



November 2, 2007

Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Re: 2008 Incentive Regulation Mechanism (2008 IRM) Rate Application Board File
Number EB-2007-0844

On October 29, 2007, and in accordance with the Board's filing instructions of September 28, 2007, London Hydro filed its 2008 IRM application with the Board under the file name – London_APPL_20071029.

Subsequent to that filing, and on October 29, 2007 the Board issued further instructions with respect to revisions that would be required to the retail transmission rates and disposition of associated variance account balances resulting from new Uniform Transmission Rates for Ontario transmitters, that became effective on November 1, 2007.

The enclosed documentation identified as "Attachment B" is our submission with respect to proposed adjustments to the retail transmission rates and disposition of associated variance account balances.

Attachment B and the brief managers summary enclosed with it, is an additional component of the 2008 Incentive Regulation Mechanism Rate Application Board File Number EB-2007-0844 document name London_APPL_20071029.

As instructed by the Board's in its instructions of September 28, 2007, we are forwarding these additional attachments to our 2008 IRM application as follows:

1. The attachments have been filed through the Boards RESS electronic filing system in searchable / unrestricted PDF format under the file name – London_APPL_ATTCHB_20071102.
2. One (1) electronic copy in Microsoft Excel format of Attachment B has been e-mailed to the Board Secretary BoardSec@oeb.gov.on.ca

3. Two (2) paper copies of the additional Manager's Summary Comments and the Attachment B, and an electronic (CD) copy of the PDF file submitted (item 1) and a completed copy of the Microsoft Excel Attachment B (item 2) in the prescribed naming formats.

If you require information or clarification, please contact me directly (ext. 5745).

Sincerely,

Dave Williamson
Director of Finance and Regulatory Affairs
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London Hydro Inc.

EB-2007-0844

2008 Incentive Rate Mechanism Adjustment

**Proposed Adjustments to Retail Transmission Rates May 1, 2008
and Proposal to Dispose of Associated Variance Account Balances**

Managers Summary Comments

Introduction

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The enclosed documentation identified as "Attachment B" is our submission with respect to proposed adjustments to the retail transmission rates and disposition of associated variance account balances.

Attachment B and this managers summary enclosed with it, is an additional component of the 2008 Incentive Regulation Mechanism Rate Application Board File Number EB-2007-0844 document name London_APPL_20071029.

Methodology

The Board's letter of October 29, 2007 provides distributors with the following guidelines with respect to proposing new retail transmission service rates and disposing of associated variance account balances:

1. Rates should take into consideration the reduction in the wholesale transmission rates and the pattern of variance in the accounts.
2. Proposed rates should minimize the prospective variance in the accounts.

Attachment B

Attachment B consisting of 4 pages, follows the Boards guidelines and makes the following proposals:

Page 1

On page 1, we have analyzed the impact of the new wholesale transmission rate structures that will be implemented on November 1, 2007 and determined that the wholesale cost for transmission network services will be reduced by 18.4% and the combined wholesale cost for transmission line and connection services will be reduced by 5.2%.

Our analysis of the revenue to cost ratios indicates a ratio of .962 for network service charges and .992 for line and transformation connection services. These ratios indicate that the existing rate structures are resulting in revenue recoveries that are extremely close to the associated wholesale costs.

Based on the calculated cost reduction in wholesale charges and the existing variances between cost and revenue as indicated in the revenue to cost ratios, we are proposing a net rate (revenue) reduction to take effect on May 1, 2008 of -14.6% (-18.4% +3.8%) for network service charges, and a net rate (revenue) reduction of -4.4% (-5.2% + 0.8%) for transmission line and connection services.

Page 2

On page 2, we have created a proposed rate schedule that lists the current rates and the proposed May 1, 2008 rates, based upon the rate reductions calculated on page 1. It should be noted that due to the specific billing requirements of the "General Service 50 to 4,999 kW (CoGeneration) rate class, the new rates for this class are adjusted to equal the new wholesale cost structures.

At the bottom of page 2 we have calculated the customer bill impact that would result with the implementation of these new rates.

