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1 **OVERVIEW OF OPERATING REVENUE**

2

3 This Exhibit provides the details of Lakefront Utilities Inc.'s operating revenue for 2008 Board  
4 Approved, 2008 Actual, 2009 Actual, 2010 Actual, the 2011 Bridge Year and the 2012 Test Year.

5 This Exhibit also provides a detailed variance analysis by rate class of the operating revenue  
6 components. Distribution revenue excludes revenue from commodity sales.

7 Lakefront Utilities Inc. is proposing a total Service Revenue Requirement of \$ 5,131,204 for the  
8 2012 Test Year. This amount includes a Base Revenue Requirement of \$ 4,752,741 plus  
9 revenue offsets of \$ 378,462 to be recovered through Other Distribution Revenue.

10 A summary of all operating revenue is presented below in Table 3-0 and provides a comparison  
11 of total revenues from the 2008 OEB approved year to the 2012 Test Year.

12

**Table 3-0 Other Operating Revenue**

Summary of Operating Revenue Table	2008 Board Approved	2008 Actual	Variance from 2008 Board Approved	2009 Actual	Variance from 2008 Actual	2010 Actual	Variance from 2009 Actual	2011 Bridge	Variance from 2010 Actual	2012 Test	Variance from 2011 Bridge
	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)	(\$'s)
<b>Distribution Revenue</b>											
Residential	1,917,386	1,840,952	(76,434)	1,970,658	129,707	1,909,334	(61,324)	1,913,288	3,954	2,556,790	643,502
GS < 50 kW	656,516	619,069	(37,447)	619,738	670	599,095	(20,644)	571,656	(27,438)	725,309	153,653
GS > 50 - 2999 kW	1,208,240	1,163,463	(44,777)	1,233,761	70,298	1,279,944	46,182	1,194,993	(84,951)	1,181,345	(13,649)
GS > 3000 - 4999 kW	97,123	23,437	(73,686)	62,334	38,897	46,650	(15,684)	41,451	(5,199)	61,414	19,963
Streetlight	73,925	36,635	(37,290)	81,308	44,673	138,517	57,209	208,549	70,032	178,720	(29,829)
Sentinel Light	3,327	2,537	(790)	3,944	1,407	4,489	546	5,518	1,029	5,072	(446)
Unmetered Scattered Load	28,729	31,905	3,176	33,981	2,076	32,830	(1,151)	31,331	(1,499)	44,091	12,760
<b>Total</b>	<b>3,985,246</b>	<b>3,717,998</b>	<b>(267,248)</b>	<b>4,005,725</b>	<b>287,728</b>	<b>4,010,859</b>	<b>5,134</b>	<b>3,966,786</b>	<b>(44,073)</b>	<b>4,752,742</b>	<b>785,956</b>
<b>Other Distribution Revenue</b>											
Specific Service Charges	103,267	133,125	29,858	144,453	11,328	127,499	(16,954)	127,000	(499)	126,500	(500)
Late Payment Charges	27,565	72,437	44,872	61,033	(11,404)	63,140	2,107	63,140	-	63,140	-
Other Distribution Revenue	149,461	158,868	9,407	166,728	7,859	157,273	(9,455)	160,406	3,133	160,322	(84)
Other Income and Expenses	55,271	821,667	766,396	108,311	(713,356)	60,931	(47,380)	28,500	(32,431)	28,500	-
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>	<b>480,525</b>	<b>(705,573)</b>	<b>408,843</b>	<b>(71,682)</b>	<b>379,046</b>	<b>(29,797)</b>	<b>378,462</b>	<b>(584)</b>
<b>Grand Total:</b>	<b>4,320,810</b>	<b>4,904,096</b>	<b>583,286</b>	<b>4,486,250</b>	<b>(417,845)</b>	<b>4,419,702</b>	<b>(66,548)</b>	<b>4,345,832</b>	<b>(73,870)</b>	<b>5,131,204</b>	<b>785,371</b>

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16

## 1 WEATHER NORMALIZATION METHODOLOGY

2

3 The purpose of weather normalization is to predict future customer consumption based on  
4 normal weather conditions. To achieve this goal, the relationship between weather change and  
5 customer consumption must be defined. LUI reviewed the various processes used by earlier  
6 Cost of Service applicants and is proposing to adopt a weather normalization methodology  
7 using Multifactor Regression (MR) for weather normalization and customer numbers for its load  
8 forecast. LUI is proposing to adopt a weather normalization forecasting method similar to the  
9 one approved by the Board in a number of cost of service rate applications over the past three  
10 years.

11

12 In summary, LUI has used the regression analysis methodology to determine a prediction  
13 model. With regards to the overall process of load forecasting, it is LUI's view that conducting a  
14 regression analysis on historical purchases to produce an equation that will predict energy  
15 purchases is appropriate. LUI knows by month the exact number of kWhs purchased from the  
16 IESO for use by customers of LUI. With a regression analysis these purchases can be related to  
17 other monthly explanatory variables such as heating degree days and cooling degree days  
18 which occur in the same month. The result of the regression analysis produces an equation that  
19 predicts the purchases based on the explanatory variables. This prediction model is then used  
20 as the basis to forecast the total level of weather normalized purchases for LUI for the bridge  
21 and test year, which is converted to Billed kWh by rate class. A detail explanation of the process  
22 is provided later in this Exhibit.

23

24 During the review process of recent cost of service applications, Intervenor expressed  
25 concerns with the load forecasting weather normalization process being proposed by LUI.  
26 Intervenor suggested the weather normalization should be conducted on an individual rate

1 class basis and the regression analysis on an individual rate class basis. LUI prepared its  
2 purchases and billed energy on the monthly consumed basis, in which purchases are recorded  
3 on the basis of actual meter data in the month. However, based on the low R square values, LUI  
4 concluded using the equation resulting from the individual rate class regression analysis would  
5 not be satisfactory for forecasting purposes. Therefore LUI used the power purchased model  
6 to perform regression analysis.

7 The accuracy will improve when smart meters are fully deployed and actual monthly  
8 consumption by rate class and individual customer can be determined. In addition, LUI does not  
9 have as many years of monthly historical billed data by rate class as it does for the kWh  
10 purchased. As a result, conducting the regression analysis on purchases provides better results  
11 since a higher level of historical data increases the accuracy of the regression analysis.

12 LUI understands that to a certain degree the process of developing a load forecast for a cost of  
13 service rate application is an evolving science for electricity distributors in the province. LUI  
14 expects to include additional improvements to the load forecasting methodology in future cost  
15 of service rate applications by taking into consideration data provided by smart meters and the  
16 experience of others conducting load forecasts in future cost of service rate applications.

17 LUI removed data for 2 (two) specific customers from the analysis due to their negative impacts  
18 on the results of the regression analysis. One customer is in the GS>50-2999kW customer class  
19 and the other customer is in the GS > 3000-4999 customer class. After running the regression  
20 analysis, LUI added back the original data for the GS > 50 -2999 kW customer, in order to better  
21 predict 2011 & 2012 data. This GS > 50 -2999 customer usage ranges from 561,500 –  
22 1,162,000 kWh per month. This large variation caused a negative impact on the regression  
23 analysis. LUI used industry knowledge and experience with the GS 3000-4999 kW class  
24 customer in order to forecast the data for 2011 & 2012 as follows. The average of the usage for  
25 2009 and 2010 was used to forecast the 2011 and 2012 kWh and kW for the customer in the GS  
26 3000-4999 class. The reason LUI determined that removing the GS> 3000-4999 customer was

1 necessary to provide accuracy, is due to that customer being a major customer, here forth  
 2 referred to as "un-named customer", who has shut down due to economic downturn. Un-  
 3 named customer was phased out during 2008-2010. We now have just one customer in the GS  
 4 3000-4999 customer class and expect no change in this class. Had we included the un-named  
 5 customer in our regression analysis, this would have skewed the regression, as it would have  
 6 included consumption, and dollars related to a customer that no longer exists, nor is expected  
 7 to be replaced. That customer's space has been partially taken over by smaller customers, that  
 8 would be allocated to the GS> 50-2999 customer class in the regression data. Again, note that  
 9 the Un-named customer, as was discussed in Load Forecasting above, has been removed from  
 10 all data to prevent misrepresentation.

11

12 The following Exhibit provides the material to support the weather normalized load forecast  
 13 used by LUI in this application. Tables 3-1, 3-2 and 3-3 below provide a summary of the weather  
 14 normalized load and customer/connection forecast used in this section.

15

### Table 3-1 Summary of Load and Customer/Connection Forecast

Table 3-1  
 Summary of Load and  
 Customer/Connection Forecast

Year	Billed (kWh)	Growth (kwh)	Percentage Change %	Customer/Connection Count	Growth	Percentage Change %
2004	250,404,235			11,311		
2005	245,534,411	-4,869,824	-1.94%	11,450	139	1.23%
2006	249,730,055	4,195,644	1.71%	11,707	257	2.24%
2007	251,838,780	2,108,725	0.84%	11,861	154	1.32%
2008	249,119,680	-2,719,100	-1.08%	12,063	202	1.71%
2009	243,045,006	-6,074,674	-2.44%	12,305	241	2.00%
2010	248,087,251	5,042,246	2.07%	12,390	85	0.69%
2011	248,226,168	138,917	0.06%	12,577	187	1.51%
2012	250,200,674	1,974,506	0.80%	12,767	190	1.51%

16

17

1 The years 2004 to 2010 are weather actual, 2011 and 2012 are weather normalized and  
 2 adjusted by a CDM factor. LUI currently does not have a process to adjust weather actual data  
 3 to a weather normal basis. However, based on the process outlined in this Exhibit, a process to  
 4 forecast energy on a weather normalized basis has been developed and used in this application.  
 5 Total Customers are annual averages and street light, and sentinel lights, are measured as  
 6 connections.  
 7 On a rate class basis actual and forecasted billed amount and number of customers are shown  
 8 in Table 3-2 and customer usage is shown in Table 3-3.

9 **Table 3-2 Billed Energy and Number of Customers by Rate Class & Number of**  
 10 **Customers /Connections**

Table 3-2

Billed Energy and Number of Customers by Rate Class

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
Energy (kWh)								
2004	71,606,528	31,362,518	119,715,730	25,202,991	1,904,781	71,663	540,024	250,404,235
2005	72,668,912	31,761,066	118,356,603	20,215,158	1,913,253	70,344	549,075	245,534,411
2006	70,342,664	32,373,170	120,975,702	23,443,190	1,923,811	76,087	595,431	249,730,055
2007	72,101,355	34,122,931	122,417,181	20,583,615	1,931,928	76,442	605,328	251,838,780
2008	72,186,004	34,456,796	121,003,376	18,805,505	1,867,000	81,012	719,986	249,119,680
2009	71,936,998	34,498,946	114,875,960	19,554,367	1,350,902	79,959	747,874	243,045,006
2010	72,645,801	34,124,597	120,290,733	19,036,344	1,194,280	78,873	716,623	248,087,251
2011	72,459,122	34,436,304	120,035,230	19,295,356	1,204,881	78,652	716,623	248,226,168
2012	73,125,152	35,160,634	120,608,902	19,295,356	1,215,575	78,431	716,623	250,200,674

Number of Customers/Connections

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
2004	7,472	968	146	1	2,612	55	58	11,311
2005	7,539	1,010	146	1	2,641	55	58	11,450
2006	7,717	1,041	141	1	2,678	59	70	11,707
2007	7,835	1,044	133	1	2,710	58	81	11,861
2008	7,942	1,044	133	1	2,793	57	94	12,063
2009	8,196	1,061	130	1	2,770	53	95	12,305
2010	8,305	1,067	132	1	2,755	54	77	12,390
2011	8,453	1,084	129	1	2,779	54	77	12,577
2012	8,603	1,102	127	1	2,804	54	77	12,767

