



November 6, 2007

Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street, Suite 2700  
Toronto, ON  
M4P 1E4  
Attention: Ms. K. Walli  
Board Secretary

Dear Ms. Walli

Please find enclosed Espanola Regional Hydro Distribution Corporation's 2008 Electricity Distribution Rates Application.

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Terrance P. Greco  
On behalf of Espanola Regional Hydro Corporation  
Vice President, Finance  
PUC Distribution Inc.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,  
being Schedule B to the Energy Competition Act, 1998,  
S.O. 1998 c.15;

AND IN THE MATTER OF an Application by Espanola  
Regional Hydro Distribution Corporation (ERHDC) to the  
Ontario Energy Board for an Order or Orders approving or  
fixing just and reasonable rates and other service charges  
for the distribution of electricity as of May 1, 2008.

**APPLICATION**

The Applicant is Espanola Regional Hydro Distribution Corporation. The Applicant is an Ontario corporation with its office in the Town of Espanola. The Applicant carries on the business of distributing electricity within the former Town of Massey and the former Town of Webbwood as of June 31, 1998, now within the Township of Sables-Spanish Rivers and the Town of Espanola as at January 1, 1998.

The Applicant hereby applies to the Ontario Energy Board (the "OEB") pursuant to section 78 of the Ontario Energy Board Act, 1998 for approval of its proposed distribution rates and other charges, effective May 1, 2008.

Except where specifically identified in the Application, the Applicant followed Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated November 14, 2006 (the "Filing Requirements") in order to prepare this application.

The Schedule of Rates and Charges proposed in this Application is identified in Exhibit 9.

The Applicant requests that the OEB make its Rate Order effective May 1, 2008 in accordance with the Filing Requirements. The applicant requests, that if for any reason final rates are not approved and effective May 1, 2008 that interim rates be approved effective May 1, 2008 until final rates are approved by the Board. The Applicant requests the interim rates would be those proposed in this application.

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

- (ii) the proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements;
- (i) the proposed adjusted rates are necessary to meet the Applicant's Market Based Rate of Return and PILs requirements;
- (iii) there are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant; and
- (iv) other grounds as may be set out in the material accompanying this Application Summary.

The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application to be effective May 1, 2008, or as soon as possible thereafter. The Applicant submits these rates and charges are just and reasonable pursuant to section 78 of the Ontario Energy Board Act, 1998 being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15,

The address of service for the ERHDC is 598 Second Avenue, Espanola, Ontario, P5E 1C4.

DATED at Sault Ste. Marie Ontario, this 5th day of November, 2007.



*Terrance F. Graco*  
On behalf of Espanola Regional hydro Corporation  
Vice President Finance  
PUC Distribution Inc.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**DISTRIBUTOR LICENCE**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**



**Electricity Distribution Licence**

**ED-2002-0502**

**Espanola Regional Hydro Distribution  
Corporation**

**Valid Until**

**March 31, 2023**

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**Mark C. Garner**  
**Director of Licensing**  
**Ontario Energy Board**

**Date of Issuance: June 10, 2003**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
26th. Floor  
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario  
C.P. 2319 2300, rue Yonge 26e étage  
Toronto ON M4P 1E4

## Espanola Regional Hydro Distribution Corporation (ERHDC)

Espanola Regional Hydro Distribution Corporation      Electricity Distribution Licence ED-2002-0502

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## Espanola Regional Hydro Distribution Corporation (ERHDC)

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### Electricity Distribution Licence

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#### 1 Definitions 3

In this Licence: 4

"Accounting Procedures Handbook" means the handbook, approved by the Board which specifies the accounting records, accounting principles and accounting separation standards to be followed by the Licensee; 5

"Act" means the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B, as amended; 6

"Affiliate Relationships Code for Electricity Distributors and Transmitters" means the code, approved by the Board which, among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies; 7

"Board" means the Ontario Energy Board; 8

"Director" means the Director of Licensing appointed under section 5 of the Act; 9

"distribution services" means services related to the distribution of electricity and the services the Board has required distributors to carry out, including the sales of electricity to consumers under section 29 of the Act, for which a charge or rate has been established in the Rate Order; 10

"Distribution System Code" means the code approved by the Board which, among other things, establishes the obligations of the distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum, technical operating standards of distribution systems; 11

"Electricity Act" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A, as amended; 12

"Licensee" means Espanola Regional Hydro Distribution Corporation; 13

"Market Rules" means the rules made under section 32 of the *Electricity Act*; 14

"Performance Standards" means the performance targets for the distribution and connection activities of 15

## Espanola Regional Hydro Distribution Corporation (ERHDC)

Espanola Regional Hydro Distribution Corporation      Electricity Distribution Licence ED-2002-0502

the Licensee as established by the Board in accordance with section 83 of the *Act*;

"Rate Order" means an Order or Orders of the Board establishing rates the Licensee is permitted to charge;

"Retail Settlement Code" means the code approved by the Board which, among other things, establishes a distributor's obligations and responsibilities associated with financial settlement among retailers and consumers and provides for tracking and facilitating consumer transfers among competitive retailers;

"service area" with respect to a distributor, means the area in which the distributor is authorized by its licence to distribute electricity;

"Standard Supply Service Code" means the code approved by the Board which, among other things, establishes the minimum conditions that a distributor must meet in carrying out its obligations to sell electricity under section 29 of the *Electricity Act*;

"wholesaler" means a person that purchases electricity or ancillary services in the IMO-administered markets or directly from a generator or, a person who sells electricity or ancillary services through the IMO-administered markets or directly to another person other than a consumer.

## 2 Interpretation

2.1 In this Licence words and phrases shall have the meaning ascribed to them in the *Act* or the *Electricity Act*. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

## 3 Authorization Granted under this Licence

3.1 The Licensee is authorized, under Part V of the *Act* and subject to the terms and conditions set out in this Licence:

- a) To own and operate a distribution system in the service area described in Schedule 1 of this Licence;

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b)	To retail electricity for the purposes of fulfilling its obligation under section 29 of the <i>Electricity Act</i> in the manner specified in Schedule 2 of this Licence; and ,	26
c)	To act as a wholesaler for the purposes of fulfilling its obligations under the Retail Settlement Code or under section 29 of the <i>Electricity Act</i> .	27
<b>4</b>	<b>Obligation to Comply with Legislation, Regulations and Market Rules</b>	28
4.1	The Licensee shall comply with all applicable provisions of the <i>Act</i> and the <i>Electricity Act</i> and regulations under these Acts except where the Licensee has been exempted from such compliance by regulation.	29
4.2	The Licensee shall comply with all applicable Market Rules.	30
<b>5</b>	<b>Obligation to Comply with Codes</b>	31
5.1	The Licensee shall at all times comply with the following Codes (collectively the "Codes") approved by the board, except where the Licensee has been specifically exempted from such compliance by the Board. Any exemptions to this requirement are set out in Schedule 3 of this Licence:	32
a)	the Affiliate Relationships Code for Electricity Distributors and Transmitters;	33
b)	the Distribution System Code;	34
c)	the Retail Settlement Code, and;	35
d)	the Standard Supply Service Code.	36
5.2	The Licensee shall:	37
a)	Make a copy of the Codes available for inspection by members of the public at its head office and regional offices during normal business hours and;	38
b)	Provide a copy of the Codes to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.	39
		40



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**6      Obligation to Provide Non-discriminatory Access**

6.1      The Licensee shall, upon the request of a consumer, generator or retailer, provide such consumer, generator or retailer with access to the Licensee’s distribution system and shall convey electricity on behalf of such consumer, generator or retailer in accordance with the terms of this Licence. 41

**7      Obligation to Connect** 42

7.1      The Licensee shall connect a building to its distribution system if: 43

    a)      The building lies along any of the lines of the distributor’s distribution system, and 44

    b)      The owner, occupant or other person in charge of the building requests the connection in writing. 45

7.2      The Licensee shall make an offer to connect a building to its distribution system if: 46

    a)      The building is within the Licensee’s service area as described in Schedule 1, and 47

    b)      The owner, occupant or other person in charge of the building requests the connection in writing. 48

7.3      The terms of such connection or offer to connect shall be fair and reasonable and made in accordance with the Distribution System Code, and the Licensee’s Rate Order as approved by the Board. 49

7.4      The Licensee shall not refuse to connect or refuse to make an offer to connect unless it is permitted to do so by the *Act* or any Codes to which the Licensee is obligated to comply with as a condition of this Licence. 50

**8      Obligation to Sell Electricity** 51

8.1      The Licensee shall fulfill its obligation under section 29 of the *Electricity Act* to sell electricity in accordance with the requirements established in the Standard Supply Service Code, the Retail 52

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	Settlement Code and the Licensee's Rate Order as approved by the Board.	
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9.1	The Licensee shall maintain its distribution system to the standards established in the Distribution System Code, Market Rules and have regard to any other recognized industry operating or planning standards adopted by the Board.	54
<b>10</b>	<b>Market Power Mitigation Rebates</b>	55
10.1	The Licensee shall comply with the pass through of Ontario Power Generation rebate conditions set out in Appendix A of this Licence.	56
<b>11</b>	<b>Distribution Rates</b>	57
11.1	The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the <i>Electricity Act</i> except in accordance with a Rate Order of the Board.	58
<b>12</b>	<b>Separation of Business Activities</b>	59
12.1	The Licensee shall keep financial records associated with distributing electricity separate from its financial records associated with transmitting electricity or other activities in accordance with the Accounting Procedures Handbook and as otherwise required by the Board.	60
<b>13</b>	<b>Expansion of Distribution System</b>	61
13.1	The Licensee shall not construct, expand or reinforce an electricity distribution system or make and interconnection except in accordance with the <i>Act</i> and Regulations, the Distribution System Code and applicable provisions of the Market Rules.	62
13.2	In order to ensure and maintain system integrity or reliable and adequate capacity and supply of electricity, the Board may order the Licensee to expand or reinforce its distribution system in accordance with Market Rules and the Distribution System Code, or in such a manner as the Board may determine.	63
		64

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**14 Provision of Information to the Board and Director of Licensing**

- 14.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board or the Director, such information as the Board or the Director may require from time to time. 65
- 14.2 Without limiting the generality of condition 14.1 the Licensee shall notify the Director of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs. 66

**15 Restrictions on Provision of Information**

- 15.1 The Licensee shall not use information regarding a consumer, retailer, wholesaler or generator obtained for one purpose for any other purpose without the written consent of the consumer, retailer, wholesaler or generator. 67
- 15.2 The Licensee shall not disclose information regarding a consumer, retailer, wholesaler or generator to any other party without the written consent of the consumer, retailer, wholesaler or generator, except where such information is required to be disclosed: 68
  - a) to comply with any legislative or regulatory requirements, including the conditions of this Licence; 69
  - b) for billing, settlement or market operations purposes; 70
  - c) for law enforcement purposes; or 71
  - d) to a debt collection agency for the processing of past due accounts of the consumer, retailer, wholesaler or generator. 72
- 15.3 The Licensee may disclose information regarding consumers, retailers, wholesalers or generators where the information has been sufficiently aggregated such that their particular information cannot reasonably be identified. 73
- 15.4 The Licensee shall inform consumers, retailers, wholesalers and generators of the conditions under which their information may be released to a third party without their consent. 74

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15.5	If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.	76
<b>16</b>	<b>Customer Complaint and Dispute Resolution</b>	77
16.1	The Licensee shall:	78
	a) have a process for resolving disputes with customers that deals with disputes in a fair, reasonable and timely manner;	79
	b) publish information which will make its customers aware of and help them to use its dispute resolution process;	80
	c) make a copy of the dispute resolution process available for inspection by members of the public at each of the Licensee's premises during normal business hours;	81
	d) give or send free of charge a copy of the process to any person who reasonably requests it; and	82
	e) refer unresolved complaints and subscribe to an independent third party complaints resolution service provider selected by the Board. This condition will become effective on a date to be determined by the Director. The Director will provide reasonable notice to the Licensee of the date this condition becomes effective.	83
<b>17</b>	<b>Term of Licence</b>	84
17.1	This Licence shall take effect on June 10, 2003 and terminate on March 31, 2023.	85
<b>18</b>	<b>Transfer of Licence</b>	86
18.1	In accordance with subsection 18(2) of the <i>Act</i> , this Licence is not transferable or assignable without leave of the Board.	87
<b>19</b>	<b>Amendment of Licence</b>	88

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19.1	The Board may amend this Licence in accordance with section 74 of the <i>Act</i> or section 38 of the <i>Electricity Act</i> .	89
<b>20</b>	<b>Fees and Assessments</b>	90
20.1	The Licensee shall pay all fees charged and amounts assessed by the Board.	91
<b>21</b>	<b>Communication</b>	92
21.1	The Licensee shall designate a person that will act as a primary contact with the Director of Licensing on matters related to this Licence. The Licensee shall notify the Director promptly should the contact details change.	93
21.2	All official communication relating to this Licence shall be in writing.	94
21.3	All written communication is to be regarded as having been given by the sender and received by the addressee:	95
	a) when delivered in person to the addressee by hand, by registered mail or by courier;	96
	b) seven (7) business days after the date of posting if the communication is sent by regular mail; and,	97
	c) when received by facsimile transmission by the addressee, according to the sender's transmission report.	98
<b>22</b>	<b>Copies of the Licence</b>	99
22.1	The Licensee shall:	100
	a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours and;	101

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- b) provide a copy of the Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

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**Schedule 1      Definition of Distribution Service Area**

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103

This Schedule specifies the area in which the Licensee is authorized to distribute and sell electricity in accordance with condition 8 of this Licence.

104

1      The former Town of Massey and the former town of Webbwood as of June 30, 1998, now within the Township of Sables-Spanish Rivers.

105

2      The Town of Espanola as at January 1, 1998.

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**Schedule 2      Provision of Standard Supply  
Service**

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107

This Schedule specifies the manner in which the Licensee is authorized to retail electricity for the purposes of fulfilling its obligation under section 29 of the *Electricity Act*.

108

The Licensee is authorized to retail electricity directly to consumers within its service area in accordance with condition 8 of this Licence, any applicable exemptions to this Licence, and at the rates set out in the Rate Orders.

109



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**Schedule 3      List of Code Exemptions**

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This Schedule specifies any specific Code requirements from which the Licensee has been exempt.

111

The Licensee is exempt from the requirements of section 2.5.3 of the Standard Supply Service Code with respect to the price for small volume/residential consumers, subject to the Licensee offering an equal billing plan as described in its application for exemption from Fixed Reference Price, and meeting all other undertakings and material representations contained in the application and the materials filed in connection with it.

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### Appendix A      Market Power Mitigation Rebates

#### 1      Definitions and Interpretation

In this Licence,

"embedded distributor" means a distributor who is not a market participant and to whom a host distributor distributes electricity;

"embedded generator" means a generator who is not a market participant and whose generation facility is connected to a distribution system of a distributor, but does not include a generator who consumes more electricity than it generates;

"host distributor" means a distributor who is a market participant and who distributes electricity to another distributor who is not a market participant.

In this Licence, a reference to the payment of a rebate amount by the IMO includes interim payments made by the IMO.

#### 2      Information Given to IMO

a      Prior to the payment of a rebate amount by the IMO to a distributor, the distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with information in respect of the volumes of electricity withdrawn by the distributor from the IMO-controlled grid during the rebate period and distributed by the distributor in the distributor's service area to:

i      consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and

ii     consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*.

b      Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the embedded distributor shall provide the host distributor, in the form specified by the IMO and before the expiry of the period specified in the Retail Settlement Code, with the volumes of electricity distributed during the rebate period by the embedded distributor's host distributor to the embedded distributor net of

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any electricity distributed to the embedded distributor which is attributable to embedded generation and distributed by the embedded distributor in the embedded distributor's service area to:

- i      consumers served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and 125
- ii     consumers other than consumers referred to in clause (i) who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998*. 126
- c      Prior to the payment of a rebate amount by the IMO to a distributor which relates to electricity consumed in the service area of an embedded distributor, the host distributor shall provide the IMO, in the form specified by the IMO and before the expiry of the period specified by the IMO, with the information provided to the host distributor by the embedded distributor in accordance with section 2. 127

The IMO may issue instructions or directions providing for any information to be given under this section. The IMO shall rely on the information provided to it by distributors and there shall be no opportunity to correct any such information or provide any additional information and all amounts paid shall be final and binding and not subject to any adjustment. 128

For the purposes of attributing electricity distributed to an embedded distributor to embedded generation, the volume of electricity distributed by a host distributor to an embedded distributor shall be deemed to consist of electricity withdrawn from the IMO-controlled grid or supplied to the host distributor by an embedded generator in the same proportion as the total volume of electricity withdrawn from the IMO-controlled grid by the distributor in the rebate period bears to the total volume of electricity supplied to the distributor by embedded generators during the rebate period. 129

**3      Pass Through of Rebate** 130

A distributor shall promptly pass through, with the next regular bill or settlement statement after the rebate amount is received, any rebate received from the IMO, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt, to: 131

- a      retailers who serve one or more consumers in the distributor's service area where a 132

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Espanola Regional Hydro Distribution Corporation      Electricity Distribution Licence ED-2002-0502

service transaction request as defined in the Retail Settlement Code has been implemented;

- b consumers who are not receiving the fixed price under sections 79.4 and 79.5 of the *Ontario Energy Board Act, 1998* and who are not served by a retailer where a service transaction request as defined in the Retail Settlement Code has been implemented; and
- c embedded distributors to whom the distributor distributes electricity.

The amounts paid out to the recipients listed above shall be based on energy consumed and calculated in accordance with the rules set out in the Retail Settlement Code. These payments may be made by way of set off at the option of the distributor.

If requested in writing by OPGI, the distributor shall ensure that all rebates are identified as coming from OPGI in the following form on or with each applicable bill or settlement statement:

"ONTARIO POWER GENERATION INC. rebate"

Any rebate amount which cannot be distributed as provided above or which is returned by a retailer to the distributor in accordance with its licence shall be promptly returned to the host distributor or IMO as applicable, together with interest at the Prime Rate, calculated and accrued daily, on such amount from the date of receipt.

Nothing shall preclude an agreement whereby a consumer assigns the benefit of a rebate payment to a retailer or another party.

Pending pass-through or return to the IMO of any rebate received, the distributor shall hold the funds received in trust for the beneficiaries thereof in a segregated account.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CONTACT INFORMATION**

TITLE: Vice President Finance      Direct line: 705-759-6566  
NAME: Terrance P. Greco            Direct Fax: 705-759-6553  
E-mail: Terry.Greco@ssmpuc.com

TITLE: Rates & Regulatory Officer    Direct line: 705-759-3009  
NAME: Jennifer Uchmanowicz        Direct Fax: 705-759-6553  
E-mail: Jennifer.Uchmanowicz@ssmpuc.com

TITLE: Chief Financial Officer        Direct line: 705-869-0378 ext 210  
NAME: Noreen Clement              Direct Fax: 705-869-2433  
E-mail: nclement@erhydro.com

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**SPECIFIC APPROVALS REQUESTED**

- Approval to charge rates effective May 1, 2008 to recover a service revenue requirement of \$1,340,404.
- ERHDC has a deemed capital structure of 50% debt, 50%, equity as approved by the Ontario Energy Board in RP-2005-0020, and a return on equity of 9.00%, consistent with the return specified in the Board's Decision in EB-2005-0362, dated October 18, 2006. ERHDC is requesting Board approval of a capital structure of 53% debt, 47% equity.

The change in the capital structure complies with the Ontario Energy Board's Report on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's electricity Distributors dated December 20, 2006. The OEB report indicates that Distributors will be required to phase-in a 60% debt and 40% capital structure that must be completed by 2010.

- Approval to establish two new variance accounts for the Late Payment Class Action Suit and the MDMR (Meter Depository Management Repository).
- Approval to continue the following deferral/variance accounts after May 1, 2008 (Exhibit 5).

**COMMODITY ACCOUNTS ARE CLASSIFIED AS FOLLOWS:**

- 1588 Retail Settlement Variance Account – Power
- 1588 RSVA Power, Sub-account Global Adjustments

**NON-COMMODITY ACCOUNTS ARE CLASSIFIED IN TWO CATEGORIES AS FOLLOWS:**

**Wholesale and Retail Market Variance Accounts**

- 1518 Retail Cost Variance Account – Retail
- 1548 Retail Cost Variance Account – STR
- 1580 Retail Settlement Variance Account - Wholesale Market Service Charges
- 1582 Retail Settlement Variance Account - One-time Wholesale Market Service
- 1584 Retail Settlement Variance Account - Retail Transmission Network Charges
- 1586 Retail Settlement Variance Account - Retail Transmission Connection  
Charges
- 1588 Retail Settlement Variance Account - Power
- 1588 Retail Settlement Variance Account - Power Sub-Account Global

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Utility Deferral Accounts

1508 Other Regulatory Assets  
1508 Other Regulatory Assets - Sub-account OEB Cost Assessments  
1508 Other Regulatory Assets - Sub-account Pension Contributions  
1525 Miscellaneous Deferred Debits  
1550 LV Variance  
1555 Smart Meter Capital and Recovery Offset Variance  
1555 Smart Meter Capital and Recovery Offset Variance – Sub-Account Stranded  
Meter Costs  
1556 Smart Meter OM&A Variance  
1562 Deferred Payments in Lieu of Taxes  
1563 PILs contra account  
1565 Conservation and Demand Management Expenditures and Recoveries  
1566 CDM Contra  
1572 Extraordinary Event Losses  
1574 Deferred Rate Impact Amounts  
1590 Recovery of Regulatory Asset Balances  
1592 PLS & Tax Variance  
2425 Other Deferred Credits

- Approval of the proposed lost factor 1.0543 (Exhibit 4)
- Approval of rate riders for disposition of Deferral and Variance Accounts (Exhibit 5)
- Approval for continuation of 2007 smart meter rate adder that reflects \$0.30 per residential customer per month.

**Espanola Regional Hydro Distribution Corporation (ERHDC)****DRAFT ISSUES LIST****Smart Metering**

In this rate application ERHDC has not included any costs related to Smart Metering. ERHDC's smart meter plan for installation is to commence in 2009. ERHDC is applying for a continuance of the smart meter rate adder for 2008 that reflects \$0.30 per residential customer per month. ERHDC has added \$0.26 to the monthly service charge for Residential, GS<50 and GS>50 rate classes (Exhibit 9).

To cost-effectively plan for the deployment of smart meters and ensure due diligence, ERHDC has come together with other Northern Ontario LDC's and through a concentrated effort along with the assistance of Ulit-Assist Inc. has examined the benefits of a collaborative approach to planning as well as procurement of AMI and Installation services.

ERHDC will address the recovery of capital and operating costs for smart meter implementation in a future rate application. The method of recovery in rates for LDC's rebasing in 2008 with smart meter implementation in 2009 is uncertain at the time of this application.

**Historical Board Approved Year 2004**

Prior to 2006, ERHDC operated as part of an affiliated group of companies providing electric services. All employees were in the employ of Espanola Regional Hydro Services Corporation (Services Company). ERHDC was charged by the Services Company for the management, operations, maintenance and administrative services necessary to operate the distribution utility. During the review of a 2005 rate application initiated by ERHDC (file number EB-2005-0243) the Board expressed concerns regarding the financial information provided by ERHDC and transactions with its affiliated Services Company. Subsequent to 2005, the Services Company is no longer active; all employees are now members of ERHDC. Forming part of this rate application is information for the Historical Board Approved Year of 2004. As noted above there are concerns with the financial data, in particular, the allocations between affiliated companies. The Historical Actual Year of 2006 is the first year of operating after the reorganization and provides a more accurate picture for comparative purposes of total utility costs.



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**PROCEDURAL ORDERS/MOTIONS/NOTICES**

There are no procedural orders or notices at this time.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ACCOUNTING ORDERS REQUESTED**

ERHDC does not request any accounting orders at the time of submission.

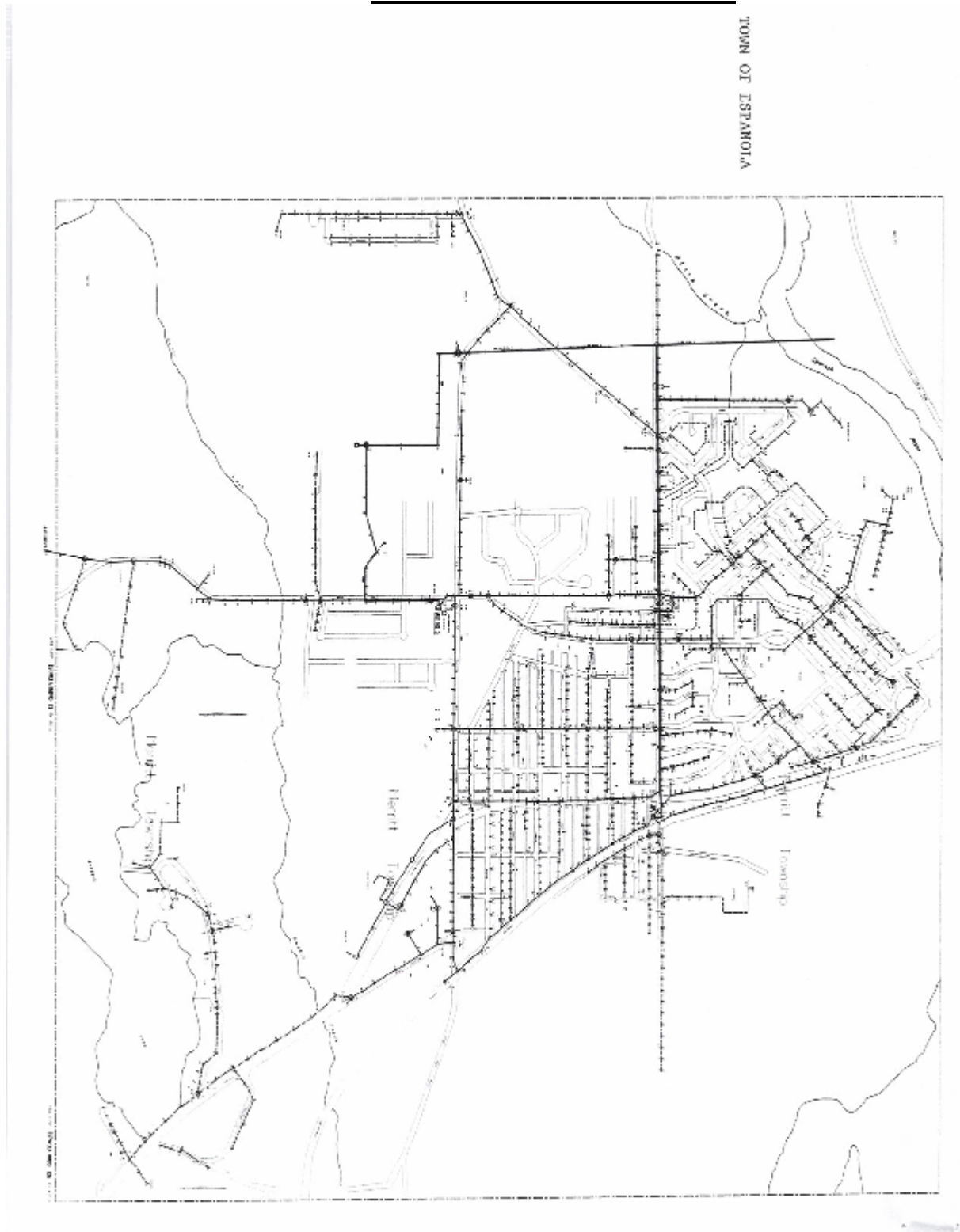
**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**NON-COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS**

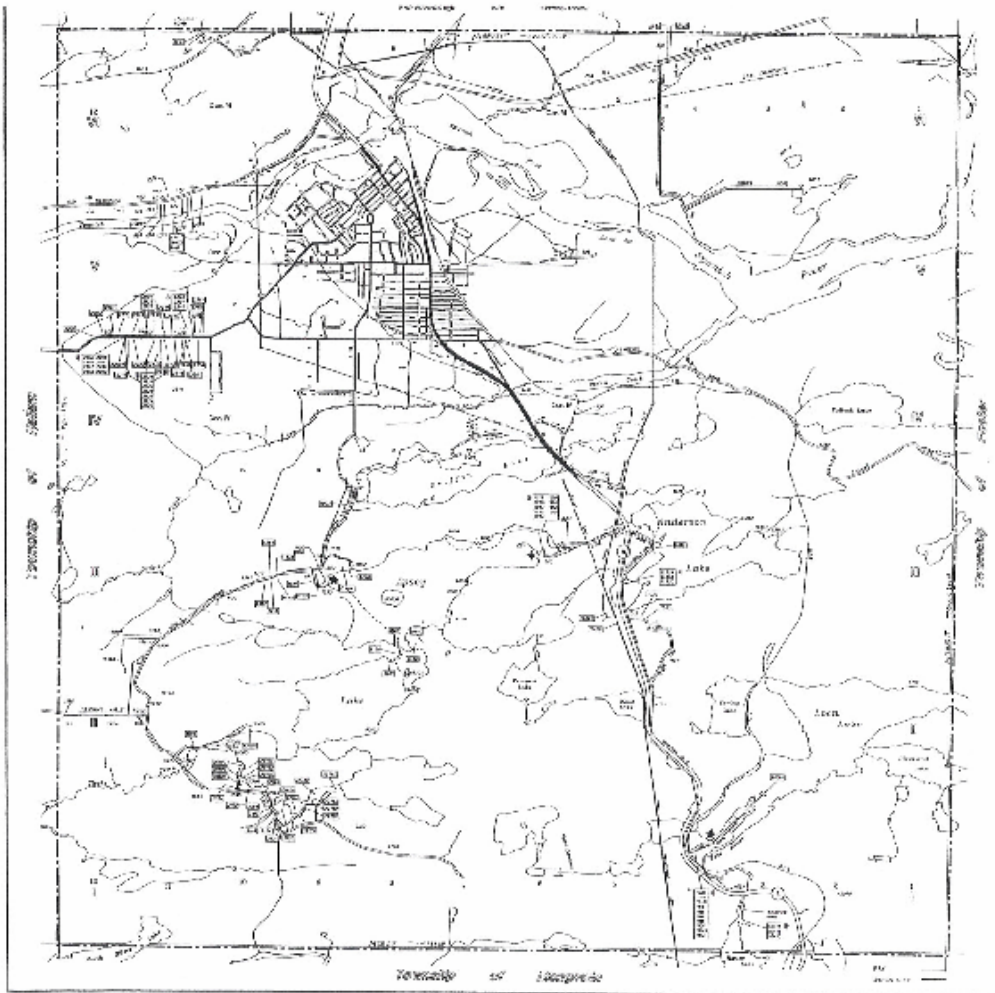
ERHDC follows the categories and accounting guidelines as stated in the Uniform System of Accounts.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**MAP OF DISTRIBUTION SYSTEM**

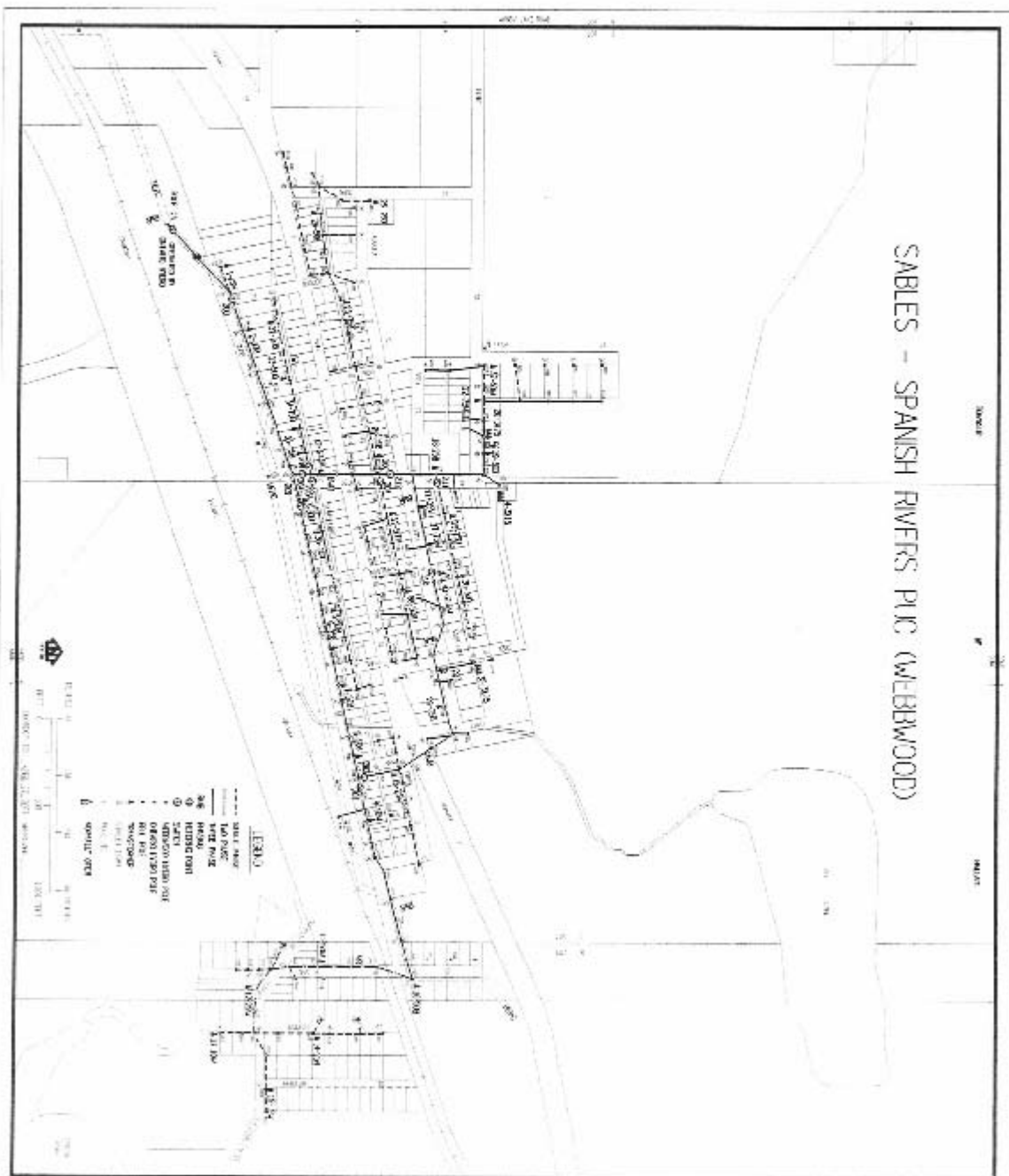


**Espanola Regional Hydro Distribution Corporation (ERHDC)**



MERRITT TOWNSHIP

**Espanola Regional Hydro Distribution Corporation (ERHDC)**



**Espanola Regional Hydro Distribution Corporation (ERHDC)**



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**LIST OF NEIGHBORING UTILITIES**

**LIST OF ADJACENT DISTRIBUTORS**

Hydro One Networks Inc.  
 483 Bay Street  
 Toronto ON  
 M5G 2P5  
 Direct line: 416-345-5000  
 Website: [www.HydroOne](http://www.HydroOne.com) .com

**DESCRIPTION OF DISTRIBUTOR**

COMMUNITY SERVED: The former Town of Massey and the former Town of Webbwood as of June 30, 1998, now within the Township of Sables-Spanish Rivers.  
 The Town of Espanola as at January 1, 1998.

TOTAL SERVICE AREA 99 sq km  
 RURAL SERVICE AREA 73 sq km  
 DISTRIBUTION TYPE Directly connected and embedded with Hydro One Networks  
 SERVICE AREA POPULATION 7,138  
 MUNICIPAL POPULATION 8,700

TOWN OF ESPANOLA BOUNDARIES  
 West: Pleasant Valley Road & Lee Valley Road  
 North: Faraway Road & Jacklin Road  
 East: Dupuis Road  
 South: Birch Lane, Highway #6

TOWN OF MASSEY BOUNDARIES  
 West: Toronto Street  
 North: Water Treatment Plant  
 East: Bell Street  
 South: Government Road

TOWN OF WEBBWOOD BOUNDARIES  
 West: Third Street  
 North: Minto Street  
 East: Bolton Street  
 South: Young Street



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

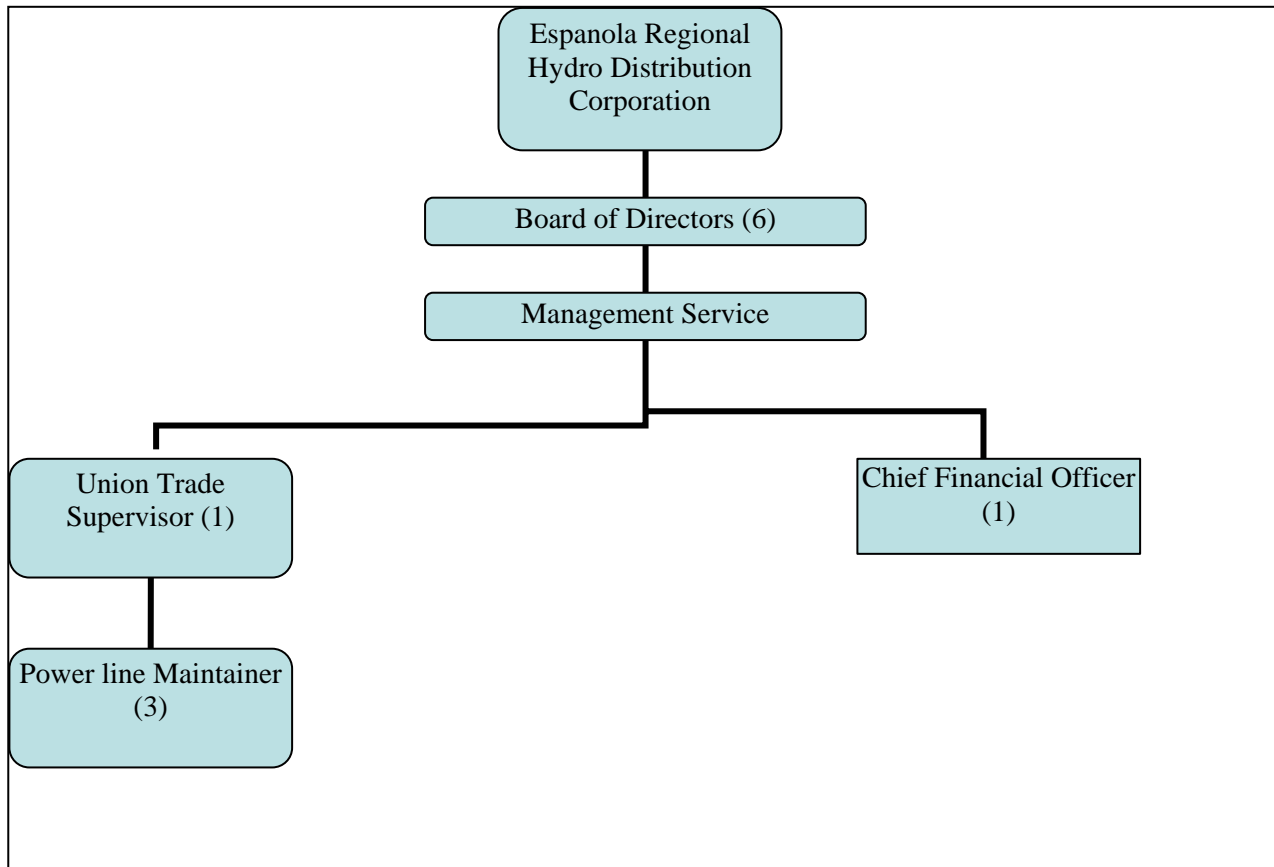
**EXPLANATION OF HOST AND EMBEDDED UTILITIES**

Espanola Regional Hydro Distribution Corporation does not host any utilities within its service area.

Espanola Regional Hydro Distribution Corporation is embedded within Hydro One.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**UTILITY ORGANIZATIONAL CHART**



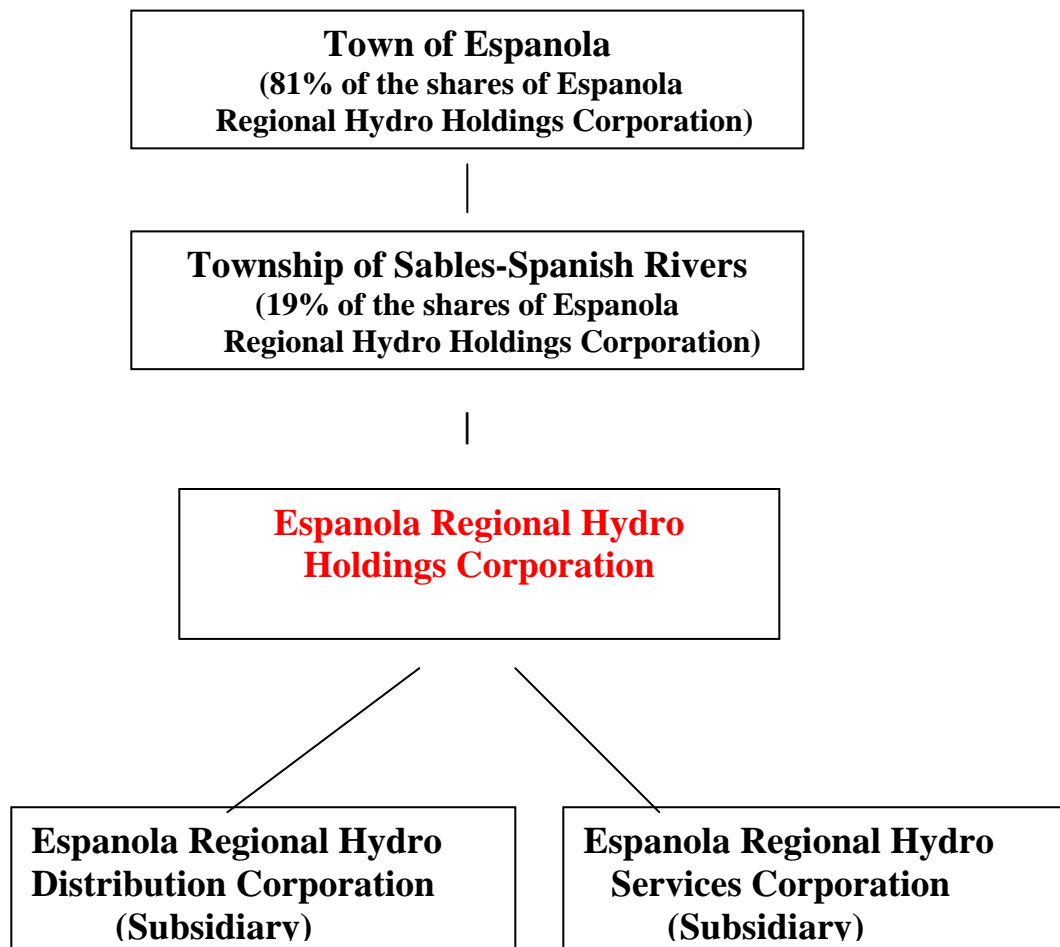
**Management Services**

ERHDC has a management services agreement with PUC Services Inc. which commenced in 2006. It includes participation in Board Meetings, supervision of all staff, oversight/awareness/monitoring of daily operations, regulatory & legislative requirements, contract administration, purchasing, customer service, billing and collecting, financial requirement, revenue requirements including rate setting, human resources, preparation of annual budgets and forecasts. A billing/customer service agreement with PUC Services has been in place since December 1, 2001.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CORPORATE ENTITIES RELATIONSHIP CHARTS**

Structure



Espanola Regional Hydro Distribution Corporation

ERHDC is the local distribution company which provides regulated electrical power distribution in its service territory.

Espanola Regional Hydro Services Corporation

ERHSC has been inactive since December 31, 2005.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Board of Directors**

Holdings Corporation

Bernard Gagnon  
Leslie Gamble  
Frank Gillis  
Clive Fitzjohn  
Doug Bois

Distribution Corporation

Bernard Gagnon  
Leslie Gamble  
Clive Fitzjohn  
Doug Bois  
Don Sunstrum  
Alex Poikkimaki

Service Corporation

Bernard Gagnon  
Leslie Gamble  
Frank Gillis  
Clive Fitzjohn  
Doug Bois

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**PLANNED CHANGES IN CORPORATE AND OPERATIONAL STRUCTURE**

ERHDC does not have any current changes planned for the Corporate and Operational Structure.

## **STATUS REPORT ON BOARD DIRECTIVES**

ERHDC has no board directives at this time.

Espanola Regional Hydro Distribution Corporation (ERHDC)

CONDITIONS OF SERVICE



**CONDITIONS**  
**OF**  
**SERVICE**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**June 2004**



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Espanola Regional Hydro Distribution Corporation**

**Conditions of Service**

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<b>Section 5 – Schedule 1</b>	<b>Standard Residential Service Connection Fees</b>
<b>Section 5 – Schedule 2</b>	<b>Standard General Service Connection Fees (Single Phase)</b>
<b>Section 5 – Schedule 3</b>	<b>Standard General Service Connection Fees (Three Phase)</b>
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## **Section 1 - General**

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## **Section 1 – General**

<b>Name and Effective Date</b>	1.0	The following provisions found in Sections 1-5 shall be called the Conditions of Service adopted for use by Espanola Regional Hydro Distribution Corporation (ERHDC). These Conditions of Service shall be effective on June 1, 2004.
<b>Distribution Service Area</b>	1.1	The Service Area of ERHDC includes the Town of Espanola, and the Towns of Massey & Webbwood (both of which are part of the Township of Sables–Spanish Rivers).
<b>Related Codes And Governing Laws</b>	1.2	<p>The supply of electricity or related services by ERHDC to any Customer shall be subject to various laws, including the provisions of the latest editions of the following legislation, regulations and documents:</p> <ul style="list-style-type: none"><li>A. Electricity Act, 1998</li><li>B. Ontario Energy Board Act, 1998</li><li>C. Distribution License.</li><li>D. Affiliate Relationships Code</li><li>E. Transmission System Code</li><li>F. Distribution System Code</li><li>G. Retail Settlement Code</li><li>H. Standard Supply Service Code</li><li>I. Environmental Protection Act</li></ul> <p>In the event of a conflict between this document and the Distribution License or regulatory codes issued by the Board, or the Electricity Act, 1998 (the “Act”), the provisions of the Act, the Distribution License and associated regulatory codes shall prevail in the order of priority indicated above. If there is a conflict between a Connection Agreement with a Customer and these Conditions of Service, the Connection Agreement shall govern.</p>
<b>Definitions/ Interpretations</b>	1.3	<p>In these Conditions of Service, unless the context otherwise requires:</p> <ul style="list-style-type: none"><li>• Headings, paragraph numbers and underlining are for convenience only and do not affect the interpretation of these Conditions of Service;</li><li>• Words referring to the singular include the plural and vice versa;</li><li>• Words referring to a gender include any gender.</li></ul>

## Espanola Regional Hydro Distribution Corporation (ERHDC)

<b>Amendments &amp; Changes</b>	1.4	<p>The provisions of the Conditions of Service and any amendments made and changes from time to time shall form part of any Contract made between ERHDC and any connected Customer, Retailer, or Generator. The Conditions of Service supercedes all previous Conditions of Service, oral or written, of ERHDC or any of its predecessor municipal electric utilities as of its effective date. ERHDC reserves the right to amend the Conditions of Service. The public will be notified of any significant change (as judged by ERHDC) in local newspapers or by means of a note on and/or included with the Customer's bill.</p> <p>A current copy of this document is filed with the Board as is required by the Distribution System Code (DSC). The Customer is responsible for contacting ERHDC to ensure that the Customer has, or to obtain the current version of this Conditions of Service.</p>
<b>Contact Information</b>	1.5	<p>ERHDC's normal office hours are from 8:30 am to 4:30 pm. These hours are from Monday to Friday, excluding Holidays. ERHDC can be contacted at (705)869-2771 or by fax at (705)869-2433.</p>
<b>Customer Rights</b>	1.6	<p>In those instances where the Customer will own their secondary or primary service, the Customer has the right to hire a contractor to supply and install the service according to the layout supplied by ERHDC.</p> <p>The Customer has the right to demand identification from any person purporting to be an authorized agent or employee of ERHDC.</p> <p>ERHDC shall only be liable to a Customer and a Customer shall only be liable to ERHDC for any damages that arise directly out of the willful misconduct or negligence:</p> <ul style="list-style-type: none"> <li>• of ERHDC in providing Distribution Services to the Customer</li> <li>• of the Customer in being connected to ERHDC's Distribution System or</li> <li>• of ERHDC or Customer in meeting their respective obligations under the Conditions of Service, their licenses and any other applicable law.</li> </ul>

For further clarity, neither ERHDC nor the Customer shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in contract, tort or otherwise.

The Customer shall indemnify and hold harmless ERHDC, its directors, officers, employees and agents from any claims made by any third parties in connection with the construction and installation of a generator by or on behalf of the Customer.

<b>Distributor Rights</b>	1.7	
<b>Access to Property</b>	1.7.1	ERHDC shall have access to all Customer real property in accordance with section 40 of the <i>Electricity Act, 1998</i> , as amended from time to time.
<b>Safety of Equipment</b>	1.7.2	The Customer will comply with all aspects of the Ontario Electrical Safety Code with respect to insuring that equipment is properly identified and connected for metering and operation purposes and will take whatever steps necessary to correct any deficiencies. If the Customer does not take such action within the time set by the Electrical Safety Authority (ESA), it may result in the Disconnection of the supply of power to the Customer.
<b>No Obstructions</b>	1.7.3	The Customer shall not build, plant or maintain or cause to be built, planted or maintained any structure (driveway, patio, shed, etc.), tree, shrub or landscaping that would or could obstruct the placement of new or repair of existing Distribution System, endanger the equipment of ERHDC, interfere with the proper and safe operation of ERHDC's Distribution System or adversely affect compliance with any applicable legislation in the sole opinion of ERDCH. ERHDC may remove any or all afore mentioned obstructions without the Customer having any claim for damages against ERHDC.

The Customer shall not use or interfere with the Distribution System of ERHDC except in accordance with a written agreement with ERHDC. Such action may result in the Disconnection of the supply of power to the Customer. The Customer must also grant ERHDC the right to seal any point where an electrical connection may be made on the line side of the metering equipment.

<b>Operating Control</b>	1.7.4	The Customer will provide a convenient and safe place, satisfactory to ERHDC, for installing, maintaining and operating its equipment in, on, or about the Customer's real property. ERHDC assumes no risk and will not be liable for damages resulting from the presence of its equipment on the Customer's real property or approaches thereto, or action, omission or occurrence beyond its control, or negligence of any persons over whom ERHDC has no control. Unless an employee or an agent of ERHDC, or other person lawfully entitled to do so, no person shall remove, replace, alter, repair, inspect or tamper with ERHDC's equipment. Customers will be required to pay the cost of repairs or replacement of ERHDC's equipment that has been damaged or lost by the direct or indirect act or omission of the Customer or its agents. The physical location on Customer's real property at which a Distributor's responsibility for operational control of distribution equipment ends is defined by the DSC as the "Operational Demarcation Point".
<b>Repairs to Defective Customer Owned Electrical Equipment</b>	1.7.5	The Customer will be required to repair or replace any equipment owned by the Customer that may effect the integrity or reliability of ERHDC's Distribution System. If the Customer does not take such action within the time set out by the ESA, ERHDC may disconnect the supply of of power to the Customer.
<b>Repairs to Customer Owned Structures</b>	1.7.6	Construction and maintenance of all Customer owned structures relating to or affecting the ERHDC Distribution System including to but not limited to such items as transformer vaults, transformer rooms, transformer pads, cable chambers, cable pull rooms and underground conduit, will be the responsibility of the Customer. All such improvements must be inspected and accepted by the ESA. Subject to the ESA's requirements, the Customer is responsible for the maintenance of all such structures. Failure to do so may result in Disconnection as per Section 2.2.
<b>Force Majeure</b>	1.7.7	In this Conditions of Service, force majeure shall include, but not be limited to an act of God, strikes, lockouts, or other labour or industrial disturbances, civil disturbances, interruptions by Government or Court Orders, power failure, telecommunication line failure, delay in transmission, future valid orders of or delay in obtaining the approval or consent of any regulatory body having jurisdiction, acts of the public enemy, wars, riots, sabotage, epidemics, landslides, lightning, earthquake, fire, storm, flood, washout and inclement weather including without limiting the generality of the foregoing rendering the roads dangerous or hazardous, to men or equipment, or impassable to vehicles of the kind necessary to carry out the work or undertaking, or blockage or stoppages of road traffic over the route specified caused by events beyond the reasonable control of the parties hereto, or explosions and any other event or occurrence beyond the reasonable control of the parties hereto whether or not the nature of those herein above mentioned.

Other than for any amounts due and payable by the Customer to ERHDC or by ERHDC to the Customer, neither ERHDC nor the Customer shall be held to have committed an event of default in respect of any obligation under these Conditions of Service if prevented from performing that obligation, in whole or in part, because of a Force Majeure Event. If a Force Majeure Event prevents either party from performing any of its obligations under these Conditions of Service, that party shall:

- other than for Force Majeure Events related to acts of God, promptly notify the other party of the Force Majeure Event and its assessment in good faith of the effect that the event will have on its ability to perform any of its obligations. If the immediate notice is not in writing, it shall be confirmed in writing as soon as reasonably practical;
- use its best efforts to mitigate the effects of the Force Majeure Event; remedy its inability to perform, and resume full performance of its obligations;
- keep the other party continually informed of its efforts; and
- other than for Force Majeure Events related to acts of God, provide written notice to the other party when it resumes performance of any obligations affected by the Force Majeure Event;
- if the Force Majeure Event is a strike or a lock out of ERHDC's employees or authorized agents, ERHDC shall be entitled to discharge its obligations to notify it's Customers in writing by means of placing an ad in the local newspaper.

**Distribution  
System Installed  
by Customer's  
Contractor**

1.7.8

In those instances where the Customer has the authority to hire a contractor to construct plant which will become part of ERHDC's Distribution System, the plant must conform to ERHDC's standards and the conditions set out in the staking data and/or service layout.

**Disputes and Resolutions**

1.8

For the purposes of the ERHDC Conditions of Service a dispute is defined as a claim or complaint with respect to the interpretation of the Conditions of Service.

ERHDC shall make a copy of the complaints resolution procedure available during normal business hours listed in section 1.5.

ERHDC shall give or send a copy free of charge of the procedure to any person who reasonably requests it.

ERHDC shall keep a record, for a period of up to seven (7) years, of all complaints whether resolved or not including the name of the complainant, the nature of the complaint, the date resolved or deferred and the result of the dispute resolution.

**Stage 1**

1.8.1

Customers and Retailers will direct any disputes in writing to the General Manager of ERHDC.

A meeting between the Customer or Retailer and the General Manager of ERHDC will be scheduled in an attempt to resolve the dispute.

A written response by the General Manager of ERHDC will be given to the Customer or Retailer within ten (10) working days of the meeting.

**Stage 2**

1.8.2

Failing settlement at stage one (1), the General Manager and the ERHDC Board of Directors will schedule a meeting to address any outstanding issue and respond further with the Customer or Retailer in writing within fifteen (15) business days of their meeting.

**Stage 3**

1.8.3

Disputes of this nature include complaints that have not been or cannot be resolved through the above processes. In these cases, the Customer or Retailer is to contact the Ontario Energy Board at:

PH: 1-888-638-6273 (toll free)

FX: 416-440-7656

WEB: [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca)



## **Section 2 – Distribution Activities (General)**

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    - (C) Offer to Connect – Required Information
    - (D) Offer to Connect – Information Provided to Customer
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    - (F) Residential Rate Class Connection
    - (G) Utilization Voltage
    - (H) Primary Voltage
    - (I) Residential Rate Class Enhancement
    - (J) Residential Rate Class Expansion
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-

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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- (D) Scheduled Interruptions
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- 2.3.4 Standard Voltage Offering
- 2.3.5 Voltage Guidelines
- 2.3.6 Back-up Generators
- 2.3.7.1 Metering Installation
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- 2.3.7.3 Interval Metering
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- 2.3.7.9 Meter Dispute Testing
- 2.3.7.10 Customer Specific Metering - Primary Metering
- 2.3.7.11 Pulse Metering
- 2.3.7.12 Bulk Metering
- 2.3.7.13 Individual Metering
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- 2.4 Tariffs and Charges
- 2.4.1.1 Service Connection Fees
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- 2.4.4.4 Arrears Certificate
- 2.4.4.5 Transformer Ownership Credit
- 2.4.4.6 Power Factor Adjustments
- 2.4.5 Payment Plans
- 2.4.5.1 Monthly Pre-Authorized Debit (Budget PAD)
- 2.4.5.2 Monthly Pre-Authorized Debit (PAD)
- 2.4.5.3 Late Payment Charges
- 2.4.5.4 Disconnect/Reconnect Charge
- 2.4.5.5 Returned Cheque Charge
- 2.4.5.6 Credit Refunds

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

2.5 Customer Information

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Section 2 - Distribution Activities (General)**

**Building that Lies Along**      2.1.1      (A)      For the purpose of the Conditions of Service, “Lies Along” means a parcel of land that shares a common boundary with a public road allowance where ERHDC has a Distribution System of the appropriate voltage and capacity.

Under the terms of the Distribution System Code, ERHDC has the obligation to connect (under Section 28 of the Electricity Act, 1998) a building or facility that “Lies Along” its distribution line, provided:

- the building can be connected to ERHDC’s Distribution System without an Expansion or Enhancement and,
- the service installation meets the conditions listed in the Conditions of Service of ERHDC. The location of the Customer’s Service Entrance equipment will be subject to the approval of ERHDC and the Electrical Safety Authority.

**Service Connection**      (B)      Normally there shall be only one service Connection to ERHDC’s Distribution System and one set of service wires to each lot, block or parcel.

**Expansions/Offers to Connect**      2.1.2      ERHDC has the obligation to make an offer to connect any building that is in the Service Area defined in Section 1.1. but ERHDC may deny Connection for the reasons described in subsection 2.1.3.

Where the Connection would require an Expansion or Enhancement and where the cost of an Expansion or Enhancement exceeds revenues received, the Customer(s) may be required to pay a capital contribution that does not exceed the difference. The amount of capital contribution for each customer class shall be defined for an Expansion or Enhancement as further described in this section.

**Application for Customer Connection**      (A)      The Customer shall submit in writing an Application for Customer Connection, hereafter called the Application, on the form prescribed from time to time by ERHDC. The Application form shall be available at the ERHDC office in Sault Ste-Marie listed in 1.5 of Section 1. The customer shall present certain facts and information with the Application. The Application shall not be considered complete until all facts and information listed on the Application are submitted to ERHDC.

**Response to Application**      (B)      ERHDC shall respond within fifteen (15) calendar days of receipt of an Application.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Offer to Connect –  
Required  
Information**

- (C) Provided all required information has been submitted with the Application and none of the conditions of *Section 2.1.3 Connection Denial* apply, ERHDC shall make an offer to connect within 60 calendar days of receipt of the Application. If the Application is incomplete or if any of the conditions of *Section 2.1.3* apply; ERHDC's response shall so indicate. The Customer shall have 30 calendar days from the date of ERHDC's response to complete the Application and/or remove the *Section 2.1.3* condition, failing which the Application shall be null and void. If the customer completes the Application and/or removes the *Section 2.1.3* condition within the 30 calendar days, ERHDC shall make an offer to connect within 60 calendar days of the date of receipt of the last piece of required information.

**Offer to Connect –  
Information  
Provided to  
Customer**

- (D) An offer to connect shall provide the following information to the Customer:

- identification of work for which the Customer may seek alternative bids;
- terms and conditions for payments and deposits required; and
- any additional information pertinent to the offer.

