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October 28, 2008

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0233
Innisfil Hydro Distribution Systems Limited – 2009 Electricity Distribution Rate Application

Please find enclosed the Interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Laurie Ann Cooledge
Innisfil Hydro Distribution Systems Limited

INNISFIL 2009 RATE APPLICATION
(EB-2008-0233)

VECC INTERROGATORY REQUESTS

Question #1

Reference: Exhibit 8/Tab 1/Schedule 2, page 1

a) Please provide a copy of Innisfil's Cost Allocation Informational Filing as submitted to the OEB in January 2007.

b) Please confirm that for purposes of the Cost Allocation Informational Filing:
- The Revenues are based on distribution rates (excluding the discounts for transformer ownership allowance)
- The Costs include the cost of the Transformer Ownership Allowance
- The cost of the Transformer Ownership Allowance is allocated to all customer classes

c) Please confirm that (per Exhibit 9, Tab 1, Schedule 1, page 5, Table 7), Innisfil is proposing to allocate the cost of the Transformer Ownership Allowance to just the GS>50 class.

d) Please provide the results of an alternative cost allocation run which is consistent with Innisfil's current proposed treatment of the Transformer Ownership Allowance where:
- The Revenues by class are based the rates reduced by the transformer ownership allowance where applicable
- The Costs allocated exclude the "cost" of the Transformer Ownership Allowance.
  (Note: For purposes of the response please just file the revise Output Sheet O1)

Response #1

a) Innisfil Hydro has provided an attached file containing the Input worksheet Output worksheets "O1" and "O2" from the Cost Allocation Informational Filing. The file is named "Appendix A responses to VECC IR Q 1 a) CA O1 and O2". Innisfil Hydro will also provide the Cost Allocation Informational Filing in a compressed file format via email to VECC when submitting the responses to interrogatories due November 24, 2008.

b) Innisfil Hydro agrees with the comments made above.

c) Innisfil Hydro is proposing to allocate the $10,284 transformer ownership allowance to just the GS>50 class based on an estimated 17,140 kW at $0.60/kW for those customers who own their own transformer.
A table has been provided in response to Question #13 that sets out Innisfil Hydro's proposed treatment of the transformer ownership allowance.

d) Attached please find Output Sheet O1 of the Cost Allocation Informational filing model reflecting an alternative cost allocation run which is consistent with Innisfil Hydro's proposed treatment of the Transformer Ownership Allowance within the 2009 rate application. The Excel file is named "Appendix B response to VECC IR 1d) CA Sheet O1".

To accomplish this response, Worksheets I3 and I9 of the Cost Allocation Informational filing model was adjusted to Directly Allocate the transformer allowance costs to accounts 5035 – Overhead Distribution Transformer – Operation, and 5160 – Maintenance of Line Transformers. In Worksheet I9, the transformer allowance costs were directly assigned to the General Service > 50 kW customer class.

On Worksheet I6 of the Cost Allocation Informational filing the "Approved Distribution Rev from approved EDR, Sheet 7-1 Col AK + Sheet 7-3 Col H" row was adjusted to remove $8,954 of revenue associated with the transformer allowance from each of the customer classes based on the proportions on Sheet 7-1 of the EDR model at column "Y". The total transformer allowance of $8,954 was then added to the GS>50kW class only.

Question #2

Reference: Exhibit 8/Tab 1/Schedule 2, page 3

a) Please provide the cross references as to where in the Cost Allocation Informational Filing the values used to derive Column A can be found.

b) Please explain how the allocation of the 2009 Miscellaneous Revenues to customer classes (Column J) was determined.

Response #2

a) The cross reference from the Cost Allocation Informational filing for the data provided in column A of Exhibit 8/Tab 1/Schedule 2, page 3 is Worksheet "O1 Revenue to cost | RR" with one adjustment to the GS>50kW customer class to remove the transformer allowance amount of $10,284 in column A. The transformer allowance represents 0.13% of the 2009 Service Revenue Requirement ($8,251,975).

The purpose of removing the $10,284 was to put the proportion of revenue for each class on the same platform Innisfil Hydro used in the development of the 2009 rate application. The transformer allowance amount was added

back in Column D of page 3 to compare the revenue proportions to the cost allocation results provided in column F.

b) The following table provides the basis used to allocate the 2009 proposed Miscellaneous Revenue to the customer rate classes. Innisfil Hydro does not have a more accurate method to allocate miscellaneous revenue to rate classes at this time and therefore chose to utilize the method used to allocate the 2006 EDR Miscellaneous Revenue to the rate classes in the same proportion as the Cost Allocation Informational Filing on worksheet "O1" at Row 19.

Customer Class	2006 EDR Misc Rev Allocation- CA Sheet O1	Miscellaneous Revenue %	Current Misc Revenue
Residential	359,266	81.86%	402,159
GS < 50kW	41,635	9.49%	46,606
GS > 50kW	19,415	4.42%	21,733
Street Lights	5,760	1.31%	6,448
Sentinel Lights	731	0.17%	818
Unmetered Scattered Load	12,054	2.75%	13,493
Total	438,861	100.00%	491,257

Question #3

Reference: Exhibit 8/Tab 1/Schedule 2, page 4 and Table 4

a) Please complete the following schedules:

- kWh by Customer Class (delivered)

Customer Class (all)	Cost Allocation Filing		2009 Application	
	kWh	% of Total	kWh	% of Total

- Customer/Connection Count

Customer Class (all)	Cost Allocation Filing		2009 Application	
	#	% of Total	#	% of Total

b) Based on the results from part (a), please comment on the appropriateness of assuming that the revenue requirement proportions from the 2006 Cost Allocation study represent what would be a 100% revenue to cost ratio for 2009.

c) Based on the results from part (a), please also comment on the appropriateness of assuming that the allocation of miscellaneous revenues from the 2006 Cost Allocation study represents an appropriate allocation for 2009.

Response #3

a) The following are the completed schedules requested:

	Cost Allocation Filing		2009 Application		
Customer Class	**kWh**	**% of Total**	**kWh**	**% of Total**	**% Difference**
Residential	147,659,838	69.5%	153,846,698	67.7%	-1.77%
GS < 50kW	24,497,971	11.5%	31,019,894	13.7%	2.13%
GS > 50kW	38,328,393	18.0%	39,978,179	17.6%	-0.44%
Street Lights	1,172,763	0.6%	1,652,371	0.7%	0.18%
Sentinel Lights	136,591	0.1%	123,512	0.1%	-0.01%
Unmetered Scattered Load	704,298	0.3%	562,039	0.2%	-0.08%
Total	**212,499,854**	**100.0%**	**227,182,693**	**100.0%**	

	Cost Allocation Filing		2009 Application		
Customer Class	**Customer**	**% of Total**	**Customer**	**% of Total**	**% Difference**
Residential	12,670	92.6%	13,512	92.6%	0.03%
GS < 50kW	771	5.6%	827	5.7%	0.03%
GS > 50kW	74	0.5%	72	0.5%	-0.05%
Street Lights	5	0.0%	5	0.0%	0.00%
Sentinel Lights	159	1.2%	168	1.1%	-0.01%
Unmetered Scattered Load	10	0.1%	10	0.1%	0.00%
Total	**13,689**	**100.0%**	**14,594**	**100.0%**	

	Cost Allocation Filing		2009 Application		
Customer Class	**Connection**	**% of Total**	**Connection**	**% of Total**	**% Difference**
Residential					
GS < 50kW					
GS > 50kW					
Street Lights	2,309	88.5%	2,810	91.0%	2.50%
Sentinel Lights	183	7.0%	193	6.3%	-0.76%
Unmetered Scattered Load	117	4.5%	85	2.8%	-1.73%
Total	**2,609**	**100.0%**	**3,088**	**100.0%**	

b) The 2009 customer/connection proportions are essentially the same as proportions in the updated cost allocation filings. The 2009 kWh and kW proportions are somewhat different than the proportions in the updated cost allocation filings. However, considering the cost allocation model basically assigns 50% of the distribution costs to customers and the other 50% to demand it appears to Innisfil Hydro that it is reasonable to use results of the updated cost allocation model for the 2009 application. In addition, it was costly to prepare the 2006 cost allocation informational filing. It is Innisfil Hydro's view it is cost effective to use the results of this study at least once to adjust rate. To update the cost allocation study Innisfil Hydro would need to request load data from Hydro One again and the data would be an estimate. Innisfil Hydro submits it would be more

prudent to update the cost allocation study at the time the next rebasing/cost of service application is complete since at this time smart meters will be installed and actual peak demand load data will be available by rate class.

c) The allocation of miscellaneous revenues from the 2006 Cost Allocation study represents the best allocation of miscellaneous revenues for 2009 without having to conduct an updated cost allocation. As outlined in b) Innisfil Hydro submits it would not be cost effective to update the cost allocation study at this time.

Question #4

Reference: Exhibit 8/Tab 1/Schedule 2, page 4

a) Please provide a schedule that sets out the 2009 fixed and variable billing determinants and revenues (dollar and %) by customer class based on current (approved 2008) rates. For purpose of the schedule please use: i) the monthly service charges excluding the smart meter rate adder; ii) variable charges excluding any charges for LV cost recovery and iii) rates net of the transformer ownership allowance (i.e., reduced by the allowance) where appropriate.

   The resulting schedule should also show the following:
   - The percentage of total revenues attributed to each customer class
   - The percentage of revenues from each customer class associated with the fixed and the variable charges

b) Innisfil is proposing to decrease slightly the R/C ratio for residential customers. One would typically expect that a reduction in R/C ratio would mean a reduced allocation of revenue requirements. Please contrast the percentage of revenue attributed to the residential class in response to part (a) versus that shown in Table 4 – Column F. If the former is the smaller of the two values, please reconcile the apparent inconsistency.

c) Please explain any discrepancies between the fixed revenue proportion determined for each class in response to part (a) and the fixer revenue proportions set out in Table 5 of Exhibit 9/Tab 1/Schedule 1.