11

12

1 **Table 3-3 Annual kWh Usage per Customer/Connection & Growth Rate**

**Table 3-3**  
**Annual kWh Usage per Customer/Connection**

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load
2004	9,584	32,416	822,318	25,202,991	729	1,305	9,311
2005	9,639	31,462	809,737	20,215,158	724	1,279	9,467
2006	9,115	31,088	858,491	23,443,190	718	1,301	8,486
2007	9,203	32,695	917,555	20,583,615	713	1,312	7,520
2008	9,089	33,010	911,513	18,805,505	668	1,430	7,639
2009	8,778	32,521	885,364	19,554,367	488	1,509	7,886
2010	8,747	31,992	914,758	19,036,344	434	1,461	9,337
2011	8,615	31,922	931,146	19,295,356	434	1,461	9,337
2012	8,485	31,852	947,826	19,295,356	434	1,461	9,337

**Annual Growth Rate in kWh Usage per Customer/Connection**

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load
2004							
2005	1.0057	0.9706	0.9847	0.0000	0.9936	0.9801	1.0168
2006	0.9457	0.9881	1.0602	0.0000	0.9917	1.0169	0.8964
2007	1.0096	1.0517	1.0688	0.0000	0.9924	1.0090	0.8861
2008	0.9877	1.0096	0.9934	0.0000	0.9375	1.0894	1.0159
2009	0.9657	0.9852	0.9713	0.0000	0.7297	1.0553	1.0323
2010	0.9965	0.9837	1.0332	0.0000	0.8889	0.9681	1.1840
2011 Normalized	0.9849	0.9978	1.0179	0.0000	1.0000	1.0000	1.0000
2012 Normalized	0.9849	0.9978	1.0179	0.0000	1.0000	1.0000	1.0000

2  
3

4 Note that the Table 3-3 Annual Growth Rate in kWh Usage per Customer/Connection presents  
5 Streetlights, Sentinel Lights, and USL with an annual growth rate in usage/customer or  
6 connection as a 1.0 growth rate. This is based on both trending in our distribution area, as well  
7 as industry and local growth knowledge.

8

9 **LOAD FORECAST & METHODOLOGY**

10

11 LUI's weather normalized load forecast is developed in a three-step process. First, a total  
12 system weather normalized purchased energy forecast is developed based on a multifactor  
13 regression model that incorporates historical load, weather, economic and other variables

1 described below. Second, the weather normalized purchased energy forecast is adjusted by a  
2 historical loss factor to produce a weather normalized billed energy forecast. Finally, the  
3 forecast of billed energy by rate class is developed based on a forecast of customer numbers  
4 and historical usage patterns per customer. For the rate classes that have weather sensitive  
5 load, their forecasted billed energy is adjusted to ensure that the total billed energy forecast by  
6 rate class is equivalent to the total weather normalized billed energy forecast that has been  
7 determined from the regression model.

8 The forecast of customers by rate class is determined using a geometric mean analysis. For  
9 those rate classes that use kW for the distribution volumetric billing a geometric mean analysis  
10 was also used to calculate the future kW.

11 The following explains the forecasting process in more detail.

12

### 13 **Purchased kWh Load Forecast**

14 An equation to predict total system purchased energy is developed using a multifactor  
15 regression model with the following independent variables: weather (heating and cooling  
16 degree days), economic output (GDP growth), calendar variables (days in month, seasonal), and  
17 monthly peak hours. The regression model uses monthly kWh and monthly values of  
18 independent variables from January 2004 to December 2010 to determine the monthly  
19 regression coefficients.

20 Data for LUI's total system load beginning in January 2004 was used. This provides a reasonable  
21 data set for use in a multiple regression analysis. Based on the recent global activity  
22 surrounding climate change, historical weather data is showing that there is a warming of the  
23 global climate system. In this regard, it is LUI's view it is appropriate to review the impact of  
24 weather since 2004 on the energy usage, and then determine the average weather conditions

1 from January 2004 to December 2010, which would be applied in the forecasting process to  
 2 determine a weather normalized forecast.

3 In accordance with the filing requirement LUI has also provided a comparison of the average of  
 4 heating and cooling days used in this application, 10 and 20 year trend of data in Table 3-4. LUI  
 5 has provided the load forecasts based on a 10-year and 20-year trend Heating Degree Days and  
 6 Cooling Degree Days.

7 **Table 3-4 10 and 20 Year Trend**

Table 3-4 Summary of Degree Day Information Source of Data: Cobourg Weather Station

Summary of All Heating Degree Days

Month	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Model	7 Year Avg	10 Year Avg	20 Year Trend
January	714.6	703.9	676.3	921.8	640.2	761.8	739	639.3	738.5	678.5	657.4	573.8	832.6	872.6	782.8	589	669.3	633.3	823.9	718	706.18	726.99	715.27	711.32
February	568	622.3	736.7	723.7	566.4	669.3	582.8	520.7	551.8	577	601	547.4	713.4	636.4	631.3	627.2	728.2	660.6	608.5	597.2	642.05	641.34	635.12	631.39
March	516.6	620.9	606.8	572.6	143.9	625.5	601.6	518.8	576.5	473.9	581.1	474.8	592.2	519.9	612.1	564.4	578.3	632.3	568.1	450.7	566.88	560.83	557.39	562.38
April	311	379.2	357.8	361.5	433.6	415.6	389.4	323.6	335.6	377.8	335.8	354	435.4	372.3	362.5	342.6	401	326.3	345.4	282.7	340.74	344.69	353.80	339.73
May	132.3	192.6	199.5	241.1	200	252.7	290	78.8	136.1	193.7	158.2	261.9	207.7	205.4	259.9	192.1	208.1	253.6	231.1	160.4	217.29	215.80	213.84	219.56
June	25.1	75.9	72.5	58.3	30.8	38.7	33.3	68.3	36.1	73.5	51.1	57.8	65.4	100.8	40.7	40.1	45.4	71	86.1	37.9	54.50	60.29	59.63	62.77
July	1.2	26.6	2.2	2.5	13.9	12.9	24.6	4.6	4.4	16.9	28	5	11.9	14.7	4.2	5.9	22.4	9.4	41.5	5.1	14.75	14.74	14.81	17.29
August	1	41.7	9.4	32.9	8.6	3.1	17.1	5.2	14.9	25.7	3	3	9.7	26.9	1	6.7	12.1	15.2	15.7	6	9.81	11.94	9.93	8.30
September	115.9	112.1	124	77.5	129	65.5	105.7	56.3	56.7	124	80.9	35.8	59.9	50.3	45.5	103.3	61.8	73.5	70.1	99.9	75.17	72.06	68.10	57.16
October	241.2	337.1	309.9	279.9	232.7	275.3	293.7	247.6	269.1	254.1	263.8	295.9	325.6	250.1	251.9	296.4	165.8	288.1	313.3	256.5	263.23	261.59	271.64	263.44
November	437.4	424.8	441.2	373.3	499.1	513	457.6	419.1	385.3	432.2	368.5	446.6	420.5	411	411.5	390.9	441.5	459	361	412.1	412.83	412.43	412.26	401.81
December	629.1	621.5	613.9	578.8	717.6	539	578.6	566.4	586.6	769.6	521.1	617.4	606.4	645.2	666.4	505.5	648.3	652.5	636.6	676.5	631.91	633.57	617.99	636.48
Total	3,693.40	4,158.60	4,150.20	4,223.90	3,615.80	4,172.40	4,113.40	3,448.70	3,691.60	3,996.90	3,649.90	3,673.40	4,280.70	4,105.60	4,071.80	3,664.10	3,982.20	4,074.80	4,103.30	3,692.00	3,934.92	3,956.26	3,929.78	3,911.62

Summary of All Cooling Degree Days

Month	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Model	7 Year Avg	10 Year Avg	20 Year Trend
January	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
February	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
March	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
April	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
May	10.1	0	0.5	0	0	0	0	4	1.8	0	0	2.3	0	0	0	0	0	0	0	9.1	2.82	2.88	1.96	2.22
June	33	4.8	9.5	31.1	58.7	18.1	27.6	35.6	46.8	5.4	30.8	24.3	12.1	5.1	52.6	18	19.9	2.6	17.4	15.7	20.71	21.03	19.85	16.38
July	87.1	18.5	86.5	63.8	92.1	35	58.3	58.5	110.5	30.5	46.6	91.2	37.8	41.2	116.8	86.9	45.3	50.9	18.2	90.2	67.50	68.05	62.51	60.84
August	26.9	18.2	86.5	36.4	106.5	61.8	24	64	51	49.6	83.8	85.8	88.1	43.1	87.6	56.4	91.5	40.4	58.6	68.67	69.20	71.60	71.16	
September	26.9	15.5	8.4	5.9	5.5	28.3	1.6	14.3	36.3	15.6	16.9	38.8	14.6	18.1	16.3	1.3	17.9	16.2	11.6	14.4	13.06	12.95	16.81	15.76
October	0	0	0	0	0	0	0	0	0	0	0.3	4	0	0	0	0	4.1	0	0	0	0.67	0.68	0.84	0.99
November	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
December	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	0.00	0.00	0.00
Total	241.00	55.00	191.40	137.20	282.80	141.20	111.50	176.40	246.40	101.10	178.40	246.40	152.60	107.50	273.30	168.90	180.60	110.10	105.80	210.10	173.43	174.80	173.37	167.38

8  
 9  
 10  
 11 The multifactor regression model has determined that the drivers of year-over-year changes in  
 12 LUI's load growth are economic growth, weather, calendar factors, and monthly peak hours.  
 13 These factors are captured within the multifactor regression model.

14 Economic growth – which encompasses trends in the LUI service area, as well as general  
 15 economic conditions, are captured in the model using an index of economic output, Ontario  
 16 Real Gross Domestic Product (“GDP”) and historical customer numbers.

1 Weather impacts on load are apparent in both the winter heating season, and in the summer  
2 cooling season. For that reason, both Heating Degree Days (i.e. a measure of coldness in winter)  
3 and Cooling Degree Days (i.e. a measure of summer heat) are modeled.

4 Additional factors determining energy use in the monthly model can be classified as calendar  
5 factors. For example, the number of days in a particular month will impact energy use. The  
6 modeling of purchased energy uses number of days in the month and a “flag” variable to  
7 capture the typically lower usage in the spring and fall months.

8 Monthly peak hours were also used as predictors of usage.

9

10 The following historical monthly data were used as inputs in the regression model:

- 11 • Monthly total system purchased energy data from January 2004 to December 2010;
- 12 • Weather data: heating degree-days (HDD) and cooling degree-days (CDD) (LUI uses the  
13 degree-days count for the Cobourg data point as published by Environment Canada);
- 14 • Real gross domestic product (GDP) for Ontario (2004 to 2006: 2003 and 2008 Ontario  
15 Economic Outlook and Fiscal Review, Ontario Ministry of Finance, 2007 to 2011: 2010 Ontario  
16 Budget March 25, 2010, Ontario Ministry of Finance);
- 17 • Number of days in the month;
- 18 • Number of peak hours (16\* number of business days in any given month, excluding weekends  
19 and holidays)
- 20 • Spring fall flag (1 for Spring and Fall, and 0 for Summer and Winter)

21

22 The prediction formula has the following statistical results in Table 3-5, which indicates the  
23 formula has a very good fit to the actual data set.

