Settlement Agreement, EWU began the process of preparing the Affiliate Report.

On December 6, 2007, EWU circulated to the Board Secretary and the 2006 Intervenor draft Terms of Reference for the Affiliate Report with a request for input no later than December 21, 2007. As of January 7, 2008, no input had been received. Accordingly, EWU proceeded with issuing a Request for Proposals, based on the circulated Terms of Reference, a copy of which is enclosed as Attachment A. The firm of BDR North America was retained based on a proposal that addressed the Terms of Reference. The Affiliate Report, as prepared by BDR North America, is enclosed as Attachment B.

2. CORPORATE COST ALLOCATION

KPMG Model - Operation

EWU provides corporate services to itself, the WUC, the City and EWE. Up until late 2007, EWU also provided shared corporate services to Maxium (an unrelated company, successor provider of hot water heater rentals). Further, up until July 1, 2008, EWU provided shared corporate services to MaXess. For 2007, the KPMG Model allocates corporate costs among all 6 entities. For the 2009 test year, the KPMG Model allocates corporate costs among the remaining entities: EWU, WUC, the City, and EWE.

In 2009, as has been the case since January 1, 2007, EWU and its customers will benefit from a streamlined family of utilities. With shared senior management and corporate services, the ratepayer is responsible for only part of these costs since not all are associated with the distribution function. Cost fairness to the utilities and their customers is maintained through the operation of a corporate cost allocation model developed by KPMG and implemented by the utilities since 2005. The KPMG Model was used to allocate costs for the 2006 EDR. It was referred to in the associated Settlement Agreement:

“The Intervenors accept that the Applicant has adopted a cost allocation methodology developed by KPMG for use by the Applicant and affiliates and the resulting costs are reasonable.”

Corporate costs are allocated by the KPMG Model according to cost drivers. Those cost drivers are set out at Attachment C. A review of the reasonableness of the cost drivers was conducted by BDR North America as part of the Affiliate Study. In the Affiliate Study, BDR North America endorsed the cost drivers as reasonable and appropriate. BDR North America also endorsed the choice of cost drivers used to allocate the EWU costs incurred and assets utilized on a shared basis, save for one recommendation: the means to allocate costs related to insurance. EWU is considering that recommendation.

The cost drivers yields the following results for the 2007 historic year, 2008 bridge year, and 2009 test year:

Figure 4-2-4 D - Total Cost Allocated to EWU for Distribution

	2007	2008	2009
EWU	\$10,755,833	\$12,342,360	\$13,929,436
	50.11%	51.31%	51.11%
WUC	\$8,316,667	\$9,080,083	\$10,794,506
	38.75%	37.75%	39.61%
City	\$1,647,024	\$1,917,381	\$2,436,522
	7.67%	7.97%	8.94%
EWE	\$246,285	\$678,167	\$92,008
	1.15%	2.82%	0.34%
Maxess	\$422,225	\$38,087	\$0
	1.97%	0.16%	0%
Maxium	\$75,765	\$0	\$0
	0.35%	0%	0%
TOTAL	\$21,463,799	\$24,056,076	\$27,252,473

Attachment A

REVIEW OF COST ALLOCATION AND TRANSFER PRICING

TERMS OF REFERENCE

EnWin Utilities Ltd. (“EnWin”) requires the services of an independent third party consultant to review and report on its affiliate costs and revenues and transfer pricing arrangements.

1. Introduction

EnWin is an Ontario corporation located in the City of Windsor. EnWin carries on the business of owning and operating electricity distribution facilities in Windsor.

EnWin is regulated by the Ontario Energy Board (“OEB”). EnWin must submit an application to the OEB for approval and establishment of a revenue requirement and associated rates.

EnWin’s affiliates are: the City of Windsor, Windsor Canada Utilities Ltd., the Windsor Utilities Commission, and EnWin Energy Ltd.

2. Background

In 2005, EnWin submitted a 2006 Electricity Distribution Rate Application with the OEB to establish a revenue requirement. As a part of the process, EnWin engaged in several settlement issues with OEB technical staff, and other intervenors. As a part of the settlement, EnWin made a commitment to conduct a study and prepare a report related to accuracy and prudence of its affiliate costs and revenues and transfer pricing arrangements (the “Affiliate Report”). The Affiliate Report is to be completed and filed with the OEB and intervenors as part of EnWin’s 2009 distribution rate application.

3. Scope of Work

EnWin requires the services of a consulting firm to conduct and complete the Affiliate Report.

The consultant’s scope of work will include the following:

- 1) The consultant will review the transfer pricing arrangement between EnWin and its affiliates, and develop an opinion on the appropriateness of the transfer pricing arrangements.
- 2) The consultant will review the costs charged to and by EnWin in respect of its affiliates and develop an opinion on the appropriateness of those costs.
- 3) The consultant will deliver a draft report in writing and by presentation to EnWin regarding the opinions in (1) and (2). The report shall include the following:
 - a. A description of each of the services provided to and by each affiliate,
 - b. Comments on the accuracy and fairness of the allocation of costs, and
 - c. Suggested changes to improve the fairness or accuracy of the costs.

- 4) The consultant will deliver a final report in writing and by presentation to EnWin regarding and including the matters set out in (3).

4. Proposal Requirements

The consultant's submission must not exceed 10 pages in length (excluding appendices) and must include the following:

- A paragraph that demonstrates a clear understanding of the requirements and objectives of the project.
- An overview of the consultant firm, including experience as related to this project and the industry.
- For the individual(s) assigned to carry out this work, a resume of their qualifications and experience as related to this project and the industry.
- A summary of previous projects of a similar nature successfully completed by the consultant. References should be provided.
- A detailed description of the proposed approach and methodology.
- A detailed work plan and project schedule showing the number of person days expected to be spent on the review and report preparation.
- A study budget that includes the number of days and per diem rates for the individual and associated costs including but not limited to technical fees, travel, printing, etc.
- An indication of the consultant's availability to complete the required work during the period of March 3, 2008 to April 30, 2008.
- An indication of the consultant's willingness to appear as an expert witness in proceedings of the Ontario Energy Board, related to the Affiliate Report.
- An expert witness budget that includes the per diem rates for the individual and associated costs including but not limited to preparation, attendance, technical fees, travel, printing, etc.
- A proposed agreement for services.

5. Budget

The total budget for this project should not exceed \$20,000 including all expenses and taxes.

6. Timing

It is expected that it will take the consultant 2-3 weeks to prepare the Affiliate Report. It is expected that the Affiliate Report will be completed by April 30, 2008.

7. Receiving of Proposals

Four (4) copies of the consultant's proposal must be received no later than 11:30:59 a.m. E.S.T., January 30, 2008. Late submissions will be returned unopened. Proposals shall be sealed, addressed to:

Purchasing Department
EnWin Utilities Ltd.
4545 Rhodes Drive, 1st floor

Windsor, ON N8W 5T1

Please follow the instructions detailed in RFP document. Questions concerning receiving proposals may be directed to the Purchasing Department 519-251-7300 ext 239.

Consultants should be prepared to attend an interview, in person or by teleconference, on a date to be determined if deemed necessary to finalize the selection process.

No payment will be made for the preparation and submission of proposals or attendance at an interview.

8. Client and Consultant Agreement

The successful consultant will enter into an agreement for services with EnWin. The agreement will conform to the terms of the EnWin Performance Standards & Retainer Agreement, a copy of which is enclosed as Appendix A.

EnWin shall have the right at any time to cancel the agreement in whole or in part, without further payment except for those services completed prior to cancellation.

The final report and all other materials produced during the completion of this study will become the property of EnWin. The consultants will be required to obtain written approval prior to releasing any study information to other parties.

9. Communication

To confirm receipt of this document please sign and return the Quotation Acknowledgement Form included in the RFP documents.

All inquiries concerning this Request for Proposals should be submitted in writing to asasso@enwin.com or fax: 519-973-7812.

10. Evaluation Process

The proposals will be evaluated based on the following criteria:

- Understanding of the Project Requirements and Objectives
- Corporate Profile of the Firm
- Project Team
- Relevant Past Experience
- Proposed Approach and Methodology
- Proposed Work Plan and Project Schedule
- Study Budget
- Willingness to Appear as an Expert Witness
- Expert Witness Budget

Short-listed proponents may be invited to make a presentation to provide the selection committee an opportunity to ask additional questions.

11. Schedule

- a. Distribution of Request for Proposals: January 7, 2008
- b. Proposal Submission Deadline: January 30, 2008
- c. Consultant Interviews (if required): The week of February 11, 2008
- d. Consultant Selection: The week of February 18, 2008

- e. Start Date and Kick-Off Meeting: No later than March 17, 2008
- f. Draft Report Due and Presented: In advance of Final Report
- g. Final Report Due: No later than April 30, 2008

EnWin reserves the right to alter the dates in (a-f).

12. Notification of Results

Following the completion of the proposal evaluations and confirmation of an approved agreement, all consultants will be advised in writing.

APPENDIX A

EnWin Performance Standards and Retainer Agreement

One of the primary objectives of *EnWin* is to ensure that it receives high quality, cost-effective legal/consulting services from its outside advisors/consultants (hereinafter referred to as 'consultants'). The following reflects the expectations and requirements of *EnWin* in connection with legal/consultant work performed by outside firms engaged by *EnWin*. Only consultants and/or firms licensed to practice in Ontario will be accepted by *EnWin*. Consultants and/or firms must be members in good standing with their respective Professional Association and compliant with that Association's Code of Ethics at all times. Any legal/consulting firm having questions or concerns should advise *EnWin* before accepting an assignment.

Policy Statement

The consultant acknowledges that it will undertake *EnWin*'s work only if it has the appropriate level of skill and ability to perform the work in an expert manner. The consultant will act with the utmost good faith, in the best interests of *EnWin* and without any conflict or potential conflict of interest. The consultant recognizes *EnWin*'s requirement that legal/consulting services be provided in an efficient and cost effective manner. The consultant, in consultation with *EnWin*, will appoint a senior officer to act as the 'manager in charge' of the relationship between *EnWin* and the consultant. The manager in charge will meet with representatives of *EnWin*, without cost, from time to time as required to discuss ways to best achieve these goals.

Fixed Fees

It is *EnWin*'s desire, whenever possible, to have all work performed on a fixed fee basis. All services described in Schedule A shall be performed for a fixed fee as described therein. With respect to any other services, upon receipt of a new matter the consultant will provide *EnWin* with a fixed fee quote. This quote should be in writing and include estimated disbursements. No work on a matter shall commence until *EnWin* approves the fixed fee in writing.

Budgeting

In any case where *EnWin* and the consultant agree that a fixed fee is inappropriate and it appears likely that fees plus disbursements will exceed \$25,000, the consultant will, at no cost to *EnWin*, submit a budget estimating the fees and disbursements. The budget will include the following details (together with any other information which the consultant feels is appropriate): brief outline of work to be performed; name of each employee/partner/associate (the

"professionals") assigned to the matter; his or her hourly rate (which shall be the lowest rate charged by that professional to any client of the consultant); year of call or accreditation; estimated hours required. The consultant will forthwith advise *EnWin*, without request, if it appears that the budget will be exceeded. The budget shall include the cost of providing a preliminary report on the work to be performed with expected outcomes as well as a written report at the conclusion of the assignment.

Staffing

The consultant will assign qualified professionals to do *EnWin*'s work. The consultant will bear in mind the complexity of the matter, expertise of the professionals involved, significance of the matter to *EnWin*, and the need to perform the work in a timely, efficient and cost effective manner. The consultant will not charge *EnWin* for "learning time" or duplication of time. In particular, the consultant will not involve more than one professional in meetings, telephone conferences, or other proceedings unless required. It is also *EnWin*'s position that internal office conferences and reviews of documents, opinions and other material by a number of people, are generally a duplication of time. While maintaining the standards set forth in this Agreement, the consultant will assign the fewest number of professionals possible to any matter or aspect thereof. There will be no changes to the professionals handling a particular matter without prior notice to *EnWin*.

Reports

(a) Usual Course Reports

The consultant agrees to provide a brief status report quarterly, or more frequently if needed, advising as to what steps were taken during the period covered by the report, results achieved, and what is expected to be done in the following period. In addition, in litigation matters, this report should include an assessment of the likelihood of success, together with the firm's recommendations with regard to settlement and the use of an alternative dispute mechanism in lieu of litigation. A more detailed summary of the work done will be set forth in the time dockets that are to accompany the consultant's accounts (as set out below). This report shall be received by *EnWin* within 20 days of the end of the period to which the report relates.

The consultant agrees to provide the primary *EnWin* contact with notice when 75% of the set contract fee or budget (as the case may be) has been reached.

The consultant agrees to provide copies to *EnWin* of all contracts, significant correspondence, memoranda and other materials; such copies to be in electronic format wherever possible.

(b) Urgent Reports

EnWin requires the consultant to immediately notify the primary *EnWin* contact (or delegate) if the consultant becomes aware of any matter that may have a material effect on *EnWin*. By way of example:

-any activity which could result in a criminal or quasi-criminal charge, adverse publicity, or media attention.

Billing

The following is applicable whether the consultant is charging on an hourly rate or fixed fee basis:

(a) Fees:

The account need not contain any detail of the work performed, but should summarize the number of hours and hourly rate of each professional whose work is covered by the account. The account should also identify the total fees and disbursements charged to date on the particular matter (including the account being rendered), the name of *EnWin* employee who retained the consultant. The consultant must also provide with the account its detailed time dockets showing the services performed, the date upon which they were performed, the professional who performed them, the length of time taken for each service, and the fee attributed to the particular service. The Firm understands that *EnWin* will not pay for the following charges without prior approval:

- *Charges to prepare the accounts to *EnWin* and to answer questions relating thereto
- *Travel time
- *Secretarial time, clerical time, or any other item that is overhead in nature
- *Increases to hourly rates
- *Prior research
- *Opening and organizing the file.

In addition, *EnWin* expects docketing to be in increments no greater than one-tenth of an hour and to accurately reflect the productive time spent.

(b) Disbursements:

Disbursements will be charged at no more than the consultant's cost. In any event, photocopying charges shall not exceed 10 cents per page. Commercial printing services should be used when economical and prudent to do so. There shall be no charge for sending or receiving telefax communications or electronic mail other than the actual cost of long distance charges. Any travel on *EnWin's* business shall be undertaken in the most cost effective fashion taking into account discounts or special rates. Staff meals, staff taxis and any other cost that is overhead in nature shall not be charged to *EnWin*. No first class travel may be undertaken at *EnWin's* expense. The account should reflect the total disbursements charged to date on a particular matter.

(c) Submission and Payment of Accounts:

All accounts should be submitted to the primary *EnWin* contact.

Insurance

The following are particulars of the consultant's errors and omissions coverage: The successful Consultant will be required to provide suitable Certificate(s) of Insurance with this document.

The consultant will notify *EnWin* promptly of any changes in coverage.

Date

consultant

Attachment B

STUDY OF AFFILIATE SERVICE COSTS AND COST ALLOCATION

***Prepared for
ENWIN Utilities Ltd.
August 29, 2008***

BDR

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EXECUTIVE SUMMARY

As part of the Settlement Proposal filed in connection with its 2006 rates, *ENWIN* Utilities Ltd. ("EWU") undertook to "conduct a study and prepare a report related to affiliate costs and revenues and transfer pricing arrangements". Following a request for competitive proposals, BDR NorthAmerica Inc. ("BDR") was retained to review EWU's approaches to transfer pricing arrangements, and has prepared this report.

At the time of EWU's 2006 rate application, shared corporate services were being provided to EWU by an affiliate service company. As a result of a corporate reorganization, all resources for the provision of shared corporate services now reside within EWU. EWU provides those services for itself and its affiliates, and receives revenues from affiliates in payment for those services. Services include management oversight, billing and certain other activities in support of EWU's affiliates: the Windsor Utilities Commission ("WUC"), the City of Windsor (the "City") and *ENWIN* Energy (EWE). Based upon information provided by EWU to BDR, BDR has considered all shared services EWU provides to WUC to be shared corporate services for purposes of its evaluation of transfer pricing methodology. Up until the end of 2007, EWU also provided services to Maxium, an arms-length 3rd party. Those services were provided as a condition of the sale of EWU's hot water rental business to the private company.

EWU has an existing methodology for transfer pricing of cost-based services, and uses an electronic spreadsheet developed for it by KPMG to allocate costs. BDR's review therefore entailed identifying each cost component, identifying the allocator used for it in the KPMG model, and assessing it for reasonableness. Reasonableness was judged by the experience of BDR in cost allocation, and compared with the methodologies used by a sample of other Ontario electricity distributors.

BDR considers the selection of allocation bases used by EWU to be reasonable and appropriate based on the type of costs involved and the information available. EWU has used time-based allocations in many instances, and where it has elected not to do so, BDR believes that the selected cost driver is valid on a forecast basis (as for test year purposes), and would have the benefit of producing a consistent relative allocation from year to year.

Where EWU provides services to affiliates that are not shared services, EWU uses cost-based pricing, cost-plus pricing or direct assignment of cost to determine the appropriate fee for those services. The methods used to determine those costs are also appropriate and reasonable.

1 SCOPE OF STUDY

In its application for approval of 2006 rates, EWU filed material in support of its approach to transfer pricing of affiliate services performed by and for its affiliates. In the subsequent Settlement Proposal, EWU undertook to file a more extensive review when its rates were next rebased. Accordingly EWU requested BDR NorthAmerica Inc. ("BDR") to prepare this report as to the accuracy and prudence of its affiliate costs and revenues and transfer pricing arrangements, and if appropriate, to suggest changes that will improve the fairness or accuracy of the transfer pricing.

Two sources of information were used by BDR in this study:

- Data as to affiliate relationships, the nature of affiliate transactions, pricing, and statistics used in the development of cost allocators, were provided by the management of EWU and accepted by BDR as correct and complete, subject to a review as to reasonableness, but without independent verification.
- Documentation of approaches used in affiliate transfer pricing by other electric utilities, as submitted in rate approval filings to the Ontario Energy Board ("OEB"), and where available, the comments of the OEB as to the acceptability of those approaches.

The focus of the study is entirely on the appropriateness of the transfer pricing arrangements and the costs charged by EWU to affiliates, and is not intended as a broader audit of compliance with any other aspect of the Affiliate Relationships Code for Transmitters and Distributors ("ARC").

2 NATURE OF AFFILIATE TRANSACTIONS

The majority of affiliate transactions in terms of volume and dollar value consist of services provided by EWU to WUC under the Managed Services Agreement ("MSA"). These, as listed in the MSA, include:

- Administration
- Corporate Communications
- Customer Service and Billing
- Employee Future Benefits
- Finance
- Fleet Management
- Human Resources
- Information Technology Support

- Meter Reading
- Purchasing and Inventory Management; and
- Site Services.

In the course of the assignment, BDR was advised that while governance of the City's water system and services rests with the WUC, the operation of the water management system is wholly within EWU. As background EWU advised BDR that historically, the management of the City's water system and services were combined with electricity distribution as part of the Windsor Utilities Commission. Upon corporatization of electricity distribution in Enwin Powerlines (the predecessor of EWU), the water management services were transferred to EWU together with the applicable employees as permitted under subsection 5(2) of Ontario Regulation 161/99 which provides the necessary exemption from section 71 of the OEB Act. Accordingly, in consultation with EWU, BDR has assumed that water management is eligible for treatment as a Shared Corporate Service of EWU, and has focused on the appropriateness of EWU's approach to allocation of cost between distribution and water management.

As well, certain staff and functions related to water management services located within the EWU organizational structure are charged out directly to WUC.

Based on year-end 2007 figures in the KPMG cost allocation model, the full cost of shared activities was \$21.5 million. Of this, 50.11% was allocated to EWU, and the remaining amount in various proportions to its affiliates and Maxium. BDR is advised by EWU that, as of the date of this report, there are no longer shared services provided to Maxess or Maxium. In 2007, according to data provided to BDR in the KPMG cost allocation model, Maxess and Maxium accounted for a combined total of \$497,990 (2.32%) of allocated costs. In light of their limited use of shared services in 2007 and discontinued use of shared services in advance of the Cost of Service test year, Maxess and Maxium are not considered in this report.

In addition to shared services, there are transactions carried out between EWU and its affiliates in the ordinary course of business of each. For example, EWU provides electricity distribution services to affiliates at the OEB-approved rates and charges. The City of Windsor charges property taxes at standard rates to property owned by EWU. EWE undertakes Ontario Power Authority ("OPA") conservation and demand management programs on behalf of EWU and receives OPA funds for that purpose through EWU on a pass-through basis. In 2007, EWU performed street light and sentinel light maintenance services for its affiliates, at cost plus a markup. These transactions were reviewed by BDR and found to involve relatively minor dollar values. Accordingly, most of the focus of the study was on shared services.

The ARC sets out the high level requirements for affiliate transfer pricing, and specifies the costs that must be included in “fully allocated cost”. However, the OEB has to date left it to each LDC to develop market pricing benchmarks where necessary and to select appropriate allocators for cost-based pricing. Therefore there remain some key differences among LDCs as to allocators selected and as to the degree to which they have implemented market-based pricing for affiliate transactions.

In BDR’s view, EWU, by commissioning development of the KPMG Model and using it for allocation of shared corporate services, has set a solid basis for compliance with the transfer pricing requirements of the ARC. The KPMG Model allows cost information from EWU’s financial statements to be used in developing and allocating the direct costs of affiliate services, and includes a proportionate allocation of indirect costs, including a pre-tax rate of return on assets.

There are over 20 major cost drivers used in the KPMG Model and dozens of minor cost drivers that are subsets of the major cost drivers. For example, one major cost driver is floor space, which can be employed where costs are constant in all buildings, such as it would be for janitorial services. There is also a minor floor space cost driver associated with each of EWU’s buildings, which can be employed where costs differ between buildings, such as would be the case for property tax.

EWU has used time-based allocations in many instances, and where it has elected not to do so, EWU has allocated costs based on factors, or combinations of factors, which are believed to reasonably reflect or determine cost responsibility over the long term. BDR believes that the selected cost drivers are valid on a forecast basis (as for test year purposes), and would have the benefit of producing consistent relative allocations from year to year. An example of an appropriate use of such a cost driver is the allocation of human resource services by employee full-time equivalents, rather than on a recorded time basis.

BDR considers EWU’s selection of particular cost drivers used to allocate particular costs to be reasonable for the vast majority of the over 50 types of costs allocated by the KMG model. In the single case noted below, BDR recommends that EWU consider alternative cost drivers. BDR has been advised by EWU that there is no material financial consequence to adopting or not adopting this recommendation.

The following cost driver alternatives are recommended:

- Insurance Costs: Net or replacement asset values rather total direct expense.

3 TRANSFER PRICING

3.1 Shared Costs

Shared costs are allocated by EWU to WUC, the City and EWE according to cost drivers. The costs of the shared services set out below are allocated to each of these affiliates, with the exception of services related to Fleet, Metering, Executive and management and some Other Services, of which no portion is allocated to the City. All shared services are provided by EWU on a fully allocated cost basis.