If the offer includes an Expansion or Enhancement;

- a description of material and labour required to build the Expansion or Enhancement to connect the Customer if a capital contribution is required from the Customer;
- an estimated cost of the Expansion or Enhancement that would be revised based upon the actual costs incurred;
- an estimate of the capital contribution to be charged to the Customer to construct the Expansion or Enhancement. The estimate shall delineate costs attributed to engineering design, materials, labour, equipment, and administrative activities;

If the offer includes a Connection;

- a description and estimate of the connection charges that would apply.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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| <b>Capital Contribution Policy Residential Rate Class</b> | (E) | For capital contribution purposes, residential rate class Customers are defined as those residential rate class Customers connected as detached, semi-detached or duplex dwelling units. It does not include residential rate class Customers in apartments, condominiums, row housing or any other abode that is not a detached, semi-detached or duplex dwelling unit. The definition does not include the installation of primary, transformation and secondary to the hand holes in a new subdivision. All items excluded from the residential rate class definition, as above, shall be treated as general service rate class Customers for capital contribution purposes.   |
| <b>Residential Rate Class Connection</b>                  | (F) | Basic Residential Service Allowance (BRSA) – The BRSA is a requirement under the DSC. ERHDC shall calculate the BRSA by using 100% of the estimated cost to supply and install a 50-kVA transformer on an existing pole complete with primary and secondary connection. The standard 50-kVA transformer can feed approximately 25 Customers with an average demand of 2 kilowatts per home. The BSRA shall be subject to annual revision as overheads, labour, truck, material and sundry costs change. The BSRA in effect is found in Section 5 Schedule 1.  |
| <b>Utilization Voltage</b>                                | (G) | A residential rate class Customer who accepts an offer to connect for Connection at Utilization Voltage shall be subject to the following. ERHDC shall supply and install all overhead transformation as part of a basic connection, as defined in Section 3.1.4 and will recover the cost of said basic connection as part of its revenue requirement. ERHDC shall supply and install overhead or underground service conductor for a fixed capital contribution as found in Section 5, Schedule 1 less the BRSA. All overhead or underground service conductors in excess the length indicated in Section 5, Schedule 1 shall be charged to the Customer as a variable capital contribution at the rate found in Section 5, Schedule 1. |
| <b>Primary Voltage</b>                                    | (H) | A residential rate class Customer who accepts an offer to connect for connection at Primary Voltage shall be subject to the following; the Customer shall supply, install, own and maintain all primary and secondary conductor. A capital contribution is required for the primary and secondary Connections at the fixed rate found in Section 5, Schedule 1.   |
|   |     | <u>Overhead</u> -- ERHDC shall supply and install all overhead transformation on a Customer owned pole as part of a basic connection as defined in Section 3.1.4 and will recover the cost of this basic connection, including the BRSA, as part of its revenue requirement. The Customer shall supply, install, own and maintain all poles on the Customer's own real property.  |

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Underground -- ERHDC shall supply and install pad mounted transformation and the Customer shall pay a capital contribution towards connection and transformation at the fixed rate found in Section 5, Schedule 1.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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| <b>Residential Rate Class</b>  | (I) | System Enhancements required to connect a residential rate class Customer as defined in this section do not require a capital contribution.   |
| <b>Enhancement Residential Rate Class Expansion</b>                                | (J) | ERHDC shall collect contributed capital to the maximum amount permissible for an Expansion under the economic evaluation formula stipulated in Appendix B of the DSC. A capital contribution equal to the total estimated cost shall be collected prior to construction commencing. A refund or request for further monies shall be made when the actual cost is determined. The actual cost shall be held and some, none or all monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC. If, in accordance with Section 3.3 of the DSC, the Customer chooses to obtain alternative bids from qualified contractors, the Customer shall pay the Distributor a capital contribution equal to the total estimated cost for all engineering, inspection, other services, applicable materials and all other associated costs and expenses. A refund or request for further monies shall be made when the actual cost is determined. The Customer shall provide invoices for all contract labour, trucking, sundry and material costs to construct the Expansion. The Distributor shall place a total amount on the capital books of the Distributor equal to the sum of the invoices provided plus the actual internal cost. This amount shall be offset by an equal amount of capital contribution. The capital contribution shall be held and some, none or all monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC. |
| <b>Capital Contribution Policy General Service Rate Class</b>                      | (K) | For capital contribution purposes the general service rate class includes those residential rate class Customers that are not in detached, semi-detached or duplex dwelling units. The general service rate class also includes subdivision developments and all Customers not defined as residential rate class Customers.   |
| <b>Utilization Voltage Up to and Including 150kW For a New or Upgraded Service</b> | (L) | A general service rate class Customer who accepts an offer to connect for Connection at Utilization Voltage shall be subject to the following; for a New or Upgraded Service up to and including a maximum of 150 kilowatts, ERHDC shall supply and install overhead transformation and overhead or underground service conductor for a fixed capital contribution as found in Section 5, Schedule 2. All overhead or underground service conductors in excess the length indicated in Section 5, Schedule 2 shall be charged to the Customer as a variable capital contribution found in Section 5, Schedule 2.  |
| <b>Primary Voltage 150kW Up to and Including 3000kW For a New or</b>               | (M) | A general service rate class Customer who accepts an offer to connect for Connection at Primary Voltage shall be subject to the following. For a New or Upgraded Service normally greater than 150 kilowatts up to an including 3000 kilowatts, the Customer  |



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

- Upgraded Service** shall provide a capital contribution for the supply and installation of an underground or overhead primary supply and a transformer on Customer real property. In addition to the aforementioned capital contribution, a substation capital contribution equal to a fixed rate (see Section 5, Schedule 3) times the rated capacity of the transformer(s) in kVA, is required when the transformer capacity on site exceeds 1,500 kVA. The alternative to paying the substation capital contribution is for the Customer to supply and install a Customer owned 22 or 44 kV substation with primary metering.
- Primary Voltage 150kW to 3000kW Alternate Bid For a New or Upgraded Service** (N) If the Customer chooses to take supply at primary voltage and obtain alternative bids from qualified contractors, in accordance with Section 3.3 of the DSC, the Customer shall pay the Distributor a capital contribution equal to the total estimated cost for all engineering, inspection, other services, applicable materials and all other associated costs and expenses. A refund or request for further monies shall be made when the actual cost is determined.
- The Customer shall provide invoices for all contract labour, trucking, sundry and material costs to construct the Expansion. The Distributor shall place a total amount on the capital books of the Distributor equal to the sum of the invoices provided plus the actual internal cost. This amount shall be offset on the books of the Distributor by an equal amount of capital contribution. The capital contribution shall be held and some, none or all monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC.
- Sub-transmission Voltage** (O) A general rate class Customer who accepts an offer to connect for Connection at Sub-transmission Voltage shall be subject to the following. The Customer will pay a capital contribution for all metering and Connections. The Customer will supply, install, own and maintain all overhead and underground lines on real property and shall supply, install, own and maintain a 44 kV substation.

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**General Service  
Rate Class  
Enhancements**

(P) System Enhancements required to connect a general rate class Customer as defined in this section include conversion of an existing single or two phase primary line to a three phase line and/or upgrades to an existing single, two or three phase line. These and other Enhancements require a capital contribution from the general class Customer. ERHDC shall collect contributed capital to the maximum amount permissible under the economic evaluation formula stipulated in Appendix B of the DSC. A capital contribution equal to the total estimated cost shall be collected prior to construction commencing. A refund or request for further monies shall be made when the actual cost is determined. The actual cost shall be held and some, none or all monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC. If, in accordance with Section 3.3 of the DSC, the customer chooses to obtain alternative bids from qualified contractors, the Customer shall pay the Distributor a capital contribution equal to the total estimated cost for all engineering, inspection, other services, applicable materials and all other associated costs and expenses. A refund or request for further monies shall be made when the actual cost is determined. The Customer shall provide invoices for all contract labour, trucking, sundry and material costs to construct the Expansion. The Distributor shall place a total amount on the capital books of the Distributor equal to the sum of the invoices provided plus the actual internal cost. This amount shall be offset on the books of the Distributor by an equal amount of capital contribution. The capital contribution shall be held and some, none or all monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC.

**General Service  
Rate Class  
Expansion**

(Q) ERHDC shall collect contributed capital for an Expansion to the maximum amount permissible under the economic evaluation formula stipulated in Appendix B of the DSC. A capital contribution Equal to the total estimated cost shall be collected prior to construction commencing. A refund or request for further monies shall be made when the actual cost is determined. The actual cost shall be held and some or all monies refunded annually based on actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC. If, in accordance with Section 3.3 of the DSC, the Customer chooses to obtain alternative bids from qualified contractors, the Customer shall pay the Distributor a capital contribution equal to the total estimated cost for all engineering, inspection, other services, applicable materials and all other associated costs and expenses. A refund or request for further monies shall be made when the actual cost is determined. The Customer shall provide invoices for all contract labour, trucking, sundry and material costs to construct the Expansion. The Distributor shall place a total amount on the capital books of the Distributor equal to the sum of the invoices provided plus the actual internal cost. This amount shall be offset on the books of the Distributor by an equal amount of capital contribution. The capital contribution shall be held and some, none or all

## Espanola Regional Hydro Distribution Corporation (ERHDC)

monies refunded based on an annual calculation of actual distribution revenues received, as per the economic evaluation of Appendix B of the DSC.

### **Connection Denial**      2.1.3

The Distribution System Code provides for the ability of ERHDC as a Distributor to deny Connections. As a Distributor, ERHDC is not obligated to connect a building within its Service Area if the Connection would result in any of the following:

- Contravention of existing laws of Canada and the Province of Ontario;
- Violations of conditions in ERHDC's Distribution License;
- Use of a Distribution System line for a purpose that it does not serve and that the Distributor does not intend to serve;
- Adverse affect on the reliability or safety of the Distribution System;
- Public safety reasons or imposition of an unsafe work situation beyond normal risks inherent in the operation of the Distribution System
- A material decrease in the efficiency of the Distributor's Distribution System
- A materially adverse effect on the quality of Distribution Services received by an existing Customer;
- Discriminatory access to Distribution Services.
- If the customer requesting the Connection owes ERHDC money;
- If an electrical Connection to the ERHDC Distribution System does not meet ERHDC design requirements;
- Breaches of any other conditions documented in the Conditions of Service.

If ERHDC refuses to connect a building in its Service Area that lies along one of its distribution lines, ERHDC shall inform the person requesting the Connection of the reasons for the denial, and where ERHDC is able to provide a remedy, make an offer to connect. If ERHDC is unable to provide a remedy to resolve the issue, it is the responsibility of the Customer to do so before a Connection can be made.

### **Inspection Before Connection**      2.1.4

All Customer electrical installations shall be inspected and approved by the Electrical Safety Authority and must also meet ERHDC requirements. ERHDC requires notification from the Electrical Safety Authority of this approval prior to the energization of a Customer's supply of electricity. Services that have been disconnected for a period of six months or longer must also be re-inspected and approved by the Electrical Safety Authority, prior to reconnection.

Customer owned substations must be inspected by the Electrical Safety Authority.

Transformer rooms shall be inspected and approved by the ESA prior to the installation of ERHDC equipment.

Duct banks shall be inspected and approved by the ESA prior to the pouring of concrete and again before backfilling. The completed ducts

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

must be rodded by the site contractor in the presence of a ERHDC inspector and shall be clear of all extraneous material. In the event of blocked ducts, the owner’s representative will be responsible for clearing the ducts prior to the cable installation.

Work on existing concrete duct banks or maintenance holes shall be done only by a contractor approved by ERHDC or by the ERHDC work force.

All work done on ERHDC’s plant must be authorized by ERHDC and carried out in accordance with all applicable safety acts and Regulations. Provision for metering shall be inspected and approved by ERHDC prior to energization.

**Relocation of Plant**

2.1.5

When requested to relocate or change the elevation of the existing Distribution System, ERHDC shall exercise its rights and discharge its obligations in accordance with existing acts, by-laws and Regulations including, but not limited to, the *Public Service Works on Highways Act*, formal agreements, easements and law.

In the absence of existing agreements, ERHDC is not obligated to relocate the Distribution System. However, ERHDC shall resolve the issue in a fair and reasonable manner. Resolution in a fair and reasonable manner will include a response to the requesting party that explains the feasibility or infeasibility of the relocation and a fair and reasonable charge for relocation based on 100% cost recovery.

**Easements**

2.1.6

The Customer shall grant at no cost including preparation and registration to ERHDC, where required, an easement to permit the installation and maintenance of the Distribution System. ERHDC shall determine the width and extent of this easement. The easement shall be granted prior to Connection of the Customer.

Easements, agreements or reference plans must be approved by ERHDC prior to registration or recording against title of the real property.

**Contracts**

2.1.7 (A)

ERHDC applicable contracts and agreements must be signed and executed by the Customer before energizing the service.

- Application for Customer Connection
- Offer to Connect
- Construction Agreement
- Subdivision Agreement
- Easement Agreement
- Underground Distribution Agreement
- Electrical Distribution Vault Agreement

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<b>Implied Contracts</b>	2.1.7	(B)	<p>In all cases, notwithstanding the absence of a written contract, ERHDC has an implied contract with any Customer that is connected to ERHDC Distribution System and receives Distribution Services from ERHDC. The terms of the implied contract are embedded in the Conditions of Service, the Rate Handbook, ERHDC approved Rate schedule, ERHDC distribution license and the Distribution System Code, as amended from time to time.</p> <p>Any Customer or Retailer who takes or uses electricity from ERHDC shall be liable for payment for approved Rates applied to the sale and conveyance of said electricity. Any implied contract for the supply and conveyance of electricity by ERHDC shall be binding upon the heirs, administrators, executors, successors or assigns of the Customer who took and/or used Distribution Services supplied by ERHDC.</p>
<b>Disconnection Business Process</b>	2.2	(A)	<p>ERHDC reserves the right to disconnect the supply of electrical energy for causes including but not limited to:</p> <p>Contravention of the laws of Canada or the Province of Ontario;</p> <ul style="list-style-type: none"> <li>• Adverse effect on the reliability and safety of the Distribution System;</li> <li>• Imposition of an unsafe worker situation beyond normal risks inherent in the operation of the Distribution System;</li> <li>• A material decrease in the efficiency of the Distributor's Distribution System;</li> <li>• A materially adverse effect on the quality of Distribution Services received by an existing Customer;</li> <li>• Discriminatory access to Distribution Services;</li> <li>• Inability of ERHDC to perform planned inspections &amp; maintenance</li> <li>• Failure of the Customer to comply with a directive of ERHDC that ERHDC makes for purposes of meeting its license obligations;</li> <li>• Non payment of overdue accounts;</li> <li>• Electrical disturbance propagation caused by Customer equipment that is not corrected in a timely fashion;</li> <li>• Energy diversion, fraud or abuse on the part of the Customer; and</li> <li>• Breaches of any other conditions identified in this Conditions of Service document.</li> </ul>
<b>Disconnection Without Prior Notice</b>	2.2	(B)	<p>ERHDC may disconnect the supply of electricity to a Customer without prior notice in accordance with a court order, valid order of any regulatory body having jurisdiction or for Emergency, safety or system reliability reasons.</p>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Disconnection With  
Prior Notice  
Non Payment of  
Overdue Account**

- (C) Outstanding bills are subject to the collection process and may ultimately lead to the service being discontinued. No disconnect action will be taken until the Customer has been issued a disconnect notice. Reasonable efforts will be made to establish direct contact with the Customer. Services will be restored once satisfactory payment has been made. Discontinuance of service does not relieve the Customer of the liability for arrears. Bills are normally due 16 days following the mailing date. Collection actions may commence on the next business day following the due date if an outstanding balance remains. These actions include one or all of the following:
- The issuance of a Final Notice seven (7) days after the due date;
  - The issuance of a disconnect letter on the seventh (7<sup>th</sup>) day following the Final Notice. Disconnect Letters are forwarded by registered mail – and are considered received on the third day regardless of whether or not they are accepted by the customer. These letters specify the date the arrears must be paid (seven (7) days from the date of the letter) – or the disconnect will occur immediately there after. A “Disconnect Letter” charge is applied to the account.
  - Should a disconnect actually occur, all arrears must be paid in full (including an additional “Reconnection” charge) before a reconnection will be authorized.

The utility bears no responsibility for any damages incurred due to a service disconnection for non-payment of arrears.

**Disconnection With  
Prior Notice  
Planned Outage**

- (D) ERHDC will endeavor to provide Customers with reasonable notice of Disconnection. Notice, if given, may include written, verbal or public notice.

**Disconnection With  
Prior Notice  
All Other  
Circumstances**

- (E) (iv) When ERHDC becomes aware of a situation that may result in Disconnection for any reason other than that described in Section 2.2 (B) – (i), (ii) or (iii), ERHDC shall perform an appropriate investigation and attempt to resolve the issue or problem with the Customer(s) involved. If the issue or problem is not resolved within 30 calendar days of becoming aware of the issue or problem, ERHDC may at its sole discretion send written notice to the Customer(s) describing the issue or problem and set a 15 business day deadline for the Customer(s) to resolve the issue or problem. If these actions do not result in the resolution of the issue or problem, the service(s) may be disconnected at any time after the deadline date without further notice. Reconnection will require ESA approval. ERHDC shall not be liable for damage to the Customer’s real property or the Customer’s equipment resulting from such discontinuance of service.

**Conveyance of**

2.3.1

- (A) ERHDC agrees to use reasonable diligence to provide a regular

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Electricity  
Limitations on the  
Guaranty of Supply**

and uninterrupted service but does not guarantee constant service or the maintenance of invariable frequency or voltage and will not be liable for damages occasioned by the failure to provide such services to the Customer.

Customers requiring a higher degree of security than that of normal supply are responsible to provide their own back-up or standby facilities. Customers may require special protective equipment at their premises to minimize the effect of momentary power interruptions.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of the Distributor's supply.

**Powers of Entry**

2.3.1 (B)

ERHDC may enter on the Customer's premises and remove meters, lines, stations, plant, appliances and equipment owned and installed by ERHDC when the Customer requests Disconnection in writing and all associated contracts for the supply of power have been terminated.

To assist with Distribution System outages or Emergency response, ERHDC may require a Customer to provide ERHDC with access to Customer owned distribution equipment that normally is operated by ERHDC or ERHDC owned equipment on Customer's real property.

ERHDC shall have rights to access to a real property in accordance with Section 40 of the *Electricity Act, 1998* and any successor acts thereto.

**Power Quality**

2.3.2 (A)

ERHDC will respond to any power quality complaints. Should it be determined that the fault lies within the Distribution System, ERHDC will take all necessary measures to alleviate the problem provided such correction is not detrimental to any other Customer. Should the concern be on the Customer's side of the Ownership Demarcation Point, reimbursement of costs incurred for investigation purposes shall be invoiced to the Customer.

**Notification For  
Interruption**

(B)

Although it is ERHDC's policy to minimize inconvenience to Customers, it is necessary to occasionally interrupt a Customer's supply to allow work on the Distribution System. ERHDC will endeavor to provide the Customers with reasonable notice of planned power interruptions. Notice may not be given where work is of an Emergency nature involving the possibility of injury to persons or damage to property or equipment. However, during an Emergency, ERHDC may interrupt supply to a Customer in response to a shortage of supply or to effect repairs on ERHDC's Distribution System or while repairs are being made to Customer owned equipment.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

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| <b>Customers On Life Support</b> | (C)   | <p>Customers who require an uninterrupted source of power must provide their own equipment for these purposes.</p> <p>Customers with life support system are encouraged to inform ERHDC of their medical needs and their available backup power. These Customers are responsible for ensuring that the information they provide to ERHDC is accurate and up-to-date. With planned interruptions, the same procedure as prescribed in section 2.3.2(B) will be observed. For those unplanned power interruptions that extend beyond two hours and the time expected to restore power is longer than what was indicated by Customers (registered on life support) as their available backup power, ERHDC will endeavor to contact these Customers but will not be liable in any manner to the Customers for failure to do so.</p>   |
| <b>Scheduled Interruptions</b>   | (D)   | <p>During construction ERHDC may require to interrupt sections of the Distribution System usually isolated but not limited to a single transformer and the Customers fed from it. The crew leader or crew member may attempt to inform all affected Customers prior to the interruption.</p>  |
| <b>Electrical Disturbances</b>   | 2.3.3 | <p>(A) Electrical equipment shall not be connected to the Customer's service, which will produce an undesirable system disturbance on the Utility's circuits.</p> <p>(B) Customers should consult ERHDC to ensure that proposed equipment will not cause undesirable system disturbances.</p> <p>(C) If, in the opinion of the Utility, an undesirable system disturbance is being caused by existing Customer equipment, the Customer will be required to cease operation of the equipment until remedial action has been taken.</p> <p>(D) If the Customer does not take such action within a reasonable time, the Utility may disconnect the supply of power to the Customer. See Section 2.2 (B) (iv).</p> <p>(E) ERHDC may require the installation of additional facilities to nullify the undesirable effect. The additional facilities will be installed at the Customer's expense.</p> |



## Espanola Regional Hydro Distribution Corporation (ERHDC)

<b>Standard Voltage Offering</b>	2.3.4	<p>Standard Service supply and nominal voltages supplied by ERHDC are as follows:</p> <ul style="list-style-type: none"> <li>• 120/240 volts, single-phase, three wire with a solidly grounded neutral;</li> <li>• 120/208volts, wye, three-phase, four wire with a solidly grounded neutral;</li> <li>• 347/600 volts, wye, three-phase, four wire with a solidly grounded neutral;</li> <li>• 7200/12,470 volts, wye, three-phase, four wire, Customer owned substation with primary metering in a 12kV distribution area with a solidly grounded neutral;</li> <li>• 44,000 volts Delta, three-phase, three wire, Customer owned substation with primary metering, in a 44kV distribution area.</li> </ul>
<b>Voltage Guidelines</b>	2.3.5	<p>ERHDC attempts to maintain voltage variation limits under normal operating conditions at the Customer's Service Entrance as specified by the Canadian Standards Association, specification number C235, as amended from time to time.</p>
<b>Back-up Generators</b>	2.3.6	<p>Customers requiring a higher degree of security than that of normal supply are responsible for providing standby back-up facilities to meet their security requirements at their own expense. It is recommended that proper protective apparatus be installed to avoid damage to sensitive electronic equipment.</p> <p>Customers with portable or permanently connected Emergency Backup capability shall comply with all applicable criteria of the Ontario Electrical Safety Code and in particular, shall ensure that Customer Emergency Backup does not back-feed on the Utility's Distribution System.</p> <p>Customers with permanently connected Emergency Backup equipment shall notify ERHDC regarding the presence of such equipment.</p>

**Espanola Regional Hydro Distribution Corporation (ERHDC)****Metering  
Installation**

## 2.3.7.1

There shall be no obstruction, object, equipment or thing within one metre in all directions of an electric meter excepting the wall to which it is attached.

The top of a metering base shall be not less than 1.2 meters or greater than 1.8 meters above grade.

Where there is a possibility of danger to workmen or damage to equipment from moving machinery, dust, fumes, gas, heat, cold or moisture, protective apparatus satisfactory to ERH shall be provided by the Customer.

Where excessive vibration may affect metering equipment, shock-absorbing devices, approved by ERHDC shall be provided and installed by the Customer. The Customer shall contact ERHDC where such conditions may occur.

Normal meter locations will be on the driveway side up to a maximum of three (3) meters from the front corner of the dwelling unless otherwise approved by ERHDC.

If and when a fence is constructed to enclose the property, the meter is not to be enclosed within the fenced area.

The Customer will be responsible for costs incurred due to damage or removal of meters, wires or equipment of ERHDC on the real property of the Customer when caused by other than the Utility or when damage is due to other than normal use.

All single phase, underground services shall have a minimum capacity of 200 amperes and shall be of an outdoor type meter base with a minimum dimension of 300mm by 500 mm by 115 mm unless otherwise approved by ERHDC.

Three-phase services up to 200 amperes at 120/208 volts and 347/600 volts can be provided with socket type meters.

Provision must be made to permit ERHDC to install outdoor socket-type meters on all single-phase services up to and including 400 amperes, on the line side of the fused disconnect.

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### Current Transformer Cabinets

2.3.7.2

Metering cabinets must be provided inside the Customer's building for all 120/240 volt services in excess of 400 amperes. These installations will have outdoor meter sockets complete with a shorting device. The Customer will also connect the socket to the cabinet with a 30 mm approved conduit suitable for ERHDC's wiring.

Three-phase services in excess of 200 amperes at 120/208 volts and three-phase services 200 amperes and above at 347/600 volts will require an approved meter cabinet, at the Customer's expense to house instrument transformers.

Where metering cabinets are required, they shall have the following minimum dimensions:

- 100 amperes and 200 amperes services:  
500 mm x 750 mm x 250 mm
- 400 amperes to 1000 amperes services:  
1200 mm x 1200 mm x 500 mm

When space for mounting instrument transformers is provided in the Customer's switchboard, a 500 mm x 750 mm x 250 mm cabinet is required. A 30 mm conduit is also required from the switchboard to the meter cabinet.

Metering cabinets must be fitted with a hasp to allow for locking using a padlock.

Cabinets shall be equipped with removable steel subpanels to facilitate shop wiring and testing of the metering equipment.

### Interval Metering

2.3.7.3

All Customers below 500KVA have the option of requesting Interval Metering. All Customers above 500KVA shall have Interval Metering.

Customers that request or require Interval Metering will be responsible for the following costs:

- Cost of the Interval Meter.
- All additional installation costs associated with the Interval Meter.
- Ongoing maintenance, including allowance for meter failure.
- Verification and re-verification of the meter.
- Installation and ongoing provision of communication line or communication link.

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- Cost of metering made redundant by the Customer requesting Interval Metering.

The Customer is responsible for incremental costs associated with Interval Metering, regardless of whether the Interval Metering is installed at the request of the Customer or in compliance with these Conditions of Service.

Ownership of the meter shall remain with ERHDC.

<b>Meter Reading</b>	2.3.7.4	<p>All meters are read monthly provided access to the meter is possible. Those meters that are not accessible are estimated.</p> <p>The Customer shall allow employees or authorized agents of ERHDC to have access to meter rooms between 8 am and 8 pm, seven (7) days a week to read meters or to inspect, repair, install or remove meters, wires and equipment of ERHDC.</p> <p>Where such access is not readily available, the Customer must make semi-annual arrangements at a mutually agreeable time to allow ERHDC access to the meter.</p> <p>Please see Section 2.4.4.2 for the process to be used if a meter reading is not obtained.</p>
<b>Final Meter Reading</b>	2.3.7.5	<p>When a Customer is moving or otherwise no longer requires service from ERHDC, the Customer shall provide ERHDC with a minimum of five (5) business days notice of the date of termination of service so that ERHDC may obtain a final meter reading as close as possible to the termination date.</p>
<b>Faulty Registration of Meters</b>	2.3.7.6	<p>Metering electricity usage for the purpose of billing is governed by the <i>Federal Electricity and Gas Inspection Act</i> and associated regulations, under the jurisdiction of Measurement Canada. ERHDC revenue meters are required to comply with the accuracy specifications established by the <i>Electricity and Gas Inspection Act</i>.</p>
<b>Over billing</b>	2.3.7.7	<p>Where a billing error, from any cause, has resulted in a Customer or Retailer being over billed and Measurement Canada has not become involved in the dispute, ERHDC shall credit the Customer or Retailer with the amount erroneously billed. The credit ERHDC remits to the appropriate parties shall be the amount erroneously billed for up to a six (6) year period.</p>
<b>Under billing</b>	2.3.7.8	<p>Where a billing error, from any cause, has resulted in a Customer or Retailer being under billed and Measurement Canada has not become involved in the dispute, ERHDC shall charge the Customer or Retailer with the amount not previously billed. The charges ERHDC bills to the appropriate parties shall be the amount not billed for up to a six (6) year period.</p>

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<b>Meter Dispute Testing</b>	2.3.7.9	All metering disputes with respect to equipment verification will be addressed and resolved through Measurement Canada. ERHDC, the Customer or a Retailer can at any time request the services of Measurement Canada or an accredited meter verifier in the process.
<b>Customer Specific Metering Primary Metering</b>	2.3.7.10	<p>Customer owned primary Distribution Systems must be primary metered with a fuse/interrupter combination switchgear approved by ESA and built to ERHDC metering specifications.</p> <p>Where primary switchgear and metering are required, 100% of the cost will be paid by the Customer.</p> <p>Primary metering cabinets on Utility poles will be supplied and installed by the Utility at the Customer's cost.</p>
<b>Pulse Metering</b>	2.3.7.11	A pulse output meter will be installed where feasible in the reasonable opinion of ERHDC, upon the Customer's request. The Customer will pay 100% of the cost.
<b>Bulk Metering</b>	2.3.7.12	All electrical energy supplied to an office building or rental apartment building may be bulk metered at the request of the Customer subject to all applicable conditions.
<b>Individual Metering</b>	2.3.7.13	Any building or complex may be individually metered.
<b>Conversion from Bulk Metering to Individual Metering</b>	2.3.7.14	<p>Any building or complex may be converted from bulk metering to individual metering subject to:</p> <ul style="list-style-type: none"> <li>• The Customer making written application to ERHDC.</li> <li>• Each unit has its own distinct partition/barrier and no two meters are allocated to the same unit.</li> <li>• The Customer supplying and installing meter sockets and associated wiring, grouped in meter rooms, according to the requirements of ERHDC and ESA.</li> <li>• The metered voltage is 120/240 volts single phase or such other voltage as may be approved by ERHDC from time to time.</li> <li>• The Customer paying ERHDC for incremental capital cost of meters and metering facilities for voltage other than 120/240 volt single phase.</li> <li>• The Customer being responsible for all costs associated with the conversion from the main entrance switch to the secondary side of ERHDC transformer when converting from 3 phase 3-wire (delta) to a 3 phase 4-wire (Grounded Wye).</li> </ul>

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<b>Internal Renovations</b>	2.3.7.15	<p>Internal renovations and/or expansions may require the amalgamation of Service Entrance meters in order to comply with ERHDC metering requirements at no cost to ERHDC.</p> <p>When changing an existing residential service with inside meters, all meters shall be relocated to the outside of the building, at no cost to ERHDC. The meters must be relocated so that they are readily accessible for meter reading.</p> <p>Water, gas, sewer, other pipes or like equipment will not be permitted to encroach on the safe working space requirements for a meter cabinet or meter room.</p>
<b>Tariffs and Charges</b>	2.4	<p>ERHDC will only apply Board approved charges and tariffs. These charges and tariffs are available from ERHDC upon request. ERHDC may, from time to time, make application to the Minister or the Board as appropriate for changes or adjustments to any or all charges or tariffs. Customers shall be notified of the application in accordance with legislation and Regulations in effect at the time of the application.</p>
<b>Service Connection Fees</b>	2.4.1.1	<p>There will be a connection fee charged for new, upgraded or altered services. These fees are not subject to Board approval. Service connection fees are found in Section 5 and are subject to change without notice.</p>
<b>Energy Supply</b>	2.4.2	<p>ERHDC shall provide standard supply service to any Customer Connected to its Distribution System along a municipal Right-of-way, easement or private Distribution System:</p> <ul style="list-style-type: none"> <li>• Who has not advised ERHDC in writing that they do not wish to purchase electricity from ERHDC; or</li> <li>• Who requests in writing to sell electricity to them; or</li> <li>• Whose Retailer is unable for any reason to sell electricity to them.</li> </ul> <p>ERHDC shall discontinue to provide standard supply service to a Customer who is connected to their Distribution System if:</p> <ul style="list-style-type: none"> <li>• The Customer or Retailer acting on behalf of the Customer informs ERHDC in writing that the Customer wishes to purchase electricity from the Retailer; and</li> </ul>

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- The Customer or the Retailer acting on behalf of the Customer informs ERHDC with the following information:
  - 1) The date after which the Retailer is prepared to provide service to the Customer, subject to the final meter reading date;
  - 2) The Customer’s account number with the ERHDC; and
  - 3) Other information necessary for implementing a change in service that may be required by the Board, as amended from time-to-time.

ERHDC shall begin to provide standard supply service to a Customer who is connected to the ERHDC Distribution System and purchases electricity from a Retailer if:

- The Customer or the Retailer acting on behalf of the Customer informs ERHDC in writing that the Customer wishes to purchase electricity from the Distributor;
- The Customer or the Retailer acting on behalf of the Customer informs the Distributor that the Retailer is unable to sell electricity to the Customer; and
- The Customer or the Retailer acting on behalf of the Customer provides the Distributor with the following information:
  - 1) The date after which the service will no longer be provided by the Retailer, subject to the final meter reading date;
  - 2) The Customer account number with ERHDC and;
  - 3) Other information necessary for implementing a change in service that may be required by the Board, as amended from time to time
  - 4) ERHDC may, at its discretion, refuse to process a service transfer request for a Customer to switch to a Retailer if that Customer owes money to ERHDC for Distribution Services and or standard supply service.

<b>Wheeling of Power</b>	2.4.2.1	Customers considering delivery of electricity through ERHDC’s Distribution System shall contact ERHDC for technical requirements and current applicable Rates.
<b>Energy Security</b>	2.4.3	Espanola Regional Hydro Distribution Corporation requires the following deposit and prudential requirements before providing a Customer with Distribution Services, supply through Standard Service Supply or through Distributor Consolidated Billing.

Except for Customers who meet the deposit waiver conditions described below, all Customers are required to either pay a security deposit or provide a guarantee to Espanola Regional Hydro

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Distribution Corporation for payment of all monies owing. Security deposits must be in the form of (i) cash or cheque; or (ii) an irrevocable (standby) letter of credit, a bond or a letter of guarantee from a chartered bank, trust company or credit union; or (iii) a letter of guarantee from a reputable third party (i.e. parent company or customer of the Corporation whose account is in good standing. Note: The following statement must be included on the irrevocable letter of credit: “It is a condition of this Letter of Credit that it shall be deemed to be automatically extended without amendment from year to year from the present or any future expiration date hereof, unless at least 30 days prior to the present or any future expiration date, we notify you in writing by registered mail that we elect not to consider this Letter of Credit to be renewable for any additional period.”

The amount of the security deposit will be calculated as follows:

- Residential Customer – the average monthly bill for the residence in question (over the most recent 12 consecutive months within the past two years) multiplied by 2.5.
- Non Residential Customer – in any rate class other than a <50 kW demand rate who has a credit rating from a recognized credit rating agency shall have the maximum amount of a security deposit reduced according to the following table:

Credit Rating Allowable Reduction in Security Deposit  
(Using Standard and Poor’s Rating Terminology)

AAA – and above or equivalent	100%
AA-, AA, AA+ or equivalent	95%
A-, From A, A + to below AA or equivalent	85%
BBB-, From BBB, BBB+ to below A or equivalent	75%
Below BBB- or equivalent	0%

A minimum of 25% of the required deposit must be paid before the service is transferred into the new customer’s name. The remaining 75% will be billed on the first three regular utility bills and must be paid by the due date of said bills or an immediate disconnection will be ordered.



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Security deposits will be reviewed annually. Deposits will be increased at that time if a recalculation warrants same. Deposits will be returned to the Customer if it is proven that the Customer is now in a position to be exempt from paying a Deposit. Returned amounts will usually be credited to the Customer's account.

Security deposits or guarantees may be waived for if the following conditions are met:

a) Residential customers provide evidence of a good payment record during the previous one (1) year which must have occurred in the last twenty-four (24) months with another distributor or gas distributor in Canada.

Non-Residential customers in a <50 kW demand rate class provide a good record of five (5) years and customers in any other rate class provide a good record of seven (7) years.

A good payment history excludes customers who have received more than one disconnection notice from the distributor, who have presented more than one cheque which has been returned for non-sufficient funds, have more than one pre-authorized payment has been returned for insufficient funds or a disconnect/collect trip has occurred.

b) The Customer provides satisfactory credit check made at the customer's expense.

Security deposits shall not constitute payment of an outstanding account, in whole or in part, and shall only be applied to amounts owing on an Espanola Regional Hydro account when the account is closed at which time any excess deposit funds will be refunded to the Customer. However, the Utility reserves the right to transfer a deposit credit to the customer's new outstanding deposit account. The Security deposit will be returned within six weeks of the closure of the account.

The interest rate on cash deposits shall be at the Prime Business Rate less 2% and will be applied to the deposit, on receipt of the total deposit, on a yearly basis or on return or application of the security deposit or closure of the account, whichever comes first.

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Non-cash security (i.e. letter of credit) will be applied after the final-bill-due-date, if full payment is not received from the Customer.

<b>Billing</b>	2.4.4	
<b>Prorating Bills and Service Charges</b>	2.4.4.1	Service and demand charges will be prorated for first and final bills only. Charges are based on a straight ratio calculation of the number of days of occupancy by the Customer to a standard 30 day month.
<b>Estimating Bills</b>	2.4.4.2	Reasonable attempts will be made to obtain a meter reading for all regular electricity bills. If a bill is estimated, it will be based on the consumption history for the Customer, whenever possible.
<b>New Account Setup Charge</b>	2.4.4.3	When a Customer establishes a new account, a new account setup charge, as approved by the Board from time to time, is applied to their first bill. A new account is established and a new account setup charge, as approved by the Board from time to time, applies to those Customers who are new to the service area and those who have moved locations within the service area.
<b>Arrears Certificate</b>	2.4.4.4	A charge, as approved by the Board from time to time, is levied to provide a certificate of arrears per service address. This is typically provided to lawyers during a property purchase.
<b>Transformer Ownership Credit</b>	2.4.4.5	A credit will be provided for all demand billed to Customers owning their own distribution transformer as approved by the Board, from time to time.
<b>Power Factor Adjustments</b>	2.4.4.6	The Customer will be billed for demand based on the measured kilowatts or 90% of the measured kilovolt amperes whichever is greater. This provides an incentive for a Customer with a power factor that is less than 90% lagging to improve their power factor.
<b>Payment Plans</b>	2.4.5	ERHDC shall offer the following payment plans*:
<b>Monthly Pre-Authorized Debit (Budget PAD)</b>	2.4.5.1	A monthly, estimated amount shall be withdrawn automatically, from the Customer's bank account on due date of bill or either the 1 <sup>st</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> , 20 <sup>th</sup> day of a month. Throughout an 11 month period, the estimated withdrawal amount may be adjusted upwards or downwards, as actual billings warrant. Customers shall be notified, in advance, of any required adjustments.
		The monthly payment plan shall be reconciled annually at which time any residual amounts owing to ERHDC or the Customer shall be paid, in full. Written notification of the outstanding balance shall be provided on the settle-up invoice.

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If monthly payments are not maintained, Customers shall be automatically removed from the plan by the subsequent withdrawal date, if payment remains outstanding.

Upon request, Customers may opt out of this plan at any time, at which point, standard billing and collection timelines shall apply.

Further terms and conditions are provided on the payment plan application, which must be authorized and returned with a void cheque.

\* This plan is available to Residential Customers on standard supply service, only.

**Monthly  
Pre-Authorized Debit  
(PAD)**                    2.4.5.2

A pre-authorized bank debit of the net billed amount shall be withdrawn from the Customer's bank account on the due date of the bill, according to their particular billing cycle.

If payments are not maintained or remain outstanding, Customers shall be automatically removed from the plan within thirty (30) days of the due date.

Upon request, Customers may opt out of this plan, at any time.

This plan is available to all Customers except those with Retailer consolidated billing.

Further terms and conditions are provided on the payment plan application, which must be authorized and returned with a void cheque.

Customers who default on their payments shall be required to restore payment by the next months withdrawal date, in addition to the current monthly payment. If the Customer cannot update their payments, the plan will be suspended until the balance is cleared.

**Late Payment  
Charges**                    2.4.5.3

A late payment charge of 1.5% per month (19.56% annually) is applied to all accounts not paid by the due date. Bills are due and payable 16 days from the mailing date. This charge is levied on any bill, including final bills. Where a partial payment has been made by the Customer on or before the due date, the late payment penalty will apply only to the outstanding amount of the bill at the due date, inclusive of arrears from previous billings.

**Disconnect/  
Reconnect Charge**                    2.4.5.4

A disconnect/reconnect charge, as approved by the Board from time to time, will be applied when the service is reconnected. . Only one disconnect/reconnect charge will be applied per billing period unless a partial payment has been made.

**Returned Cheque  
Charge**                    2.4.5.5

A charge, as approved by the Board from time to time, is applied for each payment that cannot be processed.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

<b>Credit Refunds</b>	2.4.5.6	A refund, if applicable, for final accounts will be issued no sooner than 10 days after the final payment has been received, to allow sufficient time for clearing.
<b>Customer Information</b>	2.5	<p>ERHDC will communicate general market and educational information to Customers connected to its Distribution System as required.</p> <p>At the Customer's request, ERHDC will provide a list of Retailers who have service agreements in effect with ERHDC.</p> <p>Upon a Customer's written authorization, ERHDC will make the Customer's information available to the Customer, or third party, as stated in chapter 11 of the Retail Settlement Code as amended from time to time.</p>

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**Section 3 – Customer Class Specific**

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Capital Contribution

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**Section 3 - Customer Class Specific**

<b>Customer Classification For Rate Purposes</b>	3.0.1	Customers must be assessed by ERHDC, upon application for service to ensure the appropriate Rate Class is assigned to the account.
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There are four Rate Classes: Residential, General, General (50kW or greater), and Unmetered Connections.

<b>Residential Rate Class</b>	(A)	<p>To qualify for residential Rates an electrical service shall meet all of the following conditions:</p> <ul style="list-style-type: none"> <li>• The electricity shall be intended for and used primarily for a residence in which one or more person(s) reside.</li> <li>• The electrical service shall be individually metered, no bulk metering allowed.</li> </ul>
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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**General Service Rate Class** (B) To qualify for general service Rates an electrical service shall meet all of the following conditions:

- The electrical service shall not qualify as a Residential Rate Class service.
- The electrical service shall have a peak demand less than 50 kilowatts for seven or more months In any twelve month period.
- New Connections will be classified based on the rating, in amperes, of the main switch or sum of main switches.

**General Service Rate Class (Equal To or Greater Than 50kW)** (C) To qualify for general service Rates (Equal To or Greater Than 50kW) an electrical service shall meet all of the following conditions:

- The electrical service shall not qualify as a Residential Rate Class service.
- The electrical service shall not qualify for General Service Rate Class as defined in Section 3.0.1 (B).
- New Customers will be classified based on the rating, in amperes, of the main switch or sum of main switches.

**Unmetered Connection** (D) Unmetered services shall only be permitted for streetlights and sentinel lights.

**Residential Rate Class Residential** 3.1 For purposes of Section 3.1 and its related subsections, Residential Rate Class customers are defined as those Residential Rate Class customers connected as detached, semi-detached or duplex dwelling units. It does not include Residential Rate Class customers in apartments, condominiums, row housing or any other abode that is not a detached, semi-detached or duplex dwelling unit. The definition does not include the installation of primary, transformation and secondary to the hand holes in a new subdivision. All items excluded from the residential rate class definition, as above, shall be treated as general service rate Class customers.

**Early Consultation** 3.1.1 All Customers must supply ERHDC with a completed copy of the Town of Espanola’s or Township of Sables-Spanish Rivers “Permit Approval Form”, as amended from time to time, for all new or altered service. To properly meet the Customer’s needs, the Customer or their representative should consult with ERHDC in the early planning stages

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to determine what facilities and voltages are required at the proposed service location. ERHDC shall respond to the request for connection in accordance with the terms and conditions of Section 2.1.2 – Offers to Connect.

- |  |       |  |
|--|-------|--|
| <b>Operational Demarcation Point – All Supply Voltages</b>                             | 3.1.2 | The Operational Demarcation Point for Residential Rate Class Customers as defined in Section 3.1 shall be immediately past the line side lugs (but not including the lugs) on the meter base.  |
| <b>Ownership Demarcation Point</b>   | 3.1.3 |  |
| <b>Utilization Voltage – Overhead Secondary Service, No Clearance Pole Required</b>    | (A)   | The Ownership Demarcation Point for Residential Rate Class customers, as defined in Section 3.1, supplied by an overhead Secondary Service shall be immediately past the connectors at the top of the service mast, where no clearance pole is required.   |
| <b>Utilization Voltage – Overhead Secondary Service, Clearance Pole Required</b>       | (B)   | Where a clearance pole is the only pole required to meet the standard in place and adopted by ERHDC from time to time and the service extends only one span past the clearance pole, the Ownership Demarcation Point for Residential Rate Class customers, as defined in Section 3.1, supplied by an overhead Secondary Service shall be immediately past the connectors at the top of the service mast.   |
| <b>Utilization Voltage – Overhead Secondary Service, Secondary Pole Line Required</b>  | (C)   | Where a Secondary Service on real property extends for two or more poles, which may or may not include a clearance pole, and;<br><br>Where a clearance pole is involved, the Ownership Demarcation Point for Residential Rate Class customers, as defined in Section 3.1, shall be immediately past the connectors at the clearance pole, or;<br><br>Where no clearance pole is involved, the Ownership Demarcation Point for Residential Rate Class Customers, as defined in Section 3.1, shall be immediately past the connectors at the point of connection to ERHDC’s Distribution System. |
| <b>Utilization Voltage – Underground Secondary Service, No Clearance Pole Required</b> | (D)   | The Ownership Demarcation Point for Residential Rate Class customers, as defined in Section 3.1, supplied by an underground Secondary Service shall be immediately past the line lugs (but not including the lug) at the Customer’s Service Entrance, where no clearance pole is required.   |
| <b>Utilization Voltage – Underground Secondary Service,</b>                            | (E)   | Where a clearance pole is the only pole required to meet the standard in place and adopted by ERHDC from time to time and the service extending beyond the clearance pole is an  |

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<b>Clearance Pole Required</b>			underground Secondary Service the Ownership Demarcation Point for Residential Rate Class customers, as defined in Section 3.1, shall be immediately past the line side lugs (not including the lug) at the Customer's Service Entrance.
<b>Primary Voltage – Overhead or Underground Primary Service</b>		(F)	The Ownership Demarcation Point for Residential Rate Class Customers, as defined in Section 3.1, supplied by an overhead or underground Primary Service shall be immediately past the load side connector of the cutout switch. The distribution transformer is owned by ERHDC and is installed on the Customer owned Distribution System.
<b>Basic Connection Residential Rate Class Customers</b>	3.1.4		<p>A basic connection for a Residential Rate Class customer as defined in Section 3.1 shall be:</p> <ul style="list-style-type: none"> <li>• A single-phase, 3-wire, 60 cycle, overhead secondary service having a nominal voltage of 120/240 volts and a maximum capacity of 200 amperes;</li> <li>• The supply and installation of overhead transformation sufficient to meet the needs of (a) and ;</li> <li>• Up to 30 meters of secondary conductor, as measured between the point of connection on ERHDC's Distribution System and the Ownership Demarcation Point of that Customer.</li> </ul> <p>A basic connection shall require a capital contribution in accordance with Section 2.1.2.</p>
<b>Installation of Connection Assets in Excess of the</b>	3.1.5	(A)	In all cases where a Customer requires Connection assets in excess of the basic connection a capital contribution shall be required in accordance with Section 2.1.2.
<b>Basic Connection Requiring More Than 30 Meters of Secondary Conductor</b>	3.1.5	(B)	When a basic connection requires more than 30 meters of secondary conductor the Customer shall pay a variable connection fee in accordance with Section 2.1.2.
<b>Requirement for Customer Owned Clearance Pole – All Supply Voltages</b>	3.1.5	(C)	Where a Connection to the ERHDC's Distribution System does not exist on the same side of a road allowance as the Customer, the Customer shall supply and install on the Customer's real property, a clearance pole.
<b>Requirement for Clearance Pole Not Owned by Customer – All Supply</b>	3.1.5	(D)	Where ERHDC or another corporate entity with whom ERHDC has entered into an Agreement for Licensed Occupancy (e.g. Bell Canada) has or desires to have a pole line on the side of the road allowance on which the Customer's

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<b>Voltages</b>			real property exists, the Customer may not be required to install a Customer owned clearance pole as per Section 3.1.5 (C). Specific conditions and costs may apply in this instance. Customers are encouraged to initiate early consultation, as per Section 3.1.1, so that the offer to connect issued in accordance with Section 2.1.2, may contain appropriate conditions and costs.
<b>Maximum Single Phase Secondary Service Size</b>	3.1.5	(E)	A single-phase, 3-wire, 60 cycle, Secondary Service having a nominal voltage of 120/240 volts shall not exceed 400 amperes in size. Service Entrances greater than 200 amperes and equal to or less than 400 amperes require service conductor greater than that provided for in the basic connection as described in 3.1.4 and therefore the Customer shall pay a variable connection fee in accordance with Section 2.1.2.
<b>Mandatory Underground Secondary Service Requirements in Subdivisions</b>	3.1.5	(F)	Consistent with the Town of Espanola and The Township of Sables – Spanish Rivers “Official Plan” and related by-laws, Residential Subdivisions, as described in Section 3.2.18, shall be supplied by a ERHDC underground Distribution System. The customer shall pay a connection fee in accordance with Section 2.1.2.
<b>Underground Secondary Service Where Requested</b>	3.1.5	(G)	A Customer may request underground Secondary Service from ERHDC. Where such a Connection is economically feasible ERHDC shall make an offer to connect in accordance with Section 2.1.2. The Customer shall pay a connection fee in accordance with the appropriate subsection of Section 2.1.2.
<b>Underground Secondary Service Fed From an Overhead System – Clearance Poles</b>	3.1.5	(H)	Clearance poles to accommodate road crossings to an underground Secondary Service will be required unless otherwise agreed to in writing with ERHDC. Ownership shall be as in accordance with Section 3.1.5 (C) and 3.1.5 (D).
<b>Underground Secondary Service Fed From an Overhead System – Clearance Poles – Requirement for Notice of Agreement</b>	3.1.5	(I)	In addition to 3.1.5 (H) and 3.1.5 (C), the Customer is required to sign an “Anchoring Agreement”, registered on title at 100% cost to the Customer that will permit the installation of anchoring and down guying on the Customer’s real property. The need for the anchoring and guying or the “Anchoring Agreement” will be at the sole discretion of ERHDC. Refer to Section 5 Schedule 4 (Contracts and Other Agreements).
<b>Secondary Service Pole Line</b>	3.1.5	(J)	If a Secondary Service pole line or any other attachments, which may or may not include a clearance pole, are required on the Customer’s real property to support the Secondary Service, these will be erected and maintained by the Customer. This pole line shall be inspected and approved by the ESA.

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<b>Primary Service Required to Serve Residential Rate Class Customer</b>	3.1.5 (K)	<p>Where a Residential Rate Class customer, as defined in section 3.1, is proposing to install a Service Entrance on the Customer’s real property and the length of Secondary Service required to feed the proposed Service Entrance, excluding any road crossing, exceeds 50 meters, the Customer shall be required to install a Customer owned Primary Service.</p> <p>Where an overhead Distribution System exists, the Customer may choose to install either an overhead or an underground Primary Service. Where an underground Distribution System exists, only an underground Primary Service may be installed. In either situation, the installation shall be Customer installed, owned and maintained. Primary Services installed as per this Section shall be subject to the conditions of Section 2.1.4 -- Inspection Before Connection.</p>
<b>Customer Owned Secondary Service, Primary Service or Sub-transmission Service – Requires a Connection Agreement</b>	3.1.5 (L)	<p>A Connection Agreement is required where a Customer is served by Customer owned Service Wires.</p> <p>The Connection Agreement shall be required to be registered on the title of the Customer’s real property.</p>
<b>Meter Location</b>	3.1.6	<p>The Customer will arrange for a meter socket location and service trench route by contacting ERHDC. The Customer shall supply a survey plan or a site plan indicating the proposed location of the Service Entrance equipment with respect to the public right-of-way and lot lines.</p>
<b>Metering Facilities Type and Size</b>	3.1.7	<p>For all metering facility types and sizes see all subsections of Section 2.3.7 Metering.</p>

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### **Customer Responsibilities Prior to a Service Connection**

3.1.8

Prior to a service Connection, the Customer shall take responsibility for the following :

- Obtain approval from the Electrical Safety Authority
- Remit any and all deposits, fees, rates, securities or other payments as may be required or permitted by any Code, Board approved rate or tariff, or these Conditions of Service.
- Complete and sign a "Contract for Service". Refer to Section 5 Schedule 4 (Contracts and Other Agreements).

### **Customer Construction Requirements for up to 200 Ampere Underground Secondary Service**

3.1.9

The Customer is responsible for supplying and installing a 75 mm Type II P.V.C. conduit in a service trench, 1 m in depth with service runs up to 53 m(175') from the ERHDC's supply point to a 50 mm (2") riser pipe at the meter base location. The Customer will also install a non-metallic pull rope (400 kg or equivalent) in the service conduit to be used by ERH to install underground Service Wires.

With a service run greater than 53m (175') and less than 75 m (250'), the conduit must be 100 mm (4") with a 75 mm (3") riser pipe for an underground Service Wire.

The Customer is required to have the trench inspected and approved by ERHDC prior to backfilling. Backfill must be granular material (sand), void of scrap, rocks or debris.

If there is less than 915 mm (36") cover available due to bedrock then the conduit or duct shall be covered by a minimum of 150 mm (6") of 20mpa concrete.

It is the responsibility of the Customer to ensure the service conduit is free of all debris, ice or blockage. If the Service Wires cannot be installed due to ice, debris or any other blockage the Customer shall clear the conduit prior to the installation of the Service Wires. A fee may be assessed for a return trip to install the Service Wires.

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**Customer  
Construction  
Requirements for  
400 Ampere  
Underground  
Secondary Service  
– up to 75 m (250')**

3.1.10

The Customer is responsible for supplying and installing a 100 mm (4") Type II P.V.C. conduit in a trench one meter in depth. The trench must be as straight as possible with a maximum of 3-90 degree bends. All bends are to be a minimum of 915 mm(36") radius, not to exceed 90 degrees.

The Customer shall supply and install a non-metallic pull rope with a minimum strength of 400 kg in the conduit run.

A transformer rated meter socket shall be supplied by the Customer.

The Customer is required to have the trench inspected and approved by ERH prior to backfilling. Backfill must be granular material (sand), void of scrap, rocks or debris.

If there is less than 915 mm (36") cover available due to bedrock then the conduit or duct shall be covered by a minimum of 150 mm (6") of 20 mpa concrete.

It is the responsibility of the Customer to ensure the service conduit is free of all debris, ice or blockage. If the Service Wires cannot be installed due to ice, debris or any other blockage the Customer shall clear the conduit prior to the installation of the Service Wires. A fee may be assessed for a return trip to install the Service Wires.

**Construction  
Requirements for  
Secondary Service  
Pole Line**

3.1.11

The Customer shall supply, install and maintain the Secondary Service pole line at their expense. ERHDC will provide an estimate to construct the private pole line if requested.

The Customer or their electrical contractor shall contact ERHDC prior to commencement of the work to obtain approval for the location of the Secondary Service pole line. Failure to do so may result in the pole or poles having to be relocated at the Customer's expense.

ERHDC will connect the Customer owned Secondary Service pole line to the ERHDC Distribution System for a fee shown in Section 5 Schedule 3 (Secondary Connection Fee).

A clearance pole may be required for a Secondary Service pole line. See Sections 3.1.5 (C) and 3.1.5(D) for details.

A Secondary Service pole line shall be installed according to ESA and ERHDC requirements.

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**Construction  
Requirements for  
Primary Service  
pole Line**

3.1.12

The Customer shall supply, install, own and maintain the Primary Service pole line at their expense. ERHDC will provide an estimate to construct the Primary Service pole line if requested.

The Customer or their electrical contractor shall contact ERHDC prior to commencement of the work to obtain approval for the location of the Primary Service pole line. Failure to do so may result in the pole or poles having to be relocated at the Customer's expense.

An overhead Primary Service shall include a Customer owned pole located within 20 meters of the road allowance as per standards in place and adopted by ERHDC from time to time.

A primary fused cutout switch shall be installed by ERHDC on this first Customer owned pole. The cost for the fused cutout switch will be included in the private primary line connection fee as shown in Section 5 Schedule 3.

ERHDC will connect the Customer's Primary Service pole line to the ERHDC Distribution System for a fee shown in Section 5 Schedule 3.

A clearance pole may be required for a Primary Service pole line. See Sections 3.1.5 (C) and 3.1.5 (D) for details.

Primary Services installed as per this Section shall be subject to the conditions of Section 2.1.4 – Inspection Before Connection.

**Construction  
Requirements for  
Single Phase  
Underground  
Primary Service**

3.1.13

The Customer shall supply and install two (2)-75 mm Type II PVC conduits in a concrete encased duct bank. The conduit shall be supported by approved duct bank spacers located no more than 1.5 m apart for the length of the duct bank. The ducts shall have a minimum 50mm concrete encasement and the top of the concrete encased duct bank shall be a minimum of 1 m below grade. The Customer shall install one (1)-50 mm Type II PVC conduit on top of the concrete encased duct bank. The Customer shall install a non-metallic pull rope (400 kg or equivalent) in all three conduits to be used by ERH to install a Primary Service.

The Customer is required to have the trench inspected and approved by ERHDC prior to backfilling. Backfill must be granular material (sand), void of scrap, rocks or debris.



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If there is less than 915 mm (36") cover available due to bedrock then the conduit or duct shall be covered by a minimum of 150 mm (6") of concrete.

It is the responsibility of the Customer to ensure the service conduit is free of all debris, ice or blockage. If the Service Wires cannot be installed due to ice, debris or any other blockage the Customer shall clear the conduit prior to the installation of the Service Wires. A fee may be assessed for a return trip to install the Service Wires.

**Relocation or Adjustments of Underground Services – All Supply Voltages**      3.1.14      Requests for relocation of the Distribution System, including but not limited to underground services shall be subject to the conditions of Section 2.1.5 – Relocation of Plant.

**Underground Service Wire Faults**      3.1.15      Where the Service Wire is owned by ERHDC and a fault arises out of the willful misconduct or negligence of a person or persons other than ERHDC, the Customer shall be responsible for the replacement or repair of the Service Wire. ERHDC will repair or replace the Service Wire free of charge for all other instances of an underground Service Wire fault.

**Second Customer From Existing Customer Owned Pole Transfer of Ownership**      3.1.16      If in the event a second Customer wishes supply from the existing Customer owned pole, ERHDC shall assume ownership of the Distribution System in question, subject to the owner(s) of the Distribution System satisfying the following conditions.

- A registered easement is granted to ERHDC at no legal, registration or survey expense to the Utility.
- The Distribution System in question has been inspected by and approved by ERHDC.
- The Distribution System has been inspected and approved by ESA.

Failing which, Connection of the second Customer shall be denied.