1

**Table 3-5 Statistical Results****Table 3-5  
Statistical Results**

	Value
R Square	91%
Adjusted R Square	90%
T-Stats by Coefficient	
Intercept	-1.95
Heating Degree Days	19.86
Cooling Degree Days	8.77
Ontario Real GDP Monthly %	4.09
Number of Days in Month	5.01
Spring Fall Flag	-6.33
Number of Peak Hours	2.61

2

3

4 The monthly data used in the regression model and the resulting monthly prediction for the  
5 actual and forecasted years are provided in Appendix A.

6 The annual results of the above prediction formula compared to the actual annual purchases  
7 from 2004 to 2010 are shown in Table 3-6 below. In addition, the predicted total system  
8 purchases for LUI are provided for the years 2011 and 2012. For 2011 and 2012, the system  
9 purchases reflect a weather normalized forecast for the full year.

10

**Table 3-6 Actual vs. Predicted Purchases****Table 3-6****Actual vs. Predicted Purchases (kWh)**

Year	Actual	Predicted	% Difference
2004	264,365,121	263,973,437	-0.1%
2005	265,103,480	265,303,309	0.1%
2006	265,431,760	265,079,882	-0.1%
2007	267,650,333	266,595,213	-0.4%
2008	261,227,184	261,564,711	0.1%
2009	257,221,767	259,497,349	0.9%
2010	261,542,031	260,527,776	-0.4%
2011		262,257,591	
2012		264,343,709	

11

12

1

2

3 **Billed kWh Forecast**

4 To determine the total weather normalized energy billed forecast, the total system weather  
5 normalized purchases forecast is adjusted by a loss factor. LUI has applied the Total Loss Factor  
6 applied for in this application as detailed in Exhibit 8.

7

8 **Billed kWh Load Forecast and Customer/Connection Forecast by Rate Class**

9 Since the total weather normalized billed energy amount is known, this amount needs to be  
10 distributed by rate class for rate design purposes taking into consideration the  
11 customer/connection forecast and expected usage per customer by rate class.

12 The next step in the forecasting process is to determine a customer/connection forecast. The  
13 customer/connection forecast is based on reviewing historical customer/connection data that is  
14 available as shown in Table 3-7.

15

1

**Table 3-7 Number of Customers/Connections****Table 3-7  
Number of Customers/Connections**

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
2004	7,472	968	146	1	2,612	55	58	11,311
2005	7,539	1,010	146	1	2,641	55	58	11,450
2006	7,717	1,041	141	1	2,678	59	70	11,707
2007	7,835	1,044	133	1	2,710	58	81	11,861
2008	7,942	1,044	133	1	2,793	57	94	12,063
2009	8,196	1,061	130	1	2,770	53	95	12,305
2010	8,305	1,067	132	1	2,755	54	77	12,390

2

3

4

5 From the historical customer/connection data the growth rate in customer/connection can be  
6 evaluated which is provided in Table 3-8. The geometric mean growth rate in number of  
7 customers is also provided for 2011 and 2012. The geometric mean approach provides the  
8 average growth rate on a compounding basis.

9

**Table 3-8 Growth Rate in Customers/ Connections****Table 3-8  
Growth Rate in Customers/Connections**

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load
2004							
2005	1.0090	1.0434	1.0040	0.0000	1.0109	1.0015	1.0000
2006	1.0236	1.0315	0.9641	0.0000	1.0139	1.0636	1.2098
2007	1.0152	1.0022	0.9468	0.0000	1.0119	0.9957	1.1473
2008	1.0137	1.0002	0.9950	0.0000	1.0308	0.9728	1.1708
2009	1.0320	1.0163	0.9774	0.0000	0.9916	0.9353	1.0062
2010	1.0134	1.0055	1.0135	0.0000	0.9946	1.0189	0.8093
2011 Normalized	1.0178	1.0164	0.9832	0.0000	1.0089	0.9972	1.0000
2012 Normalized	1.0178	1.0164	0.9832	0.0000	1.0089	0.9972	1.0000

10

11

12

13 The resulting geometric mean, except in the GS 3000-4999 kW customer class as discussed  
14 earlier, is applied to the 2010 customer/connection numbers to determine the forecast of  
15 customer/connections in 2011 and 2012. In Table 3-8 above, it can be noted that the USL

1 category has been adjusted to a growth rate in customers of 1.0. This is based on industry  
2 knowledge and local distribution area expertise.

3  
4 The next step in the process is to review the historical customer/connection usage and to  
5 reflect this usage per customer in the forecast. Table 3-9 provides the average annual usage per  
6 customer by rate class from 2004 to 2010.

7 **Table 3-9 Annual kWh Usage per Customer / Connection**

Table 3-9  
Annual kWh Usage per Customer/Connection

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load
2004	9,584	32,416	822,318	25,202,991	729	1,305	9,311
2005	9,639	31,462	809,737	20,215,158	724	1,279	9,467
2006	9,115	31,088	858,491	23,443,190	718	1,301	8,486
2007	9,203	32,695	917,555	20,583,615	713	1,312	7,520
2008	9,089	33,010	911,513	18,805,505	668	1,430	7,639
2009	8,778	32,521	885,364	19,554,367	488	1,509	7,886
2010	8,747	31,992	914,758	19,036,344	434	1,461	9,337

8  
9  
10 As can be seen from Table 3-9 above, usage per customer/connection begins to decline in  
11 the Residential class after 2005 with a slight increase in 2007, however, decreases again  
12 thereafter. It is LUI's view this decline is partially due to the CDM programs initiated in 2005.

13  
14 From the historical usage per customer/connection data the growth rate in usage per  
15 customer/connection can be reviewed which is provided in Table 3-10. The geometric mean  
16 growth rate has also been shown. However in the case of unmetered customers, including  
17 Streetlights, Sentinel Lights, and Unmetered Scattered Load (USL) , the Geomean does not  
18 accurately reflect anticipated growth in these classes. LUI has made a knowledgeable and  
19 educated change to these figures of "0.9170", "1.0190" and "1.0005" , respectively to a stable  
20 1.0. This can be seen in Table 3-10 below. This is in order to ensure that there are no future  
21 increases in these customer classes based on our experience with our distribution area and our  
22 striving to ensure that all new distribution is metered where possible. It is known that LDC's

1 (including LUI) are steering away from USL customer class with the intent of metering as many  
 2 connections as possible. LUI has been ensuring that current and future loads will all be  
 3 attempted to be metered, where possible. Clearly, this will cause the unmetered classes to  
 4 decline over time.

5 **Table 3-10 Growth Rate in Usage per Customer / Connection**

**Table 3-10**  
**Growth Rate in Usage per Customer / Connection**

Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load
2004							
2005	1.0057	0.9706	0.9847	0.0000	0.9936	0.9801	1.0168
2006	0.9457	0.9881	1.0602	0.0000	0.9917	1.0169	0.8964
2007	1.0096	1.0517	1.0688	0.0000	0.9924	1.0090	0.8861
2008	0.9877	1.0096	0.9934	0.0000	0.9375	1.0894	1.0159
2009	0.9657	0.9852	0.9713	0.0000	0.7297	1.0553	1.0323
2010	0.9965	0.9837	1.0332	0.0000	0.8889	0.9681	1.1840
Geometric Mean (or adjusted)	0.9849	0.9978	1.0179	0.0000	1.0000	1.0000	1.0000
GEOMEAN ACTUAL	0.9849	0.9978	1.0179		0.9170	1.0190	1.0005

6  
7

8

9

10 **Conservation and Demand Management Adjustment**

11 LUI supports the Provincial Government's Conservation and Demand Management ("CDM")  
 12 initiatives and from 2005 to 2007 delivered CDM programs funded through 3rd tranche  
 13 revenue and is currently delivering CDM programs that are funded through the Ontario Power  
 14 Authority ("OPA"). The impact of these historical programs on the load in future years is  
 15 incorporated in the load forecast presented in this Exhibit, through the modeling process.  
 16 On March 31, 2010, the Minister of Energy and Infrastructure issued a Directive to the Ontario  
 17 Energy Board (the "Board") to establish electricity conservation and demand management  
 18 targets for each local distribution company ("LDC"). These targets must total 1,330 MW of  
 19 provincial peak demand and 6,000 GWh of reduced electricity consumption over a four year

1 period starting in 2011. The OEB (EB-2010-0216) issued proposed CDM Targets for each  
 2 distributor on June 22, 2010 and LUI has been given a proposed CDM Target reduction of  
 3 13,590,000 kWh.

4 In this application LUI has reflected a decrease of 1,359,000 kWh in 2011 and a total decrease  
 5 of 2,718,000 kWh in 2012 representing 10% and 20% of its target, respectively.

6

7 The CDM adjustments have not been assigned to a specific rate class; it has been applied on a  
 8 prorated basis by class energy and demand. Table 3-11 details the application of the CDM  
 9 Adjustment.

10

**Table 3 – 11 CDM Adjustment**

**Table 3-11**

**CDM Adjustment**

	<b>2011</b>	<b>2012</b>
Predicted kWh Purchases prior to CDM Adjustment	263,616,591	267,061,709
CDM kWh Target Savings for 2011	1,359,000.00	
CDM kWh Target Savings for 2012		2,718,000.00
Predicted kWh Purchases after CDM Adjustment	262,257,591	264,343,709
Purchases kWh Divided by Total Loss Factor	1.0565	1.0565
kWh to allocate to Rate Classes	248,226,168	250,200,674

11

12

13 The non-normalized weather billed energy forecast has been determined including the CDM  
 14 Adjustments, however, this needs to be adjusted in order to be aligned with the total weather  
 15 normalized billed energy forecast.

16 The difference between non-normalized and normalized forecast is assumed to be the amount  
 17 related to moving the forecast to a weather normal basis. This difference will be assigned to  
 18 those rate classes that are weather sensitive. LUI used the weather normalization work  
 19 completed by Hydro One for LUI for its 2007 Cost Allocation Study as a starting point and has

1 shown its weather sensitivity by rate class below in Table 3-12. LUI has reviewed previous rate  
 2 applications and has noted the concern of Intervenors that the Residential and GS <50kW  
 3 classes are not 100% weather sensitive. LUI has, thus, applied a weather sensitivity factor of  
 4 70%, which is the mid-point between the 100% HONI reported for these two classes and the GS  
 5 50-2999kW sensitivity factor of 41%. None of the other rate classes were assumed to be  
 6 weather sensitive.

7

**Table 3-12 Weather Sensitivity**

**Table 3-12**

<b>Weather Sensitivity</b>						
<b>Residential</b>	<b>General Service &lt; 50kW</b>	<b>General Service 50 - 2999 kW</b>	<b>General Service 3000 - 4999 kW</b>	<b>Streetlights</b>	<b>Sentinel Lights</b>	<b>Unmetered Scattered Load</b>
70%	70%	41%	0%	0%	0%	0%

8

9

10 As a result, any differences in 2011 and 2012 kWh have been assigned on a prorated basis to  
 11 each rate classes based on the above level of weather sensitivity. Table 3-13 outlines how the  
 12 weather sensitive rate classes have been adjusted to align the non-normalized forecast with the  
 13 normalized forecast.