TABLE 1: SHARED COSTS

Human Resources services, including: ➤ Provision of staffing requirements both management and union; ➤ Administration of compensation, both management and union, and including contract negotiation; ➤ Pension administration ➤ Performance evaluation.
Finance and accounting service, including: ➤ Preparation of financial reports; ➤ Cash management ➤ Management of insurance requirements ➤ Processing of financial transactions ➤ Payroll administration ➤ Computation and payment of taxes
Billing and collection services, including: ➤ Maintenance of customer files; ➤ Preparation and distribution of invoices ➤ Payment of amounts received to WUC; ➤ Ensuring rates are in compliance with requirements; ➤ Preparation of variance reports; ➤ Advise of inaccurate or questionable readings for action.
Purchasing and inventory managed services, including: ➤ All procurement services; ➤ All inventory management services, and delivery of inventory to job site as required; ➤ Compliance with industry requirements including testing and certification.
Fleet and site managed services, including:

TABLE 1: SHARED COSTS

- Assistance with requirements planning
 - Provision of all vehicles and equipment
 - Assistance in management of affiliate owned or controlled sites
 - After hours fueling for vehicles
 - Inside parking for vehicles.
- Information services, including:
- Assistance in decisions related to purchase of hardware and software
 - Installation of software;
 - Assistance in licensing issues of hardware and software (as agreed)
 - Coordination of user training
 - Help desk services
 - Assistance with internet policy
 - Security, storage and safekeeping of data;
 - Application research
 - Assistance with privacy legislation compliance
 - Provision of and assistance with phone system
 - Assistance in running queries.
- Technical and customer services, including:
- Call center;
 - Working with developers
 - Meter testing, repair and accreditation
 - Meter reading
 - Integrity control of meter data
 - Meter data management and account master files
 - Website, electronic commerce and external communications
- Other services, including:
- Sorting and delivering incoming mail;
 - Forms management and design;
 - Office supplies inventory control
 - Board and shareholder communication
 - Communication with external legal counsel
 - Corporate secretary and official witness services
 - Freedom of Information coordination
 - Executive level management
 - Senior and engineering management, as required.

Executive and management

3.2 *Directly Assigned Costs*

Aside from civic and utility services that EWU's affiliates provide throughout the City of Windsor, the only services of its affiliates received by EWU are OPA programming services provided by EWE. These services are provided on a pass-through basis whereby EWU contracts with the OPA for programming and EWE carries out that programming using OPA funds.

There are a few cases where EWU's affiliates pay EWU for directly assignable costs. In some cases, such as water management, these costs are quantified and allocated through the KPMG Model with 100% allocated to the directly assignable affiliate. In Table 2, the costs that are directly assigned outside of the KPMG Model are set forth.

TABLE 2: DIRECTLY ASSIGNED COSTS			
Affiliate	Nature of Product or Service	Basis of Charge	BDR Comment
EWU	OPA programming	Pass-through from OPA to EWE	Appropriate
City of Windsor	Electricity Services	OEB approved rates	Appropriate.
	Shared Motorola software	Allocation of costs as incurred from third party supplier, based on a 50-50 split	Market based cost, basis of allocation appropriate.
	CIS Asset Use	Proportion of bill segments, with markup.	Appropriate.

TABLE 2: DIRECTLY ASSIGNED COSTS			
Affiliate	Nature of Product or Service	Basis of Charge	BDR Comment
	Festival lighting and street light related services	Direct and indirect costs, plus markup at 9%.	BDR was advised that the City of Windsor was not in a position to obtain the services from an alternate supplier until summer 2008. Transfer price exceeds fully allocated cost, and no market price is available. Appropriate for 2007. Not applicable in 2009.
	Miscellaneous field work – relocations, etc.	Direct and indirect costs, without markup.	Not a market service. Transfer price recovers all costs. Appropriate.
EWE	CIS Asset Use	Proportion of bill segments, with markup.	Appropriate.

TABLE 2: DIRECTLY ASSIGNED COSTS			
Affiliate	Nature of Product or Service	Basis of Charge	BDR Comment
	Sentinel light maintenance	Direct and indirect costs.	Reasonable as fully allocated costs are recovered. BDR was advised that this service was expected to be discontinued by 2009. Appropriate for 2007. Not applicable in 2009.
	Maintenance crew	Direct and indirect costs	New service initiated in 2008. Appropriate.
Windsor Utilities Commission (WUC)	Electricity	OEB approved rates.	As to any consumer. Appropriate.
	CIS Asset Use	Proportion of bill segments, with markup.	Appropriate.
	Shared binding machine	Share of costs on a 50-50 basis	Judgment-based. Reasonable.
	AED unit (defibrillator)	Purchased at cost	Appropriate.
	Securing poles at WUC excavation	Fully allocated cost	Not a market service. Appropriate.
	Stores issue materials	As used – at cost plus burdens	Recovers fully allocated cost. Appropriate.

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4 KPMG MODEL, COST DRIVERS AND USE OF ALLOCATORS

4.1 *Selection of Cost Allocation Approaches*

EWU has an existing methodology for transfer pricing of cost-based services, as computed in the KPMG spreadsheet. Our approach therefore entailed identifying each cost component, identifying the allocator used for it in the KPMG model, and assessing it for reasonableness. Reasonableness was judged by the experience of BDR in cost allocation, and checked against the methodologies used by the utilities reviewed in Appendix D and set out in Table 6.

As emphasized in a study by R.J. Rudden Associates filed by Hydro One with the OEB in RP-2005-0020/EB-2005-0378, BDR believes that in general an allocation approach should be used only where a direct assignment of costs cannot be made. In particular, resources, whether human, financial or equipment, which are fully dedicated to the service of one affiliate, should have their costs assigned to that affiliate. Resources which are shared, but for which (or whom) utilization can be tracked (for example through work orders or timesheets) or estimated with high confidence, should be in most cases be directly assigned in accordance with that utilization.

However, in certain instances a cost function may vary over time as to utilization by affiliates, and in an unpredictable way. For example, utilization of help desk services would vary over time with the level of experience of users or the introduction of new technology; use of human resources services might vary according to hiring or de-hiring requirements. In BDR's view it would be reasonable in such cases to allocate for purposes of a forecast (i.e. for the test year) based on a relatively stable measure of the key variable that causes the need for services. To carry forward these specific examples, help desk services could be allocated on the basis of number of workstations, and human resources services based on the number of employees (FTEs), rather than on the basis of staff time recorded to the service of each affiliate.

Where a cost function is shared, but its utilization cannot efficiently or effectively be tracked directly to EWU or affiliates, a cost driver (allocation factor) should be selected which reflects the best understanding of the factors of cost causation or relative sharing of benefits.

4.2 *Costs Related to Assets*

After computing the allocation of direct expenses, the KPMG model proceeds to assign an allocation factor to each class of general assets, and thereby to allocate depreciation, interest and rate of return. The rate of return should be the rate currently allowed by the OEB, reflecting a deemed capital structure and after-tax

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return on equity. This methodology is correctly reflected in the KPMG model, and allowed specific variables to be updated to reflect updated capital structure and rate of return values as approved by the OEB.

5 ASSESSMENT OF ALLOCATION METHODOLOGY

5.1 *Review of Cost Drivers in Use*

At present, all shared services provided by EWU to affiliates are priced on a cost basis. EWU's computation of fully allocated cost is made using the KPMG model. The next step in the analysis was therefore to review the cost allocation methodology for appropriateness.

Table 3 summarizes our review of the cost drivers selected for allocation in the KPMG model.

TABLE 3: SUMMARY OF MAJOR COST DRIVERS	
Cost Allocator	Explanation and Definition
IT User Support	Technical support based on number of computers, printers and software. Software component based on number of installations of the software. Overall allocator is based on a 50/50 weighting of hardware and software.
IT Networking	Based on number of computers in EWU departments, where each department's computers are allocated as the department's costs are allocated.
IT Development	Based on documentation of staff time on each of the key major systems. Costs assigned to each system were then allocated using the driver appropriate to that system's functions. (e.g. the CIS system based on number of meters).
IT Consultants	Costs first identified by system, based on inspection of the invoice, then the cost associated with each system allocated using the allocator for the key user department (e.g. the finance function allocator for the financial system)
Finance Staff	Based on estimate of time by activity, compiled by management
Customer Care	Number of bills by service type (e.g. electricity, water, sewer, EWE)
Customer Count	Number of bills by service type, excluding EWE

TABLE 3: SUMMARY OF MAJOR COST DRIVERS	
Cost Allocator	Explanation and Definition
Motorola CSR	Based on number of calls received as logged by system, by service (electricity, water or sewer services)
Executives (Overhead)	Based on overall direct cost allocation from all departments
CEO	As Executives (Overhead), based on overall direct cost allocation from all departments
Board of Directors	Estimated by management judgment
Purchasing Staff	Number of purchase requisitions and purchase orders
Stores	Clarified with EWU staff as first allocated to affiliate companies based on purchase requisitions and purchase orders, and then to departments using FTE as a proxy for relative operating budgets and levels of activity.
Fleet	Seven allocators, one for each class of vehicle, and one that is a total count of vehicles
Staffing	Three allocators based on full time equivalents (FTE) and one based on labour costs
Meters	Count of meters
Floor space	Three allocators, one for each major building, and one that is a weighted average of the two buildings
Direct Assignments 100%	Where a cost is specifically identified as attributed to only one affiliate
Gross Revenue	On the gross revenue of each company. Verified that EWU revenue includes utility revenue only, and all market "pass-throughs" are excluded.
Inter company balances	For allocation of interest charges only

Table 4 summarizes the use of the cost allocators for the costs of each department and comments on the appropriateness and reasonableness of each.

TABLE 4: SUMMARY OF THE USE OF ALLOCATORS FOR DIFFERENT COST FUNCTIONS			
	Department	Cost Allocator Used	Comment
002	Board of Directors	Board of Directors	Appropriate
010	Executives – community relations	FTE	Verified that the activity is in fact mainly internal communications. Therefore FTE is appropriate as allocator.
010	Executives – salaries and benefits	Executives	Appropriate
010	Executives – liability insurance	Executives	Recommend net asset values as allocator for insurance.
010	Executives – Municipal and property taxes	Floor space	Appropriate
012	Corporate services Senior Management	Executives	Appropriate
014	WUC Senior Management	100% WUC	Appropriate
017	VP Finance	Executives	This allocator accepted as appropriate in view of the diverse responsibilities of this position.
018	VP Corporate Services	Executives	Appropriate
019	Water Division	100% WUC	Appropriate
026	Site Services Rhodes Drive	Building related items on Floor Space, Rhodes, vehicle related items based on number of vehicles; technical services component based on “customer care”.	Verified in discussion with EWU staff that the separation of costs reflects use of the building. Customer care component is the mail room. Appropriate.
028	Fleet Services	Fleet allocator—number of vehicles	Appropriate

TABLE 4: SUMMARY OF THE USE OF ALLOCATORS FOR DIFFERENT COST FUNCTIONS			
	Department	Cost Allocator Used	Comment
031	Weld Shop	Fleet allocator – number of vehicles	Verified that this function supports the fleet; allocation therefore appropriate.
057	Technology Services and Support	IT User support	Appropriate
058	Systems Development	IT Development	Appropriate
060	Director, Information Services	IT General for in-house costs, IT Consultants for outsourced costs	Appropriate
061	Site Services, Ouellette location	Floor space, Ouellette	Appropriate
062	Mail Processing	Customer Care and Customer Count	Refinement reflects inclusion of mailings to EWE client customers. Each allocator, and this distinction are applied appropriately.
064	Purchasing	Purchasing staff	Appropriate
065	Financial Services – activities	Finance staff	Appropriate
065	Financial Services – capital tax	Floor space	Capital tax associated with the general assets only; therefore appropriate.
065	Financial Services – Miscellaneous Write-Offs	Customer care	Clarified that this item consists of write-offs of specific service charges. Since these either pertain jointly to the electricity and water bill, or cannot be identified by the system as one or the other, the allocator used is appropriate.

TABLE 4: SUMMARY OF THE USE OF ALLOCATORS FOR DIFFERENT COST FUNCTIONS			
	Department	Cost Allocator Used	Comment
066	HR Salary Contingency	FTE	Includes provision for severance, etc. Allocation proportionate to FTE, rather than as incurred, is stable over time. Therefore appropriate.
068	Stores	Stores	Appropriate
070	Human Resources	FTE all companies	Appropriate
077	Cashiers	Customer Care	Appropriate
080	Public Relations	FTE	Appropriate for internal communications; for external communications use number of customers.
085	Post retirement benefits	Labour costs	Appropriate
090	Call center	Customer care	Appropriate
091	311 Call center	Motorola	Appropriate
093	Meter Reading	All Meters	Appropriate
094	Regulatory	100% EWU	Appropriate

Table 5 summarizes the use of cost drivers in the allocation of general assets.

TABLE 5: SUMMARY OF THE USE OF ALLOCATORS FOR DIFFERENT ASSET CLASSES		
Asset	Cost Allocator Used	Comment
Buildings - renovations/improvements to Ouellette	Floor_Space_Ouellette	All choices of allocators for assets are appropriate.
Rhodes Drive Operating Center	Floor_Space_Rhodes	
Distribution Meters	100% EWU	
Office Furniture and Equipment	FTE	
Computer Hardware	IT_Development	
Computer Software:	IT_Development	
FIS	Finance Staff	
CIS	Customer_Care	
Misc IT	IT_Development	
CIS Hardware and Software	Customer_Care	
Natural Gas Vehicle Fueling Station	Fleet	
Automobiles, Vans, Trucks, Trailers, Specialty Equipment, Miscellaneous Equipment, Tools and Instruments, Shop and Garage Equipment, Measuring and Testing Equipment, Power Operated Equipment	Fleet	
Communication Equipment	FTE	
Stores Equipment	Stores	
HR system	FTE	
FIS System	Finance Staff	
CIS System	Customer Care	
Miscellaneous IT	IT Development	
Mail Machine	Customer Care, Customer Count	

APPENDIX A – AFFILIATE RELATIONSHIPS CODE

The Ontario Energy Board (“OEB”), which regulates Ontario LDCs including EWU, has a mandate to protect the interests of distribution ratepayers by ensuring that rates are just and reasonable. Where a regulated utility purchases products or services from an affiliate, or sells products or services to an affiliate, the transaction represents a potential opportunity for the affiliate to obtain an advantage for the affiliate at the expense of the regulated ratepayers. However, transactions between affiliates may also present opportunities for affiliates to reduce collective costs through shared services and thereby benefit ratepayers.

In preparation for the changes in the electricity industry brought about by the *Energy Competition Act, 1998*, and the opening of the competitive electricity market, the OEB developed the Affiliate Relationships Code for Electricity Distributors and Transmitters (“ARC”), which contained high level provisions requiring fair market value pricing between affiliates where a market existed for the product or service, and pricing at fully allocated cost otherwise, and which also set requirements to limit the sharing of employees and information with affiliates of certain types.

While other mechanisms exist to review general compliance of LDCs with the ARC, the focus of OEB cost review in the context of a distribution rate application is on the methodology of cost allocation and the appropriateness of the transfer price.

Changes in the industry and in the mandate of the OEB itself led to publication of a Staff report in June, 2007¹ and subsequent stakeholder consultation on issues related to the provisions of the ARC. As a result, some proposals were made for revisions to the ARC that clarify the requirements defining the types of “service, resource or product” that may be priced between affiliates on a cost basis, and also accepted methodologies for determining either cost-based or market pricing. A revised ARC was published by the OEB on May 16, 2008.

All amendments except those to Section 2.3 came into force on May 16, 2008. The amendments to Section 2.3 will come into force three months following that date. Since all amendments will be in force during EWU’s test year 2009, BDR’s review has been carried out in the context of the fully amended ARC.

ARC Section 2.3 sets out the current transfer pricing rules:

¹ Staff Research Paper: Affiliate Relationships Code for Electricity Distributors and Transmitters, EB – 2007 – 0062 June 15, 2007.

“2.3.3 Where a Market Exists

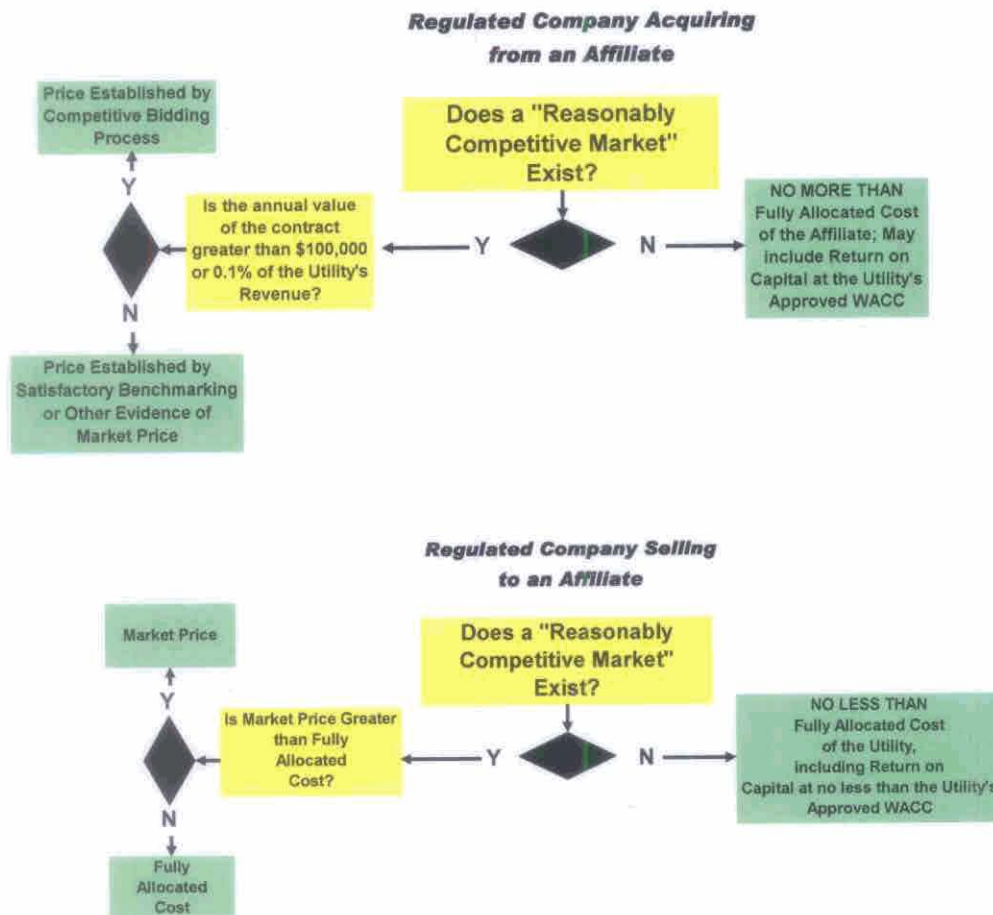
- 2.3.3.1 Where a reasonably competitive market exists for a service, product, resource or use of asset, a utility shall pay no more than the market price when acquiring that service, product, resource or use of asset from an affiliate.
- 2.3.3.2 A fair and open competitive bidding process shall be used to establish the market price before a utility enters into or renews an Affiliate Contract under which the utility is acquiring a service, product, resource or use of asset from an affiliate.
- 2.3.3.3 Despite section 2.3.3.2, where satisfactory benchmarking or other evidence of market price is available, a competitive tendering or bidding process is not required to establish the market price for a contract with an annual value of less than \$100,000 or 0.1% of the utility's utility revenue, whichever is greater.
- Where an Affiliate Contract has a term of more than one year, the annual value of the Affiliate Contract shall be determined by dividing the total value of the Affiliate Contract by the number of years in the term.
- 2.3.3.4 Where the value of a proposed contract over its term exceeds \$500,000 or 0.5% of the utility's utility revenue, whichever is greater, a utility shall not award the contract to an affiliate before an independent evaluator retained by the utility has reported to the utility on how the competing bids meet the criteria established by the utility for the competitive bidding process.
- 2.3.3.5 The Board may, for the purposes of sections 2.3.3.3 and 2.3.3.4, consider more than one Affiliate Contract to be a single Affiliate Contract where they have been entered into for the purpose of setting the contract values at levels below the threshold level set out in section 2.3.3.3 or 2.3.3.4.
- 2.3.3.6 Where a reasonably competitive market exists for a service, product, resource or use of asset, a utility shall charge no less than the greater of (i) the market price of the service, product, resource or use of asset and (ii) the utility's fully allocated cost to provide service, product, resource or use of asset, when selling that service, product, resource or use of asset to an affiliate.

2.3.4 Where No Market Exists

- 2.3.4.1 Where it can be established that a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility acquires from an affiliate, the utility shall pay no more than the affiliate's fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost may include a return on the affiliate's invested capital. The return on invested capital shall be no higher than the utility's approved weighted average cost of capital.
- 2.3.4.2 Where a reasonably competitive market does not exist for a service, product, resource or use of asset that a utility sells to an affiliate, the utility shall charge no less than its fully-allocated cost to provide that service, product, resource or use of asset. The fully-allocated cost shall include a return on the utility's invested capital. The return on invested capital shall be no less than the utility's approved weighted average cost of capital.
- 2.3.4.3 Where a utility pays a cost-based price for a service, resource, product or use of asset that is obtained from an affiliate, the utility shall obtain from the affiliate, from time to time as required to keep the information current, a detailed breakdown of the affiliate's fully-allocated cost of providing the service, resource, product or use of asset."

In order to conform to the ARC, therefore, the first step in the transfer pricing methodology, whether the transaction is a purchase or a sale by the regulated utility, is necessarily a determination of whether each "service, product, resource or use of asset" has a "reasonably competitive market" or not. If it has a competitive market, the market value must be determined by an acceptable method. If there is no market value, a cost-based price must be determined by an acceptable method. Where a cost-based price is determined, it represents the upper limit for pricing when the regulated company is *acquiring* the product or service, and the lower limit for pricing when the regulated utility is *selling* the product or service.

The following diagrams summarize the process:



An important definition for purposes of transfer pricing, included in the ARC, is that of "fully allocated costs" which is defined to mean "the sum of direct costs plus a proportional share of indirect costs"². The ARC also defines "direct costs" as "costs that can reasonably be identified with a specific unit of product or service or with a specific operation or cost centre";³ and "indirect costs" as "costs that cannot be identified with a specific unit of product or service or with a specific operation or cost centre, and include but are not limited to overhead costs, administrative and general expenses, and taxes."⁴ As noted above, "costs" include a return on capital, at the weighted average cost of capital which the OEB allows for the regulated company.

² ARC, Section 1.2.

³ ARC, Section 1.2.

⁴ ARC, Section 1.2.