The "total bill" customer impact at May 1,2008 for a residential customer consuming 1000 kWh's per month and after removing the regulatory asset rate rider, is currently -3.1%. With the implementation of the transmission network and connection retail rates indicated in this proposal, the total bill impact will change from -3.1% (-\$3.66) to -4.0% (-\$4.76)

The "total bill" customer impact at May 1,2008 for a general <50 kW customer consuming 2000 kWh's per month and after removing the regulatory asset rate rider, is currently -1.5%. With the implementation of the transmission network and connection retail rates indicated in this proposal, the total bill impact will change from -1.5% (-\$3.68) to -2.4% (-\$5.67)

Page 3

On page 3, we have taken our actual customer billing data by customer class for 2006 and the first 9 months of 2007 and recalculated the actual revenues with the new rates proposed for May 1, 2008 to verify that these rates when used with our specific customer class volumes produce the required revenue amounts.

The results of this analysis indicate that the resulting revenues will correspond to the associated wholesale costs and result in minimal variances to the retail settlement variance accounts.

Page 4

On page 4, we have analyzed the monthly and yearly variance account balances in all of our retail settlement variance accounts, excluding power and global adjustments. The analysis projects the variance account balances to April 30, 2008 and proposes a mechanism to dispose of the variances in the network and connection accounts and additionally requests that the Board approve a disposition of the remaining balance in the one-time wholesale market cost account 1582.

Summary of Approvals Requested from the Board

1. That the Board approve the proposed table of rates on page 2 for network service and line and connection service to be implemented on May 1, 2008.
2. That the Board approve the proposal on page 4 for the disposition of variances in account 1582, 1584, and 1586.

If you have any questions please contact me directly.

Sincerely:

Dave Williamson
Director of Finance and Regulatory Affairs
London Hydro Inc.
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London Hydro Inc.

Attachment B

Proposal to Adjust Retail Transmission Rates Effective May 1,2008

Page 1 of 4

	Monthly Rate (\$ per kW)		Rate Reduction
	Starting 2007/11/01	Ending 2007/10/31	
New Wholesale Transmission Rates			
Network Service Rate	2.31	2.83	-18.4%
Line Connection Service Rate	0.59	0.82	
Transformation Connection Service Rate	1.61	1.5	
Total Connect Service Rate	2.20	2.32	-5.2%

OEB Account 1584 - RSVA network	2007 (9 Mths)	2006	2005	2004	2003
RSVA Opening Balance at January 1	\$ 1,921,291	\$ 1,122,104	\$ 2,673,340	\$ 2,016,481	\$ 1,236,703
Commodity Billings	(14,068,263)	(18,050,844)	(18,436,797)	(17,473,713)	(17,142,951)
Commodity Purchases	14,828,028	18,806,789	19,012,800	18,010,022	17,831,131
Non-Recurring Adjustments - transfers to a/c 1590 regulatory assets	-	-	(2,184,173)	(642.00)	-
Interest	59,154.00	43,242.00	56,934	121,192.00	91,598.00
Total - RSVA variances - fav (unfav) at period end	\$ 2,740,210	\$ 1,921,291	\$ 1,122,104	\$ 2,673,340	\$ 2,016,481

Revenue to Cost Ratios - Billings vs Purchases	0.949	0.960	0.970	0.970	0.961
Average revenue to cost ratio 2003 to 2007	0.962				

Revenue shortfall under existing price structures	3.8%
Forecast decrease in commodity costs	-18.4%
Net proposed adjustment to Retail Transmission Network Service Rate	-14.6%

The estimate reduction in wholesale costs for the 6 month period Nov 1/07 to April 30/08 will be - 2006 costs of \$18,806,789 / 2 X - 18.4% = **\$ (1,727,832)**

OEB Account 1586 - RSVA connection	2007 (9 Mths)	2006	2005	2004	2003
RSVA Opening Balance at January 1	\$ 41,524	\$ (107,918)	\$ 1,031,064	\$ 894,524	\$ 706,166
Commodity Billings	(12,557,510)	(16,023,180)	(16,297,192)	(15,423,931)	(15,141,953)
Commodity Purchases	12,879,402	16,180,847	16,130,894	15,517,505	15,287,720
Non-Recurring Adjustments - transfers to a/c 1590 regulatory assets	-	-	(971,566)	2,540.00	-
Interest	(7,347)	(8,225)	(1,118)	40,426	42,591
Total - RSVA variances - fav (unfav) at period end	\$ 356,069	\$ 41,524	\$ (107,918)	\$ 1,031,064	\$ 894,524

Revenue to Cost Ratios - Billings vs Purchases	0.975	0.990	1.010	0.994	0.990
Average revenue to cost ratio 2003 to 2007	0.992				

Revenue shortfall under existing price structures	0.8%
Forecast decrease in commodity costs	-5.2%
Net proposed adjustment to Retail Transmission Line and Transformation Connection Service Rate	-4.4%

The estimate reduction in wholesale costs for the 6 month period Nov 1/07 to April 30/08 will be - 2006 costs of \$16,180,847 / 2 X - 5.2% = **\$ (418,470)**

London Hydro Inc.