1

**Table 3-13 Alignment of Non-Normal to Weather Normal Forecast**

**Table 3-13  
Alignment of Non-Normal to Weather Normal Forecast**

Non-Normal Weather Billed Energy Forecast (kWh)								
Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
2011	72,820,474	34,608,037	120,386,835	19,295,356	1,204,881	78,652	716,623	249,110,857
2012	72,995,567	35,098,326	120,483,014	19,295,356	1,215,575	78,431	716,623	249,882,892

Adjustment for Weather (kWh)								
Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
2011	-361,351	-171,733	-351,605	0	0	0	0	-884,689
2012	129,586	62,308	125,888	0	0	0	0	317,782

Weather Normalized Billed Energy Forecast (kWh)								
Year	Residential	General Service < 50kW	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Unmetered Scattered Load	Total
2011	72,459,122	34,436,304	120,035,230	19,295,356	1,204,881	78,652	716,623	248,226,168
2012	73,125,152	35,160,634	120,608,902	19,295,356	1,215,575	78,431	716,623	250,200,674

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3

4

**5 Billed kW Load Forecast**

6 There are four rate classes that charge volumetric distribution on per a kW basis. These include

7 GS 50-2999 kW, GS 3000-4999 kW, Street Lighting, and Sentinel Lighting. As a result, the energy

8 forecast for these classes needs to be converted to a kW basis for rate setting purposes. With

9 the exception of the customer in the GS 3000-4999 kW class which used the average of the

10 2009 and 2010 actual data, the forecast of kW for the other three classes is based on an

11 average analysis of the historical ratio of kW to kWhs and applying the historical average ratio

12 to the forecasted kWh to produce the required kW. LUI notes that as the CDM Adjustment was

13 applied to kWh, and kWh is being converted to kW, the kW, thus, already reflects the CDM

14 Adjustment, and LUI has not applied any additional CDM adjustments to its forecasted kW.

15 Table 3-14 outlines the annual demand units by applicable rate class.

1

**Table 3-14 Historical Annual kW**

**Table 3-14**  
**Historical Annual kW**

Year	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Total
2004	291,092	49,683	5,156	199	346,130
2005	295,106	45,661	5,195	195	346,157
2006	297,477	48,479	5,222	211	351,389
2007	300,809	46,227	5,240	212	352,488
2008	298,912	40,464	5,091	225	344,692
2009	290,143	49,629	3,654	222	343,648
2010	299,041	45,256	3,302	219	347,817

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4

5 LUI notes that trend analysis was raised in the October 26, 2009, EB-2009-0267 Kitchener-  
6 Wilmot Hydro Inc. – 2010 Cost of Service Application Interrogatories of Energy Probe,  
7 Interrogatory # 14. LUI has adopted the trend analysis approach to provide a forecast of kW for  
8 the three applicable rate classes as shown on Table 3-15.

9

**Table 3-15 kW/kWh Ratio**

**Table 3-15**  
**kW / kWh Ratio**

Year	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights
2004	0.2432%	N/A	0.2707%	0.2778%
2005	0.2493%	N/A	0.2715%	0.2778%
2006	0.2459%	N/A	0.2714%	0.2778%
2007	0.2457%	N/A	0.2712%	0.2778%
2008	0.2470%	N/A	0.2727%	0.2778%
2009	0.2526%	N/A	0.2705%	0.2778%
2010	0.2486%	N/A	0.2765%	0.2778%
2011 Trended	0.2509%	N/A	0.2744%	0.2778%
2012 Trended	0.2517%	N/A	0.2750%	0.2778%

10

11

12 Table 3-16 outlines the kW forecast for the four applicable rate classes.

13

14

15

1

**Table 3-16 Annual kW Forecast****Table 3-16  
Annual kW Forecast**

Year	General Service 50 - 2999 kW	General Service 3000 - 4999 kW	Streetlights	Sentinel Lights	Total
2011	301,159	47,442	3,307	218	352,126
2012	303,629	47,442	3,343	218	354,633

2

3

4 A summary of the billing determinants by rate class that has been used to develop the  
5 proposed rates is provided in Table 3-17.

1

**Table 3-17 Summary of the billing determinants by rate class****Table 3-17**

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Weather Normal	2012 Weather Normal
Actual kWh Purchases	264,365,121	265,103,480	265,431,760	267,650,333	261,227,184	257,221,767	261,542,031		
Predicted kWh Purchases	263,973,437	265,303,309	265,079,882	266,595,213	261,564,711	259,497,349	260,527,776	262,257,591	264,343,709
% Difference	-0.1%	0.1%	-0.1%	-0.4%	0.1%	0.9%	-0.4%		
Billed kWh	250,404,235	245,534,411	249,730,055	251,838,780	249,119,680	243,045,006	248,087,251	248,226,168	250,200,674

**By Class****Residential**

Customers	7,472	7,539	7,717	7,835	7,942	8,196	8,305	8,453	8,603
kWh	71,606,528	72,668,912	70,342,664	72,101,355	72,186,004	71,936,998	72,645,801	72,459,122	73,125,152

**General Service < 50 kW**

Customers	968	1,010	1,041	1,044	1,044	1,061	1,067	1,084	1,102
kWh	31,362,518	31,761,066	32,373,170	34,122,931	34,456,796	34,498,946	34,124,597	34,436,304	35,160,634

**General Service 50 - 2,999 kW**

Customers	146	146	141	133	133	130	132	129	127
kWh	119,715,730	118,356,603	120,975,702	122,417,181	121,003,376	114,875,960	120,290,733	120,035,230	120,608,902
kW	291,092	295,106	297,477	300,809	298,912	290,143	299,041	301,159	303,629

**Intermediate 3,000 - 4,999 kW**

Customers	1	1	1	1	1	1	1	1	1
kWh	25,202,991	20,215,158	23,443,190	20,583,615	18,805,505	19,554,367	19,036,344	19,295,356	19,295,356
kW	49,683	45,661	48,479	46,227	40,464	49,629	45,256	47,442	47,442

**Street Lights**

Connections	2,612	2,641	2,678	2,710	2,793	2,770	2,755	2,779	2,804
kWh	1,904,781	1,913,253	1,923,811	1,931,928	1,867,000	1,350,902	1,194,280	1,204,881	1,215,575
kW	5,156	5,195	5,222	5,240	5,091	3,654	3,302	3,307	3,343

**Sentinel Lights**

Connections	55	55	59	58	57	53	54	54	54
kWh	71,663	70,344	76,087	76,442	81,012	79,959	78,873	78,652	78,431
kW	199	195	211	212	225	222	219	218	218

**Unmetered Loads**

Connections	58	58	70	81	94	95	77	77	77
kWh	540,024	549,075	595,431	605,328	719,986	747,874	716,623	716,623	716,623

**Total**

Customer/Connections	11,311	11,450	11,707	11,861	12,063	12,305	12,390	12,577	12,767
kWh	250,404,235	245,534,411	249,730,055	251,838,780	249,119,680	243,045,006	248,087,251	248,226,168	250,200,674
kW from applicable classes	346,130	346,157	351,389	352,488	344,692	343,648	347,817	352,126	354,633

