

EXHIBIT 4 - OPERATING COSTS

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1 **OVERVIEW:**

2 **MANAGER'S SUMMARY OF OPERATING COSTS**

3 The operating costs presented in this Exhibit represent the annual expenditures required to
4 sustain PDI's distribution operations. PDI follows the OEB's Accounting Procedures Handbook
5 (the "APH") in distinguishing work performed between operations and maintenance.
6 Historically PDI has followed the Canadian Generally Accepted Accounting Principles
7 (CGAAP) in preparation of its financial statements. As stated through this application, PDI will
8 not be converting to International Financial Reporting Standards until 2014 and has prepared this
9 application under CGAAP.

10 PDI has not included any one-time or non-regulatory expenses in the 2012 Bridge year and 2013
11 test year. In PDI's audited financial statements, the years 2010 and 2011 did not include in
12 operations and administration expense the special purpose charge for a conservation assessment.
13 The special purpose charge in OEB account 5681 is offset in Special Purpose Charge Recovery
14 OEB Account 4324 with a net impact to PDI of zero. These special purpose charges are not
15 recoverable OM&A expenses. In 2009, 2010, 2011 the audited financial statements included
16 Property Taxes and Capital Taxes in 'Administrative and general expense'.

17 In order to provide a useful comparison to historical data these non-regulatory expenses have
18 been removed from OM&A as illustrated in Table 4-1.

19

1 **Table 4-1: OM&A Reconciliation to Audited Financial Statements**
 2
 3

| | 2009 | 2010 | 2011 |
|-------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
| OM&A as per Audited Financial Statements | \$6,819,276 | \$6,340,679 | \$6,990,106 |
| Add: 5681 - Special Purpose Charge Conservation Assessment (net with 4324) | | \$187,168 | \$130,178 |
| Less: Property Taxes | (\$121,846) | (\$121,929) | (\$101,960) |
| Less: Capital Taxes | (\$134,997) | (\$40,158) | \$4,890 |
| Total OM&A Expense | \$6,562,433 | \$6,365,760 | \$7,023,214 |

4 A summary of PDI's operating costs for 2009 Board Approved, 2009 Actual, 2010 Actual, 2011
 5 Actual, 2012 Bridge Year (CGAAP), and the 2013 Test Year (CGAAP) is provided in Table 4-2
 6 below. As noted in Exhibit 1, 2009 Board Approved, 2009 Actual, 2010 Actual, and 2011 Actual
 7 has been revised for movement between Operations, Maintenance, and Administration for
 8 comparability purposes. The total OM&A for these years has not changed.

Table 4-2 – Summary of Recoverable OM&A Expenses

| Description | Last Rebasing Year (2009 BA) | Last Rebasing Year (2009 Actuals) | 2010 Actuals | 2011 Actuals | 2012 Bridge Year | 2013 Test Year |
|---------------------------------------------------------|---------------------------------|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Operations | \$ 1,220,786 | \$ 1,484,675 | \$ 1,361,253 | \$ 1,464,706 | \$ 1,649,704 | \$ 1,939,510 |
| Maintenance | \$ 1,014,319 | \$ 1,091,936 | \$ 976,884 | \$ 1,487,519 | \$ 1,245,627 | \$ 1,440,823 |
| Billing and Collecting | \$ 2,026,703 | \$ 2,132,552 | \$ 1,859,141 | \$ 1,900,286 | \$ 2,287,891 | \$ 2,474,467 |
| Administrative and General | \$ 2,412,298 | \$ 1,853,270 | \$ 1,981,314 | \$ 2,040,523 | \$ 2,192,806 | \$ 2,433,629 |
| Administrative - Previously Capitalized | | | | | | \$ 950,363 |
| Total | \$ 6,674,106 | \$ 6,562,433 | \$ 6,178,592 | \$ 6,893,034 | \$ 7,376,028 | \$ 9,238,792 |
| %Change (year over year) | | | -5.8% | 11.6% | 7.0% | |
| CAGR from 2009 Approved | | | | | | 8.5% |
| CAGR from 2009 Approved excl Capitalized Administration | | | | | | 5.6% |
| CAGR from 2009 Actual | | | | | | 8.9% |
| GDP-IP1 | | 2.3% | 1.3% | 1.3% | | |

9 PDI is proposing recovery of 2013 Test Year recoverable OM&A costs, excluding amortization,
 10 PILs and interest totaling \$9,238,791.

11 A summary of the recoverable OM&A variances as required by the Filing Requirements is
 12 provided in Table 4-4. As noted earlier in this application, changes to the OM&A expenses from

1 2012 to 2013 are primarily related to the expensing of previously capitalized administration
 2 costs.

3 **Table 4-3 Summary of Recoverable OM&A Expenses 2009 Board Approved to 2013**

| | Last Rebasing Year (2009 BA) | Last Rebasing Year (2009 Actuals) | 2010 Actuals | 2011 Actuals | 2012 Bridge Year | 2013 Test Year |
|-------------------------------------------------------|---------------------------------|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Operations | \$ 1,220,786 | \$ 1,484,675 | \$ 1,361,253 | \$ 1,464,706 | \$ 1,649,704 | \$ 1,939,510 |
| Maintenance | \$ 1,014,319 | \$ 1,091,936 | \$ 976,884 | \$ 1,487,519 | \$ 1,245,627 | \$ 1,440,823 |
| SubTotal | \$ 2,235,105 | \$ 2,576,611 | \$ 2,338,137 | \$ 2,952,225 | \$ 2,895,331 | \$ 3,380,333 |
| %Change (year over year) | | | -9.3% | 26.3% | -1.9% | |
| %Change (Test Year vs Last Rebasing Year - Actual) | | | | | | 31.2% |
| Billing and Collecting | \$ 2,026,703 | \$ 2,132,552 | \$ 1,859,141 | \$ 1,900,286 | \$ 2,287,891 | \$ 2,474,467 |
| Community Relations | | | | | | |
| Administrative and General | \$ 2,412,298 | \$ 1,853,270 | \$ 1,981,314 | \$ 2,040,524 | \$ 2,192,806 | \$ 2,433,629 |
| Administrative - Previously Capitalized | | | | | | \$ 950,363 |
| SubTotal | \$ 4,439,001 | \$ 3,985,822 | \$ 3,840,455 | \$ 3,940,810 | \$ 4,480,697 | \$ 5,858,459 |
| %Change (year over year) | | | -3.6% | 2.6% | 13.7% | |
| %Change (Test Year vs Last Rebasing Year - Actual) | | | | | | 47.0% |
| %Change (Test Year vs Last Rebasing Year - Actual) | | | | | | 23.1% |
| Total | \$ 6,674,106 | \$ 6,562,433 | \$ 6,178,592 | \$ 6,893,035 | \$ 7,376,028 | \$ 9,238,792 |
| %Change (year over year) | | | -5.8% | 11.6% | 7.0% | |

4 Operations, Maintenance, and Administration expenses have increased by \$2.68 million since
 5 2009. This is made up of:

- 6 • PDI's portion of affiliate employee costs, including wage inflation, progression and
 7 benefits account for \$1.43 million
- 8 • An increase of \$950 thousand due to the change in capitalization of administration costs
 9 under MIFRS-like asset policies
- 10 • An increase of \$380 thousand to operations and maintenance that includes storm related
 11 activity, service breakdowns and locates related to development activity in the
 12 Peterborough area
- 13 • An overall reduction of \$80 thousand in PDI's portion of affiliate PUSI's costs

14
 15 Detailed variances by account will be explained in further detail in Exhibit 4, Tab 2, Schedule 3.

1 **Table 4-4 Summary OM&A Expense Variances 2009 Board Approved to 2013 Test Year**

2

| | Last Rebasing Year (2009 BA) | Last Rebasing Year (2009 Actuals) | Variance 2009 BA – 2009 Actuals | 2010 Actuals | Variance 2010 Actuals vs. 2009 Actuals | 2011 Actuals | Variance 2011 Actuals vs. 2010 Actuals | 2012 Bridge Year | Variance 2012 Bridge vs. 2011 Actuals | 2013 Test Year | Variance 2013 Test vs. 2012 Bridge |
|------------------------------------------------------------------------------------------|------------------------------|-----------------------------------|---------------------------------|---------------------|----------------------------------------|---------------------|----------------------------------------|--------------------|---------------------------------------|---------------------|------------------------------------|
| Operations | \$ 1,220,786 | \$ 1,484,675 | -\$ 263,889 | \$ 1,361,253 | -\$ 123,422 | \$ 1,464,706 | \$ 103,453 | \$1,649,704 | \$ 184,998 | \$ 1,939,510 | \$ 289,806 |
| Maintenance | \$ 1,014,319 | \$ 1,091,936 | -\$ 77,617 | \$ 976,884 | -\$ 115,052 | \$ 1,487,519 | \$ 510,635 | \$1,245,627 | -\$ 241,892 | \$ 1,440,823 | \$ 195,196 |
| Billing and Collecting | \$ 2,026,703 | \$ 2,132,552 | -\$ 105,849 | \$ 1,859,141 | -\$ 273,411 | \$ 1,900,286 | \$ 41,145 | \$2,287,891 | \$ 387,605 | \$ 2,474,467 | \$ 186,576 |
| Administrative and General | \$ 2,412,298 | \$ 1,853,270 | \$ 559,028 | \$ 1,981,314 | \$ 128,044 | \$ 2,040,524 | \$ 59,210 | \$2,192,806 | \$ 152,282 | \$ 2,433,629 | \$ 240,823 |
| Administrative - Previously Capitalized | | | | | | | | | | \$ 950,363 | \$ 950,363 |
| Total OM&A Expenses | \$ 6,674,106 | \$ 6,562,433 | \$ 111,673 | \$ 6,178,592 | -\$ 383,841 | \$ 6,893,035 | \$ 714,443 | \$7,376,028 | \$ 482,993 | \$ 9,238,792 | \$ 1,862,764 |
| Variance from previous year | | | | -\$ 383,841 | | \$ 714,443 | | \$ 482,993 | | \$ 1,862,764 | |
| Percent change (year over year) | | | | -6% | | 12% | | 7% | | 25% | |
| Percent Change: Test year vs. Most Current Actual | | | | | | | | | | 34% | |
| Percent Change: Test year vs. Most Current Actual - excluding Capitalized Administration | | | | | | | | | | 20% | |
| Simple average of % variance for all years | | | | | | | | | | | 9.5% |
| Compound Annual Growth Rate for all years | | | | | | | | | | | 8.9% |
| Compound Annual Growth Rate for all years - excluding Capitalized Administration | | | | | | | | | | | 6.0% |
| Compound Growth Rate (2011 Actuals vs. 2009 Actuals) | | | | | | 5.04% | | | | | |

3

4 Overall the Compound Annual Growth Rate from 2009 to 2013 is 8.9%. If previously capitalized
 5 administration costs are excluded, the Compound Annual Growth Rate from 2009 to 2013 is 6%.

6 The table below sets out the OM&A cost per customer and Full Time equivalent employees.

7 **Table 4-5 – OM&A Per Customer and FTE**

| | Last Rebasing Year (2009 Board-Approved) | Last Rebasing Year (2009 Actuals) | 2010 Actuals | 2011 Actuals | 2012 Bridge Year | 2013 Test Year |
|------------------------------------------|------------------------------------------|-----------------------------------|--------------|--------------|------------------|----------------|
| Reporting Basis | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Number of Customers | 34,890 | 34,508 | 34,764 | 35,095 | 35,395 | 35,697 |
| Total Recoverable OM&A from Appendix 2-I | \$ 6,674,106 | \$ 6,562,433 | \$ 6,178,592 | \$ 6,893,035 | \$ 7,376,028 | \$ 9,238,792 |
| OM&A cost per customer | \$ 191.29 | \$ 190.17 | \$ 177.73 | \$ 196.41 | \$ 208.39 | \$ 258.81 |
| Number of FTEEs | 64.6 | 64.6 | 64.4 | 63.29 | 66.1 | 70.6 |
| Customers/FTEEs | 540 | 534 | 540 | 555 | 535 | 506 |
| OM&A Cost per FTEE | 103,314 | 101,586 | 95,941 | 108,912 | 111,589 | 130,861 |

8

9 The number of customers includes the average number of residential, GS<50, GS>50, and Large
 10 User customers as found in PDI's Load Forecast. While the removal of capitalized
 11 administration costs will increase PDI's OM&A cost per customer in the test year, it should be
 12 noted that PDI continues to rank highly amongst it's cohorts in Mid-Size Southern Medium-High
 13 Undergrounding. The following table highlights the results from the 2011 Yearbook of
 14 Electricity Distributors.

1 **Table 4-6 – 2011 OM&A Per Customer Mid-Size Southern Medium-High Undergrounding**

| | Customers | 2011 OM&A Cost per Customer |
|-----------------------------------------|---------------|--------------------------------|
| Wasaga Distribution Inc. | 12,324 | \$ 180.22 |
| Essex Powerlines Corporation | 28,094 | \$ 197.44 |
| Peterborough Distribution Inc. | 35,270 | \$ 198.57 |
| Festival Hydro Inc. | 19,885 | \$ 199.51 |
| Westario Power Inc. | 22,257 | \$ 206.52 |
| Entegrus Powerlines Inc. (Chatham-Kent) | 32,132 | \$ 208.95 |
| E.L.K Energy Inc. | 11,276 | \$ 214.56 |
| Kingston Hydro Corporation | 26,844 | \$ 223.95 |
| St Thomas Energy Inc. | 16,436 | \$ 224.56 |
| Welland Hydro Electric System Corp. | 21,768 | \$ 242.45 |
| Woodstock Hydro Services Inc. | 15,181 | \$ 250.78 |
| COLLUS Power Corp. | 15,723 | \$ 259.27 |
| Niagara Peninsula Energy Inc. | 51,162 | \$ 274.98 |
| Bluewater Power Distribution Corp. | 35,772 | \$ 309.28 |
| Erie Thames Powerlines Corporation | 18,094 | \$ 315.45 |
| | | |
| Annual Average | | \$ 292.00 |

2
 3 As mentioned above, PDI's OM&A cost per customer will increase in the 2013 test year as a
 4 result of the administration costs no longer being capitalized. Of the 2013 Cost of Service filers
 5 in the Mid-Size Southern Medium-High Undergrounding cohort, PDI continues to rank highly as
 6 illustrated in the table below.

7 **Table 4-7 – 2013 OM&A Per Customer as Filed in 2013 Cost of Service Application**

| | Customers | 2013 Filed ² |
|---------------------------------------|---------------|-------------------------|
| Westario Power Inc. | 22,257 | \$ 226.94 |
| Peterborough Distribution Inc. | 35,697 | \$ 258.81 |
| Welland Hydro Electric System Corp. | 21,768 | \$ 287.34 |
| Bluewater Power Distribution Corp. | 35,772 | \$ 357.56 |
| | | |
| COLLUS Power Corp. | 15,723 | N/A |

8
 9 Detailed information with respect to OM&A costs, arranged by USofA account, is provided in
 10 Exhibit 4, Tab 2, Schedule 2. Detailed information with respect to OM&A variances, arranged
 11 by USofA account, is provided in Exhibit 4, Tab 2, Schedule 3.

1 The variance used to determine the OM&A accounts requiring analysis has been prescribed by
2 the Filing Requirements as 0.5% of distribution revenue for distributors with distribution revenue
3 exceeding \$10 million.

4 **Table 4-8 Materiality Threshold**

| Description | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year | 2013 Test Year |
|----------------------------------|---------------|---------------|---------------|------------------|----------------|
| Distribution Revenue Requirement | \$ 14,273,765 | \$ 15,211,996 | \$ 15,205,392 | \$ 15,520,794 | \$ 15,028,837 |
| Materiality - 0.5% | \$ 71,369 | \$ 76,060 | \$ 76,027 | \$ 77,604 | \$ 75,144 |

5 As indicated in the table above, the materiality is based on a revenue requirement of
6 \$15,082,837. To ensure a thorough analysis, all variances greater than \$70,000 have been
7 provided with details.

8

9 **OM&A Costs:**

10 OM&A costs in this Exhibit represent PDI's integrated set of asset maintenance and customer
11 activity needs to meet public and employee safety objectives; to comply with the Distribution
12 System Code, environmental requirements and government direction; and to maintain
13 distribution business service quality and reliability at targeted performance levels. OM&A costs
14 also include providing services to customers connected to PDI's distribution system, and meeting
15 the requirements of the OEB's Standard Supply Service Code and Retail Settlement Code.

16 The proposed OM&A cost expenditures for the 2013 Test Year are the result of a business
17 planning and work prioritization process that ensures that the most appropriate, cost effective
18 solutions are put in place.

19

1 **OM&A Budgeting Process:**

2 The operating budget is prepared annually by management and is reviewed and approved by the
3 Board of Directors. The budget is prepared before the start of each fiscal year, and provides a
4 plan against which actual results are evaluated. Once approved, the budget is only revised if a
5 material change in plan is required. In such cases, the revised budget also needs to be approved
6 by the Board of Directors.

7 **Operating Work Plans:**

8 Within affiliate PUSI, each Manager provides input for the preparation of their specific budgets.
9 The following directives are provided to each manager and director:

- 10 • Outside expenses for all department budgets are built using previous year actual, current
11 year forecast and current year budget as the base;
- 12 • Significant variances in spending from prior years must be explained and documented;
- 13 • Review the head count of the department for accuracy and outline any changes;
- 14 • Accounting prepares a total labour budget by department using projected wage and
15 benefit costs. Overtime and account distribution are based on previous years actual plus
16 any identified changes for the future year.

17 **Income Tax, Large Corporation Tax and Ontario Capital Taxes:**

18 PDI is subject to the payment of PILs under Section 93 of the *Electricity Act, 1998*, as amended.
19 The Applicant does not pay Section 89 proxy taxes, and is exempt from the payment of income
20 and capital taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations Tax Act*.
21 Please refer to Exhibit 4, Tab 3, Schedule 1 and Appendix J for further tax calculations and a
22 copy of the 2011 Federal tax return.

23 **One-Time Costs and Regulatory Costs**

24 PDI has not incurred any one-time costs in historical years or the operating budget, with the
25 exception of costs related to completing this Cost of Service application. The estimated costs for

1 completing this application have been divided over four years. Table 4-9 provides these details
 2 as well as other regulatory expenses.

3 Regulatory costs as indicated in the variance analysis are presented in Table 4-9. Regulatory
 4 costs for the 2013 rate application (amounting to \$200,000), include PDI's consulting costs, as
 5 well as anticipated Board and Intervenor expenses. These costs have been spread over a four year
 6 period beginning with the 2013 OM&A budget (25% of actual 2013) expenses relating to the
 7 2013 cost of service application are included in OM&A for 2013). The costs that have been
 8 included are indicated below:

9
 10 **Table 4-9 - Regulatory Costs**
 11

| Regulatory Cost Category | USoA Account | USoA Account Balance | Ongoing or One-time Cost? ² | Last Rebasing Year (2009 Board Approved) | Most Current Actuals Year 2011 | 2012 Bridge Year | Annual % Change (H) = [(G)-(F)]/(F) | 2013 Test Year Expenditures | 2013 Test Year Requested for Recovery | Annual % Change (J) = [(I)-(G)]/(G) |
|----------------------------------------------------------------------------------------------------|--------------|----------------------|----------------------------------------|------------------------------------------|--------------------------------|------------------|----------------------------------------|-----------------------------|---------------------------------------|----------------------------------------|
| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | |
| 1 OEB Annual Assessment | 5655 | | On-Going | \$ 100,000 | \$ 94,974 | \$ 100,000 | 5.29% | \$ 100,000 | \$ 100,000 | 0.00% |
| 2 OEB Section 30 Costs (Applicant-originated) | | | | | | | | | | |
| 3 OEB Section 30 Costs (OEB-initiated) | 5655 | | On-Going | \$ 18,000 | \$ 4,083 | \$ 5,000 | 22.46% | \$ 5,000 | \$ 5,000 | 0.00% |
| 4 Expert Witness costs for regulatory matters | | | | | | | | | | |
| 5 Legal costs for regulatory matters | | | | | | | | | | |
| 6 Consultants' costs for regulatory matters | 5630 | | One-Time | \$ 120,000 | | | | \$ 175,000 | \$ 43,750 | |
| 7 Operating expenses associated with staff resources allocated to regulatory matters | | | | | | | | | | |
| 8 Operating expenses associated with other resources allocated to regulatory matters ¹ | | | | | | | | | | |
| 9 Other regulatory agency fees or assessments | | | | | | | | | | |
| 10 Any other costs for regulatory matters (Consultant costs other regulatory, not Cost of Service) | 5655 | | On-Going | \$ 2,000 | \$ 3,233 | | -100.00% | \$ 10,000 | \$ 10,000 | |
| 11 Intervenor costs - Ongoing | 5655 | | On-Going | | \$ 12,853 | \$ 15,000 | 16.70% | | | |
| 11 Intervenor costs - One-Time | 5655 | | One-Time | | | | | \$ 25,000 | \$ 6,250 | |
| 12 Sub-total - Ongoing Costs ³ | | \$ - | | \$ 120,000 | \$ 115,143 | \$ 120,000 | 4.22% | \$ 115,000 | \$ 115,000 | -4.17% |
| 13 Sub-total - One-time Costs ⁴ | | \$ - | | \$ 120,000 | \$ - | \$ - | | \$ 200,000 | \$ 50,000 | |
| 14 Total | | \$ - | | \$ 240,000 | \$ 115,143 | \$ 120,000 | 4.22% | \$ 315,000 | \$ 165,000 | 162.50% |

12
 13
 14 **Low Income Assistance Program (LEAP)**

15 PDI has included \$20,000 of expense for the Low Income Assistance Program (LEAP) under
 16 OEB Account 6205 (Donations – LEAP Funding). This amount is based on 0.12% of the 2013
 17 Test year Revenue Requirement, rounded.

18
 19 **Charitable Contributions**

20
 21 PDI did not include Charitable Contributions in its 2009 rebasing application. PDI has not
 22 included any charitable donations in OM&A expenses for 2013.

1 **Green Energy Act**

2 Exhibit 2 of this application provides PDI's plan for capital spending under the Green Energy
3 Act. PDI has not included any operating expenses related to the Green Energy Act in this
4 application.

5 **Inflation in 2012 Bridge and 2013 Test Year**

6 The 2012 Bridge Year forecast is based on actual expenses as of September 30, 2012 plus
7 expected expenditures for the remaining 3 months. No inflation has been applied to the expected
8 expenditures except in cases where it is a known amount, such as increase to labour costs for
9 union staff according to the collective agreement. In the 2013 Test Year expenses have been
10 budgeted based on existing prices and increases if known. A basic inflation rate has not been
11 applied to all accounts.

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1 **OPERATIONS, MAINTENANCE & ADMINISTRATION COSTS:**

2 **DEPARTMENTAL AND CORPORATE OM&A ACTIVITIES**

3 **Operations and Maintenance**

4 The expenses for operations and maintenance include all costs relating to the operation
5 (5000-5096) and maintenance (5105-5195) of PDI's electrical system. This includes both
6 direct labour costs and non-capital material spending to support both scheduled and
7 reactive maintenance events. PDI's maintenance strategy is, to the extent possible, to
8 minimize reactive and emergency-type work through an effective planned maintenance
9 program, including predictive and preventative actions.

10 PDI's customer responsiveness and system reliability are monitored continually to ensure
11 that its maintenance strategy is effective. This effort is coordinated with PDI's capital
12 project work so that where maintenance programs have identified matters which require
13 capital investments, PDI may adjust its capital spending priorities to address those matters.

14 **Administrative and General Expenses**

15 Administrative and general expenses include expenses incurred in connection with the general
16 administration of the utility's operations. Within PDI, the following areas are considered to be
17 part of general administration and, as such, all expenses incurred within these areas are
18 accounted for as administrative and general expenses:

- 19 • Executive Management (5605);
- 20 • General Administrative Salaries and Expenses (5615);
- 21 • Outside Services Employed (5630);
- 22 • Property Insurance (5630);
- 23 • Regulatory Expenses (5655);
- 24 • General Advertising Expenses (5660);

- 1 • Miscellaneous General Expenses (5665);
- 2 • Rent (5670);
- 3 • Electrical Safety Authority Fees (5680)
- 4 • Special Purpose Charge (5681)
- 5 • Donations (Leap Funding) (6205)

1 **OM&A DETAILED COST TABLES**

2

3 **Table 4-10 Detailed Account by Account Operation Expenses**

| Account Description | Last Rebasement Year (2009 Actuals) | 2010 Actual | 2011 Actual ¹ | Bridge Year 2012 ² | Test Year 2013 - MIFRS Asset policies under |
|-----------------------------------------------------------------------------------|-------------------------------------|---------------------|--------------------------|-------------------------------|---------------------------------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Operations | | | | | |
| 5005 Operation Supervision and Engineering | \$ 44,039 | \$ 25,430 | \$ 85,050 | \$ 121,478 | \$ 121,247 |
| 5010 Load Dispatching | \$ 270,056 | \$ 366,423 | \$ 328,055 | \$ 275,876 | \$ 332,563 |
| 5012 Station Buildings and Fixtures Expense | \$ 124,527 | \$ 124,582 | \$ 97,716 | \$ 76,420 | \$ 73,504 |
| 5014 Transformer Station Equipment - Operation Labour | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5015 Transformer Station Equipment - Operation Supplies and Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5016 Distribution Station Equipment - Operation Labour | \$ 61,221 | \$ 101,742 | \$ 118,330 | \$ 122,933 | \$ 181,492 |
| 5017 Distribution Station Equipment - Operation Supplies and Expenses | \$ 110,009 | \$ 112,921 | \$ 124,859 | \$ 104,320 | \$ 141,100 |
| 5020 Overhead Distribution Lines and Feeders - Operation Labour | \$ 20,622 | \$ 17,056 | \$ 25,972 | \$ 68,926 | \$ 51,767 |
| 5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | \$ 10,659 | \$ 7,511 | \$ 19,854 | \$ 24,300 | \$ 23,800 |
| 5030 Overhead Sub-transmission Feeders - Operation | \$ 16,389 | \$ 20,576 | \$ 16,471 | \$ 28,548 | \$ 28,684 |
| 5035 Overhead Distribution Transformers - Operation | \$ 79,239 | \$ 1,852 | \$ 1,103 | \$ 11,241 | \$ 9,685 |
| 5040 Underground Distribution Lines and Feeders - Operation Labour | \$ 85,020 | \$ 129,882 | \$ 164,292 | \$ 157,669 | \$ 166,303 |
| 5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses | \$ 20,576 | \$ 19,997 | \$ 58,971 | \$ 42,500 | \$ 67,500 |
| 5050 Underground Sub-transmission Feeders - Operation | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5055 Underground Distribution Transformers - Operation | \$ 17,766 | \$ 730 | \$ 1,669 | \$ 40,426 | \$ 12,060 |
| 5060 Street Lighting and Signal System Expense | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5065 Meter Expense | \$ 148,257 | \$ 193,889 | \$ 200,185 | \$ 296,153 | \$ 335,758 |
| 5070 Customer Premises - Operation Labour | \$ 1,064 | \$ 620 | \$ - | \$ - | \$ - |
| 5075 Customer Premises - Operation Materials and Expenses | \$ 1,866 | \$ - | \$ - | \$ - | \$ - |
| 5085 Miscellaneous Distribution Expenses | \$ 473,363 | \$ 238,042 | \$ 222,179 | \$ 278,914 | \$ 394,047 |
| 5090 Underground Distribution Lines and Feeders - Rental Paid | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5095 Overhead Distribution Lines and Feeders - Rental Paid | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5096 Other Rent | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total - Operations | \$ 1,484,675 | \$ 1,361,253 | \$ 1,464,706 | \$ 1,649,704 | \$ 1,939,510 |

4 **Table 4-11 Detailed Account by Account Maintenance Expenses**

| Account Description | Last Rebasement Year (2009 Actuals) | 2010 Actual | 2011 Actual ¹ | Bridge Year 2012 ² | Test Year 2013 - MIFRS Asset policies under |
|--------------------------------------------------------------------|-------------------------------------|-------------------|--------------------------|-------------------------------|---------------------------------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Maintenance | | | | | |
| 5105 Maintenance Supervision and Engineering | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5110 Maintenance of Buildings and Fixtures - Distribution Stations | \$ 4,346 | \$ 12,485 | \$ 34,717 | \$ 40,843 | \$ 37,833 |
| 5112 Maintenance of Transformer Station Equipment | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5114 Maintenance of Distribution Station Equipment | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5120 Maintenance of Poles, Towers and Fixtures | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5125 Maintenance of Overhead Conductors and Devices | \$ 363,560 | \$ 323,021 | \$ 628,345 | \$ 444,531 | \$ 480,690 |
| 5130 Maintenance of Overhead Services | \$ 140,532 | \$ 227,515 | \$ 251,086 | \$ 180,377 | \$ 209,982 |
| 5135 Overhead Distribution Lines and Feeders - Right of Way | \$ 233,413 | \$ 74,990 | \$ 175,650 | \$ 253,255 | \$ 260,938 |
| 5145 Maintenance of Underground Conduit | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5150 Maintenance of Underground Conductors and Devices | \$ 100,921 | \$ 79,095 | \$ 54,381 | \$ 106,987 | \$ 123,877 |
| 5155 Maintenance of Underground Services | \$ 125,491 | \$ 130,531 | \$ 197,492 | \$ 149,572 | \$ 193,237 |
| 5160 Maintenance of Line Transformers | \$ 121,268 | \$ 129,247 | \$ 145,848 | \$ 68,104 | \$ 132,485 |
| 5165 Maintenance of Street Lighting and Signal Systems | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5170 Sentinel Lights - Labour | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5172 Sentinel Lights - Materials and Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5175 Maintenance of Meters | \$ 2,405 | \$ - | \$ - | \$ 1,958 | \$ 1,781 |
| 5178 Customer Installations Expenses - Leased Property | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5195 Maintenance of Other Installations on Customer Premises | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total - Maintenance | \$ 1,091,936 | \$ 976,884 | \$ 1,487,519 | \$ 1,245,627 | \$ 1,440,823 |

5

6

1 **Table 4-12 Detailed Account by Account Billing & Collecting Expenses**

| Account Description | Last Rebasement Year (2009 Actuals) | 2010 Actual | 2011 Actual ¹ | Bridge Year 2012 ² | Test Year 2013 - MIFRS Asset policies under |
|-----------------------------------------------|-------------------------------------|---------------------|--------------------------|-------------------------------|---------------------------------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Billing and Collecting | | | | | |
| 5305 Supervision | \$ 240,914 | \$ 251,449 | \$ 273,856 | \$ 271,543 | \$ 253,267 |
| 5310 Meter Reading Expense | | | | | |
| 5315 Customer Billing | \$ 879,119 | \$ 764,253 | \$ 789,587 | \$ 946,764 | \$ 1,080,326 |
| 5320 Collecting | \$ 779,596 | \$ 677,734 | \$ 681,754 | \$ 839,584 | \$ 880,874 |
| 5325 Collecting - Cash Over and Short | -\$ 37 | -\$ 55 | -\$ 8 | | |
| 5330 Collection Charges | | | | | |
| 5335 Bad Debt Expense | \$ 232,960 | \$ 165,760 | \$ 155,097 | \$ 230,000 | \$ 260,000 |
| 5340 Miscellaneous Customer Accounts Expenses | | | | | |
| Total - Billing and Collecting | \$ 2,132,552 | \$ 1,859,141 | \$ 1,900,286 | \$ 2,287,891 | \$ 2,474,467 |

2

3

4 **Table 4-13 Detailed Account by Account General & Administrative Expenses**

| Account Description | Last Rebasement Year (2009 Actuals) | 2010 Actual | 2011 Actual ¹ | Bridge Year 2012 ² | Test Year 2013 - MIFRS Asset policies under |
|-----------------------------------------------------------------|-------------------------------------|---------------------|--------------------------|-------------------------------|---------------------------------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Administrative and General Expenses | | | | | |
| 5605 Executive Salaries and Expenses | \$ 174,457 | \$ 221,186 | \$ 229,546 | \$ 233,219 | \$ 221,609 |
| 5610 Management Salaries and Expenses | | | \$ - | | \$ - |
| 5615 General Administrative Salaries and Expenses | \$ 471,249 | \$ 561,423 | \$ 572,290 | \$ 628,115 | \$ 1,800,642 |
| 5620 Office Supplies and Expenses | | | \$ - | | \$ - |
| 5625 Administrative Expense Transferred - Credit | | | | | |
| 5630 Outside Services Employed | \$ 163,250 | \$ 162,461 | \$ 178,731 | \$ 196,939 | \$ 190,689 |
| 5635 Property Insurance | \$ 82,362 | \$ 67,448 | \$ 91,294 | \$ 96,000 | \$ 110,000 |
| 5640 Injuries and Damages | | | \$ - | | \$ - |
| 5645 OMERS Pensions and Benefits | | | \$ - | | \$ - |
| 5646 Employee Pensions and OPEB | | | \$ - | | \$ - |
| 5647 Employee Sick Leave | | | \$ - | | \$ - |
| 5650 Franchise Requirements | | | \$ - | | \$ - |
| 5655 Regulatory Expenses | \$ 93,936 | \$ 93,227 | \$ 115,143 | \$ 120,000 | \$ 121,250 |
| 5660 General Advertising Expenses | \$ 107,382 | \$ 108,432 | \$ 72,655 | \$ 59,733 | \$ 62,000 |
| 5665 Miscellaneous General Expenses | \$ 78,657 | \$ 69,291 | \$ 78,868 | \$ 88,800 | \$ 103,802 |
| 5670 Rent | \$ 681,977 | \$ 683,293 | \$ 667,651 | \$ 735,000 | \$ 739,000 |
| 5672 Lease Payment Charge | | | \$ - | | \$ - |
| 5675 Maintenance of General Plant | | | \$ - | | \$ - |
| 5680 Electrical Safety Authority Fees | \$ - | \$ 14,553 | \$ 14,841 | \$ 15,000 | \$ 15,000 |
| 5681 Special Purpose Charge Expense | \$ - | \$ 187,168 | \$ 130,179 | \$ - | \$ - |
| 5685 Independent Electricity System Operator Fees and Penalties | | | \$ - | | \$ - |
| 5695 OM&A Contra Account | | | \$ - | | \$ - |
| 6205 Donations | | | \$ - | | \$ - |
| 6205 Donations, Sub-account LEAP Funding | \$ - | \$ - | \$ 19,505 | \$ 20,000 | \$ 20,000 |
| Total - Administrative and General Expenses | \$ 1,853,270 | \$ 2,168,482 | \$ 2,170,703 | \$ 2,192,806 | \$ 3,383,992 |

5

1 **VARIANCE ANALYSIS ON OM&A COSTS:**

2 PDI has provided a detailed OM&A expense analysis covering the periods from PDI's last cost
 3 of service application. An analysis of expense changes by cost driver is provided in the table
 4 below with explanations below.