While LDCs and their affiliates transfer a variety of services, products, resources and assets, the most common type of transactions is the sharing of what are commonly called “shared corporate services”. Included in the ARC is the following definition:

“shared corporate services” means business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs”.⁵

Since these functions include elements that might be, but are not commonly acquired at arms length, clarification of an approved treatment in transfer pricing is beneficial. The proposed treatment is as follows:

“2.3.5 Shared Corporate Services

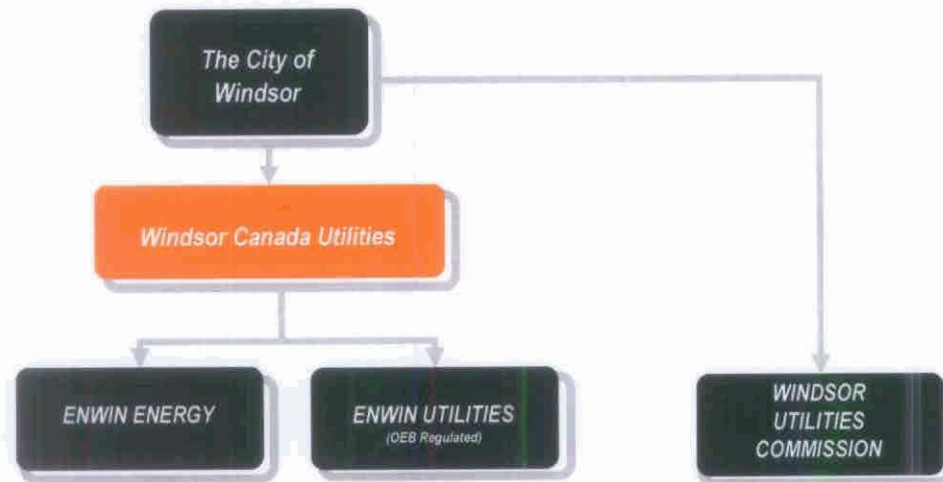
2.3.5.1 For shared corporate services, fully-allocated cost-based pricing (as calculated in accordance with sections 2.3.4.1 and 2.3.4.2) may be applied between a utility and an affiliate in lieu of applying the transfer pricing provisions of section 2.3.3.1 or section 2.3.3.6, provided that the utility complies with section 2.3.4.3.”

⁵ ARC, Section 1.2.

APPENDIX B - EWU AND ITS AFFILIATES

ENWIN Utilities Ltd. ("EWU") owns and operates electricity distribution facilities in Windsor. Its affiliates are the City of Windsor, Windsor Canada Utilities Ltd., ("the holding company") the Windsor Utilities Commission ("WUC"), and ENWIN Energy Ltd. ("EWE"). As is common among Ontario local distribution companies ("LDCs") with affiliates, EWU and its affiliates share or exchange goods and services in order to maximize the effective utilization of resources and control overall costs within the corporate "family".

The following corporate structure diagram was confirmed to BDR by EWU management as in effect at the date of this report.



The City of Windsor is the sole shareholder of Windsor Canada Utilities Ltd. Windsor Canada Utilities Ltd. is the sole shareholder of EWE and EWU. As mentioned previously, EWU is an electricity distribution company regulated by the OEB. EWE is a non-OEB regulated company that provides conservation and demand management services to the marketplace, including to EWU. EWE also engages in other competitive activities. WUC is a municipal services board of the City of Windsor, as defined by the Municipal Act, 2001. The WUC is a public utility that provides water service and operates District Energy, a downtown district heating and cooling system.

Another company, Maxess Networkx, which had been the telecommunications subsidiary of EWE, was sold earlier in 2008, and was therefore not included in this analysis.

APPENDIX C – INFORMATION PROVIDED FOR THIS STUDY BY EWU

Data for the study was provided by management of EWU, and accepted by BDR as correct and complete, subject to a review as to reasonableness, but without independent verification.

For the study, EWU provided BDR with the following information:

- a document titled “Organizational and Interorganizational Overview of ENWIN Utilities Ltd. and Associated Organizations” describing the mandate of each of the affiliated companies, and their relationships, and which included the organization chart shown in Section 1.2;
- staffing organization charts;
- the Master Services Agreement specifying the basis for supply of services by EWU to WUC;
- a spreadsheet in live Excel form, created by KPMG for the regulated company for its 2006 EDR application, and used by them on an on-going basis to compute inter-corporate allocations of costs, with associated documentation. The KPMG spreadsheet was populated with 2007 year-end data, including financial data for EWU, and the operational and statistical information required by the KPMG methodology to compute allocations.
- A spreadsheet listing financial transactions between EWU and each of its affiliates.

On March 19, 2008 BDR met with EWU management and key staff in Windsor to review the study approach and clarify the data provided. In particular the organization charts of staffing were reviewed, and it was identified that some staff functions within EWU, whose costs are included in EWU’s financial statements, are 100% dedicated to regulated activities, some are shared with affiliates, and others are 100% dedicated to an activity that serves one of those affiliates. The 100% dedicated employees are directly and exclusively charged to EWU or the affiliate using the services, as applicable. Costs associated with the shared employees are allocated among the benefiting affiliates on the basis of the KPMG spreadsheet.

BDR also met at that time with EWU staff members responsible for the population and use of the KPMG spreadsheet. Although the analysis has undergone some modifications to update drivers and data, we were advised that it is being used as delivered by KPMG. BDR did not audit or otherwise review the financial or statistical information to confirm its correctness; nor did BDR make a cell-by-cell check of the KPMG spreadsheet to determine the technical correctness of computations. BDR did use the spreadsheet as a source of data for the level of different types of costs, the cost drivers being used, and the approach taken to the

BDR

allocation of capital costs and other indirect costs and overheads which follow each direct cost.

Affiliate services were identified by review of the Master Services Agreement provided, the Affiliate Transactions spreadsheet produced by EWU staff, and the KPMG spreadsheet. They were clarified through discussion with EWU management and key staff.

In the course of the assignment, BDR was advised that while governance of the City's water system and services rests with the WUC, the operation of the water management system is wholly within EWU. As background EWU advised BDR that historically, the management of the City's water system and services were combined with electricity distribution as part of the Windsor Utilities Commission. Upon corporatization of electricity distribution in Enwin Powerlines (the predecessor of EWU), the water management services were transferred to EWU together with the applicable employees as permitted under subsection 5(2) of Ontario Regulation 161/99 which provides the necessary exemption from section 71 of the OEB Act. Accordingly, in consultation with EWU, BDR has assumed that water management is eligible for treatment as a Shared Corporate Service of EWU, and has focused on the appropriateness of EWU's approach to allocation of cost between distribution and water management.

BDR

APPENDIX D - METHODOLOGIES USED BY OTHER UTILITIES

Affiliate service transfer pricing is an issue affecting most Ontario LDCs. As pointed out in the June, 2007 Staff Report: “The majority of the approximately 85 electricity distributors and four of the five transmitters in the province have affiliates in some form. Many distributors have one or more affiliates that provide services to the distributor, and are involved in other business activities. These service affiliates are active in the provision of energy and distribution services, telecommunication services, and generation.”⁶

Many of those LDCs have in the past months made application to the OEB for approval of 2008 rates and charges on a cost of service basis (i.e. rebasing). Those with affiliate services forming either a cost or revenue for the LDC have needed to submit data and analysis in support of their affiliate transfer pricing or allocation of shared costs. Some LDCs submitted such data and analysis in prior rate approval applications.

Four examples of approaches adopted and submitted to the OEB by other Ontario LDCs were reviewed to provide insights and precedents. These are Brantford Power, Hydro Ottawa, Toronto Hydro and Hydro One Networks.

Hydro One Networks was selected because it was known to have submitted a detailed report on its shared service costing methodology in connection with its 2006 rate approvals. Hydro Ottawa and Toronto Hydro were selected because they are large urban LDCs with a holding company and affiliated non-regulated businesses. Brantford Power was selected because it was understood to operate with extensive sharing of resources with affiliates. Each LDC is different in terms of type of affiliates and the structure of service relationships.

Brantford Power has a corporate structure that consists of a holding company, an LDC, a retail company and a generation company. According to Brantford Power’s most recent rate approval filing with the OEB, EB-2007-0698, services are performed by the City of Brantford and shared via an allocation among the operating companies, including Brantford Power. Brantford Power, in its application, included a schedule setting out the cost driver or allocation approach used. In a Decision dated July 18, 2008, the OEB commented on the level of costs and referred to Brantford Power’s commitment to complete an affiliate pricing study. However, no specific comment was made on the allocation approaches or methodologies that could serve as a guide to EWU.

⁶ Ibid, page i.

Hydro Ottawa also has a holding company structure. Companies owned directly by the holding company include the LDC, an energy company and a telecom company. The energy company owns a partial interest in two generation companies. The telecom company owns 100% interest in three incorporated subsidiaries. With the exception of strategic oversight from the Holding Company, Hydro Ottawa maintains its own resources for the corporate services of Human Resources ("HR"), Information Technology ("IT"), Facilities, Supply Chain, Fleet, Regulatory and Finance. While the affiliates also have some resources of their own, Hydro Ottawa does provide certain corporate services for Energy Ottawa, Telecom Ottawa and the Holding Company. Hydro Ottawa's holding company service costs were accepted by intervenors in the settlement agreement, based on an overall percentage which reflected 2007 experience. The OEB accepted the settlement in this regard, and did not comment further on the transfer pricing approach.

Hydro One Networks operates both distribution and transmission within a single corporate entity. It is therefore determining the separate distribution and transmission revenue requirements by allocating shared costs between these functions. In 2004, Hydro One commissioned a study by R.J. Rudden Associates for review and recommendations as to its costing approach. The study was submitted in RP-2005-0020/EB-2005-0378 and accepted at that time. Hydro One is using these same approaches in its current rate filing. Direct assignment of costs is used where possible, and a time study in other cases. Where an allocation factor is required, that factor was selected based on cost causation where possible, and otherwise on the basis of benefits received. The Rudden Study included a detailed breakdown of cost functions into activities at a detailed level.

Toronto Hydro submitted in its 2008 filing a third party review of internal reviews of its allocation approach. In its 2006 EDR application, Toronto Hydro had come under criticism by the OEB for not using staff time tracking more extensively as the basis for cost-based transfer pricing. It commissioned a study by R.J. Rudden Associates, which relied extensively on statements by management as to intended future work on transfer pricing. The Rudden Study anticipated that Toronto Hydro would do more work to develop fair market value pricing where appropriate, but the company witnesses stated that for purposes of their current application, cost-based pricing had been used in all cases. Toronto Hydro did not provide a disaggregated study by specific service, sufficient to demonstrate that each service is being priced at an appropriately determined fully allocated cost.

The OEB approved Toronto Hydro's transfer pricing for purposes of 2008 and 2009, but stated in its Decision that it "expects" the deficiencies to be addressed. As a result, the Toronto Hydro case does not provide detail of specific, OEB-approved allocation methodologies, as applied to specific costs, that can be compared with

EWU's approaches. Of note in the Toronto Hydro decision however is the OEB's stated preference for time-based allocations, founded on tracking of time and effort of individuals⁷, a precedent that supports the methodologies used by EWU.

For purposes of this study, BDR compared the selected allocator for cost-based services of EWU with Hydro One, Hydro Ottawa and Brantford Power, based on the information contained in their rate filings and prepared Table 6. The table is at a summary level, and makes the assumption that services designated in a similar manner are in fact largely similar in terms of the activities involved and benefits received.

⁷ OEB Decision EB-2007-0680, p. 38.

TABLE 6: COMPARISON OF ALLOCATORS USED IN SELECTED DISTRIBUTORS

Function:	Hydro One	Brantford Power	Hydro Ottawa	EWU
Human Resources	FTEs	% of Total Assets	FTEs	FTEs
Internal Communications	FTEs			FTE
Labour Relations	FTEs			FTEs
Facilities	Direct where possible, otherwise sq ft	Square footage utilized	Square footage, at an estimated market rate	Square footage
Purchasing	Operations, Maintenance and Capital			Number of purchase requisitions and FTEs
Revenue analysis and reporting	Non energy revenue	% of time contracted		Time by activity
Financial Accounting	Non energy revenue/assets blend	% of time contracted		Time by activity
Taxation	Op Main Asset blend	% of Total Assets		Time by activity
IT - General			Employee time	Staff time to each of key systems
IT support workstations and telecom	Workstations	% of Total Assets		Number of Computers, printers and software
Regulatory	Direct			Direct
Legal	Revenue/Assets Blend	% of Total Assets		
Data lines	Workstations			
Telephones	Number of telephones	% of Total Assets		
Pension support financial	FTEs			FTEs

TABLE 6: COMPARISON OF ALLOCATORS USED IN SELECTED DISTRIBUTORS

Function:	Hydro One	Brantford Power	Hydro Ottawa	EWU
Board of Directors	Non-Energy Revenue/Assets Blend			Level of effort estimated by management
Corporate Secretary	Non-Energy Revenue/Assets Blend	% of time contracted		
President CEO	Direct	Estimate of time		Proportion of direct costs from all departments
CFO office	Detailed, use total financial functions	Estimate of time		Proportion of direct costs from all departments
General mail services		Estimate of time		Number of customers
Insurance and risk management		% of Total Assets		Proportion of direct costs from all departments
Customer services		Estimate of time		See cashiers and call centre
Inventory and Stores		% of Total Assets		Purchase requisitions and purchase orders
Administrative and corporate projects			Activity level	Proportion of direct costs from all departments
Metering and Data Services			At Market	Number of meters
Fleet services				Count of vehicles
Cashiers				Number of customers
Call center				Number of customers

Attachment C

List of Cost Drivers

- IT User Support;
- IT Networking;
- IT Development;
- IT Consultants;
- Finance Staff;
- Customer Care;
- Customer Count;
- Motorola CSR;
- Executives (Overhead);
- CEO;
- Board of Directors;
- Purchasing Staff;
- Stores;
- Fleet;
- Staffing;
- Meters;
- Floor Space;
- Direct Assignments 100%;
- Gross Revenue; and
- Inter Company Balances.

Schedule 4-2-5

Operation, Maintenance and Administration Costs

Depreciation and Amortization

1
2 **DEPRECIATION AND AMORTIZATION**
3
4

5 EWU seeks to recover \$11,487,968 in depreciation expenses in the 2009 test year.
6

7 EWU uses the straight-line method of amortization to determine the depreciation expense for all
8 asset classes. EWU is not proposing any changes to the current estimated useful lives or
9 amortization rates of its capital assets. Amortization rates and the calculation methods are
10 consistent with past practice. The depreciable lives and associated depreciation rates are
11 provided for on an account level basis below at Table 4-2-5 A.
12

13 Detailed gross asset amounts and related depreciation expenses, by year, are shown in the capital
14 asset continuity schedule at Exhibit 2, Tab 2, Schedule 1.
15

Table 4-2-5 A – Asset Depreciable Lives and Depreciation Rates

<u>Asset Type</u>	<u>Life (in years)</u>	<u>Depreciation</u>
		<u>Rate</u>
Buildings & Fixtures	50	2.00%
Transformer Station Equipment	40	2.50%
Distribution Station Equipment	30	3.33%
Poles, Towers & Fixtures	25	4.00%
Underground Conduit	25	4.00%
Line Transformers	25	4.00%
Services	25	4.00%
Meters	25	4.00%
Office Furniture & Equipment	10	10.00%
Computer Equipment – Hardware	5	20.00%
Computer Software	5	20.00%
Transportation Equipment		
Rolling Stock	4-8	12.50% - 25.00%
Other Equipment	20	5.00
Stores Equipment	10	10.00%
Tools, Shop & Garage Equipment	10	10.00%
Measurement & Testing Equipment	10	10.00%
Power Operated Equipment	10	10.00%
Communication Equipment	8	12.50%
Miscellaneous Equipment	10	10.00%
Property under capital lease	3	33.33%

Schedule 4-2-6

Operation, Maintenance and Administration Costs

Loss Adjustment Factor

LOSS ADJUSTMENT FACTOR

EWU's Distribution Loss Factors ("DLF") are determined by dividing wholesale purchases of electricity by retail sales of electricity. They are as set out at Table 4-2-6 A below.

When combined with the Supply Facility Loss Factor of 1.0045, the DLF become Total Loss Factors. These values are as set out at Table 4-2-6 A below.

The Board's Regulatory Audit Office released a Report dated June 23, 2008 called "Ontario Electricity Distributor Practices Relating to Management of System Losses". In that document, the Regulatory Audit Office noted that their analysis of RRR information revealed an average loss reported by LDCs of 4.3% from 2002 through 2006. EWU submits that its DLFs are consistent with that average. Further, EWU's DLFs do not exceed the 5% threshold over which DLFs were expected to be justified according to Schedule 10-5 of the 2006 Electricity Distribution Rate Handbook.

EnWin Utilities Ltd.
EB-2008-0227
Exhibit 4
Tab 2
Schedule 6
Page 2 of 2

		2002	2003	2004	2005	2006	2007
A	"Wholesale" kWh (IMO)	3,042,620,690	2,786,643,064	2,736,268,336	2,819,055,260	2,670,695,025	2,671,983,323
B	"Wholesale" kWh for Large Use customer(s) (IMO)	635,298,593	631,334,645	580,416,686	588,760,345	572,212,395	559,842,176
C	Net "Wholesale" kWh (A)-(B)	2,407,322,097	2,155,308,419	2,155,851,650	2,230,294,915	2,098,482,630	2,112,141,147
D	"Retail" kWh (Distributor)	2,963,574,789	2,713,656,506	2,647,727,977	2,754,686,216	2,593,517,294	2,591,059,758
E	"Retail" kWh for Large Use Customer(s) (1% loss)	628,945,607	625,021,298	574,612,519	582,872,742	566,490,271	554,243,754
F	Net "Retail" kWh (D)-(E)	2,334,629,182	2,088,635,208	2,073,115,458	2,171,813,474	2,027,027,023	2,036,816,004
G	Loss Factor [C]/(F)]	1.0311	1.0319	1.0399	1.0269	1.0353	1.0370
H	Distribution Loss Adjustment Factor (3 year ave.)			1.0343	1.0329	1.0340	1.0331

Total Utility Loss Adjustment Factor

LAF

Supply Facilities Loss Factor	1.0045
Distribution Loss Factor - Secondary Metered Customer < 5,000 kW	1.0331
Distribution Loss Factor - Secondary Metered Customer > 5,000 kW	1.0100
Distribution Loss Factor - Primary Metered Customer < 5,000 kW	1.0227
Distribution Loss Factor - Primary Metered Customer > 5,000 kW	1.0000
Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0377
Total Loss Factor - Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0273
Total Loss Factor - Primary Metered Customer > 5,000 kW	1.0045

Schedule 4-2-7

Operation, Maintenance and Administration Costs

Property Taxes

PROPERTY TAX

EWU is seeking recovery of property taxes in the amount of \$513,858 for 2009. Table 4-2-7 A below shows actual and budget values for each of 2007, 2008 and 2009.

Table 4-2-7 A – Actual and Budget Property Tax

	2007 Historic Year	2008 Bridge Year	2009 Test Year
Property Taxes	\$437,485	\$484,248	\$513,858

Schedule 4-3-1

Income Tax and Ontario Capital Tax

Overview

INCOME TAX AND ONTARIO CAPITAL OVERVIEW

EWU forecasts Ontario Capital Tax ("OCT") and Payments in Lieu ("PILs") of Corporate Income Taxes of \$2,597,154 in the 2009 test year as follows:

- \$418,577 of OCT, and
- \$2,178,577 of PILs.

OCT

EWU forecasts that it will pay \$418,577 in OCT in the 2009 test year. The expense is computed by first reducing the taxable capital of EWU by the exemption limit of \$15,000,000 and applying the authorized OCT rate to the difference. The tax rate used for the test year is 0.225%, based on the 2008 Ontario Provincial Budget. Detailed calculations are contained at Exhibit 4, Tab 3, Schedule 2, Sheet P7.

PILS

EWU forecasts that it will pay \$1,459,647 in PILs on revenues proposed in this rate application and requires \$718,930 for the grossing up to pre-tax revenue basis for a total of \$2,178,577.

EWU provides for PILs related to its operations using the taxes payable method, as authorized by the Board. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Detailed calculations of the PILs expenditures are filed at Exhibit 4, Tab 3, Schedule 2, Sheet P8.

Schedule 4-3-2

Income Tax and Ontario Capital Tax

Tax Model

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

Model Overview

Select a worksheet link

Tab	ShortName	Title	Instruction	Link
P		PILS Calculationa		P0 Administration
P0	Admin	Administration	Enter administrative information about the Application	P0 Administration
P1	UCC	Undepreciated Capital Costs (UCC)	Enter actual balances and projected asset additions & retirements	P1 Undepreciated Capital Costs (UCC)
P2	CEC	Cumulative Eligible Capital (CEC)	Enter actual balance, projected changes and deduction rates	P2 Cumulative Eligible Capital (CEC)
P3	Interest	Interest Expense	Enter deemed and projected actual interest amounts	P3 Interest Expense
P4	LCF	Loss Carry-Forward (LCF)	Enter details of historical losses available to offset projected taxable income	P4 Loss Carry-Forward (LCF)
P5	Reserves	Reserve Balances	Enter balance amounts and projected changes in tax and accounting reserves	P5 Reserve Balances
P6	TxbIncome	Taxable Income	Enter amounts required to calculate taxable income	P6 Taxable Income
P7	CapitalTax	Capital Taxes	Enter rate base amounts	P7 Capital Taxes
P8	TotalPILs	Total PILs Expense	Enter tax credit amounts	P8 Total PILs Expense
Y		Reference Information		Y1 Tax Rates and Exemptions
Y1	TaxRates	Tax Rates and Exemptions	Enter applicable rates and exemption amounts	Y1 Tax Rates and Exemptions
Y2	CCA	Capital Cost Allowances (CCA)	Enter asset classes and applicable rates for CCA deductions	Y2 Capital Cost Allowances (CCA)
Z		Model Parameters		Z1 Model Variables
Z1	ModelVariables	Model Variables		Z1 Model Variables
Z0	Disclaimer	Software Terms of Use		Z0 Software Terms of Use

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P0 Administration

Enter administrative information about the Application

Application Version

2

Name of Applicant

Enwin Utilities Ltd.