Response #4

a) The following schedule reflects the 2009 fixed and variable billing determinants and revenues by customer class based on 2008 approved rates:

	2009 Billing Determinants			2008 Rates							
Customer Class	Customers / Connections	kwh	kW	Monthly S/C $	Volumetric Rates $	Total Fixed Charges	Fixed Charge %	Total Variable Charge	Variable Charge %	Total Charges	Total Charge %
Residential	13,512	153,846,698		19.24	0.0140	$3,119,651	**59.16%**	$ 2,153,854	**40.84%**	$ 5,273,504	**79.0%**
GS < 50kW	827	31,019,894		36.49	0.0107	362,127	**52.18%**	331,913	**47.82%**	694,040	**10.4%**
GS > 50kW	72	39,978,179	115,534	359.80	2.8045	310,867	**48.96%**	324,015	**51.04%**	634,882	**9.5%**
Street Lights	2,810	1,652,371	4,924	0.67	4.6396	22,592	**49.72%**	22,845	**50.28%**	45,438	**0.7%**
Sentinel Lights	193	123,512	344	1.34	6.6447	3,103	**57.59%**	2,286	**42.41%**	5,389	**0.1%**
USL	85	562,039		18.25	0.0106	18,615	**75.76%**	5,958	**24.24%**	24,573	**0.4%**
Total						$3,836,955	**57.46%**	$ 2,840,871	**42.54%**	$ 6,677,826	**100.0%**

b) The following table provides the basis used to calculate the proportion of revenue for each customer class based on the Revenue to cost ratios calculated in the Cost Allocation Informational filing. It can be seen that the "2009 Base Revenue Requirement proportion" for the revenue to cost ratio of 101.62 in the first data column for the residential class is 79.50% as shown in the last data column:

Innisfil Hydro 2009 Base Revenue Requirement allocation

	Revenue to Cost Ratios Per C.A. Study	2009 Service RR based on CA Study	Est 2009 Gross Revenue Split w 2004 Cost Rev Ratios	Misc Revenue Allocation 2009	Transformer Allowances 2009	Total Revenue Cost Allocation 2009	2009 Base RR proportion
Residential	101.62%	6,458,734	6,563,365	402,159		6,161,206	79.50%
GS<50 (kW)	130.98%	600,098	786,009	46,606		739,403	9.54%
GS>50 (kW)	146.58%	534,706	783,772	21,733	10,284	751,755	9.70%
Street Lights	9.45%	539,062	50,941	6,448	0	44,494	0.57%
Sentinel Lights	16.97%	43,872	7,445	818	0	6,627	0.09%
USL	78.89%	75,503	59,565	13,493		46,071	0.59%
		8,251,975	**8,251,097**	**491,257**	**10,284**	**7,749,556**	

The proposed revenue proportion for the residential class is being reduced from 79.50% (shown in Table 3) to 79.11% (shown in table 4) in this rate application which has the effect of reducing the revenue to cost ratio from 101.62 to 101.20.

Tables 3 and 4 have been included below for information purposes.

Table 3

Calculation of Revenue to Cost Ratios

Similar to Cost Allocaton Filing

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Cust Class $ in A / Total $ of A	Cust Class Ratio in B * Total $ of C		**Colum C + Column D**		Column F * Total $ in Column G		Colum G + Column H		Colum G + Column H	**Column K / Column E**	
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	**Assumed 100% R/C Ratio**	**Revenue Proportion to bring 2009 Revenues to CA R/C results**	2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Total Revenue Cost Allocation	**Calculated R/C Ratios**	**Cost Allocation Filing R/C Ratios**
Res	5,231,859	78.37%	6,458,734		**6,458,734**	**79.504%**	6,161,904		6,161,904	402,159	6,564,063	**101.6%**	**101.6%**
<50kW	486,106	7.28%	600,098		**600,098**	**9.541%**	739,487		739,487	46,606	786,092	**131.0%**	**131.0%**
>50kW	424,805	6.36%	524,422	10,284	**534,706**	**9.701%**	751,840	10,284	762,124	21,733	783,857	**146.6%**	**146.6%**
Street L	436,664	6.54%	539,062		**539,062**	**0.574%**	44,499		44,499	6,448	50,946	**9.5%**	**9.5%**
Sent L	35,538	0.53%	43,872		**43,872**	**0.086%**	6,628		6,628	818	7,446	**17.0%**	**17.0%**
USL	61,161	0.92%	75,503		**75,503**	**0.595%**	46,077		46,077	13,493	59,570	**78.9%**	**78.9%**
Total	6,676,133		8,241,691	10,284	**8,251,975**	**100.000%**	7,750,434	10,284	7,760,718	491,257	8,251,975		

Table 4

Calculation of Revenue to Cost Ratios

With comparison to Cost Allocation Informational Filing Ratios

	A	B	C	D	E	F	G	H	I	J	K	L	M
		Cust Class $ in A / Total $ of A	Cust Class Ratio in B * Total $ of C		Colum C + Column D		Column F * Total $ in Column G		Colum G + Column H		Colum G + Column H	**Column K / Column E**	
	2006 CA Rev Requirement Excl Trf All (Sheet O1 Rev Req less TA)	Proportion of Revenue	2009 Serv Rev Req Alloc	Add 2009 Trf All	Assumed 100% R/C Ratio	**2009 Proposed Revenue Proportion**	2009 Base Revenue Requirement	2009 Transformer Allowance	2009 Gross Distribution Revenue	2009 Proposed Misc Revenue	2009 Total Revenue Cost Allocation	**2009 Proposed R/C Ratio**	**Cost Allocation Filing R/C Ratios**
Res	5,231,859	78.37%	6,458,734		6,458,734	**79.110%**	6,131,368		6,131,368	402,159	6,533,527	**101.2%**	**101.6%**
<50kW	486,106	7.28%	600,098		600,098	**8.395%**	650,633		650,633	46,606	697,238	**116.2%**	**131.0%**
>50kW	424,805	6.36%	524,422	10,284	534,706	**8.957%**	694,206	10,284	704,490	21,733	726,223	**135.8%**	**146.6%**
Street L	436,664	6.54%	539,062		539,062	**2.700%**	209,262		209,262	6,448	215,709	**40.0%**	**9.5%**
Sent L	35,538	0.53%	43,872		43,872	**0.233%**	18,059		18,059	818	18,877	**43.0%**	**17.0%**
USL	61,161	0.92%	75,503		75,503	**0.605%**	46,906		46,906	13,493	60,400	**80.0%**	**78.9%**
Total	6,676,133		8,241,691	10,284	8,251,975	**100.000%**	7,750,434	10,284	7,760,718	491,257	8,251,975		

c) As requested, Innisfil Hydro has provided a table in Question 4a) showing the resulting Fixed and Variable splits are the same as those identified in Exhibit 9/Tab 1/Schedule1/Table 5. Please be advised the 2008 Rate Schedule at Exhibit 9/ Tab 1 /Schedule 5 was incorrectly labeled with the Sentinel Lighting rates as Street lighting on page 1 and incorrectly named the Street lighting rates as Sentinel Lighting on page 2. Other than this error in labeling, the Fixed Variable ratios are the same for the requested table and those set out in Table 5 of Exhibit 9/Tab 1/Schedule 1.

Question #5

Reference: Exhibit 9/Tab 1/Schedule 1, pages 3-5
OEB, Application of Cost Allocation for Electricity Distributors, Report of the Board, EB-2007-0667, November 28, 2007

Question:

a) Please provide a schedule that sets out the target range for the service charge for each customer class based on the results of Innisfil's Cost Allocation Informational Filing and the OEB's November 2007 Report.

b) Please reconcile the statements on page 4 (lines 9-11) and page 5 (lines 1-3). Page 4 suggests that Innisfil is changing the fixed/variable portions of its rates for 2009 while page 5 suggests that it is not.

Response #5

a)

2006 Cost Allocation - Sheet O2	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	$4.73	$11.79	$85.48	$0.31	$0.54	$14.68
Customer Unit Cost per month - Directly Related	$7.11	$16.82	$125.62	$0.48	$0.85	$23.09
Customer Unit Cost per month - Minimum System with PLCC Adjust	$20.14	$26.66	$132.63	$15.68	$15.97	$31.81

b) The paragraph at the top of page 5 incorrectly used the phrase **"…assuming the same fixed/variable split used in designing the current approved rates"** and should have read, **"… assuming the fixed/variable proportions go from a 57/43% fixed/variable mix to a 50/50% fixed/variable mix overall"**.

Question #6

Reference: Exhibit 9/Tab 1/Schedule 2

a) What is the forecast average monthly residential use for 2009?

b) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
- Consume less than 250 kWh per month

- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month
- Consume 750 -> 1000 kWh per month
- Consume 1000 -> 1500 kWh per month
- Consume 1500 -> 2000 kWh per month
- Consume more than 2000 kWh per month

Response #6

a) The forecast average monthly residential use for 2009 is 949 kWh.

b) The following table represents the percentage of total residential customers based on the most recent 12 consecutive months of actual billing data that:

- Consume less than 250 kWh per month – **9.45%**
- Consume 250 -> 500 kWh per month – **15.25%**
- Consume 500 -> 750 kWh per month – **20.76%**
- Consume 750 -> 1000 kWh per month – **17.95%**
- Consume 1000 -> 1500 kWh per month – **21.08%**
- Consume 1500 -> 2000 kWh per month – **8.10%**
- Consume more than 2000 kWh per month – **7.41%**

Question # 7

Reference: Exhibit 1/Tab 1/Schedule 6, p.1

What is Innisfil's current status in terms of government authorization to proceed with smart meter acquisition and installation?