5 **Table 4-14 Cost Driver Table**

| OM&A | Last Rebasing Year (2009 Actuals) | 2010 Actuals | 2011 Actuals | 2012 Bridge Year | 2013 Test Year |
|------------------------------------------------|--------------------------------------|--------------|--------------|------------------|----------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Opening Balance | \$ 6,674,106 | \$ 6,562,433 | \$ 6,178,592 | \$ 6,893,034 | \$ 7,376,028 |
| A) Payroll and Benefits | | | | | |
| Net Change in FTE's | | (\$100,000) | (\$72,000) | \$116,000 | \$440,400 |
| Progression and Cost of Living changes | \$150,000 | \$150,000 | \$199,000 | \$202,000 | \$237,000 |
| OMERS/Green Shield rates less than anticipated | (\$144,000) | | | | |
| OMERS rate increase | | | \$83,000 | \$56,000 | \$118,000 |
| B) Operating and Maintenance | | | | | |
| Meter maintenance | (\$43,000) | | | | |
| Breakdown costs | | \$84,000 | \$123,000 | | |
| Tree trimming | | (\$162,000) | \$101,000 | | |
| Storm damage | | (\$45,000) | \$271,000 | (\$40,000) | |
| PCB testing | | (\$91,000) | | | |
| Control center costs | | \$96,000 | | | |
| Substations | | \$50,000 | | | |
| Meter reading costs | | (\$109,000) | | | |
| Asset Management | | | \$42,000 | | |
| Downtown Vaults | | | \$58,000 | | |
| C) Billing and Collecting | | | | | |
| Bad debt expense | \$103,000 | (\$67,000) | (\$11,000) | \$75,000 | \$30,000 |
| D) Administration | | | | | |
| Software/Equipment Rentals | (\$41,011) | | | | |
| Outside Services | (\$59,500) | | | | |
| Systems support/maintenance | | | | | \$50,000 |
| Change to capitalization of overhead | | | | | \$950,363 |
| Allocation of Admin labour to capital projects | (\$63,000) | (\$68,280) | (\$44,000) | | |
| E) Other | | | | | |
| Changes in PDI's Share of PUSI costs | (\$24,573) | (\$118,000) | (\$76,000) | \$60,800 | \$53,000 |
| Other | \$10,411 | (\$3,561) | \$40,442 | \$13,194 | (\$15,999) |
| | | | | | |
| Closing Balance | \$ 6,562,433 | \$ 6,178,592 | \$ 6,893,034 | \$ 7,376,028 | \$ 9,238,792 |

6

7 **A) Payroll & Benefits**

8 As noted previously, PDI receives it's employee costs from affiliate PUSI. PDI's portion of Year
 9 over year changes in compensation and benefits are detailed under "Employee Compensation
 10 and Benefits" in Exhibit 4, Tab 2, Schedule 4. This includes details of employee wages,
 11 overtime and benefits by employee category.

12 **B) Operating and Maintenance**

1 Operating and Maintenance costs fluctuated most in 2010 and 2011. In 2010, there was less tree
2 trimming and fewer storms than usual and meter reading was lower than other years due to the
3 implementation of smart meters. In 2011, there was a significant amount of storm damage,
4 breakdowns, and tree trimming. Detailed account variances are outlined in the next section.
5

6 **C) Billing and Collecting**

7 Bad debt expense is expected to increase in the 2013 test year. This can be attributed to changes
8 to the Distribution System Code, Retail Settlement Code and the Standard Supply Code as it
9 relates to customer service rules and low income customer service rules. There are fewer
10 residential deposits held, as Codes state that a portion of deposit must be refunded equal to the
11 electric arrear when a Final Notice is created. The ability to re-collect these deposits has proven
12 difficult.

13 Additionally, the introduction of the Arrears Management Program which allows consumers to
14 pay their arrears over an extended period can provide higher risk consumers the ability to
15 increase their active arrears and ultimately their final bill. Since many high risk customers are
16 low income or on Social Assistance, pursuing third party collections is ineffective as these
17 customers are deemed by the courts as “No Means to Pay” and remain as a liability until they
18 resurface as a PDI customer. Consumers may receive assistance from a social agency to clear or
19 significantly reduce these arrears.

20 To this point, a change in the funding model from the Provincial Government to municipalities
21 that assists low income consumers with emergency funding for utilities and significant
22 reductions to the “Community Start Up and Maintenance Benefit” (CSUMB) will be
23 significantly reduced in 2013.

24 PDI is already seeing the effects of the above changes. The number of accounts sent to third
25 party collections has increased, and the amounts owing are steadily on the rise, especially for the
26 higher risk customers.

27 **D) Administration**

1 In 2013, PDI will no longer capitalize administration costs, resulting in a \$950 thousand increase
2 to 2013 Administration expenses. In addition, PDI continues to require more software
3 maintenance and support due to ongoing regulatory changes and requirements. As a result,
4 systems support costs are expected to increase by \$50 thousand in 2013.

5 **E) Other**

6 PDI benefits from its shared services arrangement with its affiliate PUSI. As new positions are
7 added, they are shared with other affiliates. Also, wage and benefit inflation impacts are also
8 shared with affiliates. From 2009 through 2011, PDI has been allocated fewer costs to OM&A
9 based on this sharing arrangement. In 2012 and 2013, PDI's allocation of corporate costs is
10 expected to increase slightly. PDI's share of Finance, Technology Services, and Corporate
11 Services has increased. Detailed variances of shared services and corporate cost allocation can be
12 found in Exhibit 4, Tab 2, Schedule 5.

13

14 **Variance Analysis by Account:**

15 Consistent with the Ontario Energy Board Chapter 2 of the Filing Requirements for
16 Transmission and Distribution Applications dated June 22 2012, PDI has provided variance
17 analyses for the 2013 Test Year vs. 2009 Actual (last rebase year) and between the 2013 Test
18 Year and 2011 Actual (Most Current Actual). PDI has reviewed the variance of each USoA
19 account and provided explanations for variances exceeding a materiality threshold of \$70,000.
20 The variances are indicated in the following tables and an explanation of each variance is
21 presented in the following section.

**Table 4-15 – Operations Expense Account Variances
 2013 Test Year vs 2009 Board Approved and 2013 Test Year vs 2011 Actual**

| Account | Description | Last Board-approved Rebasing Year (2009 Year) ³ | Most Current Actuals Year 2011 | Test Year 2013 | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
|---------------------------|------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------|---------------------|--------------------------------|---------------|---------------------------------------|---------------|
| | | | | | Variance (\$) | Percentage | Variance (\$) | Percentage |
| Reporting Basis | | CGAAP | CGAAP | CGAAP | | | | |
| Operations | | | | | | | | |
| 5005 | Operation Supervision and Engineering | \$ 79,985 | \$ 85,050 | \$ 121,247 | \$ 41,262 | 51.59% | \$ 36,197 | 42.56% |
| 5010 | Load Dispatching | \$ 224,105 | \$ 328,055 | \$ 332,563 | \$ 108,458 | 48.40% | \$ 4,508 | 1.37% |
| 5012 | Station Buildings and Fixtures Expense | \$ 86,595 | \$ 97,716 | \$ 73,504 | \$ -13,091 | -15.12% | \$ -24,212 | -24.78% |
| 5014 | Transformer Station Equipment - Operation Labour | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5015 | Transformer Station Equipment - Operation Supplies and Expenses | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5016 | Distribution Station Equipment - Operation Labour | \$ 72,748 | \$ 118,330 | \$ 181,492 | \$ 108,744 | 149.48% | \$ 63,162 | 53.38% |
| 5017 | Distribution Station Equipment - Operation Supplies and Expenses | \$ 69,200 | \$ 124,859 | \$ 141,100 | \$ 71,900 | 103.90% | \$ 16,241 | 13.01% |
| 5020 | Overhead Distribution Lines and Feeders - Operation Labour | \$ 109,405 | \$ 25,972 | \$ 51,767 | \$ -57,638 | -52.68% | \$ 25,795 | 99.32% |
| 5025 | Overhead Distribution Lines and Feeders - Operation Supplies and Expenses | \$ 14,400 | \$ 19,854 | \$ 23,800 | \$ 9,400 | 65.27% | \$ 3,946 | 19.88% |
| 5030 | Overhead Sub-transmission Feeders - Operation | \$ 33,070 | \$ 16,471 | \$ 28,684 | \$ -4,386 | -13.26% | \$ 12,213 | 74.15% |
| 5035 | Overhead Distribution Transformers - Operation | \$ 89,807 | \$ 1,103 | \$ 9,685 | \$ -80,122 | -89.22% | \$ 8,582 | 778.06% |
| 5040 | Underground Distribution Lines and Feeders - Operation Labour | \$ 80,032 | \$ 164,292 | \$ 166,303 | \$ 86,271 | 107.80% | \$ 2,011 | 1.22% |
| 5045 | Underground Distribution Lines and Feeders - Operation Supplies and Expenses | \$ 33,000 | \$ 58,971 | \$ 67,500 | \$ 34,500 | 104.54% | \$ 8,529 | 14.46% |
| 5050 | Underground Sub-transmission Feeders - Operation | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5055 | Underground Distribution Transformers - Operation | \$ 11,919 | \$ 1,669 | \$ 12,060 | \$ 141 | 1.18% | \$ 10,391 | 622.59% |
| 5060 | Street Lighting and Signal System Expense | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5065 | Meter Expense | \$ 296,955 | \$ 200,185 | \$ 335,758 | \$ 38,803 | 13.07% | \$ 135,573 | 67.72% |
| 5070 | Customer Premises - Operation Labour | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5075 | Customer Premises - Operation Materials and Expenses | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5085 | Miscellaneous Distribution Expenses | \$ 19,565 | \$ 222,179 | \$ 394,047 | \$ 374,482 | 1914.04% | \$ 171,868 | 77.36% |
| 5090 | Underground Distribution Lines and Feeders - Rental Paid | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5095 | Overhead Distribution Lines and Feeders - Rental Paid | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5096 | Other Rent | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| Total - Operations | | \$ 1,220,786 | \$ 1,464,706 | \$ 1,939,510 | \$ 718,724 | 58.87% | \$ 474,804 | 32.42% |

**Table 4-16 - Maintenance Expense Account Variances
 2013 Test Year vs 2009 Board Approved and 2013 Test Year vs 2011 Actual**

| Account | Description | Last Board-approved Rebasing Year (2009 Year) ³ | Most Current Actuals Year 2011 | Test Year 2013 | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
|----------------------------|---------------------------------------------------------------|------------------------------------------------------------|--------------------------------|---------------------|--------------------------------|----------------|---------------------------------------|---------------|
| | | | | | Variance (\$) | Percentage | Variance (\$) | Percentage |
| Reporting Basis | | CGAAP | CGAAP | CGAAP | | | | |
| Maintenance | | | | | | | | |
| 5105 | Maintenance Supervision and Engineering | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5110 | Maintenance of Buildings and Fixtures - Distribution Stations | \$ 40,087 | \$ 34,717 | \$ 37,833 | \$ -2,254 | -5.62% | \$ 3,116 | 8.98% |
| 5112 | Maintenance of Transformer Station Equipment | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5114 | Maintenance of Distribution Station Equipment | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5120 | Maintenance of Poles, Towers and Fixtures | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5125 | Maintenance of Overhead Conductors and Devices | \$ 336,304 | \$ 628,345 | \$ 480,690 | \$ -144,386 | -42.93% | \$ -147,655 | -23.50% |
| 5130 | Maintenance of Overhead Services | \$ 128,108 | \$ 251,086 | \$ 209,982 | \$ -81,874 | -63.91% | \$ 41,104 | -16.37% |
| 5135 | Overhead Distribution Lines and Feeders - Right of Way | \$ 198,736 | \$ 175,650 | \$ 260,938 | \$ 62,202 | 31.30% | \$ 85,288 | 48.56% |
| 5145 | Maintenance of Underground Conduit | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5150 | Maintenance of Underground Conductors and Devices | \$ 110,080 | \$ 54,381 | \$ 123,877 | \$ 13,797 | 12.53% | \$ 69,496 | 127.79% |
| 5155 | Maintenance of Underground Services | \$ 79,272 | \$ 197,492 | \$ 193,237 | \$ -113,965 | -143.76% | \$ 4,255 | -2.15% |
| 5160 | Maintenance of Line Transformers | \$ 119,955 | \$ 145,848 | \$ 132,485 | \$ -12,530 | -10.45% | \$ 13,363 | -9.16% |
| 5165 | Maintenance of Street Lighting and Signal Systems | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5170 | Sentinel Lights - Labour | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5172 | Sentinel Lights - Materials and Expenses | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5175 | Maintenance of Meters | \$ 1,777 | \$ - | \$ 1,781 | \$ 4 | 0.23% | \$ 1,781 | |
| 5178 | Customer Installations Expenses - Leased Property | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| 5195 | Maintenance of Other Installations on Customer Premises | \$ - | \$ - | \$ - | \$ - | | \$ - | |
| Total - Maintenance | | \$ 1,014,319 | \$ 1,487,519 | \$ 1,440,823 | \$ -426,504 | -42.05% | \$ -46,696 | -3.14% |

**Table 4-17 – Billing & Collecting Expense Account Variances
 2013 Test Year vs 2009 Board Approved and 2013 Test Year vs 2011 Actual**

| Account | Description | Last Board- approved Rebasing Year (2009 Year)3 | Most Current Actuals Year 2011 | Test Year 2013 | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
|-------------------------------|-----------------------------------------------|-------------------------------------------------------------|--------------------------------------|---------------------|-----------------------------------|---------------|------------------------------------------|---------------|
| | | | | | Variance (\$) | Percentage | Variance (\$) | Percentage |
| Reporting Basis | | CGAAP | CGAAP | CGAAP | | | | |
| Billing and Collecting | | | | | | | | |
| | 5305 Supervision | \$ 276,232 | \$ 273,856 | \$ 253,267 | -\$ 22,965 | -8.31% | -\$ 20,589 | -7.52% |
| | 5310 Meter Reading Expense | | \$ - | \$ - | \$ - | | \$ - | |
| | 5315 Customer Billing | \$ 858,850 | \$ 789,587 | \$ 1,080,326 | \$ 221,476 | 25.79% | \$ 290,739 | 36.82% |
| | 5320 Collecting | \$ 761,621 | \$ 681,754 | \$ 880,874 | \$ 119,253 | 15.66% | \$ 199,120 | 29.21% |
| | 5325 Collecting - Cash Over and Short | | -\$ 8 | \$ - | \$ - | | \$ 8 | -100.00% |
| | 5330 Collection Charges | | \$ - | \$ - | \$ - | | \$ - | |
| | 5335 Bad Debt Expense | \$ 130,000 | \$ 155,097 | \$ 260,000 | \$ 130,000 | 100.00% | \$ 104,903 | 67.64% |
| | 5340 Miscellaneous Customer Accounts Expenses | | \$ - | \$ - | \$ - | | \$ - | |
| | Total - Billing and Collecting | \$ 2,026,703 | \$ 1,900,286 | \$ 2,474,467 | \$ 447,764 | 22.09% | \$ 574,181 | 30.22% |

**Table 4-18– General & Administration Expense Account Variances
 2013 Test Year vs 2009 Board Approved and 2013 Test Year vs 2011 Actual**

| Account | Description | Last Board- approved Rebasing Year (2009 Year)3 | Most Current Actuals Year 2011 | Test Year 2013 | Test Year Versus Last Rebasing | | Test Year Versus Most Current Actuals | |
|--------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------|---------------------|-----------------------------------|---------------|------------------------------------------|---------------|
| | | | | | Variance (\$) | Percentage | Variance (\$) | Percentage |
| Reporting Basis | | CGAAP | CGAAP | CGAAP | | | | |
| Administrative and General Expenses | | | | | | | | |
| | 5605 Executive Salaries and Expenses | \$ 48,800 | \$ 229,546 | \$ 221,609 | \$ 172,809 | 354.12% | -\$ 7,937 | -3.46% |
| | 5610 Management Salaries and Expenses | | \$ - | \$ - | \$ - | | \$ - | |
| | 5615 General Administrative Salaries and Expenses | \$ 1,071,464 | \$ 572,290 | \$ 1,800,642 | \$ 729,178 | 68.05% | \$ 1,228,352 | 214.64% |
| | 5620 Office Supplies and Expenses | \$ 48,000 | \$ - | \$ - | -\$ 48,000 | -100.00% | \$ - | |
| | 5625 Administrative Expense Transferred - Credit | | \$ - | \$ - | \$ - | | \$ - | |
| | 5630 Outside Services Employed | \$ 222,521 | \$ 178,731 | \$ 190,689 | -\$ 31,832 | -14.31% | \$ 11,958 | 6.69% |
| | 5635 Property Insurance | \$ 87,000 | \$ 91,294 | \$ 110,000 | \$ 23,000 | 26.44% | \$ 18,706 | 20.49% |
| | 5640 Injuries and Damages | | \$ - | \$ - | \$ - | | \$ - | |
| | 5645 OMERS Pensions and Benefits | | \$ - | \$ - | \$ - | | \$ - | |
| | 5646 Employee Pensions and OPEB | | \$ - | \$ - | \$ - | | \$ - | |
| | 5647 Employee Sick Leave | | \$ - | \$ - | \$ - | | \$ - | |
| | 5650 Franchise Requirements | | \$ - | \$ - | \$ - | | \$ - | |
| | 5655 Regulatory Expenses | \$ 120,000 | \$ 115,143 | \$ 121,250 | \$ 1,250 | 1.04% | \$ 6,107 | 5.30% |
| | 5660 General Advertising Expenses | \$ 40,720 | \$ 72,655 | \$ 62,000 | \$ 21,280 | 52.26% | -\$ 10,655 | -14.67% |
| | 5665 Miscellaneous General Expenses | \$ 41,386 | \$ 78,868 | \$ 103,802 | \$ 62,416 | 150.81% | \$ 24,934 | 31.61% |
| | 5670 Rent | \$ 732,407 | \$ 667,651 | \$ 739,000 | \$ 6,593 | 0.90% | \$ 71,349 | 10.69% |
| | 5672 Lease Payment Charge | | \$ - | \$ - | \$ - | | \$ - | |
| | 5675 Maintenance of General Plant | | \$ - | \$ - | \$ - | | \$ - | |
| | 5680 Electrical Safety Authority Fees | | \$ 14,841 | \$ 15,000 | \$ 15,000 | | \$ 159 | 1.07% |
| | 5681 Special Purpose Charge Expense | | \$ 130,179 | \$ - | \$ - | | -\$ 130,179 | |
| | 5685 Independent Electricity System Operator Fees and Penalties | | \$ - | \$ - | \$ - | | \$ - | |
| | 5695 OM&A Contra Account | | \$ - | \$ - | \$ - | | \$ - | |
| | 6205 Donations | | \$ - | \$ - | \$ - | | \$ - | |
| | 6205 Donations, Sub-account LEAP Funding | | \$ 19,505 | \$ 20,000 | \$ 20,000 | | \$ 495 | 2.54% |
| | Total - Administrative and General Expenses | \$ 2,412,298 | \$ 2,170,703 | \$ 3,383,992 | \$ 971,694 | 40.28% | \$ 1,213,289 | 55.89% |

1 **2009 BOARD APPROVED VERSUS 2013 TEST YEAR:**

2

3 **5010 – Load Dispatching \$108,458**

4 Load dispatching captures cost associated with PDI's control centre. Since 2009, there has been
5 an increase in relief support required from the Engineering and Field Technical Operations
6 departments. Relief operators now receive more training and are expected to have a higher level
7 of expertise to operate in an environment with an increased level of safety and regulatory
8 requirements (e.g. more embedded generators, automation, etc.). The amount of support
9 budgeted for the 2013 test year is reflective of a level that provides adequate effort to operate the
10 distribution system in a safe and reliable manner. Increased frequency and intensity of storms
11 has also increased after hour costs in addition to more planned outages for customers outside of
12 normal business hours to accommodate the current business environment.

13 **5016 – Distribution Station Equipment- Operation Labour \$108,744**

14 In 2013, a Field Technical Operations FTE will be added that will spend roughly half of their
15 time on Distribution Substations. The FTE will be shared between this cost centre, the Meter
16 Expense (Account 5065), and Load Dispatching (5010) areas. Normal levels of substation
17 maintenance will resume after a slight reduction during the completion of the smart meter
18 program.

19

20 **5017 – Distribution Station Equipment- Operation Supplies and Expenses \$71,900**

21 In 2013, there is \$70,000 budgeted for wholesale meter maintenance. The area covers the cost of
22 communication lines required by the IESO and to perform ongoing maintenance by PDI's MSP
23 for the wholesale meter points. New wholesale meter points were installed in the mid-2000's as
24 a requirement of the electricity market in Ontario and the meter points now require regular
25 inspection and re-verification to maintain market approvals for the installations.

1

2 **5035 – Overhead Distribution Transformers** **(\$80,122)**

3 In 2009, there was PCB testing planned for \$75,000. No PCB testing has been planned for the
4 2013 test year.

5 **5040 – Underground Distribution Lines and Feeders-Operation Labour** **\$86,271**

6 In addition to wage inflation and OMERS increases, there has been an increase in Locate activity
7 and support provided by the Engineering group due to increased construction activity in PDI's
8 service territory and to maintain regulatory requirements to provide underground plant locates.
9 As a result, the 2013 test year has been built with an assumption that support required for Locate
10 activity will remain at current levels.

11 **5085 – Miscellaneous Distribution Expense** **\$374,482**

12 For the 2009 Cost of Service application, Engineering expenses were allocated to 5615 – General
13 Administrative Salaries and Expenses. Since 2009, Engineering expenses have been directly
14 recorded to the appropriate Operations and Maintenance accounts. This includes expenses for
15 Asset Management and Standards Approvals, which have been reported in 5085 – Miscellaneous
16 Distribution Expense. The 2013 Test Year has been built with an estimated \$100,000 for Asset
17 Management/GIS data collection expenses and another \$100,000 for Joint Use and Outside
18 Approvals. In addition, there is a new Engineering position in the 2013 test year. This position
19 will be dedicated to Asset Management planning, system planning and technical system analysis.
20 Increased connection activity and demand for regulatory approvals and reporting requirements
21 has outstripped the current Engineering resource in this area.

22

23 **5125 Maintenance of Overhead Conductors and Devices** **\$144,386**

24 In addition to wage inflation and OMERS increases, there has been a significant increase over
25 the last four years in storm-related costs. PDI has reviewed storm damage from the previous four

1 years and based on an average over this four year period, built in an additional \$100,000 related
2 to storm damage over the 2009 Cost of Service.

3 **5130 Maintenance of Overhead Services** **\$81,874**

4 In addition to wage inflation and OMERS increases, there has been an increase in Residential
5 Service Breakdowns over the 2009 Cost of Service of \$50,000. This is due to an aging
6 infrastructure and recent breakdown experience. Additionally, there has been increased activity
7 for upgrades due to insurance requirements for residential and small commercial customers.
8 Water main construction activity has initiated increased repairs to service neutral connections
9 due to the replacement of ductile iron water mains with PVC water mains.

10 **5155 Maintenance of Underground Services** **\$113,965**

11 In addition to wage inflation and OMERS increases, there has been an increase in Residential
12 and Commercial Service Breakdowns over the 2009 Cost of Service of \$82,000. This is due to
13 increasingly aging infrastructure and recent breakdown experience. Additionally, there has been
14 increased activity for upgrades due to insurance requirements for residential and small
15 commercial customers. Water main construction activity has initiated increased repairs to
16 service neutral connections due to the replacement of ductile iron water mains with PVC water
17 mains.

18 **5315 Customer Billing and 5320 Collecting** **\$340,279**

19 In addition to wage inflation and OMERS increases, Customer Service costs have increased over
20 the 2009 Cost of Service application for the following reasons:

- 21
- 22 • A new position was created in 2012 for a Billing Integration Specialist. Part of their
23 role will be to assist with the ongoing requirements for the complexities of billing
24 with smart meters and time of use. This position will be shared with affiliates with
a net impact to PDI of \$87,000.

- 1 • Technology costs allocated to Customer Service have increased by \$150,000 since
2 2009. This includes additional maintenance fees and software support of \$75,000
3 due to changing regulatory requirements. In addition, in 2013 a position will be
4 added in Technology for a Business Process Analyst that will be shared with
5 affiliates. As a part of their role, the Business Process Analyst will look at
6 improving efficiency in PDI's processes and systems. Continuing changes to the
7 Distribution System Code, low income customer rules, and bill presentment require
8 alterations to existing systems and business processes to adapt to the new
9 requirements. The net impact to PDI is \$75,000.

10

11 **5335 Bad Debt Expense** **\$130,000**

12 Bad debt expense is expected to increase in 2013 due to changes to the Distribution System
13 Code, Retail Settlement Code and the Standard Supply Code as it relates to customer service
14 rules and low income customer service rules. There are fewer residential deposits held,
15 especially for the higher risk customers, increasing PDI's exposure.

16 In addition to this, PDI has built in an additional \$30,000 in bad debt expense for the 2013 test
17 year as the City of Peterborough has just announced that it will no longer be offering social
18 assistance programs that provided initial deposits, debt repayment, and reconnection fees to low
19 income customers.

20 **5605 – Executive Salaries & Expenses** **\$172,809**

21 In the 2009 Budget, no employees were directly allocated to PDI. In April 2009, the Vice
22 President of the Electric Utility was moved into PDI.

23 **5615 – General Administrative Salaries & Expenses** **\$729,178**

24 Administration costs have increased \$729,178 since the 2009 Cost of Service application. This is
25 a result of the following:

- 1 • Amount of previously capitalized administration costs now captured in expenses under
2 MIFRS resulting in an impact to PDI of approximately \$950,000.

- 3 • Engineering was recorded as administration expense in the 2009 Cost of Service
4 application. Starting in 2009, Engineering costs were directly charged to the Operations
5 and Maintenance accounts they were attributable to. The impact to PDI is a reduction of
6 \$466,000.

- 7 • PDI's share of Finance costs has increased due to the ongoing regulatory support
8 required. In addition, a role has been added to the 2013 test year that will be specifically
9 dedicated to PDI in support of ongoing regulatory compliance including rate applications
10 and filings, regulatory reporting, compliance verification, research and analysis. The net
11 impact to PDI is \$130,000.

- 12 • Other items including wage inflation and OMERS increases.

13

14 **2011 ACTUAL VERSUS 2013 TEST YEAR:**

15

16 **5065 – Meter Expense** **\$135,573**

17 In 2009 PDI began installation of Smart Meters. The installation of new meters significantly
18 reduced the need for meter maintenance expenses. As a result, the 2011 expense in account 5065
19 was relatively low compared to both historical amounts and future expected expenses. In 2013,
20 with the anticipated inclusion of smart meters to rate base and the disposition of the smart meter
21 deferral accounts, Meter Operating Expense is expected to return to a more normal level. As
22 mentioned above, an FTE will be added that will share their time between this cost centre, Load
23 Dispatching (5010), and Distribution Substation Equipment (Account 5016) areas. Normal
24 levels of meter maintenance will resume after a reduction during the completion of the smart

1 meter program and includes the new work required to maintain the new AMI infrastructure,
2 specifically, communication paths and the collector network for smart meters.

3 **5085 – Miscellaneous Distribution Expense** **\$171,868**

4 In addition to wage inflation and OMERS increases, as mentioned above, there is a new
5 Engineering position built into the 2013 test year. Part of that resource will be used to assist in
6 managing increased activity and requirements in joint use approvals and ongoing equipment
7 approvals under O.Reg. 22/04. The impact to PDI is \$40,000 in this area.

8 **5125 – Maintenance of Overhead Conductors and Devices** **(\$147,655)**

9 In 2011, there was a significant spike in storm related damage and breakdown activity. As
10 mentioned above, PDI has built in an average over the past four years to its 2013 test year. This
11 equates to a reduction in expenses of \$156,000. This has been slightly offset by wage increases
12 and OMERS.

13

14 **5135 – Overhead Distribution Lines and Feeders-Right of Way** **\$85,288**

15 In 2010, tree trimming was down versus 2009 Cost of Service due to little or no storm activity
16 during the year. The 2013 test year has been built with an assumption that there will be an
17 increase in tree trimming expenses of \$80,000 due to increases from a new tree trimming
18 contract tendered for the 2011/2012 season and subsequent annual inflationary increases on the
19 contract. There has been a sharp increase in frequency and severity of storm activity that has
20 continued as a trend. PDI's tree trimming cycle is currently three years. This has proven to be
21 beneficial as our tree contacts only account for 5.8% of customer outages as noted in our Asset
22 Management Plan. However, the Peterborough area has experienced increased growth cycles
23 over the last few years and additional selective tree trimming has been necessary in off cycle
24 areas to maintain reliability and public safety.

25

1 **5315 Customer Billing and 5320 Collecting** **\$489,859**

2 In addition to wage inflation and OMERS increases, Customer Service costs have increased over
3 the 2009 Cost of Service application for the following reasons:

4 • A new position was created in 2012 for a Billing Integration Specialist. Part of their
5 role will be to assist with the ongoing requirements for the complexities of billing
6 with smart meters and time of use. This position will be shared with affiliates with
7 a net impact to PDI of \$87,000.

8 • Technology costs allocated to Customer Service have increased by \$291,000 since
9 2011. This includes additional maintenance fees and software support of \$75,000
10 due to changing regulatory requirements. In addition, in 2013 a position will be
11 added in Technology for a Business Process Review Analyst that will be shared
12 with affiliates. As a part of their role, the Business Process Analyst will look at
13 improving efficiency in PDI's processes and systems due to changes in the
14 Distribution System Code, low income customer rules, and bill presentment. The
15 net impact to PDI is \$75,000. Also, in 2011 PDI's share of Technology costs with
16 other affiliates was down to 18% from a traditional 22-24%. This was due to
17 increased Technology activities with PUSI's other affiliates. The net impact to PDI
18 is \$80,000.

19

20 **5335 Bad Debt Expense** **\$104,903**

21 As mentioned previously, bad debt expense has is expected to increase in 2013. This can be
22 attributed to changes to the Distribution System Code, Retail Settlement Code and the Standard
23 Supply Code as it relates to customer service rules and low income customer service rules. There
24 are fewer residential deposits held, especially for the higher risk customers, increasing PDI's
25 exposure.

1 In addition to this, PDI has built in an additional \$30,000 in bad debt expense for the 2013 test
2 year as the City of Peterborough has just announced that it will no longer be offering social
3 assistance programs that provided initial deposits, debt repayment, and reconnection fees to low
4 income customers.

5

6 **5615 – General Administrative Salaries & Expenses** **\$1,228,353**

7 Administration costs have increased \$1.2 million since 2011. This is a result of the following:

8 • Amount of previously capitalized administration costs now captured in 2013 expenses
9 under MIFRS resulting in an impact to PDI of approximately \$950,000.

10 • PDI's share of Finance costs has increased due to the ongoing regulatory support
11 required. In addition, a role has been added to the 2013 test year that will be specifically
12 dedicated to PDI in support of ongoing regulatory compliance including rate applications
13 and filings, regulatory reporting, compliance verification, research and analysis. The net
14 impact to PDI is \$130,000. Also, in 2011 PDI's share of Finance was lower than most
15 years at 38% due to increased sharing with other affiliates in 2011. The net impact to PDI
16 is \$40,000.

17 • Other items including wage inflation and OMERS increases.

18

19 **5670 – Rent** **\$71,349**

20 Software rental charges from affiliate PUSI were unusually low in 2011 due to the delay in
21 software related purchases and projects that year. Software rental charges are expected to return
22 to normal levels in 2012, resulting in an increase of approximately \$50,000.

