EB-2008-0237

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Niagara-on-the-Lake Hydro Inc. for an Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of electricity as of May 1, 2009.

NIAGARA-ON-THE-LAKE HYDRO INC. RESPONSES TO

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

Filed on October 7, 2008

NIAGARA-ON-THE-LAKE HYDRO INC.
2009 RATES REBASING CASE
EB-2008-0237

ENERGY PROBE RESEARCH FOUNDATION

INTERROGATORIES

Interrogatory # 1

Ref: Exhibit 1, Tab 1, Schedule 1

What are the cost and revenue consequences, if any, of the 6 mW load assignment from Hydro One that is in dispute?

Response
[It is presumed that the reference is to Schedule 13, not 1].

NOTL has stated in Exhibit 9, Tab 1, Schedule 3, Page 1, in the context of retail transmission rates, that the "load assignment to NOTL Hydro … has a financial impact of at least $123,000 annually in Network Transformation Connection Service charges plus potential Low Voltage Shared Line charges". This impact does not affect NOTL's distribution revenue and costs (other than carrying charges on variance account 1586). However, the impact is a factor in the calculation of the appropriate "Retail Transmission Rate – Line and Transformation Connection Service Rate" in NOTL's rate tariff. As such, there is an impact on customers' electricity costs. If Energy Probe wishes further details on the calculations involved, it may refer to the following application available from the OEB webDrawer:

- *NiagaraontheLake_APPL_SUPPL_RTR Changes_20071119.xls*

Interrogatory # 2

Ref: Exhibit 1, Tab 1, Schedule 15, pg. 2

Please provide a copy of the current service agreement between NOTL Hydro and Energy Services Niagara Inc.

Response

Please see Appendix I.

Interrogatory # 3

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

What is the in service date(s) associated with the Chautauqua project, and the Queenston project?

Response

Each project phase carries its own in-service date. The Chautauqua Project has a projected primary voltage in-service timeframe of the 3rd quarter of 2009. Individual homes will then begin conversion to the new U/G system beginning early 4th quarter of 2009 into 1st quarter 2010. The Queenston Project in-service dates are as follows: Queenston Road from Townline Road to Concession 7 will be November of 2008, and Queenston Road from Concession 7 to Concession 5 in-service is projected for October of 2009.

Interrogatory # 4

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 29

Please explain why there is no disposal listed for the truck being replaced in 2008, while for 2007 the disposal of the vehicles being replaced in that year are accounted for in gross assets?

Response

Energy Probe is requested to refer to Line 1 on Exhibit 2, Tab 3, Schedule 1, Page 29.

No disposal is listed because, as the Line indicates, the "existing support vehicle [will be] re-assigned to Line Services". The vehicle is expected to be needed during the Smart Meter implementation project. A disposal date has not been determined at this time.

Interrogatory # 5

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 27

Please explain why there is no adjustment for the disposal of meters in the 2008 figures, as there was for 2007 and 2006?

Response

The omission of an adjustment for disposals was an oversight in the development of the rate application. The following adjustment has now been estimated:

> *Disposal of meters:*
> *Gross cost – ($20,000) = $-20,000 in USoA 1860*

As these meters would not be fully depreciated, there would be an impact on the depreciation calculations for 2008 and 2009. Their net book value is estimated at $8,000. Please see response to interrogatory 8 for the impact on the 2009 revenue deficiency.

Interrogatory # 6

Ref: Exhibit 2, Tab 2, Schedule 1, pg. 4

Please explain why there is no disposal shown for account 1850 line transformers in 2008 while there were significant disposals in both of 2007 and 2006?

Response

The omission of an adjustment for disposals was an oversight in the development of the rate application. The following adjustment has now been estimated:

> *Disposal of line transformers.*
> *Gross cost – ($30,000) = $-30,000 in USoA 1850*

As these transformers would be fully depreciated, there is no impact on the net fixed assets, the rate base or the 2009 revenue deficiency.

Interrogatory # 7

Ref: Exhibit 2, Tab 3, Schedule 1, pg. 33

With the completion of the Chautauqua Project, will there be any retirement of other assets such as poles and overhead lines? Please explain. If yes, where have these retirements been shown in Table 4 on page 5 of Exhibit 2, Tab 2, Schedule 1?

Response

Projected completion of customer conversion to the new U/G distribution system is the 1st quarter of 2010. Asset retirement of poles, wire, and associated line hardware is projected to begin in the 2nd quarter of 2010.

Interrogatory # 8

Ref: Exhibit 2, Tab 2, Schedule 2, pg. 5

Please explain why there are no disposals shown for account 1850 line transformers and account 1860 meters for 2009 despite there being reductions shown for previous years?

Response

The omission of disposals for line transformers and meters was an oversight in the development of the rate application. The following disposals have now been estimated:

> *Disposal of line transformers.*
> *Gross cost – ($5,000) = $-5,000 in USoA 1850*
>
> *Disposal of meters:*
> *Gross cost – ($20,000) = $-20,000 in USoA 1860*

As the transformers would be fully depreciated, there is no impact on the net fixed assets, the rate base or the 2009 revenue deficiency.

As these meters would not be fully depreciated, there would be an impact on the depreciation calculations for 2008 and 2009. Their net book value is estimated at $14,400. The impact of the estimated meter disposals in 2008 and 2009 carried through to the calculation of the revenue deficiency would be a small reduction of $863.

The revision of Exhibit 7, Tab 1, Schedule 1, Table 1 (Revenue Deficiency) is provided below, including this correction as well as certain others related to other interrogatories (e.g. the tax calculation).

Calculation of Revenue Deficiency

	2009 Test Existing Rates	2009 Test Proposed Rates
Revenue		
Suff/ Def From Below.		$181,579
Distribution Revenue	$4,623,334	$4,623,334
Other Operating Revenue (Net)	$361,622	$361,622
Total Revenue	$4,984,956	$5,166,535
Distribution Costs		
Operation, Maintenance, and Administration	$1,867,474	$1,867,474
Depreciation & Amortization	$1,244,576	$1,244,576
PropertyTax	$34,650	$34,650
Capital Tax	$15,169	$15,169
Interest- Deemed Interest	$814,375	$814,375
Total Costs and Expenses	$3,976,244	$3,976,244
Utility Income Before Income Taxes	$1,008,712	$1,190,291
Net Adjustments per 2008 Pils	$8,876	$8,876
Taxable Income	$1,017,588	$1,199,167
Income Tax	$315,301	$382,940
Tax rate when Taxable Income is above $1.5 million	33.00%	33.00%
When Taxable Income is below $1.5 million		
First $500,000	24.50%	37.25%
Remaining	37.25%	37.25%
Effective Corporate Income Tax Rate	30.99%	31.93%
Utility Income	$693,411	$807,351
Rate Base	$21,741,681	$21,741,681
Equity	43.33%	43.33%
Equity Component Rate Base	$9,420,671	$9,420,671
Income / Equity Rate Base %	7.36%	8.57%
Target Return -Equity on Rate Base	8.57%	8.57%
Return- Equity on Rate Base	$807,351	$807,351
Revenue Deficiency	$113,941	
Revenue Deficiency (Gross-up)	$181,579	

Interrogatory # 9

Ref: Exhibit 2, Tab 2, Schedule 2, pg. 5

a) **Are all of the assets included in the opening balance in the cost category shown in Table 4 still in service? For example, is all of the computer equipment shown in this category still used or useful, or has some of it been replaced with new computers?**

Response

The following is a list of asset classes with assets still in service: buildings, transformer stations, distribution stations, overhead lines, underground lines, transformers, meters, office equipment, computer equipment, computer software, stores equipment, miscellaneous tools and equipment, communication equipment, contributions rolling stock accounts, trucks under 3 tons, and trucks 3 ton and over. All of the above classes are either specifically identifiable or form part of a grouped asset account which by their nature, are not removed from service until fully amortized, except for the following classes. Transformers and meters are removed from the cost and accumulated depreciation accounts once they have been returned from the respective projects and are no longer useful or too costly to repair. After review of the cost and accumulated depreciation accounts for all equipment categories, while for 2007 it appears that certain fully depreciated costs have not been removed from the accounts, it is uncertain whether all costs remaining in the account are in service. Likewise, it is uncertain whether certain costs that are fully depreciated and removed from the accounts are still in service.

b) **If any of the assets are no longer used or useful, please explain why their original cost has not been removed from the gross asset value in previous years?**

Response

Due to the lack of specifically identifiable ledger information on all equipment categories other than trucks and certain other equipment, it makes the process of tracking each asset difficult. The policy is to remove items once the addition is fully depreciated unless the information exists to remove specific cost and accumulated amortization.

c) **Please identify and provide the original cost of all assets that are being replaced in 2009.**

Response

For grouped assets such as overhead lines and underground lines being replaced, it would be impossible to determine what the original replacement cost would be as the sections etc. being replaced may have been part of several projects or one large project for example. Further, one would have to determine the specific year in which this area last had work done and whether it was a capital project or repair in nature.

With respect to equipment, most of the budgeted lines are the result of potential future replacements based on the likelihood of breakdown or need for replacement. Therefore, it is uncertain as to what the costs would be in most cases until the actual replacement occurs.

Certain software additions are upgrades to the existing system and therefore technically not being replaced, rather they are considered a new addition.