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Appendix A

	Purchased including Losses	Heating Degree Days	Cooling Degree Days	Ontario Real GDP Monthly %	Number of Days in Month	Spring Fall Flag	Population	Number of Peak Hours	Blackout Flag	Predicted Purchases
Jan-04	23,871,187	872.6	0.0	127.53	31	0	17,599	336	0	23,306,673
Feb-04	20,910,073	636.4	0.0	127.80	29	0	17,676	320	0	21,010,056
Mar-04	20,888,203	519.9	0.0	128.06	31	1	17,753	368	0	20,702,439
Apr-04	18,266,804	372.3	0.0	128.32	30	1	17,830	336	0	19,087,204
May-04	18,021,137	205.4	0.0	128.59	31	1	17,907	320	0	18,300,176
Jun-04	18,180,120	100.8	5.1	128.85	30	0	17,984	352	0	18,618,753
Jul-04	19,198,779	14.7	41.2	129.12	31	0	18,061	336	0	19,443,695
Aug-04	19,397,421	26.9	43.1	129.38	31	0	18,138	336	0	19,340,970
Sep-04	18,753,233	50.3	18.1	129.65	30	1	18,215	336	0	17,707,504
Oct-04	18,546,757	250.1	0.0	129.92	31	1	18,292	320	0	18,431,084
Nov-04	19,666,552	411.0	0.0	130.19	30	1	18,369	352	0	19,493,050
Dec-04	22,056,213	645.2	0.0	130.45	31	0	18,446	336	0	21,923,679
Jan-05	23,291,134	782.8	0.0	130.74	31	0	18,523	320	0	22,844,129
Feb-05	20,193,156	631.3	0.0	131.03	28	0	18,600	320	0	20,708,281
Mar-05	21,217,408	612.1	0.0	131.33	31	1	18,677	352	0	21,258,782
Apr-05	18,028,439	362.5	0.0	131.62	30	1	18,754	336	0	19,130,045
May-05	18,097,091	259.9	0.0	131.91	31	1	18,831	336	0	18,985,654
Jun-05	20,058,286	40.7	52.6	132.20	30	0	18,908	352	0	19,772,592
Jul-05	20,975,305	4.2	116.8	132.50	31	0	18,985	320	0	21,586,987
Aug-05	20,798,548	1.0	87.6	132.79	31	0	19,062	352	1	20,798,548
Sep-05	18,990,700	45.5	16.3	133.09	30	1	19,139	336	0	17,820,569
Oct-05	19,252,661	251.9	0.0	133.38	31	1	19,216	320	0	18,803,645
Nov-05	20,235,767	411.5	0.0	133.68	30	1	19,293	352	0	19,719,661
Dec-05	22,138,682	688.4	0.0	133.98	31	0	19,370	320	0	22,148,111
Jan-06	22,353,672	589.0	0.0	134.25	31	0	19,447	336	0	22,083,160
Feb-06	20,496,667	627.2	0.0	134.53	28	0	19,469	320	0	20,961,611
Mar-06	21,553,232	564.4	0.0	134.81	31	1	19,491	368	0	21,390,375
Apr-06	18,459,427	332.6	0.0	135.08	30	1	19,513	304	0	18,984,731
May-06	18,600,606	192.1	6.3	135.36	31	1	19,535	352	0	19,080,483
Jun-06	19,219,684	40.1	18.0	135.64	30	0	19,557	352	0	18,926,979
Jul-06	20,843,078	5.9	86.9	135.92	31	0	19,579	320	0	20,915,568
Aug-06	20,373,183	6.7	56.4	136.20	31	0	19,601	352	0	20,247,733
Sep-06	18,316,623	103.3	1.3	136.48	30	1	19,623	320	0	17,729,224
Oct-06	19,515,258	296.4	0.0	136.76	31	1	19,645	336	0	19,315,912
Nov-06	19,920,563	390.9	0.0	137.04	30	1	19,667	352	0	19,419,423
Dec-06	20,765,675	505.5	0.0	137.33	31	0	19,689	304	0	21,010,587
Jan-07	22,987,138	669.3	0.0	137.59	31	0	19,711	352	0	22,706,109
Feb-07	21,857,069	728.2	0.0	137.85	28	0	19,733	320	0	21,653,589
Mar-07	22,040,188	578.3	0.0	138.11	31	1	19,755	352	0	21,359,898
Apr-07	19,170,035	401.0	0.0	138.37	30	1	19,777	320	0	19,552,894
May-07	18,185,643	208.1	1.9	138.63	31	1	19,799	352	0	19,165,749
Jun-07	19,516,295	45.4	19.9	138.90	30	0	19,821	336	0	19,078,218
Jul-07	19,530,696	22.4	45.3	139.16	31	0	19,843	336	0	19,975,437
Aug-07	21,202,777	12.1	91.5	139.42	31	0	19,865	352	0	21,677,633
Sep-07	19,037,607	61.8	17.9	139.69	30	1	19,887	336	0	17,970,434
Oct-07	19,430,361	165.8	4.1	139.95	31	1	19,909	352	0	19,071,780
Nov-07	20,663,157	441.5	0.0	140.22	30	1	19,931	352	0	20,321,062
Dec-07	22,153,420	648.3	0.0	140.48	31	0	19,953	304	0	22,186,774
Jan-08	22,589,763	633.3	0.0	140.73	31	0	19,975	352	0	22,341,460
Feb-08	21,600,193	660.6	0.0	140.97	29	0	19,997	320	0	21,656,403
Mar-08	21,847,895	597.2	0.0	141.21	31	1	20,019	352	0	21,215,018
Apr-08	18,632,235	326.3	0.0	141.45	30	1	20,041	352	0	19,319,848
May-08	18,130,713	253.6	0.0	141.69	31	1	20,063	336	0	18,950,462
Jun-08	18,986,788	71.0	2.6	141.93	30	0	20,085	336	0	18,622,156
Jul-08	20,523,230	9.4	50.9	142.17	31	0	20,107	352	0	20,360,656
Aug-08	19,554,027	15.2	40.4	142.42	31	0	20,129	320	0	19,573,902
Sep-08	18,984,401	79.5	16.2	142.66	30	1	20,151	336	0	18,315,912
Oct-08	19,133,121	288.1	0.0	139.90	31	1	20,173	352	0	19,559,718
Nov-08	19,701,425	459.0	0.0	139.84	30	1	20,195	304	0	19,609,972
Dec-08	21,823,926	652.5	0.0	139.78	31	0	20,217	336	0	22,320,629
Jan-09	23,540,708	823.9	0.0	139.38	31	0	20,239	336	0	23,401,578
Feb-09	20,020,878	603.6	0.0	139.98	28	0	20,261	320	0	20,472,886
Mar-09	20,913,286	568.1	0.0	138.58	31	1	20,283	352	0	21,055,617
Apr-09	18,459,204	345.4	0.0	138.18	30	1	20,305	320	0	18,822,830
May-09	17,573,977	231.1	0.0	137.78	31	1	20,327	320	0	18,643,982
Jun-09	18,427,123	86.1	17.4	137.38	30	0	20,349	352	0	19,226,736
Jul-09	18,988,126	41.5	18.2	136.99	31	0	20,371	352	0	19,119,558
Aug-09	20,387,940	15.7	58.6	136.59	31	0	20,393	352	0	20,018,385
Sep-09	18,406,762	70.1	11.6	136.20	30	1	20,415	336	0	17,677,616
Oct-09	19,177,043	313.3	0.0	135.81	31	1	20,437	336	0	19,366,272
Nov-09	19,018,823	361.0	0.0	135.42	30	1	20,459	320	0	19,010,026
Dec-09	21,612,929	638.6	0.0	135.03	31	0	20,469	352	0	21,986,895
Jan-10	18,984,401	719.0	0.0	135.33	31	0	20,478	320	0	22,367,473
Feb-10	20,627,099	597.2	0.0	135.83	28	0	20,488	304	0	20,378,259
Mar-10	20,544,848	450.7	0.0	135.93	31	1	20,497	368	0	20,444,388
Apr-10	17,935,300	262.7	0.0	136.23	30	1	20,507	320	0	18,406,235
May-10	18,762,393	160.4	9.1	136.54	31	1	20,516	320	0	18,539,092
Jun-10	19,299,625	37.9	15.7	136.84	30	0	20,526	352	0	18,783,681
Jul-10	21,197,869	5.1	90.2	137.14	31	0	20,535	336	0	21,058,495
Aug-10	21,010,666	6.0	80.7	137.45	31	0	20,545	336	0	20,922,402
Sep-10	18,015,694	99.9	14.4	137.75	30	1	20,554	336	0	18,167,650
Oct-10	18,447,374	265.5	0.0	138.06	31	1	20,564	320	0	18,934,537
Nov-10	19,847,984	412.1	0.0	138.37	30	1	20,568	336	0	19,650,162
Dec-10	22,559,251	676.5	0.0	138.67	31	0	20,568	368	0	22,805,629
Jan-11		727.0	0.0	139.0	31	0	20,571	352	0	22,877,405
Feb-11		641.3	0.0	139.3	28	0	20,587	320	0	20,971,818
Mar-11		560.8	0.0	139.6	31	1	20,596	352	0	21,139,811
Apr-11		344.7	0.0	139.9	30	1	20,606	320	0	19,061,036
May-11		215.8	2.5	140.2	31	1	20,615	352	0	19,067,005
Jun-11		60.3	18.8	140.5	30	0	20,625	336	0	19,120,391
Jul-11		14.7	64.2	140.8	31	0	20,634	336	0	20,586,144
Aug-11		11.9	65.5	141.1	31	0	20,644	352	0	20,791,294
Sep-11		72.1	13.7	141.4	30	1	20,653	304	0	17,933,185
Oct-11		261.6	0.6	141.7	31	1	20,663	352	0	19,542,098
Nov-11		412.4	0.0	142.0	30	1	20,667	352	0	20,017,919
Dec-11		633.6	0.0	142.3	31	0	20,667	304	0	22,122,426
Jan-12		706.2	0.0	142.6	31	0	20,676	352	0	23,016,523
Feb-12		642.0	0.0	142.9	29	0	20,686	320	0	21,626,737
Mar-12		566.7	0.0	143.2	31	1	20,695	304	0	21,014,158
Apr-12		340.7	0.0	143.5	30	1	20,705	352	0	19,597,111
May-12		217.3	2.8	143.8	31	1	20,714	336	0	19,213,241
Jun-12		54.5	20.7	144.1	30	0	20,724	336	0	19,411,131
Jul-12		14.7	67.5	144.4	31	0	20,733	352	0	21,098,301
Aug-12		9.8	68.7	144.7	31	0	20,743	320	0	20,857,676
Sep-12		75.2	13.1	145.0	30	1	20,752	336	0	18,492,938
Oct-12		263.2	0.7	145.4	31	1	20,762	352	0	19,825,320
Nov-12		412.6	0.0	145.7	30	1	20,766	352	0	19,955,164
Dec-12		631.9	0.0	146.0	31	0	20,766	336	0	22,667,348

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1 **OPERATING REVENUE VARIANCE ANALYSIS**

2 **THROUGHPUT REVENUE and OTHER OPERATING REVENUE**

3 **Throughput Revenue**

4 Throughput revenues in this application includes fixed charges revenue from monthly charges,  
5 multiplied by the number of customers forecast in the year (for Bridge and Test Years).

6 **2011 Throughput Revenues**

7 LUI's Throughput Revenue for the 2011 Bridge Year has been calculated using its most recently  
8 approved rates and estimated number of customers and consumption.

9 **Table 3-18 Forecast Class Billing Determinants for 2011 Bridge**

Forecast Class Billing Determinants for 2011 Test Year Based on Existing Class Revenue Proportions  
Revenue At Existing Rates

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	72,459,122		101,435		942,335	970,952	1,913,288		1,913,288	48.23%
GS < 50 kW	34,436,304		13,010		292,722	278,934	571,656		571,656	14.41%
GS 50-2999	120,035,230	301,159	1,551		285,237	1,029,993	1,315,230	120,237	1,194,993	30.12%
GS 3000 - 4999	19,295,356	47,442	12		21,203	48,714	69,917	28,465	41,451	1.04%
Sentinel Lights	78,652	218		646	3,011	2,507	5,518		5,518	0.14%
Street Lighting	1,204,881	3,307		33,348	128,058	80,491	208,549		208,549	5.26%
USL	716,623			921	10,334	20,997	31,331		31,331	0.79%
0	0	0			0	0	0		0	0.00%
0	0	0	0		0	0	0		0	0.00%
	<b>248,226,168</b>	<b>352,126</b>	<b>116,009</b>	<b>34,916</b>	<b>1,682,900</b>	<b>2,432,588</b>	<b>4,115,489</b>	<b>148,703</b>	<b>3,966,786</b>	<b>100%</b>

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12 **2012 Throughput Revenues**

13 LUI's Throughput Revenues at existing rates for the 2012 Test Year have been calculated using  
14 the most recently approved rates and estimated number of customers and consumption.

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**Table 3- 19 Forecast Class Billing Determinants for 2012 Test****Forecast Class Billing Determinants for 2012 Test Year Based on Existing Class Revenue Proportions  
Revenue At Existing Rates**

Class	Annual kWh	Annual kW For Dx	Annualized Customers	Annualized Connections	Fixed Distribution Revenue	Variable Distribution Revenue	Dist. Rev. Including Transformer	Transformer Allowance	Dist. Rev. Excluding Transformer	Dist Rev At Existing Rates %
Residential	73,125,152		103,239		959,095	979,877	1,938,971.56		1,938,972	48.37%
GS < 50 kW	35,160,634		13,223		297,522	284,801	582,322.67		582,323	14.53%
GS 50-2999	120,608,902	303,629	1,525		280,441	1,038,442	1,318,883.30	120,237.13	1,198,646	29.90%
GS 3000 - 4999	19,295,356	47,442	12		21,203	48,714	69,916.56	28,465.39	41,451	1.03%
Sentinel Lights	78,431	218		644,3743	3,003	2,500	5,502.50		5,503	0.14%
Street Lighting	1,215,575	3,343		33,644	129,195	81,381	210,575.96		210,576	5.25%
USL	716,623		921		10,334	20,997	31,330.67		31,331	0.78%
0	0	0			0	0	0		0	0.00%
0	0	0	0		0	0	0		0	0.00%
	<b>250,200,674</b>	<b>354,633</b>	<b>118,921</b>	<b>34,289</b>	<b>1,700,791</b>	<b>2,456,712</b>	<b>4,157,503</b>	<b>148,703</b>	<b>4,008,801</b>	<b>100%</b>

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4 In Table 3-20 below, we demonstrate the Throughput Revenues at new rates for the 2012 Test  
5 Year that were calculated during rate design taking into account the revenue deficiency.; using  
6 forecasted number of customers/connections and consumption.

**Table 3-20 Distribution Rate Allocation Between Fixed & Variable Rates for 2012****Distribution Rate Allocation Between Fixed & Variable Rates For 2012 Test Year**

Customer Class	Total Net Rev. Requirement	Rev Requirement %	Proposed Fixed Rate	Resulting Variable Rate	Total Fixed Revenue	Total Variable Revenue	Transformer Allowance	Gross Distribution Revenue	LV & Wheeling Charges	Total
Residential	2,556,790	53.80%	12.25	\$0.0177	\$ 1,264,693	\$ 1,292,097		2,556,790	97,140	2,653,931
GS < 50 kW	725,309	15.26%	28.02	\$0.0101	\$ 370,576	\$ 354,733		725,309	42,363	767,672
GS 50-2999	1,181,345	24.86%	181.20	\$3.3764	\$ 276,393	\$ 904,951	\$ 120,237	1,301,582	145,073	1,446,655
GS 3000 - 4999	61,414	1.29%	2,617.84	\$1.2323	\$ 31,414	\$ 30,000	\$ 28,465	89,880	26,735	116,614
Sentinel Lights	5,072	0.11%	4.30	\$10.5767	\$ 2,768	\$ 2,304		5,072	82	5,154
Street Lighting	178,720	3.76%	3.26	\$20.6590	\$ 109,650	\$ 69,070		178,720	1,235	179,955
USL	44,091	0.93%	15.79	\$0.0412	\$ 14,542	\$ 29,549		44,091	1,063	45,154
0	0	0.00%		\$0.0000	\$ -	\$ -		0	0	0
0	0	0.00%		\$0.0000	\$ -	\$ -		0	0	0
<b>TOTAL</b>	<b>4,752,742</b>	<b>100%</b>			<b>\$ 2,070,037</b>	<b>\$ 2,662,704</b>	<b>\$ 148,703</b>	<b>\$ 4,901,444</b>	<b>\$ 313,691</b>	<b>\$ 5,215,135</b>
					<b>Forecast Fixed/Variable Ratios</b>					
						<b>42.233%</b>	<b>54.733%</b>	<b>3.034%</b>	<b>100.000%</b>	

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10 Overall LUI has had both load increases and load decreases from 2007 to the 2012 forecast  
11 year, depending on the customer class. The biggest change is in GS 3000-4999 class as this  
12 customer class has decreased since our last Cost of Service. This is due to the loss of a major

1 customer, Un-named customer. Un-named customer was phased out during 2008-2010. LUI  
2 now has just one customer in the GS 3000-4999 customer class and expect no change in this  
3 class. Note that the Un-named customer, as was discussed in Load Forecasting above, has  
4 been removed from all data. The decreases in load can be attributed to the success of  
5 conservation initiatives undertaken by LUI Customers. The increases can be attributed to  
6 economic growth in the small business sector in Cobourg. See Table 3-2 of this exhibit.