Attachment B

Proposal to Adjust Retail Transmission Rates Effective May 1,2008

Page 2 of 4

Customer Class		Current Rate	Proposed Adjustment May 1,2008	Proposed Rate May 1,2008
Residential				
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0056	-14.6%	0.0048
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0048	-4.4%	0.0046
General Service Less Than 50 kW				
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051	-14.6%	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043	-4.4%	0.0041
General Service 50 to 4,999 kW				
Retail Transmission Rate – Network Service Rate	\$/kW	1.8273	-14.6%	1.5610
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5613	-4.4%	1.4930
Retail Transmission Rate – Network Service Rate - Interval Metered	\$/kW	2.3431	-14.6%	2.0017
Retail Transmission Rate – Line and Transformation Connection Service Rate - Interval Meters	\$/kW	2.1755	-4.4%	2.0804
General Service 50 to 4,999 kW (CoGeneration)				
Retail Transmission Rate – Network Service Rate	\$/kW	2.81	rates equal	2.31
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.29	wholesale rates	2.20
Retail Transmission Rate – Network Service Rate - Interval Metered	\$/kW	2.81	rates	2.31
Retail Transmission Rate – Line and Transformation Connection Service Rate - Interval Meters	\$/kW	2.29		2.20
Large Use				
Retail Transmission Rate – Network Service Rate - Interval Metered	\$/kW	2.4001	-14.6%	2.0503
Retail Transmission Rate – Line and Transformation Connection Service Rate - Interval Meters	\$/kW	2.1755	-4.4%	2.0804
Unmetered Scattered Load				
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051	-14.6%	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043	-4.4%	0.0041
Sentinel Lighting				
Retail Transmission Rate – Network Service Rate	\$/kW	1.6110	-14.6%	1.3762
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3765	-4.4%	1.3163
Street Lighting				
Retail Transmission Rate – Network Service Rate	\$/kW	1.6089	-14.6%	1.3744
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3748	-4.4%	1.3147

Bill Impact By Consumption		
Residential customer with a consumption of 1000 kWh's per month		
Total 2007 customer bill	\$	119.29
Total 2008 bill with revised network and connection rates	\$	114.53
Total bill reduction	\$	(4.76)
Total bill impact		-4.0%
General Service < 50kW customer with a consumption of 2000 kWh's per month		
Total 2007 customer bill	\$	238.41
Total 2008 bill with revised network and connection rates	\$	232.74
Total bill reduction	\$	(5.67)
Total bill impact		-2.4%

Proposal to Dispose of Variance Account Balances at April 30,2008 - Detailed Revenue Analysis, Current vs Proposed Rates

Network Charge	Billing Determinate	Rate 2007	Proposed 2008 Rates	2006 Consumption	2007 Consumption Jan 1 to Sept 30	2006 Revenue	2007 Revenue Jan 1 to Sept 30	2006 Quantities at 2008 Proposed Rates	2007 Quantities at 2008 Proposed Rates
Residential	kwh's	0.0056	0.0048	1,147,624,988	893,231,395	\$ 6,426,700	\$ 5,002,096	\$ 5,490,168	\$ 4,273,164
General Service Less Than 50 kW	kwh's	0.0051	0.0044	429,285,692	330,854,320	2,189,357	1,687,357	1,870,313	1,441,467
General Service 50 to 4,999 kW	kw's	1.8273	1.5610	1,435,063	926,602	2,622,291	1,693,180	2,240,157	1,446,441
General Service 50 to 4,999 kW - interval metered	kw's	2.3431	2.0017	2,363,480	1,981,808	5,537,869	4,643,574	4,730,862	3,966,889
General Service 50 to 4,999 kW (CoGeneration)	kw's	2.81	2.31	64,276	44,355	180,616	124,639	148,478	102,461
Large Use	kw's	2.4001	2.0503	437,999	313,216	1,051,241	751,751	898,049	642,202
Unmetered Scattered Load	kwh's	0.0051	0.0044	6,890,606	3,963,229	35,142	20,212	30,021	17,267
Sentinel Lighting	kw's	1.6110	1.3762	2,383	1,780	3,838	2,868	3,279	2,450
Streetlighting	kw's	1.6089	1.3744	34,849	23,039	56,069	37,067	47,898	31,666
Network Charge - Total Revenue						\$ 18,103,123	\$ 13,962,745	\$ 15,459,224	\$ 11,924,006
						(52,280)	105,517	(44,661)	90,141
						\$ 18,050,843	\$ 14,068,262	\$ 15,414,563	\$ 12,014,147