Interrogatory # 10

Ref: Exhibit 2, Tab 3, Schedule 2

A number of the projects listed indicate that overhead systems are being replaced with underground systems.

a) **Has NOTL Hydro reflected any changes in maintenance costs in its forecast to reflect this greater degree of undergrounding?**

Response
It is important to understand that out of sight does not necessarily mean out of mind. The advantage of underground plant is obvious during storms, the disadvantage occurs when maintenance is required on an underground system. Underground plant maintenance cost can be significantly higher than on an overhead system. Wind and lightning drive up overhead maintenance, high ground water table levels have a tendency to induce cable faults. We feel it is prudent to set our maintenance budget based on historical requirements and planned maintenance project requirements for the upcoming year.

There have been no changes to the forecast of maintenance costs at this time.

b) **If not, why not?**

Response
Except for the Chautauqua project, our annual underground capital additions have been set at a rather consistent cost value over the last number of years. Therefore, we feel it is prudent to set our maintenance budget based on historical requirements and planned maintenance project requirements for the upcoming year.

Although overall budget costs for this type of Project is significant, the area completed by the end of the Chautauqua Project at this early stage of our underground conversion program represents only 0.18% of our total area served and 0.06% of the total primary wire in our system. Niagara-on-the-Lake Hydro prefers to maintain the maintenance *budget static at this time to allow the continuation of our maintenance program across our entire system with the greater overall benefit to a larger number of customers.*

c) **Please provide an estimate on the impact on maintenance costs of this increase in undergrounding.**

Response

The Chautauqua rebuild is driven by the age of the existing overhead system (approaching 50 years) and early warnings from our annual inspections but to date has not necessarily had a high number of maintenance issues. Upon project completion in 2010, we expect the benefit to be long term and will not show immediate significant results on the maintenance budget. This increased undergrounding is actually a compression of a project (Chautauqua) from 4 or 5 years into 3 years for efficiency purposes. We presently have underground facilities that date back to the 1970's and since the late 1980's, there has been a slow but consistent underground expansion (projects and subdivisions). To date, we have had generally good results from our underground systems but the equipment dating back to the 1970's has actually exceeded life expectancies. We continue to replace some overhead facilities that were constructed in the 1950's and 1960's. A majority of our unscheduled underground maintenance is the result of residential splice failures in subdivisions. New underground systems do require regular planned maintenance after 5 years in service. We have never studied the actual maintenance cost of an overhead in comparison to a comparable underground system over its expected life. We should note that most of our new capital underground rebuilds such as Chautauqua are in urban areas that require burial to remain compliant with Town By-laws.

Due to reasons stated in to question b) above; at this early stage of our conversion program there is no appreciable impact on our overall maintenance program.

Interrogatory # 11

Ref: Exhibit 3, Tab 2, Schedule 1, pg. 6

a) **Please explain the reduction of $2,382 in revenue in the 2008 bridge year forecast related to late payment charges.**

Response

The reduction is the arithmetical difference between the estimate for 2008 (see response to b)) and the 2007 actual.

b) **How does NOTL Hydro forecast the late payment charge revenues? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**

Response

The charges for 2008 were estimated by pro-rating the actual charges to mid-year 2008 ($24,037) to a full-year amount ($48,074) and rounding ($48,070). The charges for 2009 were flat-lined from 2008.

c) **Please provide the most recent year-to-date late payment charges for 2008 and the corresponding amount for the same year-to-date period in 2007.**

Response
Year-to-date late payment charges as of October 31, 2008 were $40,174; as of October 31, 2007 were $39,007.

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d) **Please explain the reduction of $3,270 in revenue in the 2008 bridge year forecast related to miscellaneous service revenues.**

Response
The reduction is the arithmetical difference between the estimate for 2008 (see response to e)) and the 2007 actual.

e) **How does NOTL Hydro forecast the miscellaneous service revenues? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**

Response
The charges for 2008 were estimated by pro-rating the actual charges to mid-year 2008 ($22,715) to a full-year amount ($45,430). The charges for 2009 were flat-lined from 2008.

f) **Please provide the most recent year-to-date miscellaneous service revenues for 2008 and the corresponding amount for the same year-to-date period in 2007.**

Response
Year-to-date miscellaneous service revenues as of October 31, 2008 were $40,135; as of October 31, 2007 were $39,181.

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g) **Please explain the reduction of $2,105 in the 2008 bridge year forecast related to miscellaneous non-operating income.**

Response
The reduction of $2,105 between the estimate for 2008 (see response to h)) and the

2007 actual is detailed as follows:

Category	Comment	OEB Account	A 2007	B 2008	Difference B - A
Sale of scrap		4390	$9,747	$10,000	$253
Admin. Expense recovery	Chargeback to affiliate for share of building property tax, utilities and maintenance costs (see **below)	4390	$5,458	$5,000	-$458
Sub-Total			$15,205	$15,000	-$205
Recovery of Director fees paid on behalf of affiliates in 2007	These fees will be paid directly by the affiliates in 2008 and 2009 and as such are excluded from the 2009 rates calculation.	4390	$19,460	N/A	-$19,460
OPA projects	• OPA amounts (actually charged to 4375 and 4380) were incorrectly included in Line 4390 on the referenced page. • OPA project monies are excluded from the 2009 rates calculation.	4375 and 4380	-$17,560 [net expense]	N/A	$17,560
Sub-Total			$1,960	N/A	-$1,960
TOTALS			$17,105	$15,000	-$2,105

*[**Please note that as a result of the interrogatory, it has been found that an expense offset of approx. $4,000 was also included in the operating expenses to reflect this recovery – this double-count of the offset/recovery was an error and NOTL Hydro has removed the expense offset. The revision of Exhibit 7, Tab 1, Schedule 1, Table 1 (Revenue Deficiency) attached with these responses includes this correction as well as certain others related to other interrogatories. On its own, this correction increases the revenue deficiency by approx. $4,000.]*

h) **How does NOTL Hydro forecast the miscellaneous non-operating income? Please provide all assumptions and calculations used to generate this forecast for 2008 and 2009.**

Response
The miscellaneous non-operating income of $15,000 for 2008 and 2009 consists of revenue from sale of scrap and administrative expenses recovery only, as detailed in g) above.

The sale of scrap revenue for 2008 was estimated by pro-rating the actual charges to mid-year 2008 ($4,983) to a full-year amount ($9,965) and rounding ($10,000). The 2007 actual was $9,747.

The administrative expenses recovery for 2008 was estimated by pro-rating the actual charges to mid-year 2008 ($2,758) to a full-year amount ($5,516) and rounding ($5,000). The 2007 actual was $5,458.

The amounts for 2009 were flat-lined from 2008.

i) **Please provide the most recent year-to-date miscellaneous non-operating income for 2008 and the corresponding amount for the same year-to-date period in 2007.**

Response
Year-to-date sale of scrap revenue as of October 31, 2008 was $13,555; as of October 31, 2007 was $7,604. Scrap prices that were higher in the summer of 2008 are now falling. Also, additional scrap value was achieved in 2008 as a result of the decommissioning of the St. David's station and the sale for scrap of all transformers, re-closers and steelwork at the site. The 2009 estimate is still considered reasonable.

Year-to-date administrative expenses recovery as of October 31, 2008 was $5,347; as of October 31, 2007 was $4,580.

Interrogatory # 12

Ref: Exhibit 3, Tab 2, Schedule 1, pg. 8

a) **For each of 2006, 2007, 2008 and 2009, please provide a breakdown of account 4405 interest and dividend income into the three components listed:**

i) interest on balances in the NOTL Hydro bank account
ii) carrying charge interest on balances of regulatory asset and deferral and variance accounts; and
iii) interest on loans to affiliates.

Response

	Interest Component	2006		2007		2008		2009	
	NOTL Hydro Bank Account	$	34,099	$	23,370	$	25,000	$	25,000
	RSVA/RCVA DVAs	-$	2,410	-$	6,872	-$	6,769	-$	4,719
	Reg. Asset & Other DVAs	$	2,951	-$	30,241	-$	17,669	-$	10,653
	Loans to Affiliate[1]	$	43,500	$	46,121	$	40,909	$	42,286
	Other[2]	$	287	$	56	$	-	$	-
	Total[3]	$	78,426	$	32,436	$	41,472	$	51,915
1	*Energy Services Niagara Inc.*								
2	*Interest from CCRA - GST*								
3	*+ve indicates net revenue, -ve indicates net expense*								

b) Please provide all the assumptions (such as bank interest rates) and calculations used to forecast each of the three components for 2008 and 2009.