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### General Service Rate Class

<b>General Service Rate Class</b>	3.2.0	For purposes of sections 3.2, 3.3 and 3.4 the General Service Rate Class includes those Residential Rate Class Customers that are not in detached, semi-detached or duplex dwelling units. The General Service Rate Class also includes subdivision developments and all General Service Rate Class customers defined in Sections 3.0.1 (B) and 3.0.1 (C).
<b>Early Consultation</b>	3.2.1	See Section 3.1.1.
<b>Load Data</b>	3.2.2	<p>To assess the manner in which the Customer may be properly served, the Customer shall provide ERHDC with the following:</p> <ul style="list-style-type: none"> <li>• Estimated connected demand and future load;</li> <li>• Specific listing of the types of loads for lighting, motor, welding, heating, air conditioning, or other;</li> <li>• Location of the site with a plot plan showing the proposed location of the Service Entrance;</li> <li>• Ampere and voltage rating and the interrupting capacity of the main Secondary Service switch;</li> <li>• Drawing of the main secondary Distribution System showing the metering facilities;</li> <li>• Where applicable, the number of suites, units, retail outlets and areas of each.</li> </ul>
<b>Standard Voltage</b>	3.2.3	The Customer has the option of selecting one of the standard secondary voltages supplied by the ERHDC as indicated in Section 2.3.4. If the Customer wants a Utilization Voltage not found in Section 2.3.4 then the Customer shall supply and install Customer owned transformation. Any such installation shall be installed according to ESA and ERHDC requirements as adopted from time to time.
<b>Operational Demarcation Point – Secondary or Primary Voltage</b>	3.2.4 (A)	The Operational Demarcation Point for General Service Rate Class customers as defined in Section 3.2.0, served at Secondary or Primary voltage shall be immediately past the lugs on the main breaker(s) and/or fused disconnect switch(es).
<b>Operational Demarcation Point – Sub-transmission</b>	3.2.4 (B)	The Operational Demarcation Point for General Service Rate Class customers as defined in Section 3.2.0, served at Sub-transmission Voltage shall be immediately past the

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<b>Voltage Ownership</b>	3.2.5		Customer owned Sub-transmission air break or load break switch.
<b>Demarcation Point Utilization Voltage – Overhead Secondary Service, No Clearance Pole Required</b>	3.2.5	(A)	See Section 3.1.3 (A)
<b>Utilization Voltage – Overhead Secondary Service, Clearance Pole Required</b>	3.2.5	(B)	See Section 3.1.3 (B).
<b>Utilization Voltage – Overhead Secondary Service, Secondary Pole Line Required</b>	3.2.5	(C)	See Section 3.1.3 (C).
<b>Utilization Voltage – Underground Secondary Service, No Clearance Pole Required</b>	3.2.5	(D)	See Section 3.1.3 (D).
<b>Utilization Voltage – Underground Secondary Service, Clearance Pole Required</b>	3.2.5	(E)	See Section 3.1.3 (E).
<b>Primary Voltage – Overhead Primary Service</b>	3.2.5	(F)	The Ownership Demarcation Point for General Service Rate Class Customers, as defined in Section 3.2.0, supplied by an overhead Primary Service shall be immediately past the cutout.
<b>Primary Voltage – Underground Primary Service</b>	3.2.5	(G)	The Ownership Demarcation Point for General Service Rate Class Customers, as defined in Section 3.2.0, supplied by an underground Primary Service shall be immediately past the secondary connectors at the transformer, save and excluding the primary duct bank(s), transformer foundation(s) and grounding. The Customer shall own and maintain all primary duct bank(s), transformer foundation(s) and grounding.
<b>Sub-transmission Voltage – Overhead</b>	3.2.5	(H)	The Ownership Demarcation Point for General Service Rate Class Customers, as defined in Section 3.2.0, supplied by an

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<b>Service</b>			overhead Sub-transmission Service shall be immediately past the first dead-end found on a Customer owned pole or structure located on the Customer's real property.
<b>Sub-transmission Voltage – Underground Service</b>	3.2.5	(I)	The Ownership Demarcation Point for General Service Rate Class Customers, as defined in Section 3.2.0, supplied by an underground Sub-transmission Service shall be immediately past the live-line clamp.
<b><u>General Service Rate Class &lt;50</u></b>			
<b>Basic Connection General Service Rate Class Under 50 kW</b>	3.2.6		<p>A basic connection for a General Service Rate Class Customer as defined in Section 3.2.0, who has a demand of less than 50 kW shall be:</p> <ul style="list-style-type: none"> <li>• A single-phase, 3-wire, 60 cycle, overhead secondary service having a nominal voltage of 120/240 volts and a maximum capacity of 200 amperes;</li> <li>• The supply and installation of overhead transformation sufficient to meet the needs of the above and ;</li> <li>• Up to 30 meters of secondary conductor, as measured between the point of Connection on ERHDC's Distribution System and the Ownership Demarcation Point.</li> </ul> <p>A basic connection shall require a capital contribution In accordance with Section 2.1.2.</p>
<b>Installation of Connection Assets Above and Beyond the Basic Connection</b>	3.2.6	(A)	See Section 3.1.5 (A).
<b>Basic Connection Requiring More Than 30 Meters of Secondary Conductor</b>	3.2.6	(B)	See Section 3.1.5 (B)
<b>Requirement for Customer Owned Clearance Pole – All Supply Voltages</b>	3.2.6	(C)	See Section 3.1.5 (C).

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<b>Requirement for Clearance Pole Not Owned by Customer – All Supply Voltages</b>	3.2.6	(D)	See Section 3.1.5 (D).
<b>Mandatory Underground Secondary Service Requirements in Subdivisions</b>	3.2.6	(E)	See Section 3.1.5 (F)
<b>Underground Secondary Service Where Requested</b>	3.2.6	(F)	See Section 3.1.5 (G).
<b>Underground Secondary Service Fed From an Overhead System – Clearance Poles</b>	3.2.6	(G)	See Section 3.1.5 (H).
<b>Underground Secondary Service Fed From an Overhead System – Clearance Poles – Requirement for Notice of Agreement</b>	3.2.6	(H)	See Section 3.1.5 (I).
<b>Secondary Service Pole Line</b>	3.2.6	(I)	See Section 3.1.5 (J).
<b>Primary Service Required to Serve General Service Rate Class Customer</b>	3.2.6	(J)	<p>Where a General Service Rate Class customer, as defined in section 3.2.0, is proposing to install a Service Entrance on the Customer’s real property and the length of Secondary Service required to feed the proposed Service Entrance, excluding any road crossing, exceeds 75 meters, the Customer shall be required to install a Customer owned Primary Service.</p> <p>Where an overhead Distribution System exists, the Customer may choose to install either an overhead or an underground Primary Service. Where an underground Distribution System exists, only an underground Primary Service may be installed.</p> <p>A clearance pole may be required for a Primary Service. See Sections 3.1.5 (C) and 3.1.5 (D) for details.</p>
<b>Meter Location</b>	3.2.7		See Section 3.1.6.

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<b>Metering Facilities Type and Size</b>	3.2.8	For all metering facility types and sizes see all subsections of Section 2.3.7 Metering.
<b>Customer Responsibilities</b>	3.2.9	See Section 3.1.8.
<b>Customer Construction Requirements for up to 200 Ampere Underground Secondary Service</b>	3.2.10	See Section 3.1.9.
<b>Construction Requirements for Secondary Service Pole Line</b>	3.2.11	See Section 3.1.11.
<b>Construction Requirements for Primary Pole Line</b>	3.2.12	See Section 3.1.12.
<b>Construction Requirements for Single Phase Underground Primary Service</b>	3.2.13	See Section 3.1.13.
<b>Relocation of Underground Services – All Supply Voltages</b>	3.2.14	See Section 3.1.14.
<b>Underground Service Faults</b>	3.2.15	See Section 3.1.15.
<b>Second Customer Fed From Existing Customer Owned Pole Transfer of Ownership</b>	3.2.16	See Section 3.1.16.
<b>Residential Subdivisions</b>		
<b>Residential Subdivisions</b>	3.2.17	This section refers to the supply of Distribution Services to two or more residential lots, and may include land blocks developed in combination with subdivisions developed on registered plans or subdivisions developed under a pre-servicing agreement.

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Further, this section refers to the supply of Distribution Services to and within a building project consisting of a number of residential units to be built on a tract of land where a Subdivision Agreement is required between the Town of Espanola or the Township of Sables-Spanish Rivers and the developer. Further, this section refers to the bringing of the necessary Distribution System to the periphery of the land blocks within the subdivision, which may be used for schools, churches, shopping centers, and apartment complexes.

<b>Developer's Expense</b>	3.2.17.1	The developer will pay all costs associated with the installation of the underground Distribution System within the subdivision and necessary system Expansions and Enhancements to bring ERHDC's supply at the Utility standards to the property line of the subdivision. The developer is responsible for the preparation, execution and registration of necessary easements and subdivision servicing agreements. Costs will be based on ERHDC's approved capital contribution policy (See Section 2.1.2)
<b>Street Lighting</b>	3.2.17.2	The street light system is owned by the Town of Espanola and The Township of Sables-Spanish Rivers. The developer will be responsible for the cost of the street lighting system in the subdivision. The street light system will be subject to approval by the Town of Espanola, the Township of Sables-Spanish Rivers or their agent and installed as per ESA requirements.
<b>Maintenance Deposit</b>	3.2.17.3	The developer will provide a two (2) year refundable maintenance deposit equal to 10% of the total estimated capital cost of the Distribution System within the subdivision. Interest on maintenance deposits will be calculated and paid in the same manner as energy deposits. (See Section 2.4.3.1). Principle plus interest less maintenance expenses shall accrue over a two year period effective the date of energization of the subdivision. Any balance held on the second anniversary of the energization of the subdivision will be refunded to the developer.
<b>Pre-Servicing Agreements</b>	3.2.17.4	Subdivisions developed under a pre-servicing agreement will enter into additional "Notice of Agreement" to protect ERHDC's future easement and servicing requirements. Refer to Section 5 Schedule 4.
<b>Developer's Responsibility</b>	3.2.17.5	The developer shall provide ERHDC with the following information: <ul style="list-style-type: none"> <li>• Plan of subdivision; and</li> <li>• Schedule of power requirements at defined stages of development; and</li> </ul>

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		<ul style="list-style-type: none"> <li>• Type of heating and air conditioning for each dwelling unit; and</li> <li>• One set of detailed engineering plans that will include driveway locations; and</li> <li>• Information regarding required electrical supply to all other types of buildings or recreational facilities that may be constructed in addition to detached or semidetached dwellings.</li> </ul>
<b>Distribution System Standard Subdivision Design</b>	3.2.17.6	The Distribution System installed in a subdivision shall be an underground, front lot on-street system, utilizing concrete encased duct structures and direct buried duct structures for the ERHDC cables. The Town of Espanola's or the Township of Sables-Spanish Rivers' street lighting system shall be installed at the same time as well as cable and telephone systems. Joint use trenching will be used wherever possible to minimize construction costs.
<b>Construction</b>	3.2.17.7	Should the developer decide to have the Distribution System installed by ERHDC, in accordance with Section 2.1.2, the fabrication, material ordering and installation of any plant will not commence until the following conditions have been met: <ul style="list-style-type: none"> <li>• All financial securities are deposited in accordance with the ERHDC's "Subdivision Agreement".</li> <li>• All easements have been transferred and registered in favour of ERHDC or "Notice of Agreement" for preserviced subdivisions.</li> <li>• An executed "Subdivision Agreement" or "Notice of Agreement" for servicing a subdivision has been received by ERHDC (in the ERHDC form).</li> <li>• One copy of the ERH design drawings has been approved, signed by the developer and returned to ERHDC.</li> </ul>
<b>Road Crossings</b>	3.2.17.8	Upon compliance with the conditions of Section 3.2.18.7, the developer shall proceed with the installation of the road crossings. To avoid costly delays and/or relocations, a high priority should be placed on the co-ordination of this installation. Advanced notice shall be given to ERHDC, as to the completion date of rough road – grade, curbs and sidewalks within the subdivision.
<b>Individual Service Entrances</b>	3.2.17.9	Socket type 200 amperes minimum, underground meter bases must be supplied and installed by the builder in accordance with ERHDC's standard requirements as adopted from time to time.
<b>Row Housing Services 3.3</b>		
<b>Row Type Multiple Dwellings</b>	3.3.1	For the purpose of this section Row Housing refers to row type multiple family dwellings having three or more dwelling units generally termed as Row Housing, Town Housing, or Row Type Condominiums.



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<b>Early Consultation</b>	3.3.2	(A)	<p>All customers must supply ERHDC with a completed copy of the Town of Espanola or Township of Sables-Spanish Rivers “Permit Approval Form”, as amended from time to time, for all new or altered service. To properly meet the Customer’s needs, the Customer or their representative should consult with ERHDC in the early planning stages to determine what facilities and voltages are required at the proposed service location. ERHDC shall respond to the request for connection in accordance with the terms and conditions of Section 2.1.2</p> <p style="padding-left: 40px;">– Offers to Connect.</p>
<b>Load Data</b>		(B)	<p>In addition to completing the Town of Espanola or Township of Sables-Spanish Rivers Building Controls “Permit Approval Form”, as amended from time to time, the Customer shall provide ERHDC with the following information.</p> <ul style="list-style-type: none"> <li>• Estimated future maximum kilowatt demand; and</li> <li>• Specific listing of the types of loads for lighting, motor, heating, air conditioning or other; and</li> <li>• Scaled plot plan showing the buildings, parking areas, patios, sidewalks, driveways and grading details in relationship with property lines; and</li> <li>• Scaled servicing plot plan showing the sewer, water, storm sewer and any other buried services; and</li> <li>• Scaled electrical plot plan showing the proposed location of all meter bases and private underground plant. i.e. plugs and lighting; and</li> <li>• Expected kilowatt demand for common services (house service).</li> </ul>
<b>Developer’s Expense</b>	3.3.3		<p>The developer will pay all costs associated with the installation of the underground Distribution System within the development and all other Distribution System Expansions and Enhancements necessary to bring ERHDC’s supply in accordance with ERHDC’s standards, as amended from time to time, to the property line of the development. The developer is responsible for the preparation, execution and registration of necessary easements and servicing agreements. Costs will be based on ERHDC’s approved capital contribution policy (See Section 2.1.2).</p>
<b>Street Lighting</b>	3.3.4		<p>The street lighting system will be owned and maintained by the developer to the specifications set out by ESA and the municipality. Once the street lighting system has been built, the system will be transferred to the municipality at no cost.</p>
<b>Distribution System</b>	3.3.5		<p>The Distribution System installed in row housing shall be an</p>

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**Standard Row Housing Design** underground system, utilizing concrete encased duct structures and direct buried duct structures for the ERHDC cables. Cable and telephone systems should be installed in the same trench as per the joint use trench used in subdivisions.

**Construction** 3.3.6 Should the developer decide to have the Distribution System installed by ERHDC, in accordance with Section 2.1.2, the fabrication, material ordering and installation of any plant will not commence until the following conditions have been met:  
All financial securities are deposited with ERHDC; and

- All easements have been transferred and registered in favour of ERHDC; and
- One copy of the ERHDC design drawings has been approved and signed by the developer and returned to ERHDC.

**Individual Service Entrances** 3.3.7 Socket type 200 amperes minimum, underground meter bases must be supplied and installed by the developer in accordance with ERHDC's standard requirements.

**General Service Rate Class >50**

**General Service Rate Class (equal to or greater than 50kW )** 3.4 All General Rate Class customers with an average peak demand equal to or greater than 50 kW over the past twelve months are to be classified as General Service Rate Class above 50 kW. For new Customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformation. General Service Rate Class customers in this section shall be required to pay a capital contribution for all connection assets in accordance with Section 2.1.2

All matters detailed in Sections 3.2.1 through 3.2.5 inclusive form part of this section.

**Basic Service General Service Rate Class (equal to or greater than 50kW and up to but not including 150kW)** 3.4.1 (A) General Service Rate Class customers having loads with an average peak demand equal to or greater than 50 kW and up to but not including 150 kW will be served by an overhead three-phase Secondary Service from on street transformation. General Service Rate Class customers shall be required to pay a capital contribution for all connection assets in accordance with Section 2.1.2

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<b>All Other Connection Asset Matters as per Section 3.2</b>	3.4.2	All other connection asset matters are handled in the manner described in Sections 3.2.6 (A) through 3.2.17 inclusive.
<b>Basic Service General Service Rate Class (equal to or greater than 150kW and up to but not including 1500kW) Requirement for Vaults</b>	3.4.3	<p>(A) General Service Rate Class customers having loads with an average peak demand equal to or greater than 150 kW and up to but not including 1500 kW will be serviced by an underground Primary Service to a transformer located on the Customer's real property. General Service Rate Class customers shall be required to pay a capital contribution for all connection assets in accordance with Section 2.1.2.</p> <p>(B) In some instances, the basic service transformation will be located in a vault. Contact ERHDC for further details.</p>
<b>All Other Connection Asset Matters as per Section 3.2</b>	3.4.4	All other connection asset matters are handled in the manner described in Sections 3.2.14 through 3.2.17 inclusive.
<b>Construction Requirements for Three Phase Underground Primary Service</b>	3.4.5	<p>(A) The Customer shall supply and install four (4)-75 mm Type II PVC conduits in a concrete encased duct bank. The conduit shall be supported by approved duct bank spacers at 1.5m apart for the entire length of the duct bank. The ducts shall have a minimum 50mm concrete encasement and the top of the concrete encased duct bank shall be a minimum of 1 m below grade. The Customer shall install one (1)-50 mm Type II PVC conduit on top of the concrete encased duct bank. The Customer will also install a non-metallic pull rope (400 kg or equivalent) in all four conduits.</p> <p>(B) The Customer is required to have the trench inspected by ERHDC prior to backfilling. Backfill must be granular material (sand), void of scrap, rocks or debris.</p> <p>(C) If there is less than 1m cover available due to bedrock then the conduit or duct shall be covered by a minimum of 150 mm of concrete.</p> <p>(D) It is the responsibility of the Customer to ensure the service conduit is free of all debris, ice or blockage. If the Service Wire cannot be installed due to ice, debris or blockage the Customer shall clear the conduit prior to the installation of the Service Wires. A fee may be assessed for a return trip to install the Service Wires.</p>
<b>Basic Service General Service Rate Class (equal to or greater than</b>	3.5.1	General Service Rate Class customers having loads with an average peak demand equal to or greater than 1500 kW and up to and including 3000 kW will be serviced by an underground Primary Service to a transformer located on the Customer's real property.

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<b>1500 kW and up to and including 3000 kW)</b>	General Service Rate Class customers shall be required to pay a capital contribution for all connection assets in accordance with Section 2.1.2.
<b>Substation Transformer Capital Contribution (Equal to or exceeds</b>	3.5.2 The Customer will provide a substation transformer capital contribution when the transformer capacity on a site equal to or exceeds 1500 KW. This contribution will be the fee, as per Section 5 Schedule 3, times the total transformer KW capacity.
<b>1500 KW) Customer Owned Substation as an Alternative to a Substation Transformer Capital Contribution</b>	3.5.3 In lieu of making a substation transformer capital contribution, as per Section 3.5.6, the Customer may elect to build a Customer owned substation fed from the Sub-transmission system, complete with metering and isolation switches.  The Customer shall retain ownership and maintenance responsibility of the substation.  The Customer will pay all costs associated with the necessary system Expansions and Enhancements to bring ERHDC's supply at the Utility standards as adopted from time to time to the property line of the substation. The Customer is responsible for the preparation, execution and registration of necessary easements and servicing agreements. Costs will be based on ERHDC's approved capital contribution policy (See Section 2.1.2)
<b>Major Customers (Greater than 3000 KW)</b>	3.5.4 General Service Rate Class customers having loads greater than 3000 KW are considered major Customers and will require the installation of a Customer owned substation fed from the Sub-transmission system, complete with metering and isolation switches. All costs associated with this service installation will be borne by the customer.  The Customer shall retain ownership and maintenance responsibility of the substation.  The Customer will pay all costs associated with the necessary system Expansions and Enhancements to bring ERHDC's supply at the Utility standards as adopted from time to time to the property line of the substation. The Customer is responsible for the preparation, execution and registration of necessary easements and servicing agreements. Costs will be based on ERHDC's approved capital contribution policy (See Section 2.1.2)  Substations installed as per this section shall be subject to the conditions of Section 2.1.4 – Inspection Before Connection.

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### Embedded Generation

<b>Embedded Generation</b>	3.6	<p>All new generators wanting to sell energy to the Independent Market Operator or ERHDC must comply with the Market Rules, BOARD Codes and Regulations, ESA requirements and ERHDC requirements as amended from time to time.</p> <p>Early consultation is encouraged as each generation situation is unique and requires a review by ERHDC or its consultants. Costs for a review of technical requirements shall be at the proponent's expense.</p> <p>The Customer must comply with the detailed requirements outlined in the document "ERH General Requirements for Generation", as amended from time to time.</p> <p>A Connection Agreement will be required between ERHDC and Embedded Generation.</p> <p>Embedded Generation shall pay for the installation of Independent Market Operator compliant metering. If the Embedded Generation is a market participant then the Embedded Generation shall own, operate and maintain the metering in compliance with the market rules. If the Embedded Generation is not a market participant then ERHDC shall own the metering and the Embedded Generation shall pay all costs associated with the operation and maintenance of the metering.</p>
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### Embedded Market Participant

<b>Requirement to Inform in Writing</b>	3.7	All Embedded Market Participants within the service area of ERHDC, once approved by the IMO are required to inform ERHDC of their approved status, in writing, 60 days prior to their participation in the IMO administered market.
<b>Requirement for Connection Agreement</b>	3.7.1	A Connection Agreement will be required between an Embedded Market Participant and ERHDC that will also include an operating schedule.
<b>Requirement for Independent Market Operator Compliant Metering</b>	3.7.2	An Embedded Market Participant will be responsible for the ownership, installation and maintenance of Independent Market Operator compliant metering and contracting for the services of a registered Meter Service Provider.

### Embedded Distributor

<b>Embedded Distributor</b>	3.8	All Embedded Distributors within the service area of ERHDC are required to inform ERHDC of their status in writing 30 days prior to the supply of energy from ERHDC. The terms and
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## Espanola Regional Hydro Distribution Corporation (ERHDC)

conditions applicable to the connection of an Embedded Distributor shall be included in the Connection Agreement with ERHDC.

### Unmetered Connections

**Unmetered Connections** 3.9

Unmetered connections will be billed on the basis of the connected load. Calculations to determine the connected load will follow the Electrical Distribution Association latest published guidelines as adopted from time to time.

### Temporary Services

**Temporary Services** 3.10 (A)

This section refers to the supply of Distribution Services for temporary services on a Temporary Basis for construction, short term processing, or pending permanent installations. Service shall be provided in accordance with Section 3.0, 3.1, 3.2 and 3.4 inclusive, as may apply. Where the delivery point is 30 metres or less from the Point of Entry a private pole is required as defined in Section 3.1.11, for that portion in excess of 30 metres.

**Supply Point Location** (B)

The Customer or Customer's electrical contractor must obtain a supply point location from ERHDC before proceeding with the installation of any service. Failure to do so may result in the service having to be relocated at the Customer's expense.

**Basic Service – Temporary Services** (C)

A temporary service will be served by a single phase, 120/240 volt, 100 ampere overhead secondary service within one span (30 m) of the Utility's overhead secondary bus.

**Flat Rate Connection-Disconnection Fee for Basic Service** (D)

A flat rate charge will be made for Connection and Disconnection of basic service to a temporary service. The charge will cover the installation, Connection and removal of connection assets. Refer to Section 5 Schedule 3.

**Transformer Rental Fee** (E)

In those instances where ERHDC must install a transformer that is only used to serve the temporary service, a monthly rental fee shall apply. The customer shall enter into a "Transformer Rental Agreement" with ERHDC. See Section 5 Schedule 3 and 4.

**Installation of Connection Assets Above and Beyond the Basic Connection** (F)

In all cases where a temporary service Customer requires connection assets above and beyond the basic connection, the Customer shall be required to pay the actual cost of labour, equipment and non-salvageable material for the complete installation and removal. ERHDC must be contacted for an estimate.

**Billing Continues Until Notified** (G)

ERHDC will continue to bill and supply energy to the temporary service until notice is given by the Customer to the Utility to disconnect the service. At this time, the Utility will remove its meter, wires and other plant, and send a final bill to the Customer.

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**Continuance of Distribution Services Beyond the Initial Twelve Month Period**      3.10.1      Normal maximum contract period for a temporary service is 12 months – one (1) year. For significant construction projects, the Utility may grant an extension on this period.

**Customer Responsibilities Prior to Service Connection**      3.10.2      Prior to service Connection the customer shall:

Obtain approval from the Electrical Safety Authority; and

Remit any and all deposits, fees, rates, securities or other payments as may be required or permitted by any Code, Board approved rate or tariff, or these Conditions of Service, all of which may be amended or changed from time to time; and

Complete and sign a Connection Agreement.  
Refer to Section 5 Schedule 4.

**Signs & Non-Permanent Structures**

**Signs & Non-Permanent Structures**      3.11      All signs located on the Customer’s real property shall be connected to the existing metered service.

**Metered Service Required Where**      3.11.1 (A)      Signs located in remote areas, where no metered service exists, require the installation of a metered service.

**None Exists Supply Point Location**      B)      The Customer or Customer’s electrical contractor must obtain a supply point location from ERHDC before proceeding with the installation of any service. Failure to do so may result in the service having to be relocated at the Customer’s expense.

**Basic Service – Signs and Non-Permanent Structures**      (C)      See Section 3.2.6 and all related sections.

**Billing Continues Until Notified**      (D)      ERHDC will continue to bill and supply energy to the temporary service until notice is given by the Customer to the Utility to disconnect the service. At this time, the Utility will remove its meter, wires and other plant, and send a final bill to the Customer.

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### SECTION 4 - GLOSSARY OF TERMS

<b>“Affiliate Relationships Code”</b>	means the code, approved by the Board and in effect at the relevant time, which among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;
<b>“Application for Customer Connection” or “Application”</b>	means the form or forms submitted in writing pursuant to Section 2.1.2 (A);
<b>“Board”</b>	means the Ontario Energy Board;
<b>“Code”</b>	means the Distribution System Code (see Distribution System Code);
<b>“Conditions of Service”</b>	means the document developed by a distributor in accordance with subsection 2.3 of this Code that describes the operating practices and connection rules for the distributor;
<b>“Connection”</b>	means the process of installing and activating connection assets in order to distribute electricity to a customer;
<b>“Connection Agreement”</b>	means an agreement entered into between a distributor and a person connected to its distribution system that delineates the conditions of the connection and delivery of electricity to that connection;
<b>“Customer”</b>	means a person that has contracted for or intends to contract for connection of a building, or a person who uses, for the person’s own consumption, electricity that includes developers of residential or commercial subdivisions, an Embedded Generator, an Embedded Distributor and an Embedded Market Participant;
<b>“Demand Meter”</b>	means a meter that measures a customer’s peak usage during a specified period of time;
<b>“Disconnection”</b>	means a deactivation of connection assets that results in cessation of distribution services to a customer;
<b>“Distribute”</b>	with respect to electricity, means to convey electricity at voltages of 50 kilovolts or less;
<b>“Distribution Services”</b>	means services related to the distribution of electricity and the services the Board has required distributors to carry out, for which a charge or rate has been approved by the Board under section 78 of the Act;
<b>“Distribution System”</b>	means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose. A distribution system is comprised of the main system capable of distributing electricity to many customers and the connection assets used to connect a customer to the main distribution system;



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<b>“Distribution System Code” or “DSC”</b>	means the Code, approved by the Board, and in effect at the relevant time, which, among other things, establishes the obligations of a distributor with respect to the services and terms of service to be offered to customers and retailers and provides minimum technical operating standards of distribution systems;
<b>“Distributor”</b>	means a person, licensed by the Board, who owns or operates a Distribution System;
<b>“Electrical Safety Authority” or “ESA”</b>	means the person or body designated under the <i>Electricity Act</i> regulations as the Electrical Safety Authority;
<b>“Electricity Act”</b>	means the <i>Electricity Act</i> , 1998, S.O. 1998, c. 15, Schedule A, as amended from time to time;
<b>“Embedded Market Participant”</b>	means a market participant within the Independent Market Operator control area whose facility is not directly connected to the Independent Market Operator controlled grid but is instead connected to a distribution system;
<b>“Embedded Distributor”</b>	means a distributor, licensed by the Board, who is not a wholesale market participant and that is provided electricity by a host distributor;
<b>“Embedded Generator”</b>	means a generator, licensed by the Board, who is not a wholesale market participant and whose generation facility is connected to the distribution system but does not include a person that consumes more electricity than it generates;
<b>“Emergency”</b>	means any abnormal system condition that requires remedial action to prevent or limit loss of a distribution system or supply of electricity that could adversely affect the reliability of the electricity system;
<b>“Emergency Backup”</b>	means a generation facility that has a transfer switch that isolates it from a distribution system;
<b>“Energy Competition Act”</b>	means the <i>Energy Competition Act</i> , 1998, S.O. 1998, c.15, as amended from time to time;
<b>“Enhancement”</b>	means a modification to an existing distribution system that is made for purposes of improving system operating characteristics such as reliability or power quality or for relieving system capacity constraints resulting, for example, from general load growth;
<b>“Expansion”</b>	means an addition to a distribution system in response to a request for additional customer connections that otherwise could not be made; for example, by increasing the length of the distribution system;
<b>“Four-quadrant Interval Meter”</b>	means an interval meter that records power injected into a distribution system and the amount of electricity consumed by the customer;
<b>“General Service Customer”</b>	means any customer who operates a commercial or industrial enterprise,

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farm, government offices, medical facilities and educational institutions;  
**“Holiday”** means a Saturday, Sunday, statutory holiday, or any day as defined in the Province of Ontario as a legal holiday;

<b>“Interval Meter”</b>	means a meter that measures and records electricity use on an hourly or sub-hourly basis;
<b>“Load Transfer”</b>	means a network supply point of one distributor that is supplied through the distribution network of another distributor and where this supply point is not considered a wholesale supply or bulk sale point;
<b>“Load Transfer Customer”</b>	means a customer that is provided distribution services through a load transfer;
<b>“Measurement Canada”</b>	means the Special Operating Agency established in August 1996 by the <i>Electricity and Gas Inspection Act</i> , 1980-81-82-83, c. 87., and Electricity and Gas Inspection Regulations (SOR/86-131), as amended from time to time;
<b>“Meter Installation”</b>	means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment;
<b>“Meter Service Provider”</b>	means any entity that performs metering services on behalf of a distributor;
<b>“Metering Services”</b>	means installation, testing, reading and maintenance of meters;
<b>“New Service”</b>	means the installation of connection assets to a building(s) or property that have never received Distribution Services before or a building(s) or property from which the Connection assets have been removed;
<b>“Ontario Energy Board Act”</b>	means the <i>Ontario Energy Board Act</i> , 1998, S.O. 1998, c.15, Schedule B, as amended from time to time;
<b>“Operational Demarcation Point”</b>	means the physical location at which a distributor’s responsibility for operational control of distribution equipment including connection assets ends at the customer;
<b>“Ownership Demarcation Point”</b>	means the physical location at which a distributor’s ownership of distribution equipment including connection assets end at the customer;
<b>“Point of Entry”</b>	means the point at which the service conductors cross over from the public right-of-way or utility easement to private property;
<b>“Primary Service”</b>	means Service Wires operating at Primary Voltage;

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<b>“Primary Voltage”</b>	means a nominal voltage greater than 750 volts and less than 15,000 volts;
<b>“Rate”</b>	means any rate, charge or other consideration, and includes a penalty for late payment;
<b>“Rate Handbook”</b>	means the document approved by the Board that outlines the regulatory mechanisms that will be applied in the setting of distributor rates;
<b>“Regulations”</b>	means the regulations made under the Energy Competition Act, the Electricity Act, The Ontario Energy Board Act or the Electricity and Gas Inspection Act;
<b>“Retail”</b>	with respect to electricity means: <ul style="list-style-type: none"> <li>a) to sell or offer to sell electricity to a customer</li> <li>b) to act as agent or broker for a retailer with respect to the sale or offering for sale of electricity, or</li> <li>c) to act or offer to act as an agent or broker for a customer with respect to the sale or offering for sale of electricity;</li> </ul>
<b>“Retail Settlement Code”</b>	means the code approved by the Board and in effect at the relevant time, which, among other things, establishes a distributor’s obligations and responsibilities associated with financial settlement among retailers and customers and provides for tracking and facilitating customer transfers among competitive retailers;
<b>“Retailer”</b>	means a person, licensed by the Board, who retails electricity;
<b>“Secondary Service”</b>	means Service Wires operating at Utilization Voltage;
<b>“Service Area”</b>	with respect to a distributor, means the area in which the distributor is authorized by its license to distribute electricity;
<b>“Service Entrance”</b>	means the point and equipment at which the Service Wires enter the customer’s building;
<b>“Service Wires”</b>	means the conductors from the Utility’s main circuits on public streets or Utility easements to the customer’s premises;
<b>“Sub-transmission Service”</b>	means Service Wires operating at Sub-transmission Voltage;
<b>“Sub-transmission Voltage”</b>	means a nominal voltage of 22,000 volts delta or 44,000 volts delta;
<b>“Temporary Basis”</b>	means for a period of time not exceeding twelve (12) months;
<b>“Upgraded Service”</b>	means a building(s) or property in, on, to or upon which existing connection assets change in either or both voltage and ampacity;
<b>“Unmetered Loads”</b>	means electricity consumption that is not metered and is billed based on estimated usage or connected load;

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“Utility” means Espanola Regional Hydro Distribution Corporation;

“Utilization Voltage” means a nominal voltage of 750 volts or less.

**Section 5 – Schedule 1**

**Standard Residential Service Connection Fees**

**Service Connection Basic Residential Service Allowance (BRSA)**

The basic residential service allowance for Customers of ERHDC is calculated by using 100 % of the cost to supply and install a 50 KVA transformer on an existing pole complete with primary and secondary connection. The standard 50 KVA transformer can feed approx. 25 Customers with an average consumption of 2 kW/home. The estimated cost(subject to revisions on labour/material costs) is~\$4100.00. Thus the basic residential service allowance (BRSA) is 1/25 of \$4100.00 = \$164.00.

***Utilization Voltage***

**Up to and including 200 Amp Overhead Secondary Service**

The standard overhead Secondary Service for Customers requiring up to 200 Amp overhead service is based on 100% of the cost of 30 m of supplied and installed 1/0 triplex minus the basic residential service allowance (BRSA)  
 $\$547.00 - \$164.00 = \$383.00$  plus GST (\$26.81) = \$409.81

Services beyond 30m will be charged an additional \$5.53 /m plus GST (\$0.39) = \$5.92/m

**Up to and including 200 Amp Underground Secondary Service From Existing Handholes \***

The standard underground Secondary Service for Customers requiring up to a 200 Amp underground service from an existing handhole is based on supply and installation of 20 m of 3/0 aluminum underground cable minus the BRSA.

$\$497.00 - \$164.00 = \$333.00 + \text{GST } (\$23.31) = \$356.31$

Services beyond 20m will be charged an additional \$7.83/m plus GST (\$0.55) = \$8.38/m

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

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**Up to and including 200 Amp Underground Secondary Service From Existing Poles**

The standard underground Secondary Service for Customers requiring up to a 200 Amp underground service from an existing pole is based on 20 meters of 3/0 aluminum underground conductor cable (including underground rise at the pole) minus the BRSA.  
 $\$537.00 - \$164.00 = \$373.00$  plus GST ( $\$26.11$ ) =  $\$399.11$

Services beyond 20m will be charged an additional  $\$7.83/m$  plus GST ( $\$0.55$ ) =  $\$8.38/m$

**Over 200 Amp to 400 Amp Overhead Secondary Service**

The standard overhead Secondary Service for Customers requiring greater than 200 Amp and up to and including 400 Amp overhead service is based on the supply and installation of 30 m of 3/0 aluminum triplex minus the BRSA.  
 $\$582.00 - \$164.00 = \$418.00$  plus GST ( $\$29.26$ ) =  $\$447.26$

Services beyond 30m will be charged an additional  $\$6.72/m$  plus GST ( $\$0.47$ ) =  $\$7.19/m$

**Over 200 Amp to 400 Amp Underground Secondary Service From Pole**

The standard underground Secondary Service for Customers requiring greater than 200 Amp and up to and including 400 Amp underground service is based on the supply and installation of 20 m of 250 MCM aluminum conductor cable (including underground rise at the pole) minus the BRSA.  
 $\$654.00 - \$164.00 = \$490.00$  plus GST ( $34.03$ ) =  $\$524.30$

Services beyond 20m will be charged an additional  $\$12.81/m$  plus GST ( $\$0.90$ ) =  $\$13.71/m$

**Secondary Service Connection Fee**

See Section 5 – Schedule 3.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

*Primary Voltage* Overhead see Section 5 – Schedule 3.  
Underground see Section 5 – Schedule 3.

**Primary Service  
Connection Fee  
(includes  
Connection of  
Customer Owned  
Secondary Wire)**

*Transformation Fee* Overhead – No charge.  
Underground - \$ 1405.00 plus GST

\* Existing handhole refers to a handhole installed in a subdivision where the secondary bus and mole bars are installed and paid for by the developer of the subdivision.

- NOTE:** (1) The Customer will pay 100% of the cost for the installation of a crossing pole and additional overhead wire for services on the opposite side of the road of the Connection point. An estimate for the installation will be provided by ERHDC at no cost to the Customer.
- (2) A Customer requiring or requesting an underground service from an overhead Distribution System will be required to provide an anchoring agreement to ERHDC at 100% cost to the Customer for legal fees and registration of the agreement on the title of the land. The need for the agreement or anchor will be at the discretion of ERHDC.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Section 5 – Schedule 2

#### Standard General Service Connection Fees (Single Phase)

##### *Utilization Voltage*

##### **Up To and including 200 Amp Overhead Secondary Service**

The standard overhead service for General Service Rate Class customers requiring a service up to and including a 200 Amp service is based on 100% of the cost of 30 m of supplied and installed 1/0 triplex is \$547.00 + GST (\$38.29) = \$585.29

Services beyond 30m will be charged an additional \$5.53 /m plus GST (\$0.39) = \$5.92/m

##### **Transformer Charges**

The transformer charges for services up to 200 Amp are as follows:

15 Amp-  $\$112.00/\text{kva} \times 240\text{v} \times 80\%$  (rated fuse) x 50% (diversified load) x 15A/1000 = \$161.28 plus GST = \$172.57

30 Amp-  $\$112.00/\text{kva} \times 240\text{v} \times 80\%$  (rated fuse) x 50% (diversified load) x 30A/1000 = \$322.56 plus GST = \$345.14

60 Amp-  $\$112.00/\text{kva} \times 240\text{v} \times 80\%$  (rated fuse) x 50% (diversified load) x 60A/1000 = \$645.12 plus GST = \$690.28

100 Amp-  $\$112.00/\text{kva} \times 240\text{v} \times 80\%$  (rated fuse) x 50% (diversified load) x 100A/1000 = \$1075.20 plus GST = \$1 150.46

200 Amp-  $\$112.00/\text{kva} \times 240\text{v} \times 80\%$  (rated fuse) x 50% (diversified load) x 200A/1000 = \$2150.40 plus GST = \$2 300.63

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Up To and including 200 Amp Underground Secondary Service From Existing Pole**

The standard underground service for General Service Rate Class customers requiring up to and including 200 Amp underground shall be Customer owned and installed in accordance with the Ontario Electrical Safety Code and inspected by the Electrical Safety Authority prior to connection.

**Transformer Charges**

Transformer charges for underground Secondary Services up to and including 200 Amp are identical to those charges applied to Overhead Services up to 200 Amp as shown above.

**Over 200 Amp to 400 Amp Overhead Secondary Service**

The standard overhead Secondary Service for General Service Rate Class customers requiring greater than 200 Amp and up to and including 400 Amp overhead service is based on the supply and installation of 30 m of 3/0 triplex is \$582.00 + GST (\$40.74) = \$622.74

Services beyond 30m will be charged an additional \$6.72/m plus GST (\$0.47) = \$7.19/m

**Transformer Charges**

The transformer charge for a 400Amp service is \$4300.80 plus GST (\$301.06) = \$4 601.86

**Over 200 Amp to 400 Amp Underground Secondary Service**

The standard underground Secondary Service for General Service Rate Class customers requiring greater than 200 Amp and up to and including 400 Amp underground will be Customer owned and installed in accordance with the Ontario Electrical Safety Code and inspected by the Electrical Safety Authority prior to connection.

**Transformer Charges**

The transformer charge for a 400Amp service is \$4300.80 plus GST (\$301.06) = \$4 601.86

**Secondary Service Connection Fee**

See Section 5 – Schedule 3.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

*Primary Voltage*

*Primary Service  
Connection Fee  
(includes Connection  
of Customer Owned  
Secondary Wire*

Overhead – See Section 5 – Schedule 3.  
Underground – See Section 5 – Schedule 3.

*Transformer Charges*

*ERHDC* owned – Depends on Service Entrance rating in Amperes – see above.  
Customer owned – no charge.

- Note:**
- (1) The Customer will pay 100% of the cost for the installation of a crossing pole and additional overhead wire for services on the opposite side of the road of the Connection point. An estimate for the installation will be provided by ERHDC at no cost to the customer.
  - (2) A Customer requiring or requesting an underground service from an overhead Distribution System will be required to provide an anchoring agreement to ERHDC at 100% cost to the customer for legal fees and registration of the agreement on the title of the land. The need for the agreement or anchor will be at the discretion of ERHDC.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERDCH. Please contact ERHDC for the most current fee schedule.*

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Section 5 – Schedule 3

#### **Standard General Service Connection Fees (Three Phase) 50 to 150 KW 600/347V and 120/208V From existing bus**

##### *Utilization Voltage*

#### **Up to 200 Amp 120/208V Overhead Secondary Service**

The standard overhead Secondary Service for General Service Rate Class customers requiring up to 200 Amp, 120/208 volt, three-phase service is based on 100% of the cost of 30 m of supplied and installed 1/0 quadraplex is \$625.00+ GST (\$43.75) = \$688.75

Services beyond 30m will be charged an additional \$8.24 /m plus GST (\$0.58) = \$8.82/m

#### **Transformer Charges**

The transformer charge for up to 200 Amp, 120/208 volt, three-phase service is \$78.00/kva 200a x 208v x 1.7321(RMS) x 80% (rated fusing) x 50% (diversified Load) = 28.8 kva x \$78.00 = \$2 246.40 plus GST (\$157.25) = \$2 403.65

#### **Up to 200Amp 600/347V Overhead Secondary Service**

The standard overhead Secondary Service for General Service Rate Class customers requiring up to 200 Amp 600/347 volt, three-phase service is based on 100% of the cost of 30 m of supplied and installed 1/0 quadraplex is \$625.00+ GST (\$43.75) = \$688.75

Services beyond 30m will be charged an additional \$8.24 /m plus GST (\$0.58) = \$8.82/m

#### **Transformer Charges**

The transformer charges for a 200Amp 600/347 volt, three-phase service is \$78.00/kva 200a x 600v 1.7321(RMS) x 80% (rated fusing) x 50% (diversified load) = 83kva x \$78.00 = \$6 484.92 plus GST (\$453.94) = \$6 938.86

#### **Over 200 Amp and up to 400Amp 120/208V Overhead Secondary Service**

The standard overhead Secondary Service for General Service Rate Class customers requiring greater than 200 Amp and up to and including 400 Amp, 120/208 volt, three-phase overhead service is based on the supply and installation of 30 m of 3/0 quadraplex is \$713.00 + GST (\$49.91) = \$762.91 Services beyond 30m will be charged an additional \$10.59 plus GST (\$0.74) = \$11.33/m

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

## Espanola Regional Hydro Distribution Corporation (ERHDC)

<b>Transformer Charges</b>	The transformer charge for greater than 200 Amp and up to and including 400 Amp, 120/208 volt, threephase service is $\$78.00/\text{kva}$ $400\text{a} \times 208\text{v} \times 1.7321$ (RMS) $\times 80\%$ (rated fusing) $\times 50\%$ (diversified load) $=57.65\text{kva} \times \$78.00 = \$4\,496.70$ plus GST ( $\$314.77$ ) $= \$4\,811.07$
<b>Up to 400AMP 120/208V and including 200AMP 600/347V Underground Secondary Service Transformer Charges</b>	The standard underground Secondary Service for General Service Rate Class customers requiring up to and including a 400A 120/208v or a 200Amp 600/347v underground service will be Customer owned and installed in accordance with the Ontario Electrical Safety Code and inspected by the Electrical Safety Authority prior to connection. The transformer charge for these services will apply and are shown above.
<b>Secondary Service Connection Fee</b>	See Section 5 – Schedule 3.
<i>Primary Voltage</i>	
<i>Primary Service Connection Fee (includes Connection of Customer Owned Secondary Wire)</i>	Overhead – See Section 5 – Schedule 3. Underground - See Section 5 – Schedule 3.
<i>Transformer Charges</i>	<i>ERHDC</i> owned – fee depends on the voltage and Service Entrance rating in amperes – see above. Customer owned – no charge.

- Note:**
1. The Customer will pay 100% of the cost for the installation of a crossing pole and additional overhead wire for services on the opposite side of the road of the connection point. An estimate for the installation will be provided by ERHDC at no cost to the customer.
  2. A Customer requiring or requesting an underground service from an overhead Distribution System will be required to provide an anchoring agreement to ERHDC at 100% cost to the customer for legal fees and registration of the agreement on the title of the land. The need for the agreement or anchor will be at the discretion of ERHDC.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Section 5 – Schedule 4**

**MISCELLANEOUS COST**

**Single Phase  
Overhead Primary  
Service  
Connection Fee**

The cost to connect a single phase overhead Customer owned primary line is based on 100% of the cost to supply and install all material to connect the Customer's line to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$1700.00 plus GST. If the Customer is residential then the BRSA is subtracted from the fee.

**Three Phase  
Overhead Primary  
Service  
Connection Fee**

The cost to connect a three phase overhead Customer owned primary line is based on 100% of the cost to supply and install all material to connect the Customer's line to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$1900.00 plus GST. If the Customer is residential then the BRSA is subtracted from the fee.

**Single Phase  
Underground  
Primary  
Connection Fee**

The cost to connect a single phase underground Customer owned primary cable is based on 100% of the cost to supply and install all material to connect the Customer's cable to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$2000.00 plus GST. If the Customer is residential then the BRSA is subtracted from the fee.

**Three Phase  
Underground  
Primary  
Connection Fee**

The cost to connect a three phase underground Customer owned primary cable is based on 100% of the cost to supply and install all material to connect the Customer's cable to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$4500.00 plus GST. If the Customer is residential then the BRSA is subtracted from the fee.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

## Espanola Regional Hydro Distribution Corporation (ERHDC)

**Customer Owned  
Overhead and  
Underground  
Secondary Service  
Connection Fee  
Single Phase**

The cost to connect an overhead Customer owned secondary service is based on 100% of the cost to supply and install the necessary connection material to connect the Customer's wire to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$170.00 (plus GST of \$11.90) = \$181.90. If the Customer is residential then the BRSA is subtracted from the fee.

**Customer Owned  
Overhead and  
Underground  
Secondary Service  
Connection Fee  
Three Phase**

The cost to connect an overhead Customer owned secondary service is based on 100% of the cost to supply and install the necessary connection material to connect the Customer's wire to the ERHDC distribution line on the road allowance or easement. The estimated cost (subject to revisions on labour/material costs) is \$180.00 (plus GST of \$12.60) = \$192.60. If the Customer is residential then the BRSA is subtracted from the fee.

**Substation  
Transformer  
Capital  
Contribution  
Over 1500kva**

The substation transformer capital contribution is based on the cost to rebuild Minnow Lake Substation. In 2001 the total cost to rebuild the substation was \$1.02M for a 10MVA station therefore the substation transformer capital contribution will be \$1.02M/10 000KVA = \$102.00/KVA above 1500KVA plus GST.

**Locates**

- (A) The Town of Espanola and the Township of Sables-Spanish Rivers Public Works Department will be charged \$175.00 plus GST per locate or relocate after normal business hours.
- (B) Customers will be charged actual cost plus GST per locate or relocate to locate private plant. *The property owner indemnifies ERHDC for incorrect locates.*
- (C) ERHDC will provide one free locate per year for Residential Customers during ERHDC's normal working hours. If the Customer requests a second locate within the year they will be charged actual cost plus GST per locate.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Temporary Services  
Flat Rate  
Connection/  
Disconnection Fee**

The flat rate fee for Connection and Disconnection of a temporary service as described in Section 3.10 shall be based on a two man line crew for a minimum of 2 hours and 0.5 hours of engineering time during normal business hours. The estimated cost for this service (subject to revision on labour cost) is \$396.29 (plus GST of \$27.74) = \$424.03

**Transformer  
Rental Fee**

The transformer rental fee as described in Section 3.9 (B) is based on 2% of the total cost of the transformer(s). This fee will be calculated by ERHDC upon request.

**Disconnect/  
Reconnect  
(No Conductor  
Required)**

The estimated cost to Disconnect and Reconnect a Customer which requires no conductor (subject to revision on labour cost) during normal business hours is \$215.38 (plus GST of \$15.08) = \$230.46. If the Customer is residential then the BRSA is subtracted from the fee.

*Fees stated in Section 5 are those in effect as of the date of this document. Fees are subject to change from time to time as approved by the Board of Directors of ERHDC. Please contact ERHDC for the most current fee schedule.*

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Connection Agreement**

This Connection Agreement is made this day \_\_\_\_\_ of \_\_\_\_\_, 20 \_\_\_\_,

**BETWEEN:**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**, a corporation incorporated pursuant to the laws of the Province of Ontario and licensed by the Ontario Energy Board.

(hereinafter referred to as "ERHDC")

**PARTY OF THE FIRST PART;**

- and -

\_\_\_\_\_  
(hereinafter referred to as the "Customer")

**PARTY OF THE SECOND PART.**

From time to time, ERHDC and the Customer shall be individually referred to in this Agreement as a "Party" and collectively as "Parties".

**Recital**

In accordance with its License and the Distribution System Code, ERHDC has agreed to offer and the Customer has agreed to accept Distribution Services, on the terms and conditions of this Agreement;

**NOW THEREFORE** in consideration of the foregoing, and of the mutual covenants, agreements, terms and conditions contained herein, the Parties hereto agree as follows:

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Definitions

Throughout this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words shall have the following meanings:

“**A**” means Ampere, unit of electrical current;

“**Actual Cost**” means ERHDC’s charge for equipment, labour and materials at ERHDC’s standard rates plus ERHDC’s standard overheads and interest thereon;

“**Agent**” means a Qualified person duly authorized by an Embedded Generator, Embedded Distributor or Customer, to perform specific limited operations for the Controlling Authority;

“**Applicable Laws**” means any and all Applicable Laws, including environmental laws, statutes, codes, licensing requirements, treaties, directives, rules, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments, or decrees or any requirements or decision or agreement with or by any government or government department, commission, board, court authority or agency;

“**ANSI**” means American National Standards Institute;

“**Ancillary Services**” means any electrical services that the Generator may provide to the Distribution System other than real power deliveries (kWh) including but not limited to frequency control, voltage control, and reactive power;

“**Business Day**” means a day other than a Saturday, Sunday, or any day designated pursuant to subsection 1.3(g) of the Conditions of Service;

“**CT**” means Current Transformer, instrument transformer that is designed for the measurement of current;

“**Code**” means the Distribution System Code;

“**Conditions of Service**” means the document as developed by ERHDC in accordance with subsection 2.3 of the Distribution System Code that describes ERHDC’s operating practices and connection rules;

“**Connection**” means the process of installing and activating connection assets in order to Distribute electricity to a Customer;

“**Connection Service**” has the meaning given in the Distribution Rate Order which is in effect at the relevant time;

“**Controlling Authority**” means a person or officer responsible for performing, directing, or authorizing changes in the conditions or physical position of specific apparatus or devices;

“**CEA**” means, Canadian Electrical Association;

“**CSA**” means Canadian Standards Association;

“**Cure Period**” has the meaning described in Schedule C of this Agreement;



## Espanola Regional Hydro Distribution Corporation (ERHDC)

**“Customer Equipment”** means all electrical and mechanical equipment used by the Customer and does not include any ERHDC Facilities and Equipment;

**“De-energized”** is a state in which the stored potential energy of an Isolated piece of equipment has been discharged which in electrical apparatus, electrical energy is typically discharged through a connection to an effective ground potential;

**“Default Notice”** means a notice concerning an Event of Default delivered in accordance with the procedures set out in Section 23 of this Agreement from one Party to the other;

**“Defaulting Party”** means the Party who has committed an act of default under the Conditions of Service, the Code or this Agreement;

**“Demarcation Point”** means the physical location at which ERHDC responsibility for operational control and ownership of Distribution equipment including connection assets ends at the Customer;

**“Distribution Services”** means services related to the Distribution of electricity and the services the OEB has required distributors to carry out, for which a charge or Rate has been approved by the OEB under Section 78 of the Act;

**“Distribution System”** means ERHDC’s system for distributing electricity, and includes any structures, equipment or other things used for that purpose. The Distribution System is composed of the main system capable of distributing electricity to many Customers and the connection assets used to connect a Customer to the main Distribution System;

**“Distribution System Code”** means the code, approved by the Board, and in effect at the relevant time, which, among other things, establishes the obligations of a distributor with respect to the services and terms of service to be offered to Customers and Retailers and provides minimum technical operating standards of Distribution System;

**“Electrical Safety Authority”** or **“ESA”** means the person or body designated under the Electricity Act Regulations as the Electrical Safety Authority;

**“Electricity System”** means the integrated power system and all facilities connected to that system;

**“Embedded Distributor or Load”** means a distributor or load Customer who is connected to the Distribution System;

**“Embedded Generator”** or **“Embedded Generation Facility”** means a Generator whose Generation Facility is connected to the Distribution System;

**“Embedded Market Participant”** means an embedded Customer connected to the Distribution System who has chosen to be a participant in the wholesale energy market by registering with the IMO;

**“Embedded Retail Generator”** means an Embedded Generator who is not participating in the IMO Wholesale Market;

**“Emergency”** means any abnormal system condition that requires remedial action to prevent or limit loss of a Distribution System or supply of electricity that could adversely affect the reliability of the Electricity System;

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**“Event of Default”** means either a Financial Default or a Non-Financial Default but does not include any default caused by, arising out of, or in any way connected to, an Emergency;

**“Financial Default”** means failure by either Party to pay any amount when due under this Agreement, including without limitation, failure to pay compensation or indemnification for loss or damage agreed to by the Parties;

**“Forced Outage”** means the automatic or manual limitation of service by a party's controlling authority, owing to de-rating or limitation of equipment, or the unavailability of equipment as a result of actual or potential failure of that equipment or equipment related to it;

**“Generate” or “Generating”**, with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or Distribution System;

**“Generation Facility”** means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose;

**“Good Utility Practice”** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

**“ERHDC Facilities and Equipment”** means ERHDC's meters, wires, poles, cables, transformers, any other structures, equipment, all other appliances and equipment or other things used for Distributing electricity;

**“IMO”** means the Independent Electricity Market Operator established under the Electricity Act;

**“IMO Controlled Grid”** means the transmission systems with respect to which, pursuant to agreements, the IMO has authority to direct operation;

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**“Insolvency Event”** means, with respect to the Customer, the occurrence of any one of the following;

- (a) the winding up, dissolution, liquidation, or bankruptcy of the Customer, except as part of a bona fide corporate reorganization, unless its existence is immediately reinstated or a resolution to that effect is passed, or it makes a general assignment for the benefit of its creditors or a proposal under the Bankruptcy and Insolvency Act (Canada), as amended or re-enacted from time to time, or is adjudged bankrupt or insolvent; or if it proposes a compromise or an arrangement under the Companies' Creditors Arrangement Act, (Canada), as amended or re-enacted from time to time, or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, or similar relief for itself under any present or future law relating to bankruptcy, insolvency, or other relief for or against debtors generally;
- (b) a court of competent jurisdiction enters an order, judgment or decree against the Customer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, winding up, termination of existence, declaration of bankruptcy or insolvency or similar relief under any present or future law relating to bankruptcy, Insolvency or other relief for or against debtors generally, and such order, judgment or decree remains unvacated and unstayed for 60 days (whether or not consecutive) from the day of entry; or if any trustee in bankruptcy, receiver, receiver and manager, liquidator or any other officer with similar powers is appointed for the Customer with its consent or acquiescence and that appointment remains unvacated and unstayed for 60 days (whether or not consecutive); or
- (c) the Customer becomes insolvent.

**“Isolated”** means the state in which a piece of equipment has been disconnected from any source of dynamic energy. Typically, apparatus is isolated by means of devices such as valves or electrical switches;

**“kVA”** Kilovolt-ampere, apparent power (1000 volt-amperes);

**“kVARh”** Kilovar-hour, (1000 volt-ampere reactive expended in one hour);

**“kW”** Kilowatt, practical unit of active power (1000 watts);

**“kWh”** Kilowatt-hour, practical unit of electric energy expended in one hour (1000 watt per hour with respect to time);

**“License”** means the license issued by the OEB under Part V of the Act;

**“Load Customer”** means a Standard Customer (as that term is defined in the Conditions of Service) that ERHDC, as a condition of the Customer's connection, requires that it execute this Agreement or a Customer that is an Embedded Market Participant(as that term is defined in the Conditions of Service);

**“Load Shedding”** means the deliberate Disconnection of pre-selected Customers' load from a power system (either manually or automatically) in response to an Emergency in order to maintain the integrity of the system and minimize overall Customer outages;

## Espanola Regional Hydro Distribution Corporation (ERHDC)

**“Market Participant”** means a person who is authorized by the Market Rules to participate in the IMO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IMO-controlled grid;

**“Market Rules”** means the rules made under section 32 of the Electricity Act;

**“Measurement Canada”** means the special Operating Agency established in August 1996 by the Electricity and Gas Inspection Act, 1980-81-82-83, c 87., and Electricity and Gas Inspection Regulations (SOR/86-131);

**“Meter Installation”** means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment;

**“Metering Service Provider “ or “MSP”** means Metering Service Provider registered and approved by the IMO;

**“MV-90”** - is a software system, marketed and produced by Itron, that is used to interrogate a wide variety of meters and recorders using telephone communication and modems to obtain both meter readings and meter interval data;

**“Non-Defaulting Party”** means the Party that is not the Defaulting Party;

**“Non-Financial Default”** means the following:

- (a) any breach of a term or condition of the Code or this Agreement other than a Financial Default unless the breach occurs as a direct result of an Emergency;
- (b) a licensed Party’s ceasing to hold a Licence; or
- (c) an Insolvency Event.

**“OEB”** means the Ontario Energy Board;

**“Planned Outage”** means an outage that results when a component is deliberately taken out of service at a pre-selected time, usually for the purpose of construction, preventive maintenance or repair;

**“Power Factor”** means the ratio of active to apparent power;

**“Point of Supply”**, with respect to an Embedded Generation Facility, means the connection point where electricity produced by the Embedded Generation Facility is injected into a Distribution System;

**“Professional Engineer”** means a person licensed with the Professional Engineers of Ontario;

**“Promptly”** means performed in an expeditious manner and without undue delay, using due diligence, and with the intent of completing a required act or task as quickly as practicable;

**“Qualified”** means assessed by a party as satisfactory in personal competency, familiarity with and knowledge of all applicable rules, regulations, guidelines, policies, codes, procedures, apparatus and equipment, and dangers of work and operation;

**“Rate Order”** means an order of the OEB that is in force at the relevant time which, among other things, regulates distribution and distribution rates to be changed by a licensee;

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**“Retail Settlement Code”** means the code approved by the Board and in effect at the relevant time, which, among other things, establishes a Distributor’s obligations and responsibilities associated with financial settlement among Retailers and Customer and provides for tracking and facilitating Customer transfer among competitive Retailers;

**“Rotational Load Shedding”** means a form of demand control whereby portions of load in an electrical area are sequentially interrupted and restored, commonly on a 30 minute rotation;

**“SCADA”** means System Control and Data Acquisition, used to monitor and control the Distribution System;

**“Settlement Hour”** means a period of one hour which corresponds to a particular dispatch hour for which metering data determined in accordance with Market Rules and physical market prices for services calculates pursuant to Market Rules that are to be used to calculate the settlement debits and credits of Market Participants;

**“Sub-transmission Customer”** or T-Class customer – comprise that group of large users that are typically served from ERHDC’s Sub-transmission system, and whose demand requirements is generally less than 5 MW;

**“Supporting Guarantee”** means a guarantee issued in support of a Work Protection guaranteeing isolation/de-energizing at switches, or other devices, under the Operating Control of the issuer;

**“Under Frequency Load Shedding”** means automatic "Load Shedding" by a protective relay, when frequency declines to preset levels on a time curve ;**“V”** means volt, a measure of electrical voltage;

**“VT”** means Voltage transformer, instrument transformer that is designed for the measurement of voltage;

**“VEE”** means the process used to validate, estimate and edit raw metering data to produce final metering data or to replicate missing metering data for settlement purposes;

**“Wholesale Market Participant”** or **“Market Participant”** means a party that sells or purchases electricity or ancillary services through the IMO administered markets;

**“Wholesale Metering”** means metering that complies with Chapter 6 of the Market Rules;

**“Work Protection”** means the provision of a safe environment for work. A guarantee that an Isolated, or Isolated and De-energized condition has been established for work and will continue to exist, except for approved tests; and

**“Wye”** means the electrical configuration that supports a system neutral.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

### **Purpose of Agreement**

This Agreement sets out the terms and conditions upon which ERHDC has agreed to offer, and the Customer has agreed to accept, Distribution Service.

### **Entire Agreement**

The Code, Conditions of Service and this Agreement establish ERHDC's operating practices and connection policies in respect of the Connection and Distribution Services. This Agreement together with the Distribution System Code, and all attachments thereto and hereto, and the Conditions of Service, and all attachments thereto and hereto, constitute the entire Agreement between the Parties with respect to the subject matter covered therein and supercedes all communications, representations or agreements, verbal or written. The Parties hereto hereby agree to be bound by, and to act at all times in accordance with the Code and the Conditions of Service, in effect at the relevant time, which are hereby incorporated in its entirety by reference into, and which hereby forms part of, this Agreement.

### **Applicable Laws, Related Codes and Conditions of Service**

ERHDC and the Customer shall comply with all Applicable Laws including the following in order of priority:

- (a) The Affiliate Relationships Code for Electricity Distributors and Transmitters;
- (b) The Distribution System Code;
- (c) The Retail Settlement Code; and
- d) The Standard Supply Service Code.

If there is a conflict between this Agreement and any of the above, the documents listed above shall govern in order of priority. If there is a conflict between the Conditions of Service and this Agreement, this Agreement will govern. The fact that a condition, right, obligation, or other term appears in the Conditions of Service but not in any of the documents listed above or in this Agreement shall not be interpreted as, or be deemed grounds for finding conflict.