Adjustment for change in unbilled revenues
Total revenues for the period

Network Service Charges Revenue to Cost Analysis	Analysis Period	Current Rates	Proposed Rates
Commodity Billings - retail	2006	\$ 18,050,843	\$ 15,414,563
Commodity Purchases - wholesale	2006	18,806,789	15,351,125
Revenue to cost ratio		0.96	1.00
Commodity Billings - retail	2007	\$ 14,068,262	\$ 12,014,147
Commodity Purchases - wholesale	2007	14,828,028	12,103,443
Revenue to cost ratio		0.95	0.99

Connection Charge	Billing Determinate	Rate 2007	Proposed 2008 Rates	2006 Consumption	2007 Consumption Jan 1 to Sept 30	2006 Revenue	2007 Revenue Jan 1 to Sept 30	2006 Quantities at 2008 Proposed Rates	2007 Quantities at 2008 Proposed Rates
Residential	kwh's	0.0048	0.0046	1,148,031,563	893,534,088	\$ 5,510,552	\$ 4,288,964	\$ 5,269,599	\$ 4,101,426
General Service Less Than 50 kW	kwh's	0.0043	0.0041	429,284,998	330,853,312	1,845,925	1,422,669	1,765,211	1,360,462
General Service 50 to 4,999 kW	kw's	1.5613	1.4930	1,435,183	926,602	2,240,752	1,446,703	2,142,773	1,383,445
General Service 50 to 4,999 kW - interval metered	kw's	2.1755	2.0804	2,381,942	2,002,463	5,181,914	4,356,357	4,955,332	4,165,873
General Service 50 to 4,999 kW (CoGeneration)	kw's	2.29	2.20	92,013	75,282	210,709	172,395	202,428	165,620
Large Use	kw's	2.1755	2.0804	438,386	313,901	953,709	682,891	912,008	653,031
Unmetered Scattered Load	kwh's	0.0043	0.0041	6,889,394	3,962,100	29,624	17,037	28,329	16,292
Sentinel Lighting	kw's	1.3765	1.3163	2,386	1,783	3,285	2,455	3,141	2,347
Streetlighting	kw's	1.3748	1.3147	64,001	48,927	87,989	67,264	84,142	64,323
Connection Charge - Total Revenue						\$ 16,064,460	\$ 12,456,736	\$ 15,362,964	\$ 11,912,820
						(41,279)	100,775	(39,474)	96,368
						\$ 16,023,181	\$ 12,557,510	\$ 15,323,490	\$ 12,009,188

Adjustment for change in unbilled revenues
Total revenues for the period

Connection Service Charges Revenue to Cost Analysis	Analysis Period	Current Rates	Proposed Rates
Commodity Billings - retail	2006	\$ 16,023,181	\$ 15,323,490
Commodity Purchases - wholesale	2006	16,180,847	15,343,907
Revenue to cost ratio		0.99	1.00
Commodity Billings - retail	2007	\$ 12,557,510	\$ 12,009,188
Commodity Purchases - wholesale	2007	12,879,402	12,213,226
Revenue to cost ratio		0.98	0.98

Comments

With a full 12 months of customer consumption data from 2006, the proposed new transmission network and connection rates produce revenue to cost ratios that are extremely close to unity, resulting in minimal variances.

The revenue to cost ratios using billing data for the first 9 months of 2007 produce slightly different results, which can be attributed to the absence of a full years billing data. It is assumed that a full years data will produced the same results as indicated for 2006.

London Hydro Inc.