Response #7

Innisfil Hydro as a member of the Cornerstone Hydro Electric Concepts Inc (CHEC) group of LDC's participated in the London Hydro Phase II RFP. By virtue of our participation in this Ministry approved process, Innisfil Hydro has been named in regulation and authorized to commence contract negotiations with the vendors ranked one, two and three from the RFP.

Question #8

Reference: Exhibit 2/Tab 4/Schedule 1
http://www.oeb.gov.on.ca/OEB/_Documents/EB-2004-0205/rpp_price_report_20081015.pdf

a) Please provide an update of the working capital calculation that reflects the cost of electricity as shown in the most recent OEB Regulated Price Plan Report (page 5) dated October 15, 2008.

Response #8

a) Innisfil Hydro has become aware of more recent rates available for use in the working capital allowance calculation since the cost of service application was filed on August 15, 2008. The OEB has issued an updated Regulated Price Plan report dated October 15, 2008. The updated average supply cost for RPP consumers is $60.30 per MWh in the executive summary page iii.

Innisfil Hydro has further determined an incorrect loss factor of 1.0498 instead of 1.0746 was used when the cost of power quantities were determined in the 2009 rate application was filed and further submits updated kWh quantities.

When final rates are determined these items will be reflected in those rates.

The following table provides the updated working capital impact:

Cost of power-updated quantities and prices

	Customer class	Rates	kWh	Amount	APH #
Updated	All	0.0603	244,136,404	$ 14,721,425	4705
2009 application	All	0.0545	238,490,880	$ 12,997,753	4705
	Total increased cost of power			$ 1,723,672	
	Working Capital impact @ 15%			$ 258,551	
	Commodity Pricing impact			$ 212,399	
	Quantity impact			46,152	
	Total working capital impact			$ 258,551	

Question #9

Reference: Exhibit 2/Tab3/Schedule 1p.6 and
Exhibit 2/Tab 3/Schedule 2, pp 10-15

Please provide an update as to the projected 2008 capital expenditures, i.e., is Innisfil on track to complete the projects shown on Table 5 for the amounts shown? If some projects have been deferred or are behind schedule, please identify.

Response #9

The following table is a status update of Innisfil Hydro's 2008 capital expenditures by major project:

2008 Distribution Plant Expenditures

Category	Project Description	Total Project	Acct 1806	Acct 1820	Acct 1830	Acct 1835	Acct 1840	Acct 1845	Acct 1850	Acct 1855	Acct 1860	update as of Sept 30 2008
Regulatory	Line Ext 15th line	81,900	700		31,100	34,100			16,000			on track
Security	44 kV line ext BBP	360,400			223,600	128,000			8,800			on track
Regulatory	Line rebuild Hwy 27	125,800			82,000	36,600			7,200			on track
Reliability	Guard rails	170,000			170,000							on track
Cust Dema	Road widening	750,000						750,000				deferred to 2009
Reliability	44 kV mechanized Altdi-Ruptor Scada	192,950			16,700	172,600			3,650			on track
Reliability	27.6 kV mechanized Scada-mate switch	132,750			7,750	125,000						on track
Infrastructu	Pole replacement	236,510			133,160	67,450			34,100	1,800		on track
Metering	Industrial Park Road TX	27,000									27,000	on track
Metering	Miscellaneous customer metering	53,000									53,000	on track
Cust Dema	Miscellaneous customer demand	950,055	11,100		123,025	124,525	20,850	77,085	364,960	228,510		on track
Infrastructu	Miscellaneous infrastucture	376,445	3,700		123,025	124,525		8,565	91,240	25,390		on track
Substation	Substation investments	58,850		58,850								on track
	Total Distribution Plant Expenditures	**3,515,660**	**15,500**	**58,850**	**910,360**	**812,800**	**20,850**	**835,650**	**525,950**	**255,700**	**80,000**	

2008 General Plant Expenditures

Category	Project Description	Total Project	Acct 1908	Acct 1915	Acct 1920	Acct 1925	Acct 1930	Acct 1935	Acct 1940	Acct 1945	Acct 1980	update as of Sept 30 2008
Facilities	Misc building fixtures and fencing	25,000	25,000									on track
Facilities	2 Portables	60,000	60,000									on track
Facilities	Office furniture	19,600		19,600								on track
Computer	Hardware-servers, pc's & printers	60,500			60,500							on track
Computer	Software-HR module, upgrades etc	90,400				90,400						on track
Transporta	1 Trucks	38,000					38,000					on track
Communic	44 kV line ext on BBP	19,600									19,600	on track
Communic	44 kV mechanized Altdi-Ruptor Scada	51,000									51,000	on track
Communic	27.6 kV mechanized Scada mate switch	9,300									9,300	on track
Communic	27.6 kV radio repeated fault indicator	27,000									27,000	on track
Communic	Scada programming & updates	17,000									17,000	on track
Tools & Eq	Miscellaneous stores equipment	3,500						3,500				on track
Tools & Eq	Miscellaneous tools & shop equipment	9,000							9,000			on track
Tools & Eq	Miscellaneous testing equipment	2,000								2,000		on track
	Total Distribution Plant Expenditures	**431,900**	**85,000**	**19,600**	**60,500**	**90,400**	**38,000**	**3,500**	**9,000**	**2,000**	**123,900**	
	Total 2008 Capital Expenditures	**3,947,560**										

Question #10

Reference: Exhibit 2/Tab3/Schedule 1, p.7 and
Exhibit 2/Tab 3/Schedule 2, pp 16-24

With respect to the 2009 proposed capital expenditures, please identify the projects which are (i) not deferrable, (ii) potentially deferrable, and (iii) deferrable.

Response #10

Subsequent to filing the rate application, information from the Town of Innisfil Planning Department indicates a one year delay in the development of a 1182 lot plan of subdivision in the settlement area of Lefroy. This would allow the postponement of a 27.6kV line extension on the 20th Side Road from 7th Line to

4th Line and 27.6kV voltage conversion on the 20th Side Road at 5th and 6th Lines. This capital expenditure of $714,550 and $184,100 for a total of $898,650 could be deferred from 2009 to 2010. However, of this amount, $432,000 will be required for a recent economic cost increase from Hydro One to construct two 44kV circuits (9M3 & 9M6 from Alliston TS) carried over from 2008 to 2009.

The 2008 Road Widening budget ($750,000) is now not expected to occur until Q1/Q2, 2009. This would shift the 2009 Road Widening budget ($788,800) into 2010.

2009 Distribution Plant Expenditures			
Category	Project Description	Total Project	project deferrable status
Infrastructure	Pole Replacement	271500	Not Deferrable
Reliability	44 kV Load Interrupters	290540	Not Deferrable
Infrastructure	Industrial Park Rd Transformer replac	52200	Not Deferrable
Security	9M4 ext-20 SR 10th line	198900	Not Deferrable
Reliability	Reclosurer automation	133900	Not Deferrable
Cust Demand	Utility relocates	266900	Not Deferrable
Reliability	27.6 SCADA mates	149600	Not Deferrable
Capacity	44 kV line ext 20th SR	389300	Not Deferrable
Metering	Wholesale meters	140000	Not Deferrable
Reliability	Guard rails	132900	Not Deferrable
Cust Demand	Road widening	788800	Not Deferrable
Infrastructure	27 kV voltage conver 20 SR 5th & 6th	184100	Deferrable
Capacity	27 kV voltage extension 20 SR 7th & 4th	714550	Deferrable
Infrastructure	Betterment	184700	Not Deferrable
Reliability	Hydro One build double circuit	500000	Not Deferrable
Reliability	9M3 9M6 extension	853186	Not Deferrable
Cust Demand	Miscellaneous customer demand	985860	Not Deferrable
Infrastructure	Miscellaneous infrastucture	341156	Not Deferrable
Substation	Substation investments	2200	Not Deferrable
Metering	Miscellaneous customer metering	4000	Not Deferrable
	Total Distribution Plant Expenditures	6584292	

Question #11

Reference: Exhibit 2/Tab 1/Schedule 1, p. 10

a) Please provide the current five-year budget plan approved by the Board of Directors and the five-year budget plan approved last year.

Response #11

The current five-year plan approved by the Board of Directors is the plan that was approved in November 2007 covering 2008 to 2012. The plan for the period covering 2009 to 2013 has been delayed due to the priority of the interrogatories. The plan is attached file name Appendix C responses to VECC IR 11a) 2008 to 2012 5-yr Plan.

Question #12

Reference: Exhibit 1/Tab 2/Schedule 1

a) With respect to the OM&A forecast expenses, the application states that "[a]ll unavoidable increases and unmet needs from the prior

budget period are identified and reviewed in detail." Please identify and quantify the OM&A expense items budgeted for 2008 and 2009 that fit this criterion.

Response #12

Innisfil Hydro's budgeting process includes a thorough review of all proposed budgeted expenditure items to ensure those items are unavoidable or subject to deferral to a future period.

Innisfil Hydro also determines whether previously budgeted items that may not have been completed within the budget year due to unforeseen circumstances need to be included in future forecasts. Those items are tabled again to ensure those needs are included in future forecasts where necessary to ensure system reliability and operational requirements continue to be met.

There were no such cases identified in the 2009 Cost of Service application.

Question #13

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

a) Please provide a schedule setting out the rates and volumes by customer class supporting the 2009 test year revenues reported in Table 1.

b) Please clarify whether the rates used in part (a) included:
- Charges for LV recovery
- Smart Meter charges
- Discounts for transformer ownership where applicable.