### **Applicable Standards**

The Customer shall ensure that their respective new or altered Customer Equipment connected to or to be connected to the Distribution System:

- (1) meets requirements of the Ontario Electrical Safety Code;
- (2) meets requirements of all Applicable Laws including, but not limited to, the *Occupational Health and Safety Act*;
- (3) conforms to relevant industry standards including, but not limited to, CSA International, the Institute of Electrical and Electronic Engineers (IEEE), the American National Standards Institute (ANSI), the International Electrotechnical Commission (IEC), Northeast Power Coordinating Council and North American Electric Reliability Council;
- (4) conforms to Good Utility Practice.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Representations and Warranties

#### 1.1 Customers' Representations and Warranties

The Customer represents and warrants to ERHDC as follows, and acknowledges that ERHDC has relied upon such representations and warranties in entering into this Agreement:

- (a) all information conveyed to ERHDC is correct and accurate;
- (b) it is unaware of any situation which would alter its financial abilities and have not filed or have not planned to file, any bankruptcy proceedings;
- (c) it is authorized to enter into this Agreement;
- (d) where applicable, that the execution of this Agreement and compliance with and performance of the terms, conditions and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of the Customer;

#### 1.2 ERHDC's Representations and Warranties

ERHDC represents and warrants to the Customer as follows, and acknowledges that the Customer is relying upon such representations and warranties in entering into this Agreement:

- (a) all information conveyed to the Customer is correct and accurate;
- (b) that it has all the necessary corporate power, authority and capacity to enter into an Agreement and to perform its obligations hereunder;
- (c) the execution of this Agreement and compliance with and performance of the terms, conditions and covenants contemplated herein have been duly authorized by all necessary corporate action on the part of ERHDC;
- (d) this Agreement constitutes a valid and binding obligation of ERHDC enforceable against it in accordance with its terms and conditions, and ERHDC is not a party to, bound or affected by or otherwise subject to any indenture, mortgage, lease, charter or by-law provision, agreement or other instrument, or any statute, rule, regulation, judgment or other order which would be violated, contravened or breached by, or under which default would occur as a result of the execution of this Agreement or the compliance with and performance of any of the terms, conditions and covenants contemplated herein; and
- (e) that its Licence is in full force and effect

### Requirements for Operations and Maintenance

#### 1.3 Work by ERHDC's Staff on the Customer's Site and Facilities

- 1.3.0 When ERHDC's staff, its contractors, or Agents work at the Customer's site, such staff, contractors and agents shall observe the Customer's safety and environmental requirements.
- 1.3.1 Notwithstanding 8.1.1 above, when ERHDC can demonstrate to the Customer's satisfaction, acting reasonably that ERHDC's safety and environmental practices provide for an equivalent or better level of safety or environmental protection, the Customer shall permit ERHDC to use its safety and environmental practices. As a minimum, all Applicable Laws shall govern such work.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

### **1.4 Work by the Customer's Staff on ERHDC's Site**

- 1.4.0 When the Customer's staff, its contractors, or Agents work at ERHDC's site, ERHDC's safety and environmental requirements shall be observed by such staff, contractors and Agents.
- 1.4.1 Notwithstanding 8.2.1 above, when the Customer can demonstrate to ERHDC's satisfaction, that the Customer's safety and environmental practices provide for an equivalent or better level of safety or environmental protection, ERHDC shall permit the Customer to use its safety and environmental practices. As a minimum, all Applicable Laws, shall govern such work.

### **1.5 Day to Day Operations & Maintenance**

- 1.5.0 Only Qualified persons shall perform operations and maintenance.
- 1.5.1 The Customer shall be responsible for operating and maintaining its Customer Equipment in accordance with Good Utility Practice, all Applicable Laws, the Code and this Agreement.
- 1.5.2 ERHDC shall be responsible for operating and maintaining ERHDC Facilities and Equipment in accordance with Good Utility Practice, all Applicable Laws, the Code and this Agreement.

### **1.6 Communication Between the Parties**

- 1.6.0 Upon planning any changes that could affect the reliability of the Distribution System, the Customer shall promptly submit a written report to ERHDC describing any and all changes in the information that it submitted as registered system planning data in the connection application form, including, without limitation, changes to Customer Equipment, and associated protective relaying or protective relaying settings, or any other changes of any kind whatsoever that might affect the reliability of Distribution System. The portion of this protection that affects the Distribution System must be designed, and installed in a manner that is acceptable to ERHDC in order for the Customer to remain connected.
- 1.6.1 All communications between the Parties about day-to-day operating and maintenance matters shall at all times go through the controlling authorities, or those other persons to whom a Controlling Authority has delegated the communication authority.
- 1.6.2 Each Party shall provide the other with the name of a current 24- hour contact to respond to operating and maintenance matters, which shall be listed in a schedule to the Agreement.
- 1.6.3 Each Party shall provide the other with all necessary instructions for Emergency responses, including reporting procedures and the names of site Emergency coordinators as and when necessary.
- 1.6.4 Each Party shall provide the other with all required Work Protection documentation and written notices.
- 1.6.5 Where one Party's work requires the other's participation or cooperation, or in the other's opinion could adversely affect normal operation of its facilities and equipment, the Parties shall establish procedures and cost sharing criteria for the work and adhere to them in performing the work unless they agree otherwise in writing.



**Espanola Regional Hydro Distribution Corporation (ERHDC)****1.7 Switching**

- 1.7.0 A Party's Controlling Authority shall be responsible for establishing the appropriate conditions for and the coordination of switching on the equipment under its control from time to time throughout the term of this Agreement.

**1.8 Isolation of Customer Equipment**

- 1.8.0 If the Customer requires isolation of its Customer Equipment or ERHDC Facilities and Equipment, then the Customer's Controlling Authority shall deliver a written notice to ERHDC's Controlling Authority to ask for isolation.
- 1.8.1 Upon the request of one Party's Controlling Authority, the other Party's Controlling Authority or its designate shall provide the required timely isolation of equipment as required for Emergency switching or to establish work protection.
- 1.8.2 ERHDC shall provide to the Customer the isolation and reconnection of Customer Equipment at the Customer's request at no cost to the Customer, once per year, during normal business hours. The Customer shall pay ERHDC's Actual Costs for isolating and reconnecting Customer Equipment if the requested isolation and reconnection is for a time outside of normal business hours.
- 1.8.3 ERHDC shall charge the Customer, and the Customer shall pay, ERHDC's Actual Costs for isolating and reconnecting Customer Equipment for any isolation and reconnection request in excess of one per calendar year as specified in this Agreement.

**1.9 Isolation of ERHDC Facilities and Equipment**

- 1.9.0 If ERHDC requires isolation from Customer Equipment then ERHDC shall request the Customer's Controlling Authority to provide isolation.

**1.10 Alternative Method of Isolation**

- 1.10.0 Either Party may establish its own Work Protection.
- 1.10.1 The Controlling Authority of the facilities and equipment required to establish the Work Protection shall provide the other Party with access to such facilities and equipment.
- 1.10.2 Establishing Work Protection shall be limited to hanging tags and locking of devices.

**1.11 Forced Outage**

- 1.11.0 When a Forced Outage by one Party adversely affects the others facilities, the first Party's Controlling Authority shall give prompt notice to the Controlling Authority of the second Party.
- 1.11.1 Each Party's Controlling Authority shall have sole authority to identify the need for and initiate a Forced Outage on equipment under its control.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### 1.12 Planned Outages

- 1.12.0 The Customer shall schedule all planned work with ERHDC's Controlling Authority to co-ordinate Planned Outages that directly affect ERHDC Facilities and Equipment.
- 1.12.1 At least ten Business Days in advance of planned work that requires a feeder breaker to be opened or operated and at least thirty Business Days in advance of planned work that requires operations of multiple feeder breakers, station bus or a whole transformer station, the Customer's Controlling Authority shall provide written requests to the appropriate ERHDC contact.
- 1.12.2 At least ten Business Days in advance of planned work, the Customer's Controlling Authority shall provide written requests to the appropriate ERHDC if the planned work involves:
  - 1.12.2.1 any Disconnection from the Distribution System e.g. Disconnection from a feeder breaker owned by ERHDC or by the Customer
  - 1.12.2.2 load changes, transfers or switching operations that directly affect ERHDC Facilities and Equipment.
- 1.12.3 ERHDC's Controlling Authority shall notify the Customer's Controlling Authority at least ten Business Days in advance of any planned work that requires a feeder breaker to be opened or operated and at least thirty Business Days in advance of planned work that requires operations of multiple feeder breakers, station bus or a whole transformer station that directly affects Customer Equipment, by contacting the appropriate Customer contact.
- 1.12.4 Either Party's Controlling Authority shall provide written notice of a change in the date and time of preplanned work.
- 1.12.5 Notice of the requested change shall be given at least four Business Days in advance of the planned date.
- 1.12.6 If the change can be reasonably accommodated, both Parties shall establish a new date. If the Parties cannot agree, ERHDC will have the right to set the date of the Planned Outage upon providing the Customer with not less than ten Business Days prior written notice.

### 1.13 Emergency Operations -- ERHDC may be required from time to time to interrupt the provision of Connection Service to the Customer during an Emergency to protect the stability, reliability, and integrity of ERHDC Facilities and Equipment, or to maintain its equipment availability. This section only covers manually initiated interruptions. During an Emergency, either Party may take whatever immediate action it deems necessary and is Qualified to perform to safeguard public safety, life, and property without first notifying the other Party.

- 1.13.0 The Party taking such actions shall promptly report them to the other Party's Controlling Authority.
- 1.13.1 ERHDC may be required from time to time to implement Load Shedding at the direction of the IMO.
- 1.13.2 ERHDC may review rotational load-shedding schedules with the Customer whenever schedules are revised or when required.
- 1.13.3 The Customer shall comply with all requests by ERHDC's Controlling Authority to shed load. Such requests shall be initiated to protect Distribution System security and reliability in response to a request by the IMO. When the IMO Controlled Grid returns to normal, ERHDC's Controlling Authority shall notify such Customer's Controlling Authority to re-energize Customer Equipment.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

### **1.14 Telemetry, Monitoring, and Telecommunications**

- 1.14.0 ERHDC shall advise Customers of the performance and details of required telemetering facilities that serve them. Some requirements depend on the size and specific location of the connection to the Distribution System. ERH shall determine the requirements for telemetry.

### **1.15 Access and Security of Facilities**

- 1.15.0 Each Party shall co-operate with the other to ensure that its respective facilities and assets are secure at all times.
- 1.15.1 Each Party shall follow all applicable procedures and staff training procedures required for expeditious access to the other Party's equipment or premises, including, without limitation, any procedures regarding access codes and keys.
- 1.15.2 Certain of each Party's facilities and equipment may, at the date of this Agreement or later, be on one or more of the other Party's sites, in accordance with each Party's policies and procedures.
- 1.15.3 Either Party and its representatives shall be entitled to access to the other's facilities, equipment or site, and the host Party shall grant such access as required for operation, maintenance, disconnection or reconnection of that Party's facilities and equipment, to carry out work at all reasonable times on reasonable prior notice to the host Party, subject to each Party's policies and procedures. The other Party shall not unreasonably withhold access to its facilities and equipment.
- 1.15.4 At any time when the accessing Party or its representatives are on or in the host Party's site, the accessing Party and its representatives shall:
  - 1.15.4.1 use all reasonable precautions not to damage or interfere with the host Party's site, facilities and equipment;
  - 1.15.4.2 observe the host Party's requirements for reporting occupational health and safety, electrical safety, environmental requirements, technical requirements, and matters of industrial relations; and
  - 1.15.4.3 neither ask questions, nor give any direction, instruction or advice to any person involved in operating or maintaining the site, facilities or equipment of the host Party, other than the person whom the host Party has designated for that purpose.
- 1.15.5 If the accessing Party or its representatives cause any loss or damage when given access to the host Party's site, the accessing Party shall promptly advise the host's Controlling Authority of the loss or damage.
- 1.15.6 Subject to subsection 8.13.6, a Party shall not, and shall ensure that its representatives do not, intentionally interfere with any of the other Party's facilities and equipment in or on its sites.
- 1.15.7 In an Emergency a site owner may, as far as reasonably necessary in the circumstances, have access to and interfere with the other Party's facilities and equipment.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**2 Communication**

2.1 In the event that either Party undergoes any change in business circumstance or load which affects it's qualifications or requirements in association with the Code, the Conditions of Service or this Agreement, or changes which require or inhibits work to be done, shall be communicated to the other Party in writing.

2.2 All notices communicated between the Parties shall be delivered by hand, fax or registered mail, and addressed as follows:

2.2.0 To contact Espanola Regional Hydro Distribution Corporation:

ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION  
765 Queen Street East,  
Sault Ste Marie, Ontario  
P6A 6P2

2.2.1 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2.3 Notice sent in accordance with this section shall be deemed to have been delivered and received:

2.3.1 If delivered by hand, upon receipt;

2.3.2 If delivered by fax, 48 hours after the time of distribution, excluding from the calculation weekends and public holidays;

2.3.3 If delivered by registered mail, six Business Days after the mailing thereof, provided that if there is a postal strike such notice shall be delivered by hand.

**3 Force Majeure**

"Force Majeure Event" shall include, but not be limited to an act of God, strikes, lockouts, or other labour or industrial disturbances, civil disturbances, interruptions by Government or Court Orders, power failure, telecommunication line failure, delay in transmission, future valid orders of or delay in obtaining the approval or consent of any regulatory body having jurisdiction, acts of the public enemy, wars, riots, sabotage, epidemics, landslides, lightning, earthquake, fire, storm, flood, washout; and inclement weather including without limiting the generality of the foregoing rendering the roads dangerous or hazardous, to men or equipment, or impassable to vehicles of the kind necessary to carry out the work or undertaking, or blockage or stoppages of road traffic over the route specified caused by events beyond the reasonable control of the parties hereto, or explosions and any other event or occurrence beyond the reasonable control of the parties hereto whether or not the nature of those hereinabove mentioned.

Other than for any amounts due and payable by the Customer to ERHDC neither ERHDC nor the Customer shall be held to have committed an event of default in respect of any obligation under these Conditions of Service if prevented from performing that obligation, in whole or in part, because of a Force Majeure Event.

If a Force Majeure Event prevents either party from performing any of its obligations under this Agreement that party shall:

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

- other than for Force Majeure Events related to acts of God, promptly notify the other party of the Force Majeure Event and its assessment in good faith of the effect that the event will have on its ability to perform any of its obligations. If the immediate notice is not in writing, it shall be confirmed in writing as soon as reasonably practical;
- not be entitled to suspend performance of any of its obligations under this Agreement to any greater extent or for any longer time than the Force Majeure Event requires it to do;
- use its best efforts to mitigate the effects of the Force Majeure Event, remedy its inability to perform, and resume full performance of its obligations;
- keep the other party continually informed of its efforts;
- other than for Force Majeure Events related to acts of God, provide written notice to the other party when it resumes performance of any obligations affected by the Force Majeure Event; and
- if the Force Majeure Event is a strike or a lock out of ERHDC's employees, ERHDC shall be entitled to discharge its obligations to notify its Customers in writing by means of placing an ad in the local newspaper.

### **4 Liability**

ERHDC shall only be liable to a Customer and a Customer shall only be liable to ERHDC for any damages that arise directly out of the willful misconduct or negligence:

- of ERHDC in providing Distribution Services and/or Connection Services to the Customer;
- of the Customer in being connected to the Distribution System; or
- of ERHDC or the Customer in meeting their respective obligations under the Conditions of Service, this Agreement, the Code, their licences and any other Applicable Laws.

Neither ERHDC nor the Customer shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in contract, tort or otherwise.

### **5 Term and Termination of Connection Agreement**

#### **5.1 Coming into Force**

The term of this Agreement shall commence on the later of the date that this Agreement was executed by both Parties; or the date that subsection 26(1) of the Electricity Act is proclaimed, and shall remain in full force and effect until terminated in accordance with the provisions of this Agreement.

#### **5.2 Termination by Either Party**

Either Party may terminate the Agreement at any time during the term or any renewal thereof by giving the other Party six month's prior written notice setting out the termination date. Termination in the event of Disconnection shall follow the procedures set out in Section 12.5 of this Agreement.

#### **5.3 Right to Disconnect and Remove Assets**

Upon termination of this Agreement, ERHDC may disconnect at the Ownership Demarcation Point or Point of Supply and shall be entitled to de-commission and remove any of its ERHDC Facilities and Equipment associated with the connection and the Demarcation Point. ERHDC shall notify the Customer in writing of the days the decommissioning and removal of its ERHDC Facilities and Equipment shall occur, and the Customer shall provide

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ERHDC with any and all access to the Customer's site, provided such dates and times are reasonable, that may be required by ERHDC to de-commission and remove its ERHDC Facilities and Equipment.

**Events of Disconnection and Termination**

**5.4 Occurrence of a Disconnection**

Disconnection of a Customer may occur for the reasons and by the processes described in the Conditions of Service.

**5.5 Right to Terminate and Disconnect**

In the event a Customer is disconnected for any reason, ERHDC shall have the right to terminate this Agreement by written notice to the Customer.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### 6 Treatment of Currently Connected Customer Equipment

- 6.1 ERHDC may require that Customer Equipment that is now or hereafter connected to the Distribution System be brought into compliance with the performance standards specified in the Conditions of Service within a period of time acceptable to ERHDC not exceeding five years where it has been identified that:
- 6.1.1 there is a material deterioration of Distribution System reliability resulting from the performance of the Equipment; or
  - 6.1.2 there are material negative impacts on an existing or a new Customer's power quality resulting from the performance of the Customer Equipment; or
  - 6.1.3 there is a material increase in capacity or load at the site where the Customer Equipment is located.
- 6.2 The Customer shall indemnify and hold harmless ERHDC, its directors, officers, employees and agents from any claims made by any third parties related to the construction, installation, or connection of a Generation Facility by or on behalf of the Customer.

### 7 Ownership of Facilities and Equipment

- 7.1 All right, title and interest in and to ERHDC Facilities and Equipment shall continue to be vested in ERHDC, unless the Parties have specified otherwise in this Agreement.
- 7.2 All right, title and interest in and to Customer Equipment shall continue to be vested in the Customer, unless the Parties have specified otherwise in this Agreement.

### 8 Incorporation of Schedules

Set out below are the schedules and appendices that form a part of, and that are hereby incorporated by reference into, this Agreement:

Schedule "A" - Single Line Diagram and Description of the Customer's Connection Point

Schedule "B" - Future Use

Schedule "C" - Future Use

### 9 Waiver

The failure of any Party to exercise any right, power or option or to enforce any remedy or to insist upon the strict compliance with the terms, conditions and covenants of this Agreement shall not constitute a waiver of the terms, conditions and covenants herein with respect to that or any other or subsequent breach thereof nor a waiver by the Party at any time thereafter to require strict compliance with all terms, conditions and covenants hereof, including the terms, conditions and covenants with respect to which the Party has failed to exercise such right, power or option. Nothing shall be construed or have the effect of a waiver except an instrument in writing signed by a duly authorized officer of the Party which expressly or impliedly waives a right, power or option under this Agreement.

### 10 Entire Agreement

This Agreement, together with the schedules attached hereto, constitutes the entire agreement between the Parties and supersedes all prior oral or written representations and agreements of any kind whatsoever with respect to the matters dealt with herein.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

### **11 Amendments**

Except as otherwise provided herein, no amendment, modification or supplement to this Agreement shall be valid or binding unless set out in writing and executed by the Parties with the same degree of formality as the execution of this Agreement. The Parties acknowledge and agree that the OEB may require amendments to this Agreement or the Schedules hereto in which case the Parties shall forthwith, upon receipt of notice from the OEB, do all things and take all actions necessary to amend this Agreement so as to meet the OEB's requirements.

### **12 Severability**

If any provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision shall be deemed severed and shall not affect the validity, legality or enforceability of the remaining provisions of this Agreement, unless such invalidity or unenforceability renders the operation of this Agreement impossible.

### **13 Applicable Laws**

This Agreement shall be construed and enforced in accordance with, and the rights of the Parties shall be governed by, the laws of Ontario and the laws of Canada applicable therein.

### **14 Interpretation**

In this Agreement:

- (a) the singular includes the plural and vice versa;
- (b) the use of one gender includes the other;
- (c) the word person includes a firm, a body corporate, an unincorporated association or an authority;
- (d) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
- (e) an agreement, representation or warranty on the part of or in favour of two or more persons binds or is for the benefit of them jointly and severally;
- (f) specified periods of time refer to business days, and dates from a given day or the day of an act or event is to be calculated exclusive of that day;



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**IN WITNESS WHEREOF** the Customer has set his hand and seal, and ERHDC has caused this Agreement to be executed by the signature of its proper officer duly authorized in that behalf as of the day and year first above written.

**SIGNED, SEALED AND DELIVERED**

\_\_\_\_\_  
**in the presence of:**

\_\_\_\_\_  
Witness (Insert Customer Name)

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

\_\_\_\_\_  
Name:

Title:

**I have the authority to bind the Corporation**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

[WHERE CUSTOMER IS A CORPORATION]

**IN WITNESS WHEREOF**, the Parties hereto, intending to be legally bound, have caused this Agreement to be executed by the signatures of their proper officers duly authorized in their behalf.

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

\_\_\_\_\_  
Name:

Title:

**I have the authority to bind the Corporation**

**INSERT CUSTOMER'S FULL CORPORATE NAME**

\_\_\_\_\_  
Name:

Title:

**I have the authority to bind the Corporation**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Section 5 – Schedule 5 Appendix**

- (A) Connection Agreement
- (B) Construction Agreement
- (C) Easement Agreement
- (D) Application for Customer Connection
- (E) Subdivision Agreement
- (F) Prequalification Form

**\*Please contact Espanola Regional Hydro Distribution Corporation for updated information**

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**PLANNED CHANGES IN CONDITIONS OF SERVICE AND SERVICE CHARGES**

ERHDC has no planned changes in Conditions of Service document.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**LIST OF WITNESSES**

**To be provided if oral hearing occurs**

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### SUMMARY OF THE APPLICATION

#### PURPOSE AND NEED

ERHDC self-nominated for 2008 rate rebasing. We have calculated a Revenue Requirement of \$1,340,404 and our present rates will produce a deficiency of \$240,637 distribution revenue for the 2008 Test year. ERHDC therefore seeks the Ontario Energy Board's approval to revise its rates applicable to its distribution of electricity. The issues to be reviewed in this case, as ERHDC sees them, are discussed below.

Through this application, ERHDC seeks:

To recover:

- Deficiency arising from changes in OM&A, Amortization, and the Rate of Return.
- Deferral and Variance Account Balances.
- Continuation of the \$0.30 per residential customer per month rate adder for smart meters.

To change:

- Distribution Loss Factor

To reflect:

- Just and Reasonable Distribution Rates that have been modeled in accordance with the Ontario Energy Board Filing requirements for Distribution Rate Applications.

ERHDC has been assisted in this rate application by Elenchus Research Associates who provided the model used in determination of just and reasonable 2008 Distribution Rates and have reviewed this application.

The information used in this Application is ERHDC's forecasted results for its 2008 Test Year. With the rates presently in effect, the ERHDC estimates that its revenue for 2008 would not be sufficient to provide a reasonable return. ERHDC is also presenting the historical actual information for fiscal 2006, information for the current approved test year and a forecast for the fiscal 2007 bridge year.

#### TIMING

The financial information supporting the test Year for this Application will be ERHDC's fiscal year ending December 31, 2008 (the "2008 Test Year"). However, this information will be used to set rates for the period May 1, 2008 to April 30, 2009. The Test Year revenue requirement is that forecast by ERHDC as needed to enable it to earn a reasonable return for fiscal 2008.

#### CUSTOMER IMPACT

ERHDC proposed rates will not have unacceptable impacts on total customer bills and therefore ERHDC is not proposing any rate mitigation measures.

The impacts below include \$0.26 rate adder to the monthly service charges for Residential, GS<50 and GS>50 rate classes. In this rate application ERHDC request continuation of the 2007 approved smart meter rate adder. ERHDC will not be implementing their smart meter plan until 2009.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Residential

<b>Residential</b>										
1,000 kWh Consumption		2007 BILL			2008 BILL			IMPACT		
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	1,000	0.01350	13.50	1,000	0.01430	14.30	0.80	5.9%	0.7%
<b>Sub-Total</b>				<b>23.89</b>			<b>24.69</b>	<b>0.80</b>	<b>3.3%</b>	<b>0.7%</b>
Regulatory Asset Recovery	kWh	1,000	0.00300	3.00	1,000	0.00190	1.90	(1.10)	-36.7%	-1.0%
Retail Transmission - Network	kWh	1,072	0.00530	5.68	1,054	0.00530	5.59	(0.10)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	1,072	0.00390	4.18	1,054	0.00390	4.11	(0.07)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,072	0.00520	5.58	1,054	0.00520	5.48	(0.09)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072	0.00100	1.07	1,054	0.00100	1.05	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072	0.05704	61.17	1,054	0.05704	60.14	(1.03)	-1.7%	-0.9%
<b>Total Bill</b>				<b>111.57</b>			<b>109.96</b>	<b>(1.61)</b>	<b>-1.4%</b>	<b>-1.5%</b>

ERHDC proposes to maintain the current monthly service charge which falls within the minimum system fixed charge approach plus 20% in the cost allocation study. ERHDC proposes a volumetric increase of 5.9%. The impact on a typical residential customer with consumption of 1000kWhs is an increase of 3.3% on the delivery component of the bill. The overall bill impact on a typical Residential Customer is -1.4%. The overall decrease is a combination of a decreased loss factor from 1.0724 to 1.0543 and a decrease in the regulatory asset rate rider for Residential Customers from 0.00300 to 0.00190 per kWh.

### GS<50

<b>GS &lt;50</b>										
2,000 kWh Consumption		2007 BILL			2008 BILL			IMPACT		
	Metric	Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19			18.43	5.24	39.7%	2.4%
Distribution	kWh	2,000	0.02030	40.60	2,000	0.01670	33.40	(7.20)	-17.7%	-3.3%
<b>Sub-Total</b>				<b>53.79</b>			<b>51.83</b>	<b>(1.96)</b>	<b>-3.6%</b>	<b>-0.9%</b>
Regulatory Asset Recovery	kWh	2,000	0.00150	3.00	2,000	0.00200	4.00	1.00	33.3%	0.5%
Retail Transmission - Network	kWh	2,145	0.00490	10.51	2,109	0.00490	10.33	(0.18)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	2,145	0.00350	7.51	2,109	0.00350	7.38	(0.13)	-1.7%	-0.1%
Wholesale Market Service	kWh	2,145	0.00520	11.15	2,109	0.00520	10.96	(0.19)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	2,145	0.00100	2.14	2,109	0.00100	2.11	(0.04)	-1.7%	0.0%
Debt Retirement Charge	kWh	2,000	0.00700	14.00	2,000	0.00700	14.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	2,145	0.05704	122.34	2,109	0.05704	120.27	(2.06)	-1.7%	-0.9%
<b>Total Bill</b>				<b>224.44</b>			<b>220.89</b>	<b>(3.55)</b>	<b>-1.6%</b>	<b>-1.6%</b>

ERHDC proposes an increase in the monthly fixed service charge of \$5.24 to move toward the minimum system fixed charge approach in the cost allocation study. ERHDC proposes a volumetric decrease of 17.7%. The impact on a GS<50 customer with a 2000kWhs is decrease of -3.6% on the delivery component of the bill. The overall bill impact of a customer with 2000 kWhs consumption is -1.6%.



## Espanola Regional Hydro Distribution Corporation (ERHDC)

### GS>50

<u>GS&gt;50-Regular</u>										
100	kW Consumption									
40,000	kWh Consumption									
	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37			123.37	0.00	0.0%	0.0%
Distribution	kW	100	1.74240	174.24	100	3.80890	380.89	206.65	118.6%	5.3%
<b>Sub-Total</b>				<b>297.61</b>			<b>504.26</b>	<b>206.65</b>	<b>69.4%</b>	<b>5.3%</b>
Regulatory Asset Recovery	kW	100	0.48220	48.22	100	0.63220	63.22	15.00	31.1%	0.4%
Retail Transmission - Network	kW	107	1.99020	213.43	105	1.99020	209.83	(3.60)	-1.7%	-0.1%
Retail Transmission - Line and	kW	107	1.39680	149.79	105	1.39680	147.26	(2.53)	-1.7%	-0.1%
Wholesale Market Service	kWh	42,896	0.00520	223.06	42,172	0.00520	219.29	(3.76)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	42,896	0.00100	42.90	42,172	0.00100	42.17	(0.72)	-1.7%	0.0%
Debt Retirement Charge	kWh	40,000	0.00700	280.00	40,000	0.00700	280.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	42,896	0.05704	2,446.79	42,172	0.05704	2,405.49	(41.30)	-1.7%	-1.1%
<b>Total Bill</b>				<b>3,701.79</b>			<b>3,871.53</b>	<b>169.73</b>	<b>4.6%</b>	<b>4.4%</b>

ERHDC proposes to maintain the fixed monthly service charge in order to minimize the reduction in the percentage of class revenue derived from the fixed charge. A General Service > 50 kW customer with a consumption level of 100kW would have a distribution increase of 69.4 % and an overall bill impact of a 4.6% increase. Refer to the draft issues list in Exhibit 1, page 35 for further explanation on Historical Board Approved year 2004.

### Street Lights

<u>Street Light</u>										
143	kW Consumption									
48,489	kWh Consumption									
	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				0.41			0.82	0.41	100.0%	0.0%
Distribution	kW	143	2.97110	425.36	143	5.47930	784.45	359.09	84.4%	7.3%
<b>Sub-Total</b>				<b>425.77</b>			<b>785.27</b>	<b>359.50</b>	<b>84.4%</b>	<b>7.3%</b>
Regulatory Asset Recovery	kW	143	0.18790	26.90	143	1.14050	163.28	136.38	507.0%	2.8%
Retail Transmission - Network	kW	154	1.50090	230.44	151	1.50090	226.55	(3.89)	-1.7%	-0.1%
Retail Transmission - Line and	kW	154	1.07980	165.78	151	1.07980	162.99	(2.80)	-1.7%	-0.1%
Wholesale Market Service	kWh	52,000	0.00520	270.40	51,122	0.00520	265.84	(4.56)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	52,000	0.00100	52.00	51,122	0.00100	51.12	(0.88)	-1.7%	0.0%
Debt Retirement Charge	kWh	48,489	0.00700	339.42	48,489	0.00700	339.42	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	52,000	0.05704	2,966.07	51,122	0.05704	2,916.01	(50.06)	-1.7%	-1.0%
<b>Total Bill</b>				<b>4,476.78</b>			<b>4,910.47</b>	<b>433.69</b>	<b>9.7%</b>	<b>8.8%</b>

ERHDC proposes an increase in the monthly fixed service charge of \$0.41 to move toward the minimum system fixed charge approach in the cost allocation study. A volumetric rate increase is proposed at 84.4%. An overall bill impact for the street lights rate class is an increase of 9.7%.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Sentinel

#### Sentinel

2.85 kW Consumption  
1033 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				0.45			0.90	0.45	100.0%	0.4%
Distribution	kW	3	8.55780	24.39	3	7.71300	21.98	(2.41)	-9.9%	-2.2%
<b>Sub-Total</b>				<b>24.84</b>			<b>22.88</b>	<b>(1.96)</b>	<b>-7.9%</b>	<b>-1.8%</b>
Regulatory Asset Recovery	kW	3	12.05030	34.34	3	0.10170	0.29	(34.05)	-99.2%	-31.8%
Retail Transmission - Network	kW	3	1.50850	4.61	3	1.50850	4.53	(0.08)	-1.7%	-0.1%
Retail Transmission - Line and	kW	3	1.10240	3.37	3	1.10240	3.31	(0.06)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,108	0.00520	5.76	1,089	0.00520	5.66	(0.10)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,108	0.00100	1.11	1,089	0.00100	1.09	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,033	0.00700	7.23	1,033	0.00700	7.23	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,108	0.05704	63.19	1,089	0.05704	62.12	(1.07)	-1.7%	-1.0%
<b>Total Bill</b>				<b>144.45</b>			<b>107.12</b>	<b>(37.33)</b>	<b>-25.8%</b>	<b>-34.8%</b>

ERHDC proposes an increase in the monthly fixed service charge of \$0.45 to move toward the minimum system fixed charge approach in the cost allocation study. A volumetric rate decrease is proposed at -9.9%. The impact on the distribution portion of the bill is a -7.9% decrease and a total bill impact of -25.8% for a sentinel light customer.

### Unmetered Scattered Loads

#### Unmetered Scattered Load

5 kW Consumption  
1000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				6.47			8.53	2.06	31.8%	2.5%
Distribution	kW	5	0.01350	0.07	5	0.01310	0.07	(0.00)	-3.0%	0.0%
<b>Sub-Total</b>				<b>6.54</b>			<b>8.60</b>	<b>2.06</b>	<b>31.5%</b>	<b>2.5%</b>
Regulatory Asset Recovery	kW	5	0.00150	0.01	5	0.00190	0.01	0.00	26.7%	0.0%
Retail Transmission - Network	kW	5	0.00490	0.03	5	0.00490	0.03	(0.00)	-1.7%	0.0%
Retail Transmission - Line and	kW	5	0.00350	0.02	5	0.00350	0.02	(0.00)	-1.7%	0.0%
Wholesale Market Service	kWh	1,072	0.00520	5.58	1,054	0.00520	5.48	(0.09)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072	0.00100	1.07	1,054	0.00100	1.05	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072	0.05704	61.17	1,054	0.05704	60.14	(1.03)	-1.7%	-1.3%
<b>Total Bill</b>				<b>81.41</b>			<b>82.32</b>	<b>0.91</b>	<b>1.1%</b>	<b>1.1%</b>

ERHDC proposes an increase in the monthly fixed service charge of \$2.06 to move toward the minimum system fixed charge approach in the cost allocation study. The impact on the distribution portion of the bill is a 31.5% increase. The overall bill impact for USL is 1.1%.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### MAJOR ISSUES

There are a number of issues that, although they may not all be defined as major, are anticipated to be examined in this case. These issues are listed below.

#### Capital Structure

ERHDC has a deemed capital structure of 50% debt, 50% equity as approved by the Ontario Energy Board in RP-2005-0020, and a return on equity of 9.00%, consistent with the return specified in the Board's Decision in EB-2005-0362, dated October 18, 2006. ERHDC is requesting Board approval of a capital structure of 53% debt, 47% equity.

The change in the capital structure complies with the Ontario Energy Board's Report on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's electricity Distributors dated December 20, 2006. The OEB report indicates that Distributors will be required to phase-in a 60% debt and 40% capital structure that must be completed by 2010.

#### Return on Equity

In addition, ERHDC has assumed a return on equity of 8.69% consistent with the methodology outlined in Appendix B of the Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario Electricity Distributors dated December 20, 2006. ERHDC understands the OEB will be finalizing the return on equity for 2008 rates based on January 2008 market interest rate information.

#### Operating and Maintenance Costs

Operating and maintenance costs have been updated to reflect the impact of inflation and expected change in costs. Comparison to the 2006 approved costs (2004 actual) may not be meaningful as a result of corporate restructuring which was effective subsequent to December 31, 2005.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**BUDGET DIRECTIVES**

ERHDC compiled budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budgets. This budget information is compiled for both the bridge and test years.

**Revenue Forecast**

The energy sales and revenue forecast model was updated to reflect more recent information. This model was then used to prepare the revenues sales and throughput volume and revenue forecast at existing rates for fiscal 2007 and 2008. The forecast is weather normalized and considers such factors as new customer additions and load profiles for all classes of customers.

**Operating and Maintenance Expense Forecast**

The operating and maintenance expenses for fiscal 2007 bridge year and the 2008 test year have been forecast using a zero based methodology and is strongly influenced by prior year experience. Each item is reviewed account by account for each of the forecast years.

**Capital Budget**

The capital budgeting process begins with a review of all the accounts. All other capital expenditures are budgeted on a line by line basis based on need and forecasted customer growth.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CHANGES IN METHODOLOGY**

The following is a summary of the changes in methodology requested by the ERHDC in the current proceeding:

**a) Capital Structure**

ERHDC has no current request to change the methodology addressing the capital structure. There is potential for future changes, however, the changes have not been finalized at the time of application.

**b) Return on Equity**

ERHDC has no current requests to change the methodology addressing Return on Equity. There is potential for future changes, however, the changes have not been investigated at this time.

**c) Interest Rate Applicable to Deferral/Variance Accounts**

ERHDC has not current request to change the methodology relating to the Interest Rates Applicable to Deferral/Variance Accounts.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**NUMERICAL DETAILS OF CAUSES OF DEFICIENCY/SUFFICIENCY**  
**2008 TEST YEAR**

	2008 Test at 2007 Existing Rates
Revenue	
Distribution Revenue	1,064,527
Other Operating Revenue (Net)	156,075
Total Revenue	1,220,602
Costs and Expenses	
Distribution Costs	
Operation & Maintenance	964,229
Depreciation & Amortization	179,455
Property & Capital Taxes	0
Interest	120,835
Total Costs and Expenses	1,264,519
Utility loss Before Income Taxes	43,917
Income Taxes	0
Utility loss	43,917
Utility proposed rate base	2,763,963
Required Return @7.12%	196,720
Required Return	196,720
Utility loss	43,917
Revenue Deficiency	<b><u>240,637</u></b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CAUSES OF REVENUE DEFFICIENCY**

ERHDC's revenue deficiency is a result of normal operating expenses plus inflation.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**AUDITED FINANCIAL STATEMENTS**

**AT**  
**DECEMBER 31 2006**



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION**

FINANCIAL STATEMENTS

For The Year Ended December 31, 2006

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Statement of Cash Flow

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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**FREELANDT CALDWELL REILLY LLP**  
CHARTERED ACCOUNTANTS

Bernie R. Freelandt, FCA  
Edwin P. Reilly, CA  
Sam P. Lolas, CA  
Kirby W. Houle, CA

**AUDITOR'S REPORT****To the Shareholder of the Espanola Regional Hydro Distribution Corporation**

We have audited the balance sheet of the **Espanola Regional Hydro Distribution Corporation** as at December 31, 2006 and the statements of operations, retained earnings (deficit) and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006, and the results of operations for the year then ended, in accordance with Canadian generally accepted accounting principles.

  
**FREELANDT CALDWELL REILLY LLP**  
Chartered Accountants

Espanola, Ontario  
March 14, 2007

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Sudbury, Ontario P3C 4Z3  
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**Espanola Regional Hydro Distribution Corporation (ERHDC)****ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

## BALANCE SHEET

As at December 31, 2006

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current		
Cash	\$ 304,645	\$ 1,367,599
Accounts receivable (note 4)	919,921	403,179
Inventory	81,196	62,938
Prepaid expenses	22,314	37,731
Unbilled revenue - energy sales	445,399	436,718
Unbilled revenue - distribution	96,835	77,493
	<u>1,870,310</u>	<u>2,385,658</u>
Capital assets (note 6)	2,180,817	2,354,063
Payment in lieu of future taxes (note 13a)	13,078	13,078
Regulatory assets (note 8)	85,432	387,047
Other assets	117,031	63,685
Organization costs (note 7)	29,782	35,744
	<u>\$ 4,296,450</u>	<u>\$ 5,239,275</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 536,975	\$ 490,573
Payable for energy purchases	553,564	1,330,429
Current portion of long-term debt	-	8,400
Current portion of retail settlement variances (note 8)	66,888	66,888
	<u>1,157,427</u>	<u>1,896,290</u>
Long-term obligations (note 9)	257,369	333,723
Due to Town of Espanola (note 5)	2,680,649	2,552,999
Due to Township of Sables-Spanish Rivers (note 5)	770,154	733,480
Long-term debt (note 10)	-	19,600
	<u>4,865,599</u>	<u>5,536,092</u>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Share capital (note 11)	1,000	1,000
Retained earnings (deficit)	(570,149)	(297,817)
	<u>(569,149)</u>	<u>(296,817)</u>
	<u>\$ 4,296,450</u>	<u>\$ 5,239,275</u>

Approved on behalf of the Board of Directors:

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The accompanying notes are an integral part of this financial statement.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

For the year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
<b>REVENUE</b>		
Energy sales	\$ 4,585,854	\$ 4,835,265
Distribution	<u>947,535</u>	<u>919,713</u>
	5,533,389	5,754,978
Cost of energy	<u>4,585,854</u>	<u>4,835,265</u>
Gross profit	<u>947,535</u>	<u>919,713</u>
<b>EXPENSES</b>		
General administration	340,188	303,102
Billing and collecting	267,466	201,226
Amortization	188,561	180,866
Interest	170,737	172,506
Distribution - operation	233,568	180,233
Distribution - maintenance	<u>163,899</u>	<u>101,193</u>
	<u>1,364,419</u>	<u>1,139,126</u>
Loss before other income and payment in lieu of taxes	<u>(416,884)</u>	<u>(219,413)</u>
Other income		
Labour, rental and other charges	104,569	73,497
Interest	<u>39,983</u>	<u>22,407</u>
	<u>144,552</u>	<u>95,904</u>
Loss before payment in lieu of taxes	(272,332)	(123,509)
Payments in lieu of taxes - future recovery (note 13b)	<u>-</u>	<u>13,078</u>
Net loss	(272,332)	(110,431)
Deficit, beginning of year	<u>(297,817)</u>	<u>(187,386)</u>
Deficit, end of year	\$ <u>(570,149)</u>	\$ <u>(297,817)</u>

The accompanying notes are an integral part of this financial statement.



**Espanola Regional Hydro Distribution Corporation (ERHDC)****ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

## STATEMENT OF CASH FLOW

For the year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (291,696)	\$ (110,431)
Adjustments for:		
Amortization - organization costs	5,962	5,952
Amortization - capital assets	182,599	157,784
Amortization - transition costs	-	17,130
	<u>(103,135)</u>	<u>70,435</u>
Change in non-cash working capital items		
Accounts receivable	(516,742)	358,217
Inventory	(18,258)	(62,938)
Prepaid expenses	15,417	(30,561)
Unbilled revenue - energy sales	(8,681)	18,874
Unbilled revenue - distribution	(19,342)	3,316
Payment in lieu of future taxes	-	(13,078)
Accounts payable and accrued liabilities	46,402	56,250
Payable for energy purchases	(776,865)	819,321
Payment in lieu of taxes	-	39,685
	<u>(1,278,069)</u>	<u>1,189,086</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of capital assets	51,166	-
Transfer of capital assets	-	(280,346)
Purchase of capital assets	(97,841)	(57,595)
Construction in progress	(29,566)	(237,638)
Regulatory assets	387,867	(348,721)
Other assets	(53,346)	(51,212)
	<u>258,280</u>	<u>(975,512)</u>
Payment of long-term debt	(28,000)	-
Decrease in notes payable to municipal shareholders	-	(138,069)
Advances from (to) related corporations	164,324	617,473
Assumption of long-term debt	-	28,000
Proceeds of long-term obligations	(76,354)	63,017
	<u>59,970</u>	<u>570,421</u>
<b>INCREASE IN CASH</b>	(1,062,954)	854,430
<b>CASH, BEGINNING OF YEAR</b>	<u>1,367,599</u>	<u>513,169</u>
<b>CASH, END OF YEAR</b>	<u>\$ 304,645</u>	<u>\$ 1,367,599</u>

The accompanying notes are an integral part of this financial statement.

**Espanola Regional Hydro Distribution Corporation (ERHDC)****ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**1. Nature of operations**

Espanola Regional Hydro Distribution corporation was incorporated on November 1, 2000. The Corporation is a wholly owned subsidiary of Espanola Regional Hydro Holdings Corporation incorporated for the purpose of providing regulated electric distribution services to customers.

**2. Significant accounting policies****(a) General**

These financial statements are the representation of the Corporation's management and are prepared in accordance with Canadian generally accepted accounting principles (GAAP) as set forth in the Canadian Institute of Chartered Accountants Handbook, including policies set forth in the Accounting Procedure Manual issued by the Ontario Energy Board ("OEB") under the authority of the Ontario Energy Board Act, 1998 ("OEBA"). The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfill obligations to connect and service customers.

**(b) Effects of rate regulation**

The accounting for certain transactions or events are affected by rate regulation by the OEB. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, that are expected to be recovered from customers in future periods through the rate-setting and approval process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting and approval process.

**(c) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The most significant estimates relate to the estimation of unbilled distribution revenue, unbilled revenue for energy sales, regulatory assets and allowances for uncollectible accounts at the balance sheet date.

**(d) Cash**

Cash consists of cash on hand and in banks and readily convertible investments. Readily convertible investments are carried at the lower rate of cost or market.

**(e) Accounts receivable:**

Accounts receivable are recorded net of an allowance for doubtful accounts.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**2. Significant accounting policies, continued**

**(f) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

**(g) Unbilled revenues**

Revenue is recorded in the accounts to various dates on the basis of monthly meter readings. At the end of an accounting cycle, there is energy used by consumers for which meter readings are not available and no bills have been issued. This unbilled revenue is estimated and recorded in the accounts at the end of each fiscal year. The related cost of energy is recorded on the basis of energy used.

**(h) Capital assets**

Capital assets are recorded at cost less government grants received and contributions in aid of construction and include an allocation of engineering and other overhead. Amortization is provided annually, on a straight line basis, in accordance with the following rates.

Buildings	25 - 40 years
Distribution systems	25 years
Automotive	4 - 8 years
Office and other equipment	5 - 10 years
Computer equipment	5 years

**(i) Payment in lieu of taxes**

Effective October 1, 2001 and pursuant to the EA, the Corporation is required to compute taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA") and remit such amounts computed thereunder to the Ontario Electricity Financial Corporation ("OEFC"). These amounts, referred to as payments in lieu of taxes ("PILs") under the EA, are applied to reduce certain debt obligations of the former Ontario Hydro now owing by the OEFC.

As prescribed by a regulatory rate order, payment in lieu of taxes are recovered through customer rates based on the taxes payable method. Therefore, rates do not include the recovery of payment in lieu of future taxes related to temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes.

Payment in lieu of future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount and their tax bases. Payment in lieu of future tax assets are recognized for the benefit of any deductions or losses available to be carried forward to future periods for



**Espanola Regional Hydro Distribution Corporation (ERHDC)****ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**2. Significant accounting policies, continued****(i) Payment in lieu of taxes, continued**

tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any payment in lieu of future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in the period of the change.

**(j) Contributions in aid of construction**

In certain cases, non-refundable contributions are received in aid of construction or acquisition of capital assets. Contributions in aid of construction are classified as contra-assets and are being amortized at the same rate as the assets to which they relate.

**(k) Future employee benefits**

Actuarial gains or losses on employee future benefits arise when the expected amounts of the Accrued Post-retirement Benefit Obligation (APBO) differs from the amount recorded in the accounts. These gains or losses are recognized in the year that they are determined.

**(l) Deferred transition costs**

The Corporation has incurred costs related to the transition to a competitive electricity market mandated by the Electricity Act, 1998. The OEB has established rules in respect of transition costs which qualify for deferral and amortization against future revenue.

**(m) Financial instruments**

Short-term financial assets and liabilities, including cash, accounts receivable, advances to related parties, unbilled revenue, accounts payable and accrued liabilities, payable for energy purchases, interest payable on promissory note, and payment in lieu of taxes are valued at their carrying amounts as presented in the balance sheet. The carrying values are reasonable estimates of fair value due to the short period to maturity of the financial instruments.

It is management's estimate that the fair value of the Company's long-term obligations, promissory note payable and preferred shares are not materially different from the carrying value based on current rates for instruments with similar terms and maturities.



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**2. Significant accounting policies, continued**

**(n) Asset retirement obligations**

During 2004, the company adopted the Canadian Institute of Chartered Accountants Handbook Section 3110, Asset Retirement Obligations. This accounting standard requires the company to determine the fair value of future expenditures required to settle legal obligations to remove capital assets. If reasonably estimable, a liability is recognized equal to the present value of the estimated future removal expenditures.

An equivalent amount is capitalized as an inherent cost of the associated capital asset.

Some of the company's distribution system assets may have asset retirement obligations. As the company expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of any related asset retirement obligation cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the company is legally required to remove an asset retirement obligation will be recognized at that time.

**3. Revenue recognition**

Revenue is recognized in the period of energy consumption.

**4. Accounts receivable**

	<u>2006</u>	<u>2005</u>
Electrical energy receivables	\$ 685,524	\$ 268,524
Other receivables	234,397	150,655
	<u>919,921</u>	<u>419,179</u>
Allowance for doubtful accounts	-	(16,000)
	<u>\$ 919,921</u>	<u>\$ 403,179</u>

**5. Related parties transactions**

(a) The company is related to the Town of Espanola by virtue of the fact that the Town is a 81% owner of the company's sole shareholder. Likewise, the Township of Sables-Spanish Rivers is a 19% owner of the Company's sole shareholder.

The Company provides electrical energy to the Town of Espanola and the Township of Sables-Spanish Rivers at the same price protected rates and terms as other similar customers based on the amount of electricity consumed.

Included in accounts payable and accrued liabilities is \$259,024(2005 - \$251,257) relating to amounts collected by the Company on behalf of the Town of Espanola for water and sewer billing. Correspondingly, included in accounts receivable is \$143,529(2005 - \$142,551) relating to amounts receivable for water and sewer.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**5. Related parties transactions, continued**

**(b) Advances from related parties:**

	<u>2006</u>	<u>2005</u>
Town of Espanola	\$2,680,649	\$2,552,999
Township of Sables-Spanish Rivers	\$ 770,154	\$ 733,480

Amounts due to municipalities represent notes payable without security or specified terms of repayment. Interest at 5% per annum is paid on the notes payable.

**6. Capital assets**

	Cost	Accumulated Amortization	<u>2006</u> Net Book Value	<u>2005</u> Net Book Value
Land	\$ 69,945	-	\$ 69,945	\$ 129,441
Buildings	324,350	97,978	226,372	228,156
Transmission and distribution	4,597,377	3,044,792	1,552,585	1,620,489
Vehicles	454,606	380,506	74,100	125,344
Equipment	394,980	324,501	70,479	88,967
Engineering standards	-	-	-	6,539
Construction in progress	267,204	-	267,204	237,638
Contributions in aid of construction	(106,018)	(26,150)	(79,868)	(82,511)
	<u>\$6,002,444</u>	<u>3,821,627</u>	<u>\$2,180,817</u>	<u>\$2,354,063</u>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**7. Organization costs**

	Cost	Accumulated Amortization	<u>2006</u> Net Book Value	<u>2005</u> Net Book Value
Organization costs	\$59,567	29,785	\$29,782	\$35,744

These costs are being amortized on a straight-line basis over a period of ten years.

**8. Regulatory assets**

	<u>2006</u>	<u>2005</u>
Recovery of regulatory assets	\$ 226,048	\$ -
Deferred transition costs (a)	179,743	154,220
Retail settlement variances (b)	(107,226)	316,435
Hydro One LV costs payable (c)	<u>(280,021)</u>	<u>(150,496)</u>
	18,544	320,159
Current portion of costs payable	<u>66,888</u>	<u>66,888</u>
	\$ 85,432	\$ 387,047

The regulatory assets arise as a result of the rate setting and approval process by the OEB. In 2004, the Minister of Energy authorized the recovery of regulatory assets through the distribution rate application.

- (a) The OEB had established a process for the recording of costs incurred by the Corporation to be market ready, including related carrying costs, as deferred transition costs to be recovered in the future through the regulatory rate setting process. In accordance with an OEB decision these amounts cannot be recovered through the rate setting and approval process, rather they are being charged to operations on a straight line basis over a period of 10 years. In the absence of rate regulation, generally accepted accounting principles would require that the costs be recognized as an expense or capital asset, as applicable, when incurred.

The OEB requires the Corporation to track variances for the following, that are to be disposed of pending further direction from the OEB.

- (b) The difference between the amount paid by the company to the Independent Electricity System Operator ("IESO") for the cost of energy and the amount billed by the company to its customers as energy sales, as well as other deregulation costs incurred by the company and related carrying costs, are recorded on the balance sheet as retail settlement variance until their final disposition is decided by the OEB. The company recognizes retail settlement variances as an asset or liability based on the expectation these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process. The retail settlement variance asset (liability) represents the excess (deficiency) of amounts billed by the IESO for the cost of energy over the amounts charged to customers as energy sales. In the absence of rate regulation, generally accepted accounting principles would require that the total cost of energy be charged to operations when incurred.



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**8. Regulatory assets, continued**

(c) The amount payable is due to Hydro One for LV costs to be paid over three years.

For certain of the regulatory assets and liabilities identified above, the expected recover or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the OEB in determining the item's treatment for rate-setting purposes.

**9. Long-term obligations**

	<u>2006</u>	<u>2005</u>
Future benefits	\$ 50,764	\$ 50,764
Customer deposits and credit balances	206,605	282,959
	<u>\$ 257,369</u>	<u>\$ 333,723</u>

**Employee future benefits**

Espanola Regional Hydro Distribution Corporation pays certain benefits on behalf of its retired employees. Effective November 1, 2000 the Corporation adopted the Canadian Institute of Chartered Accountants new accounting standards for employee future benefits which recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability of \$50,764(2005 - \$50,764) and the expense for the period ended December 31, 2006 was determined using a discount rate of 6.0%.

Information about Regional Hydro Distribution's benefit plans is as follows:

Accrued benefit liability transferred during the year	\$ 50,764
Expense for the period	8,350
Benefits paid for the period	<u>(8,350)</u>
	<u>\$ 50,764</u>

The main assumptions employed for the valuations are as follows:

**(a) General inflation:**

Future general inflation levels as measured by changes in the Consumer Price index (CPI<sup>™</sup>), were assumed at 3.0% in 2005 and thereafter.

**(b) Interest (discount) rate:**

The obligation of the present value of future liabilities and the expense for the year ended December 31, 2005 were determined using an annual discount rate of 6.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.0%.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

<b>10. Long-term debt</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Mortgage payable \$8,400 annually, without interest	\$ -	\$ 28,000
Current portion	-	8,400
	<u>\$ -</u>	<u>\$ 19,600</u>

<b>11. Share capital</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Authorized Unlimited shares common stock		
Stated 1,000 shares common stock	<u>\$ 1,000</u>	<u>\$ 1,000</u>

**12. Commitments and contingencies**

- (a) The company has issued a \$350,000 Letter of Guarantee to the Independent Electricity market Operator (IMO). This guarantee was a requirement of the IMO for market opening on May 1, 2002. At December 31, 2006, no amounts have been drawn on this financing arrangement.

**(b) Litigation:**

A class action lawsuit claiming \$500 million in restitutionary payments, plus interest, was served on Toronto Hydro Electric Commission, continuing as Toronto Hydro Corporation, on November 8, 1998. This action was initiated against Toronto Hydro-Electric Commission as the representative of the defendant class consisting of all municipal electric utilities in Ontario which have charged late payment charges on overdue utility bills after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under section 347(1)(b) of the Criminal Code.

The Electricity Distributors Association has undertaken the defense of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Company.

Accordingly, no provision has been made in these financial statements with respect to any possible losses that may arise as a result of this matter.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**13. Payment in lieu of future taxes**

(a) The components of the payment in lieu of future tax balances are as follows:

	<u>2006</u>	<u>2005</u>
Payment in lieu of future taxes		
Effect of losses carrying forward	\$ 21,464	\$ 48,228
Difference between tax basis of capital assets and carrying amount	46,882	71,998
Difference between carrying value of regulatory assets and tax basis	<u>(18,519)</u>	<u>(58,920)</u>
	49,827	61,306
Valuation allowance	<u>(36,749)</u>	<u>(48,228)</u>
	<u>\$ 13,078</u>	<u>\$ 13,078</u>

(b) The provision for payments in lieu of taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 18.62% to the earnings (loss) for the years as follows:

	<u>2006</u>	<u>2005</u>
Earnings (loss) before payment in lieu of taxes	\$ <u>9,509</u>	\$ <u>(123,509)</u>
Anticipated income tax expense (recovery)	1,770	(22,997)
Other	<u>(1,770)</u>	<u>9,919</u>
Provision for payment in lieu of taxes	<u>\$ —</u>	<u>\$ (13,078)</u>

**14. Loss carry forwards**

For payment in lieu of tax purposes, the company has losses which can be applied to reduce future years taxable income.