23 **5681 – Special Purpose Charge – Expense Portion** **(\$130,179)**

- 1 The variance reflects elimination of the Special Purpose Charge in 2013 relative to 2011. The
- 2 Special Purpose Charge is not recoverable in Distribution Rates.

1 **EMPLOYEE COMPENSATION BREAKDOWN**

2 The following information has been provided from Peterborough Utilities Services Inc. (the
3 “Affiliate”) as there is only one employee in Peterborough Distribution Inc. (the “LDC”). An
4 estimate of the equivalent employees to PDI has been provided. The Affiliate charges employee
5 compensation on the basis of time spent on services specifically undertaken for the LDC through
6 a Services Agreement (provided in Appendix F).

7 **Compensation/Performance System**

8 **Union**

9 PUSI’s unionized staff is represented by the International Brotherhood of Electrical Workers.
10 The current collective agreement expires March 31, 2014 and PUSI will be entering formal
11 negotiations prior to that date. The current agreement, which was entered into in April 2010,
12 includes annual wage increases of 2.25% April 1, 2010, 2.4% April 1, 2011, 2.9% April 1, 2012,
13 and the greater of 2.6% or the Ontario CPI for February 2013 effective April 1, 2013. Unionized
14 workers participate in a profit sharing plan up to a maximum of \$1,000 each provided the
15 employee has worked a minimum of six months in the calendar year.

16 **Non-Union**

17 Non-union compensation plan consists of salaries and benefits. Each position within the
18 company has been placed on a pay scale which is reviewed annually by senior management.
19 Each employee’s position within their respective range is reviewed based on performance and an
20 inflationary adjustment. Changes to senior management compensation, if any, are approved by
21 the Board of Directors. PUSI offers an incentive plan to Executive, Management, and
22 Supervisory non-union staff. The final payout being made based on performance compared to
23 targets set at the beginning of the year for net income, safety, productivity improvements and
24 business optimization.

25 As a member of the EDA, PUSI participates in an annual compensation benchmarking study
26 with other member LDC’s. As this is a paid service for PUSI, the survey is confidential to
27 member LDC’s only.

1 **Benefits**

2 A comprehensive and competitive benefits package exists which includes medical insurance, life
3 insurance, vacation and a company-sponsored retirement plan. The plans are designed to address
4 the health and welfare needs of the employee population with similar plans for both union and
5 management employees.

6 All full time staff participates in the OMERS pension plan.

7 All full time staff participates in Post-Retirement Benefits up to the age of 65. The accrued
8 expense is based on an actuarial valuation. The latest Actuarial valuation for PDI has been
9 provided in Appendix I. The majority of employees providing services to PDI are employed by
10 PUSI.

11 **Employee Compensation and Benefits:**

12 The employee complement, compensation and benefit information is provided in Table 4-19
13 below. PUSI has aggregated the executive, management, and non-union together in the non-
14 union category.

1 **Table 4-19: Employee Compensation - APPENDIX 2-K**

| | Last Rebasings Year (2009 Board- Approved) | Last Rebasings Year (2009 Actuals) | 2010 Actuals | 2011 Actuals | 2012 Bridge Year | 2013 Test Year |
|-------------------------------------------------------------------|-----------------------------------------------------|------------------------------------------|-----------------|-----------------|---------------------|-----------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Number of Employees (FTEs including Part-Time)¹ | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | 19.5 | 19.0 | 19.9 | 18.0 | 18.6 | 20.5 |
| Union | 45.1 | 45.6 | 44.5 | 45.3 | 47.5 | 50.1 |
| Total | 64.6 | 64.6 | 64.4 | 63.3 | 66.1 | 70.6 |
| Number of Part-Time Employees (Headcount) | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | | | | | | |
| Union | 2.7 | 1.2 | 2.5 | 3.2 | 3.1 | 1.6 |
| Total | 2.7 | 1.2 | 2.5 | 3.2 | 3.1 | 1.6 |
| Total Salary and Wages | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 1,630,837 | \$ 1,685,957 | \$ 1,795,963 | \$ 1,643,818 | \$ 1,689,821 | \$ 1,896,149 |
| Union | \$ 2,909,600 | \$ 3,105,612 | \$ 3,046,591 | \$ 3,283,156 | \$ 3,380,918 | \$ 3,696,641 |
| Total | \$ 4,540,437 | \$ 4,791,569 | \$ 4,842,554 | \$ 4,926,974 | \$ 5,070,739 | \$ 5,592,790 |
| Current Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 391,401 | \$ 307,504 | \$ 334,282 | \$ 333,208 | \$ 345,038 | \$ 425,205 |
| Union | \$ 698,304 | \$ 638,198 | \$ 625,563 | \$ 702,474 | \$ 790,993 | \$ 918,584 |
| Total | \$ 1,089,705 | \$ 945,702 | \$ 959,845 | \$ 1,035,682 | \$ 1,136,031 | \$ 1,343,799 |
| Accrued Pension and Post-Retirement Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 39,255 | \$ 33,828 | \$ 41,138 | \$ 34,052 | \$ 36,129 | \$ 36,233 |
| Union | \$ 90,790 | \$ 81,187 | \$ 91,993 | \$ 87,561 | \$ 92,265 | \$ 88,549 |
| Total | \$ 130,046 | \$ 115,015 | \$ 133,131 | \$ 121,613 | \$ 128,394 | \$ 124,782 |
| Total Benefits (Current + Accrued) | | | | | | |
| Executive | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Management | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Non-Union | \$ 430,656 | \$ 341,332 | \$ 375,420 | \$ 367,260 | \$ 381,167 | \$ 461,438 |
| Union | \$ 789,094 | \$ 719,385 | \$ 717,556 | \$ 790,035 | \$ 883,258 | \$ 1,007,143 |
| Total | \$ 1,219,750 | \$ 1,060,717 | \$ 1,092,976 | \$ 1,157,295 | \$ 1,264,425 | \$ 1,468,580 |
| Total Compensation (Salary, Wages, & Benefits) | | | | | | |
| Executive | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Management | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Non-Union | \$ 2,061,493 | \$ 2,027,289 | \$ 2,171,384 | \$ 2,011,078 | \$ 2,070,988 | \$ 2,357,587 |
| Union | \$ 3,698,694 | \$ 3,824,997 | \$ 3,764,147 | \$ 4,073,191 | \$ 4,264,176 | \$ 4,703,784 |
| Total | \$ 5,760,188 | \$ 5,852,287 | \$ 5,935,530 | \$ 6,084,269 | \$ 6,335,164 | \$ 7,061,370 |
| Compensation - Average Yearly Base Wages | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 82,484 | \$ 86,408 | \$ 86,857 | \$ 87,566 | \$ 88,851 | \$ 89,809 |
| Union | \$ 57,312 | \$ 60,995 | \$ 61,308 | \$ 63,795 | \$ 64,524 | \$ 66,739 |
| Total | \$ 64,910 | \$ 68,469 | \$ 69,203 | \$ 70,541 | \$ 71,369 | \$ 73,438 |
| Compensation - Average Yearly Overtime | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | | | | | | |
| Union | \$ 5,826 | \$ 8,414 | \$ 7,112 | \$ 11,034 | \$ 5,392 | \$ 5,776 |
| Total | | | | | | |
| Compensation - Average Yearly Incentive Pay | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 1,149 | \$ 2,327 | \$ 3,392 | \$ 3,961 | \$ 2,000 | \$ 2,686 |
| Union | \$ - | \$ 265 | \$ 5 | \$ 485 | \$ - | \$ - |
| Total | | | | | | |
| Compensation - Average Yearly Benefits | | | | | | |
| Executive | | | | | | |
| Management | | | | | | |
| Non-Union | \$ 22,085 | \$ 17,965 | \$ 18,865 | \$ 20,449 | \$ 20,493 | \$ 22,509 |
| Union | \$ 17,497 | \$ 15,776 | \$ 16,125 | \$ 17,429 | \$ 18,595 | \$ 20,103 |
| Total | \$ 18,882 | \$ 16,420 | \$ 16,972 | \$ 18,286 | \$ 19,129 | \$ 20,801 |
| Total Compensation | | | | | | |
| Total Compensation | \$ 5,760,188 | \$ 5,852,287 | \$ 5,935,530 | \$ 6,084,269 | \$ 6,335,164 | \$ 7,061,370 |
| Total Compensation Capitalized (CGAAP) | \$ 2,886,918 | \$ 2,826,302 | \$ 2,757,625 | \$ 2,611,865 | \$ 2,884,469 | \$ 2,121,528 |
| Total Compensation Charged to OM&A (CGAAP) | \$ 2,873,269.73 | \$ 3,025,984.52 | \$ 3,177,905.30 | \$ 3,472,404.14 | \$ 3,450,695.43 | \$ 4,939,842.37 |
| Total Compensation Capitalized (MIFRS) | | | | | | |
| Total Compensation Charged to OM&A (MIFRS) | | | | | | |

2

3

1 **Change in Employee Compensation & Benefits**

2 **2009 Actual vs. 2009 Budget**

3 **Non-Union:**

4 Change in FTE: -0.5

5 Change in Wages: +\$55,120

6 Change in Current Benefits -\$83,897

7

8 In 2009, PDI's allocation of PUSI non-union labour decreased over the 2009 budget, resulting in
9 a decrease of -0.1 FTE. Also, there was a summer student budgeted for the Administration
10 group. This position was not filled, resulting in -0.2 FTE impact to PDI. Also, in Purchasing
11 there was budget for both a Stores Supervisor and Purchasing Manager, however the Purchasing
12 Manager retired and the Stores Supervisor took over this role, resulting in -0.2 FTE impact to
13 PDI.

14 While total FTE was reduced, there was a net increase in wages of \$55,120. Of the increase,
15 \$22,000 related to a higher incentive versus budget for non-union employees. Also, there was
16 progression by some individuals within job classifications and pay grades, resulting in an
17 increase in wages of \$41,120. These amounts are only slightly offset by a reduction in PDI's
18 portion of PUSI labour of \$8,000.

19 While part of the change in current benefits can be explained by the decrease of 0.5 FTE, the
20 main driver is a reduction in Green Shield and OMERS expenses versus budget. An 8% increase
21 in Green Shield had been budgeted for 2009, which did not materialize. Also, the 2008
22 contribution percentages for OMERS were used to calculate the 2009 budget, while the actual
23 rates came in lower, resulting in lower OMERS contributions.

24 **Union:**

25 Change in FTE: +0.5

26 Change in Wages: +\$196,012

27 Change in Current Benefits -\$60,106

28

1
2 In 2009, PDI's allocation of PUSI union labour increased over the 2009 budget, resulting in an
3 increase of 0.2 FTE. The remaining increase of 0.3 FTE can be explained by the increase in
4 available hours due to the increase in overtime vs the 2009 Budget.

5 As mentioned above, there was an increase in overtime in 2009 versus the budget. This was
6 primarily due to increased storm activity. The increase in overtime resulted in an increase in
7 wages of \$126,000. Also mentioned above is that PDI's allocation of PUSI union labour
8 increased over the 2009 budget. This resulted in an increase in wages of \$14,000. The remaining
9 \$56,000 increase in wages can be explained by \$12,000 in profit sharing and other variances
10 between budgeted and actual wages.

11 As mentioned in the previous section, the main driver for the reduction in current benefits is a
12 reduction in Green Shield and OMERS expenses versus budget. An 8% increase in Green Shield
13 had been budgeted for 2009, which did not materialize. Also, the 2008 contribution percentages
14 for OMERS were used to calculate the 2009 budget, while the actual rates came in lower,
15 resulting in lower OMERS contributions.

16 **2010 Actual vs. 2009 Actual**

17 **Non-Union:**

18 Change in FTE: +0.9

19 Change in Wages: +\$110,006

20

21 In 2010, PDI's portion of PUSI labour changed such that they received a lower allocation of
22 FTE's over 2009, primarily in Finance and Technology Services, however this was offset by a
23 higher allocation of Engineering Services. In 2010, there were 3 new positions that did not exist
24 in 2009 including:

- 25
- Electric Department student +0.3 FTE
- 26
- Contract Finance position +0.2 FTE
- 27
- IT Security Manager +0.1 FTE

1 In 2010, there was an overlap in the Administration department to transition a long-time
2 employee who was retiring. The net impact to PDI was an increase of 0.3 FTE.

3 The above increase in FTE's resulted in an increase of \$60,000 while the remaining \$50,006 can
4 be explained by general wage increases of approximately 2%.

5

6 **Union:**

7 Change in FTE: -1.1

8 Change in Wages: -\$59,021

9

10 In 2010, PDI's portion of PUSI labour changed such that they received a lower allocation of
11 Union FTE's over 2009, primarily in Finance, Technology Services, and Purchasing, however
12 this was slightly offset by a higher allocation of Engineering Services. The net impact to PDI of
13 the change in allocations was -0.8 FTE. A retirement in the Administration department resulted
14 in a net impact of -0.3 FTE.

15 The reduction in FTE's for 2010 resulted in reduced wages of approximately \$100,000. The
16 reduction in Overtime resulted in reduced wages of approximately \$60,000. This was offset by a
17 2.2% inflation increase as per the collective agreement, and progression by some individuals
18 within job classifications and pay grades, as per the collective agreement.

19

20 **2011 Actual vs. 2010 Actual**

21 **Non-Union:**

22 Change in FTE: -1.9

23 Change in Wages: -\$152,145

24

25 The net impact of changes in labour allocations from PUSI from 2010 to 2011 was 0 FTE. In
26 2011, 2 Electric Distribution Supervisors retired and an Electric Superintendent was hired. The
27 net impact was -1 FTE. The Manager of Engineering role was vacant for 6 months, the
28 Distribution Engineer position was vacant for 1 month, and Engineering students worked fewer

1 hours in 2011, resulting in a net impact of -0.8 FTE. The HR Specialist role was vacant for 4
2 months resulting in a net impact of -0.1 FTE to PDI.

3 The reduction in wages related to the reduction in FTE is -\$180,000, while the remaining
4 \$27,855 can be explained by general wage increases of approximately 1.5%.

5 **Union:**

6 Change in FTE: +0.8

7 Change in Wages: +\$236,566

8

9 In 2011, PDI's portion of PUSI labour changed such that they received a lower allocation of
10 Union FTE's over 2010, primarily in Customer Service and Technology Services however this
11 was slightly offset by a higher allocation of Regulatory Compliance, Finance, and Purchasing.
12 The net impact to PDI of the change in allocations was -0.1 FTE.

13 The increase in overtime in 2011 due to storm activity resulted in additional FTE of 0.9, and an
14 additional \$65,000 in wages.

15 The remaining increase in wages of \$171,566 can be explained by a 2.4% inflation increase as
16 per the collective agreement, and progression by some individuals within job classifications and
17 pay grades, as per the collective agreement.

18 **2012 Bridge vs. 2011 Actual**

19 **Non Union:**

20 Change in FTE: +0.6

21 Change in Wages: +\$46,003

22 In 2012, PDI's portion of PUSI labour was budgeted to change such that they received a lower
23 allocation of FTE's over 2011, primarily in Administration and Purchasing, however this was
24 offset by a higher allocation of Customer Service, Finance, and Corporate Services. The net
25 impact to PDI is an increase of 0.2 FTE. The Manager of Engineering role was vacant for part of
26 2011, however is planned at full-time for 2012. The net impact to PDI is +0.4 FTE.

1 The increase in wages related to the additional 0.6 FTE is approximately \$45,000. General
2 increases of approximately 2% have been offset by a reduction in the incentive planned for 2012.

3 **Union:**

4 Change in FTE: +2.2

5 Change in Wages: +\$97,762

6
7 In 2012, PDI's portion of PUSI labour was budgeted to change such that they received a higher
8 allocation of Customer Service, Finance, Regulatory Compliance, and Technology Services. The
9 net impact to PDI is an increase of 0.8 FTE.

10 The increase in wages related to the additional FTE amounts to approximately \$156,000. A new
11 position was added in Billing and Collecting for a Billing Integration Specialist that will focus on
12 the increased complexities in the billing system as a result of smart metering requirements and
13 integration with the Provincial MDM/R. In 2012, overtime is expected to return to normal levels
14 resulting in a net reduction in wages of \$260,000. The remaining increase in wages of \$201,762
15 can be explained by a 2.9% inflation increase as per the collective agreement, and progression by
16 some individuals within job classifications and pay grades, as per the collective agreement.

17

18 **2013 Test vs. 2012 Bridge**

19 **Non Union:**

20 Change in FTE: +1.9

21 Change in Wages: +\$206,328

22 In 2013, PDI's portion of PUSI labour is budgeted to change such that they receive a lower
23 allocation of FTE's over 2012 in Customer Service, however this will be offset by a higher
24 allocation of Finance, and Technology Services. The net impact to PDI is an increase of 0.4 FTE.
25 As discussed earlier in this Exhibit, 2 new positions will be allocated to PDI in 2013 with a net
26 impact of 1.5 FTE. One position is in Finance and will focus on Regulatory Compliance. The
27 other position is in Engineering with a role of Asset Management planning, system planning and
28 system technical analysis. The increase in wages of \$206,328 reflects the new positions, as well
29 as an inflationary increase of 3%.

1 **Union:**

2 Change in FTE: + 2.6

3 Change in Wages: + \$315,723

4

5 In 2013, PDI's portion of PUSI labour is budgeted to change such that they receive a lower
6 allocation of FTE's over 2012 in Customer Service, however this will be offset by a higher
7 allocation of Finance and Technology Services. The net impact to PDI is an increase of 1.4 FTE.
8 As discussed earlier in this Exhibit, new positions will be added in 2013. This includes a lineman
9 that will be partially allocated to capital activities in support of a resource limitation on storm
10 response, maintenance and unscheduled absences. Additional after hours work from emergency
11 and planned activities and new restrictions from CVOR hours of work are all requiring increased
12 rest periods, limiting the resources available to complete required planned work activities. A
13 Field Technician will be allocated to Load Dispatching, Substation Equipment and Meter
14 maintenance to address resuming normal levels of maintenance activity. Also, a Business
15 Process Analyst will be shared with other affiliates, focusing on improved processes and
16 technologies within PDI. The impact of these new positions will be offset by a reduction in FTE
17 of -0.3 due to the closure of the Mailing Services department.

18 The increase in wages related to the additional FTE amounts to approximately \$175,000. The
19 remaining increase in wages of \$140,723 can be explained by a 2.6% inflation increase as per the
20 collective agreement, and progression by some individuals within job classifications and pay
21 grades, as per the collective agreement.

22

23 **Change in Benefits**

24 Overall benefits costs have increased since 2009 due to higher pension-related (OMERS)
25 contributions. The table below shows the pension contribution rates since 2009, which have risen
26 by approximately one-third since 2009.

27 **Table 4-20: PUSI Pension Contribution Rates for Members with a Normal Retirement Age**
28 **of 65**

| Limit | 2009A | 2010A | 2011A | 2012B | 2013B |
|--------------------------|-------|-------|-------|-------|-------|
| Up to CPP Earnings Limit | 6.3% | 6.4% | 7.4% | 8.3% | 9.0% |
| Above CPP Earnings Limit | 9.5% | 9.7% | 10.7% | 12.8% | 14.6% |

1

2

3 This increase in OMERS pension costs has been included in the cost of current benefits in this
 4 application. The increases for 2012 and 2013 are compounded by general salary increases. The
 5 table below includes both employee and employer paid contributions to OMERS. An estimate of
 6 PDI's portion of affiliate PUSI's premiums is provided below:

7 **Table 4-21: PUSI Pension Premium Information**

| Pension Premium | 2009A | 2010A | 2011A | 2012B | 2013B |
|---------------------|------------|------------|------------|------------|------------|
| OMERS Premiums Paid | \$ 647,882 | \$ 684,241 | \$ 728,583 | \$ 746,825 | \$ 945,096 |

8

9

10 **Post-Retirement Benefits - Liability**

11 PUSI has provided post-retirement benefits accounting information as required and has included
 12 the change in Post-Retirement expense for 2009 Actual, 2010 Actual, 2011 Actual, 2012 Bridge
 13 Year and 2013 Test Year, in the table below.

14 **Post-Retirement Benefits - Premiums**

15 PUSI pays certain health, dental, and life insurance benefits on behalf of its retired employees.
 16 Actual premiums paid for 2009 Actual, 2010 Actual, 2011 Actual, 2012 Bridge Year, and 2013
 17 Test Year, are shown in the table below.

18 **Table 4-22: PDI's Share of PUSI Post-Retirement Benefit Information**

| Post Retirement Benefits | 2009B | PUSI | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 2009A | 2010A | 2011A | 2012B | 2013B |
| Premiums & Expenses Paid | \$ 245,450 | \$ 214,792 | \$ 229,389 | \$ 251,013 | \$ 254,536 | \$ 231,953 |
| Change in Accrued Liability | \$ 88,000 | \$ 72,746 | \$ 111,972 | \$ 69,021 | \$ 74,680 | \$ 88,000 |
| Total | \$ 333,450 | \$ 287,538 | \$ 341,361 | \$ 320,034 | \$ 329,216 | \$ 319,953 |

19

1
2 PDI has estimated their share of affiliate PUSI's Post-Retirement Benefits in Appendix 2-K. The
3 actuarial valuation for affiliate PUSI has not been provided as it is confidential to PUSI. The
4 actuarial valuation for PDI has been provided in Appendix I.

1 **CHARGES FROM AFFILIATES FOR SERVICES PROVIDED:**

2 **Introduction**

3 Peterborough Distribution Inc (PDI) receives services from an affiliate company,
4 Peterborough Utilities Services Inc (PUSI). PDI also purchases services from another
5 affiliate company, Peterborough Utilities Inc (PUI). A summary of charges from affiliates
6 for services provided for each year are shown in Table 4-23. A copy of the Affiliate
7 Services Agreement is provided as Appendix F. Section 3.1 of the Services Agreement
8 automatically renewed in 2012 for an additional five years. PDI's shared services and
9 corporate cost allocation methodology adheres to the following five principles:

- 10 i. The service is specifically required by the utility;
- 11 a. All direct costs specifically required by PDI are tracked via a unique job cost
12 number.
- 13 ii. The level of service provided is required by the utility;
- 14 a. The level of service provided is in compliance with the Service Agreement
15 between the two companies.
- 16 iii. The costs are allocated based on cost causality and cost drivers;
- 17 a. Costs are based upon a cost/causation relationship. All direct costs are
18 allocated via item 1, and indirect costs are allocated on a number of
19 department specific cost drivers. For example, with respect to Finance, the
20 drivers include:
- 21 • Number of accounts payable invoices
- 22 • Number of accounts receivable invoices
- 23 • Number of general ledger adjustments
- 24 iv. The cost to provide the service internally would be higher and the cost to acquire the
25 service externally on a stand-alone basis would be higher;
- 26 a. The cost to PDI for administrative support such as Human Resources,
27 Finance, and Purchasing would be higher if provided internally by PDI or
28 outsourced as they are being charged a percentage of a full department with
29 minimal cost recovery included by PUSI.
- 30 v. There are economies of scale.

1 a. PDI shares in the benefits of a highly diverse executive and management
2 group. This includes not having to pay 100% of the costs associated with the
3 Management. As PUSI adds resources, costs are allocated to the appropriate
4 companies and PDI has the ability to draw on these resources as required.

5 PDI conducted a third party review of the shared services and corporate cost allocation
6 methodology in September, 2012. This review confirmed the corporate cost allocation
7 methodology is in accordance with the allocation principles as established in OEB Article
8 340, and the Transfer Pricing procedures in the Accounting Procedures Handbook. The
9 results of their findings can be found in Appendix G.

10 **SHARED SERVICES AND CORPORATE COST ALLOCATION METHODOLOGY**

11 The following section describes the operating and support activities allocated to PDI from
12 affiliates.

13 **SERVICES PROVIDED BY PUSI to PDI**

14 A summary of PUSI departmental shared services to PDI for Actual 2009, 2010, and 2011,
15 together with the projections for the 2012 Bridge Year and 2013 Test Year, is shown in the
16 following Table.

1 **Table 4-23 – Summary of Shared Services and Corporate Cost Allocation**
 2

| ACTIVITY | 2009 BAP | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge Year | 2013 Test Year |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Electric Distribution Operations | \$1,959,758 | \$2,043,804 | \$2,141,338 | \$2,177,301 | \$2,087,315 | \$2,233,297 |
| Engineering Services | \$999,360 | \$887,422 | \$715,392 | \$797,583 | \$1,070,469 | \$1,246,516 |
| Field Technical Operations | \$605,051 | \$551,098 | \$588,294 | \$527,963 | \$643,950 | \$898,940 |
| Vehicles | \$401,350 | \$502,616 | \$497,567 | \$512,120 | \$522,110 | \$553,540 |
| Stores | \$201,923 | \$184,301 | \$141,989 | \$138,850 | \$136,108 | \$120,220 |
| Operating Activities | \$4,167,442 | \$4,169,241 | \$4,084,580 | \$4,153,817 | \$4,459,952 | \$5,052,513 |
| Customer Service | \$1,378,550 | \$1,387,816 | \$1,213,090 | \$1,274,143 | \$1,467,295 | \$1,456,261 |
| Administration | \$522,250 | \$519,762 | \$580,116 | \$538,872 | \$504,335 | \$561,394 |
| Corporate Services | \$303,051 | \$301,682 | \$280,039 | \$269,083 | \$321,168 | \$348,701 |
| Finance | \$180,294 | \$198,243 | \$127,861 | \$142,979 | \$164,040 | \$311,570 |
| Peterborough Technology Services | \$636,026 | \$639,718 | \$600,363 | \$600,329 | \$692,261 | \$894,940 |
| Human Resources | \$299,247 | \$249,640 | \$283,163 | \$303,800 | \$326,825 | \$318,633 |
| Purchasing | \$71,965 | \$74,613 | \$61,122 | \$110,324 | \$112,008 | \$123,610 |
| Facilities Management | \$513,122 | \$514,062 | \$503,276 | \$513,860 | \$524,000 | \$531,000 |
| Software & Equipment Rent | \$219,285 | \$167,915 | \$180,017 | \$153,791 | \$211,000 | \$208,000 |
| Support Activities | \$4,123,790 | \$4,053,452 | \$3,829,047 | \$3,907,181 | \$4,322,932 | \$4,754,109 |
| TOTAL | \$8,291,232 | \$8,222,693 | \$7,913,627 | \$8,060,998 | \$8,782,884 | \$9,806,622 |

3
 4 PUSI departments are identified as either operating departments or support departments.
 5 Operating departments include: Electric Operations, Engineering, Stores, Field Technical
 6 Operations, and Vehicles. Support departments include: Customer Service, Administration,
 7 Corporate Services, Finance, Peterborough Technology Services, Human Resources and Safety,
 8 Purchasing, Facilities Management, and Software/Equipment Rental. A detailed description of
 9 each service and their cost drivers is outlined below.

10 **Electric Operations**

11 The Electrical Department is responsible for the operation, construction and maintenance of
 12 PDI's electrical distribution systems in Peterborough, Lakefield and Norwood.

13 Costs are attributed directly from the payroll system as all labour is charged to a job cost number
 14 that is attributable to an activity within a specific associated company. The costs allocated
 15 include both capital and operating expenses.

16 **Engineering Services**

1 The Engineering Department provides professional and technical services that include the
2 core electrical and water distribution businesses and ranges in variety from Meters,
3 Infrastructure Data, Electrical Generation, Water Production. Services include engineering
4 design, site inspection, and contract administration on asset infrastructure improvement
5 programs, while also providing engineering oversight of internal corporate processes.

6 Costs are attributed directly from the payroll system as all labour is charged to a job cost number
7 that is attributable to an activity within a specific associated company. The costs allocated
8 include both capital and operating expenses.

9

10 **Field Technical Operations**

11 The Field Technical Services department is responsible for the maintenance of the wholesale and
12 retail meters, transformers and substations in Peterborough, Norwood and Lakefield.

13 Costs are attributed directly from the payroll system as all labour is charged to a job cost number
14 that is attributable to an activity within a specific associated company. The costs allocated
15 include both capital and operating expenses.

16

17 **Stores**

18 Stores services provide concepts and techniques for planning and controlling inventory at all
19 stages of the construction and distribution cycle, and they establish, implement and control an
20 inventory management plan.

21 Stores expense is recovered via the overhead system on all store issues.

22 **Vehicles**

23 PUSI owns a fleet of vehicles which are used by the associated companies. Capital and
24 operating costs for the fleet are charged to PUSI and are recovered using an hourly charge-out

1 rate. Charge-out rates are specific to each vehicle type eg. pickup truck, cube van, bucket trucks,
2 etc. Operating costs include fuel, insurance, licence, maintenance and amortization.

3 Vehicle usage is recorded through payroll entry and is charged to JC's by vehicle number. The
4 equipment charge is calculated as the number of hours of usage multiplied by the hourly rate for
5 the vehicle used.

6 PUSI charges the associated companies monthly for the actual vehicle usage hours for the
7 month. PUSI tracks the vehicles used by company for capital and operating activities. Year-end
8 adjustments are required to adjust vehicles to reflect a fully allocated cost.

9 **Customer Service**

10 The Customer Service department provides billing, collecting, and call centre services. Costs are
11 allocated to the electric and water utilities, and the retail services company based on:

- 12 • Directly attributable charges eg. electric meter reading charges
- 13 • Number of customers
- 14 • Number of billed line items

15
16

17 **Administration**

18 Provides general administrative services in support of the group of companies. Staff includes the
19 CEO, CFO, and executive assistants. Costs are allocated based on labour hours:

- 20 • Direct labour hours charged to operating activities
- 21 • Labour hours from support departments allocated to the associated companies using
22 the specific cost drivers for each support department

23

24 **Corporate Services**

25 Maintains the customer information system which bills for electricity, water, sewer, and rental
26 equipment services.

27 Costs are allocated based on:

- 1 • Directly attributable charges recorded to a JC eg. labour hours devoted to regulatory
2 filings
- 3 • Non-supervisory labour not directly attributable to a specific activity is allocated
4 using the same allocation as the Customer Service Department
- 5 • Remaining expenses including supervisory labour, vacations, statutory holidays,
6 supplies etc. are allocated based on the total allocation of the directly attributable
7 charges and non-supervisory labour
8

9 **Finance**

10 Provides financial services and controls to maintain the financial integrity of the Peterborough
11 Utilities Group of Companies.

12 Cost drivers include:

- 13 • Labour hours by activity eg. PDI rate applications
- 14 • Number of transactions recorded in the job cost system eg. number of accounts
15 payable invoices, general ledger entries
- 16 • Remaining labour and expenses allocated based on the allocation of the attributable
17 costs
18

19 **Peterborough Technology Services (PTS)**

20 PTS provides information technology services to the City of Peterborough and the Peterborough
21 Utilities Group of Companies.

22 PTS staff charge all of their operating hours to specific JC's that indicate whether the costs relate
23 to the City or PUG. Job cost numbers for charges to PUG describe the activity, department or
24 associated company receiving the support. Charges to PUG JC's are allocated to PUSI
25 departments based on the activity, then allocated from departments to companies based on the
26 allocations of the respective departments.

27 Network operating expenses are allocated to departments based on the number of users in each
28 department.

29 Cost Drivers include:

- 1 • Directly attributable charges recorded to a job cost
- 2 • Number of users in each department

3

4 **Human Resources and Safety**

5 Provides a full range of human resources planning and development services including
6 recruitment, labour relations, compensation, pension and benefits administration, training and
7 health and safety programs, and ensures that each service is conducted in accordance with
8 prevailing legislation, collective agreements, company policies and practices.

9 Cost drivers:

- 10 • Direct where possible eg. recruitment costs
- 11 • PUSI labour hours

12

13 **Purchasing**

14 Responsible for the purchase of goods and services for PUG in accordance with established
15 policies, practices, and the law of agency.

16 Cost drivers:

- 17 • Number of purchase order and inventory transactions recorded in the job cost subsystem

18 **Facilities Management**

19 Facilities Management provides a safe and healthy work environment in a cost effective
20 manner. This is accomplished by performing routine, preventive, and emergency facilities
21 maintenance.

22 Cost allocation is based upon square footage of office and garage or warehouse space.

23 The building rent charge is derived from the 1867 Ashburnham Drive Operations Centre.

24 Rental income is comprised of a fixed base rent per square foot of \$8.00 for office space

1 and \$6.00 for garage/warehouse space plus a rate per spare foot for operating and
2 maintenance cost recovery.

3 Building rent is charged monthly at the budgeted rate during the year and adjusted at year
4 end to recover actual operating expenses.

5 **Software and Equipment Rental**

6 PUSI owns and maintains the office equipment, telephone equipment, small tools,
7 computer hardware and software utilized by PUG. PUSI charges its affiliates the fully
8 allocated operating costs and amortization. Rent is charged to the associated companies
9 monthly at the budgeted amount and adjusted at year end to reflect actual costs incurred.
10 Cost allocations among the companies is reviewed at year end and revised as appropriate.