License Number

ED-2002-0527

Test Year

2009

File Number(s)

EB-2008-0227

Date of Application

17-Sep-2008

Contact:

Name Andrew Sasso

email regulatory@enwin.com

phone 519-255-2735

Date of previous Test Year approval

4-May-2006

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2
September 17, 2008

Enter actual balances and projected asset additions & retirements

Class	Description	UCC Balance 31 Dec/07 '	Less: Non- Distribution Portion	Less: Disallowed FMV Increment	UCC 2008 Opening Balance
1	Distribution System - post 1987	149,850,398			149,850,398
2	Distribution System - pre 1988	27,003,435			27,003,435
8	General Office/Stores Equip	3,625,770			3,625,770
10	Computer Hardware/ Vehicles	1,163,915			1,163,915
10.1	Certain Automobiles				
12	Computer Software				
13.1	Leasehold Improvement # 1				
13.2	Leasehold Improvement # 2				
13.3	Leasehold Improvement # 3				
13.4	Leasehold Improvement # 4				
14	Franchise				
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs				
43.1	Certain Energy-Efficient Electrical Generating Equipment				
45	Computers & Systems Software acq'd post Mar 22/04	269,017			269,017
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				
47	Distribution System post Feb 22/05	18,054,008			18,054,008
3	Buildings acquired before 1988	3,040,096			3,040,096
50	Computers & Systems Software acq'd post Mar 18/07	55,087			55,087
	TOTAL	203,061,726			203,061,726

¹ per Schedule 8 of 2007 corporate tax return

September 17, 2008

Enter actual balances and projected asset addition

¹ per Schedule 8 of 2007 corporate tax return

**PILs Calculations for 2009 EDR Application (EB-2008-02
September 17, 2008**

Enter actual balances and projected asset addition

[illegible]

For the purpose of this study, the following hypotheses were proposed:

September 17, 2008

Enter actual balances and projected asset addition

¹ per Schedule 8 of 2007 corporate tax return

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-02)

September 17, 2008

P1 Undepreciated Capital Costs (UCC)

Enter actual balances and projected asset addition

[illegible]

¹ per Schedule 8 of 2007 corporate tax return

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P2 Cumulative Eligible Capital (CEC)

Enter actual balance, projected changes and deduction rates

	2008		2009	
CEC Opening Balance ¹		7,785,632		7,240,638
Eligible Capital Property (ECP) Acquisitions				
Other Adjustments				
Subtotal	x 3/4 =		x 3/4 =	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after December 20, 2002	x 1/2 =		x 1/2 =	
Amount transferred on amalgamation or wind-up of subsidiary				
Subtotal before deductions		7,785,632		7,240,638
ECP Dispositions (net)				
Other Adjustments				
Subtotal	x 3/4 =		x 3/4 =	
Balance before tax deduction		7,785,632		7,240,638
Tax Deduction	Rate: 7.0%	544,994	Rate: 7.0%	506,845
CEC Ending Balance		<u>7,240,638</u>		<u>6,733,793</u>

¹ 2008 amount per ending balance on Schedule 10 of 2007 corporate tax return

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P3 Interest Expense

Enter deemed and projected actual interest amounts

	2008	2009
Deemed Interest Expense (A)	6,327,333	7,976,865
3900-Interest Expense	5,402,822	5,390,821
Add: Capitalized Interest (USA #6040)		
Add: Capitalized Interest (USA #6042)		
Less: non-debt interest expense (USA #6035)	-210,000	-360,000
Total Interest Projected (B)	5,192,822	5,030,821
Excess Interest Expense		

Enter credit to P&L as positive number

Enter credit to P&L as positive number

Enter other adjustments for tax purposes

(B) less (A); if negative: zero

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P4 Loss Carry-Forward (LCF)

Enter details of historical losses available to offset projected taxable income

	Balance ☐ 31 Dec/07 ¹	Less: Non- Distribution Portion	Utility Balance ☐ 31 Dec/07	2008	2009
Non-Capital LCF:					
Opening Balance					
Application of LCF to reduce taxable income					
Ending Balance					
Net Capital LCF:					
Opening Balance					
Application of LCF to reduce taxable capital gains					
Ending Balance					

¹ per Schedule 7-1 of 2007 corporate tax return

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P5 Reserve Balances

Enter balance amounts and projected changes in tax and accounting reserves

	Balance ☐ 31 Dec/07 ¹	Less: Non- Distribution Portion	Utility Balance ☐ 31 Dec/07	Changes ☐ (+ / -) ☐ in 2008	Balance ☐ 31 Dec/08	Changes ☐ (+ / -) ☐ in 2009	Balance ☐ 31 Dec/09
Capital Gains Reserves ss.40(1)							
Tax Reserves not deducted for book purposes:							
Reserve for doubtful accounts ss. 20(1)(l)							
Reserve for goods and services not delivered ss. 20(1)(m)							
Reserve for unpaid amounts ss. 20(1)(n)							
Debt & Share Issue Expenses ss. 20(1)(e)							
TOTAL							
Accounting Reserves not deducted for tax purposes:							
General Reserve for Inventory Obsolescence (non-specific)							
General reserve for bad debts	320,000		320,000		320,000		320,000
Accrued Employee Future Benefits:	31,503,975		31,503,975	2,082,136	33,586,111	1,256,369	34,842,480
- Medical and Life Insurance							
- Short & Long-term Disability							
- Accumulated Sick Leave	16,915		16,915		16,915		16,915
- Termination Cost							
- Other Post-Employment Benefits							
Provision for Environmental Costs							
Restructuring Costs							
Accrued Contingent Litigation Costs							
Accrued Self-Insurance Costs							
Other Contingent Liabilities							
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)							
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)							
TOTAL	31,840,890		31,840,890	2,082,136	33,923,026	1,256,369	35,179,395

¹ per Schedule 13 of 2007 corporate tax return

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P6 Taxable Income

Enter amounts required to calculate taxable income

	T2 S1 line #	2006 EDR Approved			2008 Projection	2009 @ existing rates	2009 @ new dist. rates
		Tax Return	Less: Non- Distribution Portion	Utility Only			
Income/(Loss) before PILs/Taxes (Accounting) ¹		6,394,348		6,394,348	8,426,828	4,947,343	6,891,452
Additions:							
Interest and penalties on taxes	103						
Amortization of tangible assets	104	8,932,722		8,932,722	10,915,804	11,487,968	11,487,968
Amortization of intangible assets	106						
Recapture of capital cost allowance from Schedule 8	107						
Gain on sale of eligible capital property from Schedule 10	108						
Income or loss for tax purposes- joint ventures or partnerships	109						
Loss in equity of subsidiaries and affiliates	110						
Loss on disposal of assets	111						
Charitable donations	112				22,980	30,480	30,480
Taxable Capital Gains	113						
Political Donations	114						
Deferred and prepaid expenses	116						
Scientific research expenditures deducted on financial statements	118						
Capitalized interest	119						
Non-deductible club dues and fees	120						
Non-deductible meals and entertainment expense	121	7,158		7,158	59,297	59,220	59,220
Non-deductible automobile expenses	122						
Non-deductible life insurance premiums	123						
Non-deductible company pension plans	124						
Tax reserves beginning of year	125						
Reserves from financial statements- balance at end of year	126				33,923,026	35,179,395	35,179,395

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P6 Taxable Income

Enter amounts required to calculate taxable income

	T2 S1 line #	2006 EDR Approved			2008 Projection	2009 @ existing rates	2009 @ new dist. rates
		Tax Return	Less: Non- Distribution Portion	Utility Only			
Income/(Loss) before PILs/Taxes (Accounting) ¹		6,394,348		6,394,348	8,426,828	4,947,343	6,891,452
Soft costs on construction and renovation of buildings	127						
Book loss on joint ventures or partnerships	205						
Capital items expensed	206						
Debt issue expense	208						
Development expenses claimed in current year	212						
Financing fees deducted in books	216	251,139		251,139	298,749	290,180	290,180
Gain on settlement of debt	220						
Non-deductible advertising	226						
Non-deductible interest	227						
Non-deductible legal and accounting fees	228						
Recapture of SR&ED expenditures	231						
Share issue expense	235						
Write down of capital property	236						
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237						
Actual Debt interest					5,192,822	5,030,821	
Adjustments to lease payments/capital tax	290/2 91	952,425		952,425	598,184	596,729	596,729
Total Additions		10,143,444		10,143,444	51,010,862	52,674,793	47,643,972

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P6 Taxable Income

Enter amounts required to calculate taxable income

	T2 S1 line #	2006 EDR Approved			2008 Projection	2009 @ existing rates	2009 @ new dist. rates
		Tax Return	Less: Non- Distribution Portion	Utility Only			
Income/(Loss) before PILs/Taxes (Accounting) ¹		6,394,348		6,394,348	8,426,828	4,947,343	6,891,452
Deductions:							
Gain on disposal of assets per financial statements	401						
Dividends not taxable under section 83	402						
Capital cost allowance from Schedule 8	403	8,395,262		8,395,262	11,355,387	15,538,414	15,538,414
Terminal loss from Schedule 8	404						
Cumulative eligible capital deduction from Schedule 10 CEC	405	677,553		677,553	544,994	506,845	506,845
Allowable business investment loss	406						
Deferred and prepaid expenses	409						
Scientific research expenses claimed in year	411						
Tax reserves end of year	413						
Reserves from financial statements - balance at beginning of year	414				31,840,890	33,923,026	33,923,026
Contributions to deferred income plans	416						
Book income of joint venture or partnership	305						
Equity in income from subsidiary or affiliates	306						
Deemed Debt Interest					6,327,333	7,976,865	
Financing fees	390	365,747		365,747	133,876	105,718	105,718
Capital tax per CT23	391	508,864		508,864			
Excess interest		490,656		490,656			
Capital lease payments	392				38,249	38,249	38,249
Total Deductions		10,438,082		10,438,082	50,240,730	58,089,117	50,112,252

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P6 Taxable Income

Enter amounts required to calculate taxable income

	T2 S1 line #	2006 EDR Approved			2008 Projection	2009 @ existing rates	2009 @ new dist. rates
		Tax Return	Less: Non- Distribution Portion	Utility Only			
Income/(Loss) before PILs/Taxes (Accounting) ¹		6,394,348		6,394,348	8,426,828	4,947,343	6,891,452
NET INCOME (LOSS) FOR TAX PURPOSES		6,099,710		6,099,710	9,196,960	-466,980	4,423,172
Charitable donations from Schedule 2							
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)							
Non-capital losses of preceding taxation years from Schedule 4							
Net-capital losses of preceding taxation years from Schedule 4							
Limited partnership losses of preceding taxation years from Schedule 4							
TAXABLE INCOME (LOSS)		6,099,710		6,099,710	9,196,960	-466,980	4,423,172

¹ 2008 Projection = "Earnings before Tax" (sheet E1); 2009 @ existing rates = "Earnings before Tax" (sheet E2); 2009 @ new dist. rates = "Deemed Return On Equity" (sheet E3)

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P7 Capital Taxes

Enter rate base amounts

Rates and exemptions from sheet Y1

	2008	2009	
OCT (Ontario Capital Tax):			
Rate Base	197,523,099	201,034,177	'Calculated Value' from sheet E3
Less: Exemption	<u>15,000,000</u>	<u>15,000,000</u>	
Deemed Taxable Capital	182,523,099	186,034,177	
Tax Rate	0.285%	0.225%	
OCT payable	520,191	418,577	
Federal LCT (Large Corporations Tax):			
Rate Base	197,523,099	201,034,177	
Less: Exemption	<u>50,000,000</u>	<u>50,000,000</u>	
Deemed Taxable Capital	147,523,099	151,034,177	
Tax Rate			
LCT payable			

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

P8 Total PILs Expense

Enter tax credit amounts

	2008 Projection	2009 Projection ¹	2009 Test ¹	
Regulatory Taxable Income/(Loss)	9,196,960	-466,980	4,423,172	from sheet P6
Combined Income Tax Rate	33.50%		33.00%	"t" (from sheet Y1)
Total Income Taxes	3,080,982		1,459,647	
Investment & Miscellaneous Tax Credits				Input amounts
Income Tax Payable	3,080,982		1,459,647	"j"
Large Corporations Tax (LCT)				from sheet P7
Ontario Capital Tax (OCT)	520,191	418,577	418,577	from sheet P7
Grossed-up Income Tax			2,178,577	$= i / (1 - t)$
Grossed-up LCT				$= LCT / (1 - t)$
Total PILs Expense	3,601,172	418,577	2,597,154	Enter these results on sheet E4

¹ 'Projection' per existing rates; 'Test' based on proposed revenue requirement

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

Y1 Tax Rates and Exemptions

Enter applicable rates and exemption amounts

2008 INCOME TAXES

Income Range		Income Tax Rates			SBD Clawback
From	To	Federal	Ontario	Combined	
\$0	\$300,000	11.00%	5.50%	16.50%	
\$300,000	\$400,000	11.00%	5.50%	16.50%	
\$400,000	\$1,128,519	19.50%	5.50%	25.00%	4.67%
\$1,128,519		19.50%	14.00%	33.50%	

2009 INCOME TAXES

Income Range		Income Tax Rates			SBD Clawback
From	To	Federal	Ontario	Combined	
\$0	\$300,000	11.00%	5.50%	16.50%	
\$300,000	\$400,000	11.00%	5.50%	16.50%	
\$400,000	\$1,128,519	19.00%	5.50%	24.50%	4.67%
\$1,128,519		19.00%	14.00%	33.00%	

2008 CAPITAL TAXES

	LCT	OCT
Exemption	\$50,000,000	\$15,000,000
Capital Tax Rate		0.285%
Surtax Rate		

2009 CAPITAL TAXES

	LCT	OCT
Exemption	\$50,000,000	\$15,000,000
Capital Tax Rate		0.225%
Surtax Rate		

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

Y2 Capital Cost Allowances (CCA)

Enter asset classes and applicable rates for CCA deductions

Class	Description	Rate	Years	½ Year Rule
1	Distribution System - post 1987	4.0%		YES
2	Distribution System - pre 1988	6.0%		YES
8	General Office/Stores Equip	20.0%		YES
10	Computer Hardware/ Vehicles	30.0%		YES
10.1	Certain Automobiles	30.0%		YES
12	Computer Software	100.0%		YES
13.1	Leasehold Improvement # 1		25	YES
13.2	Leasehold Improvement # 2		4	YES
13.3	Leasehold Improvement # 3			YES
13.4	Leasehold Improvement # 4			YES
14	Franchise		6	NO
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	8.0%		YES
43.1	Certain Energy-Efficient Electrical Generating Equipment	30.0%		YES
45	Computers & Systems Software acq'd post Mar 22/04	45.0%		YES
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	30.0%		YES
47	Distribution System post Feb 22/05	8.0%		YES
3	Buildings acquired before 1988	5.0%		YES
50	Computers & Systems Software acq'd post Mar 18/07	55.0%		YES

Enwin Utilities Ltd. (ED-2002-0527)

PILs Calculations for 2009 EDR Application (EB-2008-0227) version: 2

September 17, 2008

Z1 Model Variables

CRLF	☐ ☐
CRLF2	☐ ☐ ☐ ☐
ApprovedYr	2006 EDR Approved
RMpilsVer	v1.02
FakeBlank	
FolderPath	\\ARCTURUS\Docshare\Cost of Service\Model\Working copies\latest models - USE T

SOFTWARE TERMS OF USE

Elenchus Research Associates' intent in licensing *RateMaker PILs* (the "Model") is to provide utilities with a generic tool to assist in the development of cost of service applications for electricity distribution rates under the Forward Test Year approach. Certain adaptations of the Model may be required to meet regulatory requirements for any given rate application. It is the responsibility of the utility to ensure all data and documentation included in such an application, including output from the Model, will fulfill regulatory requirements. In particular, utilities should consult their tax adviser(s) to ensure the Model produces a complete and accurate calculation of expected PILs in accordance with applicable tax rules and legislation. Please see Appendix A in the *RateMaker.xls* documentation for complete terms of the software license.

Terms accepted?

YES

Schedule 5-1-1

Deferral and Variance Accounts

Description of Deferral and
Variance Accounts

DESCRIPTION OF DEFERRAL AND VARIANCE ACCOUNTS

1. DESCRIPTION OF ACCOUNTS

Descriptions of the Deferral and Variance Accounts (“DVA”) maintained by EWU are set out below. The account descriptions are derived from the Accounting Procedures Handbook (“APH”).

Commodity accounts are classified as follows:

1588 – Retail Settlement Variance Account (“RSVA”) – Power

The RSVA- Power account is used to record the net differences in energy costs using the settlement invoice received from the IESO and the amounts billed to customers for energy.

1588- RSVA – Power, Global Adjustment Sub account:

The RSVA – Global Adjustment is used to record the net difference between the global adjustment amount billed to non-Regulated Price Plan consumers and the global adjustment charge to a distributor for non-regulated Price Plan consumers, using the settlement invoice received from the IESO.

EWU has combined the RSVA – Global adjustment sub account with the RSVA – Power account for disposition.

Non-Commodity accounts are classified into the following three categories as follows:

(a) Wholesale and Retail Market Variance Accounts:

1518 Retail Cost Variance Account – Retail

This account is used to record the net of revenues derived from establishing retailer services agreements, distributor-consolidated billing, retailer-consolidated billing and split billing and the costs of entering into retailer service agreements and related contract administration, as well as incremental costs to provide distributor-consolidated and split billing and any avoided costs credit arising from retailer-consolidated billing.

1548 Retail Cost Variance Account – STR

This account is used to record the net of revenues derived from service transaction requests in the form of a request fee, processing fee, information request fee, default fee and other associated costs and the incremental cost of labour, internal information system maintenance costs and delivery costs related to the provision of retail transaction services.

1580 RSVA Wholesale Market Service Charges

This RSVA account is used to record the net of the amount charged by the IESO, based on the Settlement Invoice, for the operation of the IESO administered market and the operation of the IESO controlled grid, and the amount billed to customers using Board approved Wholesale Market Service rates.

1582 RSVA – One time Wholesale Market Service

This RSVA is used to record the non-recurring wholesale market services charged by the IESO, based on the settlement invoice.

1584 RSVA – Retail Transmission Network Charges

This account is used to record the net of the amount charged by the IESO, based on the settlement invoice, for the transmission network services, and the amounts billed to customers using the Board approved Transmission Network Charge rate.

1586 RSVA – Retail Transmission Connection Charges

This account is used to record the net of the amount charged by the IESO, based on the settlement invoice, for transmission connection services, and the amount charged to customers using the Board approved Transmission Connection charge rate.

(b) Utility Deferral Accounts:

1508 Other Regulatory Assets, Sub Account OEB Cost Assessments

This account is used to record the difference between OEB costs assessments invoiced to EWU for the Board's 2004 fiscal year and subsequent years, up to April 30, 2006 and OEB Cost Assessments previously included in rates.

1508 Other Regulatory Assets, Sub Account Pension Contributions

This account is used to record the pension costs associated with the cash contributions paid to Ontario Municipal Employees Retirement Savings (“OMERS”) for the period from January 1, 2005 to April 30, 2006.

1525 Miscellaneous Deferred Debits, Sub Account Payments to Customers

At present, this account includes the costs of issuing rebate cheques related to the Ontario Price Credits (“OPC”) refunded to customers.

1555 Smart Meter Capital and Recovery Offset Variance

This account records the net of the amounts paid for capitalized direct costs related to the Smart Meter program and the amounts charged to customers using the Board approved smart meter rate adder. EWU is not requesting disposition of this account during this rate application.

1562 Deferred Payments in Lieu of Taxes

This account records the amounts resulting from the Board approved PILs methodology for determining the 2001 deferral account allowance and the PILs proxy amount determined for 2002 and subsequent periods, ending April 30, 2006.

1563 PILs contra account

This account records the amounts relating to the third accounting method approved for recording entries in Account 1562 in accordance with the Board's accounting instructions for PILs as set out in the April 2003 Frequently Asked Questions on the Accounting Procedures Handbook. The offsetting entry of each entry in account 1562 is made to this contra account.

1565 Conservation and Demand Management Expenditures and Recoveries

This account records the net amounts incurred for conservation and demand management ("CDM") activities and expenditures, and the revenue proxy amount equivalent to the third tranche of market adjusted revenue requirement ("MARR"). EWU is not requesting disposition of this account during this rate application.

1566 CDM contra

This account records the offsetting entry for amounts recorded in account 1565, CDM Expenditures and Recoveries. EWU is not requesting disposition of this account during this rate application.

1574 Deferred Rate Impacts

As authorized and directed by the Board in EWU's rate order (EB-2007-0522), dated January 31, 2008, this account is used to record the notional revenues that would have flowed to EWU for the period of September 14, 2007 to January 31, 2008. This is a

1 result of EWU's rate order for 2007 having an effective date of September 14, 2007, but
2 an implementation date of February 1, 2008.

3 **1592 PILs and Taxes Variances for 2006 and Subsequent Years**

4 Effective May 1, 2006, this account is used to record the tax impact of any of the
5 following differences:

- 6 1. Any differences that result from a legislative or regulatory change to the tax rates
7 or rules assumed in the 2006 OEB Tax Model;
- 8 2. Any differences that result from a change in, or a disclosure of, a new assessing or
9 administrative policy that is published in the public tax administration or
10 interpretation bulletins by relevant federal or provincial tax authorities; and
- 11 3. Any differences in 2006 PILs that result in changes in a distributor's "opening"
12 2006 balances for tax accounts due to changes in debits and credits to those
13 accounts arising from a tax re-assessment.

14 (c) Recovery of Regulatory Asset Balances:

15 **1590 Recovery of Regulatory Asset Balances**

16 This account records the net amounts collected from or repaid to customers using the
17 Board approved regulatory asset recovery rate riders and the account balances of the
18 regulatory asset/liabilities approved on a final basis for recovery or repayment in rates
19 when authorized and directed by the Board. The Board approved December 31, 2004
20 regulatory asset or liability balances were recorded in this account.

Carrying charges on Deferral and Variance Accounts:

Account balances include carrying charges, as specified in the APH (July 2007), Article 220, which are calculated using the OEB- approved interest rates on the monthly opening balances, less any accumulated interest in the account.

Activity in Deferral and Variance Accounts:

The balances in the DVA's as at December 31, 2004, were approved for recovery in EWU's 2006 EDR Application and as such the December 31, 2004 balances, plus interest to April 30, 2006, were transferred to USofA Account 1590 – Recovery of Regulatory Asset Balances, in accordance with the APH. Therefore, the balances in all DVA's are shown net of any previously approved recoveries.

2. CALCULATION OF DVA BALANCES, BY ACCOUNT

In accordance with the Filing Requirements, EWU has provided the particulars supporting the DVA balances for each of the years 2005, 2006 and 2007. The opening balance, carrying costs, accruals, adjustments and closing balance for each account are provided in Exhibit 5, Tab 1, Schedule 2.

EWU notes that it is not proposing to recover all of these balances in this Application. The accounts and balances that EWU proposes for disposition in this Application are set out in Exhibit 5, Tab 1, Schedule 2.

3. METHOD OF RECOVERY

EWU seeks disposition of the following accounts:

- 1508 – Other Regulatory Assets
- 1518 – RCVA Retail
- 1525 – Miscellaneous Deferred Debits
- 1548 – RCVASTR
- 1562 – Deferred Payments in Lieu of Taxes
- 1563 – Deferred PILs Contra Account
- 1574 – Deferred Rate Impact Amounts
- 1580 – RSVAWMS
- 1582 – RSVAONE-TIME
- 1584 – RSVANW
- 1586 – RSVACN
- 1588 – RSVAPOWER
- 1590 – Recovery of Regulatory Asset Balances (residual)
- 1592 – 2006 PILs/Taxes Variance

EWU is proposing the disposition of the December 31, 2007 balances of these DVA's. These balances agree with EWU's Audited Financial Statements and OEB RRR filings. Carrying costs up to April 30, 2009 have been calculated and added to determine the final total for disposal. In total, EWU is seeking OEB approval to dispose of a total DVA credit balance of \$4,065,709.