These losses expire as follows:

2015	<u>\$ 115,272</u>
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Espanola Regional Hydro Distribution Corporation (ERHDC)

PRO FORMA FINANCIAL STATEMENTS

AT  
DECEMBER 31 2007

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

FinStmnt	BS	OK?	YES
Sum of Amount			
GroupDesc	AcctDesc	Total	
1050-Current Assets	1005-Cash	573,836	
	1010-Cash Advances and Working Funds	0	
	1060-Term Deposits	0	
	1100-Customer Accounts Receivable	662,000	
	1102-Accounts Receivable - Services	0	
	1104-Accounts Receivable - Recoverable Work	59,300	
	1110-Other Accounts Receivable	148,827	
	1120-Accrued Utility Revenues	550,000	
	1130-Accumulated Provision for Uncollectible Accounts--Credit	0	
	1180-Prepayments	20,000	
	1190-Miscellaneous Current and Accrued Assets	13,000	
1050-Current Assets Total		2,026,963	
1100-Inventory	1305-Fuel Stock	0	
	1330-Plant Materials and Operating Supplies	80,000	
1100-Inventory Total		80,000	
1150-Non-Current Assets	1490-Investment in Subsidiary Companies	0	
1150-Non-Current Assets Total		0	
1200-Other Assets and Deferred Charges	1508-Other Regulatory Assets	0	
	1518-RCVARetail	0	
	1520-Power Purchase Variance Account	0	
	1525-Miscellaneous Deferred Debits	0	
	1548-RCVASTR	0	
	1550-LV Variance Account	0	
	1555-Smart Meters Capital Variance Account	0	
	1556-Smart Meters OM&A Variance Account	0	
	1562-Deferred Payments in Lieu of Taxes	0	
	1563-Account 1563 - Deferred PILs Contra Account	0	
	1565-Conservation and Demand Management Expenditures and Recoveries	0	
	1570-Qualifying Transition Costs	0	
	1580-RSVAWMS	0	
	1582-RSVAONE-TIME	0	
	1584-RSVANW	0	
	1586-RSVACN	0	
	1588-RSVAPOWER	253,632	
	1590-Recovery of Regulatory Asset Balances	26,368	
1200-Other Assets and Deferred Charges Total		280,000	
1300-Intangible Plant	1606-Organization	29,787	
	1610-Miscellaneous Intangible Plant	0	
1300-Intangible Plant Total		29,787	
1450-Distribution Plant	1805-Land	69,945	
	1806-Land Rights	0	
	1808-Buildings and Fixtures	291,542	
	1820-Distribution Station Equipment - Normally Primary below 50 kV	267,520	
	1830-Poles, Towers and Fixtures	592,028	
	1835-Overhead Conductors and Devices	513,371	
	1840-Underground Conduit	257,740	
	1845-Underground Conductors and Devices	48,442	
	1850-Line Transformers	823,324	
	1855-Services	128,337	
	1860-Meters	226,979	
1450-Distribution Plant Total		3,219,229	
1500-General Plant	1905-Land	0	
	1906-Land Rights	0	
	1908-Buildings and Fixtures	0	
	1910-Leasehold Improvements	0	
	1915-Office Furniture and Equipment	5,607	
	1920-Computer Equipment - Hardware	58,639	
	1925-Computer Software	25,257	



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

	1930-Transportation Equipment	215,337
	1935-Stores Equipment	10,538
	1940-Tools, Shop and Garage Equipment	127,588
	1945-Measurement and Testing Equipment	7,962
	1955-Communication Equipment	0
	1960-Miscellaneous Equipment	0
	1970-Load Management Controls - Customer Premises	0
	1975-Load Management Controls - Utility Premises	0
	1980-System Supervisory Equipment	0
	1985-Sentinel Lighting Rental Units	10,121
	1995-Contributions and Grants - Credit	-106,018
1500-General Plant Total		355,032
1550-Other Capital Assets	2005-Property Under Capital Leases	0
	2050-Completed Construction Not Classified--Electric	0
	2055-Construction Work in Progress--Electric	267,204
1550-Other Capital Assets Total		267,204
1600-Accumulated Amortization	2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	-1,691,901
	2120-Accumulated Amortization of Electric Utility Plant - Intangibles	0
1600-Accumulated Amortization Total		-1,691,901
1650-Current Liabilities	2205-Accounts Payable	-2,993,720
	2208-Customer Credit Balances	0
	2210-Current Portion of Customer Deposits	-200,127
	2220-Miscellaneous Current and Accrued Liabilities	-127,900
	2250-Debt Retirement Charges( DRC) Payable	-40,100
	2290-Commodity Taxes	0
	2292-Payroll Deductions / Expenses Payable	-28,100
1650-Current Liabilities Total		-3,389,947
1700-Non-Current Liabilities	2310-Vested Sick Leave Liability	-51,000
	2405-Other Regulatory Liabilities	-223,600
	2425-Other Deferred Credits	0
1700-Non-Current Liabilities Total		-274,600
1800-Long-Term Debt	2520-Other Long Term Debt	0
	2550-Advances from Associated Companies	-1,473,979
1800-Long-Term Debt Total		-1,473,979
1850-Shareholders' Equity	3005-Common Shares Issued	-1,000
	3030-Miscellaneous Paid-In Capital	0
	3045-Unappropriated Retained Earnings	570,153
	3046-Balance Transferred From Income	3,059
	3055-Adjustment to Retained Earnings	0
1850-Shareholders' Equity Total		572,212
Grand Total		-0

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

FinStmt	PL	
Sum of Amount		
GroupDesc	AcctDesc	Total
3000-Sales of Electricity	4006-Residential Energy Sales	-1,800,000
	4010-Commercial Energy Sales	0
	4020-Energy Sales to Large Users	0
	4025-Street Lighting Energy Sales	-38,400
	4030-Sentinel Lighting Energy Sales	-1,500
	4035-General Energy Sales	-1,661,800
	4040-Other Energy Sales to Public Authorities	0
	4045-Energy Sales to Railroads and Railways	0
	4050-Revenue Adjustment	-47,300
	4055-Energy Sales for Resale	-355,000
	4062-Billed WMS	-356,000
	4064-Billed-One-Time	0
	4066-Billed NW	-330,000
	4068-Billed CN	-200,000
4075-Billed-LV	-119,393	
<b>3000-Sales of Electricity Total</b>		<b>-4,909,393</b>
3050-Revenues From Services - Distribution	4080-Distribution Services Revenue	-1,077,428
	4082-Retail Services Revenues	-5,760
	4084-Service Transaction Requests (STR) Revenues	-100
<b>3050-Revenues From Services - Distribution Total</b>		<b>-1,083,288</b>
3100-Other Operating Revenues	4210-Rent from Electric Property	-38,900
	4225-Late Payment Charges	-12,200
	4235-Miscellaneous Service Revenues	-57,220
<b>3100-Other Operating Revenues Total</b>		<b>-108,320</b>
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	-9,414
	4375-Revenues from Non-Utility Operations	-29,900
	4380-Expenses of Non-Utility Operations	25,319
	4390-Miscellaneous Non-Operating Income	0
<b>3150-Other Income &amp; Deductions Total</b>		<b>-13,995</b>
3200-Investment Income	4405-Interest and Dividend Income	-70,000
<b>3200-Investment Income Total</b>		<b>-70,000</b>
3350-Power Supply Expenses	4705-Power Purchased	3,904,000
	4708-Charges-WMS	356,000
	4710-Cost of Power Adjustments	0
	4712-Charges-One-Time	0
	4714-Charges-NW	330,000
	4716-Charges-CN	200,000
	4720-Other Expenses	0
	4730-Rural Rate Assistance Expense	0
	4750-Charges-LV	119,393
<b>3350-Power Supply Expenses Total</b>		<b>4,909,393</b>
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	36,840
	5012-Station Buildings and Fixtures Expense	14,168
	5016-Distribution Station Equipment - Operation Labour	12,015
	5017-Distribution Station Equipment - Operation Supplies and Expenses	11,000
	5020-Overhead Distribution Lines and Feeders - Operation Labour	30,102
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	10,700
	5035-Overhead Distribution Transformers- Operation	12,425
	5040-Underground Distribution Lines and Feeders - Operation Labour	5,663
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	3,900
	5055-Underground Distribution Transformers - Operation	13,142
	5065-Meter Expense	14,492
	5070-Customer Premises - Operation Labour	23,167
	5075-Customer Premises - Materials and Expenses	2,000
	5085-Miscellaneous Distribution Expense	13,302
5095-Overhead Distribution Lines and Feeders - Rental Paid	13,700	
<b>3500-Distribution Expenses - Operation Total</b>		<b>216,616</b>
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	36,840

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

	5110-Maintenance of Buildings and Fixtures - Distribution Stations	5,863
	5114-Maintenance of Distribution Station Equipment	14,580
	5120-Maintenance of Poles, Towers and Fixtures	3,167
	5125-Maintenance of Overhead Conductors and Devices	37,566
	5130-Maintenance of Overhead Services	150
	5135-Overhead Distribution Lines and Feeders - Right of Way	63,378
	5145-Maintenance of Underground Conduit	1,450
	5150-Maintenance of Underground Conductors and Devices	17,204
	5155-Maintenance of Underground Services	0
	5160-Maintenance of Line Transformers	2,567
	5170-Sentinel Lights - Labour	789
	5172-Sentinel Lights - Materials and Expenses	0
	5175-Maintenance of Meters	789
<b>3550-Distribution Expenses - Maintenance Total</b>		<b>184,343</b>
3650-Billing and Collecting	5310-Meter Reading Expense	38,089
	5315-Customer Billing	138,917
	5320-Collecting	70,822
	5325-Collecting- Cash Over and Short	0
	5335-Bad Debt Expense	4,000
<b>3650-Billing and Collecting Total</b>		<b>251,828</b>
3700-Community Relations	5410-Community Relations - Sundry	2,000
	5515-Advertising Expense	0
<b>3700-Community Relations Total</b>		<b>2,000</b>
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	16,700
	5610-Management Salaries and Expenses	64,065
	5615-General Administrative Salaries and Expenses	16,139
	5620-Office Supplies and Expenses	57,819
	5630-Outside Services Employed	100,411
	5635-Property Insurance	5,200
	5640-Injuries and Damages	7,991
	5645-Employee Pensions and Benefits	9,000
	5655-Regulatory Expenses	6,000
	5660-General Advertising Expenses	0
	5665-Miscellaneous General Expenses	1,000
	5680-Electrical Safety Authority Fees	2,500
	5685-Independent Market Operator Fees and Penalties	0
<b>3800-Administrative and General Expenses Total</b>		<b>286,825</b>
3850-Amortization Expense	5705-Amortization Expense - Property, Plant, and Equipment	178,061
	5710-Amortization of Limited Term Electric Plant	0
	5715-Amortization of Intangibles and Other Electric Plant	0
<b>3850-Amortization Expense Total</b>		<b>178,061</b>
3900-Interest Expense	6030-Interest on Debt to Associated Companies	84,625
	6035-Other Interest Expense	48,400
	6042-Allowance For Other Funds Used During Construction	0
<b>3900-Interest Expense Total</b>		<b>133,025</b>
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	25,964
<b>3950-Taxes Other Than Income Taxes Total</b>		<b>25,964</b>
4000-Income Taxes	6110-Income Taxes	0
<b>4000-Income Taxes Total</b>		<b>0</b>
4100-Extraordinary & Other Items	6205-Donations	0
<b>4100-Extraordinary &amp; Other Items Total</b>		<b>0</b>
<b>Grand Total</b>		<b>3,059</b>

Espanola Regional Hydro Distribution Corporation (ERHDC)

PRO FORMA FINANCIAL STATEMENTS

AT  
DECEMBER 31 2008

### Espanola Regional Hydro Distribution Corporation (ERHDC)

FinStmnt		BS	OK?	YES
Sum of Amount				
GroupDesc	AcctDesc	Total		
1050-Current Assets	1005-Cash	598,575		
	1010-Cash Advances and Working Funds	0		
	1060-Term Deposits	0		
	1100-Customer Accounts Receivable	662,000		
	1102-Accounts Receivable - Services	0		
	1104-Accounts Receivable - Recoverable Work	59,298		
	1110-Other Accounts Receivable	148,827		
	1120-Accrued Utility Revenues	550,000		
	1130-Accumulated Provision for Uncollectible Accounts--Credit	0		
	1180-Prepayments	20,000		
	1190-Miscellaneous Current and Accrued Assets	13,000		
1050-Current Assets Total		2,051,700		
1100-Inventory	1305-Fuel Stock	0		
	1330-Plant Materials and Operating Supplies	80,000		
	1350-Other Materials and Supplies	0		
1100-Inventory Total		80,000		
1150-Non-Current Assets	1460-Other Non-Current Assets	0		
	1490-Investment in Subsidiary Companies	0		
1150-Non-Current Assets Total		0		
1200-Other Assets and Deferred Charges	1505-Unrecovered Plant and Regulatory Study Costs	0		
	1508-Other Regulatory Assets	0		
	1510-Preliminary Survey and Investigation Charges	0		
	1515-Emission Allowance Inventory	0		
	1516-Emission Allowances Withheld	0		
	1518-RCVARetail	0		
	1520-Power Purchase Variance Account	0		
	1525-Miscellaneous Deferred Debits	0		
	1530-Deferred Losses from Disposition of Utility Plant	0		
	1540-Unamortized Loss on Reacquired Debt	0		
	1545-Development Charge Deposits/ Receivables	0		
	1548-RCVASTR	0		
	1550-LV Variance Account	0		
	1555-Smart Meters Capital Variance Account	-11,877		
	1556-Smart Meters OM&A Variance Account	0		
	1560-Deferred Development Costs	0		
	1562-Deferred Payments in Lieu of Taxes	0		
	1563-Account 1563 - Deferred PILs Contra Account	0		
	1565-Conservation and Demand Management Expenditures and Recoveries	0		
	1566-CDM Contra Account	0		
	1570-Qualifying Transition Costs	0		
	1571-Pre-market Opening Energy Variance	0		
	1572-Extraordinary Event Costs	0		
	1574-Deferred Rate Impact Amounts	0		
	1580-RSVAWMS	0		
	1582-RSVAONE-TIME	0		
	1584-RSVANW	0		
	1586-RSVACN	0		
	1588-RSVAPOWER	253,632		
	1590-Recovery of Regulatory Asset Balances	80,021		
	1592-2006 PILs/Taxes Variance	0		
1200-Other Assets and Deferred Charges Total		321,775		
1300-Intangible Plant	1606-Organization	29,787		
	1610-Miscellaneous Intangible Plant	0		
1300-Intangible Plant Total		29,787		
1450-Distribution Plant	1805-Land	69,945		
	1806-Land Rights	0		
	1808-Buildings and Fixtures	291,542		
	1820-Distribution Station Equipment - Normally Primary below 50 kV	287,313		

### Espanola Regional Hydro Distribution Corporation (ERHDC)

	1820-Distribution Station Equipment - Normally Primary below 50 kV	287,313
	1830-Poles, Towers and Fixtures	690,224
	1835-Overhead Conductors and Devices	544,254
	1840-Underground Conduit	299,384
	1845-Underground Conductors and Devices	48,442
	1850-Line Transformers	823,324
	1855-Services	141,220
	1860-Meters	226,979
1450-Distribution Plant Total		3,422,628
1500-General Plant	1905-Land	0
	1906-Land Rights	0
	1908-Buildings and Fixtures	0
	1910-Leasehold Improvements	0
	1915-Office Furniture and Equipment	6,607
	1920-Computer Equipment - Hardware	58,639
	1925-Computer Software	25,257
	1930-Transportation Equipment	215,337
	1935-Stores Equipment	10,538
	1940-Tools, Shop and Garage Equipment	127,588
	1945-Measurement and Testing Equipment	7,962
	1955-Communication Equipment	0
	1960-Miscellaneous Equipment	0
	1970-Load Management Controls - Customer Premises	0
	1975-Load Management Controls - Utility Premises	0
	1980-System Supervisory Equipment	0
	1985-Sentinel Lighting Rental Units	10,121
	1990-Other Tangible Property	0
	1995-Contributions and Grants - Credit	-106,018
1500-General Plant Total		356,032
1550-Other Capital Assets	2005-Property Under Capital Leases	0
	2050-Completed Construction Not Classified--Electric	0
	2055-Construction Work in Progress--Electric	267,204
	2070-Other Utility Plant	0
1550-Other Capital Assets Total		267,204
1600-Accumulated Amortization	2105-Accum. Amortization of Electric Utility Plant - Property, Plant, & Equipment	-1,871,355
	2120-Accumulated Amortization of Electric Utility Plant - Intangibles	0
	2160-Accumulated Amortization of Other Utility Plant	0
1600-Accumulated Amortization Total		-1,871,355
1650-Current Liabilities	2205-Accounts Payable	-3,016,290
	2208-Customer Credit Balances	0
	2210-Current Portion of Customer Deposits	-200,127
	2220-Miscellaneous Current and Accrued Liabilities	-127,900
	2250-Debt Retirement Charges( DRC) Payable	-40,100
	2260-Current Portion of Long Term Debt	0
	2290-Commodity Taxes	0
	2292-Payroll Deductions / Expenses Payable	-28,100
1650-Current Liabilities Total		-3,412,517
1700-Non-Current Liabilities	2310-Vested Sick Leave Liability	-51,000
	2320-Other Miscellaneous Non-Current Liabilities	0
	2405-Other Regulatory Liabilities	-173,600
	2425-Other Deferred Credits	0
1700-Non-Current Liabilities Total		-224,600
1800-Long-Term Debt	2505-Debentures Outstanding - Long Term Portion	0
	2510-Debenture Advances	0
	2515-Reacquired Bonds	0
	2520-Other Long Term Debt	0
	2525-Term Bank Loans - Long Term Portion	0
	2530-Ontario Hydro Debt Outstanding - Long Term Portion	0
	2550-Advances from Associated Companies	-1,473,979
1800-Long-Term Debt Total		-1,473,979
1850-Shareholders' Equity	3005-Common Shares Issued	-1,000
	3030-Miscellaneous Paid-In Capital	0
	3045-Unappropriated Retained Earnings	573,212
	3046-Balance Transferred From Income	-118,887
	3055-Adjustment to Retained Earnings	0
1850-Shareholders' Equity Total		453,325
Grand Total	<b>186</b>	-0

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

	3046-Balance Transferred From Income	-118,887
	3055-Adjustment to Retained Earnings	0
1850-Shareholders' Equity Total		453,325
Grand Total		-0

## Espanola Regional Hydro Distribution Corporation (ERHDC)

FinStmnt	PL	
Sum of Amount		
GroupDesc	AcctDesc	Total
3000-Sales of Electricity	4006-Residential Energy Sales	-1,639,000
	4010-Commercial Energy Sales	0
	4015-Industrial Energy Sales	0
	4020-Energy Sales to Large Users	0
	4025-Street Lighting Energy Sales	-38,100
	4030-Sentinel Lighting Energy Sales	-1,500
	4035-General Energy Sales	-1,640,800
	4040-Other Energy Sales to Public Authorities	0
	4045-Energy Sales to Railroads and Railways	0
	4050-Revenue Adjustment	-40,600
	4055-Energy Sales for Resale	-340,000
	4060-Interdepartmental Energy Sales	0
	4062-Billed WMS	-412,209
	4064-Billed-One-Time	0
	4066-Billed NW	-334,165
	4068-Billed CN	-244,300
	4075-Billed-LV	-139,296
3000-Sales of Electricity Total		-4,829,970
3050-Revenues From Services - Distirbution	4080-Distribution Services Revenue	-1,193,752
	4082-Retail Services Revenues	-8,650
	4084-Service Transaction Requests (STR) Revenues	-125
3050-Revenues From Services - Distirbution Total		-1,202,527
3100-Other Operating Revenues	4210-Rent from Electric Property	-39,500
	4215-Other Utility Operating Income	0
	4225-Late Payment Charges	-12,200
	4235-Miscellaneous Service Revenues	-57,220
3100-Other Operating Revenues Total		-108,920
3150-Other Income & Deductions	4325-Revenues from Merchandise, Jobbing, Etc.	0
	4375-Revenues from Non-Utility Operations	-30,805
	4380-Expenses of Non-Utility Operations	26,847
	4390-Miscellaneous Non-Operating Income	0
3150-Other Income & Deductions Total		-3,958
3200-Investment Income	4405-Interest and Dividend Income	-68,000
3200-Investment Income Total		-68,000
3350-Power Supply Expenses	4705-Power Purchased	3,700,000
	4708-Charges-WMS	412,209
	4710-Cost of Power Adjustments	0
	4712-Charges-One-Time	0
	4714-Charges-NW	334,165
	4715-System Control and Load Dispatching	0
	4716-Charges-CN	244,300
	4720-Other Expenses	0
	4725-Competition Transition Expense	0
	4730-Rural Rate Assistance Expense	0
	4750-Charges-LV	139,296
3350-Power Supply Expenses Total		4,829,970
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	37,392
	5012-Station Buildings and Fixtures Expense	3,931
	5016-Distribution Station Equipment - Operation Labour	12,815
	5017-Distribution Station Equipment - Operation Supplies and Expenses	11,225
	5020-Overhead Distribution Lines and Feeders - Operation Labour	53,268
	5025-Overhead Distribution Lines & Feeders - Operation Supplies and Expenses	10,915
	5035-Overhead Distribution Transformers- Operation	14,203
	5040-Underground Distribution Lines and Feeders - Operation Labour	6,039
	5045-Underground Distribution Lines & Feeders - Operation Supplies & Expenses	3,980
	5055-Underground Distribution Transformers - Operation	15,682
	5065-Meter Expense	13,426
	5070-Customer Premises - Operation Labour	25,085



### Espanola Regional Hydro Distribution Corporation (ERHDC)

	5075-Customer Premises - Materials and Expenses	2,040
	5085-Miscellaneous Distribution Expense	13,726
	5095-Overhead Distribution Lines and Feeders - Rental Paid	13,700
<b>3500-Distribution Expenses - Operation Total</b>		<b>237,426</b>
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	37,392
	5110-Maintenance of Buildings and Fixtures - Distribution Stations	6,239
	5114-Maintenance of Distribution Station Equipment	15,235
	5120-Maintenance of Poles, Towers and Fixtures	6,972
	5125-Maintenance of Overhead Conductors and Devices	38,288
	5130-Maintenance of Overhead Services	150
	5135-Overhead Distribution Lines and Feeders - Right of Way	59,944
	5145-Maintenance of Underground Conduit	1,426
	5150-Maintenance of Underground Conductors and Devices	17,301
	5155-Maintenance of Underground Services	0
	5160-Maintenance of Line Transformers	2,709
	5170-Sentinel Lights - Labour	836
	5172-Sentinel Lights - Materials and Expenses	0
	5175-Maintenance of Meters	836
<b>3550-Distribution Expenses - Maintenance Total</b>		<b>187,328</b>
3650-Billing and Collecting	5305-Supervision	0
	5310-Meter Reading Expense	39,276
	5315-Customer Billing	142,446
	5320-Collecting	68,965
	5325-Collecting- Cash Over and Short	0
	5335-Bad Debt Expense	4,000
<b>3650-Billing and Collecting Total</b>		<b>254,687</b>
3700-Community Relations	5410-Community Relations - Sundry	2,000
	5515-Advertising Expense	0
<b>3700-Community Relations Total</b>		<b>2,000</b>
3800-Administrative and General Expenses	5605-Executive Salaries and Expenses	18,600
	5610-Management Salaries and Expenses	67,229
	5615-General Administrative Salaries and Expenses	7,555
	5620-Office Supplies and Expenses	60,431
	5630-Outside Services Employed	95,842
	5635-Property Insurance	5,350
	5640-Injuries and Damages	8,230
	5645-Employee Pensions and Benefits	9,550
	5655-Regulatory Expenses	6,000
	5660-General Advertising Expenses	0
	5665-Miscellaneous General Expenses	1,500
	5680-Electrical Safety Authority Fees	2,500
	5685-Independent Market Operator Fees and Penalties	0
<b>3800-Administrative and General Expenses Total</b>		<b>282,788</b>
3850-Amortization Expense	5705-Amortization Expense - Property, Plant, and Equipment	179,455
	5710-Amortization of Limited Term Electric Plant	0
	5715-Amortization of Intangibles and Other Electric Plant	0
	5725-Miscellaneous Amortization	0
<b>3850-Amortization Expense Total</b>		<b>179,455</b>
3900-Interest Expense	6005-Interest on Long Term Debt	0
	6010-Amortization of Debt Discount and Expense	0
	6015-Amortization of Premium on Debt Credit	0
	6020-Amortization of Loss on Reacquired Debt	0
	6025-Amortization of Gain on Reacquired Debt--Credit	0
	6030-Interest on Debt to Associated Companies	84,625
	6035-Other Interest Expense	36,210
	6042-Allowance For Other Funds Used During Construction	0
<b>3900-Interest Expense Total</b>		<b>120,835</b>
3950-Taxes Other Than Income Taxes	6105-Taxes Other Than Income Taxes	0
<b>3950-Taxes Other Than Income Taxes Total</b>		<b>0</b>
4000-Income Taxes	6110-Income Taxes	0
<b>4000-Income Taxes Total</b>		<b>0</b>
4100-Extraordinary & Other Items	6205-Donations	0

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

	6225-Other Deductions	0
4100-Extraordinary & Other Items Total		0
Grand Total		-118,887

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND FINANCIAL RESULTS FILED**

Reconciliation between the results filed and the 2006 Audited Statements for ERHDC.

<b>OEB Account #</b>	<b>Difference</b>	<b>Rational</b>
1808 - Building and Fixtures	(32,806)	Fully depreciated fixed assets and the related accumulated depreciation were adjusted. No impact on net fixed assets or P&L.
1820 – Distribution Station Equipment	(26,000)	
1830 – Poles Towers and Fixtures	(871,250)	
1835 - Overhead Conductors and Devices	(414,167)	
1840 – Underground Conduit	(432,752)	
1860 - Meters	(138,131)	
1915 – Office Furniture and Equipment	(58,392)	
1920 – Computer Equipment Hardware	(87,127)	
1930 – Transportation Equipment	<u>(239,269)</u>	
Total reduction in Gross Fixed Assets	(2,299,894)	
2105 – Accumulated Amortization	<u>2,299,894</u>	
Impact on Net Fixed Assets	0	
4225 – Late Payment Charges	(3,053)	Reclassification in other operating income. No impact on P&L.
4235 – Miscellaneous Service Revenues	<u>3,053</u>	
Impact on P&L	0	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**PROPOSED ACCOUNTING TREATMENT**

ERHDC has not proposed any accounting treatment changes at the time of filing this application.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**INFORMATION ON PARENT AND SUBSIDIARIES**

Espanola Regional Hydro Distribution Corporation is an affiliate of Espanola Regional Services Corporation that has been inactive since December 31, 2005. Espanola Regional Hydro Distribution Corporation's parent company is Espanola Regional Hydro Holdings Company. Espanola Regional Hydro Holdings Company is 81% owned by the Town of Espanola and 19% owned by the Township of Sables-Spanish Rivers.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Exhibit**

**02 – Rate Base**

<u>Page</u>	<u>Overview</u>
2	Rate Base Overview
3	Rate Base Summary Table
4	Variance Analysis on Rate Base Table
<b><u>Gross Assets – Property, Plant and Equipment Accumulated</u></b>	
<b><u>Depreciation</u></b>	
5-11	Continuity Statements
12-14	Gross Assets Table
15-17	Materiality Analysis on Gross Assets
18-20	Accumulated Depreciation Table
21-23	Materiality Analysis on Accumulated Depreciation
<b><u>Capital Budget</u></b>	
24-26	Capital Budget by Project
27-28	Materiality Analysis on Capital Additions
29	System Expansions
30-31	Capitalization Policy
<b><u>Allowance for Working Capital</u></b>	
32-33	Overview and Calculation by Account

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**RATE BASE OVERVIEW**

A projection of ERHDC's rate base is provided for both the Bridge Year (2007) and the Test Year (2008). Historical data pertaining to rate base is presented for 2006 Board Approved and 2006 Actual.

ERHDC's forecast rate base for the test year is \$2,763,963. The rate base underlying the test year revenue requirement included a forecast of net fixed assets plus a working capital allowance. Net fixed assets are gross assets in service minus accumulated depreciation and contributed capital. Details for ERHDC's working capital allowance calculation is provided in this exhibit.

Continuity Schedules for all fixed assets for the Historical Actual, Bridge and Test years are provided in this exhibit.

**Gross Asset – Property, Plant and Equipment and Accumulated Depreciation**

The bridge and test year's gross asset balance reflects the capital expenditure programs forecast for both years. These programs are described in detail in the pa written evidence in this exhibit. The justification for capital projects in excess of 1% of the net fixed assets are in this exhibit.

**Capital Budget**

The Capital Budget for both the bridge year and the test year included in this Exhibit. This provides all the relevant information pertaining to the Capital Program at ERHDC. The review for capital projects in excess of 1% of the net fixed assets are included in this Exhibit.

**Allowance for Working Capital**

The detailed by account calculation of working capital is included in this exhibit.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**RATE BASE SUMMARY TABLE**

	2006 Board Approved	2006 Actual	Variance form 2006 Board Approved	2006 Actual	2007 Bridge	Variance form 2006 Actual	2007 Bridge	2008 Test	Variance form 2007 Bridge
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
<u>Gross Asset</u>									
Asset Values at Cost	5,037,788	4,241,628	(796,160)	4,241,628	3,509,864	(731,764)	3,509,864	3,676,461	166,597
<u>Accumulated Depreciation</u>	<u>(3,070,982)</u>	<u>(2,301,418)</u>	<u>769,564</u>	<u>(2,301,418)</u>	<u>(1,611,878)</u>	<u>689,541</u>	<u>(1,611,878)</u>	<u>(1,781,628)</u>	<u>(169,751)</u>
Net Fixed Asset	1,966,806	1,940,210	(26,596)	1,940,210	1,897,987	(42,223)	1,897,987	1,894,833	(3,154)
<u>Allowance for Working Capital</u>	<u>757,948</u>	<u>837,147</u>	<u>79,199</u>	<u>837,147</u>	<u>877,651</u>	<u>40,504</u>	<u>877,651</u>	<u>869,130</u>	<u>(8,521)</u>
Utility Rate Base	2,724,754	2,777,357	52,603	2,777,357	2,775,638	(1,719)	2,775,638	2,763,963	(11,675)



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**VARIANCE ANALYSIS ON RATE BASE SUMMARY TABLE**

**2008 Test Year**

As shown in the above exhibit, the total rate base in the 2008 test year is forecast to be \$2,763,963. Net fixed assets accounts for \$1,894,833 of this total. The allowance for working capital totals \$869,130.

**Comparison to 2007 Bridge Year**

The total rate base is expected to be \$11,675 or 0.42% lower in the 2008 test year than in the 2007 bridge year. The variance is not considered to be material.

**2007 Bridge Year**

**Comparison to 2006 Actual**

The total rate base is expected to be \$1,719 or 0.06% lower in the 2007 Bridge year than the 2006 Actual. The variance is not considered to be material.

**2006 Actual**

**Comparison to 2006 Board Approved**

The total rate base was \$52,603 or 1.93% higher in 2006 actual than in the 2006 Board approved rate base.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CONTINUITY STATEMENTS**

ACCOUNT: 1805

1805-Land

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>
Additions	-		-	0		0	0		0
Depreciation 4.0%		0	0		0	0		0	0
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>	<b>69,945</b>	<b>0</b>	<b>69,945</b>
Average Balance	69,945	0	69,945	69,945	0	69,945	69,945	0	69,945
Change in Year	0	0	0	0	0	0	0	0	0

ACCOUNT: 1808

1808-Buildings and Fixtures

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>282,372</b>	<b>-53,693</b>	<b>228,679</b>	<b>291,542</b>	<b>-65,170</b>	<b>226,372</b>	<b>291,542</b>	<b>-76,831</b>	<b>214,710</b>
Additions	9,170		9,170	0		0	0		0
Depreciation 4.0%		-11,477	-11,477		-11,662	-11,662		-11,662	-11,662
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>291,542</b>	<b>-65,170</b>	<b>226,372</b>	<b>291,542</b>	<b>-76,831</b>	<b>214,710</b>	<b>291,542</b>	<b>-88,493</b>	<b>203,048</b>
Average Balance	286,957	-59,432	227,526	291,542	-71,001	220,541	291,542	-82,662	208,879
Change in Year	-9,170	11,477	2,307	0	-11,662	-11,662	0	-11,662	-11,662

ACCOUNT: 1820

1820-Distribution Station Equipment - Normally Primary below 50 kv

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>258,260</b>	<b>-175,416</b>	<b>82,844</b>	<b>258,260</b>	<b>-185,746</b>	<b>72,514</b>	<b>267,520</b>	<b>-196,262</b>	<b>71,259</b>
Additions				9,260		9,260	19,793		19,793
Depreciation 4.0%		-10,330	-10,330		-10,516	-10,516		-11,097	-11,097
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>258,260</b>	<b>-185,746</b>	<b>72,514</b>	<b>267,520</b>	<b>-196,262</b>	<b>71,259</b>	<b>287,313</b>	<b>-207,359</b>	<b>79,955</b>
Average Balance	258,260	-180,581	77,679	262,890	-191,004	71,886	277,417	-201,810	75,607
Change in Year	0	10,330	10,330	9,260	-10,516	-1,256	19,793	-11,097	8,696

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ACCOUNT: 1830 1830-Poles, Towers and Fixtures**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>544,978</b>	<b>-213,849</b>	<b>331,129</b>	<b>544,978</b>	<b>-235,648</b>	<b>309,330</b>	<b>592,028</b>	<b>-258,388</b>	<b>333,640</b>
Additions				47,050		47,050	98,196		98,196
Depreciation 4.0%		-21,799	-21,799		-22,740	-22,740		-25,645	-25,645
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>544,978</b>	<b>-235,648</b>	<b>309,330</b>	<b>592,028</b>	<b>-258,388</b>	<b>333,640</b>	<b>690,224</b>	<b>-284,033</b>	<b>406,191</b>
Average Balance	544,978	-224,749	320,230	568,503	-247,018	321,485	641,126	-271,211	369,916
Change in Year	0	21,799	21,799	47,050	-22,740	24,310	98,196	-25,645	72,551

**ACCOUNT: 1835 1835-Overhead Conductors and Devices**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>513,371</b>	<b>-39,677</b>	<b>473,694</b>	<b>513,371</b>	<b>-60,217</b>	<b>453,154</b>	<b>513,371</b>	<b>-80,752</b>	<b>432,619</b>
Additions				0		0	30,883		30,883
Depreciation 4.0%		-20,540	-20,540		-20,535	-20,535		-21,153	-21,153
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>513,371</b>	<b>-60,217</b>	<b>453,154</b>	<b>513,371</b>	<b>-80,752</b>	<b>432,619</b>	<b>544,254</b>	<b>-101,905</b>	<b>442,349</b>
Average Balance	513,371	-49,947	463,424	513,371	-70,485	442,887	528,813	-91,329	437,484
Change in Year	0	20,540	20,540	0	20,535	20,535	-30,883	21,153	-9,730

**ACCOUNT: 1840 1840-Underground Conduit**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>252,343</b>	<b>-19,790</b>	<b>232,553</b>	<b>257,740</b>	<b>-30,835</b>	<b>226,905</b>	<b>257,740</b>	<b>-41,145</b>	<b>216,595</b>
Additions	5,397		5,397	0		0	41,644		41,644
Depreciation 4.0%		-11,045	-11,045		-10,310	-10,310		-11,142	-11,142
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>257,740</b>	<b>-30,835</b>	<b>226,905</b>	<b>257,740</b>	<b>-41,145</b>	<b>216,595</b>	<b>299,384</b>	<b>-52,287</b>	<b>247,097</b>
Average Balance	255,042	-25,313	229,729	257,740	-35,990	221,750	278,562	-46,716	231,846
Change in Year	-5,397	11,045	5,648	0	-10,310	-10,310	41,644	-11,142	30,502

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ACCOUNT: 1845

1845-Underground Conductors and Devices

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>48,442</b>	<b>-30,586</b>	<b>17,856</b>	<b>48,442</b>	<b>-32,524</b>	<b>15,918</b>	<b>48,442</b>	<b>-34,462</b>	<b>13,981</b>
Additions				0		0	0		0
Depreciation 4.0%		-1,938	-1,938		-1,938	-1,938		-1,938	-1,938
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>48,442</b>	<b>-32,524</b>	<b>15,918</b>	<b>48,442</b>	<b>-34,462</b>	<b>13,981</b>	<b>48,442</b>	<b>-36,399</b>	<b>12,043</b>
Average Balance	48,442	-31,555	16,887	48,442	-33,493	14,949	48,442	-35,431	13,012
Change in Year	0	1,938	1,938	0	-1,938	-1,938	0	-1,938	-1,938

ACCOUNT: 1850

1850-Line Transformers

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>765,675</b>	<b>-483,028</b>	<b>282,647</b>	<b>784,608</b>	<b>-514,034</b>	<b>270,574</b>	<b>823,324</b>	<b>-546,192</b>	<b>277,131</b>
Additions	18,933		18,933	38,716		38,716	0		0
Depreciation 4.0%		-31,006	-31,006		-32,159	-32,159		-32,933	-32,933
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>784,608</b>	<b>-514,034</b>	<b>270,574</b>	<b>823,324</b>	<b>-546,192</b>	<b>277,131</b>	<b>823,324</b>	<b>-579,125</b>	<b>244,199</b>
Average Balance	775,142	-498,531	276,611	803,966	-530,113	273,853	823,324	-562,659	260,665
Change in Year	-18,933	31,006	12,073	38,716	-32,159	6,557	0	-32,933	-32,933

ACCOUNT: 1855

1855-Services

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>57,407</b>	<b>-7,139</b>	<b>50,268</b>	<b>80,702</b>	<b>-9,901</b>	<b>70,801</b>	<b>128,337</b>	<b>-14,082</b>	<b>114,256</b>
Additions	23,295		23,295	47,635		47,635	12,883		12,883
Depreciation 4.0%		-2,762	-2,762		-4,181	-4,181		-5,391	-5,391
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>80,702</b>	<b>-9,901</b>	<b>70,801</b>	<b>128,337</b>	<b>-14,082</b>	<b>114,256</b>	<b>141,220</b>	<b>-19,473</b>	<b>121,747</b>
Average Balance	69,055	-8,520	60,535	104,520	-11,991	92,528	134,779	-16,777	118,001
Change in Year	-23,295	2,762	-20,533	47,635	-4,181	43,454	12,883	-5,391	7,492

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ACCOUNT: 1860

1860-Meters

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>217,482</b>	<b>-84,703</b>	<b>132,779</b>	<b>226,979</b>	<b>-93,592</b>	<b>133,388</b>	<b>226,979</b>	<b>-102,671</b>	<b>124,308</b>
Additions	9,497		9,497	0		0	0		0
Depreciation 4.0%		-8,889	-8,889		-9,079	-9,079		-9,079	-9,079
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>226,979</b>	<b>-93,592</b>	<b>133,387</b>	<b>226,979</b>	<b>-102,671</b>	<b>124,308</b>	<b>226,979</b>	<b>-111,750</b>	<b>115,229</b>
Average Balance	222,231	-89,148	133,083	226,979	-98,131	128,848	226,979	-107,210	119,769
Change in Year	-9,497	8,889	-608	0	-9,079	-9,079	0	-9,079	-9,079

ACCOUNT: 1915

1915-Office Furniture and Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>5,607</b>	<b>-3,420</b>	<b>2,187</b>	<b>5,607</b>	<b>-3,981</b>	<b>1,626</b>	<b>5,607</b>	<b>-4,542</b>	<b>1,065</b>
Additions				0		0	1,000		1,000
Depreciation 10.0%		-561	-561		-561	-561		-611	-611
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>5,607</b>	<b>-3,981</b>	<b>1,626</b>	<b>5,607</b>	<b>-4,542</b>	<b>1,065</b>	<b>6,607</b>	<b>-5,153</b>	<b>1,454</b>
Average Balance	5,607	-3,701	1,907	5,607	-4,262	1,346	6,107	-4,848	1,260
Change in Year	0	561	561	0	-561	-561	1,000	-611	389

ACCOUNT: 1920

1920-Computer Equipment - Hardware

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>50,560</b>	<b>-25,499</b>	<b>25,061</b>	<b>54,492</b>	<b>-35,807</b>	<b>18,685</b>	<b>58,639</b>	<b>-47,120</b>	<b>11,519</b>
Additions	3,932		3,932	4,147		4,147	0		0
Depreciation 20.0%		-10,308	-10,308		-11,313	-11,313		-11,519	-11,519
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>54,492</b>	<b>-35,807</b>	<b>18,685</b>	<b>58,639</b>	<b>-47,120</b>	<b>11,519</b>	<b>58,639</b>	<b>-58,639</b>	<b>0</b>
Average Balance	52,526	-30,653	21,873	56,566	-41,464	15,102	58,639	-52,880	5,760
Change in Year	-3,932	10,308	6,376	4,147	-11,313	-7,166	0	-11,519	-11,519

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ACCOUNT: 1925 1925-Computer Software

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>25,257</b>	<b>-16,874</b>	<b>8,383</b>	<b>25,257</b>	<b>-21,925</b>	<b>3,332</b>	<b>25,257</b>	<b>-25,257</b>	<b>0</b>
Additions				0		0	0		0
Depreciation 20.0%		-5,051	-5,051		-3,332	-3,332		0	0
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>25,257</b>	<b>-21,925</b>	<b>3,332</b>	<b>25,257</b>	<b>-25,257</b>	<b>0</b>	<b>25,257</b>	<b>-25,257</b>	<b>0</b>
Average Balance	25,257	-19,400	5,858	25,257	-23,591	1,666	25,257	-25,257	0
Change in Year	0	5,051	5,051	0	-3,332	-3,332	0	0	0

ACCOUNT: 1930 1930-Transportation Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>215,337</b>	<b>-114,320</b>	<b>101,017</b>	<b>215,337</b>	<b>-141,237</b>	<b>74,100</b>	<b>215,337</b>	<b>-168,154</b>	<b>47,183</b>
Additions				0		0	0		0
Depreciation 12.5%		-26,917	-26,917		-26,917	-26,917		-26,917	-26,917
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>215,337</b>	<b>-141,237</b>	<b>74,100</b>	<b>215,337</b>	<b>-168,154</b>	<b>47,183</b>	<b>215,337</b>	<b>-195,071</b>	<b>20,266</b>
Average Balance	215,337	-127,779	87,559	215,337	-154,696	60,642	215,337	-181,613	33,725
Change in Year	0	26,917	26,917	0	-26,917	-26,917	0	-26,917	-26,917

ACCOUNT: 1935 1935-Stores Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>10,538</b>	<b>-1,054</b>	<b>9,484</b>	<b>10,538</b>	<b>-2,108</b>	<b>8,430</b>	<b>10,538</b>	<b>-3,162</b>	<b>7,376</b>
Additions				0		0	0		0
Depreciation 10.0%		-1,054	-1,054		-1,054	-1,054		-1,054	-1,054
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>10,538</b>	<b>-2,108</b>	<b>8,430</b>	<b>10,538</b>	<b>-3,162</b>	<b>7,376</b>	<b>10,538</b>	<b>-4,216</b>	<b>6,322</b>
Average Balance	10,538	-1,581	8,957	10,538	-2,635	7,903	10,538	-3,689	6,849
Change in Year	0	1,054	1,054	0	-1,054	-1,054	0	-1,054	-1,054

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ACCOUNT: 1940 1940-Tools, Shop and Garage Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>126,507</b>	<b>-85,297</b>	<b>41,210</b>	<b>127,588</b>	<b>-98,003</b>	<b>29,585</b>	<b>127,588</b>	<b>-110,762</b>	<b>16,826</b>
Additions	1,081		1,081	0		0	0		0
Depreciation 10.0%		-12,706	-12,706		-12,759	-12,759		-12,759	-12,759
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>127,588</b>	<b>-98,003</b>	<b>29,585</b>	<b>127,588</b>	<b>-110,762</b>	<b>16,826</b>	<b>127,588</b>	<b>-123,521</b>	<b>4,067</b>
Average Balance	127,048	-91,650	35,398	127,588	-104,383	23,206	127,588	-117,142	10,447
Change in Year	-1,081	12,706	11,625	0	-12,759	-12,759	0	-12,759	-12,759

ACCOUNT: 1945 1945-Measurement and Testing Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>7,962</b>	<b>-796</b>	<b>7,166</b>	<b>7,962</b>	<b>-1,592</b>	<b>6,370</b>	<b>7,962</b>	<b>-2,388</b>	<b>5,574</b>
Additions				0		0	0		0
Depreciation 10.0%		-796	-796		-796	-796		-796	-796
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>7,962</b>	<b>-1,592</b>	<b>6,370</b>	<b>7,962</b>	<b>-2,388</b>	<b>5,574</b>	<b>7,962</b>	<b>-3,184</b>	<b>4,777</b>
Average Balance	7,962	-1,194	6,768	7,962	-1,990	5,972	7,962	-2,786	5,175
Change in Year	0	796	796	0	-796	-796	0	-796	-796

ACCOUNT: 1955 1955-Communication Equipment

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>18,014</b>	<b>-9,559</b>	<b>8,455</b>	<b>18,014</b>	<b>-15,563</b>	<b>2,451</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additions				0		0	0		0
Depreciation 33.3%		-6,004	-6,004		-2,451	-2,451		0	0
Retirements & Sales				-18,014	18,014	0	0	0	0
Other (specify) ARO						0			0
						0			0
						0			0
<b>Closing Balance</b>	<b>18,014</b>	<b>-15,563</b>	<b>2,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Average Balance	18,014	-12,561	5,453	9,007	-7,782	1,226	0	0	0
Change in Year	0	6,004	6,004	-18,014	15,563	-2,451	0	0	0

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ACCOUNT: 1985 1985-Sentinel Lighting Rental Units**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>10,121</b>	<b>-8,856</b>	<b>1,265</b>	<b>10,121</b>	<b>-10,121</b>	<b>0</b>	<b>10,121</b>	<b>-10,121</b>	<b>0</b>
Additions				0		0	0		0
Depreciation 12.5%		-1,265	-1,265		0	0		0	0
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>10,121</b>	<b>-10,121</b>	<b>0</b>	<b>10,121</b>	<b>-10,121</b>	<b>0</b>	<b>10,121</b>	<b>-10,121</b>	<b>0</b>
Average Balance	10,121	-9,489	633	10,121	-10,121	0	10,121	-10,121	0
Change in Year	0	1,265	1,265	0	0	0	0	0	0

**ACCOUNT: 1995 1995-Contributions and Grants - Credit**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>(104,494)</b>	<b>21,941</b>	<b>(82,553)</b>	<b>-106,018</b>	<b>26,150</b>	<b>-79,868</b>	<b>-106,018</b>	<b>30,391</b>	<b>-75,627</b>
Additions	(1,524)		(1,524)	0		0	0		0
Depreciation 4.0%		4,209	4,209		4,241	4,241		4,241	4,241
Retirements & Sales				0	0	0	0	0	0
Other (specify) ARO						0			0
						0			0
<b>Closing Balance</b>	<b>-106,018</b>	<b>26,150</b>	<b>-79,868</b>	<b>-106,018</b>	<b>30,391</b>	<b>-75,627</b>	<b>-106,018</b>	<b>34,631</b>	<b>-71,387</b>
Average Balance	-105,256	24,046	-81,211	-106,018	28,270	-77,748	-106,018	32,511	-73,507
Change in Year	1,524	-4,209	-2,685	0	4,241	4,241	0	4,241	4,241

**ACCOUNT: 1610:2005 TOTAL FIXED ASSETS IN SERVICE**

	2006 ACTUAL			BRIDGE YEAR			TEST YEAR		
	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value	Gross Cost	Accumulated Amortization	Net Book Value
<b>Opening Balance</b>	<b>3,375,684</b>	<b>(1,351,615)</b>	<b>2,024,069</b>	<b>3,445,467</b>	<b>-1,531,854</b>	<b>1,913,613</b>	<b>3,574,261</b>	<b>-1,691,901</b>	<b>1,882,361</b>
Additions	69,781	-	69,781	146,808	0	146,808	204,399	0	204,399
Depreciation	-	(180,239)	(180,239)	0	-178,061	-178,061	0	-179,455	-179,455
Retirements & Sales	-	-	-	-18,014	18,014	0	0	0	0
Other (specify) ARO				0	0	0	0	0	0
				0	0	0	0	0	0
<b>Closing Balance</b>	<b>3,445,465</b>	<b>-1,531,854</b>	<b>1,913,611</b>	<b>3,574,261</b>	<b>-1,691,901</b>	<b>1,882,361</b>	<b>3,778,660</b>	<b>-1,871,355</b>	<b>1,907,305</b>
Average Balance	3,410,575	-1,441,735	1,968,840	3,509,864	-1,611,877	1,897,987	3,676,461	-1,781,628	1,894,833
Change in Year	-69,781	180,239	110,458	128,794	-160,047	-31,253	204,399	-179,455	24,944



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**GROSS ASSETS TABLE**

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### GROSS ASSETS TABLE

	2006 Board Approved (\$'s)	2006 Actual (\$'s)	Variance form 2006 Board Approved		2006 Actual (\$'s)	2007 Bridge (\$'s)	Variance form 2006 Actual	2007 Bridge (\$'s)	2008 Test (\$'s)	Variance form 2007 Bridge
<b>Land and Buildings</b>										
1805-Land	69,945	69,945	-		69,945	69,945	-	69,945	69,945	-
1806-Land Rights										
1808-Buildings and Fixtures	309,615	291,542	18,073		291,542	291,542	-	291,542	291,542	-
1905-Land										
1906-Land Rights										
1810-Leasehold Improvements										
<b>Sub-Total-Land and Buildings</b>	<b>379,560</b>	<b>361,487</b>	<b>18,073</b>		<b>361,487</b>	<b>361,487</b>	<b>-</b>	<b>361,487</b>	<b>361,487</b>	<b>-</b>
<b>TS Primary Above 50</b>										
1815-Transformer Station Equipment										
- Normally Primary above 50 kV										
<b>Sub-Total-TS Primary Above 50</b>										
<b>DS</b>										
1820-Distribution Station Equipment	280,363	258,260	22,103	A	258,260	267,520	(9,260)	267,520	287,313	(19,793) A
- Normally Primary below 50 kV										
<b>Sub-Total-DS</b>	<b>280,363</b>	<b>258,260</b>	<b>22,103</b>		<b>258,260</b>	<b>267,520</b>	<b>(9,260)</b>	<b>267,520</b>	<b>287,313</b>	<b>(19,793)</b>
<b>Poles and Wires</b>										
1830-Poles, Towers and Fixtures	1,387,694	544,978	842,716	B	544,978	592,028	(47,050)	592,028	690,224	(98,196) B
1835-Overhead Conductors and Devices	924,109	513,371	410,738	C	513,371	513,371	-	513,371	544,254	(30,883) C
1840-Underground Conduit	685,588	257,740	427,848	D	257,740	257,740	-	257,740	299,384	(41,644) D
1845-Underground Conductors and Devices	41,068	48,442	(7,374)		48,442	48,442	-	48,442	48,442	-
<b>Sub-Total-Poles and Wires</b>	<b>3,038,459</b>	<b>1,364,531</b>	<b>1,673,928</b>		<b>1,364,531</b>	<b>1,411,581</b>	<b>(47,050)</b>	<b>1,411,581</b>	<b>1,582,304</b>	<b>(170,723)</b>
<b>Line Transformers</b>										
1850-Line Transformers	753,024	784,608	(31,584)	E	784,608	823,324	(38,716)	823,324	823,324	-
<b>Sub-Total-Line Transformers</b>	<b>753,024</b>	<b>784,608</b>	<b>(31,584)</b>		<b>784,608</b>	<b>823,324</b>	<b>(38,716)</b>	<b>823,324</b>	<b>823,324</b>	<b>-</b>
<b>Services and Meters</b>										
1855-Services	44,642	80,702	(36,060)	F	80,702	128,337	(47,635)	128,337	141,220	(12,883)
1860-Meters	343,676	226,979	116,697	G	226,979	226,979	-	226,979	226,979	-
<b>Sub-Total-Services and Meters</b>	<b>388,318</b>	<b>307,681</b>	<b>80,637</b>		<b>307,681</b>	<b>355,316</b>	<b>(47,635)</b>	<b>355,316</b>	<b>368,199</b>	<b>(12,883)</b>
<b>General Plant</b>										
1908-Buildings and Fixtures										
1910-Leasehold Improvements										
<b>Sub-Total-General Plant</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IT Assets</b>										
1920-Computer Equipment - Hardware		54,492	(54,492)	H	54,492	58,639	(4,147)	58,639	58,639	-
1925-Computer Software		25,257	(25,257)	I	25,257	25,257	-	25,257	25,257	-
<b>Sub-Total-IT Assets</b>	<b>-</b>	<b>79,749</b>	<b>(79,749)</b>		<b>79,749</b>	<b>83,896</b>	<b>(4,147)</b>	<b>83,896</b>	<b>83,896</b>	<b>-</b>
<b>Equipment</b>										
1915-Office Furniture and Equipment		5,607	(5,607)		5,607	5,607	-	5,607	6,607	(1,000)
1930-Transportation Equipment		215,337	(215,337)	J	215,337	215,337	-	215,337	215,337	-
1935-Stores Equipment		10,538	(10,538)		10,538	10,538	-	10,538	10,538	-
1940-Tools, Shop and Garage Equipment		127,588	(127,588)	K	127,588	127,588	-	127,588	127,588	-
1945-Measurement and Testing Equipment		7,962	(7,962)		7,962	7,962	-	7,962	7,962	-

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

1950-Power Operated Equipment									
1955-Communication Equipment		18,014	(18,014)	18,014		18,014			
1960-Miscellaneous Equipment									
<b>Sub-Total-Equipment</b>	<u>-</u>	<u>385,046</u>	<u>(385,046)</u>	<u>385,046</u>	<u>367,032</u>	<u>18,014</u>	<u>367,032</u>	<u>368,032</u>	<u>(1,000)</u>
<b>Other Distribution Assets</b>									
1825-Storage Battery Equipment									
1970-Load Management Controls - Customer Premises									
1975-Load Management Controls - Utility Premises									
1980-System Supervisory Equipment									
1985-Sentinel Lighting Rental Units		10,121	(10,121)	10,121	10,121	-	10,121	10,121	-
1990-Other Tangible Property									
1995-Contributions and Grants - Credit		(106,018)	106,018	(106,018)	(106,018)	-	(106,018)	(106,018)	-
<b>Sub-Total-Other Distribution Assets</b>	<u>-</u>	<u>(95,897)</u>	<u>95,897</u>	<u>(95,897)</u>	<u>(95,897)</u>	<u>-</u>	<u>(95,897)</u>	<u>(95,897)</u>	<u>-</u>
 <b>GROSS ASSET TOTAL</b>	 <u>4,839,724</u>	 <u>3,445,465</u>	 <u>1,394,259</u>	 <u>3,445,465</u>	 <u>3,574,259</u>	 <u>(128,794)</u>	 <u>3,574,259</u>	 <u>3,778,658</u>	 <u>(204,399)</u>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**MATERIALITY ANALYSIS ON GROSS ASSETS**

The calculation of the Materiality Threshold on gross assets is shown in the following table:

Materiality threshold = 1% of net fixed assets

	2006 Actual	2007 Bridge	2008 Test
Gross Cost	3,445,465	3,574,259	3,778,658
Accumulated Amortization	<u>(1,531,854)</u>	<u>(1,691,901)</u>	<u>(1,871,355)</u>
Net Fixed Assets	1,913,611	1,882,358	1,907,303
1% of Net Fixed Assets	19,136	18,824	19,073

ERHDC has selected the lowest materiality threshold of \$18,824 to allow for the most detailed review of gross asset changes.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**VARIANCE ANALYSIS ON GROSS ASSETS TABLE**

2006 Actual to Board Approved

A 1820 – Distribution Stations Equipment - \$22,103 variance  
Decrease in gross asset cost is a result of normal operating dispositions of fixed assets.

B 1830 - Poles, towers and Fixtures- \$842,716 varianceC 1835 – Overhead Conductors and  
- \$410,738 variance

D 1840 – Underground Conduit - \$427,848 variance

G 1860 – Meters - \$116,697 variance

Variance in account 1830, 1835, 1840 and 1860 is the result of fully depreciated gross assets cost and related accumulated depreciation being adjusted in 2006.

E 1850 – Line transformers - \$31,584 variance

Line transformers variance is a result of normal system replacements.

F 1855 – Services - \$36,060

Services variance is the result of installing new services to meet customer demand.

H 1920 - Computer Equipment – Hardware - \$54,492 variance

I 1925 – Computer Software - \$25,257 variance

J 1930 – Transportation Equipment - \$215,337 variance

K 1940 – Tools, Shop and Garage Equipment \$127,588 variance

L 1955 – contributions and Grants \$106,018

Variance in accounts 1920, 1925, 1930, 1940, 1955 are due to the corporate structure in the board approved year. The assets above were in Espanola Services Company in the Board approved year.

2007 Bridge from 2006 Actual

A, B, C 1830 - Poles, towers and Fixtures - \$47,050 variance

1850 – Line transformers - \$38,716 variance

1855 – Services - \$47,635 variance

The materiality analysis on capital budgets in this exhibit provides explanation on the gross asset additions in the 2007 Bridge year.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

2008 Test from 2007 Bridge

- A 1820 – Distribution Stations Equipment - \$19,793 variance
- B 1830 – Poles, Towers and Fixtures - \$98,196 variance
- C 1835 – Overhead Conductors - \$30,883 variance
- D 1840 – Underground Conductors - \$41,644 variance

The materiality analysis on capital budgets in this exhibit provides explanation on the gross asset additions from 2007 Bridge to 2008 Test.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**ACCUMULATED DEPRECIATION TABLE**

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### ACCUMULATED DEPRECIATION TABLE

	2006 Board Approved (\$'s)	2006 Actual (\$'s)	Variance form 2006 Board Approved	2006 Actual (\$'s)	2007 Bridge (\$'s)	Variance form 2006 Actual	2007 Bridge (\$'s)	2008 Test (\$'s)	Variance form 2007 Bridge
<b>Land and Buildings</b>									
1805-Land	-	-	-	-	-	-	-	-	-
1806-Land Rights									
1808-Buildings and Fixtures	(71,143)	(65,170)	(5,973)	(65,170)	(76,831)	11,661	(76,831)	(88,493)	11,662
1905-Land									
1906-Land Rights									
1810-Leasehold Improvements									
<b>Sub-Total-Land and Buildings</b>	<b>(71,143)</b>	<b>(65,170)</b>	<b>(5,973)</b>	<b>(65,170)</b>	<b>(76,831)</b>	<b>11,661</b>	<b>(76,831)</b>	<b>(88,493)</b>	<b>11,662</b>
<b>TS Primary Above 50</b>									
1815-Transformer Station Equipment									
- Normally Primary above 50 kV									
<b>Sub-Total-TS Primary Above 50</b>									
<b>DS</b>									
1820-Distribution Station Equipment	(195,750)	(185,746)	(10,004)	(185,746)	(196,262)	10,516	(196,262)	(207,359)	11,097
- Normally Primary below 50 kV									
<b>Sub-Total-DS</b>	<b>(195,750)</b>	<b>(185,746)</b>	<b>(10,004)</b>	<b>(185,746)</b>	<b>(196,262)</b>	<b>10,516</b>	<b>(196,262)</b>	<b>(207,359)</b>	<b>11,097</b>
<b>Poles and Wires</b>									
1830-Poles, Towers and Fixtures	(858,005)	(235,648)	(622,357) A	(235,648)	(258,388)	22,740 A	(258,388)	(284,033)	25,645 A
1835-Overhead Conductors and Device	(572,189)	(60,217)	(511,972) B	(60,217)	(80,752)	20,535 B	(80,752)	(101,905)	21,153 B
1840-Underground Conduit	(414,826)	(30,835)	(383,991) C	(30,835)	(41,145)	10,310	(41,145)	(52,287)	11,142
1845-Underground Conductors and De	(30,319)	(32,524)	2,205	(32,524)	(34,462)	1,938	(34,462)	(36,399)	1,937
<b>Sub-Total-Poles and Wires</b>	<b>(1,875,339)</b>	<b>(359,224)</b>	<b>(1,516,115)</b>	<b>(359,224)</b>	<b>(414,747)</b>	<b>55,523</b>	<b>(414,747)</b>	<b>(474,624)</b>	<b>59,877</b>
<b>Line Transformers</b>									
1850-Line Transformers	(438,310)	(514,034)	75,724 D	(514,034)	(546,192)	32,158 C	(546,192)	(579,125)	32,933 C
<b>Sub-Total-Line Transformers</b>	<b>(438,310)</b>	<b>(514,034)</b>	<b>75,724</b>	<b>(514,034)</b>	<b>(546,192)</b>	<b>32,158</b>	<b>(546,192)</b>	<b>(579,125)</b>	<b>32,933</b>
<b>Services and Meters</b>									
1855-Services	(3,466)	(9,901)	6,435	(9,901)	(14,082)	4,181	(14,082)	(19,473)	5,391
1860-Meters	(214,955)	(93,592)	(121,363) E	(93,592)	(102,671)	9,079	(102,671)	(111,750)	9,079
<b>Sub-Total-Services and Meters</b>	<b>(218,421)</b>	<b>(103,493)</b>	<b>(114,928)</b>	<b>(103,493)</b>	<b>(116,753)</b>	<b>13,260</b>	<b>(116,753)</b>	<b>(131,223)</b>	<b>14,470</b>
<b>General Plant</b>									
1908-Buildings and Fixtures									
1910-Leasehold Improvements									
<b>Sub-Total-General Plant</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IT Assets</b>									
1920-Computer Equipment - Hardware	-	(35,807)	35,807 F	(35,807)	(47,120)	11,313	(47,120)	(58,639)	11,519
1925-Computer Software	-	(21,925)	21,925 G	(21,925)	(25,257)	3,332	(25,257)	(25,257)	-
<b>Sub-Total-IT Assets</b>	<b>-</b>	<b>(57,732)</b>	<b>57,732</b>	<b>(57,732)</b>	<b>(72,377)</b>	<b>14,645</b>	<b>(72,377)</b>	<b>(83,896)</b>	<b>11,519</b>



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Equipment**

1915-Office Furniture and Equipment	-	(3,981)	3,981	H	(3,981)	(4,542)	561	(4,542)	(5,153)	611
1930-Transportation Equipment	-	(141,237)	141,237	I	(141,237)	(168,154)	26,917	(168,154)	(195,071)	26,917
1935-Stores Equipment		(2,108)	2,108		(2,108)	(3,162)	1,054	(3,162)	(4,216)	1,054
1940-Tools, Shop and Garage Equipm	-	(98,003)	98,003	J	(98,003)	(110,762)	12,759	(110,762)	(123,521)	12,759
1945-Measurement and Testing Equipment		(1,592)	1,592		(1,592)	(2,388)	796	(2,388)	(3,184)	796
1950-Power Operated Equipment					-			-		
1955-Communication Equipment	-	(15,563)	15,563		(15,563)	-	(15,563)	-	-	
1960-Miscellaneous Equipment								-		
<b>Sub-Total-Equipment</b>	<b>-</b>	<b>(262,484)</b>	<b>262,484</b>		<b>(262,484)</b>	<b>(289,008)</b>	<b>26,524</b>	<b>(289,008)</b>	<b>(331,145)</b>	<b>42,137</b>

**Other Distribution Assets**

1825-Storage Battery Equipment										
1970-Load Management Controls - Customer Premises										
1975-Load Management Controls - Utility Premises										
1980-System Supervisory Equipment										
1985-Sentinel Lighting Rental Units	-	(10,121)	10,121		(10,121)	(10,121)	-	(10,121)	(10,121)	-
1990-Other Tangible Property					-			-		
1995-Contributions and Grants - Credit	-	26,150	(26,150)	K	26,150	30,391	(4,241)	30,391	34,631	-
<b>Sub-Total-Other Distribution Assets</b>	<b>-</b>	<b>16,029</b>	<b>(16,029)</b>		<b>16,029</b>	<b>20,270</b>	<b>(4,241)</b>	<b>20,270</b>	<b>24,510</b>	<b>-</b>

<b>Accumulated Depreciation Total</b>	<b>(2,798,963)</b>	<b>(1,531,854)</b>	<b>(1,267,109)</b>		<b>(1,531,854)</b>	<b>(1,691,900)</b>	<b>160,046</b>	<b>(1,691,900)</b>	<b>(1,871,355)</b>	<b>183,695</b>
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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**MATERIALITY ANALYSIS ON ACCUMULATED DEPRECIATION**

The calculation of the Materiality Threshold on Accumulated Depreciation is shown in the following table:

Materiality threshold = 1% of net fixed assets

	2006 Actual	2007 Bridge	2008 Test
Gross Cost	3,445,465	3,574,259	3,778,658
Accumulated Amortization	<u>(1,531,854)</u>	<u>(1,691,901)</u>	<u>(1,871,355)</u>
Net Fixed Assets	1,913,611	1,882,358	1,907,303
1% of Net Fixed Assets	19,136	18,824	19,073

ERHDC has selected the lowest materiality threshold of \$18,824 to allow for the most detailed review of gross asset changes.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**VARIANCE ANALYSIS ON ACCUMULATED DEPRECIATION TABLE**

2006 Actual to Board Approved

- A 1830 - Poles, Towers and Fixtures - \$622,357 variance  
 B 1835 – Overhead Conductors and Devices - \$511,972 variance  
 C 1840 – Underground Conduit - \$383,991 variance  
 E 1860 – Meters - \$121,363 variance  
 Variance in account 1830, 1835, 1840 and 1840 is the result of fully depreciated gross assets cost and related accumulated depreciation being adjusted in 2006.
- D 1850 – Line transformers - \$75,724 variance  
 Line transformers variance is a result of normal system replacements.
- F 1920 – Computer Equipment - \$35,807 variance  
 G 1925 – Computer Software - \$21,925 variance  
 I 1930 – Transportation Equipment - \$141,237 variance  
 J 1940 – Tools, shop and garage equip. - \$98,003 variance  
 K 1955 – Contributions and Grants - \$26,150 variance  
 Variance in accounts 1920, 1925, 1930, 1940, 1955 are due to the corporate structure in the board approved year. The assets above were in Espanola Services Company in the Board approved year.

