



EB-2011-0163

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

AND IN THE MATTER OF an application by Chatham-Kent Hydro Inc. for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

BEFORE: Karen Taylor
Presiding Member

Paula Conboy
Member

DECISION AND ORDER
(Issued March 22, 2012 and as corrected March 29, 2012)

Introduction

Chatham-Kent Hydro Inc. ("Chatham-Kent Hydro"), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on September 16, 2011 under section 78 of the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Chatham-Kent Hydro charges for electricity distribution, to be effective May 1, 2012.

In the Board's Decision and Order in EB-2012-0040, the Board approved, effective March 1, 2012, an amendment to Chatham-Kent Hydro's electricity distribution licence consisting of name a change from "Chatham-Kent Hydro Inc." to "Entegrus Powerlines Inc.". In order to maintain consistency throughout the public record in this proceeding,

the Board will continue to use the name Chatham-Kent Hydro in this Decision and Order.

On October 28, 2011, Chatham-Kent Hydro submitted a letter withdrawing its request for the disposition of Account 1562 since it was recently advised by its external consultant that the methodology used in this application contains departures from the Account 1562 – Deferred Payments in Lieu of Taxes (“PILs”) methodology established by the Board in the Combined PILs proceeding¹. On November 1, 2011, Chatham-Kent Hydro provided additional information regarding the nature of the deviations from the methodology established by the Board in the Combined PILs proceeding. In particular, the inconsistencies were the determination of the type of interest charges that specifically relate to deemed borrowing levels, including considerations of the nature of interest charges on customer deposits, and the treatment of accounting reserves associated with regulatory assets.

By letter dated November 2, 2011, the Board granted Chatham-Kent Hydro’s request to withdraw the disposition of Account 1562 from its 2012 IRM application on the basis that the supporting evidence that was filed was not consistent with the various decisions made in the course of the Combined PILS proceeding. The Board noted its expectation that Chatham-Kent Hydro would address the disposition of Account 1562 in a stand-alone application to be filed no later than April 1, 2012.

Chatham-Kent Hydro is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “IR Report”), issued on July 14, 2008, establishes a three year plan term for 3rd generation incentive regulation mechanism (“IRM”) (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity (“RRFE”), the Board announced that it was extending the IRM plan until such time as the RRFE policy initiatives have been substantially completed. As part of the plan, Chatham-Kent Hydro is one of the electricity distributors that will have its rates adjusted for 2012 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its IR Report, its *Supplemental Report of the Board on 3rd*

¹ EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding

Generation Incentive Regulation for Ontario's Electricity Distributors on September 17, 2008 (the "Supplemental Report"), and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011, the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the application filing requirements for IRM applications based on the policies in the Reports.

Notice of Chatham-Kent Hydro's rate application was given through newspaper publication in Chatham-Kent Hydro's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Chatham-Kent Hydro's proposed revenue-to-cost ratio adjustments, lost revenue adjustment mechanism ("LRAM") recovery, and request for the disposition of Account 1562 (Deferred PILS). The Vulnerable Energy Consumers Coalition ("VECC") was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to Chatham-Kent Hydro's request for LRAM recovery and any revenue-to-cost ratio matters that go beyond the implementation of previous Board decisions. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, it has made reference only to such evidence as is necessary to provide context to its findings. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Rural or Remote Electricity Rate Protection Charge;
- Revenue-to-Cost Ratio Adjustments;
- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge; and
- Review and Disposition of Lost Revenue Adjustment Mechanism.

Price Cap Index Adjustment

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator, less a productivity factor (X-factor) of 0.72% and a stretch factor.

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. . In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned Chatham-Kent Hydro to efficiency cohort 1 and a cohort specific stretch factor of 0.2%.

On that basis, the resulting price cap index adjustment is 1.08 %. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection.

The price cap index adjustment will not apply to the following components of delivery rates:

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural or Remote Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges;
- MicroFIT Service Charges; and
- Retail Service Charges.

Rural or Remote Electricity Rate Protection Charge

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current \$0.0013 per kWh to \$0.0011 per kWh effective May 1, 2012. The draft Tariff of Rates and Charges flowing from this Decision and Order will reflect the new RRRP charge.

Revenue-to-Cost Ratio Adjustments

Revenue-to-cost ratios measure the relationship between the revenues expected from a class of customers and the level of costs allocated to that class. The Board has established target ratio ranges (the “Target Ranges”) for Ontario electricity distributors in its report *Application of Cost Allocation for Electricity Distributors*, dated November 28, 2007 and in its updated report *Review of Electricity Distribution Cost Allocation Policy*, dated March 31, 2011.