EWU recognizes that at the time of this filing the Board's latest position in respect of several accounts is to defer recovery, as set out in the Board's letter of February 19, 2008. Those impugned accounts, which are the subject of EB-2008-0048, are the RCVA and RSVA accounts (1518, 1548, 1580, 1582, 1584, 1586, and 1588). Disposition is presently sought for those accounts to provide for the possibility that EB-2008-0048 may conclude prior to the conclusion of this Application. Disposition is particularly desired for those accounts because the balance of

\$6,365,073 associated with those accounts would be a credit to EWU customers with the exception of Street Lighting in the amount of \$2,369.

Regardless of EB-2008-0048, EWU seeks disposition of the remaining accounts as follows:

- 1508
- 1525
- 1562
- 1563
- 1574
- 1590
- 1592

The balance of the remaining accounts is \$2,299,364 which would be recovered from EWU customers.

For all DVA's to be disposed of through this Application, EWU is proposing a disposition period of two years, beginning May 1, 2009, and ending on April 30, 2011.

EWU has computed the balances for disposition in Exhibit 5, Tab 1, Schedule 2.

EWU proposes to use a variable rate rider for all classes, with the exception of USL, Sentinel Lighting and Street Lighting which would use per connection riders. Exhibit 5, Tab 1, Schedule 3 summarizes the allocations applied to the DVA's for calculation of the rate riders. This method is consistent with the methodology used in the Recovery of Regulatory Assets filed as part of EWU's 2006 EDR filing.

- 1 On the basis of recovery over a 2 year period, EWU calculates the bill impacts associated with
- 2 Scenario 1: Disposition of all Accounts and Scenario 2: Disposition of Accounts excluding
- 3 RCVA and RSVA in Table 5-1-1 A below.

4 *Table 5-1-1 A – Impacts of Disposition of Accounts*

	<i>Volume</i>	<i>Metric</i>	Scenario 1		Scenario 2	
			<i>\$ Impact</i>	<i>% Impact</i>	<i>\$ Impact</i>	<i>% Impact</i>
Residential	1,000	kWh	\$0.10	0.1%	\$1.30	1.1%
GS<50	2,000	kWh	(\$1.40)	(0.6%)	\$1.00	0.4%
GS>50	1,000	kW	(\$419.50)	(1.0%)	\$61.40	0.1%
Intermediate	4,000	kW	(\$1,849.20)	(1.3%)	\$77.20	0.1%
Large Use – Regular	10,000	kW	(\$6,246.00)	(1.1%)	\$37.00	0.0%
Large Use – 3TS	25,000	kW	(\$14,977.50)	(1.5%)	\$1,038.00	0.1%
Large Use – FA	10,000	kW	(\$6,191.00)	(1.0%)	\$828.00	0.1%
USL	Per connection		(\$0.32)	(1.4%)	\$0.09	0.4%
Sentinel Lighting	Per connection		\$0.30	1.4%	\$0.36	1.6%
Street Lighting	Per connection		\$0.07	0.5%	\$0.07	0.5%

Schedule 5-1-2

Deferral and Variance Accounts

Calculation of Balances by Account

C6 Proposed Deferral /Variance Account Balance Recoveries

Deferral / Variance Account	Recover Balance as at?	Additional Interest to 30 Apr/09?	Balance for Recovery ¹	Additional Interest for Recovery	Total Recovery Amount
1508-Other Regulatory Assets	31 Dec/07	YES	1,302,148	85,321	1,387,469
1518-RCVARetail	31-Dec-07	YES	219,076	14,158	233,234
1525-Miscellaneous Deferred Debits	31-Dec-07	YES	11,049	744	11,793
1548-RCVASTR	31-Dec-07	YES	-26,373	-1,814	-28,187
1555-Smart Meters Capital Variance Account	No Recovery	YES			
1562-Deferred Payments in Lieu of Taxes	31-Dec-07	YES	10,079,979	641,740	10,721,719
1563-Account 1563 - Deferred PILs Contra Account	31-Dec-07	YES	-10,079,979	-641,740	-10,721,719
1565-Conservation and Demand Management Expenditures and Recoveries	No Recovery	NO			
1566-CDM Contra Account	No Recovery	NO			
1574-Deferred Rate Impact Amounts	31-Dec-07	YES	968,008	70,084	1,038,092
1580-RSVAWMS	31-Dec-07	YES	-5,250,031	-369,760	-5,619,791
1582-RSVAONE-TIME	31-Dec-07	YES	169,795	10,969	180,764
1584-RSVANW	31-Dec-07	YES	-567,578	-30,342	-597,920
1586-RSVACN	31-Dec-07	YES	2,066,087	139,941	2,206,028
1588-RSVAPOWER	31-Dec-07	YES	-2,684,599	-151,038	-2,835,637
1592-2006 PILs/Taxes Variance	31-Dec-07	YES	-333,348	-23,261	-356,609
Sub-Total for Recovery					-4,380,764
1590-Recovery of Regulatory Asset Balances (residual)	31-Dec/07	YES	247,150	5,999	253,149
Total Recoveries Required					-4,127,615
Annual Recovery Amounts	# years:	2			-2,063,807

¹ per sheet B5, except account 1590 (sheet C5)

² Interest Rate = 5.43% per sheet Y1

³ Recorded in USA #2330 per sheet C5

Schedule 5-1-3

Deferral and Variance Accounts

Calculation of Rate Riders

C7 Rate Riders

Deferral / Variance Account	Total Recovery Amount ¹	Allocation Basis	Residential	General Service Less Than 50 kW	General Service 50 - 4,999 kW	General Service 3,000 to 4,999 kW - Intermediate Use
1508-Other Regulatory Assets	1,387,469	Distribution Revenue (proposed rates)	631,562	168,702	390,989	5,689
1518-RCVARetail	233,234	Customers / Connections	162,478	15,047	2,529	6
1525-Miscellaneous Deferred Debits	11,793	Customers / Connections	8,216	761	128	0
1548-RCVASTR	-28,187	Customers / Connections	-19,636	-1,818	-306	-1
1562-Deferred Payments in Lieu of Taxes	10,721,719	Distribution Revenue (proposed rates)	4,880,419	1,303,654	3,021,380	43,959
1563-Account 1563 - Deferred PILs Contra Account	-10,721,719	Distribution Revenue (proposed rates)	-4,880,419	-1,303,654	-3,021,380	-43,959
1574-Deferred Rate Impact Amounts	1,038,092	Distribution Revenue (proposed rates)	472,529	126,222	292,534	4,256
1580-RSVAWMS	-5,619,791	kWh's	-1,352,787	-511,315	-2,134,623	-116,659
1582-RSVAONE-TIME	180,764	kWh's	43,513	16,447	68,661	3,752
1584-RSVANW	-597,920	kWh's	-143,930	-54,402	-227,114	-12,412
1586-RSVACN	2,206,028	kWh's	531,031	200,715	837,938	45,794
1588-RSVAPOWER	-2,835,637	kWh's	-682,590	-258,000	-1,077,089	-58,864
1592-2006 PILs/Taxes Variance	-356,609	Distribution Revenue (proposed rates)	-162,325	-43,360	-100,492	-1,462
Sub-Total for recovery	-4,380,764		-511,939	-341,002	-1,946,844	-129,900
1590-Recovery of Regulatory Asset Balances (residual)	253,149	Approved Recoveries	685,849	-18,878	-263,431	-3,011
Total Recoveries Required (2 years)	-4,127,615		173,910	-359,880	-2,210,276	-132,911
Annual Recovery Amounts	-2,063,807		86,955	-179,940	-1,105,138	-66,456
Annual Volume ²			642,120,095	242,703,228	2,601,990	141,807
Proposed Rate Rider per			\$0.0001 kWh	(\$0.0007) kWh	(\$0.4247) kW	(\$0.4686) kW

¹ per sheet C6

² per 2009 Normalized projection on sheet C1; note: customer or connection counts are multiplied by 12 (months) to derive a monthly rate rider

C7 Rate Riders

Deferral / Variance Account	Total Recovery Amount ¹	Allocation Basis	Large Use - Regular	Large Use - 3TS	Large Use - Ford Annex	Unmetered Scattered Load
1508-Other Regulatory Assets	1,387,469	Distribution Revenue (proposed rates)	41,902	74,230	34,548	4,717
1518-RCVARetail	233,234	Customers / Connections	13	6	2	1,883
1525-Miscellaneous Deferred Debits	11,793	Customers / Connections	1	0	0	95
1548-RCVASTR	-28,187	Customers / Connections	-2	-1	-0	-228
1562-Deferred Payments in Lieu of Taxes	10,721,719	Distribution Revenue (proposed rates)	323,796	573,612	266,971	36,454
1563-Account 1563 - Deferred PILs Contra Account	-10,721,719	Distribution Revenue (proposed rates)	-323,796	-573,612	-266,971	-36,454
1574-Deferred Rate Impact Amounts	1,038,092	Distribution Revenue (proposed rates)	31,350	55,538	25,848	3,530
1580-RSVAWMS	-5,619,791	kWh's	-584,555	-714,499	-158,895	-8,848
1582-RSVAONE-TIME	180,764	kWh's	18,803	22,982	5,111	285
1584-RSVANW	-597,920	kWh's	-62,194	-76,019	-16,906	-941
1586-RSVACN	2,206,028	kWh's	229,465	280,474	62,374	3,473
1588-RSVAPOWER	-2,835,637	kWh's	-294,955	-360,522	-80,175	-4,465
1592-2006 PILs/Taxes Variance	-356,609	Distribution Revenue (proposed rates)	-10,770	-19,079	-8,880	-1,212
Sub-Total for recovery	-4,380,764		-630,942	-736,890	-136,973	-1,711
1590-Recovery of Regulatory Asset Balances (residual)	253,149	Approved Recoveries	-58,460	-44,571	-29,442	-5,305
Total Recoveries Required (2 years)	-4,127,615		-689,403	-781,461	-166,415	-7,015
Annual Recovery Amounts	-2,063,807		-344,701	-390,730	-83,207	-3,508
Annual Volume ²			539,634	637,577	133,262	10,632
Proposed Rate Rider per			(\$0.6388) kW	(\$0.6128) kW	(\$0.6244) kW	(\$0.3299) Connection

¹ per sheet C6

² per 2009 Normalized projection on sheet C1; note: customer or connection counts are multiplied by 12 (months) to derive a monthly

C7 Rate Riders

Deferral / Variance Account	Total Recovery Amount ¹	Allocation Basis	Back-up/Standby Power	Sentinel Lighting	Street Lighting
1508-Other Regulatory Assets	1,387,469	Distribution Revenue (proposed rates)		2,941	32,189
1518-RCVARetail	233,234	Customers / Connections		1,637	49,632
1525-Miscellaneous Deferred Debits	11,793	Customers / Connections		83	2,510
1548-RCVASTR	-28,187	Customers / Connections		-198	-5,998
1562-Deferred Payments in Lieu of Taxes	10,721,719	Distribution Revenue (proposed rates)		22,730	248,744
1563-Account 1563 - Deferred PILs Contra Account	-10,721,719	Distribution Revenue (proposed rates)		-22,730	-248,744
1574-Deferred Rate Impact Amounts	1,038,092	Distribution Revenue (proposed rates)		2,201	24,084
1580-RSVAWMS	-5,619,791	kWh's		-2,032	-35,577
1582-RSVAONE-TIME	180,764	kWh's		65	1,144
1584-RSVANW	-597,920	kWh's		-216	-3,785
1586-RSVACN	2,206,028	kWh's		798	13,966
1588-RSVAPOWER	-2,835,637	kWh's		-1,025	-17,952
1592-2006 PILs/Taxes Variance	-356,609	Distribution Revenue (proposed rates)		-756	-8,273
Sub-Total for recovery	-4,380,764			3,497	51,939
1590-Recovery of Regulatory Asset Balances (residual)	253,149	Approved Recoveries		2,165	-11,765
Total Recoveries Required (2 years)	-4,127,615			5,662	40,174
Annual Recovery Amounts	-2,063,807			2,831	20,087
Annual Volume ²				9,240	280,200
Proposed Rate Rider				\$0.3064	\$0.0717
per			kW	Connection	Connection

¹ per sheet C6

² per 2009 Normalized projection on sheet C1; note: customer or connection counts are multiplied by 12 (months) to derive a monthly value

Schedule 5-2-1

Deferral and Variance Accounts

Smart Meter Rate Adder

SMART METER RATE ADDER

EWU is engaged in smart metering procurement pursuant to the RFP for Advanced Metering Infrastructure issued August 14, 2007 by London Hydro Inc. Therefore, according to the amendments to O. Reg. 427/06 by O. Reg. 235/08, EWU will be authorized to engage in discretionary metering activities.

EWU seeks to increase the rate adder for smart meters from \$0.27 to \$1.00. This increase is justified in the interest of reducing the rate shock associated with the smart metering initiative by gradually absorbing the cost of smart meters into rates. The increase sought is consistent with the Board's 2008 cost of service decisions.

The addition of the \$1.00 amount into rates is set out in Table 5-2-1 A below.

Table 5-2-1 A – Smart Meter Rate Adder

Customer Class Name	per Sheet F6	Smart Meters	TOTAL
Residential	\$12.45	\$1.00	\$13.45
General Service Less Than 50 kW	\$26.13	\$1.00	\$27.13
General Service 50 - 4,999 kW	\$370.81	\$1.00	\$371.81
General Service 3,000 to 4,999 kW - Inter	\$1,780.01	\$1.00	\$1,781.01
Large Use - Regular	\$8,413.97	\$1.00	\$8,414.97
Large Use - 3TS	\$31,618.60	\$1.00	\$31,619.60
Large Use - Ford Annex	\$107,467.88	\$1.00	\$107,468.88
Unmetered Scattered Load	\$16.56		\$16.56
Back-up/Standby Power			
Sentinel Lighting	\$11.88		\$11.88
Street Lighting	\$4.29		\$4.29

Schedule 6-1-1

Cost of Capital and Rate of Return

Overview

COST OF CAPITAL AND RATE OF RETURN
OVERVIEW

1. OVERVIEW

In this Exhibit, EWU summarizes the method and cost of financing EWU's expenditures for the 2009 test year. EWU has a 2008 deemed capital structure for rate making purposes of 57.5% debt and 42.5% equity. EWU's approved Return on Equity ("ROE") is 9%, approved Debt Rate is 5.9% and effective Weighted Average Cost of Capital ("WACC") is 7.22%.

In this Application, EWU proposes the following with respect to its capital structure, ROE, Debt Rate and WACC:

- Deemed capital structure of 60% debt and 40% equity;
- Approved ROE of 8.57%;
- Combined Debt Rate of 6.62%. This is made up of a short term debt rate of 4.47% and a long term debt rate of 6.77%; and
- WACC of 7.4%.

These proposed amounts and methodology are in accordance with the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Board Report") dated December 20, 2006.

2. CAPITAL STRUCTURE

EWU's 2008 deemed capital structure for rate-making purposes is 57.5% debt and 42.5% equity.

In keeping with the Board Report, EWU seeks adjustment of its deemed capital structure to 60% debt and 40% equity.

3. COST OF CAPITAL

EWU proposes a 7.4% WACC for the 2009 Test Year. This compares to the current WACC of 7.295% which was established in EWU's 2006 EDR.

Table 6-1-1 A - EWU's Cost of Capital

2007	Deemed Capital Structure	Indicated Cost Rate	Return %
Short Term Debt	-	-	-
Long Term Debt	55%	5.9%	3.245%
Common Equity	45%	9%	4.05%
WACC			7.295%

2008	Deemed Capital Structure	Indicated Cost Rate	Return %
Short Term Debt	-	-	-
Long Term Debt	57.5%	5.9%	3.39%
Common Equity	42.5%	9%	3.83%
WACC			7.22%

2009	Deemed Capital Structure	Indicated Cost Rate	Return %
Short Term Debt	4%	4.47%	0.18%
Long Term Debt	56%	6.77%	3.79%
Common Equity	40%	8.57%	3.43%
WACC			7.4%

1 **4. RETURN ON EQUITY**

2 The calculations used to determine the ROE are set out in the Board Report.

3
4 The Board used an approved ROE of 8.57% in its recent 2008 Cost of Service decisions. EWU
5 proposes that the same ROE of 8.57% be used to determine its distribution rates for 2009.

6
7 **5. COST OF DEBT**

8 Long Term Debt

9 In the Board Report, the Board established the following policies with respect to long term debt:

- 10 • For embedded debt the rate approved in prior Board decisions shall be maintained for the
11 life of each active instrument, unless a new rate is negotiated, in which case it will be treated
12 as new debt;
- 13 • The rate for new debt that is held by a third party will be the prudently negotiated contracted
14 rate. This would include recognition of premiums and discounts;
- 15 • For new affiliated debt, the allowed rate will be the lower of the contracted rate and the
16 deemed long term debt rate, calculated as the Long Canada Bond Forecast plus an average
17 spread with “A/BBB” rate corporate bond yields; and
- 18 • For all variable rate debt and for all affiliate debt that is callable on demand, the Board will
19 use the current deemed long term debt rate. When setting distribution rates at rebasing these
20 debt rates will be adjusted regardless of whether the applicant makes a request for the
21 change.

22 EWU has two sources of long term debt:

- 23 1) Debentures issued by the Electricity Distributors Finance Corporation (“EDFIN”); and
24 2) Promissory note to the City of Windsor.

1 The EDFIN debentures in the amount of \$50,000,000 were issued on August 15, 2002 for a 10
2 year term, at an interest rate of 6.45%. The costs to issue these debentures amounted to
3 \$1,798,320. These debenture issue costs are being amortized over the 10 year life of the
4 debentures.

5
6 The promissory note to the City of Windsor, in the amount of \$3,255,973 for the test year, was
7 issued on Dec 20, 2001 for an 8 year term, at an interest rate of 6%. This is an affiliate debt.
8 Due to the fact that this is affiliate debt and is callable on demand, EWU has used the current
9 deemed long term debt rate of 6.10% in its long term cost of debt calculation.

10
11 EWU has no new debt. Accordingly, the long term debt rate to be used for the purposes of
12 establishing EWU's 2009 distribution rates is 6.77%. Detailed calculation is shown at
13 Attachment A.

14
15 Short term debt

16 Per the Board Report, the short term debt amount will be fixed at 4% of rate base. At page 15 of
17 the Board Report, the Board confirms that the deemed short term debt rate will be calculated as
18 the average of the 3-month bankers' acceptance rate plus a fixed spread of 25 basis points, and
19 that the rate will be updated using data available three full months in advance of the effective
20 date of the rates. The Board used an approved short term debt rate of 4.47% in its recent cost of
21 service decisions. EWU proposes that same short term debt rate of 4.47% be used to determine
22 its distribution rates for 2009.

Attachment A

Enwin Utilities Ltd. (ED-2002-0527)

2009 EDR Application (EB-2008-0227) version: Final

September 17, 2008

D2 2009 Debt Balances

Enter details of debt balances outstanding in 2009 (excluding short-term debt e.g. line of credit)

Description	Amount	Issue Date (dd-mmm-yyyy)	Term Date (dd-mmm-yyyy)	Interest Rate (a)	Other Costs (b)	Due to Affiliate?	Annual Cost (c)
Debentures	50,000,000	15-Aug-2002	15-Aug-2012	6.45%	179,832	NO	3,404,832
Promissory Note	3,255,973	20-Dec-2001	31-Dec-2009	6.10%		YES	198,614

Description	Effective Rate	Days o/s in 2009	Average Balance	2009 Cost	2009 Ending Balance	Debt o/s USA #	Int. Expense USA #
Debentures	6.81%	365	50,000,000	3,404,832	50,000,000	2505	6005
Promissory Note	6.10%	365	3,255,973	198,614		2260	6005
TOTAL	6.77%		53,255,973	3,603,446	50,000,000		

(a) For debt held issued prior to 4-May-2006 (prior Test Year approval, per sheet A1), represents the previously approved rate.

(b) Annual charges other than interest (e.g. commitment fees, amortization of issuance costs, etc.)

(c) For debt issued to an affiliate since 4-May-2006, represents the lower of (i) actual cost and (ii) cost based on the deemed debt rate (6.10%, per sheet Y1)

Schedule 7-1-1

Calculation of Revenue Deficiency or Surplus

Calculation of Revenue Deficiency

CALCULATION OF REVENUE DEFICIENCY

EWU has provided detailed calculations supporting its 2009 revenue deficiency. The net revenue deficiency is calculated as \$4,948,729 and when grossed up for PILs, EWU's gross revenue deficiency is \$7,127,306. Attachment A on the following page provides the revenue deficiency calculations for the 2009 test year at existing 2008 Board approved rates.

Attachment A

Appendix 7-1

Revenue Sufficiency / Deficiency

	2009 ☐ Projection
Utility Income (see below)	9,919,587
Utility Rate Base	201,034,177
Indicated Rate of Return	4.93%
Requested / Approved Rate of Return	7.40%
Sufficiency / (Deficiency) in Return	(2.46%)
Net Revenue Sufficiency / (Deficiency)	-4,948,729
Provision for PILs/Taxes	-2,178,577
Gross Revenue Sufficiency / (Deficiency)	-7,127,306
Deemed Overall Debt Rate	6.61%
Deemed Cost of Debt	7,976,865
Utility Income less Deemed Cost of Debt	1,942,723
Return On Deemed Equity	2.42%

UTILITY INCOME

Total Net Revenues	47,108,248
OM&A Expenses	24,768,258
Depreciation & Amortization	11,487,968
Taxes other than PILs / Income Taxes	513,858
Total Costs & Expenses	36,770,084
Utility Income before Income Taxes / PILs	10,338,164
PILs / Income Taxes	418,577
Utility Income	9,919,587

Schedule 8-1-1

Cost Allocation

Cost Allocation Overview

COST ALLOCATION OVERVIEW

EWU filed its cost allocation information filing on or about January 15, 2007 in response to the Board's directions and model issued on September 26, 2006 and November 15, 2006. EWU prepared a Run 1, which reflected the rate classifications as they were prior to May 1, 2006, based on 2004 data. Run 2 reflected the addition of a separate rate classification for those customers with load displacement facilities.

On November 28, 2007, in EB-2007-0667, the Board issued the Application of Cost Allocation for Electricity Distributors Report. That report addressed a number of issues, but primarily established revenue-to-cost ratio ranges and set ceilings for monthly fixed charges.

The results of EWU's runs and the ranges applicable to each rate class are set out below in Table 8-1-1 A below.