11 Cost allocations are based on:

- 12 • Computer software related to the customer billing system is allocated using the
13 same percentage allocations derived for the Customer Service Department
 - 14 • Remaining costs are allocated using the percentage allocations derived for the
15 Administration Department
- 16

17 **Summary of Shared Services and Corporate Cost Allocation Drivers**

18 The table below summarizes PUSI's services to PDI and their allocation drivers.

19 **Table 4-24 – Corporate Cost Allocation Methodology**

20

| DEPARTMENT | ALLOCATION DRIVERS |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Electric Operations; Engineering; Field Technical Operations | - Direct charge via job cost system |
| Finance | - Labour hours by activity - Number of transactions recorded in the job cost system - Remaining labour and expenses allocated based on the allocation of the attributable costs |
| Administration | - Direct labour hours - Labour hours from support departments allocated using specific cost drivers for each support department |
| Peterborough Technology Services | - Directly attributable charges recorded to a job cost - Network operating expenses are allocated to departments based on the number of users in each department |
| Customer Service | - Directly attributable charges - Number of customers - Number of billed line items |
| Corporate Services | - Directly attributable charges recorded to a job cost - Non-supervisory labour not directly attributable to a specific activity is allocated based on number of customers - Remaining expenses including supervisory is allocated based on the total allocation of the directly attributable charges and non-supervisory labour |
| Human Resources | - Directly attributable where possible eg. Recruitment costs - Human resource labour hours |
| Purchasing | - Number of purchase order and inventory transactions recorded in the job cost subsystem |
| Building Rent | - Fixed base rent per square foot |
| Building Maintenance | - Rate per square foot for operating and maintenance cost recovery |
| Software and Equipment Rental | - Computer software related to the customer billing system is allocated using the same percentage allocations derived for the Customer Service Department - Remaining costs are allocated using the percentage allocations derived for the Administrative Department |

1

2 **SERVICES PROVIDED BY PUI to PDI**

3 **Settlement, MDMA, and MSP Services**

4 PUI is one of the major players in the province for MDMA, MSP, and Settlement services. PDI
 5 receives the same market rate as other clients of PUI. There is no mark-up on the negotiated
 6 market rates.

7 Settlement Services include:

- 8 • Retrieval and storage of preliminary statements, final statements, and invoices from
 9 the Independent Electricity System Operator (IESO).
- 10 • Calculation of Net System Load (NSL)
- 11 • Input and storage of retail (GS>50 kW and interval) and wholesale meter data
 12 required to facilitate NSL calculations. This includes wholesale check meters,

1 interval meters, generation meters, streetlight profiles, and short term load transfer
2 meters. Automated reads of these meters are also offered as a separate service.

- 3 • Retrieval and storage of all wholesale check meter data from the IESO's MV-Web
4 system, and reconciliation of all wholesale meter data.
- 5 • Reconciliation of commodity charges between the preliminary statement and values
6 calculated from meter reads and electricity spot prices.
- 7 • Reconciliation of IESO invoices against the preliminary and final statements.

8

9 Meter Data Management Agency (MDMA) services include:

- 10 • Manage the collection and storage of data from remote interval or "smart" meters
11 (GS>50 kW) using industry standard software.
- 12 • Validate, Edit and Estimate (VEE) meter data, as required, according to strict IESO
13 parameters for the Wholesale Market as well as industry-standard Retail VEE rules.
- 14 • Prepare and send formatted files and reports to Billing/CIS departments as well as
15 Settlement Services Bureau.
- 16 • Resolve Metering and Meter Data issues (MTR's) through our anomalous status
17 reporting.
- 18 • Secure and store data off-site so it's always safe and always available should it be
19 required and provide for disaster recovery.
- 20 • Manage meters including programming, synchronizing time and administrating
21 passwords and device access.

22

23 Meter Service Provider (MSP) services include:

- 24 • PUI is a registered with the Independent Electricity System Operator (IESO) as
25 Meter Service Provider (MSP) #1002.

- 1 • As an MSP, PUI guarantees a level of service that conforms to the high standards of
 2 the wholesale market and provides PDI's regulated requirement for MSP services.

3
 4

Table 4-25 – 2009 Actual Charges To and From Affiliates

| Name of Company | | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | % of Corporate Costs Allocated |
|-----------------|-----|----------------------------|---------------------|-----------------------|----------------------|--------------------------------|
| From | To | | | \$ | \$ | % |
| PUSI | PDI | Electric Operations | Cost-Based | 2,043,804 | 2,043,804 | 89% |
| PUSI | PDI | Engineering Services | Cost-Based | 887,422 | 887,422 | 56% |
| PUSI | PDI | Field Technical Operations | Cost-Based | 551,098 | 551,098 | 98% |
| PUSI | PDI | Vehicles | Cost-Based | 502,616 | 502,616 | 59% |
| PUSI | PDI | Stores | Cost-Based | 184,301 | 184,301 | 79% |
| PUSI | PDI | Customer Service | Cost-Based | 1,387,816 | 1,387,816 | 73% |
| PUSI | PDI | Administration | Cost-Based | 519,762 | 519,762 | 41% |
| PUSI | PDI | Corporate Services | Cost-Based | 301,682 | 301,682 | 84% |
| PUSI | PDI | Finance | Cost-Based | 198,243 | 198,243 | 49% |
| PUSI | PDI | Technology Services | Cost-Based | 639,718 | 639,718 | 22% |
| PUSI | PDI | Human Resources | Cost-Based | 249,640 | 249,640 | 37% |
| PUSI | PDI | Purchasing | Cost-Based | 74,613 | 74,613 | 42% |
| PUSI | PDI | Facilities Management | Cost-Based | 514,062 | 514,062 | 49% |
| PUSI | PDI | Software & Equipment Rent | Cost-Based | 167,915 | 167,915 | 43% |
| PUI | PDI | Settlement Services | Market | 41,734 | 41,734 | 38% |
| PUI | PDI | MDMA Services | Market | 51,868 | 51,868 | 17% |
| PUI | PDI | MSP Services | Market | 11,380 | 11,380 | 1% |

5 **Table 4-26 – 2010 Actual Charges To and From Affiliates**

| Name of Company | | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | % of Corporate Costs Allocated |
|-----------------|-----|----------------------------|---------------------|-----------------------|----------------------|--------------------------------|
| From | To | | | \$ | \$ | % |
| PUSI | PDI | Electric Operations | Cost-Based | 2,141,338 | 2,141,338 | 91% |
| PUSI | PDI | Engineering Services | Cost-Based | 715,392 | 715,392 | 50% |
| PUSI | PDI | Field Technical Operations | Cost-Based | 588,294 | 588,294 | 100% |
| PUSI | PDI | Vehicles | Cost-Based | 497,567 | 497,567 | 54% |
| PUSI | PDI | Stores | Cost-Based | 141,989 | 141,989 | 77% |
| PUSI | PDI | Customer Service | Cost-Based | 1,213,090 | 1,213,090 | 72% |
| PUSI | PDI | Administration | Cost-Based | 580,116 | 580,116 | 40% |
| PUSI | PDI | Corporate Services | Cost-Based | 280,039 | 280,039 | 80% |
| PUSI | PDI | Finance | Cost-Based | 127,861 | 127,861 | 35% |
| PUSI | PDI | Technology Services | Cost-Based | 600,363 | 600,363 | 19% |
| PUSI | PDI | Human Resources | Cost-Based | 283,163 | 283,163 | 38% |
| PUSI | PDI | Purchasing | Cost-Based | 61,122 | 61,122 | 27% |
| PUSI | PDI | Facilities Management | Cost-Based | 503,276 | 503,276 | 49% |
| PUSI | PDI | Software & Equipment Rent | Cost-Based | 180,017 | 180,017 | 44% |
| PUI | PDI | Settlement Services | Market | 41,734 | 41,734 | 38% |
| PUI | PDI | MDMA Services | Market | 51,868 | 51,868 | 18% |
| PUI | PDI | MSP Services | Market | 11,380 | 11,380 | 1% |

1 **Table 4-27 – 2011 Actual Charges To and From Affiliates**

| Name of Company | | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | % of Corporate Costs Allocated |
|-----------------|-----|----------------------------|---------------------|-----------------------|----------------------|--------------------------------|
| From | To | | | \$ | \$ | |
| PUSI | PDI | Electric Operations | Cost-Based | 2,177,301 | 2,177,301 | 87% |
| PUSI | PDI | Engineering Services | Cost-Based | 797,583 | 797,583 | 52% |
| PUSI | PDI | Field Technical Operations | Cost-Based | 527,963 | 527,963 | 99% |
| PUSI | PDI | Vehicles | Cost-Based | 512,120 | 512,120 | 50% |
| PUSI | PDI | Stores | Cost-Based | 138,850 | 138,850 | 73% |
| PUSI | PDI | Customer Service | Cost-Based | 1,274,143 | 1,274,143 | 70% |
| PUSI | PDI | Administration | Cost-Based | 538,872 | 538,872 | 40% |
| PUSI | PDI | Corporate Services | Cost-Based | 269,083 | 269,083 | 82% |
| PUSI | PDI | Finance | Cost-Based | 142,979 | 142,979 | 38% |
| PUSI | PDI | Technology Services | Cost-Based | 600,329 | 600,329 | 18% |
| PUSI | PDI | Human Resources | Cost-Based | 303,800 | 303,800 | 39% |
| PUSI | PDI | Purchasing | Cost-Based | 110,324 | 110,324 | 40% |
| PUSI | PDI | Facilities Management | Cost-Based | 513,860 | 513,860 | 49% |
| PUSI | PDI | Software & Equipment Rent | Cost-Based | 153,791 | 153,791 | 42% |
| | | | | | | |
| PUI | PDI | Settlement Services | Market | 41,734 | 41,734 | 37% |
| PUI | PDI | MDMA Services | Market | 51,868 | 51,868 | 19% |
| PUI | PDI | MSP Services | Market | 11,380 | 11,380 | 2% |
| | | | | | | |

2

3 **Table 4-28 – 2012 Bridge Year Budgeted Charges To and From Affiliates**

| Name of Company | | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | % of Corporate Costs Allocated |
|-----------------|-----|----------------------------|---------------------|-----------------------|----------------------|--------------------------------|
| From | To | | | \$ | \$ | |
| PUSI | PDI | Electric Operations | Cost-Based | 2,087,315 | 2,087,315 | 86% |
| PUSI | PDI | Engineering Services | Cost-Based | 1,070,469 | 1,070,469 | 59% |
| PUSI | PDI | Field Technical Operations | Cost-Based | 643,950 | 643,950 | 100% |
| PUSI | PDI | Vehicles | Cost-Based | 522,110 | 522,110 | 45% |
| PUSI | PDI | Stores | Cost-Based | 136,108 | 136,108 | 76% |
| PUSI | PDI | Customer Service | Cost-Based | 1,467,295 | 1,467,295 | 73% |
| PUSI | PDI | Administration | Cost-Based | 504,335 | 504,335 | 38% |
| PUSI | PDI | Corporate Services | Cost-Based | 321,168 | 321,168 | 87% |
| PUSI | PDI | Finance | Cost-Based | 164,040 | 164,040 | 40% |
| PUSI | PDI | Technology Services | Cost-Based | 692,261 | 692,261 | 20% |
| PUSI | PDI | Human Resources | Cost-Based | 326,825 | 326,825 | 39% |
| PUSI | PDI | Purchasing | Cost-Based | 112,008 | 112,008 | 39% |
| PUSI | PDI | Facilities Management | Cost-Based | 524,000 | 524,000 | 49% |
| PUSI | PDI | Software & Equipment Rent | Cost-Based | 211,000 | 211,000 | 43% |
| | | | | | | |
| PUI | PDI | Settlement Services | Market | 41,734 | 41,734 | 38% |
| PUI | PDI | MDMA Services | Market | 51,868 | 51,868 | 17% |
| PUI | PDI | MSP Services | Market | 11,380 | 11,380 | 2% |
| | | | | | | |

1 **Table 4-29 – 2013 Test Year Budgeted Charges To and From Affiliates**

| Name of Company | | Service Offered | Pricing Methodology | Price for the Service | Cost for the Service | % of Corporate Costs Allocated |
|-----------------|-----|----------------------------|---------------------|-----------------------|----------------------|--------------------------------|
| From | To | | | \$ | \$ | % |
| PUSI | PDI | Electric Operations | Cost-Based | 2,233,297 | 2,233,297 | 88% |
| PUSI | PDI | Engineering Services | Cost-Based | 1,246,516 | 1,246,516 | 59% |
| PUSI | PDI | Field Technical Operations | Cost-Based | 898,940 | 898,940 | 100% |
| PUSI | PDI | Vehicles | Cost-Based | 553,540 | 553,540 | 47% |
| PUSI | PDI | Stores | Cost-Based | 120,220 | 120,220 | 76% |
| PUSI | PDI | Customer Service | Cost-Based | 1,456,261 | 1,456,261 | 69% |
| PUSI | PDI | Administration | Cost-Based | 561,394 | 561,394 | 40% |
| PUSI | PDI | Corporate Services | Cost-Based | 348,701 | 348,701 | 88% |
| PUSI | PDI | Finance | Cost-Based | 311,570 | 311,570 | 56% |
| PUSI | PDI | Technology Services | Cost-Based | 894,940 | 894,940 | 26% |
| PUSI | PDI | Human Resources | Cost-Based | 318,633 | 318,633 | 35% |
| PUSI | PDI | Purchasing | Cost-Based | 123,610 | 123,610 | 40% |
| PUSI | PDI | Facilities Management | Cost-Based | 531,000 | 531,000 | 51% |
| PUSI | PDI | Software & Equipment Rent | Cost-Based | 208,000 | 208,000 | 42% |
| PUI | PDI | Settlement Services | Market | 41,734 | 41,734 | 38% |
| PUI | PDI | MDMA Services | Market | 51,868 | 51,868 | 17% |
| PUI | PDI | MSP Services | Market | 11,380 | 11,380 | 2% |

2

1 **SHARED SERVICES AND CORPORATE COST ALLOCATION VARIANCES**

2 Consistent with the Ontario Energy Board Chapter 2 of the Filing Requirements for
 3 Transmission and Distribution Applications dated June 28 2012, PDI has provided variance
 4 analyses for the 2013 Test Year vs 2009 (last board-approved rebasing application year) and
 5 between the 2013 Test Year and 2011 Actual (most current actual). PDI has reviewed the
 6 variance of each shared service activity and provided explanations for variances exceeding a
 7 materiality threshold of \$70,000. The variances are indicated in the tables in the following
 8 section along with an explanation of each material variance.

9 **Table 4-30 - 2009 BOARD APPROVED VERSUS 2013 TEST YEAR:**

10

| ACTIVITY | 2013 Test | 2009 BAP | Variance | v% | 2013 PDI % | 2009 PDI % | Variance |
|----------------------------------|--------------------|--------------------|--------------------|------------|---------------|---------------|--------------|
| Electric Distribution Operations | \$2,233,297 | \$1,959,758 | \$273,539 | 14% | 88.4% | 85.0% | 3.4% |
| Engineering Services | \$1,246,516 | \$999,360 | \$247,156 | 25% | 58.9% | 52.6% | 6.3% |
| Field Technical Operations | \$898,940 | \$605,051 | \$293,889 | 49% | 100.0% | 100.0% | 0.0% |
| Vehicles | \$553,540 | \$401,350 | \$152,190 | 38% | 47.4% | 44.4% | 3.0% |
| Stores | \$120,220 | \$201,923 | -\$81,703 | -40% | 76.0% | 71.0% | 5.0% |
| Operating Activities | \$5,052,513 | \$4,167,442 | \$885,071 | 21% | 73.6% | 69.5% | 4.1% |
| Customer Service | \$1,456,261 | \$1,378,550 | \$77,711 | 6% | 69.0% | 73.3% | -4.3% |
| Administration | \$561,394 | \$522,250 | \$39,144 | 7% | 40.4% | 36.6% | 3.8% |
| Corporate Services | \$348,701 | \$303,051 | \$45,650 | 15% | 88.4% | 78.8% | 9.6% |
| Finance | \$311,570 | \$180,294 | \$131,276 | 73% | 55.8% | 38.8% | 17.0% |
| Technology Services | \$894,940 | \$636,026 | \$258,914 | 41% | 26.0% | 21.9% | 4.1% |
| Human Resources | \$318,633 | \$299,247 | \$19,386 | 6% | 35.2% | 36.7% | -1.5% |
| Purchasing | \$123,610 | \$71,965 | \$51,645 | 72% | 39.9% | 38.3% | 1.6% |
| Facilities Management | \$531,000 | \$513,122 | \$17,878 | 3% | 51.2% | 63.9% | -12.7% |
| Software & Equipment Rent | \$208,000 | \$219,285 | -\$11,285 | -5% | 42.5% | 48.9% | -6.4% |
| Support Activities | \$4,754,109 | \$4,123,790 | \$630,319 | 15% | 44.7% | 46.4% | -1.7% |
| TOTAL | \$9,806,622 | \$8,291,232 | \$2,400,461 | 18% | 56.0% | 55.7% | 0.3% |

11

12

13 Operating activities have increased approximately 21% over the past four years. In general, this
 14 can be explained by the addition of a resource in Electric Distribution, Engineering, and Field
 15 Technical Operations, coupled with wage inflation. PDI's portion of direct operating activities
 16 has increased slightly from 70% to 74% during the four year period. While the total support
 17 activity dollars have increased since the 2009 Cost of Service application, PDI's portion of
 18 support activities has actually decreased by 1% during this period. The modest increase in
 19 support activities of 15% includes both wage inflation and the addition of new resources in

1 Finance, Technology Services, and Customer Service, which demonstrates the benefit of PDI's
2 sharing arrangement with its affiliates. Detailed variances by activity are described below.

3
4 Electric Distribution Operations:

5
6 Electric Distribution labour services provided to PDI have increased by \$273,539 since the 2009
7 Cost of Service application. During this period, wages have increased 10% and one new lineman
8 has been added.

9
10 Engineering Services:

11
12 Engineering labour services provided to PDI have increased by \$247,156 since the 2009 Cost of
13 Service application. During this period, wages have increased 10% and a new resource has been
14 added with a focus on asset management planning and data collection. In addition to the new
15 resource, PDI is picking up 6% more of Engineering costs vs 2009 due to the increased focus on
16 Asset Management, System Planning and new renewable generation connections.

17
18 Field Technical Operations:

19
20 Field Technical labour services provided to PDI have increased by \$293,889 since the 2009 Cost
21 of Service application. During this period, wages have increased 10% and additional support is
22 provided to Control Centre operations, additional smart meter network maintenance and the
23 resumption of regular meter maintenance after the completion of the smart meter program. Also,
24 one control centre resource was transferred from Electric Distribution Operations.

25
26 Vehicles:

27
28 Vehicle expense charged to PDI has increased by \$152,190 since the 2009 Cost of Service
29 application. Smaller vehicles have been added and two bucket trucks were recently replaced.

30
31 Stores:

32

1 Stores expense charged to PDI has decreased slightly by \$81,703 since the 2009 Cost of Service
2 application. Stores expense has been reduced due to the stores supervisor vacancy, however their
3 percentage of the overall stores overhead has increased slightly (5% since 2009).

4
5 Customer Service:
6

7 Customer service labour provided to PDI has increased by \$77,711 since the 2009 Cost of
8 Service application. During this period, wages have increased 10% and have been partially
9 offset for PDI due to an increase in the percentage of customer service allocated to other
10 affiliates.

11
12 Finance:
13

14 Finance services provided to PDI increased since the 2009 Cost of Service application. PDI's
15 portion of the Finance cost has increased by 17% during this period due to the increased
16 regulatory requirements and code amendments over the four year period relative to its affiliates.
17 Annual reporting requirements have increased and become more complex. Regulatory filings for
18 ongoing programs require increased resources to manage and ensure compliance. A new
19 resource has been added that will support ongoing regulatory compliance including rate
20 applications and filings, regulatory reporting, compliance verification, research and analysis.

21
22 Technology Services:
23

24 Technology services provided to PDI has increased by \$258,914 since the 2009 Cost of Service
25 application. During this period, wages have increased 10%, and 2 new shared positions have
26 been added around IT security and business process analysis. PDI's share of Technology
27 Services has increased 4% due to increasing Technology requirements associated with regulatory
28 and accounting changes, such as the infrastructure and management of MDMR.

1 **Table 4-31 - 2011 ACTUAL VERSUS 2013 TEST YEAR:**
 2

| ACTIVITY | 2013 Test | 2011 Actual | Variance | v% | 2013 PDI % | 2011 PDI % | Variance |
|----------------------------------|---------------------|---------------------|--------------------|------------|---------------|---------------|-------------|
| Electric Distribution Operations | \$2,233,297 | \$2,177,301 | \$55,996 | 3% | 88.4% | 85.9% | 2.6% |
| Engineering Services | \$1,246,516 | \$797,583 | \$448,933 | 56% | 58.9% | 52.3% | 6.6% |
| Field Technical Operations | \$898,940 | \$527,963 | \$370,977 | 70% | 100.0% | 98.7% | 1.3% |
| Vehicles | \$553,540 | \$512,120 | \$41,420 | 8% | 47.4% | 49.7% | -2.3% |
| Stores | \$120,220 | \$138,850 | -\$18,630 | -13% | 76.0% | 72.6% | 3.4% |
| Operating Activities | \$5,052,513 | \$4,153,817 | \$898,696 | 22% | 73.6% | 71.4% | 2.2% |
| Customer Service | \$1,456,261 | \$1,274,143 | \$182,118 | 14% | 69.0% | 70.3% | -1.3% |
| Administration | \$561,394 | \$538,872 | \$22,522 | 4% | 40.4% | 39.8% | 0.6% |
| Corporate Services | \$348,701 | \$269,083 | \$79,618 | 30% | 88.4% | 81.6% | 6.8% |
| Finance | \$311,570 | \$142,979 | \$168,591 | 118% | 55.8% | 37.8% | 17.9% |
| Technology Services | \$894,940 | \$600,329 | \$294,611 | 49% | 26.0% | 17.9% | 8.1% |
| Human Resources | \$318,633 | \$303,800 | \$14,833 | 5% | 35.2% | 39.4% | -4.2% |
| Purchasing | \$123,610 | \$110,324 | \$13,286 | 12% | 39.9% | 39.7% | 0.3% |
| Facilities Management | \$531,000 | \$513,860 | \$17,140 | 3% | 51.2% | 48.9% | 2.3% |
| Software & Equipment Rent | \$208,000 | \$153,791 | \$54,209 | 35% | 42.5% | 41.6% | 0.9% |
| Support Activities | \$4,754,109 | \$3,907,181 | \$846,928 | 22% | 44.7% | 40.3% | 4.4% |
| TOTAL | \$14,859,135 | \$12,214,815 | \$2,644,320 | 22% | 56.0% | 51.9% | 4.1% |

3
 4 Operating activities have increased 22% over the past two years. In general, this can be
 5 explained by wage increases of approximately 6% and the new positions noted above in Electric
 6 Distribution Operations, Engineering, and Field Technical Operations. Support activities have
 7 increased by 22%. This is primarily driven by wage inflation of 6% and new positions in
 8 Corporate Services, Finance and Technology Services. PDI's portion of support activities is
 9 expected to increase slightly by 4% due to increases in the services it requires to meet regulatory
 10 requirements. Detailed variances by activity are described below.

11
 12 Engineering Services:
 13

14 Engineering labour services provided to PDI have increased by \$448,933 since 2011. During
 15 this period, wages have increased 6% and a new position was added as described above. In
 16 addition, the Manager of Engineering role was vacant for half of 2011 and the role was replaced
 17 in 2012.

18 Field Technical Operations:
 19

20 Field Technical labour services provided to PDI have increased by \$370,977 since 2011. During
 21 this period, wages have increased 6% and a position was added as described above. In addition,
 22 a position was transferred from Electric Distribution Operations.

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Customer Service:

Customer service labour provided to PDI has increased by \$182,118 since 2011. During this period, wages have increased 6% and while there has been no change in FTE's during this period, the support required by PDI has increased due to code amendment changes and time of use billing.

Corporate Services:

Corporate services labour provided to PDI has increased by \$79,618 since 2011. During this period, wages have increased 6% and a billing integration specialist was added in 2012 to support the ongoing requirements for MDMR.

Finance:

Finance services provided to PDI have increased by \$168,591 since 2011. PDI's portion of the Finance cost has increased by 18% during this period due to the increased regulatory requirements and code amendments over the two year period relative to its affiliates. In addition, a new resource has been added that will focus on regulatory compliance. Their role is described in the previous section.

Technology Services:

Technology services provided to PDI has increased by \$294,611 since 2011. During this period, wages have increased 6% and one new shared position was added for a business process analyst. PDI's portion of the Technology cost has increased by 8% during this period. In 2011, PDI used less Technology Services support relative to affiliates due to the focus on smart metering and MDMR capital projects that year. As mentioned above, PDI's share has increased since 2011 due to increasing Technology requirements, systems support and maintenance associated with regulatory and accounting changes.

1 **PURCHASE OF NON-AFFILIATE PRODUCTS AND SERVICES**

2 PDI purchases many services and products from third parties. Tables 4-32 through 4-35 disclose
3 the expenditures by vendor where the annual amount exceeded \$50,000 per year, for the years
4 2009, 2010 and 2011, respectively. PDI has also provided these details for the 2012 bridge year.
5 Non-affiliate suppliers and their relative expenditure amounts for 2013 are expected to remain at
6 levels consistent with the 2012 bridge year. In accordance with the OEB Guidelines, for any
7 transactions above the materiality threshold that were procured without a competitive tender, or
8 are not in compliance with the procurement policy, the application should provide an explanation
9 as to why this was the case. PDI has reviewed non-affiliate transactions purchased above the
10 materiality threshold and confirms that all were in compliance with PDI's procurement policy.

11

12 A copy of PDI's procurement policy has been provided in Appendix H.

13

14 Tables 4-32 thru 4-35 contain the historical Non-Affiliate Supplier information including
15 Vendor, total amount of goods or services purchased and the procurement method used for 2009
16 through 2012 bridge year.

17

1 **Table 4-32: 2009 Non-Affiliate Suppliers**

2

| 2009 Non-Affiliate Suppliers | | | |
|--------------------------------|-----------------|-------------------------------------------|-----------------------------|
| Vendor | Amount | Product/Service | Procurement Method |
| Jesstec Industries Inc | \$ 50,965.10 | Meter components | Competitive bid |
| Lakeport Power Ltd | \$ 61,522.48 | Electrical materials | Sole source |
| MEARIE | \$ 68,850.00 | Liability insurance | Sole source |
| Ontario Energy Board | \$ 74,127.89 | Membership fees | N/A |
| Borden Ladner Gervais | \$ 78,354.39 | Consulting services | Sole source |
| Moloney Electric Inc | \$ 83,980.80 | Transformers | Competitive bid |
| Trent University | \$ 85,081.25 | OPA ERIP Program | N/A |
| Lancer Electric | \$ 94,333.89 | OPA retrofits | N/A |
| Ackison Electric | \$ 95,391.53 | OPA retrofits | N/A |
| Electricity Distributors Assoc | \$ 99,000.00 | Membership fees | N/A |
| Harris Computer Systems | \$ 136,077.07 | Meter Sense operation and licencing | Competitive bid |
| O'Brien Tree Service | \$ 137,095.36 | Tree trimming, storm damage repair | Competitive bid |
| Guelph Utility Pole Co Ltd | \$ 149,929.92 | Poles | Sole source |
| Util-Assist Inc. | \$ 223,769.80 | MDMR consulting fees | Sole source |
| Hydro One Networks Inc | \$ 256,500.00 | Connection | N/A |
| Olameter Inc | \$ 359,061.57 | Metering services | Sole source/RFQ |
| Expercom Telecommunications | \$ 409,590.90 | Underground rehabilitation and conversion | Competitive bid |
| HD Supply | \$ 1,102,039.32 | Transformers, cable, electrical supplies | Sole Source/Competitive bid |
| Elster Metering | \$ 3,406,890.33 | Metering products | Sole source |

3

4 **Table 4-33: 2010 Non-Affiliate Suppliers**

| 2010 Non-Affiliate Suppliers | | | |
|--------------------------------|---------------|-------------------------------------------|----------------------|
| Vendor | Amount | Product/Service | Procurement Method |
| Electricity Distributors Assoc | \$ 52,100.00 | Membership fees | N/A |
| Lancer Electric | \$ 57,267.74 | OPA retrofits | N/A |
| Atria Networks | \$ 65,800.19 | Telecommunications - Fibre | Market |
| MEARIE | \$ 76,977.00 | Liability insurance | Sole source |
| Harris Computer Systems | \$ 80,652.95 | Meter Sense operation and licencing | Competitive bid |
| Lakeport Power Ltd | \$ 86,931.44 | Electrical materials | Sole source |
| Ontario Energy Board | \$ 93,227.44 | Membership fees | N/A |
| O'Brien Tree Service | \$ 93,653.42 | Tree trimming, storm damage repair | Competitive bid |
| Calder Construction Inc | \$ 105,148.23 | Porta Hole and Anchor installations | Competitive bid |
| Guelph Utility Pole Co Ltd | \$ 115,356.20 | Poles | Sole source |
| Util-Assist Inc. | \$ 160,745.47 | MDMR consulting fees | Sole source |
| Hydro One Networks Inc | \$ 162,871.37 | Relocate | N/A |
| Aecon Utilities | \$ 189,255.91 | Porta Hole and Anchor installations | Competitive bid |
| Ministry of Energy | \$ 317,347.00 | SPC Conservation | Sole source/Required |
| Expercom Telecommunications | \$ 381,216.90 | Underground rehabilitation and conversion | Competitive bid |
| Elster Metering | \$ 469,076.20 | Metering products | Sole source |
| HD Supply | \$ 814,935.88 | Transformers, cable, electrical supplies | Sole source/RFQ |

1 **Table 4-34: 2011 Non-Affiliate Suppliers**

| 2011 Non-Affiliate Suppliers | | | |
|--------------------------------|---------------|-------------------------------------------|--------------------|
| Vendor | Amount | Product/Service | Procurement Method |
| Brass Industrial Services Inc | \$ 54,256.46 | Hydro Vac | Competitive bid |
| Electricity Distributors Assoc | \$ 55,598.00 | Membership fees | N/A |
| Bel Volt Sales Ltd | \$ 60,206.64 | Switches, electrical supplies | Sole source |
| Peterborough Industrial | \$ 67,205.69 | Electrical contractor | Competitive bid |
| Atria Networks | \$ 74,703.27 | Telecommunications - Fibre | Market |
| MEARIE | \$ 77,147.00 | Liability Insurance | Sole source |
| Util-Assist Inc. | \$ 77,169.05 | MDMR consulting fees | Sole source |
| Calder Construction Inc | \$ 82,090.36 | Underground service installation | Competitive bid |
| Ontario Energy Board | \$ 99,056.98 | Membership fees | N/A |
| Lakeport Power Ltd | \$ 102,197.25 | Electrical materials | Sole source |
| Elster Metering | \$ 121,596.65 | Metering products | Sole source |
| Sims Concrete Construction | \$ 158,162.00 | Vault rehabilitation | Competitive bid |
| Guelph Utility Pole Co Ltd | \$ 169,995.99 | Poles | Sole source |
| Cayenta Canada Corp. | \$ 178,937.51 | Modification to system for MDMR | Sole source |
| Aecon Utilities | \$ 179,367.81 | Porta Hole and Anchor installations | Competitive bid |
| O'Brien Tree Service | \$ 254,974.45 | Tree trimming, storm damage repair | Competitive bid |
| Expercom Telecommunications | \$ 710,167.32 | Underground rehabilitation and conversion | Competitive bid |
| HD Supply | \$ 894,630.52 | Transformers, cable, electrical supplies | Sole source/RFQ |

2 **Table 4-35: 2012 Non-Affiliate Suppliers**

3

| 2012 Non-Affiliate Suppliers | | | |
|--------------------------------|-----------|------------------------------------------|--------------------|
| Vendor | Amount | Product/Service | Procurement Method |
| Cayenta Canada Corp. | 50,560 | System modifications | Sole source |
| Lakeport Power Ltd | 54,022 | Electrical materials | Sole source |
| Electricity Distributors Assoc | 57,700 | Membership fees | N/A |
| Rogers Business Solutions | 76,044 | Telecommunications | Market |
| Guillevin International Co | 85,228 | Connectors, reels, electrical materials | Sole source/RFQ |
| Guelph Utility Pole Co Ltd | 106,881 | Poles | Sole source |
| Util-Assist Inc. | 111,307 | MDMR consulting fees | Sole source |
| Elster Metering | 143,711 | Metering products | Sole source |
| Aecon Utilities | 183,368 | Porta Hole and Anchor installations | Competitive bid |
| O'Brien Tree Service | 260,407 | Tree trimming, storm damage repair | Competitive bid |
| Langley Utilities Contracting | 547,353 | Underground rehabilitation | Competitive bid |
| HD Supply | 1,024,528 | Transformers, cable, electrical supplies | Sole source/RFQ |

1 **DEPRECIATION, AMORTIZATION AND DEPLETION:**

2 **PDI Depreciation Policy**

3 Amortization on capital assets is calculated as follows:

- 4 • PDI uses the pooling of assets for all components. For large projects, significant
5 components of each item of PP&E are being depreciated separately according to the plant
6 account they pertain to.
- 7 • Amortization is calculated on a straight line basis over the estimated remaining useful life
8 of the assets at the end of the previous year plus 50% of the current year capital additions

9 **Changes to Depreciation Policy since 2009 Cost of Service**

10 As indicated in Exhibit 1 and Exhibit 2, PDI has implemented regulatory accounting changes
11 under CGAAP to comply with the Board requirements for modified IFRS effective January 1,
12 2013.