Pursuant to the Settlement Agreement in Chatham-Kent Hydro’s 2011 IRM proceeding (EB-2010-0074) and approved by the Board on March 17, 2011, Chatham-Kent Hydro proposed the following revenue-to-cost ratios for 2012:

| Rate Class | Current 2011 Ratio | Proposed 2012 Ratio | Target Range |
|--|--------------------|---------------------|--------------|
| General Service Intermediate 1,000 to 4,999 kW | 210.75 | 180.00 | 85 – 115 |
| Intermediate with Self Generation | 81.67 | 90.23 | 80 – 120 |
| Unmetered Scattered Load | 78.21 | 90.23 | 80 – 120 |
| Street Lighting | 73.52 | 78.95 | 70 – 120 |
| Sentinel Lighting | 69.42 | 78.95 | 70 – 120 |
| Standby Power | 81.67 | 90.23 | n/a |

The net revenue from these adjustments would be used to increase the General Service

50 to 999 kW rate class revenue-to-cost ratio from 82% to 90%. The Residential and General Service Less Than 50 kW revenue-to-cost ratios remain unchanged.

Both Board staff and VECC submitted that the revenue-to-cost ratio adjustments are in accordance with the Settlement Agreement filed on February 14, 2011 and the Board's decision in Chatham-Kent Hydro's 2011 IRM proceeding (EB-2010-0074).

Chatham-Kent Hydro concurred with Board staff and VECC that the proposed revenue-to-cost ratio adjustments for 2012 are appropriate.

The Board approves the proposed revenue- to-cost ratios as filed. The proposed revenue-to-cost ratios are consistent with the Settlement Agreement filed on February 14, 2011 and the Board's decision in Chatham-Kent Hydro's 2011 IRM proceeding.

Shared Tax Savings Adjustments

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

Chatham-Kent Hydro's application identified a total tax savings of \$316,182 resulting in a shared amount of \$158,091 to be refunded to rate payers.

The Board approves the disposition of the shared tax savings of \$158,091 over a one-year period (i.e. May 1, 2012 to April 30, 2013) and the associated rate riders for all customer rate classes.

Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates ("UTRs") at the wholesale level and subsequently pass these charges on to their distribution

customers through the Retail Transmission Service Rates (“RTSRs”). Variance accounts are used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the “RTSR Guideline”). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors’ specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

2012 Uniform Transmission Rates

| | |
|--|---------------|
| Network Service Rate | \$3.57 per kW |
| <u>Connection Service Rates</u> | |
| Line Connection Service Rate | \$0.80 per kW |
| Transformation Connection Service Rate | \$1.86 per kW |

The Board finds that these 2012 UTRs are to be incorporated into the filing module.

Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Report Initiative* (the “EDDVAR Report”) provides that, during the IRM plan term, the distributor’s Group 1 account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed.

Chatham-Kent Hydro's 2010 actual year-end total balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of \$1,314,487. This amount results in a total credit claim of \$0.00197 per kWh, which exceeds the preset disposition threshold. Chatham-Kent Hydro proposed to dispose of this credit amount over a one-year period.

In response to Board staff interrogatory #2, Chatham-Kent Hydro indicated that the credit balance of \$578,110 in Account 1588 is composed solely of the global adjustment sub-account balance. Chatham-Kent Hydro also indicated that it had initiated an internal review to determine whether the 2009 and 2010 balances in Account 1588 were in accordance with Article 220 of the Board's Accounting Procedures Handbook (the "APH"). In order to allow Chatham-Kent Hydro sufficient time to complete the review, Chatham-Kent Hydro proposed to dispose of its 2009 and 2010 Account 1588 balance as part of its 2013 IRM application.

Board staff submitted that it considered the internal review initiated by Chatham-Kent Hydro to be important in order to ensure the correctness of the sub-accounts of Account 1588, since the sub-account balances are allocated to different customer groups based on cost causality. Board staff submitted that the Board should grant Chatham-Kent Hydro's request to withdraw the disposition of Account 1588 at this time and to defer the disposition as part of Chatham-Kent Hydro's 2013 IRM application.

Board staff also noted that the Group 1 principal amounts as of December 31, 2010, excluding Account 1588, reconcile with the amounts reported as part of the *Reporting and Record-keeping Requirements* ("RRR"). Board staff noted that the Group 1 account balance, excluding Account 1588, and including carrying charges to April 30, 2012 is a credit of \$725,062 and exceeds the preset disposition threshold. Board staff took no issue with Chatham-Kent Hydro's request to dispose of its Group 1 account balance, excluding Account 1588, at this time. Board staff further submitted that Chatham-Kent Hydro's proposal for a one-year disposition period is in accordance with the EDDVAR Report.