Table 8-1-1 A – 2006 Cost Allocation Runs

Rate Classification	Run 1 Ratio	Run 2 Ratio	Range
Residential	86.75%	87.24%	85-115%
General Service <50 kW	102.25%	103.05%	80-120%
General Service >50 kW	136.15%	138.75%	80-180%
Intermediate	41.18%	44.18%	80-180%
Large Use – Regular	171.41%	185.91%	85-115%
Large Use – 3TS	138.59%	54.05%	85-115%
Large Use – FA	93.31%	93.31%	85-115%
Street Lighting	23.47%	23.47%	70-120%
Sentinel Lighting	56.21%	56.21%	70-120%
USL	237.76%	238.47%	80-120%
Load Displacement Generation	n/a	265.76%	n/a

In preparing this Application, EWU considered that its cost allocation information might need to be updated as a result of significant load loss among Large Use customers since 2004. Accordingly, EWU retained John Todd of Elenchus Research Associates. Elenchus prepared a report to update the cost allocation information. The report is enclosed as Attachment A.

The results of the update are set out in Table 8-1-1 B below as Run 3. EWU seeks revenue reallocation based on Run 3.

Table 8-1-1 B – 2008 Cost Allocation Run

Rate Classification	Run 3 Ratio	Range
Residential	87.81%	85-115%
General Service <50 kW	103.40%	80-120%
General Service >50 kW	137.01%	80-180%
Intermediate	40.70%	80-180%
Large Use – Regular	172.93%	85-115%
Large Use – 3TS	122.01%	85-115%
Large Use – FA	94.84%	85-115%
Street Lighting	23.81%	70-120%
Sentinel Lighting	57.08%	70-120%
USL	241.19%	80-120%

Attachment A

Update of the EnWin Utilities Ltd. 2006 Cost Allocation Study

**A Report Prepared by
John Todd, President
Elenchus Research Associates Inc.**

**On Behalf of
EnWin Utilities Ltd.**

September 2008



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1 INTRODUCTION

EnWin Utilities Ltd. ("EWU") has prepared its 2009 EDR Application as a cost of service rate application based on a forward test year. The relevant filing requirements for this Application are set out in Chapter 2 of the Board's November 14, 2006 document entitled *Ontario Energy Board, Filing Requirements for Transmission and Distribution Applications* ("Filing Requirements"). Section 2.9 of this document sets out the expectations of the Ontario Energy Board ("Board") with respect to Exhibit 8: Cost Allocation of cost of service applications. The Filing Requirements state:

A completed Board approved cost allocation must be filed whether the utility proposes to use it or not. (p. 20)

EWU asked me¹ to advise it on the steps that it should take in order to comply with the Filing Requirements as they pertain to Exhibit 8: Cost Allocation and to assist it in providing an appropriate cost allocation. In addressing this issue, ERA was guided by the November 28, 2007 *Report of the Board, Application of Cost Allocation for Electricity Distributors* (EB-2007-0667) ("CA Application Report") which "sets out the Board's policies in relation to specific cost allocation matters for electricity distributors" (p. 1).

The CA Application Report observes at page 2 that:

The Board is cognizant of factors that currently limit or otherwise affect the ability or desirability of moving immediately to a cost allocation framework that might, from a theoretical perspective, be considered the ideal. These influencing factors include data quality issues and limited modelling experience, and are discussed in greater detail in section 2.3 of this Report. The Board also recognizes however, that cost allocation is, by its very nature, a matter that calls for the exercise of some judgment, both in terms of the cost allocation methodology itself and in terms of how and where cost allocation principles fit within the broader spectrum of rate setting principles that apply to – and the objectives sought to be achieved in – the setting of utility rates. The existence of the influencing factors does not outweigh the merit in moving forward on cost allocation. Rather, the Board considers that it is both important and appropriate to implement cost allocation policies at this time, and believes that the policies set out in this Report are directionally sound. With better quality data, greater experience with cost allocation modeling and further

¹ This evidence has been prepared by John D Todd, President, Elenchus Research Associates Inc.

developments in relation to other rate design issues, the policies will be refined as required.

The “influencing factors” discussed in 2.3 of the report are:

- **Quality of the data:** The Board notes “that accounting and load data can be improved.” (p. 5) While progress has been made in improving accounting data, the comments of the Board regarding load data remain valid.

... load data and load analysis contribute to important cost allocators; namely, the coincident peak and the non-coincident peak. The Board recognizes the significant work done by distributors, and Hydro One Networks Inc. in particular, in obtaining a set of load data as part of the cost allocation informational filings. However, the Board acknowledges that some of the information is based on estimates from a statistical model and may not be completely representative of current loads due to sampling errors and current market characteristics.

...
With respect to load data and load analysis, the Board anticipates that the installation of smart meters, with their more exact load data, will provide opportunities for better analysis in the future and, as a result, will provide better cost allocators for the cost allocation model. (page 5)

- **Limited modelling experience:** The Board observed that “the cost allocation model is complex, and the data required for the model was not always readily available for modelling.” (p. 6) With respect to modelling improvements in the future the Board stated:

The Board anticipates that, as distributors become more familiar with cost allocation concepts, they will better understand the blending of operating statistics and practice with accounting data, and they will more effectively and consistently use the models in the preparation of their rate applications. The Board also expects distributors to review their allocation factors as better load data become available from smart meters. (page 6)

- **Status of current rate classes:** The Board points out that “Any changes in customer classification or load data could have a significant impact on future cost allocation studies” (p. 6) and goes on to state :

An initiative is currently under way to examine the rate design for electricity distributors (consultation process EB-2007-003) (the “Rate Review”). The Rate Review covers both customer classification and rate structure issues, and its results could affect the way in which rates are set in the future. (p. 6)

- **Managing the movement of rates closer to allocated costs:** The report states that:

The Board considers it appropriate to avoid premature movement of rates in circumstances where subsequent applications of the model or changes in circumstances could lead to a directionally different movement. Rate instability of this nature is confusing to consumers, frustrates their energy cost planning and undermines their confidence in the rate making process. (page 6)

...
The Board expects to address these concerns as and when they arise in the context of individual rate applications. Distributors should endeavour to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations. However, if a large increase is required to move closer to one, rate mitigation plans should be proposed by the distributor. Distributors should not move their revenue-to-cost ratios further away from one. (page 7)

These comments pertain not only to the 2006 Cost Allocation Information Filings ("2006 CA Filing") of the distributors, but also to any other cost allocation studies that can be prepared by distributors at this time.

EWU filed its 2006 CA Filing in January 2007. This filing relied on the Board's 2006 Cost Allocation Model ("2006 CA Model") and was prepared in accordance with the September 29, 2006 Board report entitled *Cost Allocation: Board Directions on Cost Allocation Methodology for Electricity Distributors* ("the Directions"), the subsequent (November 15, 2006) *Cost Allocation Informational Filing Guidelines for Electricity Distributors* ("the Guidelines"), and the *Cost Allocation Review: User Instruction for the Cost Allocation Model for Electricity Distributors* ("the Instructions").

Producing a fully updated cost allocation model at this time would be a significant undertaking for any distributor as it would entail:

- Reviewing the methodology used to classify and functionalize all costs, as directed in the Filing Requirements worksheet E1: Categorization in the 2006 CA Model to ensure that the methodology is appropriate for EWU;
- Repopulating the 2006 CA Model with current trial balance, asset, expense, revenue, customer and load information;

- 1 • Collecting updated information on electrical space heating, water heating and air
2 conditioning saturation information for the residential class;
- 3 • Re-estimating the weather sensitive and non-weather sensitive loads for other
4 rate classes and weather-normalizing actual demand for an historical year;
- 5 • Developing updated hourly load shapes by class and the derivation of updated
6 demand allocators (1CP; 4CP; 12CP; 1NCP; 4NCP and 12NCP) for use in the
7 model based on the information resulting from the two preceding bullet points;
8 and
- 9 • Reviewing and updating, as appropriate, all other allocators.

10 In weighing the cost and benefits of LDCs updating their cost allocation models for use
11 in their 2009 rate rebasing filings, I concluded that it would be prudent to consider the
12 need for an update on a case-by-case basis. At the heart of my reasoning is the
13 concern that, in general, fully updating an LDC's cost allocation filing at this time would
14 provide little, if any, improvement in the information available for determining the extent
15 to which rates need to be rebalanced among classes. Far better cost allocation studies
16 will be available within a couple of years. Consequently, current cost allocation results
17 should be used only as an indicator of significant directional changes that are required.
18 This cautious approach appears to be a logical implication in the Board's CA Application
19 Report. Since the "new, improved" cost allocation studies are still a couple of years
20 away, it is my view that it would be a poor use of ratepayer funds to update any LDC's
21 2006 CA Filing at this time unless there is evidence that the results of the 2006 CA
22 Filing would be misleading in the absence of an update.

23 In the case of EWU, there is a customer that was in the Large Use - Regular class in
24 2006 that has recently reduced its demand significantly and another customer in the
25 Large Use - 3TS class that has also significantly reduced its demand. The resulting
26 reductions in demand have impacts on allocated costs that are too significant to be
27 ignored. The remainder of the evidence explains the analysis behind this conclusion
28 and the approach used to adjust for the demand reductions.

2 ASSESSING EWU's 2006 CA MODEL

The first step in responding to EWU's request for advice on the cost allocation information to include in its 2009 EDR Application was an assessment of the merit of undertaking a full update of the EWU 2006 CA Model to produce a 2009 Test Year Model. My advice on this matter was based on an assessment of the overall value to the regulatory process of having a fully updated cost allocation study as part of the 2009 EDR Application in light of the costs of producing such a study in terms of the regulatory process and the financial costs that would ultimately be visited on ratepayers.

Recognizing the requirements for a full update of their 2006 CA Model listed above, it was my recommendation to EWU (and all of ERA's clients preparing cost of service filings for their 2009 EDR Applications) that there would be little value in preparing a fully updated CA Model at this time. The reasons are as follows.

1. Significant in-house resources would be required to complete an updated cost allocation study. Based on the experience of the distributors that filed cost of service rate applications for 2008, it was evident from the outset that the LDCs filing cost of service applications for 2009 would be challenged to complete their applications by August 15, 2008, even without the added demands of preparing a fully updated CA model. The added workload associated with fully updating its CA Model for an LDC that was completing its first-ever cost of service application would risk compromising both the timeliness and the quality of its cost of service application.
2. In addition to the increased demands on internal resources, any distributor that chose to update its CA Model fully would face the prospect of significant incremental regulatory costs associated with external consulting support and the costs associated with a more complex and extensive public process. While these costs, which would ultimately be borne by ratepayers, were clearly not prohibitive, they should, in my view, be considered in the context of the value to the regulatory process of preparing an updated CA Model at this time. For the reasons outlined below, the value of an updated model would be minimal at this time.

- 1 3. A fully updated cost of service application would require an updated hourly load
2 profile by rate class. ERA explored alternatives for updating the hourly load profiles
3 by rate class comparable to the estimated load profiles that Hydro One prepared for
4 the LDCs for their 2006 CA Models. Hydro One advised that they no longer have
5 the capacity to produce a significant number of LDC-specific hourly load profiles. As
6 far as I am aware, no other entity has the necessary information and models to
7 produce comparable quality hourly load profiles for Ontario LDCs. It therefore was
8 not practical for distributors to update their hourly load profiles by class except in
9 exceptional circumstances.
- 10 4. With the widespread rollout of smart meters and the collection of smart meter data,
11 Ontario distributors will have far superior hourly load profile by class data than the
12 estimates that Hydro One is able to provide. Unless there is evidence of a significant
13 change in circumstances, investing in new hourly load profile by class estimates
14 would be a questionable use of ratepayer funds when far superior hourly load profile
15 information will be available in the next few years at minimal incremental cost.
- 16 5. The Board's Rate Design Review is progressing well and is expected to result in a
17 Board Report in the coming year. Given the rate design possibilities that will arise
18 as a result of the widespread rollout of smart meters, it is conceivable, if not likely,
19 that new class definitions and new approaches will result from this process. As a
20 consequence, a current cost allocation is likely to be of little, if any, relevance within
21 a couple of years. Unless there are serious anomalies, investing in an updated cost
22 allocation study at this time does not appear to be a wise use of ratepayer funds.
- 23 6. Both time-of-use commodity pricing and changes to the design of distribution rates
24 can be expected to alter demand and, as a result, some key allocators used in cost
25 allocation studies. A fully updated cost allocation study prepared at this time cannot
26 be expected to produce reliable indicators of the changes in relative rates that will be
27 required to ensure that the resulting rate design recovers costs from customers in a
28 manner that improves inter-class and intra-class equity. At best, a current study will
29 provide an indicator of serious anomalies or inequities that justify immediate
30 rectification. If the 2006 CA Model is a reasonable proxy for a 2009 cost allocation

study, an updated study is unlikely to provide better guidance for rate changes that are appropriate at this time.

7. As noted above, a fully updated cost allocation study should include a careful review of the methodology in the context of the specific distributor conducting the study. The 2006 Cost Allocation Model was a generic model that was completed by distributors for information purposes. These models have never been subjected to the rigorous review of a public hearing process. A new LDC-specific cost allocation study that is filed as part of a 2009 EDR Application would be open to being fully reviewed and tested by all stakeholders. Since the methodology will not be robust, for the reasons discussed above, it would not be an efficient use of ratepayer funds to engage in a detailed review of a cost allocation methodology that will be outdated with a year or two.

8. To the extent that (i) the hourly load shapes by class (ii) categorization of costs (rate base and expenses) in relative terms, and (iii) customer data are fairly stable, the results (revenue-to-cost ratios and relative cost responsibility by class) would not change appreciably. The revenue-to-cost ratio bands set out in the CA Application Report appear to recognize the lack of precision in cost allocation studies at this time. An update would produce changes in cost responsibility that are small relative to the tolerances that are necessary given the imprecision of the allocated costs based on the 2006 CA Model methodology. The 2006 CA Model results can be expected to provide appropriate guidance for purposes of adjusting rates for classes so as to achieve a more equitable basis for recovering the revenue requirement.

9. In general, cost allocation studies are quite robust and stable in the absence of significant changes in a distributor's cost structures or loads. Small increases in rate base and operating expenses that cut across the various cost categories will have little impact on the relative cost responsibilities of customer classes or their relative revenue-to-cost ratios. Similarly, small changes in the relative loads of customer classes will result in small changes to the allocators. The resulting small change in revenue cost ratios will not affect the distributor's rate design where the existing revenue-to-ratios are significantly above or below the ranges endorsed by the Board

1 in the CA Application Report or where they are comfortably within the ranges. A
2 small change will only affect customer rates if the revenue-to-cost ratios are close to
3 either the upper or lower limits of the ranges.

4 Having concluded that there is little value in imposing the costs of preparing a fully
5 updated CA study on ratepayers as a matter of course, the next step in providing my
6 advice was to determine whether there are any circumstances specific to EWU that
7 would justify either a partial or full update to the cost allocation model. Of particular
8 concern in this regard was the possibility that an update would produce a significant
9 change in the proportion of the distributor's total revenue requirement that is appropriate
10 to recover from each class.

11 For example, a problem will arise in the event that one class experiences a significant
12 decline in volume throughput while other classes do not in the years after 2004, which
13 was the basis for the allocators used in the 2006 CA Model. Further, 2004 cost
14 information was the basis for the cost information in the 2006 CA Model since the 2006
15 EDR filings were based on 2004 actual expenses. As a result, if the 2006 CA Model is
16 not updated, the proportion of costs allocated to each class would be based on the
17 outdated throughput data, while class revenues would be based on the current forecast
18 for throughput in 2009. A 50% decline in key cost drivers (kW, kWh and customer
19 count) in a class, for example, would result in a similar decline in forecast revenue, but
20 in the absence of an update to the CA Model there would be no reduction in the
21 proportion of costs allocated to the class although it is clear that the primary drivers of
22 allocated costs in fact would have declined by 50% for the affected class, relative to
23 other classes. The corresponding reduction in the allocation of costs will not be
24 recognized without an updated study. The calculated revenue to cost ratio for the test
25 year would therefore be artificially low – in this example, roughly 50% below the “true”
26 value in the absence of a cost allocation update.

27 The “true” revenue-to-cost ratios would not be significantly affected by changes in the
28 relative throughput for different classes assuming the loss of load does not significantly
29 alter the load profile of the classes and directly allocated cost are not a major factor in
30 the cost allocation study. Subject to these caveats, changes in allocated costs and

changes in revenues will be similar and the resulting revenue-to-cost ratios will be fairly stable even if there are significant changes in the throughput of one or more classes.

The implication of the foregoing concern is that an analysis of the stability of the relative throughput of the various customer classes is required in order to determine whether the 2006 CA Model results can be viewed as a good proxy for a fully updated cost allocation study. The issue of the stability of these parameters can be addressed by examining the stability of EWU's infrastructure, operations, customer count and class shares of billed kWh and kW.

2.1 ASSESSING THE STABILITY OF EWU'S RATE BASE

The information on EWU's rate base in Exhibit 2 of its 2009 EDR Application Filing shows that the underlying infrastructure has been fairly stable since the 2006 EDR which was used as the basis for the 2006 CA Model and Application.

Table 1 below summarizes the 2006 EDR approved and 2009 forecast net book values by asset account of the assets included in EWU's rate base. The values in Table 1 correspond to the values set out in Exhibit 2, Tab 2, Schedule 1, Attachment 1 of the EWU Application. The proportions of the total rate base as well as the net book values are shown for each asset account.

Table 1: Net Book Values of Assets, 2006 EDR vs. 2009

	2006 EDR Approved		2009 Balance	
	\$	%	\$	%
1805-Land	182,807	0.1%	104,771	0.1%
1806-Land Rights	30,889	0.0%	30,889	0.0%
1808-Buildings and Fixtures	87,546	0.1%	43,637	0.0%
1815-Transformer Station Equipment - Normally Primary above 50 kV	18,900,277	13.1%	24,212,486	13.8%
1820-Distribution Station Equipment - Normally Primary below 50 kV	1,564,463	1.1%	1,211,524	0.7%
1830-Poles, Towers and Fixtures	42,191,798	29.3%	46,932,378	26.8%
1840-Underground Conduit	47,330,334	32.8%	39,536,838	22.6%
1850-Line Transformers	32,753,445	22.7%	33,388,915	19.1%
1855-Services		0.0%	2,313,923	1.3%
1860-Meters	4,779,313	3.3%	5,481,845	3.1%

1905-Land			1,322,514	0.8%
1908-Buildings and Fixtures		0.0%	17,186,586	9.8%
1915-Office Furniture and Equipment		0.0%	351,281	0.2%
1920-Computer Equipment - Hardware		0.0%	1,152,051	0.7%
1925-Computer Software		0.0%	7,848,103	4.5%
1930-Transportation Equipment	7,820	0.0%	-59,063	0.0%
1935-Stores Equipment		0.0%	2,974	0.0%
1940-Tools, Shop and Garage Equipment		0.0%	63,122	0.0%
1945-Measurement and Testing Equipment	151,106	0.1%	33,938	0.0%
1950-Power Operated Equipment		0.0%	299	0.0%
1955-Communication Equipment		0.0%	34,165	0.0%
1960-Miscellaneous Equipment	556,325	0.4%	2,630,447	1.5%
1995-Contributions and Grants - Credit	-4,325,066	-3.0%	-8,877,926	-5.1%
TOTAL	144,211,053	100.0%	174,945,697	100.0%

1 The assets can be grouped together into groups that are categorized in the same way in
2 the 2006 CA Model. The proportions of the rate base attributable to each grouping are
3 shown in Table 2.

4 **Table 2: Distribution of Assets by Classification Group, 2006 EDR vs. 2009**

		2006 EDR	2009 Balance
Group		%	%
A	1805/1806/1808/1820	1.4%	0.8%
B	1815	11.9%	13.8%
C	1830/1840	62.6%	49.4%
D	1850	22.6%	19.1%
E	1855/1860	3.5%	4.5%
F	1905/1908/1915/1920/1925/1930/1935/1940/ 1945/1955/1960	0.6%	17.5%
G	1995	-2.6%	-5.1%

5 Given the modest differences in the allocators used to allocate these costs to rate
6 classes and the stability of the costs, relative to the revenue-to-cost ranges contained in
7 the CA Application Report, it can be concluded that the shift in the relative proportions
8 of rate base from poles and wires accounts (Group C) to the administrative and
9 maintenance accounts (Group F) will not have a large impact on the overall allocation of

costs. Given the inherent lack of precision in the CA studies of Ontario electricity LDCs at this time, it is reasonable to conclude that EWU's 2006 CA Model does not need to be adjusted to account for changes in the structure of its rate base.

2.2 ASSESSING THE STABILITY OF EWU'S OPERATING COSTS

EWU's 2006 EDR Approved and 2009 Projection operating costs by account grouping are shown in Table 3 below. This information is drawn from Exhibit 4, Tab 1, Schedule 1 of EWU's 2009 EDR Application Filing. Table 3 shows that the primary change in the cost proportions by account grouping is a shift from Administrative and General to other account groupings.

Table 3: Operating Cost by Account Grouping, 2006 EDR vs. 2009

Account Grouping	2006 EDR Approved	Proportion (%)	2009 Projection	Proportion (%)
3500-Distribution Expenses – Operation	1,604,003	7.03%	2,284,473	9.04%
3550-Distribution Expenses – Maintenance	1,931,319	8.46%	2,953,609	11.68%
3650-Billing and Collecting	510,143	2.23%	1,283,494	5.08%
3700-Community Relations	10,857	0.05%	53,949	0.21%
3800-Administrative and General Expenses	18,629,649	81.61%	18,192,733	71.96%
3950-Taxes Other Than Income Taxes	142,542	0.62%	513,858	2.03%
TOTAL	22,828,513		25,282,116	

In the 2006 CA Model, the overall allocation of A&G Expenses is very close to the overall allocation the total Distribution Costs and Customer Related Costs. This can be shown by reference to the 2006 CA Model which shows the allocated costs by class for these cost categories at lines 23 to 25 of Worksheet O1 Revenue and Costs RR. Table 4 below compares the proportions of A&G expenses to the proportions of Distribution and Customer Related Expense by rate class. Based on this comparison on how these cost categories are allocated, it is evident that the shift of costs from 3800-Administrative and General Expenses to the other account groupings will have very little overall impact on the allocation of costs. It therefore follows that the underlying operating costs exhibit sufficient stability that a full update of EWU's cost allocation is not necessary to address changes in the structure of EWU's operating costs.

Table 4: Comparison of Expense Group Allocations by Rate Class

Class	Proportion A&G Expense allocated	Proportion Distribution and Customer Related Expense Allocation
Residential	62.5%	63.0%
GS <50 kW	14.0%	14.1%
GS >50 kW	17.3%	17.0%
Intermediate	0.4%	0.3%
Large Use - Regular	1.3%	1.2%
Large Use - 3TS	0.0%	0.0%
Large Use - FA	0.1%	0.1%
Street Lighting	3.9%	3.8%
Sentinel Lighting	0.3%	0.3%
USL	0.2%	0.2%

2.3 ASSESSING THE STABILITY OF EWU'S CUSTOMER BASE/DEMAND

In EWU's 2009 EDR Application, Exhibit 3, Tab 2, Schedule 2, Table 3-2-2 C shows that the customer count has been stable enough to have had little effect on allocated costs, given the small portion of cost allocated on the basis of the customer count.