2007 Bridge from 2006 Actual

- A 1830 - Poles, towers and Fixtures - \$22,740 variance  
 B 1835 – Overhead Conductors and Devices - \$20,535 variance  
 C 1850 – Line Transformers - \$32,158 variance  
 D 1930 – Transportation Equipment - \$26,917 variance

The variances from 2006 Actual to 2007 Bridge are a function of annual depreciation calculated on fixed assets and ½ year rule applied to current year additions. The procedure is in accordance with the accounting procedures handbook and no unusual accounting treatment was applied to accumulated depreciation in the Bridge year or 2006 Actual year.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

2008 Test from 2007 Bridge

- A 1830 – Poles, Towers and Fixtures - \$25,645 variance
- B 1835 – Overhead Conductors and Devices - \$21,153 variance
- C 1850 – Line Transformers - \$32,933 variance
- D 1930 – Transportation Equipment - \$26,917 variance

The variances from 2007 Bridge to 2008 Test are a function of annual depreciation calculated on fixed assets and ½ year rule applied to current year additions. The procedure is in accordance with the accounting procedures handbook and no unusual accounting treatment was applied to accumulated depreciation in the Bridge or Test year.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CAPITAL BUDGET BY PROJECT**

**2006 Actual**

<b><u>Project Description</u></b>	<b><u>Account</u></b>	<b><u>Amount (\$)</u></b>	<b><u>Reference</u></b>
Building and Fixtures	1808	9,170	
Underground Conduit	1840	5,397	
Line Transformers	1850	18,933	<b>A</b>
Services	1855	23,295	<b>B</b>
Meters	1860	9,497	
Computer Equipment - Hardware	1920	3,932	
Tools shop and Garage Equipment	1940	1,081	
Contributions and Grants	1955	<u>(1,524)</u>	
		69,781	
Total			

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**2007 Bridge**

<b><u>Project Description</u></b>	<b><u>Account</u></b>	<b><u>Amount (\$)</u></b>	<b><u>Reference</u></b>
Distribution Station Equipment	1820	9,260	
Poles Towers and Fixtures	1830	47,050	<b>A</b>
Line Transformers	1850	38,716	<b>B</b>
Services	1855	47,635	<b>C</b>
Computer Equipment - Hardware	1920	<u>4,147</u>	
<b>Total</b>		<b>146,808</b>	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**2008 Test**

<b><u>Project Description</u></b>	<b><u>Account</u></b>	<b><u>Amount (\$)</u></b>	<b><u>Reference</u></b>
Distribution Station Equipment	1820	19,793	<b>A</b>
Poles Towers and Fixtures	1830	98,196	<b>B</b>
Overhead Conductors and Devices	1835	30,883	<b>C</b>
Underground Conduit	1840	41,644	<b>D</b>
Services	1855	12,883	
Office Furniture and Equipment	1915	<u>1,000</u>	
<b>Total</b>		<b>204,399</b>	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**MATERIALITY ANALYSIS ON CAPITAL BUDGETS**

The calculation of the Materiality Threshold on Capital Budgets is shown in the following table:

Materiality threshold = 1% of net fixed assets

	2006 Actual	2007 Bridge	2008 Test
Gross Cost	3,445,465	3,574,259	3,778,658
Accumulated Amortization	<u>(1,531,854)</u>	<u>(1,691,901)</u>	<u>(1,871,355)</u>
Net Fixed Assets	1,913,611	1,882,358	1,907,303
1% of Net Fixed Assets	19,136	18,824	19,073

ERHDC has selected the lowest materiality threshold of \$18,824 to allow for the most detailed review of Capital Budgets.

The following list represents projects where the materiality threshold of 1% of the total net assets is exceeded.

ERHDC has no major capital projects planned. The capital program is based on upgrading existing infrastructure to maintain reliability.

**2006 Actual**

A – Line Transformers \$18,933 – upgrading existing infrastructure.

B Services \$23,295 – Installing new services to meet customer demand.

**2007 Bridge**

A – Poles Tower and Fixtures

    Pole replacement (10 Poles) \$47,050

    Annual replacement of deteriorated poles to be done through out the year.

B – Line transformers

    Replacement of 44kV line (Centre Street) \$38,716



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

C – Services	
New Services	\$47,635
Install new services to meet customer demand.	

**2008 Test**

A – Distribution Station Equipment	
Replace Substation Equipment	\$19,793
Upgrade to substation equipment to maintain service reliability.	

B – Poles Towers and Fixtures	
Pole Replacement (20 poles)	\$98,196
Annual replacement of deteriorated poles to be completed through out the year	

C – Overhead Conductors and Devices	
Construct misc. lines (250m)	\$30,883
To construct miscellaneous lines based on customer demand.	

D – Underground Conduit	
Replace underground primary cable (residential distribution)	\$41,644
Replace 30 year old underground residential distribution lines to maintain reliability.	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**SYSTEM EXPANSIONS**

ERHDC has no system expansions in 2006 Actual, 2007 Bridge year or 2008 Test year.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CAPITALIZATION POLICY**

A capital expenditure is defined as any significant expenditure incurred to acquire or improve land, buildings, plant, engineering structures, machinery and equipment used in providing services to customers. Improvement or “betterment” includes increasing capacity, reliability, efficiency or economy of operation or extending the useful life of a previous capital expenditure. It includes electric plant, vehicles, office furniture, computer equipment and other equipment. A capital expenditure normally provides a benefit lasting beyond one year and results in the acquisition of or extends the life of a fixed asset.

Expenditures for repairs and/or maintenance designed to maintain an asset in its original state is not a capital expenditure but should be charged to an operating account.

	Definition	Accounting Treatment
Capital Expenditure	An expenditure to acquire or add to a capital asset – an expenditure yielding enduring benefits	Capitalize if above the materiality limit
Improvement	An expenditure made for the purpose of enhancing a fixed asset and which is an addition to the cost of the asset	Capitalize if above the materiality limit
Maintenance	The cost of keeping a property in efficient working condition	Current operations expense
Repair	The cost of replacement of parts or other restoration of plant and machinery, designed to restore normal working efficiency	Current operations expense

The following are materiality limits for the listed category of assets. Items with a cost less than the materiality levels as listed below should be charged to operations whether they are of a capital nature or of a repairs/maintenance nature.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

<b><u>Account #</u></b>	<b><u>Description</u></b>	<b><u>Limit</u></b>
	<b><u>Electric Distribution</u></b>	
1705, 1805, 1905	Land	All
1706, 1806, 1906	Land Right	\$300
1708, 1808, 1908	Buildings	\$300
1715, 1815	Transformer Station Equipment	\$300
1820, 1825	Distribution Station Equipment	\$300
1720, 1725, 1830	Poles, Towers and Fixtures	\$300
1730, 1835	Lines & Feeders - O/H	\$300
1735, 1840	Conduit – U/G	\$300
1740, 1845	Lines & Feeders - U/G	\$300
1850	Distribution Transformers	\$300
1850	Distribution Transformers	\$300
1855	Services	All
90	Meters	All
1915	General Office Equipment	\$300
1920, 1925	Computer Equipment	\$300
1935	Stores Warehouse Equipment	\$300
1930	Rolling Stock	\$300
1940, 1945	Miscellaneous Equipment	\$300
1955	Communication Equipment	\$300
1980	System Supervisory Equipment	\$300

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**WORKING CAPITAL ALLOWANCE CALCULATION BY ACCOUNT**

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Working Capital Allowance Calculation by Account

		2006 Board		2006		2007		2008	
		Approved	15%	Actual	15%	Bridge	15%	Test	15%
3350-Power Supply Expenses	4705-Power Purchased	3,294,748		3,616,485		3,904,000		3,700,000	
	4708-Charges-WMS	423,033		333,112		356,000		412,209	
	4714-Charges-NW	342,043		316,097		-		-	
	4716-Charges-CN	260,571		303,318		-		-	
	4730-Rural Rate Assistance Expense	-		-		330,000		334,165	
	4710-Cost of Power Adjustments	-		-		200,000		-	
	4712-Charges-One-Time	-		-		-		244,300	
	4720-Other Expenses	2,085		-		-		-	
	4750-Charges-LV	-		16,843		119,393		139,296	
3350-Power Supply Expenses Total		4,322,480	648,372	4,585,854	687,878	4,909,393	736,409	4,829,970	724,496
3500-Distribution Expenses - Operation	5005-Operation Supervision and Engineering	16,383		36,289		36,840		37,392	
	5012-Station Buildings and Fixtures Expense	44,307		15,961		14,168		9,331	
	5016-Distribution Station Equipment - Operation Labour	2,386		10,498		12,015		12,815	
	5017-Distribution Station Equipment - Operation Supplies and E	138		16,330		11,000		11,225	
	5020-Overhead Distribution Lines and Feeders - Operation Lab	53,344		23,521		30,102		53,268	
	5025-Overhead Distribution Lines & Feeders - Operation Suppli	3,380		15,344		10,700		10,915	
	5035-Overhead Distribution Transformers- Operation	5,991		15,474		13,302		14,203	
	5040-Underground Distribution Lines and Feeders - Operation I	24,903		8,135		12,425		6,039	
	5045-Underground Distribution Lines & Feeders - Operation Su	1,345		6,729		5,663		3,980	
	5055-Underground Distribution Transformers - Operation	-		10,765		3,900		15,682	
	5065-Meter Expense	4,744		14,665		13,142		13,426	
	5070-Customer Premises - Operation Labour	-		27,199		14,492		25,085	
	5075-Customer Premises - Materials and Expenses	-		1,245		23,167		2,040	
	5085-Miscellaneous Distribution Expense	20,772		18,541		2,000		13,726	
	5095-Overhead Distribution Lines and Feeders - Rental Paid	11,100		15,474		13,700		13,700	
3500-Distribution Expenses - Operation Total		188,793	28,319	236,171	35,426	216,616	32,492	237,427	35,614
3550-Distribution Expenses - Maintenance	5105-Maintenance Supervision and Engineering	-		36,289		36,840		37,392	
	5110-Maintenance of Buildings and Fixtures - Distribution Static	13,229		4,784		5,863		6,239	
	5114-Maintenance of Distribution Station Equipment	964		8,628		14,580		15,235	
	5120-Maintenance of Poles, Towers and Fixtures	2,978		5,122		3,167		6,972	
	5125-Maintenance of Overhead Conductors and Devices	18,675		29,626		37,566		38,288	
	5130-Maintenance of Overhead Services	-		410		150		150	
	5135-Overhead Distribution Lines and Feeders - Right of Way	34,241		54,564		63,378		59,944	
	5145-Maintenance of Underground Conduit	-		1,126		1,450		1,426	
	5150-Maintenance of Underground Conductors and Devices	7,041		18,561		17,204		17,301	
	5155-Maintenance of Underground Services	-		-		-		-	
	5160-Maintenance of Line Transformers	4,820		2,973		2,567		2,709	
	5175-Maintenance of Meters	6,990		1,099		789		836	
	5170-Sentinel Lights - Labour	-		719		-		836	
	5172-Sentinel Lights - Materials and Expenses	-		-		789		-	
3550-Distribution Expenses - Maintenance Total		88,938	13,341	163,899	24,585	184,343	27,651	187,328	28,099
3650-Billing and Collecting	5310-Meter Reading Expense	33,129		36,626		38,089		39,276	
	5315-Customer Billing	119,355		146,242		138,917		142,446	
	5320-Collecting	67,771		69,477		70,822		68,965	
	5335-Bad Debt Expense	3,390		15,121		-		-	
	5325-Collecting- Cash Over and Short	-		-		4,000		4,000	
3650-Billing and Collecting Total		223,645	33,547	267,466	40,120	251,828	37,774	254,687	38,203
3700-Community Relations	5410-Community Relations - Sundry	-		1,000		2,000		2,000	
	5515-Advertising Expense	1,253		-		-		-	
3700-Community Relations Total		1,253	188	1,000	150	2,000	300	2,000	300
3800-Administrative and General Expense	5605-Executive Salaries and Expenses	39,319		16,686		16,700		18,600	
	5615-General Administrative Salaries and Expenses	6,101		16,367		64,065		7,555	
	5630-Outside Services Employed	35,926		136,080		16,139		95,842	
	5635-Property Insurance	8,753		5,071		57,819		5,350	
	5655-Regulatory Expenses	3,805		4,349		100,411		6,000	
	5665-Miscellaneous General Expenses	12,800		4,970		5,200		1,500	
	5680-Electrical Safety Authority Fees	1,012		2,279		7,991		2,500	
	5610-Management Salaries and Expenses	51,035		78,045		9,000		67,229	
	5620-Office Supplies and Expenses	46,317		47,113		6,000		60,431	
	5640-Injuries and Damages	20,557		6,614		-		8,230	
	5645-Employee Pensions and Benefits	-		9,018		1,000		9,550	
	5660-General Advertising Expenses	2,255		-		2,500		-	
	5685-Independent Market Operator Fees and Penalties	-		-		-		-	
3800-Administrative and General Expenses Total		227,880	34,182	326,591	48,989	286,825	43,024	282,787	42,418
Total Working Capital			757,948		837,147		877,651		869,130

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 3

Contents of Schedule

**3 - Operating Revenue**

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3	Summary of Operating Revenue Table
4	Variance Analysis on Operating Revenue Table
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11	Variance Analysis on Normalized Volume Forecast Table
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14	Other Distribution Revenue
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16	Rate of Return on Other Distribution Revenue
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**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**OVERVIEW OF OPERATING REVENUE**

This exhibit provides the details on ERHDC's operating revenue for Historical, Historical Board Approved, Bridge and Test years. This exhibit also provides a detailed variance analysis by rate class of the operating revenue components.

Distribution revenues have been calculated using the most recently approved rates. In particular, delivery rates are based on the EB-2007-0525 Tariff of Rates and Charges, dated April 12, 2007.

**Throughput Revenue**

Information related to ERHDC's throughput revenue include details such as weather normalized forecasting methodology, normalized volume and customer counts forecast tables. Detailed variance analysis on the forecast information is also provided.

**Other Revenue**

Other revenues include revenues such as Late Payment Charges, Miscellaneous Service Revenues and Retail Services Revenues. A summary of these revenues is presented in this Exhibit.

**Revenue Sharing**

ERHDC does not engage in revenue sharing.



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**SUMMARY OF OPERATING REVENUE TABLE**

	2006 Board Approved	2006 Actual	Variance form 2006 Board Approved	2007 Bridge	2008 Test	Variance form 2007 Bridge to 2008 Test
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
<b><u>Distribution Revenues</u></b>						
Residential	591,315	599,810	8,495	706,165	751,327	45,162
General Service <50kW	265,871	268,766	2,895	287,209	346,577	59,368
General Service >50kW	49,659	50,393	734	60,145	83,958	23,813
Un-metered Scattered Loads	2,404	2,313	(91)	2,223	2,402	179
Sentinel Lighting	641	709	68	475	758	283
Street Lighting	7,399	7,583	184	8,310	8,731	421
	917,289	929,574	12,285	1,064,527	1,193,753	129,226
<b><u>Other Distribution Revenue</u></b>						
	88,615	172,305	83,690	156,075	146,651	(9,423)
<b>Total Operating Revenue</b>	1,005,904	1,101,879		1,220,602	1,340,404	

**Espanola Regional Hydro Distribution Corporation (ERHDC)****VARIANCE ANALYSIS ON OPERATING REVENUE TABLE**

ERHDC's distribution revenue has been calculated using the most recently approved rates. In particular, delivery rates are based on the EB-2007-0525 Tariff of Rates and Charges, dated April 12, 2007. Distribution revenue does not include commodity related revenue.

**2008 Test Year**

ERHDC's operating revenue is forecast to be \$1,340,404 in Fiscal 2008. Distribution revenue totals \$1,193,753 or 89% of total revenues. ERHDC's other operating revenue (net) accounts for the remaining revenue of \$146,651 or 11% of total revenues.

**Comparison to 2007 Bridge Year**

As shown in the above Exhibit, the total operating revenue is expected to be \$119,802 above the bridge year level in fiscal 2007.

**2007 Bridge Year**

ERHDC's operating revenue is forecasted to be \$1,220,602 in fiscal 2007 as shown in the above Exhibit. Distribution revenue totals \$1,064,527 or 85% of total revenues. The remaining revenue of \$156,075 or 13% is from other operating revenue.

**Comparison to Fiscal 2006 Actual**

As shown in the above Exhibit the total operating revenue is expected to be \$118,723 above the Actual 2006 revenue of \$1,101,879

**2006 Actual**

ERHDC's operating revenue was \$1,101,879 in fiscal 2006 as shown in the above Exhibit. Distribution revenue totals \$929,574 or 84% of total revenues. The remaining revenue of \$172,305 or 16% is from other operating revenue.

**2006 Board Approved**

ERHDC's operating revenue was \$1,005,904 in board approved 2006 as shown in the above Exhibit. Distribution revenue totals \$917,289 or 91% of total revenues. The remaining revenue of \$88,615 or 9% is from other operating revenue. In the historical Board Approved year a portion of other distribution revenue was allocated to the Services Company which resulted in the percentage of other operating revenue being lower than in 2006 Actual, 2007 Bridge and 2008 Test years. Refer to the draft issued list in Exhibit 1 page 35 for additional information on historical board approved year.

**Espanola Regional Hydro Distribution Corporation (ERHDC)****WEATHER NORMALIZED FORECASTING METHODOLOGY**

This exhibit discusses the methodology used to determine ERHDC's customer and load forecast. A projection for the number of customers in each customer class is provided for both the Bridge Year (2007) and the Test Year (2008). Historical data for the annual number of customers in each rate class is available for 2002 through to 2006. Due to significant restructuring, accurate customer data prior to 2002 is not currently available. As a result of the limited amount of data available, time series techniques that are often used to help estimate forecast values cannot be used. Rather, ERHDC has used a simple trend growth in customer connections, by class, to forecast Bridge and Test Year customer numbers. Given the slow growth and consistent trend in customer numbers in ERHDC's service territory over the past five years, the resulting customer forecast is likely not materially different than what would result from using more sophisticated time series techniques. In recent history, there has been very little year-to-year variation in customer growth by class. Historical and forecast customer numbers, by class, are displayed in the next section.

As required by the OEB Filing Requirements for Transmission and Distribution Applications, we are providing normalized historical and forecast (Bridge Year and Test Year) throughput data. Weather normalization (where required) is based on normalized average use per customer ("NAC") calculated from the weather-normalized throughput of the utility from 2004. This weather-normalized throughput was generated by Hydro One using their weather normalization model for the Cost Allocation process previously undertaken by the Board. The process to obtain these weather normal data was an intensive effort for all parties involved, and we are leveraging the value of this work by using it for this process.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Customer Forecast**

Table 1 below presents historical and forecast customer numbers, by class, for ERHDC.

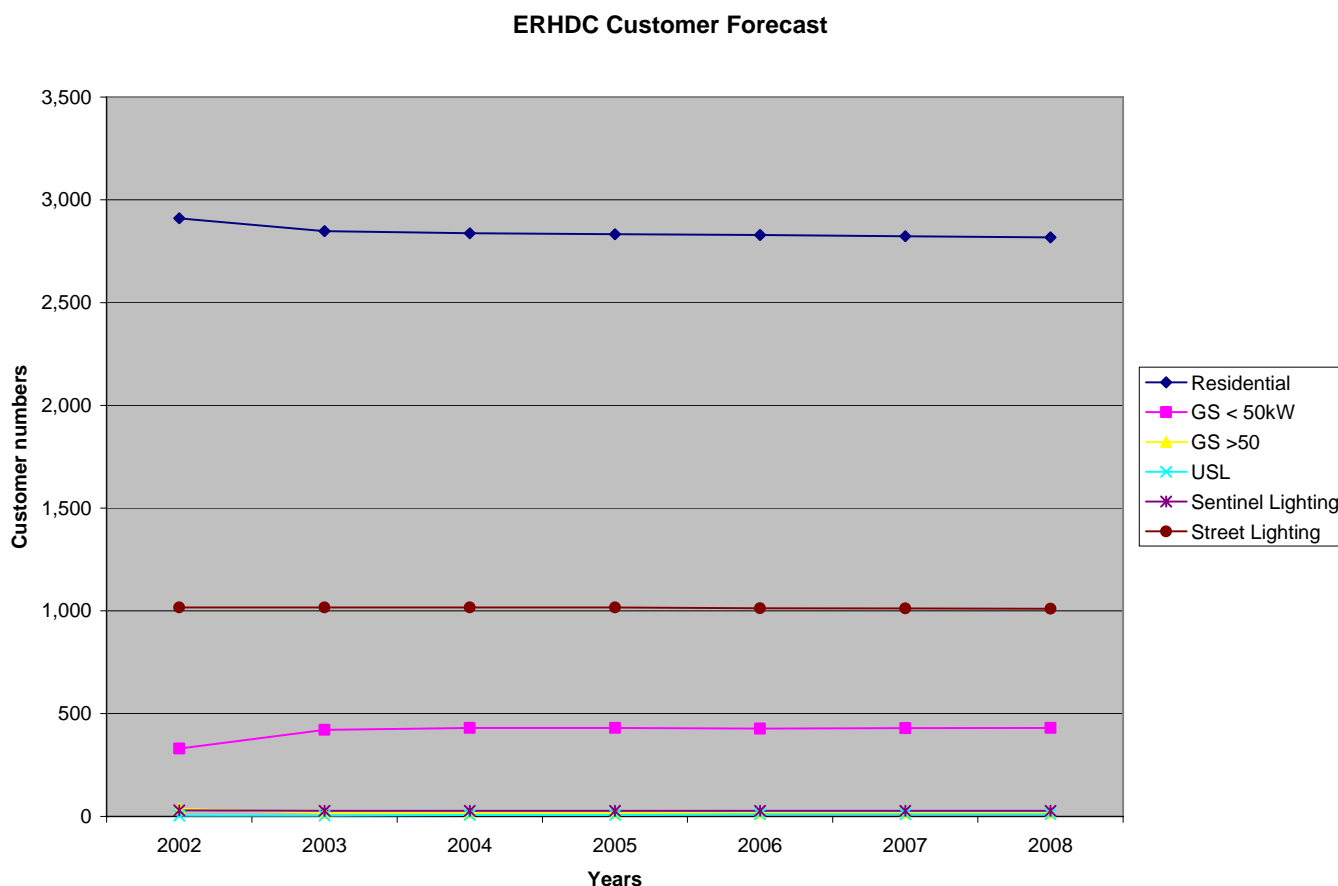
<b>Table 1 – Customers by Class</b>							
	2002	2003	2004	2005	2006	2007	2008
Residential	2,910	2,848	2,837	2,832	2,829	2,823	2,817
<b>Per cent chg</b>		-0.9787	-0.9961	-0.9982	-0.9989	-0.9979	-0.9979
GS < 50kW	330	421	431	431	427	429	431
<i>Per cent chg</i>		1.2758	0.0000	0.0000	-0.9907	0.9954	0.9954
GS (>50 to 5000)	37	16	16	16	16	16	16
<i>Per cent chg</i>		-0.4324	0.0000	0.0000	0.0000	0.0000	0.0000
USL	4	4	7	7	11	11	11
<i>Per cent chg</i>		0.0000	1.7500	0.0000	1.5714	0.0000	0.0000
Sentinel Lighting	29	27	27	27	27	27	27
<i>Per cent chg</i>		-0.9310	0.0000	0.0000	0.0000	0.0000	0.0000
Street Lighting	1,016	1,016	1,016	1016	1,013	1,012	1,011
<i>Per cent chg</i>		0.0000	0.0000	0.0000	-0.9970	-0.9900	-0.9901

Annual percentage change is presented for all customer classes listed in the table above. For Residential and GS<50 customer classes, the blue highlighted percentage change for 2007 represents the annual average geometric mean growth rate for 2002 to 2006. The annual trend growth rate is used to project customer growth into 2007 and 2008. For the GS>50 customer class, an annual growth rate of 0% was assumed for 2007 and 2008. From the table above, it can be seen that 2002-03 were anomalous years for growth. This anomalous growth was excluded from the trend line.

Customer numbers for Sentinel Lighting, Street Lighting, and USL classes in 2007 also represent current (early 2007) number of connections in each of these classes. The Applicant does not expect the number of customers in the Sentinel and USL classes to change within the next year and the 2007 current figures are used for 2008. Customer growth for the Street Lighting Class is calculated based on the annual average geometric mean of growth.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

The figure below illustrates the historical and forecast customer trend in all rate classes.



**Load Forecast**

Weather sensitive load (Residential, GS<50, and GS>50 classes) is calculated by using a retail normalized average use per customer (“retail NAC”). This is calculated by dividing the class weather normal retail kWh for 2004 by the number of customers in class in 2004. Class weather normal retail kWh for 2004 is determined by dividing the class weather normal wholesale kWh for 2004 reported in the Hydro One weather normalization analysis by the class loss factor. The class loss factor is calculated for 2004 by dividing the class weather actual wholesale

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

consumption for 2004 (Hydro One file) by the class weather actual retail consumption (utility data). Weather sensitive class weather actual wholesale and retail kWh and associated loss factors are reported in the following table below.

<b><i>2004 Weather Actual kWh and Loss Factors for Weather Sensitive Load</i></b>			
Class	Weather Actual Wholesale kWh	Weather Actual Retail kWh	Loss Factor
Residential	35,801,460	33,389,034	1.072
GS < 50	15,154,410	14,622,643	1.036
GS >50 to 5,000	15,978,772	14,633,409	1.092

Weather sensitive class wholesale weather normal kWh, number of customers, and retail NAC for 2004 is reported in the table below.

Class	Weather Normal Wholesale kWh (2004)	Customer Connections (2004)	Retail NAC
Residential	35,733,349	2,837	11,747
GS < 50	15,164,656	427	34,268
GS >50 to 5,000	16,108,537	16	922,016

Annual class kWh for weather sensitive load (Residential, GS<50, GS>50) for Bridge Year and Test Year are calculated by multiplying retail NAC by forecast number of customers in class. Class kWh for Unmetered Scattered Load ("USL"), and Sentinel Lighting is not weather sensitive and is not expected to differ in 2008 from current 2007 levels. Utility budgeted throughput for these classes based on year-to-date consumption is used to estimate Bridge Year and Test Year values for these classes. Consumption for Street Lighting is not weather sensitive. Street Lighting kWh is estimated using forecast number of connections for the Bridge Year and Test Year multiplied the average use per connection.

Several classes are billed based on demand charges (GS>50, LU, Sentinel, Street Lighting) and require an estimate of billed kW. Billed kW is estimated based on a load factor calculated using a

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ratio of historical billed kW to historical retail kWh, by class. The following table summarizes the results of ERHDC's customer and load forecast.

		Historical Actual	Historical Board Approved	Historical Actual Normalized	Bridge Year - Est.	Bridge Year Forecast Normalized	Test Year Normalized Forecast
Year		2006	2004	2006	2007	2007	2008
Customer Class	#	2,829	2,843	2,829	2,823	2,823	2,817
Residential	kWh	31,897,736	32,760,423	33,231,538	32,713,932	33,161,058	33,090,578
GS < 50 kW	#	427	450	427	429	429	431
	kWh	14,232,071	12,354,944	14,632,529	14,551,187	14,701,715	14,771,227
GS > 50 kW	#	16	16	16	16	16	16
	kWh	14,308,194	17,873,889	14,752,248	14,744,627	14,752,248	14,752,248
	kW	36,698	38,723	37,837	37,561	37,580	37,580
USL	#	11	6	11	11	11	11
	kWh	125,709	99,798	125,709	125,709	125,709	125,709
Sentinel Lights	#	27	27	27	27	27	27
	kWh	27,890	24,233	27,890	27,890	27,890	27,890
	kW	77	42	77	77	77	77
Street Lighting	#	1,013	1,016	1,013	1,012	1,012	1,011
	kWh	582,876	680,425	582,876	582,301	582,301	581,870
	kW	1,721	1,488	1,721	1,719	1,719	1,718

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**NORMALIZED VOLUME FORECAST TABLE**

	2006 Board Approved	2006 Board Approved	2006 Actual	2006 Actual	Variance form 2006 Board Approved	2006 Actual	2006 Actual	2007 Est.	2007 Est.	Variance form 2006 Actual	2007 Bridge	2007 Bridge	2008 Test	2008 Test	Variance form 2007 Actual
	(kWh)	(kW)	(kWh)	(kW)		(kWh)	(kW)	(kWh)	(kW)		(kWh)	(kW)	(kWh)	(kW)	
<b>Rate Classes</b>															
Residential	32,760,423		31,897,736		862,687	31,897,736		32,713,932		816,196	33,161,058		33,090,578		70,480
GS < 50 kW	12,354,944		14,232,071		1,877,127	14,232,071		14,551,187		319,116	14,701,715		14,752,248		50,533
GS > 50 kW		38,723		36,698	2,025		36,698		37,561	1,163		37,580		37,580	0
Sentinel Lights		24,233		27,890	3,657		27,890		27,890	0		27,890		27,890	0
Street Lights		1,488		1,721	233		1,721		1,719	2		1,719		1,718	1
USL	99,798		125,709		25,911	125,709		125,709		0	125,709		125,709	125,709	0



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**VARIANCE ANALYSIS ON NORMALIZED VOLUME FORECAST**

The purpose of the evidence contained in the above Exhibits, is to provide the Board with a review of ERHDC's actual and forecasted customers, consumption and revenues for the historical, bridge and test years.

The exhibits provide a summary of the normalized throughput and customer numbers from the schedules noted above.

**Residential**

We have projected a growth in kWh of 3.7% from 2006 Actual to 2008 Test.

**GS< 50 kW**

We have projected a growth in kWh of 3.7 % from 2006 Actual to 2008 Test.

**GS>50 kW**

We have projected a growth in kW of 2.4 % from 2006 Actual to 2008 Test.

**Sentinel Lights**

We have projected a growth in kW of 0.0% from 2006 Actual to 2008 Test.

**Street Lights**

We have projected a decrease in kW of 0.18 % from 2006 Actual to 2008 Test.

**USL**

We have projected a growth in kW of 0.0% from 2006 Actual to 2008 Test.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CUSTOMER COUNT FORECAST TABLE**

	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance form 2006 Board Approved</b>	<b>2006 Actual</b>	<b>2007 Est.</b>	<b>Variance form 2006 Actual</b>	<b>2007 Bridge</b>	<b>2008 Test</b>	<b>Variance form 2007 Actual</b>
<b>Customers Count</b>									
Residential	2,843	2,829	14	2,829	2,823	6	2,823	2,817	6
GS < 50 kW	450	427	23	427	429	2	429	431	2
GS > 50 kW	16	16	0	16	16	0	16	16	0
Sentinel Lights	27	27	0	27	27	0	27	27	0
Street Lights	1,016	1,013	3	1,013	1,012	1	1,012	1,011	1
USL	4	11	7	11	11	0	11	11	0

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**VARIANCE ANALYSIS ON CUSTOMER COUNT FORECAST**

The purpose of the evidence contained in the Exhibits, is to provide the Board with a review of ERHDC's actual and forecasted customers.

**Residential**

We have projected a decrease in customer numbers of 0.4% from 2006 Actual to 2008 Test.

**GS< 50 kW**

We have projected an increase in customer numbers of 0.9 % from 2006 Actual to 2008 Test.

**GS>50 kW**

We have projected an increase in customer numbers of 0.0 % from 2006 Actual to 2008 Test.

**Sentinel Lights**

We have projected an increase in customer numbers of 0.0% from 2006 Actual to 2008 Test.

**Street Lights**

We have projected a decrease in customer numbers of 0.2% from 2006 Actual to 2008 Test.

**USL**

We have projected an increase in customer numbers of 0.0% from 2006 Actual to 2008 Test.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**OTHER DISTRIBUTION REVENUE**

	2006 Board Approved	2006 Actual	Variance form 2006 Board Approved	2006 Actual	2007 Bridge	Variance form 2006 Actual	2007 Bridge	2008 Test	Variance form 2007 Actual
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
<b><u>Other Distribution Revenue</u></b>									
Distribution Services Revenue									
Retail Services Revenues	852	5,610	4,758	5,610	5,760	150	5,760	8,650	2,890
Service Transaction Requests (STR) Revenues	2	262	260	262	100	(162)	100	125	25
Electric Services Incidental to Energy Sales									
Transmission Charges Revenue									
Transmission Services Revenue									
Interdepartmental Rents									
Rent from Electric Property	27,791	40,283	12,492	40,283	38,900	(1,383)	38,900	39,500	600
Other Utility Operating Income									
Other Electric Revenues	28,397	68,951	40,554	68,951	41,895	(27,056)	41,895	28,957	(12,938)
Late Payment Charges	9,185	11,378	2,193	11,378	12,200	822	12,200	12,200	0
Sales of Water and Water Power									
Miscellaneous Service Revenues	22,388	45,821	23,433	45,821	57,220	11,399	57,220	57,220	0
Provision for Rate Refunds									
TOTAL	88,615	172,305	83,690	172,305	156,075	(16,230)	156,075	146,652	(9,423)

**Espanola Regional Hydro Distribution Corporation (ERHDC)****MATERIALITY ANALYSIS ON OTHER DISTRIBUTION REVENUE**

The materiality threshold of 1% based on 2006 Board Approved rate base equals (1% x \$2,735,952) or \$27,359. The following represents Revenue accounts that exceed the materiality threshold.

	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>Variance</b>
Other Electric Revenues	28,397	68,951	40,554

## Explanation:

In 2006 Actual year ERHDC had additional income of approximately \$43,000 due to ERHDC contracting crew workers to a neighbouring utility.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**RATE OF RETURN ON OTHER DISTRIBUTION ACTIVITIES**

In this application, ERHDC has applied for the same Specific Service Charges previously approved in the OEB approved 2007 Tariffs of Rates and Charges (EB-2007-0525). The specific Service Charges schedule follows the OEB recommended charges and as such ERHDC has no further information related to the rate of return on non-core delivery activities.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**DESCRIPTION OF REVENUE SHARING**

ERHDC does not engage in revenue sharing.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**4 - Operating Costs**

<u>Page</u>	<b>Overview</b>
2	Overview of Operating Costs
3	Summary of Operating Costs Table
	<b>OM&amp;A Costs</b>
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9	Materiality Analysis on OM&A Costs
10	Shared Services
11	Corporate Cost Allocation
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13-30	Management and Customer Service/Billing Agreements with PUC Services Inc.
31-32	Employee Compensation, Incentive Plan Expenses, Pension Expense
33	Depreciation, Amortization and Depletion
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35	Materiality Analysis on Distribution Losses
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36	Income Tax, Large Corporation Tax and Ontario Capital Tax
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41-44	2008 Test Year taxable Income Projection
45	Interest Expense
46	Capital Cost Allowance (CCA)



**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**OVERVIEW OF OPERATING COSTS**

**Operating Costs**

The operating costs presented in this exhibit represent the annual expenditures required to sustain ERHDC's Distribution Operations.

**OM&A Costs**

The OM&A costs in this exhibit represents ERHDC's integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and Government direction; and to maintain distribution business service quality and reliability at targeted performance levels. These costs also include providing services to customers connected to ERHDC's Distribution system, and to meet the service levels stipulated in the Standard Supply Service Code and the Retailer Settlement Codes.

The proposed OM&A cost expenditures for the 2008 test year result from a rigorous business planning and work prioritization process that reflects risk-based decision making to ensure that the most appropriate, cost effective solutions are put in place.

OM&A expenditures totaled \$1,125,215 in 2006 Board Approved, \$1,439,658 in 2006 Actual and are forecast to be \$1,278,162 in 2007 and \$1,276,059 in 2008.

**Espanola Regional Hydro Distribution Corporation(ERHDC)****SUMMARY OF OPERATING COSTS**

	<b>2006 Board Approved</b>	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>2008 Test</b>
	\$	\$	\$	\$
<b>Operation</b>	188,791	233,568	216,616	237,426
<b>Maintenance</b>	88,939	163,899	184,343	187,328
<b>Billing and Collections</b>	223,645	267,466	251,828	254,687
<b>Community Relations</b>	1,253	1,000	2,000	2,000
<b>Administrative and General Expenses</b>	227,879	326,591	286,325	282,788
<b>Amortization Expenses</b>	216,028	188,561	178,061	179,455
<b>Other Operating Costs</b>	173,677	245,971	133,025	132,375
<b>Taxes other than income</b>	5,003	12,602	25,964	0
<b>Total Operating Costs</b>	1,125,215	1,439,658	1,278,162	1,276,059

## Espanola Regional Hydro Distribution Corporation(ERHDC)

### OM&A COSTS TABLE

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test	2006 Actual from Board Approved	Ref.	2007 Bridge from 2006 Actual	Ref.	2008 Test from 2007 Bridge	Ref.
<b>Operation</b>										
5005-Operation Supervision and Engineering	16,383	36,289	36,840	37,392	19,906	A	551		552	
5012-Station Buildings and Fixtures Expense	44,307	15,961	14,168	3,931	(28,346)	B	(1,793)		(10,237)	
5016-Distribution Station Equipment - Operation Labour	2,386	10,498	12,015	12,815	8,112		1,517		800	
5017-Distribution Station Equipment - Operation Supplies and Expen	138	16,330	11,000	11,225	16,192	C	(5,330)		225	
5020-Overhead Distribution Lines and Feeders - Operation Labour	53,344	23,521	30,102	53,268	(29,823)	D	6,581		23,166	A
5025-Overhead Distribution Lines & Feeders - Operation Supplies ar	3,380	15,344	10,700	10,915	11,964	E	(4,644)		215	
5035-Overhead Distribution Transformers- Operation	5,991	12,871	12,425	14,203	6,880		(446)		1,778	
5040-Underground Distribution Lines and Feeders - Operation Labou	24,903	8,135	5,663	6,039	(16,768)	F	(2,472)		376	
5045-Underground Distribution Lines & Feeders - Operation Supplie	1,345	6,729	3,900	3,980	5,384		(2,829)		80	
5055-Underground Distribution Transformers - Operation		10,765	13,142	15,682	10,765		2,377		2,540	
5065-Meter Expense	4,744	14,665	14,492	13,426	9,921		(173)		(1,066)	
5070-Customer Premises - Operation Labour		27,199	23,167	25,085	27,199	G	(4,032)		1,918	
5075-Customer Premises - Materials and Expenses		1,245	2,000	2,040	1,245		755		40	
5085-Miscellaneous Distribution Expense	20,770	18,541	13,302	13,725	(2,229)		(5,239)		423	
5095-Overhead Distribution Lines and Feeders - Rental Paid	11,100	15,475	13,700	13,700	4,375		(1,775)		-	
<b>Sub-Total</b>	<b>188,791</b>	<b>233,568</b>	<b>216,616</b>	<b>237,426</b>	<b>44,777</b>		<b>(16,952)</b>		<b>20,810</b>	
<b>Maintenance</b>										
5105-Maintenance Supervision and Engineering		36,289	36,840	37,392	36,289	H	551		552	
5110-Maintenance of Buildings and Fixtures - Distribution Stations	13,229	4,784	5,863	6,239	(8,445)		1,079		376	
5114-Maintenance of Distribution Station Equipment	964	8,628	14,580	15,235	7,664		5,952		655	
5120-Maintenance of Poles, Towers and Fixtures	2,978	5,122	3,167	6,972	2,144		(1,955)		3,805	
5125-Maintenance of Overhead Conductors and Devices	18,675	29,626	37,566	38,288	10,951		7,940		722	
5130-Maintenance of Overhead Services		410	150	150	410		(260)		-	
5135-Overhead Distribution Lines and Feeders - Right of Way	34,241	54,564	63,378	59,944	20,323	I	8,814		(3,434)	
5145-Maintenance of Underground Conduit		1,126	1,450	1,426	1,126		324		(24)	
5150-Maintenance of Underground Conductors and Devices	7,041	18,561	17,204	17,301	11,520	J	(1,357)		97	
5160-Maintenance of Line Transformers	4,820	2,973	2,567	2,709	(1,847)		(406)		142	
5170-Sentinel Lights - Labour		719	789	836	719		70		47	
5175-Maintenance of Meters	6,990	1,097	789	836	(5,893)		(308)		47	
<b>Sub-Total</b>	<b>88,938</b>	<b>163,899</b>	<b>184,343</b>	<b>187,328</b>	<b>74,961</b>		<b>20,444</b>		<b>2,985</b>	
<b>Billing and Collections</b>										
5305-Supervision										
5310-Meter Reading Expense	33,129	36,626	38,089	39,276	3,497		1,463		1,187	
5315-Customer Billing	119,355	146,242	138,917	142,446	26,887	K	(7,325)		3,529	
5320-Collecting	67,771	69,477	70,822	68,965	1,706		1,345		(1,857)	
5335-Bad Debt Expense	3,390	15,121	4,000	4,000	11,731	L	(11,121)		-	
<b>Sub-Total</b>	<b>223,645</b>	<b>267,466</b>	<b>251,828</b>	<b>254,687</b>	<b>43,821</b>		<b>(15,638)</b>		<b>2,859</b>	

## Espanola Regional Hydro Distribution Corporation(ERHDC)

### Community Relations

5405-Supervision		1,000	2,000	2,000	1,000		1,000	-
5410-Community Relations - Sundry								
5515-Advertising Expense	1,253				(1,253)		-	-
<b>Sub-Total</b>	<b>1,253</b>	<b>1,000</b>	<b>2,000</b>	<b>2,000</b>	<b>(253)</b>		<b>1,000</b>	<b>-</b>

### Administrative and General Expenses

5605-Executive Salaries and Expenses	39,319	16,686	16,700	18,600	(22,633)	<b>M</b>	14	1,900
5610-Management Salaries and Expenses	51,035	78,045	64,065	67,229	27,010	<b>N</b>	(13,980)	<b>A</b> 3,164
5615-General Administrative Salaries and Expenses	6,101	16,367	16,139	7,555	10,266		(228)	(8,584)
5620-Office Supplies and Expenses	46,317	47,113	57,819	60,431	796		10,706	2,612
5630-Outside Services Employed	35,926	136,080	100,411	95,842	100,154	<b>O</b>	(35,669)	<b>B</b> (4,569)
5635-Property Insurance	8,753	5,071	5,200	5,350	(3,682)		129	150
5640-Injuries and Damages	20,557	6,614	7,991	8,230	(13,943)	<b>P</b>	1,377	239
5645-Employee Pensions and Benefits		9,018	9,000	9,551	9,018		(18)	551
5655-Regulatory Expenses	3,805	4,349	6,000	6,000	544		1,651	-
5660-General Advertising Expenses	2,255				(2,255)		-	-
5665-Miscellaneous General Expenses	12,800	4,970	500	1,500	(7,830)		(4,470)	1,000
5680-Electrical Safety Authority Fees	1,011	2,278	2,500	2,500	1,267		222	-
<b>Sub-Total</b>	<b>227,879</b>	<b>326,591</b>	<b>286,325</b>	<b>282,788</b>	<b>98,712</b>		<b>(40,266)</b>	<b>(3,537)</b>

### Amortization Expenses

5705-Amortization Expense - Property, Plant, and Equipment	194,164	188,561	178,061	179,455	(5,603)		(10,500)	1,394
5710-Amortization of Limited Term Electric Plant	21,864				(21,864)	<b>Q</b>	-	-
<b>Sub-Total</b>	<b>216,028</b>	<b>188,561</b>	<b>178,061</b>	<b>179,455</b>	<b>(27,467)</b>		<b>(10,500)</b>	<b>1,394</b>

### Other Operating Costs

6030-Interest on Debt to Associated Companies	163,074	164,324	84,625	84,625	1,250		(79,699)	<b>C</b> -
6035-Other Interest Expense	10,604	81,647	48,400	47,750	71,043	<b>R</b>	(33,247)	<b>D</b> (650)
<b>Sub-Total</b>	<b>173,678</b>	<b>245,971</b>	<b>133,025</b>	<b>132,375</b>	<b>72,293</b>	<b>-</b>	<b>(112,946)</b>	<b>(650)</b>

### Taxes other than Income

6105-Taxes other than Income Taxes	5,003	12,602	25,964		7,599		13,362	<b>I</b> (25,964) <b>B</b>
<b>Sub-Total</b>	<b>5,003</b>	<b>12,602</b>	<b>25,964</b>	<b>-</b>	<b>7,599</b>		<b>13,362</b>	<b>(25,964)</b>

### Total Operating Costs

	<u>1,125,215</u>	<u>1,439,658</u>	<u>1,278,162</u>	<u>1,276,059</u>	<u>314,443</u>		<u>(161,496)</u>	<u>(2,103)</u>
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**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**VARIANCE ANALYSIS ON OM&A COSTS TABLE**

2006 Actual to Board Approved

Refer to Draft Issues List in Exhibit 1 Page 35 for an overall explanation on the comparability of 2006 Actual data to Board Approved (2004).

- A 5005 – Operation Supervision and Engineering - \$19,906  
In the Board Approved year a portion of the Management salary was charged to the Services Company. In 2006 Actual the Service Company is no longer active and all costs are charged to the distribution company.
- B 5012 – Station Buildings and Fixtures Expense - \$(28,346)  
Decrease in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year.
- C 5017 – Distribution Station Equipment – Operations Supplies and Expenses - \$16,192  
Increase is due to property taxes being reallocated from and Admin. to OM&A expenditure for substations and a supplementary tax bill due to properties being reassessed in 2006.
- D 5020 – Overhead Distribution Lines and Feeders – Operation Labour \$(29,823)  
Decrease in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year.
- E 5025 – Overhead Distribution Lines and Feeders – Operation Supplies and Expenses - \$11,964. Variance is due to PUC and USF training in 2006 Actual.
- F 5040 – Underground Distribution Lines and Feeders – Operation Labour - \$(16,768)  
Decrease in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year.
- G 5070 – Customer Premises – Operation Labour - \$27,199  
Increase in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year.
- H 5105 – Maintenance Supervision and Engineering - \$36,289  
In the Board Approved year a portion of Management salary was charged to the Services Company. In 2006 Actual the Service Company is no longer active and all costs are charged to the distribution company.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

- I 5135 – Overhead Distribution Lines and Feeders – Right of Way - \$20,323  
Increase in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year. In 2006 there was also an increase in tree trimming expenditures.
- J 5150 – Maintenance of Underground Conductors and Devices - \$11,520  
Increase in the expenditure is a result of labour being allocated and expensed to different accounts than in the previous year.
- K 5315 – Customer Billing - \$26,887  
In Actual 2006 there were additional Harris support costs.
- L 5335 – Bad Debt Expense - \$11,731  
Bad debts sent to Debt Collector up to December 31, 2005 (not done previously).
- M 5605 – Executive Salaries and Expenses - \$(22,633)  
General Manager’s hours posted in part to this account prior to 2006.
- N 5610 – Management Salaries and Expenses - \$27,010  
Increase in Management Salaries charged to the distribution company since the services company is no longer active.
- O 5630 – Outside Services Employed - \$100,154  
Consulting fees for rate application , audit fee, legal and PUC Management services have increase from the Board Approved year.
- P 5640 - Injuries and Damages - \$(13,943)  
Reduction in charges such as insurance from the Services Company which is no longer active in 2006 Actual.
- Q 5710 – Amortization of Limited Term Electric Plant - \$(21,864)  
Reclassification required to account 5705 Amortization Expense Property Plant and Equipment.
- R 6035 – Other Interest Expense - \$71,043  
Recalculation of carrying charges from 2002 to 2006 (revenue offsets majority of expense).

2007 Bridge from 2006 Actual

- A 5610 – Management Salaries and Expenses - \$(13,980)  
In 2007 Bridge there was a reallocation of contract expenses.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

- B 5630 – Outside Services employed – \$(35,669)  
Variance due to reduction in 2007 consulting fees and rate application costs.
- C 6030 – Interest on Debt to Associated Companies - \$(79,699) - Reduction due to the proposed move in the debt to equity structure.
- D 6035 – Other Interest Expense - \$(33,247)  
Recalculation of carrying charges in 2006 from the period 2002 to 2006.
- E,F,G,H – no variance analysis required
- I 6105 – Taxes Other than Income Taxes - \$13,362  
Estimated as per 2006 rate application.

**2008 Test from 2007 Bridge**

- A 5020 – Overhead Distribution Lines and Feeders – Operations labour \$ 23,166  
Variance is due to additional allocation of labour to overhead lines.
- B 6105 – Taxes Other than Income Taxes - \$(25,964)  
Taxes allocated to different accounts in 2008.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**MATERIALITY ANALYSIS ON OM&A COSTS**

A written explanation is required for operating costs related information where there is a variance greater or equal to 1% of the total distribution expenses before PILS.

**Determination of Materiality Threshold for OM&A Costs**

<u>Distribution Expense</u>	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
OM&A	1,005,126	967,076	964,229
Amortization	188,561	178,061	179,455
Distribution Expenses Before PILS	<u>1,193,687</u>	<u>1,145,137</u>	<u>1,143,684</u>
1% of Distribution Expenses before PILS	<b>11,937</b>	<b>11,451</b>	<b>11,437</b>

ERHDC has selected \$11,437, the lowest level of materiality for the most effective review of costs.



**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**SHARED SERVICES**

ERHDC does not have any shared services with any affiliates.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**CORPORATE COST ALLOCATION**

ERHDC does not allocate any corporate costs to affiliates.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**PURCHASE OF SERVICES**

	<b>2006 Actual</b>	<b>2007 Bridge</b>	<b>2008 Test</b>
<u>PUC Services Inc.</u>	\$121,367	\$132,400	\$134,390
Management Services			
Tender			
<u>PUC Services Inc.</u>	\$111,981	\$118,426	\$119,372
Billing and Collecting Services			
Tender			
<u>PUC Services Inc.</u>	\$40,107	\$40,000	\$44,152
Retail Settlement Services			
Tender			
<u>PUC Services Inc.</u>	\$35,423	\$33,394	\$29,149
Software Support			
Cost Approach			
<u>Freelandt Caldwell Reilly</u>	\$35,500	\$25,000	\$30,000
Audit			
Cost Approach			
<u>Regulatory Services</u>	\$35,020	\$30,000	\$20,000
Regulatory Compliance Service, Elenchus, PUC Services			
Tender			
<u>L. Houle Construction</u>	\$39,554	\$42,000	\$43,260
Meter Reads/Disconnects			
Cost Approach			
<u>J. Gagne</u>	\$5,872	\$6,400	\$6,592
Janitorial Services			
Cost Approach			

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**MANAGEMENT AND CUSTOMER SERVICE/BILLING AGREEMENTS WITH PUC SERVICES INC.**

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**Management Services Agreement**

THIS AGREEMENT IS BETWEEN:

**PUC SERVICES INC.**

(hereinafter referred to as "ServiceCo")

- and -

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

(hereinafter referred to as the "Client")

In consideration of the mutual covenants contained in this Agreement and the sum of ten dollars now paid by each party to the other, receipt of which is hereby acknowledged, the parties agree as follows:

**1. Definitions and Interpretation**

In this Agreement, unless otherwise expressly defined or the context otherwise requires:

- (a) "Agreement" means this Management Services Agreement and the Management Services Schedule.
- (b) "Confidential Information" means any oral, written or electronic data and information now or hereafter existing during the currency of this Agreement, relating to the business and management of either party which is treated by such party as confidential, to which access is granted or obtained by the other party, but does not include any data or information which (i) was known to the recipient prior to the disclosure to it by the other party, or (ii) was independently developed by the recipient as evidenced by records; or (iii) is subsequently lawfully obtained by the recipient from a third party, without breach of this Agreement by the recipient; or (iv) becomes publicly available other than through a breach of this Agreement; or (v) is disclosed where the other party has provided its prior written consent to such disclosure by the recipient; or (vi) is disclosed by legal requirement.
- (c) "Data" means all information in hard copy or in electronic form, which is used in the performance of Services under this Agreement.
- (d) "Due Date" means thirty days after the date of the invoice.
- (e) "Service" means a service as specified in the Management Services Schedule, which ServiceCo provides to Client under this Agreement.
- (f) "Service Level" means a service level agreed in writing by the parties as applicable to a particular measurable component of a Service.
- (g) "Management Services Schedule" the Schedule attached hereto which describes the Services to be provided by ServiceCo to Client and any additional terms and conditions relating specifically to such Services.
- (h) "Management Services Agreement" means this agreement between ServiceCo and the Client as may be amended from time to time as provided in this Agreement.

**2. Interpretation**

In this Agreement, unless otherwise expressly provided or as the context otherwise requires:

- (a) headings are solely for convenience of reference and are not intended to be complete or accurate descriptions of content or to be guides to interpretation of this Agreement or any part of it;
- (b) an accounting term not otherwise defined in this Agreement has the meaning assigned to it, and every calculation to be made under this Agreement is to be made, in accordance with accounting principles generally accepted in Canada applied on a consistent basis;
- (c) reference to currency means Canadian currency;

## Espanola Regional Hydro Distribution Corporation(ERHDC)

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- (d) a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and every statute or regulation that supplements or supersedes such statute or regulations;
- (e) a reference to an entity includes any successor to that entity;
- (f) a word importing the masculine gender includes the feminine and neuter, a word in the singular includes the plural, a word importing a corporate entity includes an individual, and vice versa;
- (g) a reference to "approval", "authorization" or "consent" means written approval, authorization or consent;
- (h) if there is any conflict or inconsistency between the terms of this Management Services Agreement and the Management Services Schedule, the terms of the Management Services Schedule will prevail;
- (i) the word "including", when following a general statement or term, is not to be construed as limiting the general statement or term to any specific item or matter set forth or to similar items or matters, but rather as permitting the general statement or term to refer also to all other items or matters that could reasonably fall within its broadest possible scope; and
- (j) a reference to a Part or Section is to a Part or Section of this Agreement.

### 3. Term

Subject to provision of paragraph 14(4), the Term of this Agreement shall be for a period of five years commencing on the later of February 1<sup>st</sup>, 2006 or the date when the last of the two parties to this Agreement executes same (the "Term").

### 4. ServiceCo Responsibilities

In the performance of Services, ServiceCo agrees to:

- (a) perform the Services as described in the Management Services Schedule and otherwise in accordance with the terms of this Agreement and the policies and procedures in place by the Client;
- (b) ensure that experienced and properly qualified personnel perform the Services by ServiceCo;
- (c) liaise with Client through Client's Board of Director Chairman or his designate on matters of a material nature related to the Management Services Schedule and operation of the Client;
- (d) notify Client, whenever practicable, if expenses beyond the charges set forth within the Management Services Schedule may be incurred together with any explanation therefor;
- (e) invoice Client according to the terms of the Management Services Schedule for the Services performed;
- (f) notify Client, as appropriate, of any planned or anticipated material changes to ServiceCo procedures in the provision of Services;
- (g) work cooperatively with Client and its customers as may be reasonable to facilitate the efficient provision of the Services;
- (h) perform the Services contemplated herein on terms not less favourable than those provided to its own customers;
- (i) observe and comply with any and all applicable government laws and regulations now or hereafter in force or effect;
- (j) observe the Client's reasonable policies and procedures in relation to the performance of the Services such that Client's customers will not encounter any noticeable difference in the services formerly provided by the Client and the Services now provided by ServiceCo in accordance with this Agreement; and
- (k) maintain adequate comprehensive general liability insurance showing the Client as an additional insured.

## Espanola Regional Hydro Distribution Corporation(ERHDC)

### 5. Client's Responsibilities

Client agrees to:

- (a) provide all necessary Data or other required materials to ServiceCo on schedule or in a timely fashion to enable ServiceCo to provide the Services;
- (b) liaise with ServiceCo through the Client's Board of Director Chairman or designate to make decisions on behalf of Client in relation to the implementation of this Agreement and the Services and any changes thereto;
- (c) reasonably provide advance consent or direction for the release of Client's reports and other information by ServiceCo to any third party, as required in the performance of the Service;
- (d) restrict Client's employees and agents from interfering with, and from any unauthorized use of equipment which is owned by ServiceCo, in ServiceCo's possession, or under ServiceCo's control;
- (e) ensure the accuracy, legibility, and completeness of all Data supplied to ServiceCo and be responsible for the results obtained from Client's use of any of the Services;
- (f) provide information in addition to that specified in the Management Services Schedule as ServiceCo may reasonably require from time to time to perform the Service;
- (g) allow ServiceCo the sole responsibility and authority to make any and all decisions with respect to the day-to-day operations of The Client as outlined in the Management Services Schedule;
- (h) authorize ServiceCo to make expenditures and enter into contracts for items as approved in the annual budget subject to agreed upon expenditure limits;
- (i) within a reasonable time period provide a decision on the acceptance or rejection of recommendations from ServiceCo pertaining to the operation of the Client;
- (j) provide adequate office space, furnishings, computer, office equipment, supplies, and communication devices for ServiceCo to perform its obligations under the Agreement; and
- (k) perform any other activities as defined in the Management Services Schedule.

### 6. Data

- (1) All Data supplied by Client related to the performance of a Service remains Client's exclusive property. All supplied Data must be on media compatible with ServiceCo processing equipment and, where applicable, in the format which ServiceCo, acting reasonably, prescribes.
- (2) If Client provides Software for use by ServiceCo in the provision of Services, Client warrants that:
  - (a) Client has obtained any necessary permission, right and licence to enable the Software to be copied, modified and run by ServiceCo on equipment under ServiceCo's control without infringing any third party right;
  - (b) in using the Software to furnish the Services, ServiceCo will not be infringing the rights of any third parties; and
  - (c) the disclosure to ServiceCo or the use by ServiceCo of the Software will not involve a breach of any confidential or contractual relationship.
- (3) Client agrees to defend, indemnify and hold harmless ServiceCo against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim arising from any breach of the warranties stated under (2) above.
- (4) All Data, Software, methodology, know-how, ideas, techniques, concepts, information and processes supplied or developed by ServiceCo in the performance of a service remains ServiceCo's exclusive property.

## Espanola Regional Hydro Distribution Corporation(ERHDC)

### 7. Confidentiality

- (1) Each of the parties agrees:
- (a) to keep all Confidential Information of the other party to which access is or has been granted to or obtained in strictest confidence and not to disclose or permit disclosure of all or any portion of such Confidential Information to any person, firm, corporation, business or other entity, except as otherwise expressly permitted by this Agreement or with the prior written consent of the other party which consent may be unreasonably withheld;
  - (b) to exercise a degree of care in protecting the confidentiality of the Confidential Information of the other party which is at least equivalent to that which the party uses to protect its own Confidential Information;
  - (c) not to use all or any portion of the Confidential Information of the other party in any way which may be reasonably considered detrimental to the business operations of the other party;
  - (d) not to reproduce any Confidential Information of the other party without the prior written consent of such party, which consent may be unreasonably withheld, except to make available the Confidential Information to such of its directors, officers, employees, agents and subcontractors who need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section; and
  - (e) to provide access to the Confidential Information of the other party only to such of its directors, officers, agents and subcontractors with a need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section.
- (2) Notwithstanding anything to the contrary in this Agreement, ServiceCo will not be required to keep confidential, and may use or license without restriction, any ideas, concepts, know-how or techniques related to information processing which are developed by ServiceCo in the performance of services.