Chatham-Kent Hydro agreed with Board staff's submission.

The Board will permit Chatham-Kent Hydro to withdraw its request to dispose of the balance in Account 1588, subject to the completion of a review of this account pursuant

to Article 220 of the APH. The Board directs Chatham-Kent Hydro to defer the disposition of Account 1588 to its 2013 IRM application.

The Board approves, on a final basis, the disposition of a credit balance of \$725,062 as of December 31, 2010, including interest as of April 30, 2012 for Group 1 accounts, excluding Account 1588. These balances are to be disposed over a one-year period from May 1, 2012 to April 30, 2013.

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts.

| Account Name | Account Number | Principal Balance A | Interest Balance B | Total Claim C = A + B |
|--|-----------------------|----------------------------|---------------------------|------------------------------|
| LV Variance Account | 1550 | -\$265,520 | -\$7,995 | -\$273,515 |
| RSVA - Wholesale Market Service Charge | 1580 | -\$947,225 | -\$23,109 | -\$970,334 |
| RSVA - Retail Transmission Network Charge | 1584 | \$255,307 | \$6,176 | \$261,483 |
| RSVA - Retail Transmission Connection Charge | 1586 | \$250,110 | \$7,194 | \$257,304 |
| Total | | | | -\$725,062 |

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances are effective in rates, which generally is the start of the rate year (e.g. May 1), and this entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Account 1521: Special Purpose Charge

The Board authorized Account 1521, Special Purpose Charge Assessment ("SPC") Variance Account in accordance with Section 8 of *Ontario Regulation 66/10*

(Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the “SPC Regulation”). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor’s SPC assessment and (b) the amounts recovered from customers on account of the assessment were to be recorded in “Sub-account 2010 SPC Assessment Variance” of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board’s expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

Chatham-Kent Hydro requested the disposition of a residual debit balance of \$33,166 as at December 31, 2010, plus collections in 2011 and carrying costs until April 30, 2012 over a one-year period.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review, and electricity distributors are required by regulation to apply for disposition of this account.

In its reply submission, Chatham-Kent Hydro agreed with Board staff.

The Board approves, on a final basis, Chatham-Kent Hydro’s request for the disposition of the principal and interest balances in Account 1521 totaling \$33,166 over a one-year period. This balance is comprised of the balance as of December 31, 2010, plus amounts collected from customers in 2011 and interest to April 30, 2012. The Board directs Chatham-Kent Hydro to close Account 1521 as of May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1), and this entry should be

completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3rd Quarter) RRR data reported.

Review and Disposition of Lost Revenue Adjustment Mechanism (“LRAM”)

Chatham-Kent Hydro originally requested the recovery of an LRAM claim of \$234,951 over a one-year period. Chatham-Kent Hydro’s original claim used 2009 program results as a best estimate for 2010, 2011 and 2012 program results. Chatham-Kent Hydro’s LRAM claim includes the effect of 2009 and 2010 programs as well as persisting effects of 2009 programs in 2010 and persistence of 2009 to 2010 programs from January 1, 2011 to April 30, 2012. On October 14, 2011, Chatham-Kent Hydro updated its LRAM claim to \$187,448 based on the Ontario Power Authority’s (the “OPA”) 2010 final program results.

Board staff submitted that it supports the recovery of lost revenues for 2009 CDM programs in 2009 since Chatham-Kent Hydro was under IRM during that period. However, Board staff did not support the recovery of persisting lost revenues from 2009 CDM programs in 2010, the lost revenues from 2010 CDM programs, or the lost revenues from 2009 to 2010 CDM programs from January 1, 2011 to April 30, 2012 as these amounts should have been reflected in Chatham-Kent Hydro’s 2010 load forecast when it was last rebased. Board staff requested that Chatham-Kent Hydro, in its reply submission provide the lost revenues associated with 2009 CDM programs in 2009.

VECC submitted that the LRAM claim should be adjusted to cover the period January 1, 2009 to December 31, 2010 for 2009 and 2010 OPA programs. VECC noted that Chatham-Kent Hydro indicated in response to Board staff interrogatory #4a, that if the proposed 2011 and 2012 lost revenues were removed, the amount of the LRAM claim would be \$100,933. VECC submitted that the Board should approve an LRAM claim of \$100,933.