Response #13

a)

Customer Class	E3/T1/S2	Customers	kwh	kW	Fixed Charge	Volumetric Charge	Transformer Ownership Allowance kW	Transformer Ownership Allowance $	Fixed Revenue	Variable Revenue	Total Revenue
Residential	$ 6,131,368	13,512	153,846,698		$ 19.24	$ 0.0196			$ 3,119,651	$ 3,011,718	$ 6,131,368
GS<50 (kW)	$ 650,633	827	31,019,894		$ 34.00	$ 0.0101			$ 337,416	$ 313,217	$ 650,633
GS>50 (kW)	$ 694,206	72	39,978,179	115,534	$ 359.80	$ 3.4070	17,140	$ (0.60)	$ 310,867	$ 383,339	$ 694,206
Street Lights	$ 209,262	2,810	1,652,371	4,924	$ 3.00	$ 21.9540			$ 101,160	$ 108,102	$ 209,262
Sentinel Lights	$ 18,059	193	123,512	344	$ 4.50	$ 22.1992			$ 10,422	$ 7,637	$ 18,059
Unmetered Scattered Load	$ 46,906	85	562,039	-	$ 23.24	$ 0.0413			$ 23,705	$ 23,202	$ 46,906
TOTAL	**$ 7,750,434**										**$ 7,750,434**

b) Charges for LV recovery and Smart Meter charges are not included in the above rates.

The transformer ownership allowance can clearly be seen in the table above and is applied to the >50kW customer class based on the number of kW for customers within that class who own their own transformer.

Question #14

Reference: Exhibit 3/Tab 2/Schedule 3, page 3

a) Please provide the F-statistic computed by the regression equation.

b) What was the source and publication date for the forecast of the real GDP monthly index used in the THES rate application?

c) Are more recent forecasts of the real GDP monthly index available? If so, please provide and update the load forecast accordingly.

Response #14

a) It is Innisfil Hydro's understanding that the F-test value computed by the regression equation is 522.33

b) As provided in Toronto Hydro-Electric Systems Limited, EB-2007-0680, Exhibit K1, Tab 1, Schedule 3, Filed Aug 2, Page 1 of 2, the data source for Ontario real GDP index is referenced as the 2007 GDP was derived from a consensus forecast from the six Schedule I Chartered banks (i.e. the average real GDP growth rate forecast by TD, BMO, CIBC, RBC, Scotia and National bank); 2008 – 2010 was forecasted based on the historical actual (1998- 2005).

c) The load forecast has been updated to assume a real Ontario GDP of 0.1 % for 2008 and 0.7% for 2008 based on the Ontario Ministry of Finance 2008 Ontario Economic Outlook and Fiscal Review dated October 22, 2008. The following table outlines the revised Summary of Forecast Data with the updated assumptions

	2006 Board Approved	2006 Actual	2007 Actual	2008 Weather Normal	2009 Weather Normal
Actual kWh Purchases		227,671,082	235,121,981		
Predicted kWh Purchases		227,100,692	235,700,826	237,806,233	239,369,730
% Difference		-0.25%	0.25%		
Billed kWh	212,499,854	216,391,743	224,169,495	224,699,346	226,176,669
By Class					
Residential					
Customers	12,670	12,949	13,132	13,321	13,512
kWh	146,659,838	147,617,301	152,967,169	152,709,792	153,111,512
General Service < 50 kW					
Customers	771	903	831	829	827
kWh	24,497,971	27,543,435	28,694,771	29,699,232	30,871,659
General Service > 50 kW					
Customers	74	67	72	72	72
kWh	38,328,393	39,648,974	40,322,203	40,030,596	39,855,575
kW	107,765	118,220	118,203	115,686	115,180
Streetlights					
Connections	2,309	2,490	2,588	2,697	2,810
kWh	1,172,763	1,450,335	1,497,459	1,573,009	1,652,371
kW	3,713	4,028	4,157	4,688	4,924
Sentinel Lights					
Connections	183	184	188	190	193
kWh	136,591	131,698	125,854	124,678	123,512
kW	360	367	349	347	344
Unmetered Loads					
Connections	117	0	85	85	85
kWh	704,298	0	562,039	562,039	562,039
Total					
Customer/Connections	16,124	16,593	16,896	17,194	17,499
kWh	211,499,854	216,391,743	224,169,495	224,699,346	226,176,669
kW from applicable classes	111,838	122,615	122,709	120,720	120,448

Question #15

Reference: Exhibit 3/Tab 2/Schedule 3, page 4

a) Please provide a schedule that sets out the weather normalized system purchases for the years 2002 to 2007 inclusive.

Response #15

Innisfil Hydro is unable to determine the weather normalized actual 2002 to 2007 system purchases. However, the following table outlines the system purchases from 2002 to 2007 that would be predicted by the regression model using actual heating degree days (HDD) and cooling degree days (CDD) as well as the predicted values using the average monthly HDD and CDD from 2002 to 2007.

Year	Predicted Weather Actual	Predicted Weather Normalized
2002	220,868,832	218,941,892
2003	224,851,657	223,307,958
2004	225,461,395	229,195,285
2005	235,765,321	235,765,321
2006	227,100,692	237,277,747
2007	235,700,826	239,573,621

Question #16

Reference: Exhibit 3/Tab 2/Schedule 3, page 7 and page 9

a) The Residential and GS<50 classes annual usage per customer values set out in Table 9 will be influenced weather in the year concerned per page 9).
   - Given this fact, please confirm that the calculated growth rates for these two classes will be affected by historical variations in weather.
   - Why is it appropriate to use the growth rate in usage per customer/connection (non weather-normalized) to forecast usage for 2008 and 2009?

b) Innisfil's load forecast methodology assumes there is some consistency between:
   - It's forecast of overall system purchases based on econometric analysis, and
   - It's forecast of # of customers and average customer use based on simple growth trends.

   Please explain why this is reasonable to assume when these two approaches are conceptually different.

Response #16

a) Innisfil Hydro confirms that the calculated growth rates for these two classes will be affected by historical variations in weather. Is it appropriate to use the growth rate in usage per customer/connection and this point in the load forecast process (i.e Table 9) since IHDSL is attempting to determine a non weather-normalized forecast for 2008 and 2009.

b) It is Innisfil Hydro's view that for the purposes of developing a load forecast for rate setting purposes the method outlined in its application is reasonable and consistent. In summary, the first step in the load forecast it to determine the forecast of overall system purchases based on a econometric model since the monthly purchases are known and monthly weather, economic and other variable related to the use of electricity are know on a monthly basis. This means a regression analysis can determine a reasonable relationship between system purchased and known variables based on historical data without having to address the

issue of timing that is associated with billing data. The resulting regression model can be used to forecast the system purchases for the bridge and test year.

The resulting system purchases are then adjusted for losses to determine the total estimated kWh sold at the meter. This amount is distributed to rate classes based on a historical proportion of historical billing data by rate class. However, it is Innisfil Hydro's view that to distribute the KWh sold based solely on historical proportions would not be appropriate. As a result, the rate class proportions are adjusted to reflect the expected number of customer/connection by rate class in 2008 and 2009 as well as the expected usage of these customer/connections in these years.

2006 COST ALLOCATION INFORMATION FILING

Innisfil Hydro Distribution Systems Limited

EB-2005-0382 EB-2006-0247

Monday, January 15, 2007

Sheet O2 Monthly Fixed Charge Min. & Max. Worksheet - Second Run

Output sheet showing minimum and maximum level for Monthly Fixed Charge

Summary

	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
Customer Unit Cost per month - Avoided Cost	$4.73	$11.79	$85.48	$0.31	$0.54	$14.68
Customer Unit Cost per month - Directly Related	$7.11	$16.82	$125.62	$0.48	$0.85	$23.09
Customer Unit Cost per month - Minimum System with PLCC Adjustment	$20.14	$26.66	$132.63	$15.68	$15.97	$31.81
Fixed Charge per approved 2006 EDR	$19.41	$36.55	$357.94	$0.66	$1.33	$19.94
Current Fixed charge vs avoided cost	410%	310%	419%	211%	245%	136%

Information to be Used to Allocate PILs, ROD, ROE and A&G

	Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
General Plant - Gross Assets	$3,054,045	$2,381,266	$205,881	$193,107	$241,043	$19,129	$13,620
General Plant - Accumulated Depreciation	($1,407,416)	($1,097,374)	($94,877)	($88,991)	($111,082)	($8,815)	($6,276)
General Plant - Net Fixed Assets	$1,646,629	$1,283,891	$111,003	$104,116	$129,962	$10,314	$7,343
General Plant - Depreciation	$226,347	$176,485	$15,259	$14,312	$17,865	$1,418	$1,009
Total Net Fixed Assets Excluding General Plant	$15,324,462	$11,935,500	$1,053,962	$994,405	$1,179,858	$93,655	$67,081
Total Administration and General Expense	$922,355	$727,208	$71,802	$60,916	$43,906	$3,783	$14,740
Total O&M	$1,765,127	$1,392,179	$137,960	$116,693	$82,319	$7,122	$28,854