Response

The interest rates used to forecast each component for 2008 and 2009 were:

- *NOTL Hydro bank account – assumed to continue as per rates current at time of writing application (July 2008). The bank pays prime minus 2% for a positive bank balance and charges prime rate minus 0.5% for a negative balance.*
- *Regulatory assets and Deferral and Variance accounts (DVAs) – actual OEB prescribed interest rates for approved DVAs as announced up to time of writing (Q3 2008). The rate for Q4 2008 and all Qs 2009 was assumed to be the same as Q3 2008 (3.35%).*
- *Loans to Affiliate – established at prime business rate per Bank of Canada minus 0.5%. Actual 2008 monthly prime rates were used to time of writing (July 2008). The prime rate of 4.75% at the time of writing was used for the remainder of 2008 and for 2009.*

The calculations used to forecast each component for 2008 and 2009 were:

- *NOTL Hydro bank account – The interest for 2008 was estimated by pro-rating the actual interest to charges to July 2008 ($13,350) to a full-year amount ($22,886) and rounding ($25,000). The interest for 2009 was flat-lined at $25,000.*
- *RSVA/RCVA DVAs –*
    - *RSVA interest was calculated as follows, assuming power revenue and expenses each month are equal (please note sign protocol is reversed from IR12a. +ve indicates expense):*

	E	F	G	H	N	O	U	V	Y	Z	BG	BH	BL	BM
42	RSVA		1580		1582		1584		1586		1588 (inc Global Adj)		1550	
43	Month	Rate	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest
44	Jan-08	5.14%	- 311,069	1,332	10,203	- 44	112,020	- 480	- 321,947	1,379	264,801	- 1,134	18,804	- 81
45	Feb-08	5.14%	- 311,069	1,332	10,203	- 44	112,020	- 480	- 321,947	1,379	264,801	- 1,134	18,804	- 81
46	Mar-08	5.14%	- 311,069	1,332	10,203	- 44	112,020	- 480	- 321,947	1,379	264,801	- 1,134	18,804	- 81
47	Apr-08	4.08%	- 311,069	1,058	10,203	- 35	112,020	- 381	- 321,947	1,095	264,801	- 900	18,804	- 64
48	May-08	4.08%	- 311,069	1,058	10,203	- 35	112,020	- 381	- 321,947	1,095	264,801	- 900	18,804	- 64
49	Jun-08	4.08%	- 311,069	1,058	10,203	- 35	112,020	- 381	- 321,947	1,095	264,801	- 900	18,804	- 64
50	Jul-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
51	Aug-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
52	Sep-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
53	Oct-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
54	Nov-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
55	Dec-08	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
56	Totals			12,381		- 406		- 4,458		12,814		- 10,539		- 748
57			Total 2008	9,042										
58														
59	RSVA		1580		1582		1584		1586		1588 (inc Global Adj)		1550	
60	Month	Rate	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest	Opening Balance	4405 Interest
61	Jan-09	5.14%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
62	Feb-09	5.14%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
63	Mar-09	5.14%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
64	Apr-09	4.08%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
65	May-09	4.08%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
66	Jun-09	4.08%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
67	Jul-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
68	Aug-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
69	Sep-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
70	Oct-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
71	Nov-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
72	Dec-09	3.35%	- 311,069	868	10,203	- 28	112,020	- 313	- 321,947	899	264,801	- 739	18,804	- 52
73	Totals			10,421		- 342		- 3,753		10,785		- 8,871		- 630
74			Total 2009	7,611										

- *RCVA interest was calculated as follows (please note sign protocol is reversed from IR12a. +ve indicates expense):*

	CK	CL	CM	CN	CO	CP	CQ	CR	CS	CT
62	RCVA		1518				1548			
63	Month	Rate	Opening Balance	Retail Service Costs	Retail service Revenues	4405 Interest	Opening Balance	Retail STR Costs	Retail STR Revenue	4405 Interest
64	Jan-08	5.14%	31,378	946	- 607	- 134	22,100	407	- 18	- 95
65	Feb-08	5.14%	31,718	946	- 607	- 136	22,489	407	- 18	- 96
66	Mar-08	5.14%	32,057	946	- 607	- 137	22,878	407	- 18	- 98
67	Apr-08	4.08%	32,396	946	- 607	- 110	23,267	407	- 18	- 79
68	May-08	4.08%	32,735	975	- 607	- 111	23,655	407	- 18	- 80
69	Jun-08	4.08%	33,103	975	- 607	- 113	24,044	407	- 18	- 82
70	Jul-08	3.35%	33,470	975	- 607	- 93	24,433	407	- 18	- 68
71	Aug-08	3.35%	33,838	975	- 607	- 94	24,822	407	- 18	- 69
72	Sep-08	3.35%	34,205	975	- 607	- 95	25,211	407	- 18	- 70
73	Oct-08	3.35%	34,573	975	- 607	- 97	25,600	407	- 18	- 71
74	Nov-08	3.35%	34,941	975	- 607	- 98	25,989	407	- 18	- 73
75	Dec-08	3.35%	35,308	975	- 607	- 99	26,378	6,887	- 18	- 74
76	Totals					- 1,318				- 956
77			Total 2008			- 2,273				
78										
79	RCVA		1518				1548			
80	Month	Rate	Opening Balance	Retail Service Costs	Retail service Revenues	4405 Interest	Opening Balance	Retail STR Costs	Retail STR Revenue	4405 Interest
81	Jan-09	5.14%	35,676	977	- 607	- 153	33,247	407	- 18	- 142
82	Feb-09	5.14%	36,045	977	- 607	- 154	33,635	407	- 18	- 144
83	Mar-09	5.14%	36,415	977	- 607	- 156	34,024	407	- 18	- 146
84	Apr-09	4.08%	36,785	977	- 607	- 125	34,413	407	- 18	- 117
85	May-09	4.08%	37,155	977	- 607	- 126	34,802	407	- 18	- 118
86	Jun-09	4.08%	37,524	977	- 607	- 128	35,191	407	- 18	- 120
87	Jul-09	3.35%	37,894	977	- 607	- 106	35,580	407	- 18	- 99
88	Aug-09	3.35%	38,264	977	- 607	- 107	35,969	407	- 18	- 100
89	Sep-09	3.35%	38,633	977	- 607	- 108	36,358	407	- 18	- 101
90	Oct-09	3.35%	39,003	977	- 607	- 109	36,747	407	- 18	- 103
91	Nov-09	3.35%	39,373	977	- 607	- 110	37,135	407	- 18	- 104
92	Dec-09	3.35%	39,742	977	- 607	- 111	37,524	6,887	- 18	- 105
93	Totals					- 1,492				- 1,399
94			Total 2009			- 2,892				

- *:*

- *In summary:*

	CK	CL	CM	CN	CO
97		RSVA	RCVA	Total	Sign Protocol per IR12a
98	2008	9,042	- 2,273	6,769	- 6,769
99	2009	7,611	- 2,892	4,719	- 4,719

- *Regulatory assets and Other DVAs* –
  - *In summary:*

2008

Reg. Asset & Other DVAs	Revenue
1508	-$ 3,804
1555 1556	$ 770
1562	$ 3,483
1590 from 2006 EDR closure	-$ 3,523
1590 recoveries	$ 20,742
TOTAL	$ 17,669

2009

Reg. Asset & Other DVAs	Revenue
1508	-$ 2,792
1555 1556	$ 1,442
1562	$ 2,932
1590 from 2006 EDR closure	-$ 8,656
1590 recoveries	$ 17,728
TOTAL	$ 10,653

+ve indicates expense

o *Details of 1508*

Description	Debit	Credit	Net Change		Ending Balance	Rate	Interest
2008	15-1508-0000-01	**$17,128.00**	OEB Cost Assessment		$17,128.00		
January				$0.00	$17,128.00	5.14%	73
February				$0.00	$17,128.00	5.14%	73
March				$0.00	$17,128.00	5.14%	73
April				$0.00	$17,128.00	4.08%	58
May				$0.00	$17,128.00	4.08%	58
June				$0.00	$17,128.00	4.08%	58
July				$0.00	$17,128.00	3.35%	48
August				$0.00	$17,128.00	3.35%	48
Sept				$0.00	$17,128.00	3.35%	48
Oct				$0.00	$17,128.00	3.35%	48
Nov				$0.00	$17,128.00	3.35%	48
Dec				$0.00	$17,128.00	3.35%	48
							682
2008	15-1508-0000-03	**$78,439.85**	Cash pension contributions		$78,439.85		
January				$0.00	$78,439.85	5.14%	336
February				$0.00	$78,439.85	5.14%	336
March				$0.00	$78,439.85	5.14%	336
April				$0.00	$78,439.85	4.08%	267
May				$0.00	$78,439.85	4.08%	267
June				$0.00	$78,439.85	4.08%	267
July				$0.00	$78,439.85	3.35%	219
August				$0.00	$78,439.85	3.35%	219
Sept				$0.00	$78,439.85	3.35%	219
Oct				$0.00	$78,439.85	3.35%	219
Nov				$0.00	$78,439.85	3.35%	219
Dec				$0.00	$78,439.85	3.35%	219
							3,122
						Total 1508 2008	**3,804**
						Total 12 months 2009 at 3.35%, prior to DVA rate rider recovery	**3,202**
						Total 2009 at 3.35%, adjusted for DVA rate rider recovery after May 1 2009	**2,792**

o *Details of 1555 1556 (interest rate on 1556 is nil):*

Description	Debit	Credit	Net Change	Ending Balance		Interest
2008	15-1555-0000-00	**($34,747.33)**	Smart Meter Rate Recovery	($34,747.33)		
January		$1,866.44	($1,866.44)	($36,613.77)	5.14%	-149
February		$1,866.44	($1,866.44)	($38,480.21)	5.14%	-157
March		$1,866.44	($1,866.44)	($40,346.64)	5.14%	-165
April		$1,866.44	($1,866.44)	($42,213.08)	4.08%	-137
May		$1,866.44	($1,866.44)	($44,079.52)	4.08%	-144
June		$1,866.44	($1,866.44)	($45,945.96)	4.08%	-150
July		$1,866.44	($1,866.44)	($47,812.39)	3.35%	-128
August		$1,866.44	($1,866.44)	($49,678.83)	3.35%	-133
Sept		$1,866.44	($1,866.44)	($51,545.27)	3.35%	-139
Oct		$1,866.44	($1,866.44)	($53,411.71)	3.35%	-144
Nov		$1,866.44	($1,866.44)	($55,278.14)	3.35%	-149
Dec		$1,866.44	($1,866.44)	($57,144.58)	3.35%	-154
						-1,749
Totals:	$0.00	$22,397.25	($22,397.25)			