In its reply submission, Chatham-Kent Hydro provided the updated information requested by Board staff. Chatham-Kent Hydro noted that the lost revenues associated with 2009 CDM programs in 2009 for the period May 1, 2009 to April 30, 2010 is \$39,092. Chatham-Kent Hydro however submitted that since its 2010 cost of service was not effective until May 1, 2010, the appropriate period to be considered in response to Board staff’s request is from January 1, 2009 through April 30, 2010. Chatham-Kent Hydro noted that the amount associated with that period would be \$57,387. Chatham-

Kent Hydro also submitted that its 2010 cost of service load forecast did not include estimates for CDM programs for 2009 or 2010 program years. Chatham-Kent Hydro further submitted that the full LRAM claim of \$187,448 should be approved.

The Board will approve an LRAM claim of \$39,092 which is attributable to the effect of 2009 programs in 2009. The Board will not approve LRAM associated with legacy CDM programs implemented in 2010 and persistence from 2009 programs in 2010. Pursuant to the Board's CDM Guidelines, these amounts should have been reflected in Chatham-Kent Hydro's 2010 load forecast. The Board notes that Chatham-Kent Hydro's 2010 load forecast was part of a settlement agreement such that the Board did not hear the issue. The Board is of the view that absent specific evidence, it is not appropriate to vary from the Board's stated policy.

Rate Model

With this Decision, the Board is providing Chatham-Kent Hydro with a rate model (spreadsheet) and applicable supporting models and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate model to ensure that they were in accordance with the 2011 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

THE BOARD ORDERS THAT:

1. Chatham-Kent Hydro's new distribution rates shall be effective May 1, 2012.
2. Chatham-Kent Hydro shall review the draft Tariff of Rates and Charges set out in Appendix A. Chatham-Kent Hydro shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information within **7 days** of the date of issuance of this Decision and Order.
3. If the Board does not receive a submission from Chatham-Kent Hydro to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the draft Tariff of Rates and Charges set out in Appendix A of this Decision and Order will become final, except for the stand by rates which remain

interim, effective May 1, 2012, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2012. Chatham-Kent Hydro shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

4. If the Board receives a submission from Chatham-Kent Hydro to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the Board will consider the submission of Chatham-Kent Hydro and will issue a final Tariff of Rates and Charges.

Cost Awards

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit their cost claims no later than **7 days** from the date of issuance of the final Rate Order.
2. Chatham-Kent Hydro shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.
3. VECC shall file with the Board and forward to Chatham-Kent Hydro any responses to any objections for cost claims within **28 days** from the date of issuance of the final Rate Order.
4. Chatham-Kent Hydro shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0163**, be made through the Board's web portal at, www.errr.ontarioenergyboard.ca and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

DATED at Toronto, March 22, 2012

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

To Decision and Order

Draft Tariff of Rates and Charges

Board File No: EB-2011-0163

DATED: March 22, 2012

Entegrus Powerlines Inc.
(formerly Chatham-Kent Hydro Inc.)
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0163

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less and includes:

- 1) All services supplied to single-family dwelling units for domestic or household purposes,
- 2) All multi-unit residential establishments such as apartments of 6 or less units.
- 3) If a service supplies a combination of residential and commercial load and wiring does not permit separate metering, the classification of this customer will be determined individually by the distributor.

Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 18.30 |
| Distribution Volumetric Rate | \$/kWh | 0.0085 |
| Low Voltage Service Rate | \$/kWh | 0.0003 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kWh | (0.0004) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kWh | (0.0010) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0064 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0047 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Entegrus Powerlines Inc.
(formerly Chatham-Kent Hydro Inc.)
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0163

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered). Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|--------|----------|
| Service Charge | \$ | 33.59 |
| Distribution Volumetric Rate | \$/kWh | 0.0113 |
| Low Voltage Service Rate | \$/kWh | 0.0003 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2012) – effective until April 30, 2013 | \$/kWh | 0.0002 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kWh | (0.0003) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kWh | (0.0010) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0057 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Entegrus Powerlines Inc.
(formerly Chatham-Kent Hydro Inc.)
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2012

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2011-0163

GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 50 to 999 kW non-interval metered

General Service 50 to 999 kW interval metered

Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 118.44 |
| Distribution Volumetric Rate | \$/kW | 3.3577 |
| Low Voltage Service Rate | \$/kW | 0.1295 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2012) – effective until April 30, 2013 | \$/kW | 0.0104 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kW | (0.0437) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kW | (0.3991) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.3851 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.6789 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | \$/kW | 2.5293 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | \$/kW | 1.8380 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Entegrus Powerlines Inc.
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GENERAL SERVICE INTERMEDIATE 1,000 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW. This classification includes the former Time-of-Use Chatham classification customers, the former Large Use classification customers and the former General Service > 50 kW classification customers with loads between 1,000 and 4,999 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 96.16 |
| Distribution Volumetric Rate | \$/kW | 4.5600 |
| Low Voltage Service Rate | \$/kW | 0.1416 |
| Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery (2012) – effective until April 30, 2013 | \$/kW | 0.0114 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kW | (0.0566) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kW | (0.3798) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.5415 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.8388 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