Scenario 1

Accounts included in Avoided Costs Plus General Administration Allocation

			1	2	3	7	8	9
USoA Account #	**Accounts**	**Total**	**Residential**	**GS <50**	**GS>50-Regular**	**Street Light**	**Sentinel**	**Unmetered Scattered Load**
	Distribution Plant							
1860	Meters	$1,712,130	$1,163,290	$372,102	$176,738	$0	$0	$0
	Accumulated Amortization							
	Accum. Amortization of Electric Utility Plant - Meters only	($987,601)	($671,016)	($214,638)	($101,947)	$0	$0	$0
	Meter Net Fixed Assets	**$724,529**	**$492,274**	**$157,464**	**$74,791**	**$0**	**$0**	**$0**
	Misc Revenue							
4082	Retail Services Revenues	($13,345)	($11,013)	($1,340)	($450)	($18)	($14)	($509)
4084	Service Transaction Requests (STR) Revenues	($40)	($33)	($4)	($1)	($0)	($0)	($2)
4090	Electric Services Incidental to Energy Sales	($42,122)	($34,763)	($4,231)	($1,421)	($58)	($44)	($1,605)
4220	Other Electric Revenues	$0	$0	$0	$0	$0	$0	$0
4225	Late Payment Charges	($71,282)	($59,105)	($6,898)	($4,863)	($41)	$0	($374)
	Sub-total	*($126,789)*	*($104,915)*	*($12,474)*	*($6,736)*	*($117)*	*($57)*	*($2,489)*
	Operation							
5065	Meter Expense	$34,732	$23,599	$7,548	$3,585	$0	$0	$0
5070	Customer Premises - Operation Labour	$46,752	$36,737	$2,236	$215	$6,695	$531	$339
5075	Customer Premises - Materials and Expenses	$8,976	$7,053	$429	$41	$1,285	$102	$65
	Sub-total	*$90,461*	*$67,389*	*$10,213*	*$3,841*	*$7,980*	*$632*	*$404*
	Maintenance							
5175	Maintenance of Meters	$10,400	$7,066	$2,260	$1,074	$0	$0	$0
	Billing and Collection							
5310	Meter Reading Expense	$141,809	$94,933	$7,915	$38,961	$0	$0	$0
5315	Customer Billing	$327,243	$270,076	$32,869	$11,042	$448	$339	$12,470
5320	Collecting	$268,481	$221,579	$26,967	$9,059	$367	$278	$10,231
5325	Collecting- Cash Over and Short	$40	$33	$4	$1	$0	$0	$2
5330	Collection Charges	$0	$0	$0	$0	$0	$0	$0
	Sub-total	$737,574	$586,621	$67,756	$59,063	$815	$617	$22,702
	Total Operation, Maintenance and Billing	$838,435	$661,076	$80,230	$63,978	$8,795	$1,250	$23,107
	Amortization Expense - Meters	$69,476	$47,205	$15,099	$7,172	$0	$0	$0
	Allocated PILs	$32,542	$22,094	$7,082	$3,366	$0	$0	$0
	Allocated Debt Return	$38,470	$26,119	$8,372	$3,979	$0	$0	$0
	Allocated Equity Return	$37,675	$25,579	$8,199	$3,896	$0	$0	$0
	Total	**$889,808**	**$677,159**	**$106,508**	**$75,654**	**$8,679**	**$1,192**	**$20,618**

2006 COST ALLOCATION INFORMATION FILING

Innisfil Hydro Distribution Systems Limited

EB-2005-0382 EB-2006-0247

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Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$6,247,362	$4,957,254	$595,079	$618,035	$35,495	$5,301	$36,198
mi	Miscellaneous Revenue (mi)	$438,862	$359,266	$41,635	$19,415	$5,760	$731	$12,054
	Total Revenue	**$6,686,224**	**$5,316,520**	**$636,714**	**$637,450**	**$41,255**	**$6,032**	**$48,252**
	Expenses							
di	Distribution Costs (di)	$855,481	$670,971	$50,816	$50,320	$73,464	$5,827	$4,083
cu	Customer Related Costs (cu)	$909,647	$721,208	$87,144	$66,373	$8,855	$1,295	$24,772
ad	General and Administration (ad)	$922,355	$727,208	$71,802	$60,916	$43,906	$3,783	$14,740
dep	Depreciation and Amortization (dep)	$1,454,453	$1,130,844	$101,357	$92,189	$114,549	$9,085	$6,429
INPUT	PILs (INPUT)	$761,785	$593,318	$52,393	$49,432	$58,651	$4,656	$3,335
INT	Interest	$900,562	$701,405	$61,937	$58,438	$69,336	$5,504	$3,942
	Total Expenses	**$5,804,282**	**$4,544,956**	**$425,449**	**$377,667**	**$368,762**	**$30,148**	**$57,300**
	Direct Allocation	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
NI	Allocated Net Income (NI)	$881,942	$686,903	$60,657	$57,229	$67,902	$5,390	$3,861
	Revenue Requirement (includes NI)	**$6,686,224**	$5,231,859	$486,106	$434,896	$436,664	$35,538	$61,161
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$34,228,605	$26,619,015	$2,389,254	$2,238,784	$2,625,040	$208,256	$148,256
gp	General Plant - Gross	$3,054,045	$2,381,266	$205,881	$193,107	$241,043	$19,129	$13,620
accum dep	Accumulated Depreciation	($18,087,072)	($14,033,321)	($1,301,114)	($1,218,156)	($1,351,056)	($107,153)	($76,272)
co	Capital Contribution	($2,224,487)	($1,747,569)	($129,054)	($115,214)	($205,208)	($16,264)	($11,179)
	Total Net Plant	**$16,971,092**	**$13,219,391**	**$1,164,966**	**$1,098,522**	**$1,309,820**	**$103,969**	**$74,425**
	Directly Allocated Net Fixed Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
COP	Cost of Power (COP)	$14,524,264	$10,092,480	$1,674,425	$2,619,727	$80,158	$9,336	$48,138
	OM&A Expenses	$2,687,482	$2,119,388	$209,762	$177,608	$126,225	$10,904	$43,595
	Directly Allocated Expenses	$0	$0	$0	$0	$0	$0	$0
	Subtotal	***$17,211,746***	***$12,211,867***	***$1,884,187***	***$2,797,336***	***$206,383***	***$20,240***	***$91,733***
	Working Capital	**$2,581,762**	**$1,831,780**	**$282,628**	**$419,600**	**$30,957**	**$3,036**	**$13,760**
	Total Rate Base	**$19,552,854**	**$15,051,171**	**$1,447,594**	**$1,518,122**	**$1,340,777**	**$107,005**	**$88,184**
		Rate Base Input equals Output						
	Equity Component of Rate Base	**$9,776,427**	**$7,525,585**	**$723,797**	**$759,061**	**$670,389**	**$53,502**	**$44,092**
	Net Income on Allocated Assets	**$881,941**	**$771,565**	**$211,265**	**$259,783**	**($327,507)**	**($24,117)**	**($9,048)**
	Net Income on Direct Allocation Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Income	**$881,941**	**$771,565**	**$211,265**	**$259,783**	**($327,507)**	**($24,117)**	**($9,048)**
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	101.62%	130.98%	146.58%	9.45%	16.97%	78.89%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($1)	$84,662	$150,608	$202,554	($395,409)	($29,507)	($12,909)
			1.6%	23.7%	31.8%	-958.4%	-489.2%	-26.8%
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.02%	10.25%	29.19%	34.22%	-48.85%	-45.08%	-20.52%

2006 COST ALLOCATION INFORMATION FILING

Innisfil Hydro Distribution Systems Limited

EB-2005-0382 EB-2006-0247

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Sheet O1 Revenue to Cost Summary Worksheet - Second Run

Class Revenue, Cost Analysis, and Return on Rate Base

Rate Base Assets		Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load
crev	Distribution Revenue (sale)	$6,247,362	$4,950,149	$594,226	$626,104	$35,444	$5,293	$36,146
mi	Miscellaneous Revenue (mi)	$438,862	$359,266	$41,635	$19,415	$5,760	$731	$12,054
	Total Revenue	**$6,686,224**	**$5,309,415**	**$635,861**	**$645,519**	**$41,204**	**$6,024**	**$48,200**
	Expenses							
di	Distribution Costs (di)	$846,527	$664,040	$50,216	$49,770	$72,695	$5,766	$4,040
cu	Customer Related Costs (cu)	$909,647	$721,208	$87,144	$66,373	$8,855	$1,295	$24,772
ad	General and Administration (ad)	$922,355	$727,275	$71,853	$60,937	$43,727	$3,770	$14,793
dep	Depreciation and Amortization (dep)	$1,454,453	$1,130,845	$101,357	$92,189	$114,549	$9,085	$6,429
INPUT	PILs (INPUT)	$761,785	$593,318	$52,393	$49,432	$58,651	$4,656	$3,335
INT	Interest	$900,562	$701,405	$61,938	$58,438	$69,336	$5,504	$3,942
	Total Expenses	**$5,795,328**	**$4,538,092**	**$424,900**	**$377,139**	**$367,812**	**$30,075**	**$57,311**
	Direct Allocation	**$8,954**	**$0**	**$0**	**$8,954**	**$0**	**$0**	**$0**
NI	Allocated Net Income (NI)	$881,942	$686,903	$60,657	$57,229	$67,902	$5,390	$3,861
	Revenue Requirement (includes NI)	**$6,686,224**	$5,224,995	$485,557	$443,322	$435,714	$35,465	$61,172
		Revenue Requirement Input equals Output						
	Rate Base Calculation							
	Net Assets							
dp	Distribution Plant - Gross	$34,228,605	$26,619,017	$2,389,255	$2,238,785	$2,625,035	$208,256	$148,257
gp	General Plant - Gross	$3,054,045	$2,381,266	$205,881	$193,107	$241,042	$19,129	$13,620
accum dep	Accumulated Depreciation	($18,087,072)	($14,033,321)	($1,301,114)	($1,218,156)	($1,351,055)	($107,153)	($76,272)
co	Capital Contribution	($2,224,487)	($1,747,569)	($129,054)	($115,214)	($205,208)	($16,264)	($11,179)
	Total Net Plant	**$16,971,092**	**$13,219,393**	**$1,164,967**	**$1,098,522**	**$1,309,814**	**$103,968**	**$74,426**
	Directly Allocated Net Fixed Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
COP	Cost of Power (COP)	$14,524,264	$10,092,480	$1,674,425	$2,619,727	$80,158	$9,336	$48,138
	OM&A Expenses	$2,678,528	$2,112,523	$209,213	$177,080	$125,277	$10,831	$43,605
	Directly Allocated Expenses	$8,954	$0	$0	$8,954	$0	$0	$0
	Subtotal	***$17,211,746***	***$12,205,003***	***$1,883,637***	***$2,805,761***	***$205,434***	***$20,167***	***$91,743***
	Working Capital	**$2,581,762**	**$1,830,750**	**$282,546**	**$420,864**	**$30,815**	**$3,025**	**$13,762**
	Total Rate Base	**$19,552,854**	**$15,050,144**	**$1,447,513**	**$1,519,387**	**$1,340,629**	**$106,993**	**$88,188**
		Rate Base Input equals Output						
	Equity Component of Rate Base	**$9,776,427**	**$7,525,072**	**$723,757**	**$759,693**	**$670,314**	**$53,497**	**$44,094**
	Net Income on Allocated Assets	**$881,941**	**$771,324**	**$210,961**	**$259,426**	**($326,608)**	**($24,051)**	**($9,111)**
	Net Income on Direct Allocation Assets	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
	Net Income	**$881,941**	**$771,324**	**$210,961**	**$259,426**	**($326,608)**	**($24,051)**	**($9,111)**
	RATIOS ANALYSIS							
	REVENUE TO EXPENSES %	100.00%	101.62%	130.95%	145.61%	9.46%	16.99%	78.80%
	EXISTING REVENUE MINUS ALLOCATED COSTS	($1)	$84,420	$150,304	$202,197	($394,510)	($29,441)	($12,971)
			1.6%	23.6%	31.3%	-957.5%	-488.7%	-26.9%
	RETURN ON EQUITY COMPONENT OF RATE BASE	9.02%	10.25%	29.15%	34.15%	-48.72%	-44.96%	-20.66%