13 Prior to implementation of the required MIFRS related changes in 2013, and since PDI's last
14 rebasing, other depreciation related changes have been made. During its last COS application
15 process, PDI was requested to review its Depreciation policies to ensure they were compliant
16 with Board recommended policies. As requested PDI has reviewed their depreciation policies
17 and made the following changes:

- 18 • Depreciation of Buildings and Fixtures, account 1805 was changed from 40 years to the
19 OEB standard of 50 years as required by the OEB, in 2009.
- 20 • Depreciation of Substation Equipment, account 1820 was changed from 35 years to the
21 OEB recommended period, at the time of 30 years, in 2009.
- 22 • Prior to 2012 PDI was not utilizing the half year rule for depreciation of assets in the year
23 of acquisition. PDI prospectively adopted the half year rule for calculating depreciation
24 in the year of acquisition in 2012.

1 **MIFRS Changes under CGAAP for Depreciation**

2 IAS 16 requires that each item of property, plant and equipment with a cost that is significant in
3 relation to the total cost of the items be depreciated separately. The depreciable amount of an
4 asset is to be allocated on a systematic basis over its useful life. To assist electricity distributors
5 with transition to IFRS the OEB commissioned a depreciation study EB-2010-0178, or the
6 “Kinetrics Report” provides asset service life information which PDI has utilized in
7 prospectively adopting new depreciation periods for its assets.

8 To comply with this requirement, PDI conducted a review of its PP&E accounts and
9 componentized its existing PP&E Schedule allocating the opening January 1, 2013 net book
10 value across the Kinetrics components for each OEB account as identified in Table 4-40 below.

11 **Table 4-40 -Kinetrics Components by OEB Account**

| OEB Acct # | Account Description | Kinetrics Component | Kinetrics Asset # | Kinetrics Range | | | PDI New | PDI Previous |
|---------------|-----------------------------------------------|----------------------------------------------------------------------------------|---------------------------------|-----------------|----------------|----------------|----------------|-----------------|
| | | | | Min UFL | TUFL | Max UFL | UFL | UFL |
| 1611 1808 | Computer Software Buildings | Computer equipment - software Station building | 6 Minor 5 Minor | 2 50 | to to | 5 75 | 5 50 | 5 50 |
| 1820 | Distribution Substation | Wholesale energy meters Power transformers | 11 Minor 12 | 15 30 | to to | 30 60 | 25 45 | 30 |
| 1830 | Poles Towers and fixtures | Fully dressed wood poles - overall | 1 | 35 | 45 | 75 | 45 | 25 |
| 1835 | OH Conductors and Devices | OH Line Switch | 4 | 30 | 45 | 55 | 45 | 25 |
| | | OH Conductors | 8 | 50 | 60 | 75 | 60 | 25 |
| | | OH Shunt Capacitor Banks | 10 | 25 | 30 | 40 | 30 | 25 |
| | | Reclosers | 11 | 25 | 40 | 55 | 40 | 25 |
| 1840 | Underground Conduit | Primary TR XLPE cables in duct | 29 | 35 | 40 | 55 | 40 | 25 |
| | | Secondary cables direct buried | 31 | 25 | 35 | 40 | 35 | 25 |
| | | UG foundations | 36 | 35 | 55 | 70 | 55 | 25 |
| | | UG Vaults - overall | 37a | 40 | 60 | 80 | 60 | 25 |
| | | UG vaults - roof | 37b | 20 | 30 | 45 | 30 | 25 |
| | | Pad - mounted switch gear | 39 | 20 | 30 | 45 | 30 | 25 |
| | | Ducts Concrete encased duct banks | 40 41 | 30 35 | 50 55 | 85 80 | 50 55 | 25 25 |
| 1845 | Underground Conductors and Devices | Primary TR XLPE cables in duct | 29 | 35 | 40 | 55 | 40 | 25 |
| | | Secondary cables direct buried | 31 | 25 | 35 | 40 | 35 | 25 |
| | | Pad - mounted switch gear | 39 | 20 | 30 | 45 | 30 | 25 |
| 1850 | Overhead Transformers | OH Transformers and Voltage Regulators | 9 | 30 | 40 | 60 | 40 | 25 |
| | | Pad mounted transformers | 34 | 25 | 40 | 45 | 40 | 25 |
| | | Submersible vault transformers | 35 | 25 | 35 | 45 | 35 | 25 |
| | | U Vaults - overall | 37a | 40 | 60 | 80 | 60 | 25 |
| 1855 | Services (UG and OH) | OH Conductors | 8 | 50 | 60 | 75 | 60 | 25 |
| | | Secondary cables direct buried | 31 | 25 | 35 | 40 | 35 | 25 |
| | | Secondary cables in duct | 32 | 35 | 40 | 60 | 40 | 25 |
| 1860 1860 | Meters Smart meters | Residential energy meters Industrial/commercial energy meters Smart meters | 9 minor 10 minor 13 minor | 25 25 5 | to to to | 35 35 15 | 25 25 15 | 25 25 15 |
| 1920 1970 | Computer Hardware Water Heater Controllers | Computer equipment - hardware Remote SCADA | 6 43 | 2 15 | to to | 5 30 | 5 20 | 5 10 |

1

TUL = Typical Useful Life, UFL = Useful life

2 PDI uses the pooling of assets for all components. Amortization is calculated on a straight line
 3 basis over the estimated remaining useful life of the assets at the end of the previous year plus
 4 50% of the current year capital additions. New additions will be amortized according to the
 5 “PDI New UFL” column from Table 4-40, which corresponds in each case to the mid point or
 6 typical useful life identified in the Kinetrics Study.

7 Application of these new useful lives has resulted in Amortization expense in 2013 of
 8 \$2,673,856 compared to \$4,168,702. This is a decrease of approximately \$1.5 million on a

1 higher asset base. A summary of Amortization expense from 2009 through 2013 is provided in
 2 Table 4-41 below.

3 **Table 4-41 – Summary of Amortization Expense for 2009 to 2013**

| CCA Class | Account | Description | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Bridge CGAAP | 2013 Test CGAAP / Kinetrics |
|-----------|---------|----------------------------------------------------|------------------|------------------|------------------|-------------------|-----------------------------|
| 12 | 1611 | Computer Software (Formally known as Account 1925) | - | - | - | 132,893 | 195,393 |
| 47 | 1808 | Buildings | 7,802 | 10,105 | 10,770 | 11,391 | 9,482 |
| 47 | 1820 | Distribution Station Equipment <50 kV | 124,948 | 133,283 | 131,849 | 136,284 | 142,806 |
| 47 | 1830 | Poles, Towers & Fixtures | 910,080 | 941,162 | 980,155 | 1,009,762 | 543,558 |
| 47 | 1835 | Overhead Conductors & Devices | 259,986 | 298,718 | 341,743 | 377,233 | 206,478 |
| 47 | 1840 | Underground Conduit | 553,183 | 585,370 | 606,382 | 630,111 | 329,225 |
| 47 | 1845 | Underground Conductors & Devices | 107,948 | 124,062 | 134,226 | 140,524 | 94,941 |
| 47 | 1850 | Line Transformers | 661,373 | 792,428 | 752,903 | 843,882 | 485,443 |
| 47 | 1855 | Services (Overhead & Underground) | 360,660 | 384,371 | 414,053 | 433,332 | 224,042 |
| 47 | 1860 | Meters | 57,011 | 21,351 | 36,453 | 48,165 | 51,797 |
| 47 | 1860 | Meters (Smart Meters) | | | | 380,165 | 380,163 |
| 45.1 | 1920 | Computer Hardware(Post Mar. 19/07) | - | - | - | 8,975 | 6,735 |
| 8 | 1960 | Miscellaneous Equipment | 16,477 | 16,477 | - | - | - |
| 47 | 1970 | Load Management Controls Customer Premises | 163,322 | 17,841 | 15,927 | 15,985 | 3,793 |
| 47 | 1995 | Contributions & Grants | - | - | - | - | - |
| | | Total | 3,222,790 | 3,325,168 | 3,424,461 | 4,168,702 | 2,673,856 |
| | | Change vs Prior Year | | 102,378 | 99,293 | 744,241 | (1,494,846) |

4 The year-over-year fluctuations in amortization expense (as seen above) are natural based on
 5 capital additions, disposal of assets, and assets becoming fully depreciated. The increase for 2012
 6 over 2011 is mainly due to the inclusion of Smart Meter's in 2012's rate base.

7 In accordance with the Boards filing guidelines, the applicable Amortization Expense Schedules
 8 are reflected in the tables below.

9

1 **Table 4-42 – Appendix 2-CE - Amortization Expense for 2011**

| Account | Description | Opening Regulatory Gross PP&E as at Jan 1, 2011 (a) | Less Fully Depreciated (b) | Net for Depreciation (c) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d) ¹ | Years (f) | Depn Rate (g) = 1 / (f) | 2011 Depreciation Expense (h) = (e) / (f) | 2011 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l) | Variance ² (m) = (h) - (l) |
|---------|----------------------------------------------------|--------------------------------------------------------|-------------------------------|-----------------------------|------------------|------------------------------------------------------------|--------------|----------------------------|----------------------------------------------|--------------------------------------------------------------------------|------------------------------------------|
| 1611 | Computer Software (Formally known as Account 1925) | 57,747 | 57,747 | - | - | - | | | - | - | - |
| 1805 | Land | 134,968 | | 134,968 | - | 134,968 | | | - | - | - |
| 1808 | Buildings | 411,558 | | 411,558 | 33,257 | 428,187 | 50.0 | 2.00% | 8,564 | 10,770 | 2,206 |
| 1810 | Leasehold Improvements | - | | - | - | - | | | - | - | - |
| 1815 | Transformer Station Equipment >50 kV | - | | - | - | - | | | - | - | - |
| 1820 | Distribution Station Equipment <50 kV | 3,455,930 | | 3,455,930 | 10,321 | 3,461,091 | 30.0 | 3.33% | 115,370 | 131,849 | 16,479 |
| 1825 | Storage Battery Equipment | - | | - | - | - | | | - | - | - |
| 1830 | Poles, Towers & Fixtures | 21,577,605 | | 21,577,605 | 1,162,945 | 22,159,078 | 23.2 | 4.31% | 955,133 | 980,155 | 25,022 |
| 1835 | Overhead Conductors & Devices | 7,919,256 | | 7,919,256 | 1,246,554 | 8,542,533 | 25.0 | 4.00% | 341,701 | 341,743 | 42 |
| 1840 | Underground Conduit | 14,269,729 | | 14,269,729 | 762,011 | 14,650,735 | 25.0 | 4.00% | 586,029 | 606,382 | 20,353 |
| 1845 | Underground Conductors & Devices | 4,613,930 | | 4,613,930 | 544,162 | 4,886,011 | 25.0 | 4.00% | 195,440 | 134,226 | 61,214 |
| 1850 | Line Transformers | 17,515,720 | | 17,515,720 | 1,056,375 | 18,043,908 | 23.5 | 4.26% | 767,826 | 752,903 | 14,923 |
| 1855 | Services (Overhead & Underground) | 12,473,871 | | 12,473,871 | 1,072,528 | 13,010,135 | 25.0 | 4.00% | 520,405 | 414,053 | 106,352 |
| 1860 | Meters | 531,353 | | 531,353 | 379,911 | 721,309 | 19.8 | 5.05% | 36,453 | 36,453 | - |
| 1960 | Miscellaneous Equipment | 82,385 | 82,385 | - | - | - | | | - | - | - |
| 1970 | Load Management Controls Customer Premises | 1,633,219 | 1,475,871 | 157,348 | - | 157,348 | 10.0 | 10.00% | 15,735 | 15,927 | 192 |
| 1995 | Contributions & Grants | 10,533,301 | | 10,533,301 | 1,410,810 | 11,238,706 | | | - | - | - |
| | Sub-total | 74,143,970 | 1,616,003 | 72,527,967 | 4,857,254 | 74,956,594 | | | 3,542,656 | 3,424,461 | 118,195 |
| 2055 | Contract work in progress-electric | | | | | | | | | | |
| | Total | 74,143,970 | 1,616,003 | 72,527,967 | 4,857,254 | 74,956,594 | | | 3,542,656 | 3,424,461 | 118,195 |

2 **AMORTIZATION EXPENSE VARIANCE ANALYSIS**

3

4 **Account 1855 –Services OH and UG - Actual \$106,352 less than expectation**

5 The actual depreciation expense from the continuity schedule for 2011 is \$414,053 or \$106,352
 6 less than the model calculated assuming a 25 year amortization period. This variance is a result
 7 of Capital contributions which have been applied as a reduction of the cost, in PDI's calculation
 8 of depreciation expense. PDI has historically accounted for contributed capital in this manner as
 9 is evident from the lack of accumulated amortization for Contributions and Grants in account
 10 1995. Rather than amortize the cost and contribution separately, PDI has amortized the net cost
 11 after Capital Contributions. The depreciation otherwise recorded in account 1845 is calculated
 12 as follows:

| | | |
|----|------------------------------------------------------------|-----------|
| 13 | Account 1855 - 2011 depreciation as recorded | \$414,053 |
| 14 | Add back Contributed Capital amortization | 176,592 |
| 15 | Less impact of 2000 opening assets on 20 year amortization | (47,472) |
| 16 | Account 1855 restated for above items | 543,173 |
| 17 | Expected Amortization from Table 4-41 | 520,405 |
| 18 | Difference | \$ 22,768 |

- 1 The remaining difference is a result of PDI not utilizing the half year rule in 2011. PDI adopted
- 2 the half year rule in 2012.
- 3

1 **Table 4-43 – Appendix 2-CF- Amortization Expense for 2012 Bridge Year (CGAAP)**

| Account | Description | Opening Regulatory Gross PP&E as at Jan 1, 2012 (a) | Less Fully Depreciated (b) | Net for Depreciation (c) | Additions (d) | Total for Depreciation (e) = (c) + ½ x (d) ¹ | Years (f) | Depreciation Rate (g) = 1 / (f) | 2012 Depreciation Expense (h) = (e) / (f) | 2012 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l) | Variance ² (m) = (h) - (l) |
|---------|----------------------------------------------------|--------------------------------------------------------|-------------------------------|-----------------------------|------------------|------------------------------------------------------------|--------------|------------------------------------|----------------------------------------------|--------------------------------------------------------------------------|------------------------------------------|
| 1611 | Computer Software (Formally known as Account 1925) | 509,711 | 157,744 | 351,967 | 625,000 | 664,467 | 5.0 | 20.00% | - 132,893 | 132,893 | 0 |
| 1805 | Land | 134,968 | | 134,968 | - | 134,968 | | | | - | - |
| 1808 | Buildings | 444,815 | | 444,815 | 21,516 | 465,573 | 50.0 | 2.00% | - 9,111 | 11,391 | 2,280 |
| 1820 | Distribution Station Equipment <50 kV | 3,466,251 | | 3,466,251 | 219,244 | 3,575,873 | 30.0 | 3.33% | - 119,196 | 136,284 | 17,088 |
| 1830 | Poles, Towers & Fixtures | 22,740,550 | | 22,740,550 | 897,108 | 23,189,104 | 23.2 | 4.31% | - 999,530 | 1,009,762 | 10,232 |
| 1835 | Overhead Conductors & Devices | 9,165,810 | | 9,165,810 | 1,525,501 | 9,928,561 | 25.0 | 4.00% | - 397,142 | 377,233 | 19,909 |
| 1840 | Underground Conduit | 15,031,740 | | 15,031,740 | 1,199,801 | 15,631,641 | 25.0 | 4.00% | - 625,266 | 630,111 | 4,845 |
| 1845 | Underground Conductors & Devices | 5,158,092 | | 5,158,092 | 470,913 | 5,393,549 | 25.0 | 4.00% | - 215,742 | 140,524 | 75,218 |
| 1850 | Line Transformers | 18,572,095 | | 18,572,095 | 1,393,682 | 19,268,936 | 23.5 | 4.26% | - 819,955 | 843,882 | 23,927 |
| 1855 | Services (Overhead & Underground) | 13,546,399 | | 13,546,399 | 1,514,450 | 14,303,624 | 25.0 | 4.00% | - 572,145 | 433,332 | 138,813 |
| 1860 | Meters | 911,264 | | 911,264 | 292,804 | 1,057,666 | 19.8 | 5.05% | - 53,417 | 48,165 | 5,252 |
| 1860 | Meters (Smart Meters) | 5,702,472 | | 5,702,472 | - | 5,702,472 | 15.0 | 6.67% | - 380,165 | 380,165 | - |
| 1920 | Computer Hardware(Post Mar. 19/07) | 44,877 | | 44,877 | - | 44,877 | 5.0 | 20.00% | - 8,975 | 8,975 | - |
| 1960 | Miscellaneous Equipment | 82,385 | 82,385 | - | - | - | - | - | - | - | - |
| 1970 | Load Management Controls Customer | 1,633,219 | 1,481,819 | 151,400 | 5,000 | 153,900 | 10.0 | 10.00% | - 15,390 | 15,985 | 595 |
| 1995 | Contributions & Grants | - 11,944,111 | | - 11,944,111 | - 1,319,000 | - 12,603,611 | | | | | |
| | Sub-total | 85,200,537 | 1,721,948 | 83,478,589 | 6,846,019 | 86,901,599 | | | - 4,348,928 | 4,168,702 | 180,226 |
| 2055 | Contract work in progress-electric | | | | | | | | | | |
| | Total | 85,200,537 | 1,721,948 | 83,478,589 | 6,846,019 | 86,901,599 | | | - 4,348,928 | 4,168,702 | 180,226 |

2
3

4 **AMORTIZATION EXPENSE VARIANCE ANALYSIS**

5

6 **Account 1845 –UG Conductors & Devices - Actual \$75,218 less than expectation**

7
8
9
10
11
12

The actual depreciation expense from the continuity schedule for 2012 is \$140,524 or \$75,218 less than the model calculated assuming a 25 year amortization period. This variance is a result of Capital contributions which have been applied as a reduction of the cost, in PDI's calculation of depreciation expense. Also as in the case for 2011, PDI had utilized 20 year amortization for opening assets transferred to the LDC upon creation in 2000. A reconciliation of this variance is as follows:

13
14
15
16
17

| | |
|----------------------------------------------|----------------|
| Account 1845 - 2011 depreciation as recorded | \$140,524 |
| Add back Contributed Capital amortization | <u>75,396</u> |
| Account 1855 restated for above items | 215,920 |
| Expected Amortization from Table 4-41 | <u>215,742</u> |
| Difference | <u>\$ 178</u> |

18

19 **Account 1855 –Services OH and UG - Actual \$138,813 less than expectation**

20
21

The actual depreciation expense from the continuity schedule for 2012 is \$433,332 or \$138,813 less than the model calculated assuming a 25 year amortization period. This variance is a result

1 of Capital contributions which have been applied as a reduction of the cost, in PDI's calculation
2 of depreciation expense, similar to the explanation for 2011. Also as in the case for 2011, PDI
3 had utilized 20 year amortization for opening assets transferred to the LDC upon creation in
4 2000. A reconciliation of this variance is as follows:

| | | |
|----|------------------------------------------------------------|-----------------|
| 5 | Account 1855 - 2011 depreciation as recorded | \$433,332 |
| 6 | Add back Contributed Capital amortization | 186,972 |
| 7 | Less impact of 2000 opening assets on 20 year amortization | <u>(47,472)</u> |
| 8 | Account 1855 restated for above items | 572,832 |
| 9 | Expected Amortization from Table 4-41 | <u>572,145</u> |
| 10 | Difference | <u>\$ 687</u> |

11
12 **Amortization Expense for 2013 Test Year**

13
14 The variances in Table 2.44 on the next page for 2013 Amortization expense are a result of
15 Capital Contributions which have been applied as a reduction of the cost, in PDI's calculation of
16 depreciation expense. Rather than amortize the cost and contribution separately, PDI has
17 amortized the net cost after Capital Contributions.

18

19

1 **Table 4-44 – Appendix 2-CI- Amortization Expense for 2013 Test Year (CGAAP) with Kinetrics Useful Life**
 2

**Appendix 2-CI
 Depreciation and Amortization Expense**

| Account | Description | Year | 2013 | CGAAP | Kinetrics Useful Life | | | | | | |
|---------|----------------------------------------------------|--------------------------------------------|------------------|----------------------------------------------------|-----------------------------------------|------------------------------------|-------------------------------------|------------------------------------------------|---------------------------|-------------------------------------------------------------------|-----------------------|
| | | Opening NBV as at Jan 1, 2013 ⁵ | Additions | Average Remaining Life of Opening NBV ⁴ | Years (new additions only) ³ | Depreciation Rate on New Additions | Depreciation Expense on Opening NBV | Depreciation Expense on Additions ¹ | 2013 Depreciation Expense | 2013 Depreciation Expense per Appendix 2-B Fixed Assets, Column K | Variance ² |
| | | (a) | (d) | (i) | (f) | (g) = 1 / (f) | (j) = (a) / (i) | (h) = ((d)*0.5)/(f) | (k) = (j) + (h) | (l) | (m) = (k) - (l) |
| 1611 | Computer Software (Formally known as Account 1925) | 639,935 | - | 3.3 | 5.0 | 20.00% | - 193,920 | - | - 193,920 | - 195,393 | \$ 1,473 |
| 1805 | Land | 134,968 | 130,000 | | | 0.00% | - | - | - | - | \$ - |
| 1808 | Buildings | 380,733 | 40,000 | 41.9 | 50.0 | 2.00% | - 9,087 | - 400 | - 9,487 | - 9,482 | -\$ 5 |
| 1820 | Distribution Station Equipment <50 kV | 2,388,962 | 75,000 | 16.8 | 45.0 | 2.22% | - 142,200 | - 833 | - 143,033 | - 142,806 | -\$ 227 |
| 1830 | Poles, Towers & Fixtures | 12,672,891 | 765,050 | 23.6 | 45.0 | 2.22% | - 536,987 | - 8,501 | - 545,487 | - 543,558 | -\$ 1,929 |
| 1835 | Overhead Conductors & Devices | 8,104,543 | 1,669,500 | 42.5 | 48.0 | 2.08% | - 190,695 | - 17,391 | - 208,086 | - 206,478 | -\$ 1,608 |
| 1840 | Underground Conduit | 9,954,566 | 625,200 | 30.0 | 44.0 | 2.27% | - 331,819 | - 7,105 | - 338,923 | - 329,225 | -\$ 9,698 |
| 1845 | Underground Conductors & Devices | 4,769,178 | 252,000 | 25.0 | 35.0 | 2.86% | - 190,767 | - 3,600 | - 194,367 | - 94,941 | -\$ 99,426 |
| 1850 | Line Transformers | 11,672,477 | 969,750 | 24.0 | 44.0 | 2.27% | - 486,353 | - 11,020 | - 497,373 | - 485,443 | -\$ 11,930 |
| 1855 | Services (Overhead & Underground) | 10,867,669 | 1,034,000 | 30.0 | 45.0 | 2.22% | - 362,256 | - 11,489 | - 373,745 | - 224,042 | -\$ 149,703 |
| 1860 | Meters | 797,533 | 205,000 | 16.0 | 25.0 | 4.00% | - 49,846 | - 4,100 | - 53,946 | - 51,797 | -\$ 2,149 |
| 1860 | Meters (Smart Meters) | 4,101,303 | - | 10.5 | 15.0 | 6.67% | - 390,600 | - | - 390,600 | - 380,163 | -\$ 10,437 |
| 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | 9,918 | - | 1.5 | | 0.00% | - 6,735 | - | - 6,735 | - 6,735 | \$ - |
| 1970 | Load Management Controls Customer Premises | 51,253 | - | 13.0 | 20.0 | 5.00% | - 3,943 | - | - 3,943 | - 3,793 | -\$ 150 |
| 1995 | Contributions & Grants | - 13,263,111 | - 1,180,000 | | | 0.00% | - | - | - | - | \$ - |
| | Sub-total | 53,282,818 | 4,585,500 | 20.4 | 35.1 | | - 2,895,207 | - 64,438 | - 2,959,645 | -\$ 2,673,856 | -\$ 285,789 |
| 2055 | Contract work in progress-electric | 922,609 | | | | 0.00% | - | - | - | -\$ | -\$ |
| | Total | 54,205,427 | 4,585,500 | | | | - 2,895,207 | - 64,438 | - 2,959,645 | -\$ 2,673,856 | -\$ 285,789 |

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1 **INCOME TAX**

2 **TAX CALCULATIONS:**

3 In this section, PDI has provided a copy of the completed PILs model obtained from the OEB
4 web site. An electronic copy of this worksheet will also be included with the application. PDI is
5 requesting a grossed up PILs amount of \$257,435 be included in the 2013 revenue requirement
6 calculation.

7 Below, PDI has provided comments concerning the amounts included in the PILs model and has
8 performed the necessary integrity checks as specified in the June 28, 2012 filing requirements:

- 9 • A copy of PDI's annual federal and provincial tax return has been provided as Appendix
10 J to this exhibit together with copies of the most recent notices of assessment.
- 11 • The legal financial statements provided in Appendix A are those attached to PDI's tax
12 returns upon filing.
- 13 • PDI did not claim any Apprenticeship Training Tax Credits or SR&ED amounts.
- 14 • Depreciation expense added back in the calculation of taxable income agrees to
15 depreciation expense included in the continuity schedules of the Exhibit 2 Rate Base and
16 the Depreciation Expense table 4-41.
- 17 • The capital additions provided in the UCC/CCA Schedule 8 of this section agree to those
18 from Exhibit 2 Rate Base except for the Test Year 2013. Total additions, before work in
19 progress in the rate base continuity schedule amount to \$4,585,500 compared to the
20 Schedule 8 – CCA total of \$4,455,500. The difference of \$130,000 represents the
21 purchase of land which is not eligible for treatment as capital cost allowance under the
22 Income Tax Act.
- 23 • Schedule 8 of the most recent federal T2 return as attached, agrees with the opening
24 bridge year UCC at January 1st, 2012.

- 1 • PDI has no loss carry forwards available for tax purposes

- 2 • The disposal recorded in the 2012 Bridge Year represents the adjustment necessary to
3 remove stranded meters from UCC Balance. By recording this disposal in 2012, PDI has
4 updated the UCC Schedule for 2013 to remove stranded meters from the PILs
5 calculation. Without this entry, the CCA claimed in the Test Year would otherwise
6 include amounts applicable to the Regulatory Asset Account 1555 for which PDI has
7 applied for a disposition rate rider in this application.

- 8 • CCA is maximized through use of the OEB's prescribed work sheet.

- 9 • Non-recoverable expenses as described previously in this section have not been included
10 as a part of the regulatory tax calculation



| | |
|------------------------|------------------------------------|
| Utility Name | Peterborough Distribution Inc. |
| Assigned EB Number | EB-2012-0160 |
| Name and Title | Byron Thompson, CFO |
| Phone Number | 705-748-9301 x 1283 |
| Email Address | bthompson@peterboroughutilities.ca |
| Date | 15-Jan-13 |
| Last COS Re-based Year | 2009 |

Note: Drop-down lists are shaded blue; Input cells are shaded green.

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the results.



Income Tax/PILs Workform for 2013 Filers

| | | | | |
|--------------------------------------|--------|-----------|---------------------|---------------------|
| Rate Base | | \$ | 66,310,232 | |
| | | | | |
| Return on Ratebase | | | | |
| Deemed ShortTerm Debt % | 4.00% | T | \$ 2,652,409 | $W = S * T$ |
| Deemed Long Term Debt % | 56.00% | U | \$ 37,133,730 | $X = S * U$ |
| Deemed Equity % | 40.00% | V | \$ 26,524,093 | $Y = S * V$ |
| | | | | |
| Short Term Interest Rate | 2.08% | Z | \$ 55,170 | $AC = W * Z$ |
| Long Term Interest | 4.29% | AA | \$ 1,592,984 | $AD = X * AA$ |
| Return on Equity (Regulatory Income) | 8.93% | AB | \$ 2,368,601 | $AE = Y * AB$ |
| Return on Rate Base | | | \$ 4,016,755 | $AF = AC + AD + AE$ |

Questions that must be answered

| | Historic | Bridge | Test Year |
|----------------------------------------------------------------------------------------------------------------------------|----------|--------|-----------|
| 1. Does the applicant have any Investment Tax Credits (ITC)? | No | No | No |
| 2. Does the applicant have any SRED Expenditures? | No | No | No |
| 3. Does the applicant have any Capital Gains or Losses for tax purposes? | No | No | No |
| 4. Does the applicant have any Capital Leases? | No | No | No |
| 5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)? | No | No | No |
| 6. Since 1999, has the applicant acquired another regulated applicant's assets? | No | No | No |
| 7. Did the applicant pay dividends? <i>If Yes, please describe what was the tax treatment in the manager's summary.</i> | Yes | Yes | Yes |
| 8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes? | No | No | No |



Tax Rates

Federal & Provincial
 As of June 20, 2012

Federal income tax
 General corporate rate
 Federal tax abatement
 Adjusted federal rate

Rate reduction

Ontario income tax

Combined federal and Ontario

Federal & Ontario Small Business

Federal small business threshold
 Ontario Small Business Threshold

Federal small business rate

Ontario small business rate

| | Effective ##### | Effective ##### | Effective ##### | Effective ##### |
|--|--------------------|--------------------|--------------------|--------------------|
| | 38.00% | 38.00% | 38.00% | 38.00% |
| | -10.00% | -10.00% | -10.00% | -10.00% |
| | 28.00% | 28.00% | 28.00% | 28.00% |
| | -11.50% | -13.00% | -13.00% | -13.00% |
| | 16.50% | 15.00% | 15.00% | 15.00% |
| | 11.75% | 11.50% | 11.50% | 11.50% |
| | 28.25% | 26.50% | 26.50% | 26.50% |
| | 500,000 | 500,000 | 500,000 | 500,000 |
| | 500,000 | 500,000 | 500,000 | 500,000 |
| | 11.00% | 11.00% | 11.00% | 11.00% |
| | 4.50% | 4.50% | 4.50% | 4.50% |



Income Tax/PILs Workform for 2013 Filers

Schedule 10 CEC - Historical Year

Cumulative Eligible Capital

Additions

| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------|----------|---|
| Cost of Eligible Capital Property Acquired during Test Year | 0 | | | |
| Other Adjustments | 0 | | | |
| Subtotal | 0 | x 3/4 = | 0 | |
| Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002 | 0 | x 1/2 = | 0 | |
| | | | 0 | 0 |
| Amount transferred on amalgamation or wind-up of subsidiary | 0 | | | 0 |
| Subtotal | | | 0 | |

Deductions

| | | | | |
|------------------------------------------------------------------------------------------------------------------------|----------|---------|---|--|
| Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year | 0 | | | |
| Other Adjustments | 0 | | | |
| Subtotal | 0 | x 3/4 = | 0 | |

| | | | |
|------------------------------------------------------|---|--------|----------|
| Cumulative Eligible Capital Balance | | | 0 |
| Current Year Deduction | 0 | x 7% = | 0 |
| Cumulative Eligible Capital - Closing Balance | | | 0 |



Income Tax/PILs Workform for 2013 Filers

Schedule 13 Tax Reserves - Historical

Continuity of Reserves

| Description | Historical Balance as per tax returns | Non-Distribution Eliminations | Utility Only |
|---------------------------------------------------------------------------------|---------------------------------------|-------------------------------|--------------|
| Capital Gains Reserves ss.40(1) | | | 0 |
| Tax Reserves Not Deducted for accounting purposes | | | |
| Reserve for doubtful accounts ss. 20(1)(l) | | | 0 |
| Reserve for goods and services not delivered ss. 20(1)(m) | | | 0 |
| Reserve for unpaid amounts ss. 20(1)(n) | | | 0 |
| Debt & Share Issue Expenses ss. 20(1)(e) | | | 0 |
| Other tax reserves | | | 0 |
| | | | 0 |
| | | | 0 |
| | | | 0 |
| | | | 0 |
| | | | 0 |
| Total | 0 | 0 | 0 |
| Financial Statement Reserves (not deductible for Tax Purposes) | | | |
| General Reserve for Inventory Obsolescence (non-specific) | | | 0 |
| General reserve for bad debts | | | 0 |
| Accrued Employee Future Benefits: | | | 0 |
| - Medical and Life Insurance | | | 0 |
| -Short & Long-term Disability | | | 0 |
| -Accumulated Sick Leave | | | 0 |
| - Termination Cost | | | 0 |
| - Other Post-Employment Benefits | | | 0 |
| Provision for Environmental Costs | | | 0 |
| Restructuring Costs | | | 0 |
| Accrued Contingent Litigation Costs | | | 0 |
| Accrued Self-Insurance Costs | | | 0 |
| Other Contingent Liabilities | | | 0 |
| Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4) | | | 0 |
| Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1) | | | 0 |
| Other | | | 0 |
| | | | 0 |
| | | | 0 |
| | | | 0 |
| | | | 0 |
| Total | 0 | 0 | 0 |