Entegrus Powerlines Inc.
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INTERMEDIATE WITH SELF GENERATION SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|-------|----------|
| Service Charge | \$ | 1,335.67 |
| Distribution Volumetric Rate | \$/kW | 3.3699 |
| Low Voltage Service Rate | \$/kW | 0.1416 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kW | (0.0345) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kW | (0.3830) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 2.5415 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.8388 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|--------|----------|
| Service Charge (per connection) | \$ | 10.66 |
| Distribution Volumetric Rate | \$/kWh | 0.0008 |
| Low Voltage Service Rate | \$/kWh | 0.0003 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kWh | (0.0002) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kWh | (0.0010) |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0057 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

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STANDBY POWER SERVICE CLASSIFICATION

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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MONTHLY RATES AND CHARGES – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).

| | |
|-------|--------|
| \$/kW | 1.6906 |
|-------|--------|

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SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|-------|----------|
| Service Charge (per connection) | \$ | 8.40 |
| Distribution Volumetric Rate | \$/kW | 0.5963 |
| Low Voltage Service Rate | \$/kW | 0.0924 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kW | (0.2880) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kW | (0.3340) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.8118 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3236 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

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STREET LIGHTING SERVICE CLASSIFICATION

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, 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. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|--|-------|----------|
| Service Charge (per connection) | \$ | 1.67 |
| Distribution Volumetric Rate | \$/kW | 1.2398 |
| Low Voltage Service Rate | \$/kW | 0.0427 |
| Rate Rider for Tax Change – effective until April 30, 2013 | \$/kW | (0.1272) |
| Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2013 | \$/kW | (0.3254) |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.7987 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.2970 |

MONTHLY RATES AND CHARGES – Regulatory Component

| | | |
|---|--------|--------|
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0011 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

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microFIT GENERATOR SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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MONTHLY RATES AND CHARGES – Delivery Component

| | | |
|----------------|----|------|
| Service Charge | \$ | 5.25 |
|----------------|----|------|

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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) |

SPECIFIC SERVICE CHARGES**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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| | | |
|--|----|--------------------|
| Customer Administration | | |
| Arrears certificate | \$ | 15.00 |
| Statement of Account | \$ | 15.00 |
| Easement letter | \$ | 15.00 |
| Credit reference/credit check (plus credit agency costs) | \$ | 15.00 |
| Returned cheque charge (plus bank charges) | \$ | 15.00 |
| Account set up charge/change of occupancy charge | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | \$ | 30.00 |
| Non-Payment of Account | | |
| Late Payment – per month | % | 1.50 |
| Late Payment – per annum | % | 19.56 |
| Disconnect/Reconnect Charge – At Meter During Regular Hours | \$ | 65.00 |
| Temporary service install & remove – overhead – no transformer | \$ | 500.00 |
| Temporary service install & remove – overhead – with transformer | \$ | 1,000.00 |
| Specific charge for access to the power poles – per pole/year | \$ | 22.35 |
| Switching for company maintenance – Charge based on Time and Materials | \$ | Time and Materials |

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RETAIL SERVICE CHARGES (if applicable)

APPLICATION

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

| | | |
|--|----------|-----------|
| One-time charge, per retailer, to establish the service agreement between the distributor and the retailer | \$ | 100.00 |
| Monthly Fixed Charge, per retailer | \$ | 20.00 |
| Monthly Variable Charge, per customer, per retailer | \$/cust. | 0.50 |
| Distributor-consolidated billing monthly charge, per customer, per retailer | \$/cust. | 0.30 |
| Retailer-consolidated billing monthly credit, per customer, per retailer | \$/cust. | (0.30) |
| Service Transaction Requests (STR) | | |
| Request fee, per request, applied to the requesting party | \$ | 0.25 |
| Processing fee, per request, applied to the requesting party | \$ | 0.50 |
| Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party | | |
| Up to twice a year | \$ | no charge |
| More than twice a year, per request (plus incremental delivery costs) | \$ | 2.00 |

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

| | |
|---|--------|
| Total Loss Factor – Secondary Metered Customer < 5,000 kW | 1.0428 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | 1.0430 |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0324 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | 1.0141 |