Tables 5 and 6 show the kWh and kW shares by class, based on Exhibit 3, Tab 2, Schedule 2, Table 3-2-2 C of EWU's Application. These tables show the impact of the demand reductions in the Large Use - Regular and Large Use - 3TS classes. These reductions represent a decline of close to one-quarter of the energy consumed and closer to 40% of kW demand relative to the values used in the 2006 CA Model.

Table 5: kWh Class Shares, 2006 EDR vs. 2009

Customer Class Name	2006 EDR Approved		2009 Normalized	
	kWh	Share by Class	kWh	Share by Class
Residential	673,872,389	20.86%	642,120,095	24.07%
GS <50 kW	251,217,394	7.78%	242,703,228	9.10%
GS >50 kW	1,053,221,287	32.60%	1,013,230,091	37.98%
Intermediate	96,780,188	3.00%	55,374,071	2.08%
Large Use - Regular	531,673,768	16.46%	277,467,527	10.40%
Large Use - 3TS	520,153,212	16.10%	339,147,498	12.71%
Large Use - FA	81,825,128	2.53%	75,421,885	2.83%
Street Lighting	16,439,727	0.51%	16,887,318	0.63%
Sentinel Lighting	1,173,917	0.04%	964,529	0.04%
USL	4,633,951	0.14%	4,199,811	0.16%
TOTAL	3,230,990,961	100%	2,667,516,053	100%

Table 6: kW Class Shares, 2006 EDR vs. 2009

Customer Class Name	2006 EDR Approved Share by kW Class		2009 Normalized Share by kW Class	
Residential				
GS <50 kW				
GS >50 kW	2,707,203	53.43%	2,601,990	63.38%
Intermediate	237,020	4.68%	141,807	3.45%
Large Use - Regular	933,152	18.42%	539,634	13.14%
Large Use - 3TS	1,051,978	20.76%	637,577	15.53%
Large Use - FA	137,491	2.71%	133,262	3.25%
Street Lighting			48,555	1.18%
Sentinel Lighting			2,586	0.06%
USL				
TOTAL	5,066,844	100%	4,105,411	100%

It is evident that the reduction in Large Use - Regular and Large Use - 3TS demand reduces the revenue of these classes quite significantly. In the absence of an adjustment to the 2006 CA Model, the proportion of costs allocated to these classes will not decline correspondingly and as a result, the calculated revenue-to-cost ratio will be significantly understated. The magnitude of this change and its estimated impact on the revenue-to-cost ratio for the class suggests that using the share of total costs allocated to rate classes as determined by the 2006 CA Model could significantly over-allocate cost to the Large Use - Regular and Large Use - 3TS classes.

Although there is reason to believe that it would be prudent to update the 2006 CA Model with respect to the energy and demand allocators, EWU's infrastructure and operations are sufficiently stable relative to the acceptable revenue-to-cost ratio ranges recommended by the Board in *Application of Cost Allocation for Electricity Distributors, Report of the Board* (EB-2007-0667) that it can be expected that completing a full cost allocation study for the 2009 test year is not necessary because:

- the proportions of kWh and kW attributable to the Large Use - Regular and Large Use - 3TS classes are changes that could result in a significant error in the revenue-to-cost ratio calculation for the 2009 test year if the cost allocation study is not adjusted to reflect the reduction in the demand of one former large user;

- EWU's capital and operating cost do not exhibit any significant discontinuities;
- EWU will be implementing smart meters in the near future, which will provide a significantly improved basis (e.g., a direct measure of the hourly demand of each rate class) for quantifying the allocators used in the cost allocation study than the Hydro One estimates that must be relied on at this time; hence, it is prudent to defer updating EWU's cost allocation study until this information is available;
- it is expected that the Board's current Rate Design Review will result in changes to rate classes necessitating new cost allocation studies; hence, an updated cost allocation study will be required in the near-future in any case.

2.4 UPDATING THE 2006 CA MODEL

As an alternative to completing a fully updated 2009 CA Model, which would involve the steps outlined at pages 3-4 above, an updated 2006 CA Model can be produced. An updated 2006 CA Model would be identical to the 2006 Cost Allocation Information filing in that the rate base and expenses are unchanged. In addition, customer load information is unchanged except for extraordinary changes in customer demand. Put simply, in the case of EWU's Large Use – Regular and Large Use – 3TS classes, the updated 2006 CA Model would be adjusted to reflect a scenario where the load decreases in each customer class had occurred prior to the 2004 fiscal year that was used as the basis for the 2006 CA Model.

This approach was taken to updating EWU's 2006 CA Model. The methodology and results are described in the next section.

3 METHODOLOGY

This section documents ERA's methodology for updating EWU's 2006 Cost Allocation Information Filing to reflect the impact of the reduction in power consumption by one customer in each of the Large Use - Regular and Large Use - 3TS classes.

3.1 ANALYSIS OF EWU LARGE USE CLASS

EWU provided the hourly load data for all customers in its Large Use - Regular and Large Use - 3TS classes for the period January 1, 2004 through December 31, 2004. The hourly load data for 2004 was used as the basis for modifying the load data provided by HONI (step 2 below) as input to the 2006 Cost Allocation Model (step 3 below). The following data were derived from these data.

- The revised load for the two customers with reduced load for each hour of the year (8784 hours in 2004 since 2004 was a leap year).
- The revised total load for each hour of the year for the Large Use - Regular and Large Use - 3TS classes.

The revised loads for these classes were used to adjust the HONI load data file (step 2 below).

3.2 REVISE LOAD DATA PROVIDED BY HONI, RUN 1

For EWU's 2006 CA Filing, HONI provided a load data file (Load Data from HONI, RUN 1) with three worksheets.

- Data summary: actual and weather normalized monthly kWh by class, disaggregated by weather sensitive and non-weather sensitive load for relevant classes.
- Hourly load shape by class: GWh by class for each hour in 2004.
- Input to Cost Allocation Model (1CP; 4CP; 12CP; 1NCP; 4NCP; 12NCP) derived from the hourly load shape.

1 A modified file was created (2006 Adjusted Load Data from HONI, RUN 1) as follows.

2 1. The hourly load shape for the Large Use - Regular and Large Use - 3TS classes
3 were modified by using the revised hourly loads as described above.

4 2. On the Hourly Load Shape by Rate Class worksheet, the 12 monthly coincident and
5 non-coincident peaks were identified for each rate class. The hours in which the total
6 peak occurred are required in order to derive the coincident peak demand.

- 7 • The peaks for each month were identified for each class (base case and revised)
8 and for the total demand for the base case and revised case.

- 9 • The monthly peaks for the revised case occurred in the same hours as in the
10 base case in eight months.

- 11 • The 12 NCP values for each class were calculated by adding the 12 monthly
12 peaks for each class (base case and revised).

- 13 • The total 12 NCP values are the total of the class 12 NCP values. The Revised
14 Large Use - Regular and Large Use - 3TS 12 NCP values were used.

- 15 • The 12 CP values for each class were derived by adding the hourly demands for
16 the 12 hours during which the monthly system peaks occurred.

- 17 • The calculation methodology was verified since the derived base case values
18 matched the HONI results.

19 3. On the Hourly Load Shape by Rate Class worksheet, the 4 CP and 4 NCP values
20 were determined for each rate class (base case and revised) and for the total
21 demand (base case and revised). The hours in which the total 4 CPs (base case and
22 revised) occurred are used to derive the 4 CP value.

- 23 • The four highest monthly peaks were identified for each class (including the
24 revised Large Use - Regular and Large Use - 3TS classes). The 4 NCP values
25 are the sum of the four highest monthly peaks for each rate class. The total 4
26 NCP is the sum across the rate classes for the base case and revised scenario,

- 1 • The four highest monthly peaks were used to determine the 4 CP for total
2 demand (base case and each scenario). The hours in which the four peaks
3 occurred were then used to determine the 4 CP values for each rate class.
- 4 4. On the Hourly Load Shape by Rate Class worksheet, the 1 CP and 1 NCP values
5 were determined for each rate class (base case and revised) and for the total base
6 demand (base case and revised). The hours in which the total 1 CPs (base case and
7 revised) occurred are used to derive the 1 CP values for each rate class.
- 8 • The single highest monthly peak was identified for each class (including the
9 revised Large Use - Regular and Large Use – 3TS classes). The 1 NCP values
10 are the highest monthly peak for each rate class. The total 1 NCP is the sum
11 across the relevant rate classes for the base case and revised,
- 12 • The single highest monthly peak was the 1 CP value for total demand (base case
13 and revised). The hour in which the total 1 CP occurred was then used to
14 determine the 1 CP values for each rate class.
- 15 5. The relevant CP and NCP values were then copied onto tables on the Input to CA
16 Model worksheet, with the base case table being repeated for each scenario.
- 17 6. The 30 year weather normalized amounts by rate class were also added into the
18 tables on the Input to CA Model worksheet. The values used were the summations
19 of the hourly data by class, including the revised amounts for the Large Use -
20 Regular and Large Use - 3TS classes.

21 **3.3 REVISED COST ALLOCATION MODEL**

22 On sheet I8, the revised values from the HONI Load Data RUN 1 were entered on rows
23 40 (rows 38 and 39 match), 45 (rows 43 and 44 match), 50 (rows 48 and 49 match), 55
24 (row 56 updates), 61 (row 62 updates) and 67 (row 68 updates). This revises the
25 demand data in the CA Model.

26 1. On sheet I6:

- 27 • Row 56 was updated with the revised kWh – 30 year normalized amount from
28 the HONI Load Data RUN 1

- Rows 10 and 21 were revised to reflect the revised Large Use and Large Use 3TS loads (kWhs)
- Rows 13, 22 and 23 were revised to reflect the revised Large Use and Large Use 3TS loads (kWhs)
- Row 29 was revised by making adjustments to the revenue that were proportional to the change in energy (kWhs) and demand (kW).

2. On Sheet O1:

- The adjusted revenue of each class was calculated by scaling up the calculated revenue to offset the revenue loss due to the reduced demand. See row 81.
- The adjusted Revenue to Expense ratios are calculated using the adjusted revenues by class. See row 82. In effect, rates are scaled up through an across the board increase so that the overall revenue to cost ratio is 100%.

4 IMPACT ON CLASS REVENUE REQUIREMENTS

The class revenues and the class revenue-to-cost ratios as determined in the original EWU cost allocation model are shown in Table 7, below.

Table 7: Original Revenue Requirement and R/C Ratios

	Total	Residential	GS <50 kW	GS >50 kW	Large Use - Regular	Street Lighting	Sentinel Lighting	USL	Intermediate	Large Use - 3TS	Large Use - FA
Revenue Requirement (includes NI)	\$48,470.6	\$25,510.8	\$5,789.7	\$9,811.4	\$1,220.2	\$2,316.4	\$155.8	\$97.6	\$307.2	\$2,067.1	\$1,194.3
Revenue to Expense %	100.00%	86.75%	102.25%	136.15%	171.41%	23.47%	56.21%	237.76%	41.18%	138.59%	93.31%

The revised class revenues and revenue-to-cost ratios are shown in Table 8.

Table 8: Revised Revenue Requirement and R/C Ratios

	Total	Residential	GS <50 kW	GS >50 kW	Large Use - Regular	Street Lighting	Sentinel Lighting	USL	Intermediate	Large Use - 3TS	Large Use - FA
Revenue Requirement (includes NI)	\$48,470.6	\$25,584.9	\$5,813.1	\$9,905.9	\$1,019.3	\$2,316.4	\$155.8	\$97.7	\$316.0	\$2,067.1	\$1,194.3
Revenue to Expense %	100.00%	87.81%	103.40%	137.01%	172.96%	23.81%	57.08%	241.19%	40.70%	122.01%	94.84%

The revised revenue-to-cost ratios have been used by EWU as the reference ratios in its cost of service filing.

Schedule 8-1-2

Cost Allocation

Allocation Factors to Customer
Classifications

ALLOCATION FACTORS TO CUSTOMER CLASSIFICATIONS

Conscious of the Board's decisions in respect of rate allocation in the 2008 cost of service decisions and orders and in the interest of mitigating rate shock, EWU proposes to adjust revenue-to-cost ratios over a 3 year period. Over this period, revenue-to-cost ratios below the range would move towards the bottom of the range and reach the bottom of the range no later than in the third year. Over the same period, revenue-to-cost ratios above the range would move towards the top of the range and reach the top of the range no later than in the third year. In keeping with the Board's 2008 decisions, EWU seeks to adjust revenue-to-cost ratios by about 50% of the distance to the range in the first year and by about 25% in each of the next two years. These adjustments are set out in Table 8-1-2 A below.

Table 8-1-2 A – Revenue-to-Cost Ratios

Rate Classification	2008	2009	2010	2011	Range
Residential	87.19%				85-115%
General Service <50 kW	102.71%				80-120%
General Service >50 kW	136.43%				80-180%
Intermediate	40.70%	61%	71%	80%	80-180%
Large Use – Regular	170.63%	143%	129%	115%	85-115%
Large Use – 3TS	131.70%	124%	119%	115%	85-115%
Large Use – FA	93.31%				85-115%
Street Lighting	23.47%	47%	59%	70%	70-120%
Sentinel Lighting	56.21%	63%	67%	70%	70-120%
USL	237.59%	175%	147%	120%	80-120%

The projected approximate bill impacts to customers in 2009 that result directly and exclusively from the proposed reallocation are set out in Table 8-1-2 B below.

Table 8-1-2 B – Revenue-to-Cost Ratios Adjustment – Bill Impacts for 2009

Rate Classification	kW / kWh	\$	%
Residential	0 / 1,000	\$0	0%
General Service <50 kW	0 / 2,000	\$0	0%
General Service >50 kW	1,000 / 450,000	\$0	0%
Intermediate	4,000 / 1,750,000	\$2,079.12	1.5%
Large Use – Regular	10,000 / 7,500,000	(\$5,871.32)	(1.0%)
Large Use – 3TS	20,000 / 10,000,000	(\$3,185.89)	(0.4%)
Large Use – FA	10,000 / 7,500,000	\$0	0%
Street Lighting	1 / 100	\$2.09	18.1%
Sentinel Lighting	1 / 100	\$1.26	8.6%
USL	0 / 100	(\$7.06)	(19.3%)

Schedule 9-1-1

LRAM Application

RECOVERY OF LRAM AND SSM

1. INTRODUCTION

EWU seeks:

1. Approval and recovery of historical lost revenue through the Lost Revenue Adjustment Mechanism (“LRAM”), in the amount of \$298,733.99, and
2. The Shared Savings Mechanism (“SSM”) incentive in the amount of \$378,687.61, related to achieved Conservation and Demand Management (“CDM”) results.

The LRAM and SSM amounts are related to Board-approved CDM activities undertaken by EWU in 2005 through to the end of 2007. All of the CDM programs for which LRAM and SSM amounts are sought were undertaken in connection with EWU’s ‘third tranche’ CDM spending obligations.

EWU’s application includes amendments to figures previously submitted to the Board in EWU’s CDM Annual Reports. The changes made relate to use of the 30% free rider rate for custom projects, as defined in Section 7.2.3 of the Board’s Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037, “Board Guidelines”). It was determined that the 30% free rider rate had not been consistently applied in calculations of Total Resource Cost (“TRC”) figures. This deviation from TRC guidelines found in the CDM Annual Reports has been corrected in this application and all calculations follow Board Guidelines.

EWU is in the process of engaging an expert to perform that review and prepare that report in respect of the recovery of LRAM and SSM. EWU will update its evidence in this proceeding following receipt of that report. EWU expects this update to occur in October, 2008.

2. AUTHORIZATION FOR LRAM/SSM RECOVERY

The Board's RP-2004-0188 Electricity Distribution Rate Handbook Report provides the authorization to seek recovery of LRAM and SSM. This Report refers to the Board's December 2004 Decision RP-2004-0203, concluding that a retrospective LRAM was appropriate for CDM results and that a distributor shareholder incentive was an appropriate way to encourage distributors to pursue CDM programs.

3. DETERMINATION OF LRAM AMOUNT

EWU's LRAM claim in this Application is \$298,733.99.

By definition, LRAM is a retrospective adjustment, which is designed to recover revenues lost from distributor supported CDM activities.

For 2005, 2006 and 2007, no forecast or other adjustment for the effects of CDM programs were made to the load quantities used to calculate rates. Therefore, the entire actual load reduction achieved by the eligible CDM programs is subject to the LRAM calculation. In calculating LRAM, where possible, load impacts were calculated based on approved savings per measure as set out in the Board's TRC guidelines. Custom projects calculate load impacts based on

1 engineering information specific to equipment installations and other relevant operating
2 parameters.

3
4 Attachment A summarizes the CDM Load Impacts by Class and Program. Results are expressed
5 in kWh and kW in order to accommodate the billing basis for the different rate classes.

6
7 Foregone revenue amounts corresponding to the load reductions by class are calculated for each
8 year using the applicable distribution volumetric rate. This rate does not include any Regulatory
9 Asset Recovery rate riders.

10
11 Attachment B summarizes the Foregone Revenue by Class and Program.

12
13 **4. DETERMINATION OF SSM AMOUNT**

14 EWU's SSM claim in this Application is \$378,687.61.

15
16 EWU's calculations of the SSM amounts, per program and in total, follow the methodology set
17 out in the TRC guidelines. The determination of SSM amounts is separate and distinct from the
18 calculation of LRAM amounts, in that SSM amounts are a function of the net present value
19 ("NPV") of program benefits, rather than distribution rates. Program net benefits in turn are
20 determined by the present value of the stream of benefits over a program's life, comprised
21 mainly of avoided electricity costs, offset by the present value of program costs. Both benefits

1 and costs are assessed from a societal perspective, so that incentive payments, which are
2 transfers between parties rather than resource costs, cancel out and are excluded.

3
4 Load reductions are valued financially using avoided cost figures provided by the Board in the
5 TRC guidelines. The avoided cost figures are distinguished between winter, summer and
6 shoulder periods during the year, and further into on-peak, mid-peak and off-peak categories.
7 The avoided unit costs are applied to the corresponding load reduction figures to arrive at
8 nominal annual avoided costs per measure per year, over the number of years of the program's
9 life. The stream of annual benefits is then discounted to arrive at the NPV of the program's
10 benefits. EWU used its after tax cost of capital of 6.90538% in 2005 and 6.12% in 2006 and
11 2007 as the discount rate. EWU and program partners have incurred direct costs to implement
12 CDM programs. Records of these costs are maintained and have been entered into the TRC
13 model. EWU has relied on information reported by program partners in regard to costs incurred
14 by them.

15
16 In accordance with the Board's RP-2004-0203 Decision, an SSM rate of 5% has been applied to
17 the net TRC benefits or costs for each program in each class.

18
19 Attachment C summarizes the calculation of SSM amounts by class and program.

20
21
22

1 **5. ALLOCATION AND MANNER OF RECOVERY**

2 EWU proposes that both LRAM and SSM amounts calculated for each class be combined and
3 allocated to each class for recovery through class-specific 2009 rate riders. The class-specific
4 rate riders will be applied on a kW or per kWh basis as appropriate. EWU proposes a recovery
5 period of two years.

6
7 Attachment D summarizes the LRAM/SSM Rate Riders that are being sought.

8
9 **6. SUMMARY**

10 EWU seeks authorization for the recovery of the LRAM and SSM amounts by way of volumetric
11 rate riders. Total LRAM and SSM amounts for 2005, 2006 and 2007 are \$298,733.99 and
12 \$378,687.61, respectively. It is being proposed that the rate riders be combined and applied for
13 each applicable class.