Income Tax/PILs Workform for 2013 Filers

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

| | Total | Non-Distribution Portion | Utility Balance |
|-------------------------------------------------|-------|--------------------------|-----------------|
| Non-Capital Loss Carry Forward Deduction | | | |
| Actual Historic | | | 0 |
| Net Capital Loss Carry Forward Deduction | | | |
| Actual Historic | | | 0 |

Adjusted Taxable Income – Historic Year

| | T2S1 line # | Total for Legal Entity | Non-Distribution Eliminations | Historic Wires Only |
|------------------------------------------------------------------------------------------------------|-------------|------------------------|-------------------------------|---------------------|
| Income before PILs/Taxes | A | 2,705,810 | | 2,705,810 |
| Additions: | | | | |
| Interest and penalties on taxes | 103 | 13,606 | | 13,606 |
| Amortization of tangible assets | 104 | | | 0 |
| Amortization of intangible assets | 106 | 3,424,461 | | 3,424,461 |
| Recapture of capital cost allowance from Schedule 8 | 107 | | | 0 |
| Gain on sale of eligible capital property from Schedule 10 | 108 | | | 0 |
| Income or loss for tax purposes- joint ventures or partnerships | 109 | | | 0 |
| Loss in equity of subsidiaries and affiliates | 110 | | | 0 |
| Loss on disposal of assets | 111 | | | 0 |
| Charitable donations | 112 | | | 0 |
| Taxable Capital Gains | 113 | | | 0 |
| Political Donations | 114 | | | 0 |
| Deferred and prepaid expenses | 116 | | | 0 |
| Scientific research expenditures deducted on financial statements | 118 | | | 0 |
| Capitalized interest | 119 | | | 0 |
| Non-deductible club dues and fees | 120 | | | 0 |
| Non-deductible meals and entertainment expense | 121 | | | 0 |
| Non-deductible automobile expenses | 122 | | | 0 |
| Non-deductible life insurance premiums | 123 | | | 0 |
| Non-deductible company pension plans | 124 | | | 0 |
| Tax reserves deducted in prior year | 125 | | | 0 |
| Reserves from financial statements- balance at end of year | 126 | | | 0 |
| Soft costs on construction and renovation of buildings | 127 | | | 0 |
| Book loss on joint ventures or partnerships | 205 | | | 0 |
| Capital items expensed | 206 | | | 0 |
| Debt issue expense | 208 | | | 0 |
| Development expenses claimed in current year | 212 | | | 0 |
| Financing fees deducted in books | 216 | | | 0 |
| Gain on settlement of debt | 220 | | | 0 |
| Non-deductible advertising | 226 | | | 0 |
| Non-deductible interest | 227 | | | 0 |
| Non-deductible legal and accounting fees | 228 | | | 0 |
| Recapture of SR&ED expenditures | 231 | | | 0 |
| Share issue expense | 235 | | | 0 |
| Write down of capital property | 236 | | | 0 |
| Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2) | 237 | | | 0 |
| Other Additions | | | | |
| Interest Expensed on Capital Leases | 290 | | | 0 |
| Realized Income from Deferred Credit Accounts | 291 | | | 0 |
| Pensions | 292 | | | 0 |
| Non-deductible penalties | 293 | | | 0 |
| | 294 | | | 0 |
| | 295 | | | 0 |
| ARO Accretion expense | | | | 0 |
| Capital Contributions Received (ITA 12(1)(x)) | | | | 0 |
| Lease Inducements Received (ITA 12(1)(x)) | | | | 0 |
| Deferred Revenue (ITA 12(1)(a)) | | | | 0 |
| Prior Year Investment Tax Credits received | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| Total Additions | | 3,438,067 | 0 | 3,438,067 |

Adjusted Taxable Income – Historic Year (Continued)

| | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----|------------------|----------|------------------|
| Deductions: | | | | |
| Gain on disposal of assets per financial statements | 401 | | | 0 |
| Dividends not taxable under section 83 | 402 | | | 0 |
| Capital cost allowance from Schedule 8 | 403 | 3,492,005 | | 3,492,005 |
| Terminal loss from Schedule 8 | 404 | | | 0 |
| Cumulative eligible capital deduction from Schedule 10 | 405 | | | 0 |
| Allowable business investment loss | 406 | | | 0 |
| Deferred and prepaid expenses | 409 | | | 0 |
| Scientific research expenses claimed in year | 411 | | | 0 |
| Tax reserves claimed in current year | 413 | | | 0 |
| Reserves from financial statements - balance at beginning of year | 414 | | | 0 |
| Contributions to deferred income plans | 416 | | | 0 |
| Book income of joint venture or partnership | 305 | | | 0 |
| Equity in income from subsidiary or affiliates | 306 | | | 0 |
| <i>Other deductions: (Please explain in detail the nature of the item)</i> | | | | |
| | | | | |
| Interest capitalized for accounting deducted for tax | 390 | | | 0 |
| Capital Lease Payments | 391 | | | 0 |
| Non-taxable imputed interest income on deferral and variance accounts | 392 | | | 0 |
| | 393 | | | 0 |
| | 394 | | | 0 |
| ARO Payments - Deductible for Tax when Paid | | | | 0 |
| ITA 13(7.4) Election - Capital Contributions Received | | | | 0 |
| ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds | | | | 0 |
| Deferred Revenue - ITA 20(1)(m) reserve | | | | 0 |
| Principal portion of lease payments | | | | 0 |
| Lease Inducement Book Amortization credit to income | | | | 0 |
| Financing fees for tax ITA 20(1)(e) and (e.1) | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| | | | | 0 |
| Total Deductions | | 3,492,005 | 0 | 3,492,005 |
| Net Income for Tax Purposes | | 2,651,872 | 0 | 2,651,872 |
| | | | | |
| Charitable donations from Schedule 2 | 311 | | | 0 |
| Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82) | 320 | | | 0 |
| Non-capital losses of preceding taxation years from Schedule 4 | 331 | | | 0 |
| Net-capital losses of preceding taxation years from Schedule 4 <i>(Please include explanation and calculation in Manager's summary)</i> | 332 | | | 0 |
| Limited partnership losses of preceding taxation years from Schedule 4 | 335 | | | 0 |
| | | | | |
| TAXABLE INCOME | | 2,651,872 | 0 | 2,651,872 |



Income Tax/PILs Workform for 2013 Filers

PILs Tax Provision - Historic Year

Note: Input the actual information from the tax returns for the historic year.

Wires Only

| | | | | | |
|--------------------------------------------------------------|---------------------------------------------------------------|------------|---|--------------|-----------|
| Regulatory Taxable Income | | | | \$ 2,651,872 | A |
| Ontario Income Taxes | | | | | |
| Income tax payable | Ontario Income Tax | 11.75% | B | \$ 311,540 | C = A * B |
| Small business credit | Ontario Small Business Threshold Rate reduction (negative) | \$ 500,000 | D | | E |
| | | | | | F = D * E |
| Ontario Income tax | | | | \$ 311,540 | J = C + F |
| Combined Tax Rate and PILs | | | | | |
| | Effective Ontario Tax Rate | 11.75% | | | K = J / A |
| | Federal tax rate | 16.50% | | | L |
| | Combined tax rate | | | 28.25% | M = K + L |
| Total Income Taxes | | | | \$ 749,099 | N = A * M |
| Investment Tax Credits | | | | \$ - | O |
| Miscellaneous Tax Credits | | | | \$ - | P |
| Total Tax Credits | | | | \$ - | Q = O + P |
| Corporate PILs/Income Tax Provision for Historic Year | | | | \$ 749,099 | R = N - Q |

Adjusted Taxable Income – Bridge Year

| | T2S1 line # | Total for Regulated Utility |
|------------------------------------------------------------------------------------------------------|-------------|-----------------------------|
| Income before PILs/Taxes | A | 1,642,618 |
| Additions: | | |
| Interest and penalties on taxes | 103 | 16,321 |
| Amortization of tangible assets | 104 | 4,168,702 |
| Amortization of intangible assets | 106 | |
| Recapture of capital cost allowance from Schedule 8 | 107 | |
| Gain on sale of eligible capital property from Schedule 10 | 108 | |
| Income or loss for tax purposes- joint ventures or partnerships | 109 | |
| Loss in equity of subsidiaries and affiliates | 110 | |
| Loss on disposal of assets | 111 | |
| Charitable donations | 112 | |
| Taxable Capital Gains | 113 | |
| Political Donations | 114 | |
| Deferred and prepaid expenses | 116 | |
| Scientific research expenditures deducted on financial statements | 118 | |
| Capitalized interest | 119 | |
| Non-deductible club dues and fees | 120 | |
| Non-deductible meals and entertainment expense | 121 | |
| Non-deductible automobile expenses | 122 | |
| Non-deductible life insurance premiums | 123 | |
| Non-deductible company pension plans | 124 | |
| Tax reserves deducted in prior year | 125 | 0 |
| Reserves from financial statements- balance at end of year | 126 | 0 |
| Soft costs on construction and renovation of buildings | 127 | |
| Book loss on joint ventures or partnerships | 205 | |
| Capital items expensed | 206 | |
| Debt issue expense | 208 | |
| Development expenses claimed in current year | 212 | |
| Financing fees deducted in books | 216 | |
| Gain on settlement of debt | 220 | |
| Non-deductible advertising | 226 | |
| Non-deductible interest | 227 | |
| Non-deductible legal and accounting fees | 228 | |
| Recapture of SR&ED expenditures | 231 | |
| Share issue expense | 235 | |
| Write down of capital property | 236 | |
| Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2) | 237 | |
| Other Additions | | |
| Interest Expensed on Capital Leases | 290 | |
| Realized Income from Deferred Credit Accounts | 291 | |
| Pensions | 292 | |
| Non-deductible penalties | 293 | |
| | 294 | |
| | 295 | |
| ARO Accretion expense | | |
| Capital Contributions Received (ITA 12(1)(x)) | | |
| Lease Inducements Received (ITA 12(1)(x)) | | |
| Deferred Revenue (ITA 12(1)(a)) | | |
| Prior Year Investment Tax Credits received | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Additions | | 4,185,023 |

Adjusted Taxable Income – Bridge Year (Continued)

| Deductions: | | |
|----------------------------------------------------------------------------------------------------------------------------------|-----|------------------|
| Gain on disposal of assets per financial statements | 401 | |
| Dividends not taxable under section 83 | 402 | |
| Capital cost allowance from Schedule 8 | 403 | 3,976,401 |
| Terminal loss from Schedule 8 | 404 | 165,485 |
| Cumulative eligible capital deduction from Schedule 10 | 405 | 0 |
| Allowable business investment loss | 406 | |
| Deferred and prepaid expenses | 409 | |
| Scientific research expenses claimed in year | 411 | |
| Tax reserves claimed in current year | 413 | 0 |
| Reserves from financial statements - balance at beginning of year | 414 | 0 |
| Contributions to deferred income plans | 416 | |
| Book income of joint venture or partnership | 305 | |
| Equity in income from subsidiary or affiliates | 306 | |
| <i>Other deductions: (Please explain in detail the nature of the item)</i> | | |
| | | |
| Interest capitalized for accounting deducted for tax | 390 | |
| Capital Lease Payments | 391 | |
| Non-taxable imputed interest income on deferral and variance accounts | 392 | |
| | 393 | |
| | 394 | |
| ARO Payments - Deductible for Tax when Paid | | |
| ITA 13(7.4) Election - Capital Contributions Received | | |
| ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds | | |
| Deferred Revenue - ITA 20(1)(m) reserve | | |
| Principal portion of lease payments | | |
| Lease Inducement Book Amortization credit to income | | |
| Financing fees for tax ITA 20(1)(e) and (e.1) | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Deductions | | 4,141,886 |
| | | |
| Net Income for Tax Purposes | | 1,685,755 |
| Charitable donations from Schedule 2 | 311 | |
| Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82) | 320 | |
| Non-capital losses of preceding taxation years from Schedule 4 | 331 | |
| Net-capital losses of preceding taxation years from Schedule 4 (Please include explanation and calculation in Manager's summary) | 332 | |
| Limited partnership losses of preceding taxation years from Schedule 4 | 335 | |
| | | |
| TAXABLE INCOME | | 1,685,755 |



Income Tax/PILs Workform for 2013 Filers

PILS Tax Provision - Bridge Year

Wires Only

| | | | | | | |
|------------------------------------------------------------|----------------------------------|------------|-----------|-----|--------------|-----------|
| Regulatory Taxable Income | | | | | \$ 1,685,755 | A |
| Ontario Income Taxes | | | | | | |
| <i>Income tax payable</i> | Ontario Income Tax | 11.50% | B | \$ | 193,862 | C = A * B |
| <i>Small business credit</i> | Ontario Small Business Threshold | \$ 500,000 | D | | | |
| | Rate reduction | -7.00% | E | -\$ | 35,000 | F = D * E |
| <i>Ontario Income tax</i> | | | | | \$ 158,862 | J = C + F |
| Combined Tax Rate and PILs | Effective Ontario Tax Rate | 9.42% | K = J / A | | | |
| | Federal tax rate | 15.00% | L | | | |
| | Combined tax rate | | | | 24.42% | M = K + L |
| Total Income Taxes | | | | | \$ 411,725 | N = A * M |
| Investment Tax Credits | | | | | | O |
| Miscellaneous Tax Credits | | | | | | P |
| Total Tax Credits | | | | | \$ - | Q = O + P |
| Corporate PILs/Income Tax Provision for Bridge Year | | | | | \$ 411,725 | R = N - Q |

Note:

1. This is for the derivation of Bridge year PILs income tax expense and should not be used for Test year revenue requirement calculations.



Income Tax/PILs Workform for 2013 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital 0

Additions

| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---|---------|---|---|
| Cost of Eligible Capital Property Acquired during Test Year | 0 | | | |
| Other Adjustments | 0 | | | |
| Subtotal | 0 | x 3/4 = | 0 | |
| Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002 | 0 | x 1/2 = | 0 | |
| | | | 0 | 0 |
| Amount transferred on amalgamation or wind-up of subsidiary | 0 | | | 0 |
| Subtotal | 0 | | | 0 |

Deductions

| | | | | |
|------------------------------------------------------------------------------------------------------------------------|---|---------|---|--|
| Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year | 0 | | | |
| Other Adjustments | 0 | | | |
| Subtotal | 0 | x 3/4 = | 0 | |

| | | | | |
|---------------------------------------------------------------------------------|--|---|--------|---|
| Cumulative Eligible Capital Balance | | | | 0 |
| Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income") | | 0 | x 7% = | 0 |
| Cumulative Eligible Capital - Closing Balance | | | | 0 |

Adjusted Taxable Income – Test Year

Peterborough Distribution Inc
 EB-2012-0160
 Exhibit 4
 Tab 3
 Schedule 1

| | | Test Year Taxable Income |
|------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------|
| Net Income Before Taxes | | 2,368,601 |
| | T2 S1 line # | |
| Additions: | | |
| Interest and penalties on taxes | 103 | |
| Amortization of tangible assets 2-4 ADJUSTED ACCOUNTING DATA P489 | 104 | 2,673,856 |
| Amortization of intangible assets 2-4 ADJUSTED ACCOUNTING DATA P490 | 106 | |
| Recapture of capital cost allowance from Schedule 8 | 107 | |
| Gain on sale of eligible capital property from Schedule 10 | 108 | |
| Income or loss for tax purposes- joint ventures or partnerships | 109 | |
| Loss in equity of subsidiaries and affiliates | 110 | |
| Loss on disposal of assets | 111 | |
| Charitable donations | 112 | |
| Taxable Capital Gains | 113 | |
| Political Donations | 114 | |
| Deferred and prepaid expenses | 116 | |
| Scientific research expenditures deducted on financial statements | 118 | |
| Capitalized interest | 119 | |
| Non-deductible club dues and fees | 120 | |
| Non-deductible meals and entertainment expense | 121 | |
| Non-deductible automobile expenses | 122 | |
| Non-deductible life insurance premiums | 123 | |
| Non-deductible company pension plans | 124 | |
| Tax reserves beginning of year | 125 | 0 |
| Reserves from financial statements- balance at end of year | 126 | 0 |
| Soft costs on construction and renovation of buildings | 127 | |
| Book loss on joint ventures or partnerships | 205 | |
| Capital items expensed | 206 | |
| Debt issue expense | 208 | |
| Development expenses claimed in current year | 212 | |
| Financing fees deducted in books | 216 | |
| Gain on settlement of debt | 220 | |
| Non-deductible advertising | 226 | |
| Non-deductible interest | 227 | |
| Non-deductible legal and accounting fees | 228 | |
| Recapture of SR&ED expenditures | 231 | |
| Share issue expense | 235 | |
| Write down of capital property | 236 | |
| Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2) | 237 | |
| <i>Other Additions: (please explain in detail the nature of the item)</i> | | |
| Interest Expensed on Capital Leases | 290 | |
| Realized Income from Deferred Credit Accounts | 291 | |
| Pensions | 292 | |
| Non-deductible penalties | 293 | |
| | 294 | |
| | 295 | |
| | 296 | |
| | 297 | |
| ARO Accretion expense | | |
| Capital Contributions Received (ITA 12(1)(x)) | | |
| Lease Inducements Received (ITA 12(1)(x)) | | |
| Deferred Revenue (ITA 12(1)(a)) | | |
| Prior Year Investment Tax Credits received | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Additions | | 2,673,856 |

Adjusted Taxable Income – Test Year (Continued)

| Deductions: | | |
|----------------------------------------------------------------------------|-----|------------------|
| Gain on disposal of assets per financial statements | 401 | |
| Dividends not taxable under section 83 | 402 | |
| Capital cost allowance from Schedule 8 | 403 | 4,157,926 |
| Terminal loss from Schedule 8 | 404 | |
| Cumulative eligible capital deduction from Schedule 10 CEC | 405 | 0 |
| Allowable business investment loss | 406 | |
| Deferred and prepaid expenses | 409 | |
| Scientific research expenses claimed in year | 411 | |
| Tax reserves end of year | 413 | 0 |
| Reserves from financial statements - balance at beginning of year | 414 | 0 |
| Contributions to deferred income plans | 416 | |
| Book income of joint venture or partnership | 305 | |
| Equity in income from subsidiary or affiliates | 306 | |
| <i>Other deductions: (Please explain in detail the nature of the item)</i> | | |
| Interest capitalized for accounting deducted for tax | 390 | |
| Capital Lease Payments | 391 | |
| Non-taxable imputed interest income on deferral and variance accounts | 392 | |
| | 393 | |
| | 394 | |
| | 395 | |
| | 396 | |
| | 397 | |
| ARO Payments - Deductible for Tax when Paid | | |
| ITA 13(7.4) Election - Capital Contributions Received | | |
| ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds | | |
| Deferred Revenue - ITA 20(1)(m) reserve | | |
| Principal portion of lease payments | | |
| Lease Inducement Book Amortization credit to income | | |
| Financing fees for tax ITA 20(1)(e) and (e.1) | | |
| | | |
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| | | |
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| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Deductions | | 4,157,926 |
| NET INCOME FOR TAX PURPOSES | | 884,531 |
| Charitable donations | 311 | |
| Taxable dividends received under section 112 or 113 | 320 | |
| Non-capital losses of preceding taxation years from Schedule 7-1 | 331 | |
| Net-capital losses of preceding taxation years (Please show calculation) | 332 | |
| Limited partnership losses of preceding taxation years from Schedule 4 | 335 | |
| | | |
| REGULATORY TAXABLE INCOME | | 884,531 |



Income Tax/PILs Workform for 2013 Filers

PILs Tax Provision - Test Year

| | | | | Wires Only | |
|------------------------------------------------------------------|-----------------------------------------|------------|---|-------------------|----------------------|
| Regulatory Taxable Income | | | | \$ | 884,531 A |
| Ontario Income Taxes | | | | | |
| <i>Income tax payable</i> | Ontario Income Tax | 11.50% | B | \$ | 101,721 C = A * B |
| <i>Small business credit</i> | Ontario Small Business Threshold | \$ 500,000 | D | | |
| | Rate reduction | -7.00% | E | -\$ | 35,000 F = D * E |
| <i>Ontario Income tax</i> | | | | \$ | 66,721 J = C + F |
| Combined Tax Rate and PILs | Effective Ontario Tax Rate | 7.54% | | | K = J / A |
| | Federal tax rate | 15.00% | | | L |
| | Combined tax rate | | | | 22.54% M = K + L |
| Total Income Taxes | | | | \$ | 199,401 N = A * M |
| <i>Investment Tax Credits</i> | | | | | O |
| <i>Miscellaneous Tax Credits</i> | | | | | P |
| Total Tax Credits | | | | \$ | - Q = O + P |
| Corporate PILs/Income Tax Provision for Test Year | | | | \$ | 199,401 R = N - Q |
| Corporate PILs/Income Tax Provision Gross Up ¹ | | 77.46% | | \$ | 58,034 T = R / S - R |
| Income Tax (grossed-up) | | | | \$ | 257,435 U = R + T |

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.

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1 **MIFRS CONVERSION UNDER CGAAP:**

2 By adopting MIFRS policies under CGAAP in 2013, the PDI 2013 Test Year Revenue
3 Requirement is impacted in a manner similar to what other LDC's would be under a regular
4 transition to modified IFRS. Adoption of IFRS like policies under CGGAP has influenced the
5 Revenue Requirement as follows:

- 6 • Increased OM&A costs have resulted from PDI no longer capitalizing administrative
7 costs as required by MIFRS. This has increased the Revenue Requirement.
- 8 • Lower Depreciation resulting from longer amortization periods has reduced the Revenue
9 Requirement
- 10 • The PIL's allowance included in the Revenue Requirement has decreased as a result of
11 the prescribed method of calculating the PILs allowance, in conjunction with the lower
12 depreciation levels noted above.

13

14 **MIFRS - IMPACT ON OM&A**

15 International Accounting Standard 16 (IAS 16) – Property, Plant and Equipment (PP&E), states
16 the cost of an item of PP&E includes any costs that are directly attributable to bringing the asset
17 to the location and condition necessary for it to be capable of operating in the manner intended
18 by management. IAS 16 does not define the term “directly attributable”. The specific facts and
19 circumstances surrounding the nature of the costs and the activity associated with it must be
20 considered to determine if it is directly attributable to an item of PP&E. Where Canadian GAAP
21 allowed for the capitalization of general and administrative overhead, MIFRS does not. As
22 outlined in Exhibit 2, in 2013 PDI ceased to capitalize administrative costs. The impact of this
23 was increased OM&A of \$950,363.

24 **MIFRS – IMPACT ON DEPRECIATION**

25

26 As outlined in earlier Schedule 7 of Tab 2 of this exhibit, PDI has reviewed the useful life of its
27 assets with the aid of the Asset Depreciation Study by Kinetrics (Kinetrics Report). Table 4-45
28 contains the useful lives by Uniform System of Account, adopted by PDI in 2013 compared to
29 the useful lives used by PDI in 2012. Overall, the useful lives have been extended causing
depreciation to be reduced. For purposes of accurately estimating the impact of adopting these

1 new useful lives, PDI has summarized 2012 Depreciation applicable to a full year of PDI PP&E
 2 at December 31, 2012 (i.e. 2012 Depreciation with no half year rule applied) compared to the
 3 2013 Depreciation excluding Depreciation applicable to 2013 additions. The difference
 4 resulting, as seen in Table 4-45 is a \$1,735,550 reduction in depreciation expense.

5

6 **Table 4-45 Impact of MIFRS Kinetrics based useful lives on Depreciation Expense**

| USoA | Description | 2012 GAAP Amortization Period | 2013 Kinetrics Amortization Period | 2012 CGAAP Depreciation Full year on Closing Assets | 2013 Kinetrics MIFRS like Depreciation Full year on Opening Assets |
|---------------------------------------------------|------------------------------------|----------------------------------------|---------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 1611 | Computer Software | 5 | 5 | 195,393 | 195,393 |
| 1808 | Buildings | 50 | 50 | 11,606 | 9,082 |
| 1820 | Distribution Substation | 30 | 25-40 | 139,938 | 141,973 |
| 1830 | Poles Towers and fixtures | 25 | 45 | 1,027,704 | 536,545 |
| 1835 | OH Conductors and Devices | 25 | 30-60 | 407,743 | 190,778 |
| 1840 | Underground Conduit | 25 | 30-60 | 651,627 | 325,789 |
| 1845 | Underground Conductors and Devices | 25 | 30-40 | 146,742 | 92,290 |
| 1850 | Overhead Transformers | 25 | 35-60 | 866,956 | 475,321 |
| 1855 | Services (UG and OH) | 25 | 35-60 | 453,241 | 219,237 |
| 1860 | Meters | 25 | 25 | 54,021 | 47,697 |
| 1860 | Smart meters | 15 | 15 | 380,165 | 380,163 |
| 1920 | Computer Hardware | 5 | 5 | 8,975 | 6,735 |
| 1970 | Water Heater Controllers | 10 | 20 | 16,235 | 3,793 |
| Total Full Year Depreciation, Dec 31, 2012 Assets | | | | 4,360,346 | 2,624,796 |
| Difference | | | | | (1,735,550) |

7

8

1 **MIFRS – IMPACT ON PILS ALLOWANCE IN REVENUE REQUIREMENT**

2 As a result of the reduction in depreciation, the PIL’s allowance included in the rate base is lower
 3 than it would be would be under CGAAP with higher Depreciation Expense. This is a result of
 4 the PIL’s allowance calculation which is based on current income taxes, rather than a
 5 comprehensive view of taxes which allows for deferred income taxes. The lower depreciation
 6 levels result in an equal reduction in taxable income, ultimately converting to a lower PILs
 7 allowance. In the case of PDI the reduction in PILs is calculated as the reduction in depreciation
 8 of \$1,735,550 times the marginal tax rate of 26.5% divided by (1- marginal tax rate) which
 9 equals $\$459,921 / (1 - 0.265) = \$625,743$. The grossed up PIL’s allowance presented in the 2013
 10 utilizing MIFRS like polices under CGAAP is \$257,435 as outlined in the previous Tab of this
 11 exhibit. Accordingly, the PILs allowance on previous CGAAP policies would be \$883,178.

12

13 **MIFRS – IMPACT ON REGULATED RATE OF RETURN**

14 The adoption of MIFRS policies, prospectively adopted under CGAAP, has resulted in an
 15 increase in the Rate Base. The increase in the 2013 Rate Base is due to higher closing PP&E
 16 resulting from lower depreciation expense in 2013. Additionally the working capital allowance
 17 will be higher as a result of increased OM&A levels resulting from MIFRS policies eliminating
 18 the capitalization of administrative costs.

19 The overall impact on the Regulated Return on Capital is as follows:

20

21 **Table 4-46 Impact of MIFRS Policies under CGAAP on Regulated Return**

22

| Rate Base | CGAAP | MIFRS Policies Under CGAAP | Difference |
|---------------------------------------|------------|----------------------------|------------|
| 2013 Net Fixed Assets - Opening | 53,282,818 | 53,282,818 | - |
| 2013 Net Fixed Assets - Closing | 53,458,912 | 55,194,462 | 1,735,550 |
| Average Net Fixed Assets | 53,370,865 | 54,238,640 | 867,775 |
| Working Capital Allowance | 11,948,045 | 12,071,592 | 123,547 |
| Increase (Decrease) in Rate Base | | | 991,322 |
| Regulated Rate of Return | | | 6.06% |
| Impact on Regulated Return on Capital | | | 60,074 |

23

1 **SUMMARY OF IMPACT OF MIFRS POLICIES UNDER CGAAP ON REVENUE**
 2 **REQUIREMENT**
 3

4 The overall impact of adopting MIFRS like policies under CGAAP is a reduction in the revenue
 5 requirement of \$1,350,856. The details of this calculation are summarized from this section are
 6 provided below in Table 4-47:
 7

8 **Table 4-47 Impact of MIFRS Policies under CGAAP on Revenue Requirement**

| Revenue Requirement | CGAAP | MIFRS Policies Under CGAAP | Difference |
|--------------------------------------------------------------------------------|-----------|----------------------------|-------------|
| OM&A | 8,288,428 | 9,238,791 | 950,363 |
| Depreciation | 4,409,406 | 2,673,856 | (1,735,550) |
| PILs | 883,178 | 257,435 | (625,743) |
| Total Impact on Revenue requirement, excluding the regulated return on capital | | | (1,410,930) |
| MIFRS impact on Regulated Return on Capital | | | 60,074 |
| Impact on Revenue Requirement | | | (1,350,856) |

9

Appendix F

Affiliate Services Agreement between PUSI/PDI

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MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

THIS AGREEMENT made as of May 2, 2002.

BETWEEN:

PETERBOROUGH UTILITIES SERVICES INC., a corporation incorporated under the laws of the Province of Ontario (hereinafter called the "**Service Provider**"),

OF THE FIRST PART;

- and -

PETERBOROUGH DISTRIBUTION INC. (hereinafter called the "**Client**"),

OF THE SECOND PART.

RECITALS

1. Client and the Service Provider have agreed to enter into this Agreement pursuant to which the Service Provider will assume responsibility for the services listed herein.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE ONE

DEFINITIONS AND SCHEDULES

1.1 **Definitions**

In this Agreement, unless something in the subject matter is inconsistent therewith, all capitalized terms shall have the meanings set forth below:

"**Affiliate Relationships Code**" means the Affiliate Relationships Code of the Ontario Energy Board as the same may be amended from time to time.

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

Page 2 of 12

“Agreement” means this Agreement and all amendments made hereto in accordance with the provisions hereof.

“Business” means owning a distribution system in order to distribute electricity to customers, as well as business activities incidental thereto.

“Business Day” means a day other than Saturday, Sunday or a legal holiday.

“Emergency Management Powers” means the powers of the Service Provider described in Section 2.2

“Event of Default” means any of the events described in Section 6.1.

“Force Majeure” means a cause which is unavoidable or beyond the reasonable control of a party hereto and which by the exercise of due diligence such party is unable to prevent or overcome, including, without limitation, acts of God, acts of public enemy, war, hostilities, invasion, insurrection, riot, the order of any competent civil or military government, explosion, fire, strikes, lockouts, labour disputes, malicious acts, vandalism, failure of equipment beyond the reasonable control of a party hereto, accident to any facilities, storms, or other adverse weather conditions, or other causes of similar nature which wholly or partially prevent the parties or either of them from carrying out the terms of this Agreement (other than for the payment of monies due hereunder); provided that either party shall have the right to determine and settle any strike, lockout and labour dispute in which that party may be involved in its sole discretion and provided further that Force Majeure shall exclude lack of funds or economic hardship.

“Insolvent” means, in relation to any Person, being insolvent, bankrupt, making a proposal under the *Bankruptcy and Insolvency Act* (Canada) or having a trustee or receiver or manager appointed in respect of its assets.

“Prudent Industry Practice” means any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known to the Service Provider, at the time that a decision was made, could reasonably have been expected to accomplish the desired result at a reasonable cost, consistent with applicable laws, licensing and regulatory considerations, environmental considerations, reliability, safety and expedition. Prudent Industry Practice is not intended to be limited to the optimum practice, method or act, to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts employed by owners and operators of facilities similar in size, type and operational characteristics to Client’s facilities, and having due regard for applicable electrical, safety and maintenance codes and standards, manufacturers’ warranties, and applicable laws and shall, in any event, evidence the degree of care, diligence and skill that a reasonable prudent advisor and

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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manager having responsibility for the management of a similar business would exercise in comparable circumstances.

“Term” shall mean the period from the date hereof to the fifth anniversary hereof or such earlier date as this Agreement may be terminated in accordance with its terms.

1.2 Headings

The division of this Agreement into Articles, Sections, paragraphs and subparagraphs and the insertion of headings are for convenience of reference only and shall not affect the construction of interpretation of this Agreement. The Terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Interpretation

Words importing the singular number only shall include the plural and vice versa, words importing gender shall include all genders. Where the work “including” or “includes” is used in this Agreement it means “including without limitation” or “Includes without Limitation”, respectively. Any reference to any Document shall include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under the Documents.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. Where the charter or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purpose of this Agreement or any document, such determination or calculation shall, to the extent applicable and except as otherwise specified herein or as otherwise agreed in writing by the parties, be made in accordance with generally accepted accounting principles applied on a consistent basis.

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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1.5 Funds

All dollar amounts referred to in this agreement are in lawful money of Canada.

ARTICLE TWO

THE SERVICE PROVIDER'S FUNCTIONS AND POWERS

2.1 Appointment of the Service Provider

Client hereby appoints the Service Provider and the Service Provider hereby accepts its responsibility for all aspects of the operation, maintenance, management and management of the Business in accordance with Prudent Industry Practice and the terms of this Agreement throughout the Term including without limitation, providing all necessary staff to operate the Business.

2.2 Services Provided

- (1) The Service Provider shall have authority during the Term to manage, control, administer and operate the Business in accordance with Prudent Industry Practice, subject to the overall responsibility for management of client by its senior officers ("Client's Management") and the Client's Board of Directors ("Client's Directors") and subject to and limited by the provisions of this Agreement.