### 8. Charges

- (1) Charges for ServiceCo's services will be specified in the Management Services Schedule. ServiceCo will, after the second anniversary of the date of this Agreement, increase the charges specified in the Management Services Schedule by 3.0 percent effective on the first day of each contract year during the Term.
- (2) The services to be provided and the fees quoted reflect the applicable current legislated, regulatory requirements and guidelines specified by the Municipality, Federal and Ontario Provincial Government, by the Ontario Energy Board and the Independent Electricity System Operator. If there should be a material change in the legislation, regulations or guidelines that affects the nature of the management services provided, the fees shall be adjusted accordingly after agreement with the Client.
- (3) Client will also be responsible to ServiceCo for its reasonable expenses associated with any additional services or incremental costs incurred by ServiceCo in providing the services caused by Client's failure to perform any of its obligations under this Agreement, where the Client has been advised in writing of its failure to perform its obligations under this Agreement and has been given a reasonable opportunity to correct any deficiency.

### 9. Invoicing and Payment

- (1) Unless otherwise stated within the Service Schedule, ServiceCo will invoice Client in advance thirty days prior to the beginning of each month for charges for the Services to be provided in that forthcoming month. Payment of invoiced amounts will be due on the Due Date. Amounts remaining unpaid will bear interest from the Due Date at an annual rate that is the lesser of:
  - (a) the rate of interest set forth on the applicable invoice; and



## Espanola Regional Hydro Distribution Corporation(ERHDC)

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- (b) the rate that is five percentage points above the prime commercial annual lending rate of interest designated by the Royal Bank of Canada in effect in Canada from time to time for its most creditworthy commercial Clients on Canadian dollar loans.

Any other amount payable under this Agreement will bear interest at the rate set out above.

### 10. Taxes

Client will make timely payment of any taxes, duties or government levies related to this Agreement.

### 11. Warranty

- (1) ServiceCo represents and warrants that the service level provided by it under this agreement shall be as good as, or superior to those service levels generally enjoyed by ServiceCo's own customers and other utilities of a similar size within the Province of Ontario.
- (2) Except as expressly stated in this Section, ServiceCo makes no warranty, representation, condition or covenant of any kind, express or implied, oral or written, statutory or otherwise, including but not limited to, the implied warranties, representations, conditions or covenants of merchantable quality or fitness for a particular purpose or warranties arising from a course of dealing or usage of trade.

### 12. Indemnity

- (1) Client will indemnify and hold ServiceCo harmless, to the extent that Client is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by ServiceCo in good faith in reliance on instructions or orders received from Client arising in connection with ServiceCo's performance of its obligations under this Agreement. ServiceCo will be without liability to Client with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and with reasonable skill and care and without willful or wanton misconduct on ServiceCo's part.
- (2) Subject to Section 12(1), ServiceCo will indemnify and hold Client, its officers, directors, employees and servants harmless, to the extent that ServiceCo is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by Client in good faith in reliance on instructions or orders received from ServiceCo arising in connection with Client's performance of its obligations under this Agreement. Client will be without liability to ServiceCo with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and without negligence or willful or wanton misconduct on Client's part.

### 13. Notices

- (1) Any notice or demand to be given by either party to the other under this Agreement will be in writing and may be delivered personally, by facsimile or by first class prepaid mail to the following addresses:

If to ServiceCo:	PLC SERVICES INC. 765 Queen Street East P.O. Box 9000 Sault Ste. Marie, Ontario
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**Espanola Regional Hydro Distribution Corporation(ERHDC)**

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PSA 6P2  
 Attention: Vice-President of Customer Services

If to the Client:

ESPANOLA REGIONAL HYDRO  
 DISTRIBUTION CORPORATION  
 598 Second Avenue  
 Espanola, Ontario  
 P5E 1C4  
 Attention: Chairman, Board of Directors

- (2) Notices delivered in person or by facsimile will be effective on the date of such delivery. Notices issued by mail will be effective on the third business day following the date that the envelope containing the notice is post-marked (unless between the time of mailing and the time the notice is deemed effective there is an interruption in postal service, in which case, the notice will not be effective until actually received. In the event of a postal strike or lockout, notices or demands under this Agreement must be delivered personally or by facsimile.

#### 14. Termination

- (1) In the event of a material breach, as defined herein, of the Agreement by a party (the "Defaulting Party"), the other party (the "Non-Defaulting Party") will have the right to give written notice to the Defaulting Party to remedy the breach within thirty days after the date of such notice (the "Notice"). The Defaulting Party will make all reasonable efforts to rectify the breach to the satisfaction of the Non-Defaulting Party at the earliest possible time. If the Defaulting Party fails to remedy the breach specified in the Notice to the satisfaction of the Non-Defaulting Party within thirty days after the date of the Notice, then the Non-Defaulting Party will have the right to terminate the Agreement on giving 30 days' notice to the Defaulting Party. If the Defaulting Party corrects the breach to the satisfaction of the Non-Defaulting Party within the time prescribed in the Notice, the notice of termination of the Agreement will be void.
- (2) In the event that the Agreement is terminated in accordance with 14(1) or 14(4), then:
- (a) ServiceCo. will cooperate fully with the Client and act in good faith toward the Client and its customers in order to allow for the smooth and orderly transition of the Services to Client or its nominee. In addition, ServiceCo will make reasonable efforts to continue the Services to the extent mutually agreed to by the parties at mutually agreed to prices; and
  - (b) ServiceCo will return to the Client, the Client's Data and supplies.
- (3) For the purposes of this agreement material breach shall include without limitation failure by ServiceCo to perform any of its obligations stated in section 4 of this Agreement to the standards contained herein.
- (4) If the Client determines to sell its business and the purchaser is not prepared to accept an assignment of this Agreement or in the event of regulatory change which results in the frustration of this Agreement, the Client shall have the option to terminate this Agreement at anytime after one year on 60 days prior written notice to ServiceCo and upon payment of the following amounts as liquidated damages:
- a. During years 2 and 3; 100% of the annual cost set forth in the Management Services Schedule,
  - b. During years 4 and 5; 50% of the annual cost set forth in the Management Services Schedule.

#### 15. Mediation

In the event a dispute arises out of or in connection with this Agreement, including a dispute as to what constitutes a material breach for the purposes of Section 14 or in respect of any defined legal relationship associated with or derived from this Agreement, the parties will follow the step-by-step correction and resolution procedure set out below:

Step 1. The non-breaching party will advise the other party in writing of the alleged breach.

## Espanola Regional Hydro Distribution Corporation(ERHDC)

- Step 2. The party allegedly in breach will investigate the allegation and provide a written report to the other party within five business days of receiving the notice alleging breach given under Step 1 to the effect that
- (a) the investigation reveals that the alleged breach was not committed;
  - (b) the breach has been cured; or
  - (c) the breach remains uncured.
- Step 3. If the party alleging the breach
- (a) is not satisfied that the other party is not, or is no longer in breach; or
  - (b) wishes to pursue the dispute, then the party will immediately notify the other party in writing that it wishes to escalate the dispute to Step 4.
- Step 4. Each party, will within two business days after receipt of the notice in Step 3, submit to the following people, or their delegates, a written report on the facts of the dispute, any relevant provisions of this Agreement and any other relevant information:
- ServiceCo - Vice-President Customer Services  
Client: - Chairman, Board of Directors
- Step 5. If the parties referred to in Step 4 cannot resolve the dispute through mediation, the dispute may be referred to arbitration in accordance with the arbitration provisions of this Agreement.

### 16. Arbitration

Except for applications for injunctions or restraining orders, any disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom, including any failure of the parties to reach agreement will be referred to and finally resolved or determined by arbitration under the Arbitrations Act (Ontario). In the event that this Agreement has been terminated in accordance with section 14 above and an arbitrator under this article determines that a material breach did not exist, the arbitrator's jurisdiction shall be limited to the extent of awarding compensation for damages resulting from the failure to give proper notice of termination.

### 17. General

- (1) Neither party will be responsible for any failure to fulfil its respective obligations under this Agreement due to causes beyond its reasonable ability to control provided that the party affected by such cause has used and continues to use all reasonable efforts to perform its obligations and makes reasonable attempts to notify the other party in writing within five business days of its inability to fulfil its obligations under this Agreement. Regardless of the foregoing, ServiceCo will continue to provide all Services deemed by Client to be critical to its business, notwithstanding any strike by or labour dispute with ServiceCo's personnel.
- (2) The Client and ServiceCo agree not to assign or transfer this Agreement or any of their respective rights or obligations under this Agreement, without the prior written consent of the other party, which such consent shall not be unreasonably or arbitrarily withheld, not withstanding the foregoing in the event of a sale of its business the Client shall have the right to assign this Agreement without the consent of ServiceCo provided that the Purchaser agrees to assume the Client's obligations under this Agreement.
- (3) If either party becomes insolvent or bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada), the other party may, with notice in writing, immediately terminate this Agreement.
- (4) No changes to the terms and conditions of this Agreement will be effective unless specified in an amendment to the Agreement signed by both parties.
- (5) If any portion of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion will be severed from this Agreement and will not affect the validity, legality or enforceability of the remaining provisions of this Agreement and the remainder of the Agreement will continue in full force and effect.

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- (6) Nothing contained herein and no actions taken in accordance with this Agreement shall constitute ServiceCo. or any of its officers, directors, employees, or servants as employees of the Client and the parties agree that the nature of ServiceCo's relationship with the Client is that of independent contractor.
- (7) Any waiver by either party of any obligation under this Agreement must be in writing and will not be deemed or constitute a waiver of that or any other provision (whether or not similar) nor will such waiver constitute a continuous waiver unless otherwise expressly provided.
- (8) On termination of this Agreement, all accrued obligations or liabilities and the provisions that by their nature are intended to endure beyond such termination will remain in effect including without limitation, obligations of confidentiality.
- (9) This Agreement will be binding on and inure to the benefit of both parties and their respective successors and permitted assigns.
- (10) This Agreement will be governed by the laws of the Province of Ontario and in the event that the parties are required to make application to court, the parties agree to be subject to the jurisdiction of the courts of the Province of Ontario.
- (11) Each party will execute and deliver such further and other agreements, documents and instruments and do such further acts and things as are within its power and as may be necessary or desirable to fully implement and carry out the intent of this Agreement.

**18. Acceptance**

Both parties, by authorized signatures below, agree that this Agreement is the complete agreement between the parties and replaces all prior communications, agreements and understandings related to the subject matter of this Agreement. There are no warranties, representations, conditions, covenants or other agreements between the parties in connection with the subject matter of this Agreement except those specifically set out herein. The execution of this Agreement has not been induced by, nor do either of the parties rely on or regard as material, any representations not included in this Agreement. No supplement, modification or waiver of this Agreement will be binding unless executed by the parties.

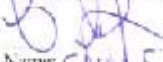

PUC SERVICES INC.

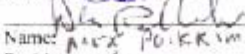
Per:   
Name: TERESE GRECO  
Position: VP Finance

Per:   
Name: DAVID MCEWEN  
Position: V.P. CORPORATE SERVICES

We have the authority to bind the Corporation

ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION

Per:   
Name: Cheryl Fitzjohn  
Position: 

Per:   
Name: MARK POLKYMAKI  
Position: VICE

We have the authority to bind the Corporation

## Espanola Regional Hydro Distribution Corporation(ERHDC)

### Services Agreement

THIS AGREEMENT IS BETWEEN:

**PUC SERVICES INC.**

(hereinafter referred to as "ServiceCo")

- and -

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

(hereinafter referred to as the "Client")

In consideration of the mutual covenants contained in this Agreement and the sum of ten dollars now paid by each party to the other, receipt of which is hereby acknowledged, the parties agree as follows:

#### 1. Definitions and Interpretation

In this Agreement, unless otherwise expressly defined or the context otherwise requires:

- (a) "Agreement" means this Services Agreement and the Services Schedule.
- (b) "Confidential Information" means any oral, written or electronic data and information now or hereafter existing during the currency of this Agreement, relating to the business and management of either party which is treated by such party as confidential, to which access is granted or obtained by the other party, but does not include any data or information which (i) was known to the recipient prior to the disclosure to it by the other party; or (ii) was independently developed by the recipient as evidenced by records; or (iii) is subsequently lawfully obtained by the recipient from a third party, without breach of this Agreement by the recipient; or (iv) becomes publicly available other than through a breach of this Agreement; or (v) is disclosed where the other party has provided its prior written consent to such disclosure by the recipient; or (vi) is disclosed by legal requirement.
- (c) "Data" means all information in hard copy or in electronic form, which is used in the performance of Services under this Agreement.
- (d) "Due Date" means thirty days after the date of the invoice.
- (e) "Service" means a service as specified in the Service Schedule, which ServiceCo provides to Client under this Agreement.
- (f) "Service Level" means a service level agreed in writing by the parties as applicable to a particular measurable component of a Service.
- (g) "Service Schedule" the Schedule attached hereto which describes the Services to be provided by ServiceCo to Client and any additional terms and conditions relating specifically to such Services.
- (h) "Services Agreement" means this agreement between ServiceCo and the Client as may be amended from time to time as provided in this Agreement.
- (i) "Software" means computer programs, regardless of format or medium, their documentation and specifications.

#### 2. Interpretation

In this Agreement, unless otherwise expressly provided or as the context otherwise requires:

- (a) headings are solely for convenience of reference and are not intended to be complete or accurate descriptions of content or to be guides to interpretation of this Agreement or any part of it;
- (b) an accounting term not otherwise defined in this Agreement has the meaning assigned to it, and every calculation to be made under this Agreement is to be made, in accordance with accounting principles generally accepted in Canada applied on a consistent basis;
- (c) reference to currency means Canadian currency;

## Espanola Regional Hydro Distribution Corporation(ERHDC)

a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulation from time to time, and every statute or regulation that supplements or supersedes such regulations;

a reference to an entity includes any successor to that entity;

a word importing the masculine gender includes the feminine and neuter, a word in the singular includes plural, a word importing a corporate entity includes an individual, and vice versa;

a reference to "approval", "authorization" or "consent" means written approval, authorization or consent if there is any conflict or inconsistency between the terms of this Services Agreement and the Service Schedule the terms of the Service Schedule will prevail;

the word "including", when following a general statement or term, is not to be construed as limiting the statement or term to any specific item or matter set forth or to similar items or matters, but rather as per the general statement or term to refer also to all other items or matters that could reasonably fall within the broadest possible scope; and

a reference to a Part or Section is to a Part or Section of this Agreement.

### **Term**

Subject to provision of paragraph 16.1(4), the Term of this Agreement shall be for a period of five (5) years commencing on the later of June 1<sup>st</sup>, 2006 or the date when the last of the two parties to this Agreement is same (the "Term").

### **ServiceCo Responsibilities**

In the performance of Services, ServiceCo agrees to:

- (a) perform the Services as described in the Service Schedule and otherwise in accordance with the terms of this Agreement and the policies and procedures in place by the Client;
- (b) ensure that experienced and properly qualified personnel perform the Services by ServiceCo;
- (c) liaise with Client through Client's Financial Officer or designate on matters related to the Services;
- (d) notify Client, whenever practicable, if expenses beyond the defined charges within the Service Schedule may be incurred together with any explanation therefor;
- (e) invoice Client according to the terms of the Service Schedule for the Services performed;
- (f) notify Client, as appropriate, of any planned or anticipated material changes to ServiceCo processes in the provision of Services;
- (g) work cooperatively with Client and its customers as may be reasonable to facilitate the provision of the Services;
- (h) perform the Services contemplated herein on terms not less favourable than those provided to other customers;
- (i) observe and comply with any and all applicable government laws and regulations now or hereafter in force or effect; and
- (j) observe the Client's reasonable policies and procedures in relation to the performance of the Services such that Client's customers will not encounter any noticeable difference in the services provided by the Client and the Services now provided by ServiceCo in accordance with this Agreement.
- (k) maintain adequate comprehensive general liability insurance showing the Client as an additional insured.



## Espanola Regional Hydro Distribution Corporation(ERHDC)

### 5. Client's Responsibilities

Client agrees to:

- (a) provide all necessary Data and any special forms or other required materials to ServiceCo on schedule or in a timely fashion to enable ServiceCo to provide the Services;
- (b) liaise with ServiceCo through the Client's Financial Officer or designate to make decisions on behalf of Client in relation to the implementation of this Agreement and the Services and any changes thereto;
- (c) reasonably provide advance consent or direction for the release of Client's reports and other information by ServiceCo to any third party, as required in the performance of the Service;
- (d) establish and maintain a backup procedure for the reconstruction of lost Data and of lost Software;
- (e) restrict Client's employees and agents from interfering with, and from any unauthorized use of Software and equipment which is owned by ServiceCo, in ServiceCo's possession, or under ServiceCo's control;
- (f) ensure the accuracy, legibility, and completeness of all Data supplied to ServiceCo and be responsible for the results obtained from Client's use of any of the Services;
- (g) provide information in addition to that specified in the Service Schedule as ServiceCo may reasonably require from time to time to perform the Service;
- (h) provide reasonable access to Client's computer hardware and software strictly for the purposes of correcting and repairing any problems with the equipment, hardware and/or software as they relate to this Agreement;
- (i) provide information, in addition to that specified in the Service Schedule, as ServiceCo may reasonably request from time to time related to the performance of the Services; and
- (j) perform any other activities as defined in the Service Schedule.

### 6. Data

- (1) All Data supplied by Client related to the performance of a Service remains Client's exclusive property. All supplied Data must be on media compatible with ServiceCo processing equipment and, where applicable, in the format which ServiceCo, acting reasonably, prescribes.
- (2) Client will arrange transportation of Data and reports between Client's location and ServiceCo's processing centre at its expense. Client may specify in writing an agent for the collection of Data and reports from ServiceCo's location and ServiceCo will use such service on Client's behalf. All risk of loss or damage during transportation (save and except for situations where ServiceCo is negligent or willfully reckless) will remain Client's responsibility.
- (3) If Client provides Software for use by ServiceCo in the provision of Services, Client warrants that:
  - (a) Client has obtained any necessary permission, right and licence to enable the Software to be copied, modified and run by ServiceCo on equipment under ServiceCo's control without infringing any third party right;
  - (b) in using the Software to furnish the Services, ServiceCo will not be infringing the rights of any third parties; and
  - (c) the disclosure to ServiceCo or the use by ServiceCo of the Software will not involve a breach of any confidential or contractual relationship.
- (4) Client agrees to defend, indemnify and hold harmless ServiceCo against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim arising from any breach of the warranties stated under (3) above.
- (5) All Data, Software, methodology, know-how, ideas, techniques, concepts, information and processes supplied or developed by ServiceCo in the performance of a Service remains ServiceCo's exclusive property.

### 7. Software

## **Espanola Regional Hydro Distribution Corporation(ERHDC)**

In the performance of Services, either party may provide Software to the other. Both parties agree to the following with respect to the handling of the other's Software:

- (a) not to modify the Software, except as permitted under the terms of this Agreement;
- (b) to copy the Software only as required for use on a processor under the control of either party;
- (c) to use the Software only as required for the applicable Service;
- (d) to confine the use of the Software to the employees or agents of either party who require it for the Services;
- (e) to maintain and disallow the removal of any proprietary or copyright notices; and
- (f) to return the Software to the other party promptly on the termination of the applicable Service Schedule and warrant in writing that all copies have been returned and removed from all computers on which they were installed and that no further use will be made of them.

ServiceCo may inspect any of Client's Software required in the performance of this Agreement and which requires access to system control program instructions, system libraries or other secure data. If reasonably required by Client from time to time, Client may inspect any of ServiceCo's Software used in relation to the performance of this Agreement.

### **Confidentiality**

Each of the parties agree:

- (a) to keep all Confidential Information of the other party to which access is or has been granted to or obtained in strictest confidence and not to disclose or permit disclosure of all or any portion of such Confidential Information to any person, firm, corporation, business or other entity, except as otherwise expressly permitted by this Agreement or with the prior written consent of the other party which consent may be unreasonably withheld;
- (b) to exercise a degree of care in protecting the confidentiality of the Confidential Information of the other party which is at least equivalent to that which the party uses to protect its own Confidential Information;
- (c) not to use all or any portion of the Confidential Information of the other party in any way which may be reasonably considered detrimental to the business operations of the other party;
- (d) not to reproduce any Confidential Information of the other party without the prior written consent of such party, which consent may be unreasonably withheld, except to make available the Confidential Information to such of its directors, officers, employees, agents and subcontractors who need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section; and
- (e) to provide access to the Confidential Information of the other party only to such of its directors, officers, agents and subcontractors with a need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Section.

Notwithstanding anything to the contrary in this Agreement, ServiceCo will not be required to keep confidential, and may use or license without restriction, any ideas, concepts, know-how or techniques related to information processing which are developed by ServiceCo in the performance of Services.

### **Patents and Copyrights**

If a third party claims that any Software or a Service provided by either party (the "Providing Party") infringes a patent, copyright, trade secret or other intellectual property right, the Providing Party will defend, indemnify and hold harmless the other party (the "Indemnified Party") against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim. The Indemnified Party will promptly notify the Providing Party of any such claims and the Providing Party will have the right, in consultation with the Indemnified Party, to defend or settle such claim. The Indemnified Party may not settle or



## Espanola Regional Hydro Distribution Corporation(ERHDC)

compromise any claim, action or proceeding in respect of which it may seek indemnification without the prior written consent of the Providing Party.

- (2) If such claim is made, the Providing Party may modify the Service delivered by it or the payments made by it as it determines necessary or advisable to address the claim, provided that any such modification will not result in a material deterioration in Services or security standards.

### 10. Charges

- (1) Charges for ServiceCo's Services will be specified in the Services Schedule. ServiceCo will, after the first anniversary of the date of this Agreement, increase the charges specified in the Services Schedule by 3.0 percent effective on the first day of each contract year during the Term.
- (2) The services to be provided and the fees quoted reflect the applicable current legislated, regulatory requirements and guidelines as of the date of the signing of this Agreement, specified by the Federal and Ontario Provincial Government, the Ontario Energy Board and the Independent Electricity System Operator. If there should be a material change in the regulations or guidelines that affects the nature of the services provided, the fees shall be adjusted accordingly after agreement with the Client.
- (3) Client will also be responsible to ServiceCo for its reasonable expenses associated with any additional Services or incremental costs incurred by ServiceCo in providing the Services caused by Client's failure to:
- (a) provide accurate Data in a prescribed format;
  - (b) perform any of its obligations under this Agreement; or
  - (c) provide Data at the time required for processing
- where the Client has advised in writing of its failure to perform its obligations under this Agreement and has been given a reasonable opportunity to correct any deficiency.

### 11. Invoicing and Payment

- (1) Unless otherwise stated within the Services Schedule, ServiceCo may invoice Client in advance thirty days prior to the beginning of each month for charges for the Services to be provided in that forthcoming month. Payment of invoiced amounts will be due on the Due Date. Amounts remaining unpaid will bear interest from the Due Date at an annual rate that is the lesser of:
- (a) the rate of interest set forth on the applicable invoice; and
  - (b) the rate that is five percentage points above the prime commercial annual lending rate of interest designated by the Royal Bank of Canada in effect in Canada from time to time for its most creditworthy commercial Clients on Canadian dollar loans.
- Any other amount payable under this Agreement will bear interest at the rate set out above.

### 12. Taxes

Client will make timely payment of any taxes, duties or government levies related to this Agreement.

### 13. Warranty

- (1) ServiceCo warrants that it will use reasonable skill and care in providing any Service and that it will, at its expense:
- (a) make commercially reasonable attempts to correct any errors for which ServiceCo is directly and solely responsible by rerunning the Service, provided that the Data necessary to correct such errors is available to ServiceCo;
  - (b) or at ServiceCo's option, provide a credit to Client equivalent to the charge that would have been applicable for correcting that portion of the Service that is in error, such credit will be only for errors due

## Espanola Regional Hydro Distribution Corporation(ERHDC)

solely to malfunction of a system or Software provided by ServiceCo or any error made by ServiceCo personnel in the performance of the Service; and

- (c) If ServiceCo provides hardware, Software or firmware as part of the Services, it will make commercial reasonable efforts to obtain assurances from the vendors of such hardware and Software that such hardware and Software is capable of processing data sensitive information.
- (2) To obtain the return Service or the credit, Client must notify ServiceCo in writing of such errors within the days of receipt of the Data or reports believed to contain the errors.
- (3) Except as expressly stated in this Section, ServiceCo makes no warranty, representation, condition or covenant of any kind, express or implied, oral or written, statutory or otherwise, including but not limited to, the implied warranties, representations, conditions or covenants of merchantable quality or fitness for a particular purpose or warranties arising from a course of dealing or usage of trade.
- (4) ServiceCo represents and warrants that the service level provided by it under this agreement shall be as good; or superior to those service levels generally enjoyed by ServiceCo's own customers and other utilities of similar size within the Province of Ontario.

#### 14. Indemnity

- (1) Client will indemnify and hold ServiceCo harmless, to the extent that Client is responsible, against any loss; claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by ServiceCo in good faith in reliance on instructions or order received from Client as to anything arising in connection with ServiceCo's performance of its obligations under this Agreement. ServiceCo will be without liability to Client with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to the Agreement, if done in good faith and with reasonable skill and care and without willful or wanton misconduct on ServiceCo's part.
- (2) Subject to Section 14, ServiceCo will indemnify and hold Client, its officers, directors, employees and servants harmless, to the extent that ServiceCo is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by Client in good faith in reliance on instructions or orders received from ServiceCo as to anything arising in connection with Client's performance of its obligations under this Agreement. Client will be without liability to ServiceCo with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and without negligence, willful or wanton misconduct on Client's part.
- (3) ServiceCo agrees to indemnify and save Client, its officers, directors, employees and servants, harmless from: damages, expenses or losses on account of the misuse, loss, theft or forgery of any documents or other Confidential Information.

#### 15. Notices

- (1) Any notice or demand to be given by either party to the other under this Agreement will be in writing and may be delivered personally, by facsimile or by first class prepaid mail to the following addresses:

If to ServiceCo:	PUC SERVICES INC. 765 Queen Street East P.O. Box 9000 Sault Ste. Marie, Ontario P6A 6P2 Attention: Vice-President of Customer Services
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## Espanola Regional Hydro Distribution Corporation(ERHDC)

If to the Client:

ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION  
598 Second Avenue  
Espanola, Ontario  
P5E 1C1  
Attention: Chairman, Board of Directors

- (2) Notices delivered in person or by facsimile will be effective on the date of such delivery. Notices issued by mail will be effective on the third business day following the date that the envelope containing the notice is post marked unless between the time of mailing and the time the notice is deemed effective there is an interruption of postal service, in which case, the notice will not be effective until actually received. In the event of a post strike or lockout, notices or demands under this Agreement must be delivered personally or by facsimile.

### 16.1 Termination

- (1) In the event of a material breach, as defined herein, of the Agreement by a party (the "Defaulting Party"), the other party (the "Non-Defaulting Party") will have the right to give written notice to the Defaulting Party remedy the breach within thirty days after the date of such notice (the "Notice"). The Defaulting Party will make all reasonable efforts to rectify the breach to the satisfaction of the Non-Defaulting Party at the earliest possible time. If the Defaulting Party fails to remedy the breach specified in the Notice to the satisfaction of the Non-Defaulting Party within thirty days after the date of the Notice, then the Non-Defaulting Party will have the right to terminate the Agreement on giving 30 days' notice to the Defaulting Party. If the Defaulting Party corrects the breach to the satisfaction of the Non-Defaulting Party within the time prescribed in the Notice, the notice of termination of the Agreement will be void.
- (2) In the event that the Agreement is terminated in accordance with 16.1(1) or 16.1(4), then:
- (a) ServiceCo will cooperate fully with the Client and act in good faith toward the Client and its customer in order to allow for the smooth and orderly transition of the Services to Client or its nominee. In addition, ServiceCo will make reasonable efforts to continue the Services to the extent mutually agreed to by the parties at mutually agreed to prices, and
  - (b) ServiceCo will return to the Client, the Client's Data and supplies.
- (3) For the purposes of this agreement material breach shall include without limitation failure by ServiceCo perform any of its obligations stated in section 4 of this Agreement to the standards contained herein.
- (4) If the Client determines to sell its business and the purchaser is not prepared to accept an assignment of this Agreement or in the event of regulatory change which results in the frustration of this Agreement, the Client shall have the option to terminate this Agreement at anytime after one year on 60 days prior written notice. ServiceCo and upon payment of the following amounts as liquidated damages:
- a. During years 2 and 3; 50% of the estimated annual cost set forth in the Services Schedule,
  - b. During years 4 and 5; 25% of the estimated annual cost set forth in the Services Schedule.

### 16.2 Mediation

In the event a dispute arises out of or in connection with this Agreement, including a dispute as to what constitutes a material breach for the purposes of Section 17 or in respect of any defined legal relationship associated with or derived from this Agreement, the parties will follow the step-by-step conciliation or resolution procedure set out below:

- Step 1. The non-breaching party will advise the other party in writing of the alleged breach.
- Step 2. The party allegedly in breach will investigate the allegation and provide a written report to the other party within five business days of receiving the notice alleging breach given under Step 1 to the effect that

## Espanola Regional Hydro Distribution Corporation(ERHDC)

- (a) the investigation reveals that the alleged breach was not committed;
- (b) the breach has been cured; or
- (c) the breach remains uncured.
- Step 3. If the party alleging the breach
- (a) is not satisfied that the other party is not, or is no longer in breach; or
- (b) wishes to pursue the dispute, then the party will immediately notify the other party in writing that it wishes to escalate the dispute to Step 4.
- Step 4. Each party, will within two business days after receipt of the notice in Step 3, submit to the following people, or their delegates, a written report on the facts of the dispute, any relevant provisions of this Agreement and any other relevant information:  
 ServiceCo - Vice-President Customer Services  
 Client - Chairman, Board of Directors
- Step 5. If the parties referred to in Step 4 cannot resolve the dispute through mediation, the dispute may be referred to arbitration in accordance with the arbitration provisions of the Agreement.

### 17. Arbitration

Except for applications for injunctions or restraining orders, any disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom including any failure of the parties to reach agreement will be referred to and finally resolved or determined by arbitration under the Arbitrations Act (Ontario). In the event that this Agreement has been terminated in accordance with section 16.1 above and an arbitrator under this article determines that a material breach did exist, the arbitrator's jurisdiction shall be limited to the extent of awarding compensation for damages resulting from the failure to give proper notice of termination.

### 18. General

- (1) Neither party will be responsible for any failure to fulfil its respective obligations under this Agreement due to causes beyond its reasonable ability to control provided that the party affected by such cause has used and continues to use all reasonable efforts to perform its obligations and makes reasonable attempts to notify the other party in writing within five business days of its inability to fulfil its obligations under this Agreement. Regardless of the foregoing, ServiceCo will continue to provide all Services deemed by Client to be critical to its business, notwithstanding any strike by or labour dispute with ServiceCo's personnel.
- (2) The Client and ServiceCo agree not to assign or transfer this Agreement or any of their respective rights or obligations under this Agreement, without the prior written consent of the other party, which such consent shall not be unreasonably or arbitrarily withheld.
- (3) If either party becomes insolvent or bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada), the other party may, with notice in writing, immediately terminate this Agreement.
- (4) No changes to the terms and conditions of this Agreement will be effective unless specified in an Amendment to the Agreement signed by both parties.
- (5) If any portion of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion will be severed from this Agreement and will not affect the validity, legality or enforceability of the remaining provisions of this Agreement and the remainder of the Agreement will continue in full force and effect.
- (6) Nothing contained herein and no actions taken in accordance with this Agreement shall constitute ServiceCo, any of its officers, directors, employees, or servants as employees of the Client and the parties agree that the nature of ServiceCo's relationship with the Client is that of independent contractor.
- (7) Any waiver by either party of any obligation under this Agreement must be in writing and will not be deemed to constitute a waiver of that or any other provision (whether or not similar) nor will such waiver constitute continuous waiver unless otherwise expressly provided.



**Espanola Regional Hydro Distribution Corporation(ERHDC)**

- (8) On termination of this Agreement, all accrued obligations or liabilities and the provisions that by their nature intended to endure beyond such termination will remain in effect including without limitation, obligat confidentiality
- (9) This Agreement will be binding on and enure to the benefit of both parties and their respective successors permitted assigns.
- (10) This Agreement will be governed by the laws of the Province of Ontario and in the event that the par required to make application to court, the parties agree to be subject to the jurisdiction of the courts Province of Ontario.
- (11) Each party will execute and deliver such further and other agreements, documents and instruments and further acts and things as are within its power and as may be necessary or desirable to fully implement in out the intent of this Agreement.

**19 Acceptance**

Both parties, by authorized signatures below, agree that this Agreement is the complete agreement betw parties and replaces all prior communications, agreements and understandings related to the subject in this Agreement. There are no warranties, representations, conditions, covenants or other agreements betw parties in connection with the subject matter of this Agreement except those specifically set out here execution of this Agreement has not been induced by, nor do either of the parties rely on or regard as m any representations not included in this Agreement. No supplement, modification or waiver of this Agr will be binding unless executed by the parties.

PUC SERVICES INC

Per: [Signature]  
 Name: Terry Greig  
 Position: VP Financial Services

Per: [Signature]  
 Name: Clyde Healey  
 Position: U.P. CORPORATE SERVICES

April 21 2006  
 We have the authority to bind the Corporation

ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION

Per: [Signature]  
 Name: Clive Fitzjohn  
 Position: Chairman

Per: [Signature]  
 Name: Alex Polkkiniski  
 Position: Vice-Chairman

We have the authority to bind the Corporation

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**EMPLOYEE DESCRIPTION**

**Number of employees (Full-time equivalents (FTE's):**

	<u>2006 Board Approved</u>	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
Executive	0	0	0	0
Management	1	1	1	1
Non-Unionized	0.5	0.5	0.5	0.5
Unionized	4	4	4	4

**Number of employees (Part-time equivalents (PTE's):**

	<u>2006 Board Approved</u>	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
Executive	0	0	0	0
Management	0	0	0	0
Non-Unionized	0	0	0	0
Unionized	0	0	0	0

**Compensation (Total Salary and Wages (\$)):**

	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
Total Compensation	344,317	354,646	365,285

**Compensation (Total Benefits (\$)):**

	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
Total Benefits	134,155	138,178	142,323

**Compensation (Total Incentives (\$)):**

	<u>2006 Actual</u>	<u>2007 Bridge</u>	<u>2008 Test</u>
Executive	0	0	0
Management	0	0	0
Non-Unionized	0	0	0
Unionized	0	0	0

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**Total of Costs charged to O&M (\$):**

				<u>2006</u> <u>Actual</u>		<u>2007</u> <u>Bridge</u>		<u>2008</u> <u>Test</u>	
<b>TOTAL</b>				397,467		409,391		421,672	

**Status of pension funding**

ERHDC and its employees contribute to Ontario Municipal Employee's Retirement System (OMERS), a defined benefit pension plan for employees. As ERHDC is only liable for the contributions, a defined contribution plan accounting is used by ERHDC. ERHDC's contribution for employee's current service for the year ended December 31, 2006 was \$18,815.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**DEPRECIATION, AMORTIZATION AND DEPLETION**

ERHDC has included continuity schedules for all fixed assets for the 2006 Actual, 2007 Bridge and 2008 Test years in Exhibit 2.



**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**LOSS ADJUSTMENT FACTOR CALCULATION**

		<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>
A	"Wholesale" kWh (IESO)	68,766,596	68,878,486	66,220,789	203,865,871
B	Wholesale kWh for Large Use customer(s) (IESO)	0	0	0	
C	Net "Wholesale" kWh (A)-(B)	68,766,596	68,878,486	66,220,789	203,865,871
D	Retail kWh (Distributor)	64,789,576	65,748,316	63,711,725	194,249,617
E	Retail kWh for Large Use Customer(s) (1% loss)	0	0	0	
F	Net "Retail" kWh (D)-(E)	64,789,576	65,748,316	63,711,725	194,249,617
G	Loss Factor [(C)/(F)]				
H	Distribution Loss Adjustment Factor	1.0614	1.0476	1.03938	1.0495
	Supply Loss Factor 1.0045				<u>0.0048</u>
	Distribution loss Adjustment Factor and Supply Loss Factor				1.0543

**Total Utility Loss Adjustment Factor**

	LAF
Total Loss Factor	
Distribution Loss Factors	
Secondary Metered Customer	
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0543
Total Loss Factor - Secondary Metered Customer > 5,000kW	n/a
Primary Metered Customer	
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0443
Total Loss Factor - Primary Metered Customer > 5,000kW	n/a

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**MATERIALITY ANALYSIS ON DISTRIBUTION LOSSES**

ERHDC distribution loss factor decreased from 1.0724 in the May 2007 approved OEB rates to 1.0543 as calculated in the schedule above. The decrease in the loss factor applied for in this application is 1.7%.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**INCOME TAX, LARGE CORPORATON TAX AND ONTARIO CAPITAL TAX TABLE**

ERHDC has no Income Tax payable due to loss carry forwards applied to the 2008 projected income.  
ERHDC has no Large Corporate tax or Ontario Capital Tax payable.

ERHDC has a non-capital loss carry forward at the end of 2006 of \$457,257.

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**2007 Bridge Year Taxable Income Projections**

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
<b>Income before PILs/Taxes</b>	<b>A</b>	-3,059	0	-3,059
<b>Additions:</b>				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	178,061	0	178,061
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	0	0	0
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	0	0	0
Reserves from financial statements- balance at end of year	126	0	0	0
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294	0	0	0
Other Additions (see OtherAdditions sheet)	295	133,025	0	133,025
<b>Total Additions</b>		<b>311,086</b>	<b>0</b>	<b>311,086</b>
<b>Deductions:</b>				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	187,913	0	187,913
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	0	0	0
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	0	0	0
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S. 20(1)(e)	393	0	0	0
Other Deductions (see OtherDeductions sheet)	394	128,033	0	128,033
<b>Total Deductions</b>		<b>315,946</b>	<b>0</b>	<b>315,946</b>
<b>Net Income for Tax Purposes</b>		<b>-7,919</b>	<b>0</b>	<b>-7,919</b>

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Charitable donations from Schedule 2	311	0	0	0
<del>Taxable dividends deductible under</del> section 112 or 113, from Schedule 3 (item <del>ee)</del>	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
<b>TAXABLE INCOME</b>		<b>-7,919</b>	<b>0</b>	<b>-7,919</b>

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

**2008 Test Year Taxable Income Projections**



**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Line Item	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Utility Amount
<b>Income before PILs/Taxes</b>	<b>A</b>	112,088	0	112,088
<b>Additions:</b>				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	179,455	0	179,455
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0
Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	0	0	0
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	0	0	0
Reserves from financial statements- balance at end of year	126	0	0	0
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0
Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294	0	0	0
Other Additions (see OtherAdditions sheet)	295	132,375	0	132,375
<b>Total Additions</b>		<b>311,830</b>	<b>0</b>	<b>311,830</b>
<b>Deductions:</b>				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	186,297	0	186,297
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	0	0	0
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	0	0	0
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S.20(1)(c)	393	0	0	0
Other Deductions (see OtherDeductions sheet)	394	127,383	0	127,383
<b>Total Deductions</b>		<b>313,680</b>	<b>0</b>	<b>313,680</b>
<b>Net Income for Tax Purposes</b>		<b>110,238</b>	<b>0</b>	<b>110,238</b>

**Espanola Regional Hydro Distribution Corporation(ERHDC)**

Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 22)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	110,238	0	110,238
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
<b>TAXABLE INCOME</b>		<b>0</b>	<b>0</b>	<b>0</b>

**Espanola Regional Hydro Distribution Corporation(ERHDC)****INTEREST EXPENSE**

The following table represents the Interest expense for ERHDC.

	2006 Board Approved	2006 Actual	2007 Bridge	2008 Test
Interest on Debt to Associated Companies	163,074	164,324	84,625	84,625
Other Interest	10,604	81,647	48,400	36,210
Capitalized Interest	0	0	0	0
Total Interest	173,678	245,971	133,025	120,835
Deemed Interest			84,633	84,633
Excess Interest			48,392	36,202

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CAPITAL COST ALLOWANCE**

Class	Class Description	UCC Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	1,985,647	0	0	1,985,647	0	1,985,647	4%	79,426	1,906,221
2	Distribution System - pre 1988	0	0	0	0	0	0	6%	0	0
8	General Office/Stores Equip	66,438	1,000	0	67,438	500	66,938	20%	13,388	54,050
10	Computer Hardware/ Vehicles	57,560	0	0	57,560	0	57,560	30%	17,268	40,292
10.1	Certain Automobiles	0	0	0	0	0	0	30%	0	0
12	Computer Software	0	0	0	0	0	0	100%	0	0
13 1	Lease # 1	0	0	0	0	0	0		43,240	0
13 2	Lease #2	0	0	0	0	0	0		0	0
13 3	Lease # 3	0	0	0	0	0	0		0	0
13 4	Lease # 4	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	8,753	0	0	8,753	0	8,753	45%	3,939	4,814
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	261,267	203,399	0	464,666	101,700	362,967	8%	29,037	435,629
98	No CCA	0	0	0	0	0	0		0	0
			0	0		0	0		0	0
			0	0			0		0	0
	<b>TOTAL</b>	<b>2,379,664</b>	<b>204,399</b>	<b>0</b>	<b>2,584,063</b>	<b>102,200</b>	<b>2,481,863</b>		<b>186,297</b>	<b>2,441,005</b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 5

**5 – Deferral and Variance Accounts**

<u>Page</u>	
2-3	Existing Deferral and Variance Accounts
4-5	Calculation of Balances by Account
6	Method of Recovery

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**EXISTING DEFERRAL AND VARIANCE ACCOUNTS**

**COMMODITY ACCOUNTS ARE CLASSIFIED AS FOLLOWS:**

- 1588 Retail Settlement Variance Account – Power
- 1589 RSVA Power, Sub-account Global Adjustments

**NON-COMMODITY ACCOUNTS ARE CLASSIFIED IN TWO CATEGORIES AS FOLLOWS:**

**Wholesale and Retail Market Variance Accounts**

- 1518 Retail Cost Variance Account – Retail
- 1548 Retail Cost Variance Account – STR
- 1580 Retail Settlement Variance Account - Wholesale Market Service Charges
- 1582 Retail Settlement Variance Account - One-time Wholesale Market Service
- 1584 Retail Settlement Variance Account - Retail Transmission Network  
Charges
- 1586 Retail Settlement Variance Account - Retail Transmission Connection  
Charges
- 1588 Retail Settlement Variance Account - Power
- 1588 Retail Settlement Variance Account - Power Sub-Account Global

**Utility Deferral Accounts**

- 1508 Other Regulatory Assets
- 1508 Other Regulatory Assets - Sub-account OEB Cost Assessments
- 1508 Other Regulatory Assets - Sub-account Pension Contributions
- 1525 Miscellaneous Deferred Debits
- 1550 LV Variance
- 1555 Smart Meter Capital and Recovery Offset Variance
- 1555 Smart Meter Capital and recover Offset Variance – Sub-Account  
Stranded Meter Costs
- 1565 Smart Meter OM&A Variance
- 1562 Deferred Payments in Lieu of Taxes

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

- 1563 PILs contra account
- 1565 Conservation and Demand Management Expenditures and Recoveries
- 1566 CDM Contra
- 1572 Extraordinary Event Losses
- 1574 Deferred Rate Impact Amounts
- 1590 Recovery of Regulatory Asset Balances
- 1592 PLS & Tax Variance
- 2425 Other Deferred Credits

Closed Accounts not classified are as follows:

- 1570 Qualifying Transition Costs (closed December 31, 2002)
  
- 1571 Pre-Market Opening Energy Variances (closed April 30, 2002)



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CALCULATION OF BALANCES BY ACCOUNT**

	Opening Balance	Carrying Costs	Ending Balance
	Dec. 31, 2006		April 30, 2008
<b>Commodity accounts are classified as follows:</b>			
1588 Retail Settlement Variance Account - Power	233,910	14,255	248,165
<b>Non-commodity accounts are classified in two categories as follows:</b>			
<u>Wholesale and Retail Market Variance Accounts</u>			
1580 Retail Settlement Variance Account - Wholesale Market Service Charges	(6,845)	(1,441)	(8,286)
1584 Retail Settlement Variance Account - Retail Transmission Network Charges	(60,163)	(3,280)	(63,443)
1586 Retail Transmission Connection Charge	(20,496)	746	(19,750)
<u>Utility Deferral Accounts</u>			
1508 Other Regulatory Assets	53,081	3,084	56,165
1525 Miscellaneous Deferred Debits	1,671	91	1,762
1550 LV Variance	59,077	3,604	62,681
<u>Closed Accounts not classified are as follows:</u>			
1570 Qualifying Transition Costs (closed December 31, 2002)	4,625	0	4,625
<b>TOTAL</b>	<b>264,860</b>	<b>17,059</b>	<b>281,919</b>

ERHDC proposes to dispose of the December 31, 2006 balance of \$264,860 over a two year period May 1, 2008 to April 30, 2010.

ERHDC proposes to clear the residual balance in account 1590 of (\$31,700) as of April 30, 2008.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

	Ending Balance Dec.31, 2006	Allocation Basis	Residential	GS<50KW	GS>50 KW	USL	Sentinel Lighting	Street Lighting	Total
1588 Retail Settlement Variance Account – Power	233,910	KWh	122,183	54,541	54,471	464	103	2,148	233,910
1580 Retail Settlement Variance Account - Wholesale Market Service Charges	(6,845)	KWh	(3,575)	(1,596)	(1,594)	(14)	(3)	(63)	(6,845)
1584 Retail Settlement Variance Account - Retail Transmission Network Charges	(60,163)	KWh	(31,426)	(14,028)	(14,010)	(119)	(26)	(553)	(60,162)
1586 Retail Transmission Connection Charge	(20,496)	KWh	(10,706)	(4,779)	(4,773)	(41)	(9)	(188)	(20,496)
1508 Other Regulatory Assets	53,081	Dx revenue	33,408	15,411	3,733	107	34	388	53,081
1525 Miscellaneous Deferred Debits	1,671	# Customers w/Rebate Cheques	1,450	221					1,671
1550 LV Variance	59,076	KWh	30,858	13,775	13,757	117	26	543	59,076
1570 Qualifying Transition Costs (closed December 31, 2002)	4,625	# of Customers	3,943	603	22	15	38	3	4,625
Total			146,135	64,147	51,606	530	162	2,278	264,860
Clear Residual 1590 Balances			(22,410)	(4,968)	(4,082)	(42)	(137)	(61)	(31,700)
Total			123,725	59,180	47,524	487	24	2217	233,159
Per year			61,863	29,590	23,762	244	12	1,109	116,580
Total Year Consumption			33,090,578 KWh	14,771,227 KWh	37,580 kW	125,709 KWh	77 kW	1,446 kW	
<b>2008 Rate Rider</b>			<b>\$0.0019</b>	<b>\$0.0020</b>	<b>\$0.6323</b>	<b>\$0.0019</b>	<b>\$0.1591</b>	<b>\$0.7666</b>	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**METHOD OF RECOVERY**

1. An appropriate allocator (e.g. number of customer, kW's, kWh's) is assigned to each variance/deferral account ("Account"). The actual Account balance as at December 31, 2006 is then apportioned to each customer class based on Test Year volume projections for the allocator. Example: if kWh's are assigned as the allocator for an account, and the Load Forecast for the Test Year indicates that 30% of kWh's will be consumed by the Residential customer class, then 30% of the Account balance is allocated to the Residential class.
2. The projected residual balance in account 1590 as at April 30, 2008 is allocated to each customer class based on the recoveries projected in the Bridge Year for that class, from the date the current rate rider came into effect. Example: if current rate riders came into effect on May 1, 2007 and based on these rates, the Residential customer class is expected to account for 20% of all recoveries from May 1 to December 31, 2007, then 20% of the projected residual balance in account 1590 is allocated to the Residential class.
3. For each customer class, the sum of allocated balances over all Accounts selected for disposition is calculated. Example: if two Accounts are selected for disposition and the amounts allocated to the Residential customer class were \$50,000 for Account #1 and \$30,000 for Account #2, then the sum of allocated balances for the Residential class would be \$80,000.
4. For each customer class, the sum of allocated balances is divided by two to derive the annual recovery amount needed to clear the balances over two years. Example: if the sum of allocated balances for the Residential class is \$80,000, the annual recovery amount to clear the balances over two years would be \$40,000.
5. For each customer class, the rate rider is calculated as the annual recovery amount divided by the Test Year forecast for the distribution rate volume metric, with the result rounded to the nearest one-hundredth of a cent,. Example: if the distribution rate volume metric for the Residential customer class is kWh's, and 100,000,000 kWh's are forecast for the Residential class in the Test Year, then the rate rider for the Residential class would be \$0.0004 (=\$40,000 divided by 100,000,000).

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 6

Contents of Schedule

**6 – Cost of Capital and Rate of Return.**

<u>Page</u>	
2	Overview
3-4	Capital Structure
5	Cost of Debt
6-8	Return on Equity

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**OVERVIEW**

The purpose of this evidence is to summarize the method and cost of financing ERHDC's capital requirements for the 2008 test year.

**Capital Structure**

ERHDC has a deemed capital structure of 50% debt, 50% equity as approved by the Ontario Energy Board in RP-2005-0020, and a return on equity of 9.00%, consistent with the return specified in the Board's Decision in EB-2005-0362, dated October 18, 2006. ERHDC is requesting Board approval of a capital structure of 53% debt, 47% equity.

The change in the capital structure complies with the Ontario Energy Board's Report on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's electricity Distributors dated December 20, 2006. The OEB report indicates that Distributors will be required to phase-in a 60% debt and 40% capital structure that must be completed by 2010.

**Cost of Debt**

Exhibit 6 provides the detailed calculation of ERHDC's forecasted long-term debt costs.

**Return on Equity**

ERHDC is requesting an 8.69% return on equity for the 2008 rates.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**CAPITAL STRUCTURE**

**2006 Board Approved**

Elements	(\$)	Capital Structure		Cost Rate (%)	Return (%)
		Actual (%)	Deemed (%)		
Long-term debt	3,261,000	106.00	50.00	5.00	2.50
Common equity	(186,000)	(6.00)	50.00	9.00	4.50
<b>Total</b>	<b>3,075,000</b>	<b>100.00</b>	<b>100.00</b>		

**2006 Actual**

Elements	(\$)	Capital Structure		Cost Rate (%)	Return (%)
		Actual (%)	Deemed (%)		
Long-term debt	3,450,803	109.00	50.00	5.00	2.50
Common equity	(297,817)	(9.00)	50.00	9.00	4.50
<b>Total</b>	<b>3,152,986</b>	<b>100.00</b>	<b>100.00</b>		

**2007 Bridge**

Elements	(\$)	Capital Structure		Cost Rate (%)	Return (%)
		Actual (%)	Deemed (%)		
Long-term debt	1,473,979	51.91	50.00	5.00	2.50
Common equity	1,365,916	48.09	50.00	9.00	4.50
<b>Total</b>	<b>2,839,895</b>	<b>100.00</b>	<b>100.00</b>		

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**2008 Test**

Elements	(\$)	Capital Structure		Cost Rate (%)	Return (%)
		Actual (%)	Deemed (%)		
<b>Long-term debt</b>	1,473,979	54.77	49.33	5.82	2.87
<b>Common equity</b>	1,217,114	45.23	46.67	8.69	4.06
<b>Short-term debt</b>			4.00	4.77	0.19
<b>Total</b>	2,691,093	100.00	100.00		

ERHDC intends to reduce the long-term debt that is held by the municipal corporation shareholder to move the actual capital structure closer to the deemed capital structure of 60% debt and 40% equity to be in effect by 2010. The reduction of the long-term debt is being negotiated with the municipal shareholder at a rate of 5.82%.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**COST OF DEBT**

	2006 Board Approved			2006 Actual			2007 Bridge			2008 Test		
	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate	Principle	Carrying Costs	Calculated Cost Rate
<b>Long-Term Debt</b>												
Town of Espanola	2,542,883		5.0%	2,680,649		5.0%	1,134,964		5.82%	1,134,964		5.82%
Twp. Sables-Spanish River	718,591		5.0%	770,154		5.0%	339,015		5.82%	339,015		5.82%
Total	3,261,474			3,450,803			1,473,979			1,473,979		
<b>Short-Term Debt</b>												
Customer Deposits	261,390		Prime-2%	200,732		Prime-2%	200,000		Prime-2%	200,000		Prime-2%
Total	261,390			200,732			200,000			200,000		



## Espanola Regional Hydro Distribution Corporation (ERHDC)

### RETURN ON EQUITY

The calculations used to determine the return on equity and the debt are taken from the “Report to the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario’s Electricity Distributors” issued December 20, 2006.

Excerpt from the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors Appendix A and Appendix B

#### Method to Update the Deemed Long-term Debt Rate

The Board will use the Long Canada Bond Forecast plus an average spread with “A/BBB” rated corporate bond yields to determine the updated deemed debt rate.

The following approach is consistent with the ROE method. As per the approach adopted in the 2006 EDRH, the ROE and the long-term debt rates are based on the same risk-free rate forecast. Therefore, they differ only through the risk premiums that reflect their distinct natures and for which lenders/investors seek commensurate returns. This approach simplifies the calculations and aims to make it easier to understand the numbers. Specifically, the Long Canada Bond Forecast (*LCBF<sub>t</sub>*) used will be the same as that used for updating the ROE. The average spread between “A/BBB” rated corporate bond yields and 30-year (long) Government of Canada Bond yields will be calculated as the average spread over the weeks of the month corresponding to the Consensus Forecasts.

The deemed Long-Term Debt Rate (*LTDR<sub>t</sub>*) will be calculated as follows:

$$LTDR_t = LCBF_t + \frac{\sum_w (CorpBonds_{w,t} - {}_{30}CB_{w,t})}{n}$$

Where:

- ***CorpBonds<sub>w,t</sub>*** is the average long-term corporate bond yield from Scotia Capital Inc. for week *w* of period *t* [Series V121761];
- ***{}\_{30}CB<sub>w,t</sub>*** is the 30-year (long) Government of Canada bond yield for week *w* of period *t* [Series V121791]; and
- ***n*** is the number of weeks in the month for which data are reported.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Method to Update ROE - ROE Update for any Period

Using March 1999 as the starting calculation and substituting for the initial ROE and Long Canada Bond Forecast approved by the Board in the Decision RP-1998-0001 the following is the adjustment formula for calculating the ROE at time  $t$ .

$$ROE_t = 9.35\% + 0.75 \times (LCBF_t - 5.50\%)$$

The ROE must be set in advance of the approved rates. The final ROE will be factored into rates using the Long Canada Bond Forecast based on *Consensus Forecasts* (as detailed below) and Bank of Canada data three months in advance of the effective date for the rate change. Therefore, for May 1 rate changes, the ROE will be based on January data – effectively *Consensus Forecasts* published during that month and Bank of Canada data for all business days during the month of January. The necessary data is available within the first or second business days after the end of the month and thus poses no delay for determining rates.

### **Long Canada Bond Forecast for any Period**

For any period  $t$  the Long Canada Bond Forecast  $LCBF_t$  can be expressed as:

$$LCBF_t = \left[ \frac{{}_{10}CBF_{3,t} + {}_{10}CBF_{12,t}}{2} \right] + \frac{\sum_i ({}_{30}CB_{i,t} - {}_{10}CB_{i,t})}{I_t}$$

Where:

${}_{10}CB_{3,t}$  is the 3-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time  $t$ ;

${}_{10}CB_{12,t}$  is the 12-month forecast of the 10-year Government of Canada bond yield as published in *Consensus Forecasts* at time  $t$ ;

${}_{30}CB_{i,t}$  is the actual rate for the 30-year Government of Canada bond yield at the close of day  $i$  (as published by the Bank of Canada) [Series V39056] during the month (this is the previous month data, the same as used for updating the ROE for natural gas distribution) corresponding to time  $t$ ;

${}_{10}CB_{i,t}$  is the actual rate for the 10-year Government of Canada bond yield at the close of day  $i$  (as published by the Bank of Canada) [Series V39055] during the month corresponding to time  $t$ , and

$I_t$  is the number of business days for which published 10- and 30- Government of Canada bond yields are published during the month corresponding to time  $t$ .

**Espanola Regional Hydro Distribution Corporation (ERHDC)**Return on Equity

<b><u>Government of Canada Bond Yields</u></b>	<u>Rate</u>
3-month forecast of the 10-year bond yield	4.60%
12-month forecast of the 10-year bond yield	4.80%
Average actual prior month 30-year bond yield	4.04%
Average actual prior month 10-year bond yield	4.12%
Long Canada Bond Forecast	4.62%
Return on Equity	8.69%

Return on Capital

	Deemed Portion	Effective Rate
Long-Term Debt	49.33%	5.82%
Short-term Debt	4.00%	4.77%
Return on Equity	46.67%	8.69%
Regulated Rate of Return	100.00%	7.12%

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 7

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**7 - Calculation of Revenue Deficiency or Surplus**

Page

2

Determination of Net Utility Income and Calculation  
of Revenue Deficiency or Surplus

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**DETERMINATION OF NET UTILITY INCOME AND CALCULATION OF REVENUE DEFICIENCY**

	2008 Test at 2007 Existing Rates
Revenue	
Distribution Revenue	1,064,527
Other Operating Revenue (Net)	156,075
Total Revenue	1,220,602
Costs and Expenses	
Distribution Costs	
Operation & Maintenance	964,229
Depreciation & Amortization	179,455
Property & Capital Taxes	0
Interest	120,835
Total Costs and Expenses	1,264,519
Utility loss Before Income Taxes	43,917
Income Taxes	0
Utility loss	43,917
Utility proposed rate base	2,763,963
Required Return @7.12%	196,720
Required Return	196,720
Utility loss	43,917
Revenue Deficiency	<b><u>240,637</u></b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 8

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**8 – Cost Allocation**

Page

2-7 Cost Allocation Overview – Previously filed Cost  
Allocation Study with the OEB

8-10 Summary of Results and Proposed Changes

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**COST ALLOCATION OVERVIEW**

**MANAGER'S SUMMARY**

**March 31, 2007**

**COST ALLOCATION FILE NO: EB-2007-0003**

**EDR 2006 FILE NO: EB-2005-0362**

1. Introduction

On September 29, 2006 the Ontario Energy Board (the "OEB") issued the Board Directions on Cost Allocation Methodology for Electricity Distributors ("the Directions"). On November 15, 2006 the OEB also issued the Cost Allocation Information Filing Guidelines for Electricity Distributors ("the Guidelines"), the Cost Allocation Model ("the Model") and User Instruction ("the Instructions") for the Model. ERHDC has prepared this information filing consistent with ERHDC's understanding of the Directions, the Guidelines, the Model and the Instructions.

The main purpose of this cost allocation filing is to provide evidence to show the ERHDC rate classifications that are being subsidized by other classes and those rate classifications that are over contributing based on the assumptions of the Model.

In the mid 1980's, Ontario Hydro, the regulator at the time, completed the last cost allocation study that reflected the distribution function but this was an integrated cost study. An integrated study reviewed the full costs of providing electricity to customers which included energy, transmission and distribution. Distribution represented only around 15% of the total costs reviewed. The results of this study assisted Ontario Hydro in developing the Rate Setting Guidelines that were used by Municipal Electric Utilities to develop the bundled rates they charged customers up until around 2000.

Under the Energy Competition Act, 1998, the electricity industry in Ontario was separated into Generation, Transmission and Distribution companies. Along with this separation the rates also needed to be unbundled to reflect the structure of the new companies. The unbundling of distribution from generation and transmission was completed in the 2000 to 2001 timeframe using the Electricity Distribution Rate Handbook Rate and the Rate Unbundling and Design Model (i.e. the RUD model). The Rate Handbook and RUD model provided a method to unbundle distribution rates from the other rates by rate classification but it did not determine whether the unbundled rates collected the cost of providing service to the rate classification. The current cost allocation process is the first time a cost allocation study has been conducted in Ontario that focuses completely on distribution to determine whether or not the distribution rates are collecting the cost of providing service to the rate classifications.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

In accordance with the Directions, ERHDC expects the OEB will give significant weight to the results of these filings when deciding upon specific cost allocation matters in future rate hearings. ERHDC understands that after reviewing the results of the cost allocation filings from all distributors, and considering the overall regulatory context including results from the forthcoming distribution rate design consultations, the OEB will decide upon the priorities for, and timing of, any adjustments to future cost allocations, rate classifications or rate design. ERHDC also understands the information in this filing will be made public.