Attachment A

Attachment A

CDM Load Impacts by Class and Program

Class Program	<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>Total</u>	
	<u>kWh</u>	<u>kW</u>	<u>kWh</u>	<u>kW</u>	<u>kWh</u>	<u>kW</u>	<u>kWh</u>	<u>kW</u>
LDC System Programs - not eligible								
System Loss Reduction/Power Factor Correction	-	-	429,240	49	429,240	49	858,480	98
Residential								
Energy Conservation Media Campaign	51,465	10	-	-	24,726	6	76,191	16
Home Improvements - Little River Acres	-	-	15,786	2	30,561	3	46,347	5
CFL Event	-	-	5,148,560	588	-	-	5,148,560	588
Keep Cool/Torchiere Exchange and Porchlight	-	-	-	-	8,630,767	952	8,630,767	952
GS<50kW								
Various Custom Projects	-	-	-	-	527,417	9	527,417	9
GS 50 - 4,999kW								
Energy Efficiency Project	-	-	-	-	4,692,970	536	4,692,970	536
Various Custom Projects	477,201	54	2,695,199	307	4,503,011	505	7,675,411	867
Large Use - Regular								
Various Custom Projects	-	-	-	-	3,250,599	371	3,250,599	371
Large Use - 3TS								
Lighting Project	963,566	156	-	-	-	-	963,566	156
TOTALS	1,492,232	220	8,288,785	946	22,089,291	2,432	31,870,308	3,598

Attachment B

Attachment B**Foregone Revenue by Class and Program**

Class Program	2005			2006			2007			Total Revenue	Total Revenue By Class
	Load Unit (kWh or kW)	Rate per Unit	Revenue	Load Unit (kWh or kW)	Rate per Unit	Revenue	Load Unit (kWh or kW)	Rate per Unit	Revenue		
Residential											
Energy Conservation Media Campaign	51,465	0.0164	844.03	-	0.0195	-	24,726	0.0211	521.72	1,365.74	
Home Improvements - Little River Acres	-	0.0164	-	15,786	0.0195	307.83	30,561	0.0211	644.84	952.66	
CFL Event	-	0.0164	-	5,148,560	0.0195	100,396.92	-	0.0211	-	100,396.92	
Keep Cool/Torchiere Exchange and Porchlight	-	0.0164	-	-	0.0195	-	8,630,767	0.0211	182,109.18	182,109.18	284,824.51
GS<50kW											
Various Custom Projects	-	0.012	-	-	0.0143	-	527,417	0.0155	8,174.97	8,174.97	8,174.97
GS 50 - 4,999kW											
Energy Efficiency Project	-	2.5743	-	-	3.0625	-	536	3.3116	1,775.02	1,775.02	
Various Custom Projects	54	2.5743	139.76	307	3.0625	941.63	505	3.3116	1,673.46	2,754.85	4,529.87
Large Use - Regular											
Various Custom Projects	-	1.5583	-	-	1.7193	-	371	1.8591	689.87	689.87	689.87
Large Use - 3TS											
Lighting Project	156	3.2998	514.77	-	2.0367	-	-	2.2023	-	514.77	514.77
TOTAL											298,733.99

Attachment C

Attachment C**SSM Amounts by Class and Program**

Class Program	Total Costs \$ NPV	Total Benefits \$ NPV	Net Benefits \$ NPV	Benefit/Cost Ratio	SSM Amount \$
2005					
Residential					
Energy Conservation Media Campaign	51,552	6,915 -	44,636	0.134 -	2,232
Home Improvements - Little River Acres	3,664	- -	3,664	- -	183
Large Use - 3TS					
Lighting Project	170,906	181,304	10,398	1.061	520
GS 50 - 4,999kW					
Various Custom Projects	27,688	102,086	74,399	3.687	3,720
	<u>253,809</u>	<u>290,306</u>	<u>36,497</u>	<u>1.144</u>	<u>1,825</u>
2006					
System Loss Reduction/Power Factor Correction			-	-	-
Residential					
Energy Conservation Media Campaign	27,850	- -	27,850	- -	1,393
Home Improvements - Little River Acres	4,500	16,306	11,806	3.624	590
CFL Event	251,762	1,284,336	1,032,574	5.101	51,629
GS 50 - 4,999kW					
Various Custom Projects	705,358	1,377,357	671,999	1.953	33,600
	<u>989,471</u>	<u>2,677,999</u>	<u>1,688,528</u>	<u>2.706</u>	<u>84,426</u>
<i>not eligible for SSM</i>					
2007					
Residential					
Energy Conservation Media Campaign	1,429	7,388	5,959	5.171	298
Home Improvements - Little River Acres	4,500	33,186	28,686	7.375	1,434
Keep Cool/Torchiere Exchange and Porchlight	376,889	2,365,743	1,988,854	6.277	99,443
GS<50kW					
Various Custom Projects	55,421	60,162	4,741	1.086	237
GS 50 - 4,999kW					
Energy Efficiency Project	569,069	2,828,170	2,259,100	4.970	112,955
Various Custom Projects	276,812	1,838,199	1,561,387	6.641	78,069
Large Use - Regular					
Various Custom Projects	3,309,417	1,958,940 -	1,350,478	0.592 -	67,524
	<u>4,593,538</u>	<u>9,091,787</u>	<u>4,498,250</u>	<u>1.979</u>	<u>224,912</u>
TOTALS					
System Loss Reduction/Power Factor Correction			-	-	-
Residential					
Energy Conservation Media Campaign	80,830	14,304 -	66,527	0.177 -	3,326
Home Improvements - Little River Acres	12,664	49,492	36,828	3.908	1,841
CFL Event	251,762	1,284,336	1,032,574	5.101	51,629
Keep Cool/Torchiere Exchange and Porchlight	376,889	2,365,743	1,988,854	6.277	99,443
GS<50kW					
Various Custom Projects	55,421	60,162	4,741	1.086	237
GS 50 - 4,999kW					
Energy Efficiency Project	569,069	2,828,170	2,259,100	4.970	112,955
Various Custom Projects	1,009,858	3,317,642	2,307,784	3.285	115,389
Large Use - Regular					
Various Custom Projects	3,309,417	1,958,940 -	1,350,478	0.592 -	67,524
Large Use - 3TS					
Lighting Project	170,906	181,304	10,398	1.061	520
	<u>5,836,818</u>	<u>12,060,092</u>	<u>6,223,275</u>	<u>2.066</u>	<u>311,164</u>

Attachment D

Attachment D

LRAM and SSM Totals and Rate Riders by Class - 2 Year Recovery

Rate Class	LRAM	SSM	Billing Units	kW or kWh	Rate Riders		
	\$	\$			LRAM \$/Unit	SSM \$/Unit	Total \$/Unit
Residential	284,824.51	149,586.42	642,120,095	kWh	0.0002	0.0001	0.0003
GS<50kW	8,174.97	237.07	242,703,228	kWh	0.0000	0.0000	0.0000
GS 50 - 4,999kW	4,529.87	228,344.22	2,601,990	kW	0.0009	0.0439	0.0447
Large Use - Regular	689.87	n/a	539,634	kW	0.0006	n/a	0.0006
Large Use - 3TS	514.77	519.90	637,577	kW	0.0004	0.0004	0.0008
TOTAL	298,733.99	378,687.61					

Schedule 10-1-1

Rate Design

Rate Design Overview

RATE DESIGN OVERVIEW

EWU has employed rate mitigation measures for the Intermediate, Sentinel Lighting and Street Lighting customer classes in order to mitigate the impact of the customer cost allocation adjustments as set out in Exhibit 8, Tab 1, Schedule 2.

EWU proposes to maintain the Transformer Ownership Allowance previously approved by the Board.

EWU proposes to adjust the monthly fixed charge for the Residential customer class in order to bring the rate structure into greater conformity with other LDCs. The proposed increase to \$13.45 is significantly less than the allowed ceiling of \$16.60.

Other than the aforementioned, EWU's rate design remains as approved in its 2006 EDR decision.

Schedule 10-1-2

Rate Design

Rate Mitigation

RATE MITIGATION

As a result of this Application, there are 3 customer classes to which rate mitigation has been applied: Intermediate, Sentinel Lighting and Street Lighting. The dominant cause of the significant rate increases for these classes is the cost allocation adjustments set out in Exhibit 8, Tab 1, Schedule 2.

As set out in Exhibit 8, Tab 1, Schedule 1, the rate mitigation measure that EWU proposes in respect of these customer classes is to not increase the revenue-to-cost ratios to the bottom of the specified ranges in the test year. Rather, EWU proposes the mitigation methodology that the Board applied in numerous 2008 cost of service decisions. Specifically, EWU proposes to increase the revenue-to-cost ratios 50% of the distance to the bottom of the applicable ranges. EWU proposes to increase the revenue-to-cost ratios by the remaining 50% in equal increments in each of the two years following the test year. In 2011, the revenue-to-cost ratios for those classes would be at the bottom of the applicable ranges.

Schedule 10-1-3

Rate Design

Transformer Ownership Allowance

TRANSFORMER OWNERSHIP ALLOWANCE

EWU seeks to continue recovering the Transformer Ownership Allowance in the Board's standard amount of \$0.60 per kW of billing demand per month.

Schedule 10-1-4

Rate Design

Existing Rate Schedules

EXISTING RATE SCHEDULES

The existing rate schedules of EWU follow.

Monthly Rates and Charges

Existing Rate

Residential

Service Charge	\$	8.66
Distribution Volumetric Rate	\$/kWh	0.0211
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	24.38
Distribution Volumetric Rate	\$/kWh	0.0155
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 - 4,999 kW

Service Charge	\$	323.74
Distribution Volumetric Rate	\$/kW	3.3050
Retail Transmission Rate – Network Service Rate	\$/kW	1.6180
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2676
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Existing Rate

General Service 3,000 to 4,999 kW - Intermediate Use

Service Charge	\$	432.50
Distribution Volumetric Rate	\$/kW	0.3996
Retail Transmission Rate – Network Service Rate	\$/kW	2.1928
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7179
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use - Regular

Service Charge	\$	6,436.31
Distribution Volumetric Rate	\$/kW	1.8554
Retail Transmission Rate – Network Service Rate	\$/kW	2.2266
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.4545
Retail Transmission Rate – Transformation Connection Service Rate	\$/kW	1.3181
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use - 3TS

Service Charge	\$	21,634.75
Distribution Volumetric Rate	\$/kW	2.1979
Retail Transmission Rate – Network Service Rate	\$/kW	2.2266
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.4545
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Existing Rate

Large Use - Ford Annex

Service Charge	\$	100,188.38
Retail Transmission Rate – Network Service Rate	\$/kW	2.2266
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.4545
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	28.60
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Back-up/Standby Power

Distribution Volumetric Rate	\$/kW	0.5589
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Existing Rate

Sentinel Lighting

Service Charge (per connection)	\$	4.88
Retail Transmission Rate – Network Service Rate	\$/kW	1.4804
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1597
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	1.90
Retail Transmission Rate – Network Service Rate	\$/kW	1.4785
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1584
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Existing Rate

Specific Service Charges

Arrears Certificate	\$	15.00
Pulling post-dated cheques	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	15.00
Account set up charge / change of occupancy charge	\$	30.00
Special Meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Late Payment - per month	%	1.50
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	65.00
Service call – customer-owned equipment	\$	30.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Same Day Open Trench	\$	170.00
Scheduled Day Open Trench	\$	100.00
Dispute Test Residential	\$	50.00
Dispute Test Commercial Self Contained - MC	\$	105.00
Dispute Test Commercial TT - MC	\$	180.00
Service Layout - Residential	\$	110.00
Service Layout - Commercial	\$	150.00
Overtime Locate	\$	60.00
Disposal of Concrete Poles	\$	95.00
Missed Service Appointment	\$	65.00

Allowances

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	-0.60
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	-1.00

LOSS FACTORS

Total Loss Factor- Secondary Metered Customer <5,000 kW	1.0390
Total Loss Factor - Secondary Metered Customer >5,000 kW	1.0145
Total Loss Factor - Primary Metered Customer <5,000 kW	1.0286
Total Loss Factor - Primary Metered Customer >5,000 kW	1.0045

Schedule 10-1-5

Rate Design

Proposed Rate Schedules

PROPOSED RATE SCHEDULE

The proposed rate schedules of EWU follow.

Monthly Rates and Charges

Effective
May 1/09

Residential

Service Charge	\$	13.45
Distribution Volumetric Rate	\$/kWh	0.0189
Regulatory Asset Recovery	\$/kWh	0.0001
LRAM & SSM Rate Rider	\$/kWh	0.0003
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	27.13
Distribution Volumetric Rate	\$/kWh	0.0168
Regulatory Asset Recovery	\$/kWh	(0.0007)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0038
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 - 4,999 kW

Service Charge	\$	371.81
Distribution Volumetric Rate	\$/kW	3.7887
Regulatory Asset Recovery	\$/kW	(0.4247)
LRAM & SSM Rate Rider	\$/kW	0.0447
Retail Transmission Rate – Network Service Rate	\$/kW	1.8005
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3332
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Effective
May 1/09

General Service 3,000 to 4,999 kW - Intermediate Use

Service Charge	\$	1,781.01
Distribution Volumetric Rate	\$/kW	1.6456
Regulatory Asset Recovery	\$/kW	(0.4686)
Retail Transmission Rate – Network Service Rate	\$/kW	2.4402
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8069
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use - Regular

Service Charge	\$	8,414.97
Distribution Volumetric Rate	\$/kW	2.4256
Regulatory Asset Recovery	\$/kW	(0.6388)
LRAM & SSM Rate Rider	\$/kW	0.0006
Retail Transmission Rate – Network Service Rate	\$/kW	2.4778
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.5365
Retail Transmission Rate – Transformation Connection Service Rate	\$/kW	1.3196
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use - 3TS

Service Charge	\$	31,619.60
Distribution Volumetric Rate	\$/kW	3.2122
Regulatory Asset Recovery	\$/kW	(0.6128)
LRAM & SSM Rate Rider	\$/kW	0.0008
Retail Transmission Rate – Network Service Rate	\$/kW	2.4778
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.5365
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Effective ☐
May 1/09

Large Use - Ford Annex

Service Charge	\$	107,468.88
Regulatory Asset Recovery	\$/kW	(0.6244)
Retail Transmission Rate – Network Service Rate	\$/kW	2.4778
Retail Transmission Rate – Line Connection Service Rate	\$/kW	0.5365
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	16.56
Regulatory Asset Recovery (per connection)	\$	(0.33)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0038
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Back-up/Standby Power

Distribution Volumetric Rate	\$/kW	0.5589
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Effective ☐
May 1/09

Sentinel Lighting

Service Charge (per connection)	\$	11.88
Regulatory Asset Recovery (per connection)	\$	0.31
Retail Transmission Rate – Network Service Rate	\$/kW	1.6474
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2198
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	4.29
Regulatory Asset Recovery (per connection)	\$	0.07
Retail Transmission Rate – Network Service Rate	\$/kW	1.6453
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2184
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Monthly Rates and Charges

Effective
May 1/09

Specific Service Charges

Arrears Certificate	\$	15.00
Pulling post-dated cheques	\$	15.00
Easement Letter	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
Account set up charge / change of occupancy charge	\$	30.00
Special Meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Late Payment - per month	%	1.50
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Service call – customer-owned equipment	\$	30.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Same Day Open Trench	\$	170.00
Scheduled Day Open Trench	\$	100.00
Dispute Test Residential	\$	50.00
Dispute Test Commercial Self Contained - MC	\$	105.00
Dispute Test Commercial TT - MC	\$	180.00
Service Layout - Residential	\$	110.00
Service Layout - Commercial	\$	150.00
Overtime Locate	\$	60.00
Disposal of Concrete Poles	\$	95.00
Missed Service Appointment	\$	65.00

Allowances

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	-0.60
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	-1.00

LOSS FACTORS

Total Loss Factor- Secondary Metered Customer <5,000 kW	1.0377
Total Loss Factor - Secondary Metered Customer >5,000 kW	1.0145
Total Loss Factor - Primary Metered Customer <5,000 kW	1.0273
Total Loss Factor - Primary Metered Customer >5,000 kW	1.0045

Schedule 10-1-6

Rate Design

Reconciliation of Rate Class Revenue to
total Revenue Requirement

RECONCILIATION OF RATE CLASS REVENUE
TO TOTAL REVENUE REQUIREMENTS

The reconciliation of EWU's rate class revenue to total revenue requirement follows.

Enwin Utilities Ltd. (ED-2002-0527)

2009 EDR Application (EB-2008-0227) version: Final

September 17, 2008

F6 Reconciliation of Rates with Revenue / Recovery Requirements

Review reconciliations (no input on this sheet)

Customer Class Name	Fixed Charge			Variable Charge			Gross Revenue from Distribution Charges		
	Rate ¹	Volume ²	Revenue ³	Rate ¹	Volume ²	Revenue ³	Calculated *	Allocated **	Difference
Residential	\$12.45	917,268	11,419,987	\$0.0189	642,120,095	12,136,070	23,556,056	23,575,087	-19,031
General Service Less Than 50 kW	\$26.13	84,948	2,219,691	\$0.0168	242,703,228	4,077,414	6,297,105	6,297,590	-485
General Service 50 - 4,999 kW	\$370.81	14,280	5,295,167	\$3.7887	2,601,990	9,858,160	15,153,326	15,153,239	87
General Service 3,000 to 4,999 kW	\$1,780.01	36	64,080	\$1.6456	141,807	233,358	297,438	297,443	-5
Large Use - Regular	\$8,413.97	72	605,806	\$2.4256	539,634	1,308,936	1,914,742	1,914,743	-1
Large Use - 3TS	\$31,618.60	36	1,138,270	\$3.2122	637,577	2,048,025	3,186,294	3,186,302	-7
Large Use - Ford Annex	\$107,467.88	12	1,289,615		133,262		1,289,615	1,289,615	-0
Unmetered Scattered Load	\$16.56	10,632	176,066		4,199,811		176,066	176,092	-26
Back-up/Standby Power									
Sentinel Lighting	\$11.88	9,240	109,771		2,586		109,771	109,799	-27
Street Lighting	\$4.29	280,200	1,202,058		48,555		1,202,058	1,201,569	489
TOTAL			23,520,510			29,661,962	53,182,472	53,201,478	-19,005

Schedule 10-1-7

Rate Design

Calculation of Differences Between
Revenue and Allocated Cost Under
Current Rates and Proposed Rates by
Customer Class

CALCULATION OF DIFFERENCE BETWEEN REVENUE
AND ALLOCATED COST UNDER CURRENT RATES
AND PROPOSED RATES BY CUSTOMER CLASS

The calculation of differences between EWU's revenue and allocated cost under current rates and proposed rates by customer class follows.

Enwin Utilities Ltd. (ED-2002-0527)

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F4 Revenue Requirement Allocation

Enter the outstanding Base Revenue Requirement and Transformer Allowance recoveries by customer class.

Customer Class Name	Outstanding Base Revenue Requirement %			Outstanding Base Revenue Requirement \$ ³		
	Cost Allocation ¹	Existing Rates ²	Rate Application	Cost Allocation	Existing Rates	Rate Application
Residential	52.02%	46.11%	45.52%	26,940,698	23,880,966	23,575,087
General Service Less Than 50 kV	11.86%	12.61%	12.16%	6,143,719	6,530,989	6,297,359
General Service 50 - 4,999 kW	20.64%	28.69%	28.18%	10,689,666	14,859,108	14,594,916
General Service 3,000 to 4,999 kW	0.66%	0.16%	0.41%	343,623	81,189	212,346
Large Use - Regular	2.12%	3.18%	3.02%	1,100,262	1,646,385	1,564,111
Large Use - 3TS	4.55%	4.73%	5.35%	2,357,912	2,450,720	2,770,859
Large Use - Ford Annex	2.63%	2.61%	2.49%	1,362,307	1,351,452	1,289,615
Unmetered Scattered Load	0.20%	0.66%	0.34%	103,591	341,809	176,092
Back-up/Standby Power						
Sentinel Lighting	0.33%	0.10%	0.21%	171,762	50,687	109,799
Street Lighting	4.98%	1.16%	2.32%	2,578,212	598,446	1,201,569
TOTAL	100.00%	100.00%	100.00%	51,791,753	51,791,751	51,791,751

Schedule 10-1-8

Rate Design

Explanation of Non-Cost Factors to Rate
Design

EXPLANATION OF NON-COST FACTORS TO RATE DESIGN

For the Residential class the present EWU monthly fixed charge is significantly lower than many other LDCs and the present monthly variable charge is significantly higher than many other LDCs. Modifying the rate design to re-balance the rates will achieve two important objectives that, in combination, support the modification. First, it will bring EWU into greater conformance with other LDCs. Second, in the Board's Cost Allocation proceeding EB-2007-0667, the Board set a ceiling for monthly fixed charges and this revised amount would be under that ceiling.

Based on the calculations associated with EWU's 2007 Cost Allocation Filing, there is the possibility of increasing the monthly charge for the Residential Class up to \$16.60 from \$8.66. However, a full increase would significantly increase the bill impact to lower usage customers and could adversely impact conservation efforts. In order to balance the importance of revenue risk mitigation with these other important factors, EWU proposes to only charge about 80% of the allowed monthly fixed charge. Specifically, EWU proposes a monthly fixed charge of \$13.45 and a volumetric charge of \$0.0189/kWh.

Schedule 10-1-9

Rate Design

Revenue/Cost Ratios for Historic Year
and Test Year

REVENUE/COST RATIOS FOR HISTORIC YEAR AND TEST YEAR

EWU's revenue to cost ratios for the historic year (2007) and the test year (2009) are set out in Table 10-1-9-A below.

Table 10-1-9 -A- Revenue to Cost Ratios: Historic and Test Years

Rate Classification	2007	2009
Residential	88%	88%
General Service <50 kW	103%	103%
General Service >50 kW	137%	137%
Intermediate	41%	62%
Large Use – Regular	173%	142%
Large Use – 3TS	122%	118%
Large Use – FA	95%	95%
Street Lighting	24%	47%
Sentinel Lighting	57%	64%
USL	241%	170%

Schedule 10-1-10

Rate Design

Rate Impacts

RATE IMPACTS

EWU's rate impacts resulting from the proposed changes to rates as set out in this Application follow at Attachment A and are summarized in Table 10-1-10 A below.

Table 10-1-10 A - Bill Impact Summary

	kWh	kW	\$ Impact	% Change
Residential	1,000	n/a	\$3.72	3.4%
GS<50	2,000	n/a	\$5.21	2.4%
GS>50	500,000	1,000	\$361.07	0.9%
Intermediate	1,750,000	4,000	\$5,667.89	4.1%
Large Use – Regular	7,500,000	10,000	\$4,645.66	0.8%
Large Use – 3TS	10,000,000	20,000	\$24,694.85	3.1%
Large Use – FA	7,500,000	10,000	\$4,368.50	0.7%
USL	100	n/a	(\$12.30)	(33.7%)
Sentinel Lighting	100	1	\$7.54	51.9%
Street Lighting	100	1	\$2.69	23.3%

Schedule 10-1-11

Rate Design

Customer Eligibility Criteria

CUSTOMER ELIGIBILITY CRITERIA

EWU's customer eligibility criteria are as follows:

Residential

A customer qualifies for residential rate classification if their service is a 120/240 V single-phase supply to a single family dwelling, duplex, triplex, 4-plex or 6-plex, townhome or multi-unit – individually metered apartment, located on a parcel of land zoned by the City of Windsor Building Department for domestic or household purposes and where the customer uses the dwelling as a home. Where a customer operates an advertised business from a building that may or may not be used as a dwelling, EnWin Utilities may elect to deem that the customer's rate class will be General Service.

General Service Less Than 50 kW

A non-residential customer qualifies for a rate classification of General Service Less Than 50 kW if within the last 24 months its monthly peak demand load has not exceeded 50 kW or for a new customer is not expected to exceed 50 kW. On a temporary basis, existing General Service Less Than 50 kW customers whose monthly peak demand has exceeded 50 kW but less than 100 kW in the last 24 months, shall not be reclassified to a General Service 50 to 4,999 kW rate class in order to comply with OEB Decision with Reasons – RP-2000-0069.

General Service 50 to 4,999 kW

A non-residential customer qualifies for a rate classification of General Service 50 to 4,999 kW if within the last 24 months its monthly peak demand load has equaled or exceeded 50 kW or for a new customer is expected to equal or exceed 50 kW but be less than 5,000 kW. On a temporary basis, existing General Service Less Than 50 kW customers whose monthly peak demand has exceeded 50 kW but less than 100 kW in the last 24 months, shall not be reclassified to a General Service 50 to 4,999 kW rate class in order to comply with OEB Decision with Reasons – RP-2000-0069.

General Service 3,000 to 4,999 kW – Intermediate Use

A customer is in this class when its individual load is equal to or over 3,000 kW but less than 5,000 kW, averaged over 12 consecutive months and was classified as Time of Use prior to market opening. The premises for this class of customer is considered a structure or structures located on a parcel of land occupied by one customer and is predominantly used for intermediate sized commercial, institutional or industrial purposes.

Large Use - Regular

A customer is in the regular large use rate class when its monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW. The premises for this class of customer is predominantly used for large industrial or institutional purposes located on a parcel of land occupied by a single customer.

Large Use – 3TS

This classification applies to a customer whose monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW and the premise is serviced by a dedicated Transformer Station.

Large Use – Ford Annex

This classification applies to a customer whose monthly peak load, averaged over 12 consecutive months, is equal to or greater than 5,000 kW and the premise is serviced by the dedicated Ford Annex Transformer Station.

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc.

Standby Power

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service.

Sentinel Lighting

This classification refers to an account for exterior parkway lighting with various parties, controlled by photo cells.

Street Lighting

This classification refers to an account for roadway lighting with the City of Windsor, controlled by photo cells. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape profile.