7 Information related to Lakefront Utilities Inc.'s throughput revenue includes details such as  
8 weather normalized forecasting methodology, normalized volume based on historical number  
9 of customers billed throughout the year and CDM adjustments and known economic  
10 conditions.

11 A detailed variance analysis on the throughput revenue is set out later in this Exhibit.

## 12 **OTHER REVENUE**

13 Other revenues include Standard Service Supply (SSS) Administration Charges, Late Payment  
14 Charges, Miscellaneous Service Revenues, Rent from Electric Property, Interdepartmental  
15 Rents, Service Transaction Requests, Retail Service Revenues and Interest and Dividend Income.  
16 The fall in bank interest rates had a significant impact on other revenue as interest income  
17 declined.

## 18 **VARIANCE ANALYSIS ON THROUGHPUT REVENUE**

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20 A summary of historical and forecast operating revenues is presented in Table 3-0. LUI's  
21 distribution revenue has been calculated using its most recently approved rates. In particular,  
22 delivery rates are based on the EB-2010-0095 Decision and Order dated March 17, 2011.  
23 Throughput revenue does not include commodity-related revenue.

24 From Exhibit 3-0, we discuss the significant changes below.

1

2 **2008 Board Approved**3 LUI's Total 2008 Board Approved operating revenue was forecast to be \$ 4,320,810 .4 Throughput revenue of \$ 3,985,246 represented 92.2% of total operating revenue.5 Other net operating revenue accounts for the remaining \$ 335,564 .

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7 Comparison 2008 Actual to 2008 Board Approved – Throughput Revenue

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**Table 3-21 Comparison 2008 to 2008 Board Approved**

Summary of Operating Revenue Table	2008 Board Approved (\$'s)	2008 Actual (\$'s)	Variance from 2008 Board Approved (\$'s)
<u>Distribution Revenue</u>			
Residential	1,917,386	1,840,952	(76,434)
GS < 50 kW	656,516	619,069	(37,447)
GS > 50 - 2999 kW	1,208,240	1,163,463	(44,777)
GS > 3000 - 4999 kW	97,123	23,437	(73,686)
Streetlight	73,925	36,635	(37,290)
Sentinel Light	3,327	2,537	(790)
Unmetered Scattered Load	28,729	31,905	3,176
<b>Total</b>	<b>3,985,246</b>	<b>3,717,998</b>	<b>(267,248)</b>
<u>Other Distribution Revenue</u>			
Specific Service Charges	103,267	133,125	29,858
Late Payment Charges	27,565	72,437	44,872
Other Distribution Revenue	149,461	158,868	9,407
Other Income and Expenses	55,271	821,667	766,396
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>
<b>Grand Total:</b>	<b>4,320,810</b>	<b>4,904,096</b>	<b>583,286</b>

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1 **2008 Actual**

2 LUI's operating revenue in fiscal 2008 was \$ 4,904,096. Throughput revenue was \$  
3 3,717,998 or 75.8% of total revenues. Other net operating revenue accounts for  
4 the remaining \$ 1,186,098.

5

6 Throughput revenue for 2008 was \$ (267,248)

7 lower than the amounts approved in the 2008 Cost of Service primarily due to lower kWh  
8 usage attributable to conservation initiatives that were undertaken, in the residential, general  
9 service <50, and intermediate rate class. The reduction in the intermediate rate class is also  
10 attributable to the loss of a major intermediate customer. The timing difference between the  
11 2008 Actual amounts which are based on the fiscal year of January 1 to December 31, 2008,  
12 and the 2008 Board Approved amounts, which are based on the rate year of May 1 2008 to  
13 April 30 ,2009 also contribute to the variance, since the 2008 rates did not come into effect  
14 until July 2008.

15 Variances in Other Revenue relate to CDM/OPA funding and transition costs. Prior to  
16 transition costs, BDO Dunwoody, our external auditors for the year, requested that we write off  
17 our transition costs to expense, as they were not confident that these costs were recoverable  
18 going forward. Therefore upon their request, LUI removed these costs and expensed them. In  
19 the following years, the OEB performed a transition costs review and it was determined that  
20 transition costs were recoverable and therefore our external auditors allowed us to bring the  
21 costs back onto our financial statements, over 3 year period. Year three, was 2008 and  
22 therefore we see a large amount of transition costs that were included in income, of \$561,710  
23 in 2008. This was our final year of cost "recovery" and was a result of a prudence assessment  
24 to provide complete and accurate data in our financial statements.

1 LUI also included revenues and expenses resulting from Conservation and Demand  
 2 Management activities in account 4375 and 4380. LUI did not net the expenses and the  
 3 revenues in 2008 and therefore shows a revenue stream from OPA funding related to CDM  
 4 activities.

5 Finally, we note that in this account, for presentation purposes, we show the interest  
 6 revenue/expense amount in 4405, interest income, on the deferral and variance accounts,  
 7 which balances to our financial statements. For the purposes of the rate application, these  
 8 amounts are not included in determining revenue offsets, however are included in the analysis  
 9 for the purposes of presenting complete financial data.

10

11 Comparison 2008 Actual to 2009 Actual – Throughput Revenue

12

**Table 3-22 Comparison 2008 to 2009**

Summary of Operating Revenue Table	2008 Actual (\$'s)	2009 Actual (\$'s)	Variance from 2008 Actual (\$'s)
<u>Distribution Revenue</u>			
Residential	1,840,952	1,970,658	129,707
GS < 50 kW	619,069	619,738	670
GS > 50 - 2999 kW	1,163,463	1,233,761	70,298
GS > 3000 - 4999 kW	23,437	62,334	38,897
Streetlight	36,635	81,308	44,673
Sentinel Light	2,537	3,944	1,407
Unmetered Scattered Load	31,905	33,981	2,076
<b>Total</b>	<b>3,717,998</b>	<b>4,005,725</b>	<b>287,728</b>
			7.7%
<u>Other Distribution Revenue</u>			
Specific Service Charges	133,125	144,453	11,328
Late Payment Charges	72,437	61,033	(11,404)
Other Distribution Revenue	158,868	166,728	7,859
Other Income and Expenses	821,667	108,311	(713,356)
<b>Total</b>	<b>1,186,098</b>	<b>480,525</b>	<b>(705,573)</b>
<b>Grand Total:</b>	<b>4,904,096</b>	<b>4,486,250</b>	<b>(417,845)</b>
% of Total Revenues	75.8%	89.3%	-68.9%

13

14

1 **2009 Actual**

2 LUI's operating revenue for 2009 was \$ 4,486,250, and throughput revenue was \$  
 3 4,005,725 or 89.3% of total revenues. Net other operating revenue accounts for  
 4 the remaining revenue of \$ 480,525 .

5

6 The 2009 throughput revenue was \$ 287,728 or 7.7% higher than the 2008  
 7 actual revenue. Despite the immaterial load reductions for the general service classes,  
 8 revenue increased for all rate classes due to small economic growth as well as timing  
 9 differences between the fiscal and rate year periods.

10

11 **Comparison 2009 Actual to 2010 Actual Throughput Revenue**

12

**Table 3-23 Comparison 2009 to 2010**

Summary of Operating Revenue Table	2009 Actual (\$'s)	2010 Actual (\$'s)	Variance from 2009 Actual (\$'s)
<u>Distribution Revenue</u>			
Residential	1,970,658	1,909,334	(61,324)
GS < 50 kW	619,738	599,095	(20,644)
GS > 50 - 2999 kW	1,233,761	1,279,944	46,182
GS > 3000 - 4999 kW	62,334	46,650	(15,684)
Streetlight	81,308	138,517	57,209
Sentinel Light	3,944	4,489	546
Unmetered Scattered Load	33,981	32,830	(1,151)
<b>Total</b>	<b>4,005,725</b>	<b>4,010,859</b>	<b>5,134</b>
			0.13%
<u>Other Distribution Revenue</u>			
Specific Service Charges	144,453	127,499	(16,954)
Late Payment Charges	61,033	63,140	2,107
Other Distribution Revenue	166,728	157,273	(9,455)
Other Income and Expenses	108,311	60,931	(47,380)
<b>Total</b>	<b>480,525</b>	<b>408,843</b>	<b>(71,682)</b>
<b>Grand Total:</b>	<b>4,486,250</b>	<b>4,419,702</b>	<b>(66,548)</b>
% of Total Revenues	89.3%	90.7%	-7.7%

13

1 **2010 Actual**

2 LUI's operating revenue in fiscal 2010 was \$ 4,419,702, and throughput revenue totaled  
 3 \$ 4,010,859 or 90.7% of total revenues. Other net operating revenue accounts for the  
 4 remaining revenue of \$ 408,843.

5

6 Throughput revenue in 2010 was 0.13% or \$ 5,134 higher than in 2009 due to a  
 7 combination of conservation and demand initiatives. There was moderate customer growth in  
 8 the other customer classes, however offsetting kWh usage.

9

10 **Comparison of 2011 Bridge to 2010 Actual Throughput Revenue**11 **Table 3-24 Comparison 2011 to 2010**

Summary of Operating Revenue Table	2010 Actual (\$'s)	2011 Bridge (\$'s)	Variance from 2010 Actual (\$'s)
<u>Distribution Revenue</u>			
Residential	1,909,334	1,913,288	3,954
GS < 50 kW	599,095	571,656	(27,438)
GS > 50 - 2999 kW	1,279,944	1,194,993	(84,951)
GS > 3000 - 4999 kW	46,650	41,451	(5,199)
Streetlight	138,517	208,549	70,032
Sentinel Light	4,489	5,518	1,029
Unmetered Scattered Load	32,830	31,331	(1,499)
<b>Total</b>	<b>4,010,859</b>	<b>3,966,786</b>	<b>(44,073)</b>
			-1.10%
<u>Other Distribution Revenue</u>			
Specific Service Charges	127,499	127,000	(499)
Late Payment Charges	63,140	63,140	-
Other Distribution Revenue	157,273	160,406	3,133
Other Income and Expenses	60,931	28,500	(32,431)
<b>Total</b>	<b>408,843</b>	<b>379,046</b>	<b>(29,797)</b>
<b>Grand Total:</b>	<b>4,419,702</b>	<b>4,345,832</b>	<b>(73,870)</b>
<b>% of Total Revenues</b>	<b>90.7%</b>	<b>91.3%</b>	<b>59.7%</b>

12

13

1 **2011 Bridge Year**

2 Throughput revenue is expected to decrease by -1.10% or \$ (44,073)

3 in 2011. This is a result of a decrease in usage for GS<50, GS 50-2999, GS 3000-4999 customer  
4 classes, along with conservation and demand management initiatives.

5 The reason for the decrease in other income and Expenses is due to prior year (2010) showing  
6 interest expenses on deferral & variance accounts, whereas the forecast interest is without  
7 those expenses, as per the filing requirements.