ERHDC is in the 3<sup>rd</sup> tranche of filers, due by March 31, 2007. This filing comprises a Run 1 and a Run 2. An optional Run 3 was not conducted. For ERHDC, Run 1 reflects the rate classifications as they were prior to May 1, 2006. Prior to May 1, the Unmetered Scattered Load (“USL”) customers were included in the General Service < 50kW rate classification. Run 2 has the USL customers pulled out of the General Service < 50kW rate classification to form a class of their own which is consistent with the current rate classifications used by ERHDC.

In order to prepare the cost allocation filing, ERHDC used the services of Hydro One to prepare load data profiles by rate classification. ERHDC was determined to be compatible with PUC Distribution Inc. and utilized their Appliance Saturation Survey results. The results of the survey were used by Hydro One to prepare the load data profiles for ERHDC.

The cost/financial data used in the Model is consistent with the cost data that supports the current approved distribution rates for ERHDC. A reclassification was done on the trial balance to properly reflect the amortization expense of organization costs and capital/non-capital transition costs recorded in accounts 5705 (\$29,325) and 5710 (\$21,864) to account 5740 (Amortization of deferred charges) to be in accordance with the Uniform System of Accounts. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available from ERHDC’s customer and financial information systems. In accordance with the OEB guidelines ERHDC determined the unit costs of installing primary and secondary assets and then applied the kilometers of line to primary and secondary assets to these unit costs. The result from each type of asset was divided by the total of all assets and this percentage used to determine costs by asset type.

## 2. Summary of Results

### 2.1 Revenue to Cost Ratios

The results of a cost allocation are typically presented in the form of revenue to cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification. The percentage shows the rate classifications that are being subsidized and those that are over contributing. A percentage of less than 100% means the rate



### Espanola Regional Hydro Distribution Corporation (ERHDC)

classification is under collecting and is being subsidized by other classes. A percentage of greater than 100% indicates the rate classification is over collecting the cost assigned to the classification and is subsidizing other classes.

The following outlines the revenue to cost ratios for the Run 2. The results for Run 1 are similar. In Run 1, the USL rate classification is combined with the General Service <50 kW rate classification. As a result, the cost to revenue ratio in Run 1 for General Service <50 kW customer is 113.42% and there is no ratio for USL.

Rate Classification	Revenue to Cost Ratio	(\$Being Subsidized)/ \$Over Contributing
Residential	108.87%	64,930
General Service <50 kW	112.93%	36,104
General Service >50 kW	56.97%	(49,148)
Street Lights	15.91%	(50,541)
Sentinel Lights	31.82%	(1,095)
USL	92.30%	(250)

With regards to Street Lights and Sentinel Lights, it is assumed in the cost allocation study that a street light or sentinel light connection is equivalent to a customer. This appeared to be reasonable because in the case of other rate classifications each connection is essentially a customer. This means the customer costs allocated to street lights and sentinel lights are based on 1,016 and 27 connections, respectively which is the biggest driver that is causing the results for these two classes.

The question is: should streetlights, in particular, be allocated costs based on the number of connections or customers? There are arguments for both sides. On one hand, it could be argued that it should be connections because it would be consistent with the other rate classifications. On the other hand, it could be justified that a streetlight is like any other appliance or outside light on a home. It just happens to be outside on the street. In this case, a streetlight would be incremental load much like a stove or refrigerator and it would attract very little customer costs if any at all. The only customer costs it might attract would be the cost of sending a bill to the customer.

ERHDC understands that a very low revenue to cost ratio for street lights has occurred with other distributors. In ERHDC's view, this is a provincial issue that needs to be discussed with the OEB and other market participants. As a result, changes should not be made to streetlight or sentinel light pricing until this issue has been resolved.

#### 2.2 Monthly Fixed Charge Comparison

The Model produces customer unit costs per month for each rate classification. To assist with reviewing the range of current fixed monthly service charges, the Model generates three scenarios of reasonable cost-based customer unit costs for each rate

## Espanola Regional Hydro Distribution Corporation (ERHDC)

classification. These unit costs are determined by the Model and compared to the current approved monthly service charge.

### Scenario 1: Avoided Costs

With a strict “avoided cost” approach, only meter related costs, billing and collection costs are included. This approach has the advantage of focusing on the immediate costs of an additional customer. But no administration and general overhead are applied.

### Scenario 2: Directly Related Customer Costs

The directly related customer costs are those cost included in the avoided cost version but an allocation of administration and general overhead is included.

### Scenario 3: Minimum System Approach

The minimum system approach assumes that a minimum-size distribution system can be built to serve the minimum load requirements of the customer. For the purposes of this filing the minimum load requirement is assumed to be 400 watts per customer. The minimum system method involves determining the minimum size pole, conductor, cable, transformer, and service that is currently installed by the distributor. Once determined for each plant account, the minimum size distribution system is classified as customer-related costs and then used to define the monthly unit customer cost.

There are various approaches to define the minimum system. Moreover, judgment is required to address various implementation details with this methodology. The OEB cost allocation project did not seek to develop a common minimum system methodology for use by the Ontario electricity distribution sector. Instead, the results of numerous past Ontario minimum system studies were examined and approved for use in the Model.

The minimum system results are applied to the following accounts:

- Line Transformers (Account 1850)
- “Distribution” which includes poles and conductors, and is defined as Accounts 1830 -1845
- Related O&M accounts.

The density of the distributor (i.e. customers/route kilometer of line) is the major factor that determines the percentage of the above costs which are included in the customer costs. The density of ERHDC is 33 customers/km. This means ERHDC is classified as a medium density urban distributor. As a result, 40% of ERHDC’s distribution costs (i.e. lines and poles) and 40% of ERHDC’s line transformers are defined to be customer related cost.

The monthly customer unit cost under the minimum system approach includes the directly related customer costs plus 40% of distribution costs and 40% of line transformers along with any administration and general overhead associated with distribution and line transformers. In ERHDC’s view, of the three scenarios, the minimum

## Espanola Regional Hydro Distribution Corporation (ERHDC)

system approach appears to be the most reasonable approach to determine the customer unit costs per month as it better reflects the fixed costs of providing service to a customer.

The following outlines the monthly fixed cost comparison.

Rate Classification	Approved Fixed Charge	Minimum System Fixed Charge	Directly Related Fixed Charge	Avoided Cost Fixed Charge
Residential	10.30	9.23	7.12	4.84
General Service <50 kW	13.07	18.17	18.02	12.85
General Service >50 kW	122.27	53.15	61.71	44.16
Street Lights	0.41	4.73	0.01	0.00
Sentinel Lights	0.45	4.74	0.02	0.01
USL	6.41	10.99	10.89	7.30

Although the above results suggest the monthly fixed charge should be reduced for the General Service > 50 kW rate classification this is a reasonable outcome. Under the three scenarios provided by the Model, the main cost drivers that produce a difference in the monthly unit customer cost is the difference in cost between rate classifications for meters, meter reading, billing and collecting. In other words, it would be hard to justify a monthly fixed charge that is ten times higher for General Service > 50 kW customer compared to a General Service < 50 kW customer, when the only significant difference between the two rate classifications is the cost to install and maintain meters, read the meter, send out a bill and collect the bill.

### 2.3 Transformer Ownership Allowance

Currently, ERHDC provides a transformer ownership allowance to those customers that own their transformation facilities. ERHDC's present transformer ownership allowance is \$0.60 per kW and this same charge is applied consistently across the province. The amount of the allowance has not been reviewed on a generic basis in recent years. The filings will be used by the OEB to review this allowance from a cost based perspective.

The present allowance is intended to reflect the costs to a distributor of providing step down transformation facilities to the customer's utilization voltage level. Since it is assumed that the distributor provides electricity at utilization voltage, the cost of this transformation is captured in and recovered through the distribution rates. Therefore, when a customer provides the step down transformation from primary to secondary, it should receive a credit of these costs already included in the distribution rates.

In ERHDC's case, the customers that currently receive a transformer ownership allowance are all in the General Service > 50 kW rate classification. The Model is suggesting the allowance for these customers should be \$0.5728 per kW. In ERHDC's view, this amount appears to be reasonable but suggest the OEB review this issue on a provincial basis before the current transformer ownership allowance is adjusted.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

3.0 Conclusion

In accordance with the directions, ERHDC expects the OEB will give significant weight to the results of these filings when deciding upon specific cost allocation matters in future rate hearings. ERHDC understands that after reviewing the results of the cost allocation filings from all distributors, and considering the overall regulatory context including results from the forthcoming distribution rate design consultations, the OEB will decide upon the priorities for, and timing of, any adjustments to future cost allocations, rate classifications or rate design. ERHDC also understands the information in this filing will be made public.

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### PROPOSED CHANGES

In reviewing the results produced by the Cost Allocation Model, ERHDC proposes the following revenue to cost ratios, base revenue requirement % allocation and monthly fixed charges. The proposed changes are the first step in bringing the cost ratios within the bands as proposed by the Board.

The main change is in the GS>50 class. The existing revenue to expense ratio as determined in the cost allocation study is well below the Board's proposed acceptable ratio. ERHDC requested, in 2005, that it be allowed to adjust its GS>50 that it believed were incorrectly set when the rates were unbundled. At the time of the request, the Board found that they could not determine from the evidence whether the rates resulted in a net deficiency or sufficiency from a revenue requirement perspective but encouraged ERHDC to bring a fresh application to the Board which provided better rationale for the request. ERHDC submits that the results of the cost allocation study provide evidence justifying the proposed change.

Rate Classification	Existing Ratio	Proposed Ratio
Residential	109%	102%
GS<50	113%	109%
GS>50	57%	100%
Street Light	16%	29%
Sentinel Light	32%	47%
Unmetered Scattered Load	92%	92%

Migrating to the revenue to cost ratios in the previous table results in revenue requirement % allocations as presented in the following table.

Rate Classification	Cost Allocation	Existing Allocation	Proposed Allocation
Residential	59.65%	62.94%	61.95%
GS<50	23.63%	29.03%	26.00%
GS>50	10.59%	7.03%	10.24%
Street Light	5.77%	0.73%	1.53%
Sentinel Light	0.15%	0.06%	0.07%
Unmetered Scattered Load	0.21%	0.20%	0.21%
Total	100%	100%	100%

### Espanola Regional Hydro Distribution Corporation (ERHDC)

The following is a summary the proposed fixed charges:

Rate Classification	Approved Fixed Charge	Minimum System Fixed Charge per Cost Allocation Study	Proposed Fixed Charge
Residential	\$10.13	\$9.23	\$10.13
GS<50	\$12.93	\$18.17	\$18.17
GS>50	\$123.11	\$53.15	\$123.11
Street Light	\$0.41	\$4.73	\$0.82
Sentinel	\$0.45	\$4.74	\$0.90
Unmetered Scattered Load	\$6.47	\$10.99	\$8.53

#### Smart Meter Rate Adder

ERHDC has not included the smart meter rate adder requested in this application to the proposed fixed service charges above. Exhibit 9 – Rate Design includes the proposed smart meter rate adder of \$0.26 for residential, GS>50 and GS<50 customers and the bill impacts with the adder included.

#### Residential

ERHDC proposes to maintain the current monthly fixed service charge which falls within the minimum system fixed charge plus 20% approach in the cost allocation study. The proposed cost allocation decrease is a minimal decrease of 0.99% for the residential class resulting in revenue to expense ratio of 102%.

#### GS<50

ERHDC proposes an increase in the monthly fixed service charge of \$5.24 to move toward the minimum system fixed charge approach in the cost allocation study. The proposed cost allocation decrease to the GS<50 class is 3.21% resulting in a revenue to expense ratio of 109%.

#### GS>50

ERHDC proposes to maintain the fixed monthly service charge in order to minimize the reduction in the percentage of class revenue derived from the fixed charge. The proposed increase in the percentage allocation to the GS>50 rate class is 3.03%. This increase reflects a move in the direction of the cost allocation study and results in a revenue to expense ratio of 100%.

#### Street Lights

ERHDC proposes an increase in the monthly fixed service charge of \$0.41 to move toward the minimum system fixed charge approach in the cost allocation study. A percentage allocation increase of 0.8% is also proposed to move towards the direction of the cost allocation study but not over burden the rate class. The increase results in a revenue to expense ratio of 29%.

## **Espanola Regional Hydro Distribution Corporation (ERHDC)**

### Sentinel Lights

ERHDC proposes an increase in the monthly fixed service charge of \$0.45 to move toward the minimum system fixed charge approach in the cost allocation study. ERHDC proposes a minimal increase of 0.01% in the cost allocation to the sentinel lights rate class resulting in a revenue to expense ratio of 47%.

### Unmetered Scattered Load

ERHDC proposes an increase in the monthly fixed service charge of \$2.06 to reflect a move toward the minimum system fixed charge approach in the cost allocation study. ERHDC proposes a 0.01% increase in the costs allocated the unmetered scattered load rate class resulting in a revenue to expense ratio of 92%.

ERHDC acknowledges that the streetlight and sentinel light rate classes fall outside the proposed revenue to expense ratio bands and will monitor future developments regarding cost allocation and move toward attaining the proposed ratios.

### Transformer Ownership Allowance

ERHDC provides a transformer ownership allowance to those customers that own their transformation facilities. ERHDC's present transformer ownership allowance is \$0.60 per kW and this same charge is applied consistently across the province. The customers that currently receive a transformer ownership allowance are all in the General Service > 50 kW rate classification. The cost allocation study suggested the allowance for these customers should be \$0.5728 per kW. ERHDC notes the comments in the Board's cost allocation filings discussion paper and does not propose to change the current transformer ownership allowance at this time.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Exhibit 9

**9 – Rate Design**

<u>Page</u>	
2-13	Rate Design
14	Existing Rate Classes
15-16	Existing Rate Schedules
17-19	Proposed Rate Schedules
20-26	Bill Impacts



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**RATE DESIGN**

This exhibit documents the calculation of ERHDC's proposed distribution rates by rate class for the 2008 test year, based on the allocation of revenue proposed in Exhibit 8 – Cost Allocation.

The total base revenue requirement of \$1,193,752 is used to determine the proposed distribution rates. That base revenue requirement is derived as follows:

**Calculation of Base Revenue Requirement**

<b>Description</b>	<b>Amount</b>
OM&A Expenses	964,229
Amortization Expenses	179,455
Regulated Return on Rate Base	196,720
PILs (with gross-up)	0
Total Service Revenue Requirement	1,340,404
Less: Revenue Offsets	(146,652)
Base Revenue Requirement	1,193,752

The base revenue requirement is allocated to the various rate classes using the following proposed proportion of revenue as outlined in the Exhibit 8 – Cost Allocation.

**Proposed Apportionment of Revenue to Rate Classes**

<b>Rate Classification</b>	<b>Proposed Proportion of Revenue</b>
Residential	61.95%
GS <50 kW	26.00%
GS>50 kW	10.24%
Street Light	1.53%
Sentinel	0.07%
Unmetered Scattered Load	0.21%
<b>Total</b>	<b>100.0%</b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

The following table outlines the results of this allocation.

**Base Revenue Requirement applied to Rate Classes**

<b>Rate Class</b>	<b>Proposed Revenue</b>
Residential	\$739,529
GS <50 kW	\$310,375
GS>50 kW	\$122,240
Street Light	\$18,264
Sentinel	\$836
Unmetered Scattered Load	\$2,508
<b>Total</b>	<b>1,193,752</b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Proposed Monthly Fixed Charges:**

The current approved monthly fixed charges for the ERHDC's rate classes are as follows:

**Current Monthly Fixed Charges**

<b>Rate Class</b>	<b>Current Monthly Fixed Charge</b>
Residential	\$10.13
GS <50 kW	\$12.93
GS>50 kW	\$123.11
Street Light	\$0.41
Sentinel	\$0.45
Unmetered Scattered Load	\$6.47

Using the existing approved distribution rates, the following table outlines the portion of the current distribution revenue obtained from the current monthly fixed charge.

**Percentages of Current Class Revenue from  
Current Monthly Fixed Charges**

<b>Rate Class</b>	<b>% of Current Class Revenue from Current Monthly Fixed Charge</b>
Residential	44.02%
GS <50 kW	18.54%
GS>50 kW	26.56%
Street Light	53.66%
Sentinel	18.12%
Unmetered Scattered Load	33.48%

When these proportions are applied to the proposed revenue by rate class and then divided by the forecast number of customers by rate class the following monthly fixed charges are produced

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Monthly Fixed Charges Using % of  
Current Fixed Charge Revenue Applied to Proposed Class Revenue**

<b>Rate Class</b>	<b>Monthly Fixed Charges Using Existing % of Fixed Charge Revenue</b>
Residential	\$9.63
GS <50 kW	\$11.12
GS>50 kW	\$169.13
Street Light	\$0.74
Sentinel	\$0.47
Unmetered Scattered Load	\$6.36

In the cost allocation study the “minimum system” approach was used to classify those costs that were customer related. The minimum system approach assumes that a minimum-size distribution system can be built to serve the minimum load requirements of the customer. For the purposes of the cost allocation filing the minimum load requirement was assumed to be 400 watts per customer. The minimum system method involves determining the minimum size pole, conductor, cable, transformer, and service that is currently installed by the distributor. Once determined for each plant account, the minimum size distribution system is classified as customer-related costs and then used to define the monthly unit customer cost.

The density of the distributor (i.e. customers/route kilometer of line) is the major factor that determines the percentage of the above costs which are included in the customer costs. The density of ERHDC is 33 customers/km. This means ERHDC is classified as a medium density distributor. As a result, 40% of ERHDC’s distribution costs (i.e. lines, poles) and 40% of line transformers are defined to be customer related cost.

The following table outlines the monthly fixed charge determined in the cost allocation study based on the minimum system approach.

**Espanola Regional Hydro Distribution Corporation (ERHDC)****Monthly Fixed Charges Using Minimum System Approach**

<b>Rate Class</b>	<b>Monthly Fixed Charges Using Minimum System Approach</b>
Residential	\$9.23
GS <50 kW	\$18.17
GS>50 kW	\$53.15
Street Light	\$4.73
Sentinel	\$4.74
Unmetered Scattered Load	\$10.99

Board staff recently released a Board Staff Discussion Paper on the implications arising from a review of the electricity distributors' cost allocation filings. In the paper Board staff suggested the monthly fixed charge for a rate class should be limited to the monthly fixed charge determined using the minimum system approach plus 20%. The following table outlines the monthly fixed charge for the minimum system approach plus 20%:

**Monthly Fixed Charges Using Minimum System Approach plus 20%**

<b>Rate Class</b>	<b>Monthly Fixed Charges Using Minimum System Approach + 20%</b>
Residential	\$11.08
GS <50 kW	\$21.80
GS>50 kW	\$63.78
Street Light	\$5.68
Sentinel	\$5.69
Unmetered Scattered Load	\$13.19

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

ERHDC has reviewed the various levels of monthly fixed charges by rate class and is proposing the following monthly fixed charges for the 2008 test year.

**Proposed Monthly Fixed Charges**

<b>Rate Class</b>	<b>Proposed Monthly Fixed Charge</b>
Residential	\$10.13
GS <50 kW	\$18.17
GS>50 kW	\$123.11
Street Light	\$0.82
Sentinel	\$0.90
Unmetered Scattered Load	\$8.53

**Smart Meter Rate Adder**

ERHDC has not included the smart meter rate adder requested in this application to the proposed fixed service charges above. In the bill impacts and proposed rate schedule an adder of \$0.26 for residential, GS>50 and GS<50 classes are added to the monthly service charge.

**Residential**

ERHDC proposes to maintain the current monthly fixed service charge which falls within the minimum system fixed charge plus 20% approach in the cost allocation study. The proposed cost allocation decrease to the residential class is a minimal decrease of 0.99% resulting in a revenue to expense ratio of 102%.

**GS<50**

ERHDC proposes an increase in the monthly fixed service charge of \$5.24 to move toward the minimum system fixed charge approach in the cost allocation study. The proposed cost allocation decrease to the GS<50 class is 3.21% resulting in a revenue to expense ratio of 109%.

**GS>50**

ERHDC proposes to maintain the fixed monthly service charge in order to minimize the reduction in the percentage of class revenue derived from the fixed charge. The proposed increase in the percentage allocation to the GS>50 rate class is 3.03%. This increase reflects a move in the direction of the cost allocation study and results in a revenue to expense ratio of 100%.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Street Lights**

ERHDC proposes an increase in the monthly fixed service charge of \$0.41 to move toward the minimum system fixed charge approach in the cost allocation study. A percentage allocation increase of 0.8% is also proposed to move towards the direction of the cost allocation study but not over burden the rate class. The increase results in a revenue to expense ratio of 29%.

**Sentinel Lights**

ERHDC proposes an increase in the monthly fixed service charge of \$0.45 to move toward the minimum system fixed charge approach in the cost allocation study. ERHDC proposes a minimal increase of 0.01% in the cost allocation to the sentinel lights rate class resulting in a revenue to expense ratio of 47%.

**Unmetered Scattered Load**

ERHDC proposes an increase in the monthly fixed service charge of \$2.06 to reflect a move toward the minimum system fixed charge approach in the cost allocation study. ERHDC proposes a 0.01% increase in the costs allocated the unmetered scattered load rate class resulting in a revenue to expense ratio of 92%.

ERHDC acknowledges that the streetlight and sentinel light rate classes fall outside the proposed revenue to expense ratio bands and will monitor future developments regarding cost allocation and move toward attaining the proposed ratios.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Proposed Volumetric Charges:**

The proposed monthly fixed charges are expected to generate the following revenues by rate class.

**Revenues by Rate Class from Proposed Fixed Charges**

<b>Rate Class</b>	<b>Proposed Fixed Charge Revenue</b>
Residential	\$342,435
GS <50 kW	\$93,972
GS>50 kW	\$23,640
Street Light	\$9,948
Sentinel	\$288
Unmetered Scattered Load	\$1,128
<b>Total</b>	<b>\$471,411</b>

With the expected level of revenue from the monthly fixed charges determined, the proposed revenue from distribution volumetric charges represents the total proposed revenue by rate class minus the proposed fixed charge revenue. The resulting revenue that the Applicant proposes to recover from volumetric charges is shown below.

**Proposed Volumetric Charge Revenue**

<b>Rate Class</b>	<b>Proposed Volumetric Charge Revenue</b>
Residential	\$397,094
GS <50 kW	\$216,403
GS>50 kW	\$98,600
Street Light	\$8,316
Sentinel	\$548
Unmetered Scattered Load	\$1,379
<b>Total</b>	<b>\$722,340</b>

These proposed volumetric charge revenues by rate class are then divided by the projected volume and the following proposed volumetric charges are produced.



**Espanola Regional Hydro Distribution Corporation (ERHDC)****Proposed Volumetric Charges**

<b>Rate Class</b>	<b>Proposed Volumetric Charge</b>
Residential (\$/kWh)	\$0.0120
GS <50 kW (\$/kWh)	\$0.0146
GS > 50 kW (\$/kW)	\$2.9686
Street Light (\$/kW)	\$4.8391
Sentinel (\$/kW)	\$7.0653
Unmetered Scattered Load (\$/kWh)	\$0.0110

**Espanola Regional Hydro Distribution Corporation (ERHDC)****Transformer Ownership Allowance:**

The amount of transformer ownership allowance expected to be provided to those GS > 50 kW customers that own their transformers has been included in the GS > 50 kW volumetric charge. This means the GS > 50 kW volumetric charge has been increased by the amount of transformer ownership allowance. Once the transformer allowance is applied to this charge the resulting revenue will recover the full base revenue requirement for the GS > 50 kW rate class.

Currently, ERHDC provides a transformer ownership allowance to those customers that own their transformation facilities. ERHDC's current approved transformer ownership allowance is \$0.60 per kW. The present allowance is intended to reflect the costs to a distributor of providing step down transformation facilities to the customer's utilization voltage level. Since it is assumed that the distributor provides electricity at utilization voltage, the cost of this transformation is captured in and recovered through the distribution rates. Therefore, when a customer provides its own step down transformation from primary to secondary, it should receive a credit of these costs already included in the distribution rates.

In the GS > 50 kW class, some customers own their transformers but the majority use the transformation facilities of the ERHDC. For those customers that use the ERHDC's facilities, the cost allocation model suggests that the ERHDC's cost to provide this service is \$0.5728 per kW. This in turn means that if a GS > 50 kW customer was to own its transformer it should receive \$0.5728 per kW as a transformation ownership allowance. ERHDC notes the comments in the Board's cost allocation filings discussion paper and does not propose to change the current transformer ownership allowance at this time.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Recovery of Low Voltage Costs:**

Consistent with the approach in the Board's 2006 EDR model, ERHDC's LV costs of \$139,296 have been allocated to each rate class based on the proportion of retail transmission connection revenue collected from each class. This calculation is outlined in the following table:

**Allocation of LV Costs**

<b>Customer Class</b>	<b>Retail Transmission Connection Revenue (\$)</b>	<b>Allocation Percentages</b>	<b>Allocated LV (\$)</b>
Residential	304,433	54.21%	75,525
GS <50 kW	124,078	22.10%	30,782
GS>50 kW	127,285	22.67%	31,577
Street Light	4,434	0.79%	1,100
Sentinel	201	0.04%	50
Unmetered Scattered Load	<u>1,056</u>	<u>0.19%</u>	<u>262</u>
<b>TOTAL</b>	<b>561,487</b>	<b>100.00%</b>	<b>139,296</b>

These proposed LV costs by rate class are then divided by the projected volumes and this produces the proposed adjustments to the distribution volumetric charges set out in the table below:

**LV-Related Adjustments to Volumetric Charges**

<b>Customer Class</b>	<b>LV Adjustment (\$ per kWh)</b>	<b>LV Adjustment (\$ per kW)</b>
Residential	0.0023	-
GS <50 kW	0.0021	-
GS>50 kW	-	0.8403
Street Light	-	0.6402
Sentinel	-	0.6477
Unmetered Scattered Load	0.0021	-
Back-up/Standby Power	-	-

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Proposed Distribution Rates:**

The following table sets out the ERHDC's proposed 2008 electricity distribution rates based on the foregoing calculations, including adjustments for the recovery of LV costs:

**Proposed 2008 Electricity Distribution Rates**

<b>Customer Class</b>	<b>Customer/ Connection</b>	<b>\$/kWh</b>	<b>\$/kW</b>
Residential	\$10.13	\$0.0143	
GS <50 kW	\$18.17	\$0.0167	
GS>50 kW	\$123.11		\$3.8089
Street Light	\$0.82		\$5.4793
Sentinel	\$0.90		\$7.7130
Unmetered Scattered Load	\$8.53	\$0.0131	

## Espanola Regional Hydro Distribution Corporation (ERHDC)

### EXISTING RATE CLASSES

#### Residential

This classification refers to an account taking electricity at 750 volts or less where the electricity used exclusively in a single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning.

#### General Service Less Than 50kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50kW.

#### General Service 50 to 4,999kW

This classification refers to a non residential account whose average peak demand is greater than, or is forecast to be greater than, 50kW but less than 5,000kW.

#### Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

#### Sentinel Lights

This classification applies to safety/security lighting with a Residential or General Service customer. This is typically exterior lighting, and unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

#### Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**EXISTING RATE SCHEDULE:**

	<b>UOM</b>	<b>Rate</b>
<b>Residential</b>		
Service Charge	\$	10.39
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
<b>General Service Less Than 50 kW</b>		
Service Charge	\$	13.19
Distribution Volumetric Rate	\$/kWh	0.0203
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
<b>General Service 50 to 4,999kW</b>		
Service Charge	\$	123.37
Distribution Volumetric Rate	\$/kW	1.7424
Regulatory Asset Recovery	\$/kW	0.4822
Retail Transmission Rate – Network Service Rate	\$/kW	1.9902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3968
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service– Administration Charge (if applicable)	\$	0.25
<b>Unmetered Scattered Load</b>		
Service Charge (per connection)	\$	6.47
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
<b>Sentinal Lighting</b>		

## Espanola Regional Hydro Distribution Corporation (ERHDC)

Service Charge (per connection)	\$	0.45
Distribution Volumetric Rate	\$/kW	8.5578
Regulatory Asset Recovery – Effective May 1, 2007 to October 31, 2007	\$/kW	6.5503
Regulatory Asset Recovery – Effective November 1, 2007	\$/kW	12.0503
Retail Transmission Rate – Network Service Rate	\$/kW	1.5085
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

### Street Lighting

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	2.9711
Regulatory Asset Recovery	\$/kW	0.1879
Retail Transmission Rate – Network Service Rate	\$/kW	1.5009
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0798
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

### Specific Service Charges

Arrears Certificate	\$	15.00
Account History	\$	15.00
Returned Cheque (plus bank charge)	\$	15.00
Account Set-up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special Meter Reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Late payment - per month	%	1.50
Late payment – per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect Charges for on payment of account -At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35

### Allowances

Transformer Allowance for Ownership – per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

### Loss Factors

Total loss Factor – Secondary Metered Customers <5,000 kW	1.0724
Total loss Factor – Secondary Metered Customers > 5,000 kW	N/A
Total loss Factor – Primary Metered Customers > 5,000 kW	1.0617
Total loss Factor – Primary Metered Customers > 5,000 kW	N/A

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**PROPOSED RATE SCHEDULE:**

	<b>UOM</b>	<b>Rate</b>
<b>Residential</b>		
Service Charge	\$	10.39
Distribution Volumetric Rate	\$/kWh	0.0143
Regulatory Asset Recovery	\$/kWh	0.0019
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
<b>General Service Less Than 50 kW</b>		
Service Charge	\$	18.43
Distribution Volumetric Rate	\$/kWh	0.0167
Regulatory Asset Recovery	\$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25
<b>General Service 50 to 4,999kW</b>		
Service Charge	\$	123.37
Distribution Volumetric Rate	\$/kW	3.8089
Regulatory Asset Recovery	\$/kW	0.6323
Retail Transmission Rate – Network Service Rate	\$/kW	1.9902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3968
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service– Administration Charge (if applicable)	\$	0.25
<b>Unmetered Scattered Load</b>		
Service Charge (per connection)	\$	8.53
Distribution Volumetric Rate	\$/kWh	0.0131
Regulatory Asset Recovery	\$/kWh	0.0019
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25



## Espanola Regional Hydro Distribution Corporation (ERHDC)

### Sentinal Lighting

Service Charge (per connection)	\$	0.90
Distribution Volumetric Rate	\$/kW	7.7130
Regulatory Asset Recovery	\$/kW	0.1591
Retail Transmission Rate – Network Service Rate	\$/kW	1.5085
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

### Street Lighting

Service Charge (per connection)	\$	0.82
Distribution Volumetric Rate	\$/kW	5.4793
Regulatory Asset Recovery	\$/kW	0.7666
Retail Transmission Rate – Network Service Rate	\$/kW	1.5009
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0798
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25

### Specific Service Charges

Arrears Certificate	\$	15.00
Account History	\$	15.00
Returned Cheque (plus bank charge)	\$	15.00
Account Set-up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special Meter Reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Late payment - per month	%	1.50
Late payment – per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect Charges for on payment of account -At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35

### Allowances

Transformer Allowance for Ownership – per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

### Loss Factors

Total loss Factor – Secondary Metered Customers <5,000 kW		1.0543
Total loss Factor – Secondary Metered Customers > 5,000 kW		N/A
Total loss Factor – Primary Metered Customers > 5,000 kW		1.0443

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

Total loss Factor – Primary Metered Customers > 5,000 kW

N/A

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**BILL IMPACTS:**

This schedule presents the results of the assessment of customer total bill impacts by level of consumption by customer per rate class.

The bill impacts compare the distribution rates arising from the proposed 2008 revenue requirements to the current distribution rates applicable May 1, 2007. The rates are assessed on the basis of moving to the proposed distribution rates in this Exhibit including the Rate Rider for the recovery of regulatory asset variance accounts derived from Exhibit 5.

Due to the proposed adjustments in the portion of revenue to be recovered from the GS>50 class to rectify the issue previously brought before the Board, a more detailed analysis was undertaken for the customer accounts affected. The following chart provides the bill impacts for the 16 GS>50 class customers based on their average monthly consumption over the last several years.

Customer	% Bill Increase	\$ Bill Increase
Customer #1	8.7%	\$245.28
Customer #2	6.7%	\$312.03
Customer #3	6.2%	\$378.23
Customer #4	5.8%	\$197.44
Customer #5	5.7%	\$288.19
Customer #6	5.7%	\$130.96
Customer #7	5.1%	\$288.57
Customer #8	4.5%	\$281.69
Customer #9	4.3%	\$161.23
Customer #10	4.2%	\$224.03
Customer #11	3.8%	\$441.91
Customer #12	3.7%	\$169.56
Customer #13	3.6%	\$360.42
Customer #14	2.7%	\$503.40
Customer #15	2.6%	\$279.12
Customer #16	2.4%	\$169.44

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Residential**  
100 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	100	0.01350	1.35	100	0.01430	1.43	0.08	5.9%	0.4%
<b>Sub-Total</b>				<b>11.74</b>			<b>11.82</b>	<b>0.08</b>	<b>0.7%</b>	<b>0.4%</b>
Regulatory Asset Recovery	kWh	100	0.00300	0.30	100	0.00190	0.19	(0.11)	-36.7%	-0.5%
Retail Transmission - Network	kWh	107	0.00530	0.57	105	0.00530	0.56	(0.01)	-1.7%	0.0%
Retail Transmission - Line and	kWh	107	0.00390	0.42	105	0.00390	0.41	(0.01)	-1.7%	0.0%
Wholesale Market Service	kWh	107	0.00520	0.56	105	0.00520	0.55	(0.01)	-1.7%	0.0%
Rural Rate Protection Charge	kWh	107	0.00100	0.11	105	0.00100	0.11	(0.00)	-1.7%	0.0%
Debt Retirement Charge	kWh	100	0.00700	0.70	100	0.00700	0.70	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	107	0.05704	6.12	105	0.05704	6.01	(0.10)	-1.7%	-0.5%
<b>Total Bill</b>				<b>20.51</b>			<b>20.35</b>	<b>(0.16)</b>	<b>-0.8%</b>	<b>-0.8%</b>

**Residential**  
250 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	250	0.01350	3.38	250	0.01430	3.58	0.20	5.9%	0.6%
<b>Sub-Total</b>				<b>13.77</b>			<b>13.97</b>	<b>0.20</b>	<b>1.5%</b>	<b>0.6%</b>
Regulatory Asset Recovery	kWh	250	0.00300	0.75	250	0.00190	0.48	(0.28)	-36.7%	-0.8%
Retail Transmission - Network	kWh	268	0.00530	1.42	264	0.00530	1.40	(0.02)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	268	0.00390	1.05	264	0.00390	1.03	(0.02)	-1.7%	-0.1%
Wholesale Market Service	kWh	268	0.00520	1.39	264	0.00520	1.37	(0.02)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	268	0.00100	0.27	264	0.00100	0.26	(0.00)	-1.7%	0.0%
Debt Retirement Charge	kWh	250	0.00700	1.75	250	0.00700	1.75	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	268	0.05704	15.29	264	0.05704	15.03	(0.26)	-1.7%	-0.7%
<b>Total Bill</b>				<b>35.69</b>			<b>35.28</b>	<b>(0.40)</b>	<b>-1.1%</b>	<b>-1.1%</b>

**Residential**  
500 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	500	0.01350	6.75	500	0.01430	7.15	0.40	5.9%	0.7%
<b>Sub-Total</b>				<b>17.14</b>			<b>17.54</b>	<b>0.40</b>	<b>2.3%</b>	<b>0.7%</b>
Regulatory Asset Recovery	kWh	500	0.00300	1.50	500	0.00190	0.95	(0.55)	-36.7%	-0.9%
Retail Transmission - Network	kWh	536	0.00530	2.84	527	0.00530	2.79	(0.05)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	536	0.00390	2.09	527	0.00390	2.06	(0.04)	-1.7%	-0.1%
Wholesale Market Service	kWh	536	0.00520	2.79	527	0.00520	2.74	(0.05)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	536	0.00100	0.54	527	0.00100	0.53	(0.01)	-1.7%	0.0%
Debt Retirement Charge	kWh	500	0.00700	3.50	500	0.00700	3.50	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	536	0.05704	30.58	527	0.05704	30.07	(0.52)	-1.7%	-0.9%
<b>Total Bill</b>				<b>60.98</b>			<b>60.18</b>	<b>(0.81)</b>	<b>-1.3%</b>	<b>-1.3%</b>

**Residential**  
750 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	750	0.01350	10.13	750	0.01430	10.73	0.60	5.9%	0.7%
<b>Sub-Total</b>				<b>20.52</b>			<b>21.12</b>	<b>0.60</b>	<b>2.9%</b>	<b>0.7%</b>
Regulatory Asset Recovery	kWh	750	0.00300	2.25	750	0.00190	1.43	(0.83)	-36.7%	-1.0%
Retail Transmission - Network	kWh	804	0.00530	4.26	791	0.00530	4.19	(0.07)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	804	0.00390	3.14	791	0.00390	3.08	(0.05)	-1.7%	-0.1%
Wholesale Market Service	kWh	804	0.00520	4.18	791	0.00520	4.11	(0.07)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	804	0.00100	0.80	791	0.00100	0.79	(0.01)	-1.7%	0.0%
Debt Retirement Charge	kWh	750	0.00700	5.25	750	0.00700	5.25	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	804	0.05704	45.88	791	0.05704	45.10	(0.77)	-1.7%	-0.9%
<b>Total Bill</b>				<b>86.28</b>			<b>85.07</b>	<b>(1.21)</b>	<b>-1.4%</b>	<b>-1.4%</b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Residential**  
1,000                      kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	1,000	0.01350	13.50	1,000	0.01430	14.30	0.80	5.9%	0.7%
<b>Sub-Total</b>				<b>23.89</b>			<b>24.69</b>	<b>0.80</b>	<b>3.3%</b>	<b>0.7%</b>
Regulatory Asset Recovery	kWh	1,000	0.00300	3.00	1,000	0.00190	1.90	(1.10)	-36.7%	-1.0%
Retail Transmission - Network	kWh	1,072	0.00530	5.68	1,054	0.00530	5.59	(0.10)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	1,072	0.00390	4.18	1,054	0.00390	4.11	(0.07)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,072	0.00520	5.58	1,054	0.00520	5.48	(0.09)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072	0.00100	1.07	1,054	0.00100	1.05	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072	0.05704	61.17	1,054	0.05704	60.14	(1.03)	-1.7%	-0.9%
<b>Total Bill</b>				<b>111.57</b>			<b>109.96</b>	<b>(1.61)</b>	<b>-1.4%</b>	<b>-1.5%</b>

**Residential**  
1,500                      kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	1,500	0.01350	20.25	1,500	0.01430	21.45	1.20	5.9%	0.8%
<b>Sub-Total</b>				<b>30.64</b>			<b>31.84</b>	<b>1.20</b>	<b>3.9%</b>	<b>0.8%</b>
Regulatory Asset Recovery	kWh	1,500	0.00300	4.50	1,500	0.00190	2.85	(1.65)	-36.7%	-1.0%
Retail Transmission - Network	kWh	1,609	0.00530	8.53	1,581	0.00530	8.38	(0.14)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	1,609	0.00390	6.27	1,581	0.00390	6.17	(0.11)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,609	0.00520	8.36	1,581	0.00520	8.22	(0.14)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,609	0.00100	1.61	1,581	0.00100	1.58	(0.03)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,500	0.00700	10.50	1,500	0.00700	10.50	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,609	0.05704	91.75	1,581	0.05704	90.21	(1.55)	-1.7%	-1.0%
<b>Total Bill</b>				<b>162.17</b>			<b>159.75</b>	<b>(2.42)</b>	<b>-1.5%</b>	<b>-1.5%</b>

**Residential**  
2,000                      kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				10.39			10.39	0.00	0.0%	0.0%
Distribution	kWh	2,000	0.01350	27.00	2,000	0.01430	28.60	1.60	5.9%	0.8%
<b>Sub-Total</b>				<b>37.39</b>			<b>38.99</b>	<b>1.60</b>	<b>4.3%</b>	<b>0.8%</b>
Regulatory Asset Recovery	kWh	2,000	0.00300	6.00	2,000	0.00190	3.80	(2.20)	-36.7%	-1.0%
Retail Transmission - Network	kWh	2,145	0.00530	11.37	2,109	0.00530	11.18	(0.19)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	2,145	0.00390	8.36	2,109	0.00390	8.22	(0.14)	-1.7%	-0.1%
Wholesale Market Service	kWh	2,145	0.00520	11.15	2,109	0.00520	10.96	(0.19)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	2,145	0.00100	2.14	2,109	0.00100	2.11	(0.04)	-1.7%	0.0%
Debt Retirement Charge	kWh	2,000	0.00700	14.00	2,000	0.00700	14.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	2,145	0.05704	122.34	2,109	0.05704	120.27	(2.06)	-1.7%	-1.0%
<b>Total Bill</b>				<b>212.76</b>			<b>209.54</b>	<b>(3.22)</b>	<b>-1.5%</b>	<b>-1.5%</b>

**GS <50**  
1,000                      kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19			18.43	5.24	39.7%	4.4%
Distribution	kWh	1,000	0.02030	20.30	1,000	0.01670	16.70	(3.60)	-17.7%	-3.0%
<b>Sub-Total</b>				<b>33.49</b>			<b>35.13</b>	<b>1.64</b>	<b>4.9%</b>	<b>1.4%</b>
Regulatory Asset Recovery	kWh	1,000	0.00150	1.50	1,000	0.00200	2.00	0.50	33.3%	0.4%
Retail Transmission - Network	kWh	1,072	0.00490	5.25	1,054	0.00490	5.17	(0.09)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	1,072	0.00350	3.75	1,054	0.00350	3.69	(0.06)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,072	0.00520	5.58	1,054	0.00520	5.48	(0.09)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072	0.00100	1.07	1,054	0.00100	1.05	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072	0.05704	61.17	1,054	0.05704	60.14	(1.03)	-1.7%	-0.9%
<b>Total Bill</b>				<b>118.82</b>			<b>119.66</b>	<b>0.84</b>	<b>0.7%</b>	<b>0.7%</b>

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**GS -50**  
2,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19		18.43	5.24	39.7%	2.4%	
Distribution	kWh	2,000	0.02030	40.60	2,000	0.01670	33.40	(7.20)	-17.7%	-3.3%
<b>Sub-Total</b>				<b>53.79</b>		<b>51.83</b>	<b>(1.96)</b>	<b>-3.6%</b>	<b>-0.9%</b>	
Regulatory Asset Recovery	kWh	2,000	0.00150	3.00	2,000	0.00200	4.00	1.00	33.3%	0.5%
Retail Transmission - Network	kWh	2,145	0.00490	10.51	2,109	0.00490	10.33	(0.18)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	2,145	0.00350	7.51	2,109	0.00350	7.38	(0.13)	-1.7%	-0.1%
Wholesale Market Service	kWh	2,145	0.00520	11.15	2,109	0.00520	10.96	(0.19)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	2,145	0.00100	2.14	2,109	0.00100	2.11	(0.04)	-1.7%	0.0%
Debt Retirement Charge	kWh	2,000	0.00700	14.00	2,000	0.00700	14.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	2,145	0.05704	122.34	2,109	0.05704	120.27	(2.06)	-1.7%	-0.9%
<b>Total Bill</b>				<b>224.44</b>		<b>220.89</b>	<b>(3.55)</b>	<b>-1.6%</b>	<b>-1.6%</b>	

**GS -50**  
5,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19		18.43	5.24	39.7%	1.0%	
Distribution	kWh	5,000	0.02030	101.50	5,000	0.01670	83.50	(18.00)	-17.7%	-3.4%
<b>Sub-Total</b>				<b>114.69</b>		<b>101.93</b>	<b>(12.76)</b>	<b>-11.1%</b>	<b>-2.4%</b>	
Regulatory Asset Recovery	kWh	5,000	0.00150	7.50	5,000	0.00200	10.00	2.50	33.3%	0.5%
Retail Transmission - Network	kWh	5,362	0.00490	26.27	5,272	0.00490	25.83	(0.44)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	5,362	0.00350	18.77	5,272	0.00350	18.45	(0.32)	-1.7%	-0.1%
Wholesale Market Service	kWh	5,362	0.00520	27.88	5,272	0.00520	27.41	(0.47)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	5,362	0.00100	5.36	5,272	0.00100	5.27	(0.09)	-1.7%	0.0%
Debt Retirement Charge	kWh	5,000	0.00700	35.00	5,000	0.00700	35.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	5,362	0.05704	305.85	5,272	0.05704	300.69	(5.16)	-1.7%	-1.0%
<b>Total Bill</b>				<b>541.32</b>		<b>524.58</b>	<b>(16.74)</b>	<b>-3.1%</b>	<b>-3.2%</b>	

**GS -50**  
10,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19		18.43	5.24	39.7%	0.5%	
Distribution	kWh	10,000	0.02030	203.00	10,000	0.01670	167.00	(36.00)	-17.7%	-3.5%
<b>Sub-Total</b>				<b>216.19</b>		<b>185.43</b>	<b>(30.76)</b>	<b>-14.2%</b>	<b>-3.0%</b>	
Regulatory Asset Recovery	kWh	10,000	0.00150	15.00	10,000	0.00200	20.00	5.00	33.3%	0.5%
Retail Transmission - Network	kWh	10,724	0.00490	52.55	10,543	0.00490	51.66	(0.89)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	10,724	0.00350	37.53	10,543	0.00350	36.90	(0.63)	-1.7%	-0.1%
Wholesale Market Service	kWh	10,724	0.00520	55.76	10,543	0.00520	54.82	(0.94)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	10,724	0.00100	10.72	10,543	0.00100	10.54	(0.18)	-1.7%	0.0%
Debt Retirement Charge	kWh	10,000	0.00700	70.00	10,000	0.00700	70.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	10,724	0.05704	611.70	10,543	0.05704	601.37	(10.32)	-1.7%	-1.0%
<b>Total Bill</b>				<b>1,069.46</b>		<b>1,030.73</b>	<b>(38.73)</b>	<b>-3.6%</b>	<b>-3.8%</b>	

**GS -50**  
15,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				13.19		18.43	5.24	39.7%	0.3%	
Distribution	kWh	15,000	0.02030	304.50	15,000	0.01670	250.50	(54.00)	-17.7%	-3.5%
<b>Sub-Total</b>				<b>317.69</b>		<b>268.93</b>	<b>(48.76)</b>	<b>-15.3%</b>	<b>-3.2%</b>	
Regulatory Asset Recovery	kWh	15,000	0.00150	22.50	15,000	0.00200	30.00	7.50	33.3%	0.5%
Retail Transmission - Network	kWh	16,086	0.00490	78.82	15,815	0.00490	77.49	(1.33)	-1.7%	-0.1%
Retail Transmission - Line and	kWh	16,086	0.00350	56.30	15,815	0.00350	55.35	(0.95)	-1.7%	-0.1%
Wholesale Market Service	kWh	16,086	0.00520	83.65	15,815	0.00520	82.24	(1.41)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	16,086	0.00100	16.09	15,815	0.00100	15.81	(0.27)	-1.7%	0.0%
Debt Retirement Charge	kWh	15,000	0.00700	105.00	15,000	0.00700	105.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	16,086	0.05704	917.55	15,815	0.05704	902.06	(15.49)	-1.7%	-1.0%
<b>Total Bill</b>				<b>1,597.59</b>		<b>1,536.88</b>	<b>(60.71)</b>	<b>-3.8%</b>	<b>-4.0%</b>	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**GS>50-Regular**  
60 kW Consumption  
15,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37		123.37	0.00	0.0%	0.0%	
Distribution	kW	60	1.74240	104.54	60	3.80890	228.53	123.99	118.6%	7.3%
<b>Sub-Total</b>				<b>227.91</b>		<b>351.90</b>	<b>123.99</b>	<b>54.4%</b>	<b>7.3%</b>	
Regulatory Asset Recovery	kW	60	0.48220	28.93	60	0.63220	37.93	9.00	31.1%	0.5%
Retail Transmission - Network	kW	64	1.99020	128.06	63	1.99020	125.90	(2.16)	-1.7%	-0.1%
Retail Transmission - Line and	kW	64	1.39680	89.88	63	1.39680	88.36	(1.52)	-1.7%	-0.1%
Wholesale Market Service	kWh	16,086	0.00520	83.65	15,815	0.00520	82.24	(1.41)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	16,086	0.00100	16.09	15,815	0.00100	15.81	(0.27)	-1.7%	0.0%
Debt Retirement Charge	kWh	15,000	0.00700	105.00	15,000	0.00700	105.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	16,086	0.05704	917.55	15,815	0.05704	902.06	(15.49)	-1.7%	-0.9%
<b>Total Bill</b>				<b>1,597.06</b>		<b>1,709.20</b>	<b>112.14</b>	<b>7.0%</b>	<b>6.6%</b>	

**GS>50-Regular**  
100 kW Consumption  
40,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37		123.37	0.00	0.0%	0.0%	
Distribution	kW	100	1.74240	174.24	100	3.80890	380.89	206.65	118.6%	5.3%
<b>Sub-Total</b>				<b>297.61</b>		<b>504.26</b>	<b>206.65</b>	<b>69.4%</b>	<b>5.3%</b>	
Regulatory Asset Recovery	kW	100	0.48220	48.22	100	0.63220	63.22	15.00	31.1%	0.4%
Retail Transmission - Network	kW	107	1.99020	213.43	105	1.99020	209.83	(3.60)	-1.7%	-0.1%
Retail Transmission - Line and	kW	107	1.39680	149.79	105	1.39680	147.26	(2.53)	-1.7%	-0.1%
Wholesale Market Service	kWh	42,896	0.00520	223.06	42,172	0.00520	219.29	(3.76)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	42,896	0.00100	42.90	42,172	0.00100	42.17	(0.72)	-1.7%	0.0%
Debt Retirement Charge	kWh	40,000	0.00700	280.00	40,000	0.00700	280.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	42,896	0.05704	2,446.79	42,172	0.05704	2,405.49	(41.30)	-1.7%	-1.1%
<b>Total Bill</b>				<b>3,701.79</b>		<b>3,871.53</b>	<b>169.73</b>	<b>4.6%</b>	<b>4.4%</b>	

**GS>50-Regular**  
500 kW Consumption  
100,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37		123.37	0.00	0.0%	0.0%	
Distribution	kW	500	1.74240	871.20	500	3.80890	1,904.45	1,033.25	118.6%	9.0%
<b>Sub-Total</b>				<b>994.57</b>		<b>2,027.82</b>	<b>1,033.25</b>	<b>103.9%</b>	<b>9.0%</b>	
Regulatory Asset Recovery	kW	500	0.48220	241.10	500	0.63220	316.10	75.00	31.1%	0.7%
Retail Transmission - Network	kW	536	1.99020	1,067.15	527	1.99020	1,049.13	(18.01)	-1.7%	-0.2%
Retail Transmission - Line and	kW	536	1.39680	748.96	527	1.39680	736.32	(12.64)	-1.7%	-0.1%
Wholesale Market Service	kWh	107,240	0.00520	557.65	105,430	0.00520	548.24	(9.41)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	107,240	0.00100	107.24	105,430	0.00100	105.43	(1.81)	-1.7%	0.0%
Debt Retirement Charge	kWh	100,000	0.00700	700.00	100,000	0.00700	700.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	107,240	0.05704	6,118.97	105,430	0.05704	6,013.73	(105.24)	-1.7%	-0.9%
<b>Total Bill</b>				<b>10,533.64</b>		<b>11,496.77</b>	<b>963.13</b>	<b>9.1%</b>	<b>8.4%</b>	

**GS>50-Regular**  
1,000 kW Consumption  
400,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37		123.37	0.00	0.0%	0.0%	
Distribution	kW	1,000	1.74240	1,742.40	1,000	3.80890	3,808.90	2,066.50	118.6%	5.5%
<b>Sub-Total</b>				<b>1,865.77</b>		<b>3,932.27</b>	<b>2,066.50</b>	<b>110.8%</b>	<b>5.5%</b>	
Regulatory Asset Recovery	kW	1,000	0.48220	482.20	1,000	0.63220	632.20	150.00	31.1%	0.4%
Retail Transmission - Network	kW	1,072	1.99020	2,134.29	1,054	1.99020	2,098.27	(36.02)	-1.7%	-0.1%
Retail Transmission - Line and	kW	1,072	1.39680	1,497.93	1,054	1.39680	1,472.65	(25.28)	-1.7%	-0.1%
Wholesale Market Service	kWh	428,960	0.00520	2,230.59	421,720	0.00520	2,192.94	(37.65)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	428,960	0.00100	428.96	421,720	0.00100	421.72	(7.24)	-1.7%	0.0%
Debt Retirement Charge	kWh	400,000	0.00700	2,800.00	400,000	0.00700	2,800.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	428,960	0.05704	24,467.88	421,720	0.05704	24,054.91	(412.97)	-1.7%	-1.1%
<b>Total Bill</b>				<b>35,907.62</b>		<b>37,604.96</b>	<b>1,697.34</b>	<b>4.7%</b>	<b>4.5%</b>	

**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**GS>50-Regular**

3,000 kW Consumption  
1,000,000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				123.37			123.37	0.00	0.0%	0.0%
Distribution	kW	3,000	1.74240	5,227.20	3,000	3.80890	11,426.70	6,199.50	118.6%	6.3%
<b>Sub-Total</b>				<b>5,350.57</b>			<b>11,550.07</b>	<b>6,199.50</b>	<b>115.9%</b>	<b>6.3%</b>
Regulatory Asset Recovery	kW	3,000	0.48220	1,446.60	3,000	0.63220	1,896.60	450.00	31.1%	0.5%
Retail Transmission - Network	kW	3,217	1.99020	6,402.87	3,163	1.99020	6,294.80	(108.07)	-1.7%	-0.1%
Retail Transmission - Line and	kW	3,217	1.39680	4,493.78	3,163	1.39680	4,417.94	(75.85)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,072,400	0.00520	5,576.48	1,054,300	0.00520	5,482.36	(94.12)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072,400	0.00100	1,072.40	1,054,300	0.00100	1,054.30	(18.10)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000,000	0.00700	7,000.00	1,000,000	0.00700	7,000.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072,400	0.05704	61,169.70	1,054,300	0.05704	60,137.27	(1,032.42)	-1.7%	-1.1%
<b>Total Bill</b>				<b>92,512.40</b>			<b>97,833.34</b>	<b>5,320.94</b>	<b>5.8%</b>	<b>5.4%</b>

**Street Light**

143 kW Consumption  
48,489 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				0.41			0.41	100.0%	0.0%	
Distribution	kW	143	2.97110	425.36	143	5.47930	784.45	359.09	84.4%	7.3%
<b>Sub-Total</b>				<b>425.77</b>			<b>785.27</b>	<b>359.50</b>	<b>84.4%</b>	<b>7.3%</b>
Regulatory Asset Recovery	kW	143	0.18790	26.90	143	1.14050	163.28	136.38	507.0%	2.8%
Retail Transmission - Network	kW	154	1.50090	230.44	151	1.50090	226.55	(3.89)	-1.7%	-0.1%
Retail Transmission - Line and	kW	154	1.07980	165.78	151	1.07980	162.99	(2.80)	-1.7%	-0.1%
Wholesale Market Service	kWh	52,000	0.00520	270.40	51,122	0.00520	265.84	(4.56)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	52,000	0.00100	52.00	51,122	0.00100	51.12	(0.88)	-1.7%	0.0%
Debt Retirement Charge	kWh	48,489	0.00700	339.42	48,489	0.00700	339.42	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	52,000	0.05704	2,966.07	51,122	0.05704	2,916.01	(50.06)	-1.7%	-1.0%
<b>Total Bill</b>				<b>4,476.78</b>			<b>4,910.47</b>	<b>433.69</b>	<b>9.7%</b>	<b>8.9%</b>

**Sentinel**

2.85 kW Consumption  
1033 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				0.45			0.45	100.0%	0.4%	
Distribution	kW	3	8.55780	24.39	3	7.71300	21.98	(2.41)	-9.9%	-2.2%
<b>Sub-Total</b>				<b>24.84</b>			<b>22.88</b>	<b>(1.96)</b>	<b>-7.9%</b>	<b>-1.8%</b>
Regulatory Asset Recovery	kW	3	12.05030	34.34	3	0.10170	0.29	(34.05)	-99.2%	-31.8%
Retail Transmission - Network	kW	3	1.50850	4.61	3	1.50850	4.53	(0.08)	-1.7%	-0.1%
Retail Transmission - Line and	kW	3	1.10240	3.37	3	1.10240	3.31	(0.06)	-1.7%	-0.1%
Wholesale Market Service	kWh	1,108	0.00520	5.76	1,089	0.00520	5.66	(0.10)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,108	0.00100	1.11	1,089	0.00100	1.09	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,033	0.00700	7.23	1,033	0.00700	7.23	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,108	0.05704	63.19	1,089	0.05704	62.12	(1.07)	-1.7%	-1.0%
<b>Total Bill</b>				<b>144.45</b>			<b>107.12</b>	<b>(37.33)</b>	<b>-25.8%</b>	<b>-34.8%</b>

**Sentinel**

0.75 kW Consumption  
50 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge				0.45			0.45	100.0%	1.6%	
Distribution	kW	1	8.55780	6.42	3	7.71300	21.98	15.56	242.5%	54.2%
<b>Sub-Total</b>				<b>6.87</b>			<b>22.88</b>	<b>16.01</b>	<b>233.2%</b>	<b>55.8%</b>
Regulatory Asset Recovery	kW	1	12.05030	9.04	1	0.10170	0.08	(8.96)	-99.2%	-31.2%
Retail Transmission - Network	kW	1	1.50850	1.21	1	1.50850	1.19	(0.02)	-1.7%	-0.1%
Retail Transmission - Line and	kW	1	1.10240	0.89	1	1.10240	0.87	(0.01)	-1.7%	-0.1%
Wholesale Market Service	kWh	54	0.00520	0.28	53	0.00520	0.27	(0.00)	-1.7%	0.0%
Rural Rate Protection Charge	kWh	54	0.00100	0.05	53	0.00100	0.05	(0.00)	-1.7%	0.0%
Debt Retirement Charge	kWh	50	0.00700	0.35	50	0.00700	0.35	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	54	0.05704	3.06	53	0.05704	3.01	(0.05)	-1.7%	-0.2%
<b>Total Bill</b>				<b>21.75</b>			<b>28.71</b>	<b>6.96</b>	<b>32.0%</b>	<b>24.2%</b>



**Espanola Regional Hydro Distribution Corporation (ERHDC)**

**Unmetered Scattered Load**

5 kW Consumption  
 1000 kWh Consumption

	Metric	2007 BILL			2008 BILL			IMPACT		
		Volume	Rate \$	Charge \$	Volume	Rate \$	Charge \$	Change \$	Change %	% of Total Bill
Monthly Service Charge Distribution	kW	5	0.01350	6.47	5	0.01310	8.53	2.06	31.8%	2.5%
				0.07			0.07	(0.00)	-3.0%	0.0%
<b>Sub-Total</b>				<b>6.54</b>			<b>8.60</b>	<b>2.06</b>	<b>31.5%</b>	<b>2.5%</b>
Regulatory Asset Recovery	kW	5	0.00150	0.01	5	0.00190	0.01	0.00	26.7%	0.0%
Retail Transmission - Network	kW	5	0.00490	0.03	5	0.00490	0.03	(0.00)	-1.7%	0.0%
Retail Transmission - Line and	kW	5	0.00350	0.02	5	0.00350	0.02	(0.00)	-1.7%	0.0%
Wholesale Market Service	kWh	1,072	0.00520	5.58	1,054	0.00520	5.48	(0.09)	-1.7%	-0.1%
Rural Rate Protection Charge	kWh	1,072	0.00100	1.07	1,054	0.00100	1.05	(0.02)	-1.7%	0.0%
Debt Retirement Charge	kWh	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	0.0%
Cost of Power Commodity	kWh	1,072	0.05704	61.17	1,054	0.05704	60.14	(1.03)	-1.7%	-1.3%
<b>Total Bill</b>				<b>81.41</b>			<b>82.32</b>	<b>0.91</b>	<b>1.1%</b>	<b>1.1%</b>