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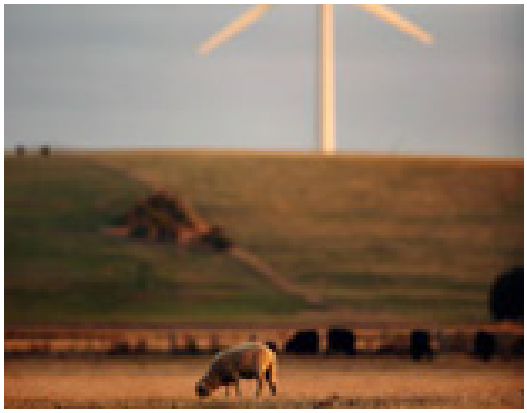
WMSFIL HYDRO DISTRIBUTION SYSTEMS LIMITED



Business Plan

November 2007

Prepared by: ***Wade Morris/Peter Stephens***
Marj Stewart/Shannon Brown
Laurie Ann Cooledge/Lori Shirley
George Shaparew/Barb Cesarin

Contents

Executive Summary

Innisfil Hydro's five year forecast is predicting profitability with positive cash flow from operations. Dividend payments are projected to be consistent over the next five years at $625,000 per year.

Innisfil Hydro has experienced slow but steady growth over the past few years. Residential growth in Innisfil has been contributed to the 'bedroom' community situation where the majority of residents work in the GTA. GO Transit service to Barrie is expected in 2008 with a proposed Innisfil GO Train station situated at 20th Sideroad and 5th Line not expected until after 2012. The 400 Industrial Park development is extremely slow due to the lack of waste water treatment facilities.

The Provincial Government's Intergovernmental Action Plan (IGAP) Report was released on August 29, 2006. The report has deduced that the population of Simcoe County would be 667,000 by year 2031. The make-up stated was that Innisfil would have 45,000 people with the addition of 90,000 within the Barrie area (north Innisfil). Regardless of any voluntary boundary changes, Local Distribution would occur within Innisfil Hydro's licensed distribution territory.

With changes caused by the Energy Competition Act, all Local Distribution Companies (LDCs) are required to make capital contributions for new system expansions. Before November 1, 2000, new development paid for itself with contributed capital and development charges. This capital contribution is determined through an "Economic Evaluation Model" developed by the Electricity Distributors Association (EDA).

Major contract services have been stable and effective. The McG Pole Line and the Olameter meter reading and billing contracts are valid until July 2008. The collective agreement with the local union has been negotiated until July 2010.

Innisfil Hydro is a member of the *Cornerstone Hydro Electric Concepts Corporation* (CHEC). Laurie Ann Cooledge has been appointed as their Treasurer and also sits on the Board of Directors. The group has 17 LDC members representing ~150,000 electricity customers. This group has hired a Conservation and Demand Management (CDM) Coordinator to facilitate the approval, disbursement and documentation of CDM funds. IHDSL has disbursed $191k of CDM funds in 2006 and 2007.

IHDSL remains an active member in the Electricity Distributors Association and is expected to remain a member over the five year forecast. Liability, equipment, property, vehicle, bad debt and crime insurance is with MEARIE, which is a division of the EDA. MEARIE is a reciprocal insurance exchange that is owned by its members. We therefore receive insurance coverage at much lower rates than other market insurance providers.

IHDSL is also a member of the Upper Canada Energy Alliance (UCEA) with 5 other LDCs representing ~240,000 customers. The UCEA was procuring electricity from Ontario Hydro between 2000 and 2002 on behalf of its members in an effort to mitigate demand charges. Since Market Opening in May 2002, the UCEA provides smart metering initiatives, cost allocation and provincial load research studies.

IHDSL remains a limited partner in ENERconnect, which was established to procure power for its partners. Although ENERconnect was not required to procure power as by market design in Bill 35, the Ontario Power Authority has indicated that future LDCs may become load serving entities. IHDSL does not purchase services from ENERconnect.

1. Innisfil Customer Growth Assumptions

The Town of Innisfil has approved their Official Plan on July 26, 2006. The Plan anticipated that the Town will reach approximately 55,500 persons by the end of the planning period in 2026. The employment objective is to increase employment to one job for every two residents. Town Council has approved the first reading of Official Plan Amendment 1 which proposes a population of 105,000 within the end of the planning period in 2026.

The Provincial Government's IGAP Report was released on August 29, 2006 and is located at URL http://www.county.simcoe.on.ca/media/IGAP_IA_Report_FINAL_2006_09_29.pdf. The report has deduced that the population of Simcoe County would be 667,000 by year 2031. The make-up stated was that Innisfil would have 45,000 people with the addition of 90,000 within the Barrie area (north Innisfil). Regardless of any voluntary boundary changes, Local Distribution would occur within Innisfil Hydro's licensed distribution territory. For the growth assumptions in the 25 year load growth projection, a population of 135,000 is utilized.

There are five commercial development sites around the Hwy 400 and Innisfil Beach Road area with a potential of over 100 lots. Three out of the five commercial sites were approved in 1990, 1991 and 1993. The latest site, being Dorval Business Park, is supplied with a 27.6kV feeder and has development interest from Mercedes, Subaru and a glass recycling facility. There has been an environmental assessment on-going for the impact of water and waste-water facilities around the 400 corridor. Future development has proposed development for ~50,000 residents and 20,000 commercial jobs. Preferred water and waste-water servicing for this area has been recommended from the City of Barrie. Hydro servicing for such a development would require a 100 MW supply either with 4-44kV feeders or a preferred 230kV – 27.6kV T.S. The scope of such an undertaking is not anticipated within this 5-year plan.

A resort community planned in the development of Big Bay Point Marina has been approved by Council and is now at the Ontario Municipal Board. This 600 acre site will propose approximately 2,000 new customers over a ten year period. It is anticipated that development would commence in 2012 with a new 44kV-27.6kV Big Bay Point Distribution Station started in 2012.

The Lefroy area has development pressure for approximately 4,000 residents. Together with the anticipated GO Train station on 5th Line, a new 27.6kV feeder extension from 7th Line to 4th Line is proposed for 2009. To meet the demands for Lefroy, a new 44kV-27.6kV Distribution Station is planned for 2010.

2. Human Resources Five Year Plan

The Collective Agreement between Innisfil Hydro Distribution Systems Limited and Power Workers' Union C.U.P.E. Local 1000 Innisfil, expired on July 6, 2007. Following conciliation, a three-year deal was reached incorporating a 3 percent increase per year. As a result of the internal job relativity exercise that was completed in 2006, adjustments were necessary to a couple of bands in order to set pay rates to each band and to create an equal percentage between bands.

This year saw the retirement of Bob Deugo, Director of Engineering and Operations. Colleagues, present and past, family and friends joined Bob on September 14, 2007, to honour his 42 years in the industry. Following Bob's retirement and the two-year succession plan, Wade Morris was named Director of Operations, effective September 14, 2007. Continuing with our aim to maintain the reliability of our distribution system and to facilitate a seamless changeover, an Operations Supervisor was hired at the beginning of September to oversee the contracted line crews and contracted forestry crews.

The President of IHDSL continued with his appointment as the Director of Community Services for the Town of Innisfil in 2007. Another search took place for a Director of Community Services for the Town of Innisfil. It is anticipated that a successful candidate will be named and that the President will return to IHDSL full-time in 2008, and as such his salary has been budgeted at 100% for the next five years.

To meet the requirements of the government's Smart Metering initiative, search for an Information Technology Technician took place in November 2007. Staff anticipates the new hire to start in early December. We continue to expect to hire another staff in 2009 to meet ongoing Smart Metering/Regulatory requirements. Also, in order to fulfill the additional work load associated with the increased customer growth, one employee is anticipated in 2011 and another in 2012.

The following table outlines the estimated growth expectations with a predicted employee per customer ratio (end of year).

Human Resources Five Year Plan							
		Forecast	Projection				
	2006	2007	2008	2009	2010	2011	2012
Ave Customers	13,933	14,058	14,266	14,576	15,007	15,881	17,137
Growth Numbers	137	288	210	313	436	884	1269
Growth %	1.00%	2.1%	1.5%	2.2%	2.9%	5.8%	7.9%
Employees	22	23	23	24	24	25	26
Customer to Employee	633	611	620	607	625	635	659

3. Conservation and Demand Management Plan

To reach their full rate of return, LDCs were required to spend one third of their regulated rate of return on Conservation and Demand Management (CDM) initiatives. Innisfil Hydro had initiated a CDM plan worth $191,000 which was fundamentally completed by the end of 2007.

Innisfil Hydro has proceeded to implement the following programs in conjunction with the Ontario Power Authority (OPA):

- The Great Refrigerator Roundup
- Summer Savings
- Peaksaver
- Electricity Retrofit Incentive Program.