Description	Debit	Credit	Net Change	Ending Balance		Interest
2008	15-1555-1000-00	**$24,582.48**	Smart Meter Capital Investment	$24,582.48		
January	$0.00		$0.00	$24,582.48	5.14%	105
February	$0.00		$0.00	$24,582.48	5.14%	105
March	$0.00		$0.00	$24,582.48	5.14%	105
April	$0.00		$0.00	$24,582.48	4.08%	84
May	$0.00		$0.00	$24,582.48	4.08%	84
June	$0.00		$0.00	$24,582.48	4.08%	84
July	$0.00		$0.00	$24,582.48	3.35%	69
August	$0.00		$0.00	$24,582.48	3.35%	69
Sept	$0.00		$0.00	$24,582.48	3.35%	69
Oct	$0.00		$0.00	$24,582.48	3.35%	69
Nov	$0.00		$0.00	$24,582.48	3.35%	69
Dec	$0.00		$0.00	$24,582.48	3.35%	69
						978
				Total 1555 2008		**-770**
2009	15-1555-0000-00	**($57,144.58)**	Smart Meter Rate Recovery	($57,144.58)		
January		$1,903.87	($1,903.87)	($59,048.45)	3.35%	-160
February		$1,903.87	($1,903.87)	($60,952.32)	3.35%	-165
March		$1,903.87	($1,903.87)	($62,856.19)	3.35%	-170
April		$1,903.87	($1,903.87)	($64,760.06)	3.35%	-175
May		$1,903.87	($1,903.87)	($66,663.93)	3.35%	-181
June		$1,903.87	($1,903.87)	($68,567.80)	3.35%	-186
July		$1,903.87	($1,903.87)	($70,471.67)	3.35%	-191
August		$1,903.87	($1,903.87)	($72,375.54)	3.35%	-197
Sept		$1,903.87	($1,903.87)	($74,279.41)	3.35%	-202
Oct		$1,903.87	($1,903.87)	($76,183.28)	3.35%	-207
Nov		$1,903.87	($1,903.87)	($78,087.15)	3.35%	-213
Dec		$1,903.87	($1,903.87)	($79,991.02)	3.35%	-218
						-2,265
Totals:	$0.00	$22,846.44	($22,846.44)			

Description	Debit	Credit	Net Change	Ending Balance		Interest
2009	15-1555-1000-00	**$24,582.48**	Smart Meter Capital Investment	$24,582.48		
January	$0.00		$0.00	$24,582.48	3.35%	69
February	$0.00		$0.00	$24,582.48	3.35%	69
March	$0.00		$0.00	$24,582.48	3.35%	69
April	$0.00		$0.00	$24,582.48	3.35%	69
May	$0.00		$0.00	$24,582.48	3.35%	69
June	$0.00		$0.00	$24,582.48	3.35%	69
July	$0.00		$0.00	$24,582.48	3.35%	69
August	$0.00		$0.00	$24,582.48	3.35%	69
Sept	$0.00		$0.00	$24,582.48	3.35%	69
Oct	$0.00		$0.00	$24,582.48	3.35%	69
Nov	$0.00		$0.00	$24,582.48	3.35%	69
Dec	$0.00		$0.00	$24,582.48	3.35%	69
						824
				Total 1555 2008		**-1,442**

o Details of 1562

Description	Debit	Credit	Net Change	Ending Balance		Interest
2008	All 1562 sub-accounts	**($87,510.86)**	Deferred Pils	($87,510.86)		
January			$0.00	($87,510.86)	5.14%	-375
February			$0.00	($87,510.86)	5.14%	-375
March			$0.00	($87,510.86)	5.14%	-375
April			$0.00	($87,510.86)	4.08%	-298
May			$0.00	($87,510.86)	4.08%	-298
June			$0.00	($87,510.86)	4.08%	-298
July			$0.00	($87,510.86)	3.35%	-244
August			$0.00	($87,510.86)	3.35%	-244
Sept			$0.00	($87,510.86)	3.35%	-244
Oct			$0.00	($87,510.86)	3.35%	-244
Nov			$0.00	($87,510.86)	3.35%	-244
Dec			$0.00	($87,510.86)	3.35%	-244
					Total 2008	**-3,483**
					Total 12 months 2009 at 3.35%	**-2,932**

o Details of 1590 from EDR:

Closure of all accounts to 1590 except 2425

Description	Debit	Credit	Net Change	Ending Balance		Interest
2008	1590 closure from all accounts except 2425	**$392,812.18**		$392,812.18		
January			$0.00	$392,812.18	5.14%	1,683
February			$0.00	$392,812.18	5.14%	1,683
March			$0.00	$392,812.18	5.14%	1,683
April			$0.00	$392,812.18	4.08%	1,336
May			$0.00	$392,812.18	4.08%	1,336
June			$0.00	$392,812.18	4.08%	1,336
July			$0.00	$392,812.18	3.35%	1,097
August			$0.00	$392,812.18	3.35%	1,097
Sept			$0.00	$392,812.18	3.35%	1,097
Oct			$0.00	$392,812.18	3.35%	1,097
Nov			$0.00	$392,812.18	3.35%	1,097
Dec			$0.00	$392,812.18	3.35%	1,097
					Total 2008	**15,634**
					Total 12 months 2009 at 3.35%	**13,159**

Closure of 2425 to 1590

Description	Debit	Credit	Net Change	Ending Balance	Rate	Interest
--------------------------	---					
2008	15-1590-2425-00	**($399,837.00)**	Deferred credits	($399,837.00)		
	OEB approved Hydro One Regulatory Asset Charges - principal component)					
January	$26,604.00		$26,604.00	($373,233.00)	5.14%	-1,713
February	$26,604.00		$26,604.00	($346,629.00)	5.14%	-1,599
March	$26,604.00		$26,604.00	($320,025.00)	5.14%	-1,485
April	$12,801.00		$12,801.00	($307,224.00)	4.08%	-1,088
May	$12,801.00		$12,801.00	($294,423.00)	4.08%	-1,045
June	$12,801.00		$12,801.00	($281,622.00)	4.08%	-1,001
July	$12,801.00		$12,801.00	($268,821.00)	3.35%	-786
August	$12,801.00		$12,801.00	($256,020.00)	3.35%	-750
Sept	$12,801.00		$12,801.00	($243,219.00)	3.35%	-715
Oct	$12,801.00		$12,801.00	($230,418.00)	3.35%	-679
Nov	$12,801.00		$12,801.00	($217,617.00)	3.35%	-643
Dec	$12,801.00		$12,801.00	**($204,816.00)**	3.35%	-608
-------------------	-------------------	-------------------	-------------------		Total 2008	**-12,111**
2009	15-1590-2425-00	**($204,816.00)**	Deferred credits	($204,816.00)		
January	$12,801.00		$12,801.00	($192,015.00)	3.35%	-572
February	$12,801.00		$12,801.00	($179,214.00)	3.35%	-536
March	$12,801.00		$12,801.00	($166,413.00)	3.35%	-500
April	$12,801.00		$12,801.00	($153,612.00)	3.35%	-465
May	$12,801.00		$12,801.00	($140,811.00)	3.35%	-429
June	$12,801.00		$12,801.00	($128,010.00)	3.35%	-393
July	$12,801.00		$12,801.00	($115,209.00)	3.35%	-357
August	$12,801.00		$12,801.00	($102,408.00)	3.35%	-322
Sept	$12,801.00		$12,801.00	($89,607.00)	3.35%	-286
Oct	$12,801.00		$12,801.00	($76,806.00)	3.35%	-250
Nov	$12,801.00		$12,801.00	($64,005.00)	3.35%	-214
Dec	$12,801.00		$12,801.00	**($51,204.00)**	3.35%	-179
-------------------	-------------------	-------------------	-------------------		Total 2009	**-4,503**