Attachment B

Proposal to Dispose of Variance Account Balances at April 30,2008

Page 4 of 4

Month End Balances	A/C 1580 Wholesale Market Services	A/C 1580 Change for Past 12 Monts	A/C 1582 One-Time Costs	A/C 1582 Change for Past 12 Monts	A/C 1584 Network	A/C 1584 Change for Past 12 Monts	A/C 1586 Connection	A/C 1586 Change for Past 12 Monts
Mar-05	(115,756)		147,607		433,669		(59,020)	
Apr-05	(118,095)		149,911		361,726		(111,161)	
May-05	(373,435)		165,403		320,585		(295,576)	
Jun-05	(585,088)		181,586		542,286		(108,442)	
Jul-05	593,063		192,596		699,108		(68,654)	
Aug-05	2,477,307		208,186		828,672		(66,065)	
Sep-05	2,421,378		293,227		1,125,618		133,325	
Oct-05	2,665,553		296,009		1,164,190		75,834	
Nov-05	2,391,709		306,956		1,138,584		(28,884)	
Dec-05	2,534,953		318,389		1,122,104		(107,919)	
Jan-06	2,102,254		320,112		1,074,604		(116,681)	
Feb-06	1,366,077		321,739		1,229,576		(149,067)	
Mar-06	1,427,369	1,543,125	323,540	175,933	986,449	552,780	(333,341)	(274,321)
Apr-06	1,075,280	1,193,375	325,283	175,372	977,936	616,210	(359,163)	(248,001)
May-06	1,132,772	1,506,207	327,084	161,681	1,403,505	1,082,920	(99,923)	195,653
Jun-06	1,222,135	1,807,223	328,827	147,241	1,539,064	996,778	9,660	118,102
Jul-06	369,539	(223,524)	330,629	138,033	1,769,961	1,070,854	89,094	157,749
Aug-06	693,162	(1,784,145)	332,430	124,243	2,124,701	1,296,029	344,002	410,067
Sep-06	(179,848)	(2,601,226)	334,173	40,945	2,068,136	942,518	234,388	101,063
Oct-06	(810,457)	(3,476,010)	335,974	39,965	1,917,344	753,154	98,973	23,139
Nov-06	(1,187,223)	(3,578,931)	329,524	22,568	1,790,534	651,950	(31,455)	(2,571)
Dec-06	(1,676,720)	(4,211,674)	330,369	11,980	1,921,292	799,188	41,524	149,443
Jan-07	(1,717,497)	(3,819,751)	331,550	11,438	1,837,608	763,004	(59,305)	57,376
Feb-07	(1,765,048)	(3,131,125)	332,617	10,878	1,948,992	719,416	(60,029)	89,038
Mar-07	(2,431,998)	(3,859,368)	333,798	10,258	1,869,687	883,239	(208,688)	124,653
Apr-07	(2,580,116)	(3,655,396)	334,941	9,657	1,823,260	845,325	(303,169)	55,993
May-07	(3,587,282)	(4,720,054)	336,122	9,037	2,017,755	614,250	(131,236)	(31,313)
Jun-07	(3,902,123)	(5,124,258)	337,264	8,438	2,280,604	741,540	(48,388)	(58,048)
Jul-07	(4,148,215)	(4,517,755)	338,445	7,817	2,495,032	725,071	78,093	(11,001)
Aug-07	(4,530,922)	(5,224,084)	339,627	7,197	2,512,585	387,884	166,138	(177,864)
Sep-07	(4,893,983)	(4,714,134)	340,769	6,597	2,740,209	672,073	356,069	121,681
Projected Change to April 30,2008 excluding wholesale cost reduction	(2,912,606)		5,270		411,691		11,052	
Estimated reduction in wholesales costs for period Nov 1/07 to April 30/08					(1,727,832)		(418,470)	
Projected Balance April 30,2008	\$ (7,806,589)		\$ 346,040		\$ 1,424,068		\$ (51,349)	

Proposed Disposition of Variance Account Balances	Projected Balance at April 30,2008	Proposed Disposition of Balances	Projected Balance at May 1,2008
Account 1580 - Wholesale Market Service Charges	\$ (7,806,589)	\$ 1,718,759	\$ (6,087,830)
Account 1582 - One-time Charges	346,040	(346,040)	-
Account 1584 - Network	1,424,068	(1,424,068)	-
Account 1586 - Connection	(51,349)	51,349	-
	\$ (6,087,830)	\$ 0	\$ (6,087,830)

In addition to the above recommendations for disposition of balances in RSVA accounts as at April 30,2008 we are also proposing that the estimated residual balance of \$1,230,404 at April 30,2008 in account 1590 Recovery of Regulatory Asset Balances be disposed of through an offset to account 1580 Wholesale Market Service Charges.

This additional offset entry, if authorized, would reduce the balance in account 1580 at May 1,2008 to a projected amount of \$ (4,857,426)