The programs have mainly been well received by customers. Future programs will be determined by OPA initiatives and regulatory approvals by the OEB. It is probable that some form of CDM initiatives will continue.

4. Information Technology and Metering Five Year Capital Plan

In the open electricity market in Ontario, Information Technology (IT) that is secure, reliable and efficient is essential for the company's profitability and success. The results of a comprehensive third party IT audit were made available in early 2007. The report states: "Our findings show that Innisfil Hydro is in compliance with numerous Industry Best Practices".

Now that most of the initial five year consumer contracts that customers signed with electricity retailers have expired, most enrolled customers are paying the contract price of the commodity. Electricity retailers continue to be very active in our service area, renewing contracts and enrolling new customers. We now have service agreements with fifteen electricity retailers, of whom seven have active enrollments. The Electronic Business Transaction (EBT) "hub and spoke" are scheduled to be upgraded to a new version in January 2008. Harris Computer Systems and Systrends International continue to be proactive and have the newest "patches" available for testing well in advance of implementation. An upgrade to Harris North Star version 6 is being implemented before year end 2007, with a late January 2008 "go live" target date. A wireless service order module is planned to be added in 2008 to faciliate the the smart meter implementation.

Timely processing of the daily settlement files by the Alliance Service Bureau allows us to bill cycles within one day of when the preliminary settlement statement for the last meter reading day in each 'billing cycle' is available from the IESO in order to maximize cash flow.

A upgrade to version 10 of Microsoft Great Plains (MGP) has been implemented in late 2007 and a payroll module has been added to the suite of financial software; a Human Resources module is scheduled to be added in 2008 to further automate and enhance the functionality of the financial reporting tools.

Work is continuing on two major IT initiatives, the implementation of a Geographic Information System (GIS) in conjunction with the Town of Innisfil and the provincial Smart Metering Initiative "SMI".

We are continuing to work closely with the Town of Innsifil to implement web-based GIS technology which will enable all staff to quickly and easily query and analyze enterprise GIS information and infrastructure-related data and ultimately improve two-way communication with the public.

The "Energy Conservation Leadership Act, 2006" (Bill 21) received royal assent on March 28, 2006. This Act includes amendments to the Electricity Act, 1998 to allow for the establishment of a "Smart Metering Entity" to implement "Smart Metering" in Ontario. The underlying premise behind the provincial mandate to install these meters is to educate consumers on their consumption habits and implement new rate structures that will encourage load shifting and the conservation of energy.

The Ministry of Energy tasked the Independent Electricity System Operator (IESO) with the development of a Meter Data Management/Meter Data Repository (MDM/R) including the workflow and interfaces that will be required between the MDM/R, Local Distribution Companies (LDCs), Advanced Metering Infastructures (AMI) and Customer Information Systems (CIS). The Ministry of Energy will continue to oversee ongoing policy and monitoring of the Smart Metering Initiative (SMI) to ensure the Government's policy objectives are met. With no change in government as a result of the 2007 provincial election, we anticpate the SMI will proceed along the time-lines previously established.

Innisfil Hydro, in conjunction with the Cornerstone Hydro Electric Concepts (CHEC) group of distributors and Util-Assist, are working to finalize a strategic plan for smart meter impementation in Innisfil. Four technologies have been "short listed" for selection. Prior to deployment, we have to apply to the OEB for rate recovery and we have to be named in regulation by the Ministry of Energy before we can proceed. We are tentatively scheduled for mass deployment in mid-2008. Once the AMI network is established, there is a six month process to establish communications, and complete ability testing with the IESO MDM/R. Once this is completed, a target date can be established to commence time-of-use (TOU) billing to our standard supply residential and low volume general service customers. We are targeting May 2009 for TOU billing to commence.

The following IT and Metering Five Year Capital Plan is designed to sustain our existing network infrastructure, server capacity, processing speed and user workstations required to operate efficiently and profitably in the electricity market. General office furniture and equipment and buildings and fixtures requirements for the next five years have also been included in this long range forecast.

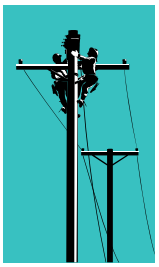
5 YEAR CAPITAL PLAN for IT, Metering, Buildings

Hardware	2008	Description	2009	Description	2010	Description	2011	Description	2012
Network Infrastructure	10,000	increase bandwidth to 2 mg 2 way	10,000	upgrade b/u infastructure	10,000	increase bandwidth	10,000	upgrade network cabling switches etc	20,000
	7,500	add network printers and peripherals	5,000	add network printers and peripherals	5,000	add network printers and peripherals	5,000	add network printers and peripherals	5,000
					7,500	replace network switches			
Server Upgrades/ Replacement	30,000	Harris Northstar and MGP server upgrades	10,000	server upgrades	10,000	server upgrades	25,000	Replace EBT Server and UPS's.	35,000
	40,000	AMCC & AMCR SMI	50,000	Hardware redundancy	50,000	Hardware redundancy			
Workstation Unit Replacement	13,000	Add and replace workstations & monitors	10,000	Add and replace workstations & monitors	10,000	Add and replace workstations & monitors	20,000	Add and replace workstations & monitors	10,000
Metering	80,500	Con meters & analyzer	25,000	Conventional meters	25,000	Conventional meters			
	135,000	2PME's							
Smart Metering	3,502,918	Smart Metering	116,000	Smart Metering replace and continued billing items	24,000	Smart Metering replace	24,000	Smart Metering replace	24,000
					2,500	4 Wholesale meter revers	1,250	2 Wholesale meter revers	
Hardware Total	**$3,818,918**		**$226,000**		**$144,000**		**$85,250**		**$94,000**
1860	3,718,418		141,000		51,500		25,250		24,000
1920	100,500		85,000		92,500		60,000		70,000
Total	3,818,918		226,000		144,000		85,250		94,000

Software	2008	Description	2009	Description	2010	Description	2011	Description	2012
Network Related	5,000	Wireless Blackberry access	5,000	veritas purchases	10,000	upgrade securities			
	65,874	SMI/MDMR							
			6,760	Autocad Map 3D 2008					
Server Related	5,000	Veritas upgrades	10,000	Windows and sql upgrades	10,000	Windows and sql upgrades	10,000	sql upgrades EBT & Vault servers	10,000
	12,000	2 GP and Wennsoft licenses	30,000	GP Upgrade			30,000	GP Upgrade	
	33,400	HR Module							
	2,500	Loris Tech PDF server module	2,500	Loris Tech PDF server module	2,500	Loris Tech PDF server module	2,500	Loris Tech PDF server module	2,500
	7,500	Harris NS consulting	21,000	GIS Town ASP	21,000	GIS Town ASP	21,000	GIS Town ASP	21,000
Workstation Unit Related	5,000	Workstation apps upgrades	5,000	Workstation apps upgrade	5,000	Workstation apps upgrade			10,000
	4,000	Esri upgrades for toughbooks	25,000	ASI apps GL code implementation			2,100	Snag-it licence upgrade	
	16,000	autocad purchases and upgrades	12,240	Data conversion to SDE Esri upgrades for SDE, mod of ASI viewer implem					
Software Total-1925	**$156,274**		**$117,500**		**$48,500**		**$65,600**		**$43,500**

Building, F&F	2008	Description	2009	Description	2010	Description	2011	Description	2012
1908									
2 Portables	60,000	For meters and staff	25,000	Miscellaneous	25,000	Miscellaneous	25,000	Miscellaneous	1,500,000
Tower	100,000	Tower for smart meter							
Renovation	5,000	Stores washroom							
Fencing	20,000	Stores area for security							
1915									
Office furniture	3,500	Dir of Ops and Ops Sup	15,000	Miscellaneous	15,000	Miscellaneous	15,000	Miscellaneous	20,000
Meeting Room	1,500	Table, pictures							
Letter opener	4,000								
File cabinets & racks	6,600	Portables							
Office furniture	4,000	Pres & CFO							
Total	**$204,600**		**$40,000**		**$40,000**		**$40,000**		**$1,520,000**
							0		0
Grand Total	**$4,179,792**		**$383,500**		**$232,500**		**$190,850**		**$1,657,500**
1860	3,718,418		141,000		51,500		25,250		24,000
1920	100,500		85,000		92,500		60,000		70,000
1925	156,274		117,500		48,500		65,600		43,500
1908	185,000		25,000		25,000		25,000		1,500,000
1915	19,600		15,000		15,000		15,000		20,000
Total by acct #	4,179,792		383,500		232,500		190,850		1,657,500
Engineering	4,042,929		4,119,800		4,316,100		3,880,700		3,942,300
Total Capital budget	8,222,721		4,503,300		4,548,600		4,071,550		5,599,800

5. Engineering Five Year Capital Plan



The construction of the Everett TS was completed by Hydro One in 2007. Innisfil Hydro has come into a fortunate situation of being able to not only acquire two new 44kV feeders for future load growth, but also to provide to its customers better redundancy for switching during outages and offloading for maintenance.

The Alliston TS feeders 9M3 and 9M6 were planned to come on line in Innisfil in 2007, but were delayed due to regulatory hurdles by Hydro One. These two new feeders are anticipated to be completed in 2008.

Load Growth Calculations have been presented in Appendix 2 outlining anticipated demand together with predicted supply from 2006 to 2031. Anticipated demand is based on 3kW per customer or 2kW per resident.

Phase two of the Alcona 27.6kV Conversion was completed in 2007. The Alcona DS was completely off-loaded and the transformer was removed and is now a spare 8.32kV unit. The site will be evaluated for environmental efficacy and the land will be available for pending road widening requirements. The Town's strategic plan identifies the urbanization of Innisfil Beach Road between the Lake and 20th Side Road. The cost to install underground distribution has been estimated before the urbanization plan has been completed and will therefore be subject to revision next year.

Improvements in remote operated switches have been included on a yearly basis. These switches can be operated via the SCADA system therefore greatly reducing customer interruption durations.