Summary of 1590 from EDR

1590 Summary	All except 2425	From 2425	Total
2008	15,634	-12,111	3,523
2009	13,159	-4,503	8,656

- *Details of 1590 recoveries:*

	A	B	C	D	E	F	G
1	Description	Debit	Credit	Net Change	Ending Balance	Rate	Interest
2	---------------------------	---					
3	**2008**	15-1590-1050-00	**$81,582.97**	Big 4 RSVA	$81,582.97		
4	January			$0.00	$81,582.97	5.14%	349
5	February			$0.00	$81,582.97	5.14%	349
6	March			$0.00	$81,582.97	5.14%	349
7	April			$0.00	$81,582.97	4.08%	277
8	May			$0.00	$81,582.97	4.08%	277
9	June			$0.00	$81,582.97	4.08%	277
10	July			$0.00	$81,582.97	3.35%	228
11	August			$0.00	$81,582.97	3.35%	228
12	Sept			$0.00	$81,582.97	3.35%	228
13	Oct			$0.00	$81,582.97	3.35%	228
14	Nov			$0.00	$81,582.97	3.35%	228
15	Dec			$0.00	**$81,582.97**	3.35%	228
16	-------------------	-------------------	-------------------	-------------------			**3,247**
17	Totals:	$0.00	$0.00	$0.00			
18							
19	Description	Debit	Credit	Net Change	Ending Balance		
20	---------------------------	---					
21	**2008**	15-1590-1060-00	**($454,249.01)**	Other Reg Assets	($454,249.01)		
22	January			$0.00	($454,249.01)	0.05	-1,946
23	February			$0.00	($454,249.01)	5.14%	-1,946
24	March			$0.00	($454,249.01)	5.14%	-1,946
25	April			$0.00	($454,249.01)	4.08%	-1,544
26	May			$0.00	($454,249.01)	4.08%	-1,544
27	June			$0.00	($454,249.01)	4.08%	-1,544
28	July			$0.00	($454,249.01)	3.35%	-1,268
29	August			$0.00	($454,249.01)	3.35%	-1,268
30	Sept			$0.00	($454,249.01)	3.35%	-1,268
31	Oct			$0.00	($454,249.01)	3.35%	-1,268
32	Nov			$0.00	($454,249.01)	3.35%	-1,268
33	Dec			$0.00	**($454,249.01)**	3.35%	-1,268
34	-------------------	-------------------	-------------------	-------------------			**-18,079**
35	Totals:	$0.00	$0.00	$0.00			
36							
37	Description	Debit	Credit	Net Change	Ending Balance		
38	---------------------------	---					
39	**2008**	15-1590-1040-00	**($127,638.19)**	Phase 2	($127,638.19)		
40							
41	January		$6,423.13	($6,423.13)	($134,061.32)	0.05	-547
42	February		$7,079.97	($7,079.97)	($141,141.29)	5.14%	-574
43	March		$7,682.72	($7,682.72)	($148,824.01)	5.14%	-605
44	April		$5,449.68	($5,449.68)	($154,273.69)	4.08%	-506
45	May		$2,246.15	($2,246.15)	($156,519.83)	4.08%	-525
46	June			$0.00	($156,519.83)	4.08%	-532
47	July			$0.00	($156,519.83)	3.35%	-437
48	August			$0.00	($156,519.83)	3.35%	-437
49	Sept			$0.00	($156,519.83)	3.35%	-437
50	Oct			$0.00	($156,519.83)	3.35%	-437
51	Nov			$0.00	($156,519.83)	3.35%	-437
52	Dec			$0.00	($156,519.83)	3.35%	-437
53	-------------------	-------------------	-------------------	-------------------			**-5,910**
54						Total 2008	**-20,742**
55						Total 12 months 2009 at 3.35%	**-17,728**

- *Loans to Affiliate – calculated as per below. The principal loans are used by ESNI to purchase water heaters for the ESNI water heater rental business. Monthly interest due is added to the loan balance.*

MONTH	Month-end Loan Balance	Loaned this month - interest	Loaned this month - principal	Prime Rate %	less %	Net Rate %	Interest on due to opening balance	
Jan-08	$ 888,866	$ 3,872		5.75	0.50	5.25	$ 3,872	
Feb-08	$ 892,755	$ 3,889		5.75	0.50	5.25	$ 3,889	
Mar-08	$ 896,661	$ 3,534		5.25	0.50	4.75	$ 3,534	
Apr-08	$ 899,890	$ 3,176		4.75	0.50	4.25	$ 3,176	
May-08	$ 918,130	$ 3,187	$ 15,000	4.75	0.50	4.25	$ 3,187	
Jun-08	$ 924,681	$ 3,252	$ 3,300	4.75	0.50	4.25	$ 3,252	
Jul-08	$ 931,256	$ 3,275	$ 3,300	4.75	0.50	4.25	$ 3,275	
Aug-08	$ 937,855	$ 3,298	$ 3,300	4.75	0.50	4.25	$ 3,298	
Sep-08	$ 944,476	$ 3,322	$ 3,300	4.75	0.50	4.25	$ 3,322	
Oct-08	$ 951,121	$ 3,345	$ 3,300	4.75	0.50	4.25	$ 3,345	
Nov-08	$ 957,790	$ 3,369	$ 3,300	4.75	0.50	4.25	$ 3,369	
Dec-08	$ 964,482	$ 3,392	$ 3,300	4.75	0.50	4.25	$ 3,392	$ 40,909
Jan-09	$ 970,916	$ 3,134	$ 3,300	4.75	0.50	4.25	$ 3,134	
Feb-09	$ 977,655	$ 3,439	$ 3,300	4.75	0.50	4.25	$ 3,439	
Mar-09	$ 984,417	$ 3,463	$ 3,300	4.75	0.50	4.25	$ 3,463	
Apr-09	$ 991,204	$ 3,486	$ 3,300	4.75	0.50	4.25	$ 3,486	
May-09	$ 998,014	$ 3,511	$ 3,300	4.75	0.50	4.25	$ 3,511	
Jun-09	$ 1,004,849	$ 3,535	$ 3,300	4.75	0.50	4.25	$ 3,535	
Jul-09	$ 1,011,708	$ 3,559	$ 3,300	4.75	0.50	4.25	$ 3,559	
Aug-09	$ 1,018,591	$ 3,583	$ 3,300	4.75	0.50	4.25	$ 3,583	
Sep-09	$ 1,025,499	$ 3,608	$ 3,300	4.75	0.50	4.25	$ 3,608	
Oct-09	$ 1,032,431	$ 3,632	$ 3,300	4.75	0.50	4.25	$ 3,632	
Nov-09	$ 1,039,387	$ 3,657	$ 3,300	4.75	0.50	4.25	$ 3,657	
Dec-09	$ 1,046,368	$ 3,681	$ 3,300	4.75	0.50	4.25	$ 3,681	$ 42,286

Interrogatory # 13

Ref: Exhibit 3, Tab 2, Schedule 2, pg. 14

Please confirm that the Cangro plant has now closed. If this is not the case, what evidence does NOTL Hydro have that the plant will not be in operation in 2009?

Response

Confirmed that the Cangro plant was closed at the end of June, 2008. The property has been purchased from Cangro Foods by Hummel Properties and the buildings are currently being offered for lease as warehouse space.

Interrogatory # 14

Ref: Exhibit 3, Tab 2, Schedule 2, pg. 19 & 20

a) **For the latest month available, please provide the number of residential and GS < 50 kW customers.**

Response
6,445 residential and 1,221 GS<50 customers at end of October 2008.

b) **For the corresponding month in 2007, please provide the number of residential and GS < 50 kW customers.**

Response
6,417 residential and 1,218 GS<50 customers at end of October 2007.

Interrogatory # 15

Ref: Exhibit 4, Tab 2, Schedule 6, pg. 2

a) **Please provide all the calculations used to calculate the depreciation expense for each asset category for each of 2007, 2008 and 2009. Please show the depreciation rate used, the opening gross asset values, the addition of capital expenditures each year and the removal of assets for each asset category.**

Response

- *The calculations used to calculate the depreciation expense for each asset category for each of 2007, 2008 and 2009 are in three Excel workbooks, one for each year, each containing 41 worksheets for the asset categories, an asset continuity sheet and a summary sheet. As agreed via teleconference with OEB staff and Energy Probe on October 17, 2008, a pdf of the 2009 workbook is provided.*

- *Energy Probe is requested to refer to the last column of the referenced Page for the amortization periods used. These periods and the equivalent depreciation rates used are in accordance with those prescribed in ""Appendix B – Amortization Rates" in the 2006 Electricity Distribution Rate Handbook" dated May 11, 2005.*
- *Energy Probe is requested to refer to the fixed asset continuity schedules in Exhibit 2, Tab 2, Schedule 1, Pages 3 to 5 for the opening gross asset values,*

the addition of capital expenditures each year and the removal of assets for each asset category

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b) Please explain the difference in the depreciation expense shown for 2009 of $1,331,677 shown in Table 1 in Exhibit 4, Tab 2, Schedule 6 and $1,245,184 in Table 1 of Exhibit 4, Tab 1, Schedule 2.

Response
*Energy Probe is requested to refer to the fixed asset continuity schedule for 2009 where a reconciliation between the amounts referred to above can be found at the **foot** of Table 4 in Exhibit 2, Tab 2, Schedule 1, Page 5.*

The difference relates to 1) depreciation costs allocated to capital and therefore not included in OM&A costs and 2) the amortization cost of the non-fixed intangible plant asset (Account 1606 – Organization) which is included in OM&A costs. Similar reconciliations for the other years are found in the corresponding continuity schedule Tables.

Interrogatory # 16

Ref: Exhibit 4, Tab 2, Schedule 5, pg. 2

a) Please explain the different compensation charged to OM&A figures of $865,872 and $867,881 shown at the bottom of the table for 2009.

Response
The difference is due to an error in the Excel sum formulae for "compensation charged to OM&A" for the years 2008 and 2009 in the bottom row of the Table. The headings (2008 or 2009) were inadvertently included in the summation. The correct amount for 2009 is $865,872. The correct amount for 2008 is $866,967. The amounts for the other years are correct. The incorrect amounts are confined to this Page and have no impact on the rate calculations.

b) Please confirm that one of these figures is included in the total operating costs of $3,143,296 shown in Table 1 of Exhibit 4, Tab 1, Schedule 2 for 2009 and not the total compensation figure of $1,581,879.

Response
Confirmed that the correct figure, $865,872, is included in the referenced Table, not the total compensation.

Interrogatory # 17

Ref: Exhibit 4, Tab 3, Schedule 1, pg. 1

Please confirm that the utility income before taxes of $1,218,343 shown for 2009 includes a reduction for interest expense of $814,335 shown in Table 1 of Exhibit 4, Tab 3, Schedule 2. If this cannot be confirmed, please indicate the amount of interest deducted in calculating the utility income before taxes and explain the difference in the interest amount.