8 **Comparison 2012 Test to 2011 Bridge Actual Throughput Revenue**9 **Table 3-25 – Comparison 2012 Test to 2011 Bridge**

Summary of Operating Revenue Table	2011 Bridge (\$'s)	2012 Test (\$'s)	Variance from 2011 Bridge (\$'s)
<u>Distribution Revenue</u>			
Residential	1,913,288	2,556,790	643,502
GS < 50 kW	571,656	725,309	153,653
GS > 50 - 2999 kW	1,194,993	1,181,345	(13,649)
GS > 3000 - 4999 kW	41,451	61,414	19,963
Streetlight	208,549	178,720	(29,829)
Sentinel Light	5,518	5,072	(446)
Unmetered Scattered Load	31,331	44,091	12,760
<b>Total</b>	<b>3,966,786</b>	<b>4,752,742</b>	<b>785,956</b>
			19.81%
<u>Other Distribution Revenue</u>			
Specific Service Charges	127,000	126,500	(500)
Late Payment Charges	63,140	63,140	-
Other Distribution Revenue	160,406	160,322	(84)
Other Income and Expenses	28,500	28,500	-
<b>Total</b>	<b>379,046</b>	<b>378,462</b>	<b>(584)</b>
<b>Grand Total:</b>	<b>4,345,832</b>	<b>5,131,204</b>	<b>785,371</b>
<b>% of Total Revenues</b>	<b>91.3%</b>	<b>92.6%</b>	<b>100.1%</b>

10

11

1    **2012 Test Year**

2    LUI's operating revenue is forecast to be \$ 5,131,204 as shown in Table 3-25. Throughput  
3    revenue totals \$ 4,752,740 or 92.6% of total revenues. Other net operating revenue  
4    accounts for the remaining revenue of \$ 378,462.

5

6    Total throughput operating revenue is forecast to be \$ 785,956 or 19.81%  
7    higher than the 2011 Bridge year. This variance is due to increased revenue required as  
8    determined through the Revenue Deficiency of \$ 743,941 . Exhibit 6 provides further  
9    details on the revenue deficiency for 2012 Test year. As a result of this rate application, LUI  
10    expects to increase its rate base by \$ 3,112,743 or 21.60% over the 2008 Cost  
11    of Service rate base as explained in Exhibit 2.

12    **TRANSFORMER ALLOWANCE**

13

14    LUI currently provides a Transformer Ownership Allowance Credit of \$0.60 per kW of demand  
15    per month for all customers who own their own transformer facilities.

16

17    LUI is proposing to maintain the rate of \$0.60 per kW of demand per month for the 2012 Test  
18    Year for eligible customers.

19

20    **VARIANCE ANALYSIS ON OTHER OPERATING REVENUE**

21

22    Table 3-26 provides a summary of Other Operating Revenue between 2008 Approved through  
23    to 2012 Test Year Amounts.

24

Table 3-26 Summary of Other Distribution Revenue

SUMMARY OF OTHER DISTRIBUTION REVENUE											
Expense Description	2008 Board Approved	2008 Actual	Variance from 2008 Board Approved	2009 Actual	Variance from 2008 Actual	2010 Actual	Variance from 2009 Actual	2011 Bridge	Variance from 2010 Actual	2012 Test	Variance from 2011 Bridge
<b>Other Distribution Revenue</b>											
4082-Retail Services Revenues	12,022	13,320	1,298	10,013	(3,307)	10,178	165	10,015	(163)	9,985	(30)
4084-Service Transaction Requests (STR) Revenues	347	1,380	1,033	4,560	3,180	4,774	214	4,560	(214)	4,015	(545)
4205 - Interdepartmental Rents	45,600	51,600	6,000	51,600	0	51,600	0	51,600	0	51,600	0
4210-Rent from Electric Property	56,300	59,777	3,477	65,115	5,338	56,697	(8,418)	56,500	(197)	56,400	(100)
4225-Late Payment Charges	27,565	72,437	44,872	61,033	(11,404)	63,140	2,107	63,140	0	63,140	0
4235-Miscellaneous Service Revenues	103,267	133,125	29,858	144,453	11,328	127,499	(16,954)	127,000	(499)	126,500	(500)
4355-Gain on Disposition of Utility and Other Property		0	0	10,178	10,178	0	(10,178)	0	0	0	0
4375- Revenues from Non-Utility Operations		626,554	626,554	36,204	(590,350)	11,991	(24,213)	0	(11,991)	0	0
4405-Interest and Dividend Income	55,271	195,113	139,842	61,929	(133,184)	48,940	(12,989)	28,500	(20,440)	28,500	0
<b>Sub-Total</b>	<b>300,372</b>	<b>1,153,306</b>	<b>852,934</b>	<b>445,085</b>	<b>(708,221)</b>	<b>374,818</b>	<b>(70,267)</b>	<b>341,315</b>	<b>(33,503)</b>	<b>340,140</b>	<b>(1,175)</b>
4080-Distribution Services Revenue- SSS Admin Fee	35,192	32,791	(2,401)	35,440	2,648	34,024	(1,416)	37,731	3,707	38,322	591
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>	<b>480,525</b>	<b>(705,573)</b>	<b>408,843</b>	<b>(71,682)</b>	<b>379,046</b>	<b>(29,797)</b>	<b>378,462</b>	<b>(584)</b>
Specific Service Charges	103,267	133,125	29,858	144,453	11,328	127,499	(16,954)	127,000	(499)	126,500	(500)
Late Payment Charges	27,565	72,437	44,872	61,033	(11,404)	63,140	2,107	63,140	0	63,140	0
Other Distribution Revenues	149,461	158,868	9,407	166,728	7,859	157,273	(9,455)	160,406	3,133	160,322	(84)
Other Income and Expenses	55,271	821,667	766,396	108,311	(713,356)	60,931	(47,380)	28,500	(32,431)	28,500	0
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>	<b>480,525</b>	<b>(705,573)</b>	<b>408,843</b>	<b>(71,682)</b>	<b>379,046</b>	<b>(29,797)</b>	<b>378,462</b>	<b>(584)</b>

## VARIANCE ANALYSIS ON OTHER OPERATING REVENUE:

### OVERVIEW

LUI's service revenue requirement for the purposes of this application is 5,131,204 , and the base revenue requirement is 4,752,741 . The materiality threshold used to analyze Other Operating Revenue accounts in accordance with the Filing Requirements is \$50,000 for distributors with a distribution revenue requirement less than or equal to \$10 million. LUI will describe variances that are above the materiality threshold of \$50,000 in order to provide a meaningful analysis of the activity in the Other Operating Revenue accounts.

1 **2008 Board Approved Comparison to 2008 Actual – Other Operating Revenue**

2 Table 3-27 below summarizes the variance by account description followed by a discussion on  
3 those variances over \$50,000.

4 **Table 3-27 2008 Board Approved vs. 2008 Actual Variance by Account**

Expense Description	2008 Board Approved	2008 Actual	Variance from 2008 Board Approved
<b>Other Distribution Revenue</b>			
4082-Retail Services Revenues	12,022	13,320	1,298
4084-Service Transaction Requests (STR) Revenues	347	1,380	1,033
4205 - Interdepartmental Rents	45,600	51,600	6,000
4210-Rent from Electric Property	56,300	59,777	3,477
4225-Late Payment Charges	27,565	72,437	44,872
4235-Miscellaneous Service Revenues	103,267	133,125	29,858
4355-Gain on Disposition of Utility and Other Property		0	0
4375- Revenues from Non-Utility Operations		626,554	626,554
4405-Interest and Dividend Income	55,271	195,113	139,842
<b>Sub-Total</b>	<b>300,372</b>	<b>1,153,306</b>	<b>852,934</b>
4080-Distribution Services Revenue- SSS Admin Fee	35,192	32,791	(2,401)
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>
Specific Service Charges	103,267	133,125	29,858
Late Payment Charges	27,565	72,437	44,872
Other Distribution Revenues	149,461	158,868	9,407
Other Income and Expenses	55,271	821,667	766,396
<b>Total</b>	<b>335,564</b>	<b>1,186,098</b>	<b>850,534</b>

5  
6 After adjusting out the Revenues from Non-Utility Operations (which related to OPA programs  
7 and transition costs), LUI's 2008 other operating revenue offset of \$ (559,543) was  
8 \$ (223,979) greater than the Board Approved amount of \$335,564.

9 **Specific Service Charges**

10 The 2008 specific service charges increased over board approved due to an unexpected  
11 increase in other miscellaneous revenues, specifically related to income received for external  
12 services provided for affiliate for sewer billing in the amount of \$30,000.

13 **Late Payment Charges**

1 The 2008 Board Approved Late Payment Charges for \$ 27,565 and the actual revenues in  
2 2008 was \$ 72,437, a difference of \$ 44,872. This was due to a larger than anticipated  
3 revenue stream from late payment charges on overdue accounts.

4

5

6 Other Income and Expenses

7 Interest and dividend income of \$ 195,113 was \$ 139,842 higher than the 2008 Board  
8 due to higher than expected interest earned on bank accounts as well as interest earned of  
9 deferral & variance accounts.

10 In the Other Non-Utility Operations Revenues, there are two revenue components; one is the  
11 CDM/OPA funding component, and the other is the transition costs. Prior to transition costs,  
12 BDO Dunwoody, our external auditors for the year, requested that we write off our transition  
13 costs to expense, as they were not confident that these costs were recoverable going forward.  
14 Therefore upon their request, LUI removed these costs and expensed them. In the following  
15 years, the OEB performed a transition costs review and it was determined that transition costs  
16 were recoverable and therefore our external auditors allowed us to bring the costs back onto  
17 our financial statements, over 3 year period. Year three, was 2008 and therefore we see a large  
18 amount of transition costs that were included in income, of \$561,710 in 2008. This was our  
19 final year of cost "recovery" and was a result of a prudence assessment to provide complete  
20 and accurate data in our financial statements.

21 LUI also included revenues and expenses resulting from Conservation and Demand  
22 Management activities in account 4375 and 4380. LUI did not net the expenses and the  
23 revenues in 2008 and therefore shows a revenue stream from OPA funding related to CDM  
24 activities.

1 Finally, we note that in this account, for presentation purposes, we show the interest  
 2 revenue/expense amount in 4405, interest income, on the deferral and variance accounts,  
 3 which balances to our financial statements. For the purposes of the rate application, these  
 4 amounts are not included in determining revenue offsets, however are included in the analysis  
 5 for the purposes of presenting complete financial data.

#### 6 2009 Actual Comparison to 2008 Actual – Other Operating Revenue

7 Table 3-28 below summarizes the variance by account description followed by a discussion on  
 8 those variances over \$50,000.

9 **Table 3-28 2008 vs 2009 Variance by Account**

Expense Description	2008 Actual	2009 Actual	Variance from 2008 Actual
<b>Other Distribution Revenue</b>			
4082-Retail Services Revenues	13,320	10,013	(3,307)
4084-Service Transaction Requests (STR) Revenues	1,380	4,560	3,180
4205 - Interdepartmental Rents	51,600	51,600	0
4210-Rent from Electric Property	59,777	65,115	5,338
4225-Late Payment Charges	72,437	61,033	(11,404)
4235-Miscellaneous Service Revenues	133,125	144,453	11,328
4355-Gain on Disposition of Utility and Other Property	0	10,178	10,178
4375- Revenues from Non-Utility Operations	626,554	36,204	(590,350)
4405-Interest and Dividend Income	195,113	61,929	(133,184)
<b>Sub-Total</b>	<b>1,153,306</b>	<b>445,085</b>	<b>(708,221)</b>
4080-Distribution Services Revenue- SSS Admin Fee	32,791	33,279	488
<b>Total</b>	<b>1,186,098</b>	<b>478,364</b>	<b>(707,733)</b>
Specific Service Charges	133,125	144,453	11,328
Late Payment Charges	72,437	61,033	(11,404)
Other Distribution Revenues	158,868	164,567	5,699
Other Income and Expenses	821,667	108,311	(713,356)
<b>Total</b>	<b>1,186,098</b>	<b>478,364</b>	<b>(707,733)</b>

10

11 Before adjustment for non-recurring or exception items, LUI's 2009 other operating revenues of  
 12 \$ **478,364** was \$ **(707,733)** lower than 2008. However, after adjusting for 2008 CDM  
 13 revenue and expense, transition costs, and the 2009 Gain on Disposition of Utility and Other

1 Property, LUI's 2009 other operating revenue offset of \$ 478,364 was only \$ (127,561)  
2 lower than the 2008 revenue offset amount.

