

HYDRO OTTAWA

CONDITIONS OF SERVICE (Version 6)

APPENDIX B

**Economic Evaluation for Distribution System
Expansion/Enhancement**

Appendix B: Economic Evaluation for Distribution System Expansion/Enhancement

This Costing method applies to all new servicing not covered by Appendix G that necessitates an Expansion and/or Enhancement of the Hydro Ottawa system. To support the Costs of supplying the additional Load or connecting an Energy Resource Facility, capital contributions shall be required from new Load or Energy Resource Facility Customers who connect to the system. The Economic Evaluation follows the requirements of chapter three (3) and the suggested formula from Appendix B of the Ontario Energy Board 's Distribution System Code with Hydro Ottawa amendments detailed below. Any credits due for an Energy Resource Facility project as prescribed by the Ontario Energy Board codes shall be deducted from the capital contributions required.

For servicing Commercial and ERF projects, the servicing Costs beyond the Supply Point specific to the project (e.g., connection assets) are recovered at one hundred percent (100%) and are not considered in the Economic Evaluation.

“Present Value” of Annual Wires Revenue and Annual Incremental operating and Maintenance Costs (including all applicable taxes and third-party Costs) are applied using a 25 year net revenue horizon of metered Load usage for residential and a 15 year net revenue horizon for general Load Services. Hydro Ottawa, at its sole discretion, may consider a revenue horizon of up to 25 years for general Service MUSH Customers depending on the nature of the development, supporting business case, and guarantees provided by the Customer.

Hydro Ottawa's maximum Connection horizon for Customers is five (5) years as prescribed in appendix B of the Ontario Energy Board's Distribution System Code. The Connection horizon is calculated from the energization date of the facilities or the date in which energization of the facilities is possible.

Where an Expansion Deposit was received and one year after the energization date, the Customer is entitled to an annual reduction of the Expansion deposit based on the number of Connections and/or Demand that occurred during each year of the connection horizon. It is the Customer's responsibility to provide the Connection details to Hydro Ottawa for verification. If, at the end of the duration of the connection horizon, the forecasted loading has not been met, Hydro Ottawa will retain any remaining portion of the Expansion deposit or may require additional funds to complete the servicing.