Response
Confirmed. Energy Probe is requested to refer to Table 1 – Calculation of Revenue Deficiency on Page 2 of Exhibit 7, Tab 1, Schedule 1.

Interrogatory # 18

Ref: Exhibit 4, Tab 3, Schedule 3

a) **Please explain why the total additions shown on page 3 for 2009 is $1,837,496, while the total capital expenditures shown in Exhibit 2, Tab 3, Schedule 1, pg. 2 is $1,877,496. Why is the $40,000 difference not included in the CCA schedule?**

Response
Energy Probe is requested to refer to Exhibit 2, Tab 2, Schedule 1, Page 5, Table 4, Account 1805, additions column. The $40,000 addition for this account is for land expenses related to the Virgil Station clean-up, which is also shown in the referenced Exhibit 2, Tab 3, Schedule 1, Page 2. Land capital expenses are not amortized and therefore are not relevant to the CCA schedule.

b) **Please confirm that NOTL Hydro placed all distribution system related capital expenditures prior to 2008 and post 22-Feb-2005 in class 47.**

Response
Confirmed

c) **Please confirm that NOTL Hydro placed all computer related capital expenditures prior to 2008 in class 45 for acquisitions on or after March 22, 2004 and prior to March 19, 2007.**

Response
Confirmed

d) **Please confirm that NOTL Hydro placed all computer related capital expenditures prior to 2009 in class 45.1 for acquisitions after March 19, 2007.**

Response
Confirmed

e) **If the response to any of (b), (c) or (d) above is not confirmed, please provide the UCC at the end of 2008 for all assets that were classified incorrectly for CCA purposes. Please transfer these UCC amounts to the correct class in 2009 and recalculate the total CCA for 2009.**

Response
Not applicable – see responses above

Interrogatory # 19

Ref: Exhibit 4, Tab 3, Schedule 1

a) **Please confirm that the corporate income rate of 33.00% used includes a federal tax rate of 19.00% and a provincial tax rate of 14.00%. If this cannot be confirmed, please provide the tax rates that were used.**

Response
Confirmed. Energy Probe is requested to refer to Exhibit 4, Tab 3, Schedule 1, Page 2, Line 2, where the components (federal tax rate of 19.00% and provincial tax rate of 14.00%) are identified. However, please see response to # 19 c) below.

b) **Why has NOTL Hydro not utilized the small business income threshold and clawback rate in calculating the provincial component of the corporate income tax?**

Response
The NOTL Hydro tax calculation reflected the approach in the 2006 EDR OEB tax model and, to the best of our knowledge, the approach used by 2008 rate rebasing applicants. However, the tax calculation is now revised in accordance with the request # 19 c) below.

[Please also see response to OEB Staff interrogatory # 6.2.]

c) **Please calculate the corporate income taxes using the provincial small business income tax rate of 5.5% applied to the first $500,000 of taxable income, the general tax rate of 14.0% for taxable income in excess of $500,000 and the clawback rate of**

4.25% applied to taxable income above $500,000 up to $1,500,000.

Response

The income tax calculations requested are provided in the following revised Exhibit 4, Tab 3 Schedule 1, Table 1

Table 1
Tax Calculations

Description	2006 Board Approved	2008 Bridge	2009 Test
Determination of Taxable Income			
Utility Income Before Taxes	889,437	1,098,779	1,190,291
Book to Tax Adjustments			
Additions to Accounting Income:			
Depreciation and amortization	1,085,204	1,295,112	1,331,069
Interest and penalties on taxes	1,894		
Income or Loss for tax Purposes-joint ventures or partnerships		0	0
Employee Benefit Plans - accrued, not paid	15,414		
Meals & entertainment / Mileage		0	0
Non-deductible club fees and dues		0	0
Taxable Capital Gains		0	0
Tax reserves beginning of year		0	0
Reserves from financial statements -balance at year end		0	0
Change in regulatory assets		0	0
Change in employee future benefits		1,000	1,000
Total Additions	**1,102,512**	**1,296,112**	**1,332,069**
Deductions from Accounting Income:			
Capital Cost Allowance	1,204,489	1,212,678	1,235,844
Excess Interest Expense for 2006 PILs	90,096		
Gain on disposal of assets per financial statements		0	0
Cumulative eligible capital deduction	1,321	1,063	988
Tax reserves end of year		0	0
Reserves from financial statements balance at beginning of year		0	0
Other deductions		85,218	86,361
ITC Booked in Accounting Income			0
Total Deductions	**1,295,907**	**1,298,959**	**1,323,194**
Regulatory Taxable Income	**696,042**	**1,095,932**	**1,199,167**
Effective Corporate Income Tax Rate	29.60%	31.93%	31.93%
Subtotal	**206,062**		
Less: R&D ITC (0.3)			
Regulatory Income Tax	**206,062**	**349,964**	**382,940**
Calculation of Utility Income Taxes			
Income Taxes	206,062	349,964	382,940
Large Corporation Tax	0	0	0
Ontario Capital Tax	29,296	18,883	15,169
Total Taxes	**235,358**	**368,848**	**398,109**

Tax Rates			
Federal Tax	22.12%	19.50%	19.00%
Federal Surtax			
Effective Provincial Tax (5.5% on 1st $500,000;18.25% on next $1,000,000)	7.48%	12.43%	12.93%
Total Effective Tax Rate	**29.60%**	**31.93%**	**31.93%**

Calculation of Large Corporation Tax			
Total Rate Base	19,765,266	21,625,732	21,741,681
Less: Exemption	50,000,000		
Taxable Capital	**0**		
LCT Rate	0.125%	0.125%	0.125%
Subtotal	0	0	0
Federal Surtax	0	0	0
Large Corporation Tax	**0**	**0**	**0**

Calculation of Ontario Capital Tax			
Total Rate Base	19,765,266	21,625,732	21,741,681
Less Exemption	10,000,000	15,000,000	15,000,000
Taxable Capital /Deemed taxable capital	**9,765,266**	**6,625,732**	**6,741,681**
OCT Rate	0.300%	0.285%	0.225%
Ontario Capital Tax	**29,296**	**18,883**	**15,169**

Summary of Income Taxes

Description	**2006 Board Approved**	**2008 Bridge**	**2009 Test**
Income Taxes	206,062	349,964	382,940
Large Corporation Tax	0	0	0
Ontario Capital Tax	29,296	18,883	15,169
Total Taxes	**235,358**	**368,848**	**398,109**

Interrogatory # 20

Ref: Exhibit 5, Tab 1, Schedule 1

Please confirm that the interest rates used in calculating the interest on the account balances were equal to the OEB prescribed interest rates of 4.14% in 2006 Q2, 4.59% in 2006 Q3 through 2007 Q3 and 5.14% in 2007 Q4.

Response

For the period from May 1, 2006 to Q4, 2007, the rates used are confirmed as being those stated in the interrogatory. For the month of April in 2006 Q2, the rates used were as previously approved by the OEB, in accordance with Page 3 of the letter to all LDCs dated November 28, 2006 regarding "Approval of Accounting Interest Rates Methodology for Regulatory Accounts".

For Account 1508, sub-account OEB Cost Assessments, the rate used for April 2006 *was 5.75% in accordance with the OEB letter of December 20, 2004 to all LDCs. For Account 1508, sub-account Pension Contributions, the rate used for April 2006 was 3.88% in accordance with the OEB letter of February 20, 2006 to all LDCs. The balance in Account 1550 was zero prior to May 2006, so no rate needed to be used for April 2006.*

Interrogatory # 21

Ref: Exhibit 6, Tab 1, Schedule 3

The evidence shows n/a for the term of the shareholder loan.

(a) Is this loan callable on demand?

Response

No

(b) Please provide a copy of the loan agreement for the shareholder loan.

Response

Please see Appendix II.

Interrogatory # 22

Ref: Exhibit 8, Tab 1, Schedule 2, pg. 3

NOTL Hydro has noted the OEB's decisions on 2008 cost of service applications where the revenue to cost ratios for the street lighting class was moved part way towards to the minimum of the range. NOTL Hydro therefore has proposed to set rates for this class that moves the revenue to cost ratio 50% of the way from what the ratio was in the cost allocation filing towards the minimum of the OEB proposed range.

Please explain NOTL Hydro's proposal for moving the revenue to cost ratio for the street lighting class toward the minimum of the range beyond the 2009 test year. Does NOTL Hydro propose to achieve the remaining 50% move by equal increments in the years 2010 and 2011? Will the incremental revenue generated from such a proposal be used to reduce rates to the GS>50kW class? If not, why not?

Response

NOTL Hydro notes the OEB findings in 2008 rebasing applications where the applicant is expected to achieve the remaining 50% move in equal increments in 2010 and 2011. NOTL Hydro proposes to meet this expectation. This would increase the ratio from 42.43% in 2009 to 56.21% in 2010 and 70% in 2011.

If the incremental revenue is used to reduce the GS>50 kW ratio, NOTL Hydro calculates that this ratio would decrease by approx. 4% in 2010 to 140% and a further 4% in 2011 to 136% (assuming all other class ratios remain constant). Since the GS>50 kW class ratio is furthest of all classes away from 100% and is the only class above 100%, it appears reasonable to use the revenue from streetlights to reduce the GS>50 kW ratio and NOTL Hydro proposes to do so.