3 Other Income and Expenses

4 Conversely, 2008 Revenues from Non-Utility Operations decreased by \$ (590,350), from the  
5 2008 amount of \$ 626,554. In 2009, there were no transition costs remaining to bring into  
6 revenues. See previous analysis in 2008 on Other Income and Expenses for analysis of the  
7 \$626,554 in 2008.

8 Gross Interest and Dividend income for 2009 was lower than 2008 actual amounts. 2009  
9 balance of \$ 61,929 was \$ (133,184) lower than the 2008 actuals. This was attributable  
10 to declining lower interest attributable to the deferral and variance accounts.

11 **2010 Actual Comparison to 2009 Actual - Other Operating Revenue**

12 Table 3-29 below summarizes the variance by account description followed by a discussion on  
13 those variances over \$50,000.

1

**Table 3-29 2009 vs 2010 Variance by Account**

Expense Description	2009 Actual	2010 Actual	Variance from 2009 Actual
<b>Other Distribution Revenue</b>			
4082-Retail Services Revenues	10,013	10,178	165
4084-Service Transaction Requests (STR) Revenues	4,560	4,774	214
4205 - Interdepartmental Rents	51,600	51,600	0
4210-Rent from Electric Property	65,115	56,697	(8,418)
4225-Late Payment Charges	61,033	63,140	2,107
4235-Miscellaneous Service Revenues	144,453	127,499	(16,954)
4355-Gain on Disposition of Utility and Other Property	10,178	0	(10,178)
4375- Revenues from Non-Utility Operations	36,204	11,991	(24,213)
4405-Interest and Dividend Income	61,929	48,940	(12,989)
<b>Sub-Total</b>	<b>445,085</b>	<b>374,818</b>	<b>(70,267)</b>
4080-Distribution Services Revenue- SSS Admin Fee	33,279	34,024	745
<b>Total</b>	<b>478,364</b>	<b>408,843</b>	<b>(69,521)</b>
<b>Specific Service Charges</b>			
Specific Service Charges	144,453	127,499	(16,954)
Late Payment Charges	61,033	63,140	2,107
Other Distribution Revenues	164,567	157,273	(7,294)
Other Income and Expenses	108,311	60,931	(47,380)
<b>Total</b>	<b>478,364</b>	<b>408,843</b>	<b>(69,521)</b>

2

3

4 Before adjusting for non-recurring or exception items, LUI's 2010 other operating revenues of  
5 \$ **408,843** was \$ **(69,521)** lower than 2009. After adjusting for CDM revenue and expense,  
6 and regulatory asset carrying charges, LUI's 2010 other operating revenue offset of \$  
7 **(396,851)** was \$ 45,309 lower than the 2009 revenue offset amount of \$ 431,982 .

### 8 **Other Income and Expenses**

9 The decrease in other income and expenses is due to a gain being reported in 2009 that is not  
10 in 2010. Also, the amount of revenues earned from OPA funding in 2010 was less than in 2009.  
11 Finally, the interest earned on bank account and variance accounts is minimal compared to  
12 2009 due to lower rates on both bank accounts and deferral & variance accounts (OEB  
13 prescribed rates).

1 **2011 Bridge Year Comparison to 2010 Actual – Other Operating Revenue**

2 Table 3-30 below summarizes the variance by account description followed by a discussion on  
3 those variances over \$20,000.

4 **Table 3-30 – 2010 vs 2011 Variance by Account**

Expense Description	2010 Actual	2011 Bridge	Variance from 2010 Actual
<b>Other Distribution Revenue</b>			
4082-Retail Services Revenues	10,178	10,015	(163)
4084-Service Transaction Requests (STR) Revenues	4,774	4,560	(214)
4205 - Interdepartmental Rents	51,600	51,600	0
4210-Rent from Electric Property	56,697	56,500	(197)
4225-Late Payment Charges	63,140	63,140	0
4235-Miscellaneous Service Revenues	127,499	127,000	(499)
4355-Gain on Disposition of Utility and Other Property	0	0	0
4375- Revenues from Non-Utility Operations	11,991	0	(11,991)
4405-Interest and Dividend Income	48,940	28,500	(20,440)
<b>Sub-Total</b>	<b>374,818</b>	<b>341,315</b>	<b>(33,503)</b>
4080-Distribution Services Revenue- SSS Admin Fee	34,024	37,731	3,707
<b>Total</b>	<b>408,843</b>	<b>379,046</b>	<b>(29,797)</b>

Specific Service Charges	127,499	127,000	(499)
Late Payment Charges	63,140	63,140	0
Other Distribution Revenues	157,273	160,406	3,133
Other Income and Expenses	60,931	28,500	(32,431)
<b>Total</b>	<b>408,843</b>	<b>379,046</b>	<b>(29,797)</b>

5

6

7 Before adjusting for CDM and Non-Utility Generation revenue and expense, regulatory asset  
8 carrying charges, LUI's 2011 other operating revenue offset of \$ **379,046** is expected to be  
9 \$ **(29,797)** lower than the 2010 revenue offset amount of \$ **408,843** . After adjusting  
10 for the above noted items the variance between the two years is insignificant at \$ 17,805 .  
11 Given the low variance, no analysis was needed.

12

1 **2012 Test Year Comparison to 2011 Bridge Year – Other Operating Revenue**

2 Table 3-31 below summarizes the variance by account description followed by a discussion on  
3 those variances over \$50,000.

4 **Table 3-31 Summary of Other Distribution Revenue**

**SUMMARY OF OTHER DISTRIBUTION REVENUE**

Expense Description	2011 Bridge	2012 Test	Variance from 2011 Bridge
<b>Other Distribution Revenue</b>			
4082-Retail Services Revenues	10,015	9,985	(30)
4084-Service Transaction Requests (STR) Revenues	4,560	4,015	(545)
4205 - Interdepartmental Rents	51,600	51,600	0
4210-Rent from Electric Property	56,500	56,400	(100)
4225-Late Payment Charges	63,140	63,140	0
4235-Miscellaneous Service Revenues	127,000	126,500	(500)
4355-Gain on Disposition of Utility and Other Property	0	0	0
4375- Revenues from Non-Utility Operations	0	0	0
4405-Interest and Dividend Income	28,500	28,500	0
<b>Sub-Total</b>	<b>341,315</b>	<b>340,140</b>	<b>(1,175)</b>
4080-Distribution Services Revenue- SSS Admin Fee	37,731	38,322	591
<b>Total</b>	<b>379,046</b>	<b>378,462</b>	<b>(584)</b>
Specific Service Charges	127,000	126,500	(500)
Late Payment Charges	63,140	63,140	0
Other Distribution Revenues	160,406	160,322	(84)
Other Income and Expenses	28,500	28,500	0
<b>Total</b>	<b>379,046</b>	<b>378,462</b>	<b>(584)</b>

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7 Before adjusting for non-utility and CDM activities, LUI's 2012 Test Year other operating  
8 revenue offset is anticipated to be \$ **378,462**, lower by \$ **(584)** over Bridge Year 2011.

9 There are no adjustments required in 2011 & 2012 for other non-utility revenues.

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**3 SPECIFIC SERVICE CHARGES**

4 LUI is proposing to adjust specific service charges in 2012. The specific service charge that LUI  
5 is requesting approval for is a Service Charge for Onsite Interrogation of Interval Meter due to  
6 Customer Phone Line Failure. The cost of this service has been investigated by LUI and is  
7 equivalent to one service technician, and a fleet vehicle. The purpose of this Service Charge is  
8 when a customer's phone line fails; LUI is unable to obtain a reading from that particular  
9 customer. The lack of read can cause LUI delays in operations, including, but not limited to,  
10 inability to run billing cycle for that customer on the expected due date, inability to obtain  
11 monthly up to date data from our web-based data services provider and settlement with the  
12 IESO can be delayed or estimated. With this service charge, LUI will cover the costs of sending a  
13 technician to the location with an optical probe, which will read the meter and download the  
14 file to our web based data services provider, to upload to our system for billing.

**15 Request to Update Current Rates and Specific Charges**

16 LUI is requesting one change to the Specific Service Charge revenue (outlined above) and  
17 proposes to add to the specific services charges, in the table below, last line, and maintain the  
18 remaining current rates for all of the following:

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**Table 3-32 Additions to Specific Services Charges**

Item Description	Calculation Basis	Rate (\$)
Arrears certificate	Standard	15.00
Statement of account	Standard	15.00
Pulling post dated cheques	Standard	15.00
Request for other billing information	Standard	15.00
Easement letter	Standard	15.00
Income tax letter	Standard	15.00
Credit reference/credit check (plus credit agency costs)	Standard	15.00
Returned cheque charge (plus bank charges)	Standard	15.00
Legal letter charge	Standard	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	Standard	30.00
Special meter reads	Standard	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	Standard	30.00
Collection of account charge - no disconnection	Standard	30.00
Collection of account charge - no disconnection - after regular hours	Standard	165.00
Disconnect/Reconnect at meter - during regular hours	Standard	65.00
Disconnect/Reconnect at meter - after regular hours	Standard	185.00
Disconnect/Reconnect at pole - during regular hours	Standard	185.00
Disconnect/Reconnect at pole - after regular hours	Standard	415.00
Install/Remove load control device - during regular hours	Standard	65.00
Install/Remove load control device - after regular hours	Standard	185.00
Service call - customer-owned equipment	Standard	30.00
Service call - after regular hours	Standard	165.00
Temporary service install & remove - overhead - no transformer	Standard	500.00
Temporary service install & remove - underground - no transformer	Standard	300.00
Temporary service install & remove - overhead - with transformer	Standard	1,000.00
Specific Charge for Access to the Power Poles \$/pole/year	Standard	22.35
Interval Meter Load Management Tool Charge \$/month	Standard	110.00
Service charge for onsite interrogation of interval meter due to customer phone line failure -required weekly until line repaired	Standard	60.00

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**4 Interest and Dividend Income**

5 Table 3-33 below summarizes the amount and source of interest income from the 2008 Actual  
6 to 2012 Test Years. Declining interest rates and lower bank account balances account for the  
7 overall decline in revenues. Variance Account Carrying Charges, while noted in this table, are  
8 excluded from the revenue offset amount for the purposes of this rate application.

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**Table 3-33 - Interest and Dividend Income**

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<b>4405 Interest &amp; Dividend Income</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Bridge year</b>	<b>2012 Test year</b>
Long Term interest					
Bank account deposit interest	\$13,406.97	\$40,865.59	\$2,234.51	\$8,500.00	\$8,500.00
Variance Accounts Carrying Charges	\$181,705.94	\$9,484.48	\$26,910.81	\$15,000.00	\$15,000.00
Miscellaneous Other		\$11,579.00	\$19,794.29	\$ 20,000.00	\$ 20,000.00
Totals	\$195,112.91	\$ 61,929.07	\$ 48,939.61	\$43,500.00	\$43,500.00
<b>Totals Excluding Variance Accounts Carrying charges</b>	<b>\$13,406.97</b>	<b>\$52,444.59</b>	<b>\$22,028.80</b>	<b>\$28,500.00</b>	<b>\$28,500.00</b>

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