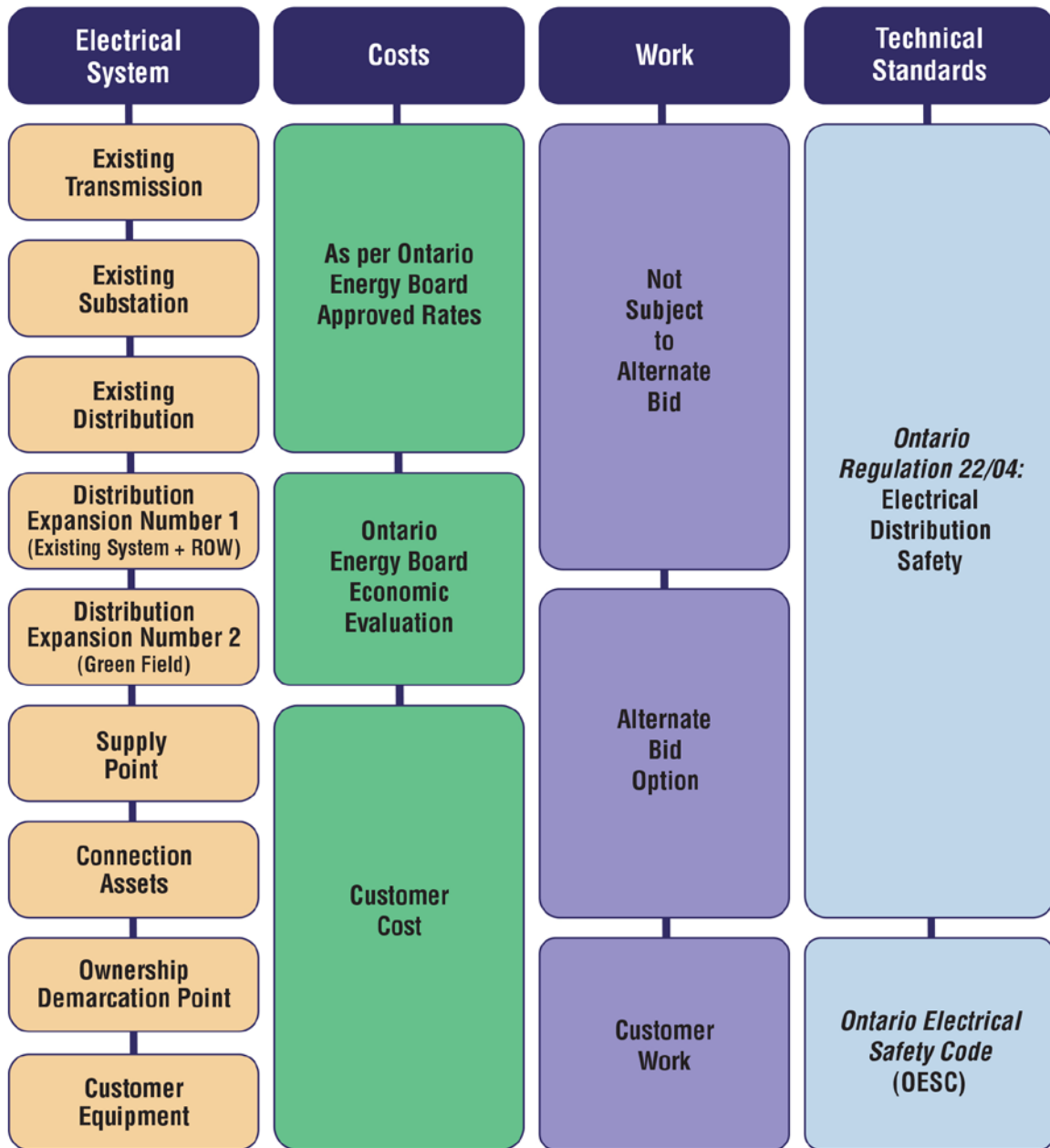
The Customer shall be required to pay any additional Costs beyond what is expected for a specific Expansion or Enhancement project under normal circumstances. Such exceptional circumstances include, yet are not limited to, work in a contaminated, heritage, or archaeological area, or where there is a request or a need to apply significantly higher construction or reliability standards above Hydro Ottawa's.

When a Customer requests standby or reserved capacity from Hydro Ottawa beyond that which would normally be provided in that location and Hydro Ottawa determines it is feasible to provide, the Customer shall have Hydro Ottawa's Ontario Energy Board (OEB) approved standby rates applied for the availability to the additional backup capacity and upfront Costs for any Hydro Ottawa system changes or additions to provide the additional capacity. Customers with such supply configurations, prior to the filing of Version 5 of the Conditions of Service with the Ontario Energy Board, are grandfathered from the additional on-going standby charge until that Customer initiates any new Service additions or Upgrades. If the Customer has an auto-transfer scheme, it shall not parallel Hydro Ottawa's distribution circuits together.

Hydro Ottawa will release the Customer's excess system capacity that was estimated with the Customer's initial system Expansion request after the connection horizon unless Hydro Ottawa provides the Customer specific capacity guarantee or the Customer is paying the OEB approved standby rates.

As of the first Ontario Energy Board (OEB) Cost of Service Rate approval after 2010, Hydro Ottawa shall apply an Enhancement Cost (per kilowatt) according to approved OEB Rates.

Figure B-1: Hydro Ottawa's Load and Non-Renewable Energy Customer Connection and Expansion Summary



Note that system Expansion with the Economic Evaluation can be applied back to the Hydro Ottawa substation feeder bus and its transformer capacity where an expansion of the Distribution System or an increase in capacity / function of a substation is required to connect the Customer.

The Supply Point location may differ between residential and commercial Connections on or off the property. Consult the specific Connection type for details (see Section 3).