Interrogatory # 23

Ref: Exhibit 10, Tab 1, Schedule 4

(a) Please explain why NOTL Hydro is grossing up the SSM savings for taxes in Table 1.

Response
NOTL Hydro agrees that the results should not be grossed up for PILS, per the Toronto decision. The revised Table 1 is:

Table 1 (Revised)

SSM Amounts by Program and Class

Rate Group	Non-Rate Base TRC Savings	5% Recovery
Residential	$ 35,698	$ 1,785
GS <50 kW	$ 73,700	$ 3,685
	$ 109,398	**$ 5,470**

[Please also see response to OEB Staff interrogatory #2]

(b) Did the Board approve the grossing up of the SSM savings for PILS in the Toronto Hydro application? Please provide references in that decision that reflect the Board's decision.

Response
See a) above

Interrogatory # 24

Ref: Exhibit 10, Tab 1, Schedule 6

NOTL Hydro suggests that because of the small bill impact it should not be subject to a further review of the LRAM and SSM balances. Would NOTL Hydro accept a reduction

of 10% in the LRAM and SSM balances in lieu of a further review, similar to the process the Board used for recovery of regulatory asset costs? If not, why not?

Response

The OEB considers LRAM and SSM to be valid incentives to LDC's to continue on with important conservation programs in the best interest of the province. Our employees and company are proud of our accomplishments. The values we submitted are not significant but have been calculated utilizing OEB approved statistics and our best effort. Several other reduction programs were not included because they did not meet all the established criteria. For example, following OEB requirements, 2007 projects and beyond need to be certified by an independent 3rd party. The cost for a small utility to comply with this directive would outweigh the LRAM and SSM benefits, so we have chosen not to proceed with their inclusion. For these reasons, we do not support an automatic 10% reduction. We respectfully ask that an intervenor consider that same cost / benefit of such a review keeping in mind that the customers of NOTL Hydro are ultimately absorbing the final costs.

<u>APPENDIX to RESPONSE</u>

<u>I. Shared services agreement with Energy Services Niagara Inc.</u>

This Agreement made as of this 1st day of November, 2000

AMONG:

NIAGARA-ON-THE-LAKE HYDRO INC.
(*hereinafter called "the Wires Company")*

OF THE FIRST PART,

-and-

ENERGY SERVICES NIAGARA INC.
(hereinafter called "the Retail Company")

OF THE SECOND PART,

WHEREAS the Wires Company and the Retail Company have both been incorporated under the *Business Corporations Act (Ontario)* pursuant to section 142 of the *Electricity Act, 1998*, in order to comply with the *Energy Competition Act*;

AND WHEREAS the Ontario Energy Board (the "Board") has created an *Affiliate Relationship Code for Electricity Distributors and Transmitters* (the "Code") which applies to the Wires Company and its Affiliates, including the Retail Company;

AND WHEREAS the Code applies to all electricity distributors and transmitters licensed by the Board, including the Wires Company;

AND WHEREAS the purpose of the Code is to establish the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliate companies so as to minimize the potential for an electricity distributor or transmitter to cross-subsidize competitive or non-monopoly activities, protect the confidentiality of consumer information collected by a distributor or transmitter and to ensure there is no preferential access to regulated utility services;

AND WHEREAS the Wires Company may supply management, administration, and staffing services to the Retail Company in accordance with this agreement,

NOW THEREFORE IN CONSIDERATION OF the mutual covenants herein contained and the provision of other good and valuable consideration by each party hereto to each of the others (the receipt and adequacy of which is acknowledged) the parties hereto have agreed as follows:

I . Definitions

In this agreement,

(a) "Act" means the *Ontario Energy Board Act, 1998*;

(b) "affiliate" with respect to a corporation, has the same meaning as in the *Business Corporations Act (Ontario)* and may include HoldCo, WiresCo, ServeCo, RetailCo and GenCo;

(c) “agent” means a person acting on behalf of a utiliy and includes persons contracted to provide services to a utility;

(d) “Board” means the Ontario Energy Board;

(e) “Code” means the *Affiliate Relationship Code for Electricity Distributors and Transmitters;*

(f) “fair market value” means the price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act;

(g) "Schedules" means the schedules annexed to and forming part of this agreement;

(h) “Services Agreement” means an agreement between a utility and its affiliate(s) for the purpose of subsection 2.2 of the Code;

(i) “utility” means an electricity distributor or transmitter that is licensed under Part V of the Act.

II . Schedules

The Schedules annexed to and forming part of this agreement identify and describe the activities to be carried on by the Wires Company which, (for the purposes of the Code), interact with the Retail Company, the standards to which those activities will be performed, and estimates of the costs of those activities.

III. Work to be performed

(a) The Wires Company shall perform the activities identified and described in the Schedules (hereinafter simply referred to as “Services”), for the benefit of the Retail Company in accordance with the descriptions set forth in the Schedules.

(b) The necessary adjustments shall be made in the payment of remuneration to account for the fact that the Retail Company will not be in business for a full year in the year 2000 and for any effect due to a delay in market opening.

IV. Annual Review of Schedules

(a) The parties shall review the contents of each Schedule on an annual basis. The purpose of such review shall be to determine whether the activities described in each Schedule continue to be accurate. In the event that during such a review, disagreements arise with respect to suggested amendments to any Schedule and these disagreements cannot be settled by the parties, any party shall have the ability to require the contents of the Schedule or Schedules under disagreement to be submitted to arbitration in accordance with the provisions of this agreement.

(b) The review described in (a) above shall be commenced within sufficient time so that the parties might reasonably have completed their review in time for their annual budget and estimates process.

V. Remuneration

(a) The Retail Company shall pay remuneration to the Wires Company in accordance with the costs experienced by the Wires Company in performing the services set forth in the schedules. In addition to full recovery of all direct and indirect costs of providing services, the Retail Company shall pay to the Wires Company a further 10 to 20 % of such costs, and the combination of the costs so recovered plus the additional 10 to 20 % shall be the remuneration payable to the Wires Company pursuant to this agreement. The parties agree that such remuneration represents the fair market value for those services as of the date of this agreement.

> ***NOTE: The additional percentage increase is referred to by the Board as a "return on invested capital", which must be the higher of the utilities approved rate of return or the bank prime rate. (2.3.3)***

(b) The aggregate remuneration payable to the Wires Company in respect of the services provided by the Wires Company to the Retail Company shall be requested in periodic invoices delivered by the Wires Company to the Retail Company, such invoices to be delivered not more frequently than monthly. The terms of any such invoice, whether so marked or not, shall be net 30 days.

VI. Dispute Resolution

(a) In the event that either party hereto has any complaint or grievance with respect to the meaning or operation of this agreement, including the calculation of remuneration for any services provided hereunder, such complaint or grievance shall be resolved through binding arbitration pursuant to the provisions of the Arbitrations Act (Ontario). Any arbitrator so appointed shall apply the principles in this agreement in making a determination, particularly those principles set forth in the Interpretation section herein. It is agreed that such arbitration shall be final and that there shall be no right of recourse to the Courts for review or appeal of any award made in the course of such arbitration.

(b) Before submitting any question to arbitration, the parties shall have submitted the matter in dispute to a Joint Committee composed of members of the Board of Directors of both parties. Resort shall be had to arbitration only after the Joint Committee meeting has occurred and the dispute has not been resolved, or 45 days have elapsed since the matter was submitted to the Joint Committee and no meeting has occurred.

VII. Audit

Subject to Article X, a party to this agreement may, at reasonable intervals, upon reasonable notice and at reasonable times during normal business hours, have such access to the records of the other party as is necessary for purposes of auditing and investigating compliance with this agreement.

VIII. Term

(a) This agreement is effective immediately following signing by all parties hereto.

(b) This agreement is a continuing one, and there is no general right of any party to terminate its participation in this agreement, either in whole or in part, except as set forth herein or as may otherwise be agreed-upon by the parties by subsequent written agreement.

(c) The Wires Company shall be entitled to terminate this agreement if the Retail Company ceases to be controlled, directly or indirectly, by the same shareholder as the Wires Company or if the Retail Company breaches any obligation to the Wires Company hereunder. In the event that the Wires

Company terminates this agreement in whole or in part in accordance with the foregoing, the Retail Company shall indemnify and save harmless the Wires Company for the separation costs of any employees of the Wires Company fully engaged in providing services to Retail Company, and shall pay any other costs of disentanglement. In the event of termination for other reasons, the terms of such termination shall be in accordance with any applicable legal requirement, or the terms of any agreement in relation thereto by the parties.

IX. Force Majeure

It shall not be a breach of this agreement if any party to this agreement fails to perform its obligations to provide services, work, or the supply of goods and materials to any other party by reason of war, insurrection, tempest, labour disputes, or any other event beyond the reasonable control of that party. The foregoing shall not apply to an obligation to pay money.

X. Confidentiality and Ownership of Information

(a) It is agreed that confidential information from the Wires Company shall be kept in strict confidence by the Wires Company, and details of the operations of the Wires Company shall not be shared with the Retail Company, and vice versa.

(b) The parties shall take such measures as are necessary in order to comply with the confidentiality obligations under (a) above.

(c) Information stored or produced by any party to this agreement on the sole behalf of another party to this agreement, shall be the property of the party on whose sole behalf such information is stored or produced. Where such information consists of an original report, computer programme, information, or intellectual property produced by a party to this agreement for the sole purpose of supplying services to that other party and the cost of producing such report is included in the remuneration payable by such other party, the property (including copyright and moral rights) to such original report, computer programme, information, or intellectual property shall belong to such other party. The foregoing shall not apply were information is stored or produced by a party to this agreement on behalf of a third party to this agreement, or where the information is stored and produced by a party to this agreement for the mixed benefit of another party and the party which produced the information.