Two 8kV line extensions are planned in 2008 to remove approximately 15 Innisfil load transfer customers from Hydro One. There are approximately 56 Hydro One customers fed from Innisfil lines on County Road 27. Hydro One has indicated in preliminary discussions that the customers will probably be handed over to Innisfil Hydro to eliminate the long term load transfer.

A new 10-13.3-15 MW 44kV/27.6kV DS is planned for the Lefroy Development in 2010. The Big Bay Point Station 10-13.3-15 MW 44kV/27.6kV DS is planned to materialize in the year 2012.

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

2008 ENGINEERING CAPITAL BUDGET PROGRAM - 5 YEAR FORECAST - 2008

1. Land Rights and Legal Easements	$	14,000.00
2. Urbanization of Innisfil Beach Road - Year 1	$	750,000.00
3. 9M3 9M6 Extension	$	658,158.00
4. Hydro One Built Double Circuit 44kV to Innisfil	$	500,000.00
5. 44kV Line Extension from Fairway on BBPT Rd. to 20th Sideroad to Lockhart Rd.	$	325,805.00
6. 44kV Mechanized Altdi-Ruptor Scada Switches	$	240,000.00
7. Pole Replacement	$	226,700.00
8. Guard Rails - Five (5) Locations	$	170,000.00
9. 27.6kV Mechanized Scada-Mate Switches	$	128,400.00
10. Line Rebuild - Highway 27	$	110,403.00
11. Line Extension - 15th Line West of Cookstown	$	101,663.00
12. Utility Relocates	$	100,000.00
13. Infrastructure Betterments	$	82,500.00
14. Recloser Replacement and Automation	$	58,000.00
15. Industrial Park Road TX and O/H Conductor Rehab	$	34,200.00
16. 27.6kV Radio Repeated Fault Indicators	$	27,000.00
17. Overhead and Underground Transformers	$	306,091.00
18. Overhead and Underground Servicing	$	91,509.00
19. Economic Evaluation	$	50,000.00
20. Transportation Equipment - Vehicle Replacement 2008 - 1998 Transport	$	38,000.00
21. Stores Equipment	$	3,500.00
22. Tools - Shop & Garage Equipment	$	9,000.00
23. Measurment & Testing Equipment	$	2,000.00
24. System Supervisory	$	16,000.00
TOTAL	**$**	**4,042,929.00**

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

2008 ENGINEERING BUDGET - 5 YR. FORECAST

2009

1. Land Rights and Legal Easements	$	10,000.00
2. Schneider Wind Farm Project Line Extension	$	130,000.00
3. Sandy Cove North Rebuild	$	700,000.00
4. 44kV Line Extension from Fairway on BBPT Rd. to 20th S.R. to Lockhart Rd. Part 2	$	340,000.00
5. Urbanization of Innisfil Beach Road - Year 2	$	788,000.00
6. 27.6kV Line Extension, 20th Sideroad from 7th Line to 4th Line	$	475,000.00
7. 27.6 Mechanized Scada Mate Switches	$	135,000.00
8. Guard Rails	$	180,000.00
9. Pole Replacement	$	240,000.00
10. 44kV Mechanized Altdi-Ruptor Switches	$	255,000.00
11. Utility Relocates	$	105,000.00
12. Infrastructure Betterments	$	91,000.00
13. Recloser Replacements & Automation	$	61,000.00
14. 27.6kV Radio Repeated Fault Indicators	$	28,500.00
15. Overhead and Underground Transformers	$	322,000.00
16. Overhead and Underground Servicing	$	96,000.00
17. Economic Evaluation	$	53,000.00
18. Transportation Equipment - Vehicle Replacement 2009 - Two (2) 1999 Astro's	$	77,000.00
19. Stores Equipment	$	3,700.00
20. Tools - Shop & Garage Equipment	$	9,500.00
21. Measurement and Testing Equipment	$	2,100.00
22. System Supervisory	$	18,000.00
TOTAL	**$**	**4,119,800.00**

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

2008 ENGINEERING BUDGET - 5 YR. FORECAST

2010

1. Land Rights and Legal Easements	$	12,000.00
2. Conversion 8320V to 27600V	$	250,000.00
3. Lefroy 44kV, 27/6 Station	$	1,500,000.00
4. Urbanization of Innisfil Beach Road - Year 3	$	828,000.00
5. 27.6 Mechanized Scada Mate Switches	$	142,000.00
6. Guard Rails	$	189,000.00
7. Pole Replacement	$	252,000.00
8. 44kV Mechanized Altdi-Ruptor Switches	$	268,000.00
9. Utility Relocates	$	110,000.00
10.. Infrastructure Betterments	$	100,000.00
11. Recloser Replacements & Automation	$	64,000.00
12. 27.6kV Radio Repeated Fault Indicators	$	30,000.00
13. Overhead and Underground Transformers	$	340,000.00
14. Overhead and Underground Servicing	$	101,000.00
15. Economic Evaluation	$	56,000.00
16. Transportation Equipment - Vehicle Replacement 2000 Chev Pick Up Truck	$	38,000.00
17. Stores Equipment	$	4,000.00
18. Tools - Shop & Garage Equipment	$	10,000.00
19. Measurement and Testing Equipment	$	2,100.00
20. System Supervisory	$	20,000.00
	$	***4,316,100.00***

INNISFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

2008 ENGINEERING BUDGET - 5 YR. FORECAST

2011

1.	Land Rights and Legal Easements	$	14,000.00
2.	27.6kV Conversion	$	350,000.00
3.	Urbanization of Innisfil Beach Road - Year 4	$	867,000.00
4.	27.6kV Line Extension-20th Sideroad from 9th Line North to BBPT Rd.W to 25 S.R.	$	825,000.00
5.	27.6 Mechanized Scada Mate Switches	$	150,000.00
6.	Guard Rails	$	199,000.00
7.	Pole Replacement	$	265,000.00
8.	44kV Mechanized Altdi-Ruptor Switches	$	282,000.00
9.	Utility Relocates	$	116,000.00
11.	Infrastructure Betterments	$	110,000.00
12.	Recloser Replacements & Automation	$	67,000.00
13.	27.6kV Radio Repeated Fault Indicators	$	32,000.00
14.	Overhead and Underground Transformers	$	357,000.00
15.	Overhead and Underground Servicing	$	106,000.00
16.	Economic Evaluation	$	62,000.00
17.	Transportation Equipment - New vehicle purchase for additional employee	$	39,000.00
18.	Stores Equipment	$	4,500.00
19.	Tools - Shop & Garage Equipment	$	11,000.00
20.	Measurement and Testing Equipment	$	2,200.00
21.	System Supervisory	$	22,000.00
	TOTAL	***$***	***3,880,700.00***

WMSFIL HYDRO DISTRIBUTION SYSTEMS LIMITED

2008 ENGINEERING BUDGET - 5 YR. FORECAST

2012

1.	Land Rights and Legal Easements	$	16,000.00
2.	Conversion 8320V to 27600V	$	350,000.00
3.	Big Bay Point 44kV to 27.6 Substation	$	1,500,000.00
4.	27.6 Mechanized Scada Mate Switches	$	158,000.00
5.	Guard Rails	$	209,000.00
6.	Pole Replacement	$	279,000.00
7.	44kV Mechanized Altdi-Ruptor Switches	$	296,000.00
8.	Utility Relocates	$	122,000.00
9.	Infrastructure Betterments	$	121,000.00
10.	Recloser Replacements & Automation	$	70,000.00
11.	27.6kV Radio Repeated Fault Indicators	$	34,000.00
12.	Overhead and Underground Transformers	$	393,000.00
13.	Overhead and Underground Servicing	$	117,000.00
14.	Economic Evaluation	$	168,000.00
15.	Stores Equipment - New Fork Lift	$	70,000.00
16.	Tools - Shop & Garage Equipment	$	12,000.00
17.	Measurement and Testing Equipment	$	2,300.00
18.	System Supervisory	$	25,000.00
	TOTAL	**$**	**3,942,300.00**

6. Financial Five Year Forecast Plan

The following Proforma Financial statements (2007 – 2012) have been attached in Appendix 1:

- Balance Sheet Budget
- P&L Budget
- Cash from Operations Budget
- Capital Budget Summary

Assumptions:

- Projections are correlated with HR, IT and Engineering forecasts
- Expenses have utilized 3% growth per year
- Revenue growth is based on customer growth
- Load trends are based on a the 2007 load year

APPENDIX 2

25 Year Innisfil Hydro Supply Analysis (2006-2031)

G. Shaparew Sept 19, 2006

166 MW Required

Will Require 230kV - 27.6 kV T.S.
or 7-44kV Feeders with ~10 D.S.s

Two New Feeders at Capacity

Available Supply From Hydro One (MW)

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Present	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63
+ 2 feeders (07)	63	63	63	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113	113

Projected Load in Innisfil (MW)

135,000 Population

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
IGAP MW	57.5	63.3	63	64	65	66	68	72	78	86	96	106	116	126	136	146	156	166	176	186	196	206	216	226	236	246	258	270
With BBP MW	57.5	63.3	63	64	65	66	69	74	80	89	100	111	123	133	143	153	163	173	183	193	203	213	223	233	243	253	265	277
population (000s)	30.5	30.9	31.3	31.8	32.3	33	34	36	39	43	48	53	58	63	68	73	78	83	88	93	98	103	108	113	118	123	129	135
Increase		400	400	500	500	700	1000	2000	3000	4000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	6000	6000

BBP Requirements (MW)						0.34	1.01	1.68	2.35	3.35	4.36	5.36	6.70	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
BBP Units						100	200	200	200	300	300	300	400	2000														

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Customers	13864	14045	14227	14455	14682	15002	15462	16376	17744	19570	21850	24130	26413	28685	30958	33231	35504	37776	40049	42322	44595	46867	49140	51413	53685	55958	58685	61413