Without limiting the generality of the foregoing, the Service Provider shall be vested with the following powers which it shall exercise on behalf of the Client:

- (a) to report to Client's Management and the Client's Directors with respect to the business and affairs of the Client and the business as may be requested from time to time by Client's Management and the Client's Directors;
- (b) to provide all administrative services for business of Client including accounting and bookkeeping services;
- (c) to negotiate, execute, amend, administer, perform and carry out the terms of all agreements and commitments, the performance of which by or on behalf of Client in respect of the Business and the Business is necessary or advisable; and

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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- (d) to exercise emergency management powers in respect of any aspect of the operation and management of Client's facilities ("Emergency Management Powers") in order to take such action as a prudent owner of such facilities would normally take in the circumstances provided that (i) the Service Provider reasonably believes that immediate action is necessary to safeguard life or property or to prevent or minimize an interruption in the delivery of electricity, (ii) such action is consistent with Client's Purchasing Policy and Emergency Operations Policy and (iii) upon the exercise of Emergency Management Powers, the Service Provider shall forthwith notify Client's Management and Client's Directors in writing of the nature of the Emergency Management Powers exercised by it, the reasons for exercising Emergency Management Powers and the costs incurred or to be incurred by it in the exercise of the Emergency Management Powers.

Without limiting the generality of the foregoing the Service Provider shall provide or arrange for all of the operations and maintenance services necessary to prudently and efficiently operate and maintain Client's facilities, including but not limited to:

- (e) co-ordinate the purchase and sale of electricity under applicable contracts and pay on behalf of Client and collect all amounts payable and receivable thereunder;
- (f) operate and maintain the Business in accordance with Prudent Industry Practice, applicable laws and all Client's agreements, to minimize unscheduled outages and to provide maintenance for Client's facilities in the most cost-effective manner to prevent deterioration beyond normal wear and tear; provided that such efforts shall be necessarily limited by the operating life, capacity and maintenance requirements of the Client's facilities and by the requirements of all applicable laws;
- (g) use all reasonable care necessary to keep Client's facilities clean, orderly and free from debris, rubbish or waste to the extent consistent with the operation of the Business;
- (h) use all reasonable care not to generate, store, transport, accumulate, dispose, discharge or release any hazardous substance on, in or from any property in connection with Client's facilities, except in compliance with all applicable environmental laws and regulations;
- (i) assist Client in obtaining and maintaining all necessary regulatory and operational approvals including those required from the Ontario Energy Board and the Independent Electricity Market Operator for the Business

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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and renewals therefore including preparing and submitting all associated applications and filing;

- (j) use its reasonable efforts to secure and maintain from vendors, suppliers and subcontractors the best indemnities, warranties and guarantees as may be commercially available in accordance with Prudent Industry Practice regarding supplies, equipment and services purchased for the Business and assist Client in preserving and enforcing such indemnities, warranties or guarantees;
- (k) provide administrative services for the Business including:
 - (i) arrange insurance for the Business and Client consistent with Prudent Industry Practice;
 - (ii) maintain and preserve equipment maintenance, accounting, management of billing and receivables, banking and other necessary records, reports, documents, data and the like for the Business and Client;
 - (iii) perform cash management services for the Business and Client;
 - (iv) on a timely basis prepare financial statements and deliver them to the Client's Directors;
 - (v) assist in the administration of all agreements to which Client is a party or by which it is bound, including negotiations and communications with third parties in connection therewith; and
 - (vi) make all banking and financing agreements;
- (h) employ, and ensure adequate training and testing of all qualified personnel (duly licensed where required) required for the operation and maintenance of Client's facilities consistent with Prudent Industry Practice;
- (i) implement an inventory control system to identify, catalogue and disburse spare parts for the maintenance of Client's facilities and procure, as agent for Client initial and replacement spare parts and refurbish, where practical or economical, spare parts to allow their reuse;
- (j) perform for Client such other services as may from time to time be reasonably requested or are reasonably necessary or appropriate in connection with the operation and maintenance of Client facilities;
- (k) promptly provide Client with such other information relative to the Business as Client may reasonably request.

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

Page 7 of 12

2.3 Covenants of the Service Provider

The Service Provider covenants and agrees that in the performance of its services under this Agreement it shall:

- (a) perform all services at all times in accordance with Prudent Industry Practice and in compliance with applicable laws and consistent with the principles of the Affiliate Relationships Code;
- (b) comply with all instructions of Client's Management and the Client's Directors in relation to the performance of its services under this Agreement. The Directors will have the responsibility to provide governance for the Client and will include but not be limited to the approval of policy, approval of budgets and approval of business plans.
- (c) observe and perform or cause to be observed and performed on behalf of Client in every material respect the provisions of (i) the agreements from time to time entered into a connection with the Business, and (ii) all applicable laws including the Affiliate Relationships code;

2.4 No Liability of Service Provider

The Service Provider shall have no liability as a result of this Agreement to make or arrange for payments on account of operating expenses of Client or any other expenses relating to this Agreement out of its own funds.

ARTICLE THREE

TERM

3.1 Term of Agreement

This Agreement shall become effective as of the date hereof and shall continue in full force and effect until June 30, 2007 unless sooner terminated. This Agreement shall be automatically renewed for successive periods of five years unless either party provides the other with written notice to the contrary at least one hundred and eighty (180) days prior to the end of the then incumbent term. Consideration of continuance of the contract will be brought to the attention of the Service Provider and the Client for consideration one year prior to renewal of the contract.

ARTICLE FOUR

MANAGEMENT FEES

4.1 Management Fees

The parties shall negotiate, acting reasonably, the fees to be paid by Client to the Service Provider for the services hereunder. Such fees shall be determined annually and will be based on costs derived from Activity Based Costing and will be based on a budget approved by the Client's Directors. Any change in fees shall not be effective unless ratified by the Client's Directors.

ARTICLE FIVE

FINANCIAL STATEMENTS, BUDGETS AND RECORDS

5.1 Books and Records

The Service Provider shall keep proper books, records and accounts in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of applicable laws will be made of all dealings and transactions in relation to the Business and the performance of the Service Provider's services under this Agreement at the Service Provider's head office.

5.2 Examination of Records

The Service Provider shall make available to Client and its authorized representatives at any time during normal business hours on a Business Day all records, documents or information related to the Business, wherever maintained. The Service Provider shall permit client and its authorized representatives at any time during normal business hours on a Business Day to examine the books, records, drawings, computer-stored data, correspondence, accounting procedures and practices, cost analyses and any other supporting financial data, including invoices, payments or claims and receipts pertaining to the Business maintained by the Service Provider at its head office. Client's examination of records at the Business or at the Service Provider's head office shall be conducted in a manner which will not unduly interfere with the conduct of the Business or of the Service Provider's business in the ordinary course. The Service Provider shall furnish to Client such financial and operating data and other information with respect to the Business as Client shall from time to time reasonably request.

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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5.3 Confidentiality

The Service Provider shall ensure that, unless required in connection with applicable laws, the books, records, accounts of client (i) shall not be made available to any other person for whom the Service Provider provides services, and (ii) are not used by the Service Provider itself for any improper purpose, in compliance with the Affiliate Relationships Code.

ARTICLE SIX

DEFAULT AND TERMINATION

6.1 Event of Default

The Service Provider shall be in default under this Agreement upon the happening or occurrence of any of the following events, each of which shall be deemed to be an Event of Default for the purposes of this Agreement:

- (a) the Service Provider breaches or fails to observe or perform any of the Service Provider's material obligations, covenants, or responsibilities under this agreement, and, within thirty (30) days after notice from Client specifying the nature of such breach or failure, to the satisfaction of Client's Management and Client's Directors, the Service Provider fails to cure such breach or failure or to take steps to remedy such breach or failure and give reasonable assurances to Client that such default shall be cured within a period of time satisfactory to Client Management and Client's Directors;
- (b) the Service Provider:
 - (i) becomes Insolvent;
 - (ii) is subject to any proceeding, voluntary or involuntary, under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), or any other Act for the benefit of creditors;
 - (iii) goes into liquidation;
 - (iv) winds up either voluntarily or under an order of a Court of competent jurisdiction;
 - (v) makes a general assignment for the benefit of its creditors; or

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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- (vi) otherwise takes any corporate action that acknowledges its Insolvency; or
- (c) gross negligence, willful default or fraud by the Service Provider in the performance of any of its obligations, covenants, or responsibilities under this Agreement.

6.2 Termination

Upon three occurrences as described in section 6.1(a), within one calendar year or upon the occurrence of an Event of Default of the Service Provider but subject to section 6.3, Client may without recourse to legal process but without limiting any other rights or remedies which it may have at law or otherwise, terminate this Agreement by delivery of written notice of termination to the Service Provider.

6.3 Restriction on Termination during Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the party affected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, shall be suspended, and such party shall not be considered to be in default hereunder, for the period of such occurrence except that the occurrence of an event of Force Majeure affecting Client (but not affecting the performance of the Service Provider's obligations hereunder) shall not relieve it of its obligation to make payments to the Service Provider hereunder. The non-performing party shall give the other party prompt written notice of the particulars of the event of Force Majeure and its expected duration, shall continue to furnish regular reports with respect thereto on a timely basis during the continuance of the event of Force Majeure and shall use its best efforts to remedy its inability to perform. The suspension of performance is to be of no greater scope and of no longer duration than is required by the Force Majeure condition. No obligations of either party that arose before the Force Majeure causing the suspension of performance are excused as a result of the Force Majeure.

6.4 Post-Termination Arrangements

In the event of termination of this Agreement;

- (a) the Service Provider shall deliver to Client all books, records, accounts, systems and manuals which it has developed and maintained relating to Client. Client's facilities and the Business pursuant to this Agreement;
- (b) the parties shall take all steps as may be reasonable required to complete and final accounting between them and Client will pay to Service Provider all fees accrued to date and to provide, if applicable, for the

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

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orderly transfer of insurance and completion of any other matter contemplated by this Agreement; and

- (c) title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by the Service Provider for the Business shall pass to and vest in Client upon the passage of title from the vendor or supplier thereof and payment or reimbursement of costs by Client.

ARTICLE SEVEN

GENERAL MATTERS

7.1 Governing Law

This Agreement shall be conclusively deemed to be a contract made under, and shall for all purposes be construed and interpreted in accordance with the laws of the Province of Ontario, and the laws of Canada applicable in such Province.

7.2 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.3 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

7.4 Amendments and Waivers

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

MANAGEMENT, OPERATIONS AND MAINTENANCE AGREEMENT

7.5 Further Assurances

Each of Client and the Service Provider shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.6 Time of the Essence

Time shall be of the essence of this Agreement.

7.7 No Partnership


It is understood and agreed that nothing contained in this Agreement nor any acts of the parties shall be deemed to constitute the Service Provider and Client as partners of each other.

7.8 Dispute Resolution

In the event there is any disagreement between the parties as to the performance or implementation of any provision of this agreement, including the amount of fees to be paid pursuant to Section 4.1, or the provision for termination of the agreement, the issue will be submitted to arbitration pursuant to the *Arbitration Act*.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto as of the day of , 2002.

PETERBOROUGH UTILITIES SERVICES INC.

Per: 
Chair

PETERBOROUGH DISTRIBUTION INC.

Per: 
Chair

Appendix G

Collins Barrow Corporate Cost Allocation Report

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Collins Barrow Kawarthas LLP
272 Charlotte Street
Peterborough, Ontario
K9J 2V4

T. 705.742.3418
F. 705.742.9775

www.collinsbarrowkawarthas.com

**To the Board of Directors of
Peterborough Distribution Inc.**

At the request of Peterborough Distribution Inc., we have reviewed the corporate cost allocation methodology of Peterborough Distribution Inc. for the years ending 2009-2011 (Appendix 1) in accordance with the allocation principles as established by the Ontario Energy Board in Article 340, Allocation of Costs and Transfer Pricing, of the Accounting Procedures Handbook, issued November 1999, effective January 1, 2000 and revised July 2007. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on the corporate cost allocation methodology.

Based on our review, nothing has come to our attention that causes us to believe that the corporate cost allocation methodology is not, in all material respects, in accordance with the allocation principles as established by the Ontario Energy Board in Article 340, Allocation of Costs and Transfer Pricing, of the Accounting Procedures Handbook, issued November 1999, effective January 1, 2000 and revised July 2007.

Collins Barrow Kawarthas LLP

Chartered Accountants
Licensed Public Accountants

Peterborough, Ontario
October 31, 2012

Appendix H

PDI Purchasing Policy

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1867 Ashburnham Drive
 PO Box 4125, Station Main
 Peterborough ON K9J 6Z5
 (705) 748-9300

PETERBOROUGH UTILITIES GROUP POLICY

Peterborough Distribution Inc.
 EB-2012-0160
 Exhibit 4
 Appendix H

| | | |
|-------------------------------------------|---------------------------------------------------------|------------------------------------------|
| NAME OF POLICY: | | |
| Purchasing | | |
| DOCUMENT CONTROLLED BY: Finance | DATE OF LAST REVIEW/APPROVAL: January 7, 2007 | NEXT REVIEW DATE: July 7, 2009 |

Peterborough Utilities Group endorses the organizational concept of centralized purchasing.

To the extent possible, the Peterborough Utilities Group (herein referred to as "Corporation") will optimise the quality, quantity, timeliness, environmental impact and price of the goods and services it purchases. Purchases will be made from suppliers who are stable, have a reputation for good service, honesty, and good quality and who are responsible and responsive to the needs of the Corporation. Where practical, the Corporation will promote standardization, partnership arrangements and joint purchases with other groups where there is a benefit to the Corporation, and endeavour to avoid restrictive specifications.

Competitive bids will normally be invited, and the purchase will normally be awarded to the lowest evaluated, responsive and responsible bidder, unless otherwise approved by the Board, or for emergency purchases, or for sole-source purchases approved by the appropriate signing authority.

Approvals shall be required as follows:

| AMOUNT In Canadian Dollars (Excluding applicable taxes) | APPROVAL (To be in order where more than 1 level required) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <u>All Subsidiaries:</u> Less than \$100,000 - Not budgeted Less than \$400,000 - Budgeted | President & CEO |
| <u>PUSI</u> <u>Not budgeted:</u> Greater than or equal to \$100,000 to less than \$1 million. <u>Budgeted:</u> Greater than or equal to \$400,000 to less than \$1 million. | Board |



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 (705) 748-9300

PETERBOROUGH UTILITIES GROUP POLICY

Peterborough Distribution Inc.
 EB-2012-0160
 Exhibit 4
 Appendix H

| <p style="text-align: center;">AMOUNT In Canadian Dollars (Excluding applicable taxes)</p> | <p style="text-align: center;">APPROVAL (To be in order where more than 1 level required)</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <p><u>PDI</u> <u>Not budgeted:</u> Greater than or equal to \$100,000 to less than \$3 million.</p> <p><u>Budgeted:</u> Greater than or equal to \$400,000 to less than \$3 million</p> | <p style="text-align: center;">Board</p> |
| <p><u>PUI</u> <u>Not budgeted:</u> Greater than or equal to \$100,000 to less than \$2 million.</p> <p><u>Budgeted</u> Greater than or equal to \$400,000 to less than \$2 million</p> | <p style="text-align: center;">Board</p> |
| <p><u>PUSI</u> Greater than or equal to \$1 million to less than \$20 million</p> <p><u>PDI</u> Greater than or equal to \$3 million to less than \$20 million</p> <p><u>PUI</u> Greater than or equal to \$2 million to less than \$20 million</p> | <p>#1 Subsidiary Board #2 COPHI Board</p> |
| <p><u>All Subsidiaries:</u> Greater than or equal to \$20 million</p> | <p>#1 Subsidiary Board #2 COPHI Board #3 Shareholder</p> |

The President will establish the signing authority of various staff positions for the requisitioning of goods and services of lower values in the Purchasing Practice.



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PO Box 4125, Station Main
Peterborough ON K9J 6Z5
(705) 748-9300

PETERBOROUGH UTILITIES GROUP POLICY

Peterborough Distribution Inc.
EB-2012-0160
Exhibit 4
Appendix H

The applicable Board(s) will be informed, after the fact, of any actual purchase cost that is either greater than \$250K, for a previously budgeted item, or for any item greater than \$100K where the actual purchase price varies from the budgeted price by the lesser of 15 percent or \$50K.

This Policy is subject to the terms and conditions set out in the Shareholder Direction and Unanimous Shareholder Declaration.

RATIONALE

Policies and Practices for the purchase of goods and services should be efficient and well controlled, promoting fair competition and good value in meeting the needs of the Corporation.

Appendix I

2012 PDI Draft Post-Retirement Benefit Report

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PETERBOROUGH UTILITIES GROUP
PETERBOROUGH DISTRIBUTION INC. - SPLIT
ESTIMATED BENEFIT EXPENSE (CICA 3461)
DRAFT

Calendar Year 2012

| | |
|--------------------------------------------|--------|
| Discount Rate - January 1 | 4.75% |
| Discount Rate - December 31 | 3.85% |
| Withdrawal Rate | 2.00% |
| Assumed Increase in Employer Contributions | actual |

A. Determination of Benefit Expense

| | |
|---------------------------------|-------|
| Current Service Cost | 1,634 |
| Interest on Benefits | 1,798 |
| Expected Interest on Assets | - |
| Past Service Cost/(Gain) | - |
| Transitional Obligation/(Asset) | - |
| Actuarial (Gain)/Loss | 3,662 |

| | |
|------------------------|--------------|
| Benefit Expense | 7,094 |
|------------------------|--------------|

B. Reconciliation of Prepaid Benefit Asset (Liability)

| | |
|----------------------------------------------------|----------|
| Accrued Benefit Obligation (ABO) as at December 31 | 44,404 |
| Assets as at December 31 | - |
| Unfunded ABO | (44,404) |
| Unrecognized Loss/(Gain) | 26,693 |
| Unrecognized Past Service Cost/(Gain) | - |
| Unrecognized Transition | - |

| | |
|------------------------------------------|-----------------|
| Prepaid Benefit Asset (Liability) | (17,711) |
|------------------------------------------|-----------------|

| | |
|------------------------------------------------|----------|
| Prepaid Benefit (Liability) as at January 1 | (10,617) |
| Benefit Income/(Expense) | (7,094) |
| Contributions/Benefit Payments by the Employer | - |

| | |
|------------------------------------------|-----------------|
| Prepaid Benefit Asset (Liability) | (17,711) |
|------------------------------------------|-----------------|

**PETERBOROUGH UTILITIES GROUP
 PETERBOROUGH DISTRIBUTION INC. - SPLIT
 ESTIMATED BENEFIT EXPENSE (CICA 3461)
 DRAFT**

Calendar Year 2012

| | |
|--------------------------------------------|--------|
| Discount Rate - January 1 | 4.75% |
| Discount Rate - December 31 | 3.85% |
| Withdrawal Rate | 2.00% |
| Assumed Increase in Employer Contributions | actual |

C. Calculation of Component Items

Calculation of the Service Cost

| | |
|------------------------|-------|
| - Current Service Cost | 1,634 |
|------------------------|-------|

Interest on Benefits

| | |
|------------------------|---------------|
| - ABO at January 1 | 36,212 |
| - Current Service Cost | 1,634 |
| - Benefit Payments | - |
| - Accrued Benefits | <u>37,846</u> |
| - Interest | 1,798 |

Expected Interest on Assets

| | |
|-----------------------|----------|
| - Assets at January 1 | - |
| - Funding | - |
| - Benefit Payments | - |
| - Expected Assets | <u>-</u> |
| - Interest | - |

Expected ABO as at December 31

| | |
|-------------------------------|---------------|
| - ABO at January 1 | 36,212 |
| - Current Service Cost | 1,634 |
| - Interest on Benefits | 1,798 |
| - Benefit Payments | - |
| - Expected ABO at December 31 | <u>39,644</u> |

Expected Assets as at December 31

| | |
|----------------------------------|----------|
| - Assets at January 1 | - |
| - Funding | - |
| - Interest on Assets | - |
| - Benefit Payments | - |
| - Expected Assets at December 31 | <u>-</u> |

**PETERBOROUGH UTILITIES GROUP
 PETERBOROUGH DISTRIBUTION INC. - SPLIT
 ESTIMATED BENEFIT EXPENSE (CICA 3461)
 DRAFT**

Calendar Year 2012

| | |
|--------------------------------------------|--------|
| Discount Rate - January 1 | 4.75% |
| Discount Rate - December 31 | 3.85% |
| Withdrawal Rate | 2.00% |
| Assumed Increase in Employer Contributions | actual |

D. Actuarial (Gain)/Loss

| | |
|-----------------------------------------------------------------------------|---------------|
| (Gain)/Loss on ABO as at January 1 | |
| - Prepaid Benefit(Liability) | 10,617 |
| - Unamortized (Gain)/Loss From Prior Year | 25,595 |
| - Expected ABO | <u>36,212</u> |
| - Actual ABO | <u>36,212</u> |
| - (Gain)/Loss on ABO | - |
| | |
| (Gain)/Loss on assets as at January 1 | |
| - Expected Assets | - |
| - Actual Assets | - |
| - (Gain)/Loss on Assets | <u>-</u> |
| | |
| Total (Gain)/Loss as at January 1 | 25,595 |
| | |
| 10% of ABO as at January 1 | <u>3,621</u> |
| Total (Gain)/Loss in Excess of 10% | 21,974 |
| | |
| Expected Average Remaining Service Life (Years) | 6 |
| | |
| Minimum Amortization for Current Year | 3,662 |
| | |
| Actual Amortization for Current Year | 3,662 |
| | |
| (Gain)/Loss on ABO at December 31 due to change in discount rate assumption | |
| - Expected ABO - December 31 | 39,644 |
| - Actual ABO - December 31 | <u>44,404</u> |
| - (Gain)/Loss on ABO at December 31 | 4,760 |
| | |
| Unamortized (Gain)/Loss as at December 31 | 26,693 |

Appendix J

2011 Federal & Ontario Tax Return

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T2 CORPORATION INCOME TAX RETURN

200

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see www.cra.gc.ca or Guide T4012, *T2 Corporation – Income Tax Guide*.

055 Do not use this area

Identification
Business Number (BN) **001** 86934 6585 RC0001

Corporation's name
002 Peterborough Distribution Inc.

Address of head office
Has this address changed since the last time we were notified? **010** 1 Yes 2 No
(If **yes**, complete lines 011 to 018.)

011 1867 Ashburnham Drive

012 P.O. Box 4125

City Province, territory, or state

015 Peterborough **016** ON

Country (other than Canada) Postal code/Zip code

017 **018** K9J 6Z5

Mailing address (if different from head office address)
Has this address changed since the last time we were notified? **020** 1 Yes 2 No
(If **yes**, complete lines 021 to 028.)

021 c/o

022 1867 Ashburnham Drive

023 P.O. Box 4125

City Province, territory, or state

025 Peterborough **026** ON

Country (other than Canada) Postal code/Zip code

027 **028** K9J 6Z5

Location of books and records
Has the location of books and records changed since the last time we were notified? **030** 1 Yes 2 No
(If **yes**, complete lines 031 to 038.)

031 1867 Ashburnham Drive

032 P.O. Box 4125

City Province, territory, or state

035 Peterborough **036** ON

Country (other than Canada) Postal code/Zip code

037 **038** K9J 6Z5

040 **Type of corporation at the end of the tax year**

| | |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| 1 <input checked="" type="checkbox"/> Canadian-controlled private corporation (CCPC) | 4 <input type="checkbox"/> Corporation controlled by a public corporation |
| 2 <input type="checkbox"/> Other private corporation | 5 <input type="checkbox"/> Other corporation (specify, below) |
| 3 <input type="checkbox"/> Public corporation | |

If the type of corporation changed during the tax year, provide the effective date of the change. **043** _____
YYYY MM DD

To which tax year does this return apply?

Tax year start Tax year-end
060 2011-01-01 **061** 2011-12-31
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? **063** 1 Yes 2 No

If **yes**, provide the date control was acquired **065** _____
YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:

subparagraph 88(2)(a)(iv)? **064** 1 Yes 2 No
subsection 249(3.1)? **066** 1 Yes 2 No

Is the corporation a professional corporation that is a member of a partnership? **067** 1 Yes 2 No

Is this the first year of filing after:

Incorporation? **070** 1 Yes 2 No
Amalgamation? **071** 1 Yes 2 No

If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? **072** 1 Yes 2 No
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? **076** 1 Yes 2 No

Is this the final return up to dissolution? **078** 1 Yes 2 No

If an election was made under section 261, state the functional currency used **079** _____

Is the corporation a resident of Canada?
080 1 Yes 2 No If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081 _____

Is the non-resident corporation claiming an exemption under an income tax treaty? **082** 1 Yes 2 No
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

085 1 Exempt under paragraph 149(1)(e) or (l)
2 Exempt under paragraph 149(1)(j)
3 Exempt under paragraph 149(1)(t)
4 Exempt under other paragraphs of section 149

Do not use this area

095 **096**

Attachments

Financial statement information: Use GIF1 schedules 100, 125, and 141.

Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

| | Yes | Schedule |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------|
| Is the corporation related to any other corporations? | <input checked="" type="checkbox"/> | 9 |
| Is the corporation an associated CCPC? | <input checked="" type="checkbox"/> | 23 |
| Is the corporation an associated CCPC that is claiming the expenditure limit? | <input type="checkbox"/> | 49 |
| Does the corporation have any non-resident shareholders? | <input type="checkbox"/> | 19 |
| Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents | <input type="checkbox"/> | 11 |
| If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee? | <input type="checkbox"/> | 44 |
| Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada? | <input type="checkbox"/> | 14 |
| Is the corporation claiming a deduction for payments to a type of employee benefit plan? | <input type="checkbox"/> | 15 |
| Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989? | <input type="checkbox"/> | T5004 |
| Is the corporation a member of a partnership for which a partnership identification number has been assigned? | <input type="checkbox"/> | T5013 |
| Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)? | <input type="checkbox"/> | 22 |
| Did the corporation have any foreign affiliates during the year? | <input type="checkbox"/> | 25 |
| Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ? | <input type="checkbox"/> | 29 |
| Has the corporation had any non-arm's length transactions with a non-resident? | <input type="checkbox"/> | T106 |
| For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares? | <input checked="" type="checkbox"/> | 50 |
| Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year? | <input type="checkbox"/> | |
| Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes? | <input checked="" type="checkbox"/> | 1 |
| Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine? | <input type="checkbox"/> | 2 |
| Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund? | <input checked="" type="checkbox"/> | 3 |
| Is the corporation claiming any type of losses? | <input type="checkbox"/> | 4 |
| Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction? | <input type="checkbox"/> | 5 |
| Has the corporation realized any capital gains or incurred any capital losses during the tax year? | <input type="checkbox"/> | 6 |
| i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440? | <input type="checkbox"/> | 7 |
| Does the corporation have any property that is eligible for capital cost allowance? | <input checked="" type="checkbox"/> | 8 |
| Does the corporation have any property that is eligible capital property? | <input type="checkbox"/> | 10 |
| Does the corporation have any resource-related deductions? | <input type="checkbox"/> | 12 |
| Is the corporation claiming deductible reserves? | <input type="checkbox"/> | 13 |
| Is the corporation claiming a patronage dividend deduction? | <input type="checkbox"/> | 16 |
| Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction? | <input type="checkbox"/> | 17 |
| Is the corporation an investment corporation or a mutual fund corporation? | <input type="checkbox"/> | 18 |
| Is the corporation carrying on business in Canada as a non-resident corporation? | <input type="checkbox"/> | 20 |
| Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits? | <input type="checkbox"/> | 21 |
| Does the corporation have any Canadian manufacturing and processing profits? | <input type="checkbox"/> | 27 |
| Is the corporation claiming an investment tax credit? | <input type="checkbox"/> | 31 |
| Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures? | <input type="checkbox"/> | T661 |
| Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000? | <input checked="" type="checkbox"/> | |
| Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000? | <input checked="" type="checkbox"/> | |
| Is the corporation claiming a surtax credit? | <input type="checkbox"/> | 37 |
| Is the corporation subject to gross Part VI tax on capital of financial institutions? | <input type="checkbox"/> | 38 |
| Is the corporation claiming a Part I tax credit? | <input type="checkbox"/> | 42 |
| Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid? | <input type="checkbox"/> | 43 |
| Is the corporation agreeing to a transfer of the liability for Part VI.1 tax? | <input type="checkbox"/> | 45 |
| Is the corporation subject to Part II - Tobacco Manufacturers' surtax? | <input type="checkbox"/> | 46 |
| For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax? | <input type="checkbox"/> | 39 |
| Is the corporation claiming a Canadian film or video production tax credit refund? | <input type="checkbox"/> | T1131 |
| Is the corporation claiming a film or video production services tax credit refund? | <input type="checkbox"/> | T1177 |
| Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.) | <input type="checkbox"/> | 92 |

Attachments – continued from page 2

| | Yes | Schedule |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------|
| Did the corporation have any foreign affiliates that are not controlled foreign affiliates? | <input type="checkbox"/> | T1134-A |
| Did the corporation have any controlled foreign affiliates? | <input type="checkbox"/> | T1134-B |
| Did the corporation own specified foreign property in the year with a cost amount over \$100,000? | <input type="checkbox"/> | T1135 |
| Did the corporation transfer or loan property to a non-resident trust? | <input type="checkbox"/> | T1141 |
| Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year? | <input type="checkbox"/> | T1142 |
| Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada? | <input type="checkbox"/> | T1145 |
| Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts? | <input type="checkbox"/> | T1146 |
| Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED? | <input type="checkbox"/> | T1174 |
| Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year? | <input checked="" type="checkbox"/> | 55 |
| Has the corporation made an election under subsection 89(11) not to be a CCPC? | <input type="checkbox"/> | T2002 |
| Has the corporation revoked any previous election made under subsection 89(11)? | <input type="checkbox"/> | T2002 |
| Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year? | <input checked="" type="checkbox"/> | 53 |
| Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year? | <input type="checkbox"/> | 54 |

Additional information

| | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------|------------------------------------------|
| Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements? | 270 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| Is the corporation inactive? | 280 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| What is the corporation's main revenue-generating business activity? | | 418990 | All Other Wholesaler-Distributors CAN |
| Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents. | 284 | Electric distribution | 285 100.000 % |
| | 286 | | 287 % |
| | 288 | | 289 % |
| Did the corporation immigrate to Canada during the tax year? | 291 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| Did the corporation emigrate from Canada during the tax year? | 292 | 1 Yes <input type="checkbox"/> | 2 No <input checked="" type="checkbox"/> |
| Do you want to be considered as a quarterly instalment remitter if you are eligible? | 293 | 1 Yes <input type="checkbox"/> | 2 No <input type="checkbox"/> |
| If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible | 294 | YYYY MM DD | |
| If the corporation's major business activity is construction, did you have any subcontractors during the tax year? | 295 | 1 Yes <input type="checkbox"/> | 2 No <input type="checkbox"/> |

Taxable income

| | | | |
|----------------------------------------------------------------------------------------------------------------|------------|-----------|---|
| Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL. | 300 | 2,651,872 | A |
| Deduct: Charitable donations from Schedule 2 | 311 | | |
| Gifts to Canada, a province, or a territory from Schedule 2 | 312 | | |
| Cultural gifts from Schedule 2 | 313 | | |
| Ecological gifts from Schedule 2 | 314 | | |
| Gifts of medicine from Schedule 2 | 315 | | |
| Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3 | 320 | | |
| Part VI.1 tax deduction* | 325 | | |
| Non-capital losses of previous tax years from Schedule 4 | 331 | | |
| Net capital losses of previous tax years from Schedule 4 | 332 | | |
| Restricted farm losses of previous tax years from Schedule 4 | 333 | | |
| Farm losses of previous tax years from Schedule 4 | 334 | | |
| Limited partnership losses of previous tax years from Schedule 4 | 335 | | |
| Taxable capital gains or taxable dividends allocated from a central credit union | 340 | | |
| Prospector's and grubstaker's shares | 350 | | |
| Subtotal | | 2,651,872 | B |
| Subtotal (amount A minus amount B) (if negative, enter "0") | | 2,651,872 | C |
| Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions | 355 | | D |
| Taxable income (amount C plus amount D) | 360 | 2,651,872 | |
| Income exempt under paragraph 149(1)(t) | 370 | | |
| Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370) | | 2,651,872 | Z |

* This amount is equal to 3.2 times the Part VI.1 tax payable at line 724 on page 8. Use 3.5 for tax years ending after 2011.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|---|
| Income from active business carried on in Canada from Schedule 7 | 400 | 2,651,872 | A |
| Taxable income from line 360 on page 3, minus 100/28* 3.37312 of the amount on line 632** on page 7, minus 1/(0.38 - X***) 3.77358 times the amount on line 636**** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax | 405 | 2,651,872 | B |
| Business limit (see notes 1 and 2 below) | 410 | | C |

Notes:

- For CCPCs that are not associated, enter \$ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
- For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

| | | | | | | | |
|----------------------------------------------------------------------------------|---|-----------|---------|---|---|-----|---|
| Amount C | x | 415 ***** | 254,785 | D | = | | E |
| | | | 11,250 | | | | |
| Reduced business limit (amount C minus amount E) (if negative, enter "0") | | | | | | 425 | F |

Small business deduction

| | | | | | |
|----------------------------------------------|---|------|---|-----|---|
| Amount A, B, C, or F, whichever is the least | x | 17 % | = | 430 | G |
|----------------------------------------------|---|------|---|-----|---|

Enter amount G on line 1 on page 7.

* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.

** Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

*** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

**** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

******* Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

| | | |
|--------------------------------------------------------------------------|-----------|---|
| Taxable income from line 360 on page 3* | 2,651,872 | A |
| Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27 | | B |
| Amount QQ from Part 13 of Schedule 27 | | C |
| Personal service business income** | 432 | D |
| Amount used to calculate the credit union deduction from Schedule 17 | | E |
| Amount from line 400, 405, 410, or 425 on page 4, whichever is the least | | F |
| Aggregate investment income from line 440 on page 6*** | | G |
| Total of amounts B to G | | H |
| Amount A minus amount H (if negative, enter "0") | 2,651,872 | I |

| | | | | | | | | |
|----------|-----------|---|---------------------------------------------------------------------------------------|-----|------|--------|---|---------|
| Amount I | 2,651,872 | x | Number of days in the tax year after December 31, 2008, and before January 1, 2010 | x | 9 % | = | | J |
| | | | Number of days in the tax year | 365 | | | | |
| Amount I | 2,651,872 | x | Number of days in the tax year after December 31, 2009, and before January 1, 2011 | x | 10 % | = | | K |
| | | | Number of days in the tax year | 365 | | | | |
| Amount I | 2,651,872 | x | Number of days in the tax year after December 31, 2010, and before January 1, 2012 | 365 | x | 11.5 % | = | 304,965 |
| | | | Number of days in the tax year | 365 | | | | |
| Amount I | 2,651,872 | x | Number of days in the tax year after December 31, 2011 | x | 13 % | = | | M |
| | | | Number of days in the tax year | 365 | | | | |

General tax reduction for Canadian-controlled private corporations – Total of amounts J to M 304,965 N

Enter amount N on line 638 on page 7.

* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.
 ** For tax years beginning after October 31, 2011.
 *** Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

| | | |
|----------------------------------------------------------------------|-----|---|
| Taxable income from page 3 (line 360 or amount Z, whichever applies) | | O |
| Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27 | | P |
| Amount QQ from Part 13 of Schedule 27 | | Q |
| Personal service business income* | 434 | R |
| Amount used to calculate the credit union deduction from Schedule 17 | | S |
| Total of amounts P to S | | T |
| Amount O minus amount T (if negative, enter "0") | | U |

| | | | | | | | | |
|----------|--|---|---------------------------------------------------------------------------------------|-----|------|--------|---|---|
| Amount U | | x | Number of days in the tax year after December 31, 2008, and before January 1, 2010 | x | 9 % | = | | V |
| | | | Number of days in the tax year | 365 | | | | |
| Amount U | | x | Number of days in the tax year after December 31, 2009, and before January 1, 2011 | x | 10 % | = | | W |
| | | | Number of days in the tax year | 365 | | | | |
| Amount U | | x | Number of days in the tax year after December 31, 2010, and before January 1, 2012 | 365 | x | 11.5 % | = | X |
| | | | Number of days in the tax year | 365 | | | | |
| Amount U | | x | Number of days in the tax year after December 31, 2011 | x | 13 % | = | | Y |
| | | | Number of days in the tax year | 365 | | | | |

General tax reduction – Total of amounts V to Y Z

Enter amount Z on line 639 on page 7.

* For tax years beginning after October 31, 2011.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7 **440** x 26 2 / 3 % = **A**

Foreign non-business income tax credit from line 632 on page 7 _____

Deduct:

Foreign investment income from Schedule 7 **445** x 9 1 / 3 % = _____
(if negative, enter "0") _____ **B**

Amount A minus amount B (if negative, enter "0") _____ **C**

Taxable income from line 360 on page 3 2,651,872

Deduct:

Amount from line 400, 405, 410, or 425 on page 4, whichever is the least _____

Foreign non-business income tax credit from line 632 on page 7 x $\frac{25}{9}$ = _____

Foreign business income tax credit from line 636 on page 7 x $1(0.38 - X^{**})$ = _____

2,651,872
x 26 2 / 3 % = 707,166 **D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8) 437,559 **E**

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least **450** **F**

* 100/35 for tax years beginning after October 31, 2011.
** General rate reduction percentage for the tax year. It has to be pro-rated.

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year **460**

Deduct: Dividend refund for the previous tax year **465** _____ **G**

Add the total of:

Refundable portion of Part I tax from line 450 above _____

Total Part IV tax payable from Schedule 3 _____

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation **480** _____ **H**

Refundable dividend tax on hand at the end of the tax year – Amount G plus amount H **485**

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3 1,641,000 x 1 / 3 = 547,000 **I**

Refundable dividend tax on hand at the end of the tax year from line 485 above _____ **J**

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 on page 8) _____

Part I tax

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------------------------|--------------------|
| Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) multiplied by 38 % | 550 | <u>1,007,711</u> | A |
| Recapture of investment tax credit from Schedule 31 | 602 | | B |
| Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income (if it was a CCPC throughout the tax year) | | | |
| Aggregate investment income from line 440 on page 6 | | | i |
| Taxable income from line 360 on page 3 | | <u>2,651,872</u> | |
| Deduct: Amount from line 400, 405, 410, or 425 on page 4, whichever is the least | | | |
| Net amount | | <u>2,651,872</u> | ii |
| Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii | 604 | | C |
| | | Subtotal (add lines A to C) | <u>1,007,711</u> D |
| Deduct: | | | |
| Small business deduction from line 430 on page 4 | | | 1 |
| Federal tax abatement | 608 | <u>265,187</u> | |
| Manufacturing and processing profits deduction from Schedule 27 | 616 | | |
| Investment corporation deduction | 620 | | |
| Taxed capital gains 624 | | | |
| Additional deduction – credit unions from Schedule 17 | 628 | | |
| Federal foreign non-business income tax credit from Schedule 21 | 632 | | |
| Federal foreign business income tax credit from Schedule 21 | 636 | | |
| General tax reduction for CCPCs from amount N on page 5 | 638 | <u>304,965</u> | |
| General tax reduction from amount Z on page 5 | 639 | | |
| Federal logging tax credit from Schedule 21 | 640 | | |
| Federal qualifying environmental trust tax credit | 648 | | |
| Investment tax credit from Schedule 31 | 652 | | |
| | | Subtotal | <u>570,152</u> E |
| Part I tax payable – Line D minus line E | | | <u>437,559</u> F |
| Enter amount F on line 700 on page 8. | | | |

Summary of tax and credits

Federal tax

| | | |
|------------------------------------------|-----|----------------|
| Part I tax payable from page 7 | 700 | 437,559 |
| Part II surtax payable from Schedule 46 | 708 | |
| Part III.1 tax payable from Schedule 55 | 710 | |
| Part IV tax payable from Schedule 3 | 712 | |
| Part IV.1 tax payable from Schedule 43 | 716 | |
| Part VI tax payable from Schedule 38 | 720 | |
| Part VI.1 tax payable from Schedule 43 | 724 | |
| Part XIII.1 tax payable from Schedule 92 | 727 | |
| Part XIV tax payable from Schedule 20 | 728 | |
| Total federal tax | | 437,559 |

Add provincial or territorial tax:

Provincial or territorial jurisdiction **750** ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

| | | |
|-----------------------------------------------------------------------|-----|----------------|
| Net provincial or territorial tax payable (except Quebec and Alberta) | 760 | 311,540 |
| Provincial tax on large corporations (Nova Scotia Schedule 342) | 765 | |
| Total tax payable | | 311,540 |

Deduct other credits:

| | | |
|-------------------------------------------------------------------|------------|----------------|
| Investment tax credit refund from Schedule 31 | 780 | |
| Dividend refund from page 6 | 784 | |
| Federal capital gains refund from Schedule 18 | 788 | |
| Federal qualifying environmental trust tax credit refund | 792 | |
| Canadian film or video production tax credit refund (Form T1131) | 796 | |
| Film or video production services tax credit refund (Form T1177) | 797 | |
| Tax withheld at source | 800 | |
| Total payments on which tax has been withheld | 801 | |
| Provincial and territorial capital gains refund from Schedule 18 | 808 | |
| Provincial and territorial refundable tax credits from Schedule 5 | 812 | |
| Tax instalments paid | 840 | 762,000 |
| Total credits | 890 | 762,000 |

Total tax payable **770** **749,099** A

Total credits **890** **762,000** B

Refund code **894** 1 Overpayment **12,901**

Balance (line A minus line B) **-12,901**



Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start Change information **910** Branch number
914 Institution number **918** Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid **898**

Enclosed payment **898**

896 1 Yes 2 No

Certification

I, **950** Thompson **951** Byron **954** CFO
Last name in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2012-07-03 **956** (705) 748-9301
Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below **957** 1 Yes 2 No

958 Name in block letters **959** Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français.

990 1

Schedule of Instalment Remittances

Name of corporation contact _____

Telephone number _____

| Effective interest date | Description (instalment remittance, split payment, assessed credit) | Amount of credit |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------|
| | Per Statement of Account - | 642,000 |
| | March allocation from account | 120,000 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total amount of instalments claimed (carry the result to line 840 of the T2 Return) | | <u>762,000</u> A |
| Total instalments credited to the taxation year per T9 | | <u>762,000</u> B |

Transfer

| Account number | Taxation year end | Amount | Effective interest date | Description |
|----------------|-------------------|--------|-------------------------|-------------|
| From: _____ | _____ | _____ | _____ | _____ |
| To: _____ | _____ | _____ | _____ | _____ |
| From: _____ | _____ | _____ | _____ | _____ |
| To: _____ | _____ | _____ | _____ | _____ |
| From: _____ | _____ | _____ | _____ | _____ |
| To: _____ | _____ | _____ | _____ | _____ |
| From: _____ | _____ | _____ | _____ | _____ |
| To: _____ | _____ | _____ | _____ | _____ |
| From: _____ | _____ | _____ | _____ | _____ |
| To: _____ | _____ | _____ | _____ | _____ |

Form identifier 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIF1

| | | |
|--------------------------------|-------------------|--------------------------------|
| Name of corporation | Business Number | Tax year end Year Month Day |
| Peterborough Distribution Inc. | 86934 6585 RC0001 | 2011-12-31 |

Balance sheet information

| Account | Description | GIF1 | Current year | Prior year |
|---------------------------|-------------------------------------------------------------|---------------|-------------------|--------------------|
| Assets | | | | |
| | Total current assets | 1599 + | 32,473,058 | 47,024,813 |
| | Total tangible capital assets | 2008 + | 82,417,852 | 77,625,384 |
| | Total accumulated amortization of tangible capital assets | 2009 - | 33,043,911 | 29,619,450 |
| | Total intangible capital assets | 2178 + | | |
| | Total accumulated amortization of intangible capital assets | 2179 - | | |
| | Total long-term assets | 2589 + | 9,118,411 | 6,960,458 |
| | * Assets held in trust | 2590 + | | |
| | Total assets (mandatory field) | 2599 = | <u>90,965,410</u> | <u>101,991,205</u> |
| Liabilities | | | | |
| | Total current liabilities | 3139 + | 24,479,093 | 33,403,163 |
| | Total long-term liabilities | 3450 + | 38,013,830 | 39,171,852 |
| | * Subordinated debt | 3460 + | | |
| | * Amounts held in trust | 3470 + | | |
| | Total liabilities (mandatory field) | 3499 = | <u>62,492,923</u> | <u>72,575,015</u> |
| Shareholder equity | | | | |
| | Total shareholder equity (mandatory field) | 3620 + | <u>28,472,487</u> | <u>28,283,063</u> |
| | Total liabilities and shareholder equity | 3640 = | <u>90,965,410</u> | <u>100,858,078</u> |
| Retained earnings | | | | |
| | Retained earnings/deficit – end (mandatory field) | 3849 = | <u>6,814,807</u> | <u>6,625,383</u> |

* Generic item

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

| | | |
|-------------------------------------------------------|--------------------------------------|----------------------------------------------|
| Name of corporation Peterborough Distribution Inc. | Business Number 86934 6585 RC0001 | Tax year end Year Month Day 2011-12-31 |
|-------------------------------------------------------|--------------------------------------|----------------------------------------------|

Income statement information

| Description | GIFI |
|------------------------------|---------|
| Operating name | 0001 |
| Description of the operation | 0002 |
| Sequence number | 0003 01 |

| Account | Description | GIFI | Current year | Prior year |
|---------|-------------|------|--------------|------------|
|---------|-------------|------|--------------|------------|

Income statement information

| | | | | |
|-----------------------------------------|-------------|----------|-------------------|-------------------|
| Total sales of goods and services | 8089 | + | 14,922,523 | 15,026,984 |
| Cost of sales | 8518 | - | | |
| Gross profit/loss | 8519 | = | 14,922,523 | 15,026,984 |
| Cost of sales | 8518 | + | | |
| Total operating expenses | 9367 | + | 12,972,911 | 12,106,678 |
| Total expenses (mandatory field) | 9368 | = | 12,972,911 | 12,106,678 |
| Total revenue (mandatory field) | 8299 | + | 15,678,721 | 15,788,751 |
| Total expenses (mandatory field) | 9368 | - | 12,972,911 | 12,106,678 |
| Net non-farming income | 9369 | = | 2,705,810 | 3,682,073 |

Farming income statement information

| | | | | |
|---------------------------------------|-------------|----------|--|--|
| Total farm revenue (mandatory field) | 9659 | + | | |
| Total farm expenses (mandatory field) | 9898 | - | | |
| Net farm income | 9899 | = | | |

| | | | | |
|-------------------------------------------------------------|-------------|----------|------------------|------------------|
| Net income/loss before taxes and extraordinary items | 9970 | = | 2,705,810 | 3,682,073 |
|-------------------------------------------------------------|-------------|----------|------------------|------------------|

| | | | | |
|-----------------------------------------|-------------|----------|--|--|
| Total other comprehensive income | 9998 | = | | |
|-----------------------------------------|-------------|----------|--|--|

Extraordinary items and income (linked to Schedule 140)

| | | | | |
|------------------------------------------------------------------------------|-------------|----------|------------------|------------------|
| Extraordinary item(s) | 9975 | - | | |
| Legal settlements | 9976 | - | | |
| Unrealized gains/losses | 9980 | + | | |
| Unusual items | 9985 | - | | |
| Current income taxes | 9990 | - | 755,386 | 1,261,945 |
| Future (deferred) income tax provision | 9995 | - | 120,000 | -85,000 |
| Total – Other comprehensive income | 9998 | + | | |
| Net income/loss after taxes and extraordinary items (mandatory field) | 9999 | = | 1,830,424 | 2,505,128 |

NOTES CHECKLIST

| | | |
|--------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Name of corporation Peterborough Distribution Inc. | Business Number 86934 6585 RC0001 | Tax year-end Year Month Day 2011-12-31 |
|--------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|

- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the "accountant") who prepared or reported on the financial statements.
 - For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
 - Complete this schedule and include it with your T2 return along with the other GIFI schedules.
- If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.

Part 1 – Information on the accountant who prepared or reported on the financial statements

Does the accountant have a professional designation? **095** 1 Yes 2 No

Is the accountant connected* with the corporation? **097** 1 Yes 2 No

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note: If the accountant does not have a professional designation or is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4, as applicable.

Part 2 – Type of involvement with the financial statements

Choose the option that represents the highest level of involvement of the accountant: **198**

Completed an auditor's report 1

Completed a review engagement report 2

Conducted a compilation engagement 3

Part 3 – Reservations

If you selected option "1" or "2" under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? **099** 1 Yes 2 No

Part 4 – Other information

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: **110**

Prepared the tax return (financial statements prepared by client) 1

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) 2

Were notes to the financial statements prepared? **101** 1 Yes 2 No

If **yes**, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? **104** 1 Yes 2 No

Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes 2 No

Is contingent liability information mentioned in the notes? **106** 1 Yes 2 No

Is information regarding commitments mentioned in the notes? **107** 1 Yes 2 No

Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes 2 No

Part 4 – Other information (continued)

Impairment and fair value changes

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? **200** 1 Yes 2 No

If **yes**, enter the amount recognized:

| | In net income Increase (decrease) | In OCI Increase (decrease) |
|--------------------------------------|---------------------------------------------|--------------------------------------|
| Property, plant, and equipment | 210 | 211 |
| Intangible assets | 215 | 216 |
| Investment property | 220 | |
| Biological assets | 225 | |
| Financial instruments | 230 | 231 |
| Other | 235 | 236 |

Financial instruments

Did the corporation derecognize any financial instrument(s) during the tax year? **250** 1 Yes 2 No

Did the corporation apply hedge accounting during the tax year? **255** 1 Yes 2 No

Did the corporation discontinue hedge accounting during the tax year? **260** 1 Yes 2 No

Adjustments to opening equity

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? **265** 1 Yes 2 No

If **yes**, you have to maintain a separate reconciliation.

SCHEDULE 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIF

Form identifier 100

| Name of corporation | Business Number | Tax year-end Year Month Day |
|--------------------------------|-------------------|--------------------------------|
| Peterborough Distribution Inc. | 86934 6585 RC0001 | 2011-12-31 |

Assets – lines 1000 to 2599

| | | | | | |
|-------------|-------------|-------------|-------------|-------------|------------|
| 1000 | 5,343,222 | 1060 | 13,851,707 | 1120 | 1,361,916 |
| 1400 | 11,795,000 | 1480 | 121,213 | 1599 | 32,473,058 |
| 1682 | 82,417,852 | 1683 | -33,043,911 | 2008 | 82,417,852 |
| 2009 | -33,043,911 | 2420 | 7,308,411 | 2421 | 1,810,000 |
| 2589 | 9,118,411 | 2599 | 90,965,410 | | |

Liabilities – lines 2600 to 3499

| | | | | | |
|-------------|------------|-------------|------------|-------------|------------|
| 2620 | 11,124,278 | 2700 | 11,795,000 | 2920 | 856,815 |
| 2961 | 703,000 | 3139 | 24,479,093 | 3140 | 13,839,073 |
| 3300 | 23,157,680 | 3320 | 1,017,077 | 3450 | 38,013,830 |
| 3499 | 62,492,923 | | | | |

Shareholder equity – lines 3500 to 3640

| | | | | | |
|-------------|------------|-------------|-----------|-------------|------------|
| 3500 | 21,657,680 | 3600 | 6,814,807 | 3620 | 28,472,487 |
| 3640 | 90,965,410 | | | | |

Retained earnings – lines 3660 to 3849

| | | | | | |
|-------------|-----------|-------------|-----------|-------------|------------|
| 3660 | 6,625,383 | 3680 | 1,830,424 | 3700 | -1,641,000 |
| 3849 | 6,814,807 | | | | |

SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIF

Form identifier 125

| | | |
|--------------------------------|-------------------|--------------------------------|
| Name of corporation | Business Number | Tax year-end Year Month Day |
| Peterborough Distribution Inc. | 86934 6585 RC0001 | 2011-12-31 |

Description

| |
|------------------------------------------|
| Sequence number 0003 01 |
|------------------------------------------|

Revenue – lines 8000 to 8299

| | | |
|------------------------|------------------------|---------------------|
| 8000 14,922,523 | 8089 14,922,523 | 8094 711,220 |
| 8230 44,978 | 8299 15,678,721 | |

Cost of sales – lines 8300 to 8519

| |
|------------------------|
| 8519 14,922,523 |
|------------------------|

Operating expenses – lines 8520 to 9369

| | | |
|------------------------|------------------------|-----------------------|
| 8670 3,424,461 | 8714 2,558,345 | 9270 6,990,105 |
| 9367 12,972,911 | 9368 12,972,911 | 9369 2,705,810 |

Farming revenue – lines 9370 to 9659

| |
|---------------|
| 9659 0 |
|---------------|

Farming expenses – lines 9660 to 9899

| |
|---------------|
| 9898 0 |
|---------------|

Extraordinary items and taxes – lines 9970 to 9999

| | | |
|-----------------------|---------------------|---------------------|
| 9970 2,705,810 | 9990 755,386 | 9995 120,000 |
| 9999 1,830,424 | | |

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

SCHEDULE 1

| | | |
|-------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Corporation's name Peterborough Distribution Inc. | Business Number 86934 6585 RC0001 | Tax year end Year Month Day 2011-12-31 |
|-------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 1,830,424 A

Add:

| | | | |
|---------------------------------------|------------|------------------|------------------|
| Provision for income taxes – current | 101 | <u>755,386</u> | |
| Provision for income taxes – deferred | 102 | <u>120,000</u> | |
| Interest and penalties on taxes | 103 | <u>13,606</u> | |
| Amortization of tangible assets | 104 | <u>3,424,461</u> | |
| Subtotal of additions | | <u>4,313,453</u> | <u>4,313,453</u> |

Other additions:

Miscellaneous other additions:

| | | | |
|-----------------------------|------------|------------------|------------------|
| 604 | | | |
| Total | 294 | | |
| Subtotal of other additions | 199 | | |
| Total additions | 500 | <u>4,313,453</u> | <u>4,313,453</u> |

Deduct:

| | | | |
|----------------------------------------|------------|------------------|------------------|
| Capital cost allowance from Schedule 8 | 403 | <u>3,492,005</u> | |
| Subtotal of deductions | | <u>3,492,005</u> | <u>3,492,005</u> |

Other deductions:

Miscellaneous other deductions:

| | | | |
|------------------------------|------------|------------------|------------------|
| 704 | | | |
| Total | 394 | | |
| Subtotal of other deductions | 499 | | |
| Total deductions | 510 | <u>3,492,005</u> | <u>3,492,005</u> |

Net income (loss) for income tax purposes – enter on line 300 of the T2 return 2,651,872

DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

| | | |
|--------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Name of corporation Peterborough Distribution Inc. | Business Number 86934 6585 RC0001 | Tax year-end Year Month Day 2011-12-31 |
|--------------------------------------------------------------|---------------------------------------------|-----------------------------------------------------|

- This schedule is for the use of any corporation to report:
 - non-taxable dividends under section 83;
 - deductible dividends under subsection 138(6);
 - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
 - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
 - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
 - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible.
- Under column F2, enter the code that applies to the deductible taxable dividend.

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

| Name of payer corporation (from which the corporation received the dividend) | Complete if payer corporation is connected | | | | E Non-taxable dividend under section 83 |
|---------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| | A | B Enter 1 if payer corporation is connected | C Business Number of connected corporation | D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD | |
| 200 | | 205 | 210 | 220 | 230 |
| Total (enter on line 402 of Schedule 1) | | | | | |

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.

| F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)* | F1 Eligible dividends (included in column F) | F2 | Complete if payer corporation is connected | | I Part IV tax before deductions F x 1 / 3 *** |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|----|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------|
| | | | G Total taxable dividends paid by connected payer corporation (for tax year in column D) | H Dividend refund of the connected payer corporation (for tax year in column D)** | |
| 240 | | | 250 | 260 | 270 |
| | | | | | J |

Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

** If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

*** For dividends received from connected corporations: Part IV tax = $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1)

Deduct:
 Part IV.I tax payable on dividends subject to Part IV tax **320**
 Subtotal

Deduct:
 Current-year non-capital loss claimed to reduce Part IV tax **330**
 Non-capital losses from previous years claimed to reduce Part IV tax **335**
 Current-year farm loss claimed to reduce Part IV tax **340**
 Farm losses from previous years claimed to reduce Part IV tax **345**
 Total losses applied against Part IV tax x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund

| | A | B | C | D | D1 |
|---|--------------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------|
| | Name of connected recipient corporation | Business Number | Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD | Taxable dividends paid to connected corporations | Eligible dividends (included in column D) |
| 1 | 400 City of Peterborough Holdings Inc. | 410 88464 5722 RC0001 | 420 2011-12-31 | 430 1,641,000 | |

Note
 If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation.

Total **1,641,000**

Total taxable dividends paid in the tax year to other than connected corporations **450**

Eligible dividends (included in line 450) 450a

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above plus line 450) **460** **1,641,000**

Part 4 – Total dividends paid in the tax year

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) **1,641,000**

Other dividends paid in the tax year (total of 510 to 540)

Total dividends paid in the tax year **500** **1,641,000**

Deduct:
 Dividends paid out of capital dividend account **510**
 Capital gains dividends **520**
 Dividends paid on shares described in subsection 129(1.2) **530**
 Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year **540**
 Subtotal

Total taxable dividends paid in the tax year that qualify for a dividend refund **1,641,000**



Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6



HPL - tL060

PETERBOROUGH DISTRIBUTION INC.
ATTENTION: C/O JOHN STEPHENSON
1867 ASHBURNHAM DRIVE
PO BOX 4125 STN MAIN
PETERBOROUGH ON K9J 6Z5

Issue Date 11-Dec-2012

Business No. 869346585TW0001
Reference No. L1019780992

Audit Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

An audit re-assessment has been processed to your account as indicated below:

Audit Period: 31-Dec-2007

| | Previous | Revised |
|-------------------------|----------------|-------------------|
| Total Federal Tax | \$772,004.00 | \$772,004.00 |
| Total Ontario Tax | \$587,152.00 | \$593,734.00 |
| Total Credits | \$0.00 | \$0.00 |
| Loss Carry-back | \$0.00 | \$0.00 |
| Total Tax Payable | \$1,359,156.00 | \$1,365,738.00 |
| Interest | | \$22,762.52 |
| Current Penalty | | \$0.00 |
| Credits/Payments | | (\$1,379,755.48) |
| Total Assessment | | \$8,745.04 |

As of 11-Dec-2012, including the amount assessed above, you have an overall balance on your account of \$15,237.12.

If you do not agree with this Notice of Re-Assessment you have the right to serve a Notice of Objection on the minister within 180 days of the mailing date of this form. Any amounts that are outstanding as a result of this Notice of Re-Assessment are due and payable even if you have filed, or intend to file, a Notice of Objection. A Notice of Objection may be obtained through the contacts below. If your objection is successful, you will be refunded any overpayment of taxes with interest from the dates the payments were made.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Enclosure

Ministry use only

Enquiries

1 866 ONT-TAXS
1 866 668-8297

Fax 1 866 888-3850

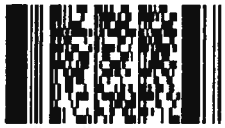
Teletypewriter (TTY)
Internet

1 800 263-7776
ontario.ca/finance

013336 (2010-05)



Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6



0000002

PETERBOROUGH DISTRIBUTION INC.
ATTENTION: C/O JOHN STEPHENSON
1867 ASHBURNHAM DRIVE
PO BOX 4125 STN MAIN
PETERBOROUGH ON K9J 6Z5

HPL - IL060

Issue Date 11-Dec-2012

Business No. 869346585TW0001
Reference No. L2093522816

Audit Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

An audit re-assessment has been processed to your account as indicated below:

Audit Period: 31-Dec-2008

| | Previous | Revised |
|-------------------------|----------------|--------------------------|
| Total Federal Tax | \$553,358.00 | \$553,358.00 |
| Total Ontario Tax | \$510,497.00 | \$511,485.00 |
| Total Credits | \$0.00 | \$0.00 |
| Loss Carry-back | \$0.00 | \$0.00 |
| Total Tax Payable | \$1,063,855.00 | \$1,064,843.00 |
| Interest | | \$1,036.47 |
| Current Penalty | | \$0.00 |
| Credits/Payments | | (\$1,064,668.32) |
| Total Assessment | | <u>\$1,211.15</u> |

As of 11-Dec-2012, including the amount assessed above, you have an overall balance on your account of \$15,237.12.

If you do not agree with this Notice of Re-Assessment you have the right to serve a Notice of Objection on the minister within 180 days of the mailing date of this form. Any amounts that are outstanding as a result of this Notice of Re-Assessment are due and payable even if you have filed, or intend to file, a Notice of Objection. A Notice of Objection may be obtained through the contacts below. If your objection is successful, you will be refunded any overpayment of taxes with interest from the dates the payments were made.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Enclosure

Ministry use only

Enquiries

1 866 ONT-TAXS
1 866 668-8297

Fax 1 866 888-3850

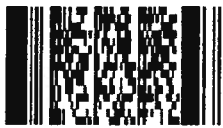
Teletypewriter (TTY)
Internet

1 800 263-7776
ontario.ca/finance

01838(2010-05)



Ministry of Finance
 33 King St W
 PO Box 622
 Oshawa ON L1H 8H6



HPL - tL080

PETERBOROUGH DISTRIBUTION INC.
 ATTENTION: C/O JOHN STEPHENSON
 1867 ASHBURNHAM DRIVE
 PO BOX 4125 STN MAIN
 PETERBOROUGH ON K9J 6Z5

Issue Date 11-Dec-2012

Business No. 869346585TW0001
 Reference No. L0046702464

Audit Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

An audit re-assessment has been processed to your account as indicated below:

Audit Period: 31-Dec-2009

| | Previous | Revised |
|-------------------------|-----------------|-------------------|
| Total Federal Tax | \$607,205.00 | \$607,205.00 |
| Total Ontario Tax | \$578,770.00 | \$583,070.00 |
| Total Credits | \$0.00 | \$0.00 |
| Loss Carry-back | \$0.00 | \$0.00 |
| Total Tax Payable | \$1,185,975.00 | \$1,190,275.00 |
| Interest | | \$5,444.59 |
| Current Penalty | | \$3,576.24 |
| Credits/Payments | | (\$1,194,151.07) |
| Total Assessment | | \$5,144.76 |

As of 11-Dec-2012, including the amount assessed above, you have an overall balance on your account of \$15,237.12.

If you do not agree with this Notice of Re-Assessment you have the right to serve a Notice of Objection on the minister within 180 days of the mailing date of this form. Any amounts that are outstanding as a result of this Notice of Re-Assessment are due and payable even if you have filed, or intend to file, a Notice of Objection. A Notice of Objection may be obtained through the contacts below. If your objection is successful, you will be refunded any overpayment of taxes with interest from the dates the payments were made.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

Enclosure

Ministry use only

Enquiries

1 866 ONT-TAXS
 1 866 668-8297

Fax 1 866 888-3850

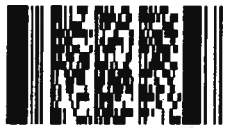
Teletypewriter (TTY)
 Internet

1 800 263-7776
 ontario.ca/finance

018015 (2010-05)



Ministry of Finance
 33 King St W
 PO Box 622
 Oshawa ON L1H 8H6



PETERBOROUGH DISTRIBUTION INC.
 ATTENTION: C/O JOHN STEPHENSON
 1867 ASHBURNHAM DRIVE
 PO BOX 4125 STN MAIN
 PETERBOROUGH ON K9J 6Z5

HPL - tL059

Issue Date 11-Dec-2012
 Business No. 869346585TW0001
 Reference No. L1120444288

Notice of Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

Your account has been assessed resulting in a balance as indicated below.

| Period Ending: 31-Dec-2010 | Return As Filed |
|----------------------------|------------------|
| Total Federal Tax | \$688,559.00 |
| Total Ontario Tax | \$535,890.00 |
| Total Credits | \$0.00 |
| Loss Carry-back | \$0.00 |
| Total Tax Payable | \$1,224,449.00 |
| Interest | \$5,466.14 |
| Current Penalty | \$0.00 |
| Credits/Payments | (\$1,229,778.97) |
| Total Assessment | \$136.17 |

As of 11-Dec-2012, including the amount assessed above, you have an overall balance on your account of \$15,237.12.

If you have any questions concerning this Notice of Assessment, please call the number listed below. After discussion with a ministry representative, if you still do not agree with this assessment you have the right to file a Notice of Objection with the Objections and Appeals Branch within 180 days of the issue date of this form. Any taxes, interest and penalties that are outstanding as a result of the assessment are due and payable even if you have filed, or intend to file, a Notice of Objection.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

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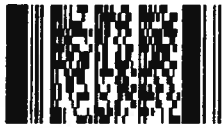
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 Internet

1 800 263-7776
 ontario.ca/finance

0-138-B(2010-05)



Ministry of Finance
33 King St W
PO Box 622
Oshawa ON L1H 8H6



HPL - 1L060

PETERBOROUGH DISTRIBUTION INC.
ATTENTION: C/O JOHN STEPHENSON
1867 ASHBURNHAM DRIVE
PO BOX 4125 STN MAIN
PETERBOROUGH ON K9J 6Z5

Issue Date 11-Dec-2012
Business No. 869346585TW0001
Reference No. L0583573376

Notice of Re-Assessment - Hydro Payment in Lieu

Electricity Act, 1998, Corporations Tax Act

We have received and processed your return for the period ending 31-Dec-2011. Based on the information provided, your return has been corrected as follows:

| | Previous | Revised |
|-------------------------|--------------|----------------|
| Total Federal Tax | \$437,559.00 | \$437,559.00 |
| Total Ontario Tax | \$0.00 | \$311,540.00 |
| Total Credits | \$0.00 | \$0.00 |
| Loss Carry-back | \$0.00 | \$0.00 |
| Total Tax Payable | \$749,099.00 | \$749,099.00 |
| Interest | | \$3,216.51 |
| Current Penalty | | \$0.00 |
| Credits/Payments | | (\$752,315.51) |
| Total Assessment | | \$0.00 |

As of 11-Dec-2012, including the amount assessed above, you have an overall balance on your account of \$15,237.12.

If you have any questions concerning this Notice of Re-Assessment, please call the number listed below. After discussion with a ministry representative, if you still do not agree with this re-assessment you have the right to file a Notice of Objection with the Objections and Appeals Branch within 180 days of the issue date of this form. Any taxes, interest and penalties that are outstanding as a result of the re-assessment are due and payable even if you have filed, or intend to file, a Notice of Objection.

If you have any questions or require additional information, please visit our website or call the Ministry of Finance at the number listed below.

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