XI. Entire Agreement

The agreement, together with the Schedules, constitutes the entire Services Agreement between the parties as required by section 2.2.1 of the Code. This agreement may not be amended or modified except by written instrument signed by both parties.

XII. Successors and Assigns

This agreement shall ensure to the benefit of and be finding upon the parties hereto and their respective successors and assigns, provided that there shall be no assignment of this agreement without the prior written consent of the parties hereto. The foregoing shall not prevent the Wires Company from contracting out the performance of any of its obligations hereunder, however the Wires Company shall still be responsible as between it and the Retail Company for the performance of such obligations.

XIII. Interpretation

(a) This agreement shall be interpreted and applied in a manner which results in the greatest overall benefit to the citizens of Niagara-on-the-Lake.

(b) This agreement will be deemed to have been automatically amended to the minimum extent necessary to achieve compliance with all applicable statutory or regulatory requirements, however no such deemed amendment shall be effective unless and until the parties have concluded that the agreement cannot proceed as written, or that they cannot reasonably apply for an exemption (if such an exemption is available) that would alleviate such non-compliance. The parties agree to cooperate as necessary in order to proceed with any reasonable application which would legitimize any portion of this agreement that would otherwise be non-compliant.

(c) Subject headings are for purposes of convenience of reference only, and are not part of this agreement.

(d) Compliance with applicable laws is deemed to be a component of the description of every Service described in the Schedules, and the presence or absence of any reference to such compliance in any particular Schedule is insignificant. It is also to be assumed that basic supervision and management is included within the description of services in each Schedule, however special provision is made for certain forms of supervision and management services which are not contained within a single Schedule.

(e) The costing provisions in each of the Schedules are intended to provide a general description of the underlying theory for the payment of the fee to the Wires Company by the Retail Company, but under no circumstances shall any Schedule be limited to the estimates described therein. In every case, the Wires Company shall receive the full cost (which shall include both direct and indirect costs) of providing services to the Retail Company pursuant to this agreement, whether or not such full cost is adequately (or at all) estimated, explained, or described in any particular Schedule, plus an additional 10 to 20% above such cost, and no more or less, despite the fact that the estimates contained in a particular Schedule may be greater than or less than such full cost. As an example, if the Wires Company incurs additional costs for Workplace Health and Safety Insurance in consequence of providing services to the Retail Company, such costs shall be recovered by the Wires Company (plus an additional 10 to 20%) from the Retail Company despite the absence of any specific mention of such right of recovery. Without limiting the generality of the foregoing, the Wires Company shall always be entitled to additional remuneration in accordance with the foregoing if:

  (i) It has agreed to provide or has been required by law to provide Services which exceed those described on the applicable Schedule; or,

  (ii) It has agreed to provide or has been required by law to provide Services at a level which exceeds the level described on the applicable Schedule.

(f) Where the Wires Company provides Services to the Retail Company, the Wires Company shall use its best efforts to minimize the actual costs of providing such services while still complying with all applicable standards.

(g) It is acknowledged that there will be some duplication in the description of services between particular Schedules. Any such duplication is deemed to be insignificant and does not imply that there is multiple costing for those services. The parties agree that no such multiple costing is present.

(h) The remuneration payable to the Board of Directors of the Retail Company shall be paid directly by the Retail Company out of its own resources. In the event that the Retail Company has no resources, and the Wires Company advances money to the Board of Directors of the Retail Company, the payment of such costs shall subsequently be recovered from the Retail Company plus 7.25% interest.

(i) Where the Retail Company has receivables, such receivables shall be assets of the Retail Company and not assets of the Wires Company. Any late payment charges or risks of failing to recover such receivables shall lie entirely with the Retail Company and not the Wires Company.

(j) Assets which are acquired for the sole purpose of becoming integrated into the distribution system for electrical energy, hydro inventory, and rolling stock used primarily for electricity purposes, shall be obtained in the name of the applicable corporation. The purchase price of any such asset, the proceeds of disposition of any such asset (where such asset is sold), and the costs of obsolescence for any such asset shall be paid, received, or recorded, as the case may be, on the books of such corporation.

(k) Assets which are acquired, either in whole or in part, for purposes of permitting the Wires Company to comply with its contractual obligations hereunder to provide services to the Retail Company, but which are not referred to in (j) above shall generally be taken in the name of the Wires Company and the cost for same recovered from the Retail Company plus an additional 10 to 20%.

(l) Where outside forces are engaged for the purpose of obtaining or producing the assets described in (j) above, the contracts in respect of same shall be taken in the name of the Wires Company or the Retail Company as the case may be. In other cases, the contract shall be taken in the name of the Wires Company and that portion of the contract price which relates to the Retail Company as the benefiting party shall be recovered from the Retail Company, plus an additional 10 to 20%.

(m) Where the Schedules describe services to be performed by the Wires Company for the Retail Company pursuant to this agreement, the Retail Company shall only obtain such services from the Wires Company and not elsewhere, unless the Wires Company should otherwise agree. In those circumstances where the Retail Company obtains such separate services or pays for goods or services otherwise than through the Wires Company, out of their own resources, all such transactions (subject to any contrary requirements in this agreement) shall only be recorded on the books of the Retail Company and shall not generate any entitlement on the part of the Wires Company to any payment of 10 to 20 % above cost.

XIV. Responsibility and Indemnification

(a) The Wires Company and the Retail Company shall bear all risks associated with any assets owned by them, including environmental risks;

(b) The Retail Company shall reimburse, indemnify and save harmless the Wires Company against any costs, causes of action, claims, demands, expenses, or liabilities of any description incurred by the Wires Company for the benefit of the Retail Company, whether such reimbursement and indemnification is explicit within this agreement or otherwise.

XV. Joint Committee

(a) It is a matter of importance to the parties that there shall be proper consultation and involvement by the Retail Company in the performance of services for it under this agreement. For that reason, a Joint Committee, composed of an equal number of representatives from both the Wires and Retail Companies, shall be formed and shall meet on a regular basis, and otherwise as necessary, in order to identify, resolve, and coordinate matters of common concern in relation to the services performed hereunder by the Wires Company to the Retail Company.

(b) Either party to this agreement shall have the right to requisition a meeting of the said Joint Committee at any time upon five (5) days notice to the other.

(c) Where a member is unable to be present at any meeting of the said Joint Committee, he or she may substitute another individual to attend and participate at any such meeting in his or her stead.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS AGREEMENT.

Energy Services Niagara Inc.

Per:

____
President

____
Secretary

Niagara-on-the-Lake Hydro Inc.,

Per:

____
Chair

____
General Manager

Schedule A

Amended: August 31, 2005

Activities to be performed by Wires Company

1. Provide customer service representatives to perform billing, collecting and customer inquiry research for Retail company rental water heater and water/wastewater customer accounts.

2. Provide accounting/administrative personnel to provide accounting and administrative service.

3. Provide line and engineering personnel to provide street light maintenance, water heater service, fibre optics service.

4. Provide management personnel to oversee billing, accounting, administration, engineering and line staff.

5. Provide contractors, materials and equipment, for Wires Company staff to perform the above functions.

6. Provide office space for Retail company to carry on their business activities.

Schedule B

Effective: January 1, 2002

Standards of activities to be performed by Wires Company

Wires company activities will be conducted on a daily basis in accordance to the highest quality standards. Wires company will comply with all statutory and regulatory requirements and all applicable laws.

Schedule C

Effective: January 1, 2002

Services Fees

The following pricing will be in effect;

Item	**Price**	**Allocation method**
Labour	Cost plus 20%	Job Costs
Material	Cost plus 10%	Job Costs
Truck Expense	Cost plus 10%	Job Costs
Contractor	Cost plus 10%	Job Costs
Stores Overhead	10% of Materials plus 10%	Stores Allocation entry
Building Overhead	5% of Costs plus 10%	Square footage of occupation

APPENDIX to RESPONSE

II. Promissory Note.

PROMISSORY NOTE

FOR VALUE RECEIVED, Niagara-on-the-Lake Hydro Inc. ("WiresCo") hereby promises to pay to or to the order of The Corporation of the Town of Niagara-on-the-Lake (the "Town") the principal sum of $6,566,333.12 (the "Principal") with interest at the rate specified herein, on August 1, 2018.

Interest

The outstanding Principal shall bear interest at 7.25%, such interest to be paid monthly, not in advance. Interest shall accrue until the Principal is paid in full.

Renewal

This Promissory Note shall be automatically renewed for an additional ten (10) year term upon its maturity on the same terms and conditions contained herein, save as to any further right of renewal, unless either the Town or WiresCo gives ninety (90) days' prior written notice to the other that the Promissory Note shall not be renewed.

Adjustments

The Promissory Note is not assignable by the Town without the consent of WiresCo, such consent not to be unreasonably withheld.

Replacement Note

This Promissory Note replaces the Promisory Note executed by WiresCo in favour of the Town dated as of the 1st day of Novemeber, 2000 and remains in accordance with Town of Niagara-on-the-Lake By-law No. 3531-01.

Dated as of the 15th day of July, 2008.

NIAGARA-ON-THE-LAKE HYDRO INC.

Authorized Signing Officer

Authorized Signing Officer