

Manager's Summary

Essex Powerlines Corporation ("EPLC") hereby submits a complete application for the approval of distribution rates proposed to be effective May 1, 2011 under the 2011 electricity distribution incentive regulation mechanism ("IRM").

EPLC filed a comprehensive cost of service rebasing application for May 1, 2010 rates, proceeded by way of a Settlement Conference and Agreement, and had rates approved by the Ontario Energy Board under file number EB-2008-0143. For purposes of the 2011 IRM application, EPLC has followed Chapter 3 of the Filing Requirements for Transmission and Distribution Applications updated on July 9, 2010 ("Filing Requirements").

Listed below are the specific items to be addressed in the Manager's Summary and reflected in the IRM Model:

1. Revenue-to-Cost Ratio Adjustments
2. Price Cap Adjustment
3. Shared Tax Savings
4. Proposed Rates and Bill Impacts
5. Consideration of Recovery of Late Payment Penalty Litigation

1.Revenue-to-Cost Ratio Adjustments

EPLC, as part of the Settlement Agreement, agreed to adjustments to the revenue-to-cost ratio's over the next three years in order to bring the rate up to the target range as endorsed by the Ontario Energy Board ("the Board"). Below is an excerpt from the Settlement Agreement, page 11:

The revenue-to-cost ratios from this revised model, uniformly increased to achieve a 100% overall ratio, serve as the starting point ("existing ratios") in determining proposed ratios for each rate class. The following approach will apply in determining the proposed ratios:

1. *Residential: the existing ratio, which is near unity, will be retained;*
2. *General Service Less Than 50 kW: the existing ratio, which is well below the target floor value of 0.80, will transition to 0.80 over two years in equal increments;*
3. *Unmetered Scattered Load: The existing ratio, which is above the 1.20 target ceiling value, will be set to 1.20;*

4. *Sentinel Lighting and Street Lighting: The existing ratios, which are well below the 0.70 target floor value, will transition to 0.70 over four years in equal increments;*
5. *General Service 50 to 2,999 kW and General Service 3,000 to 4,999 kW: The same ratio will apply to each of these classes, with a value that preserves an overall 100% ratio across all rate classes. The proposed ratio value for 2010 will be above unity, less than the 1.80 ceiling target and represent a decrease from the existing ratios. The ratio value will further decrease over the following three years to offset ratio increases in other rate classes, while remaining above unity.*

EPLC has followed the Settlement Agreement in this Application and has proposed to move the revenue-to-cost ratio's to the values indicated in Table 1, which is a summary of TabC1.5 – Proposed Revenue / Cost Ratio Adjustment in the 2011 IRM3 Revenue Cost Ratio Adjustment work form.

Table 1 - Proposed Revenue-to-Cost Ratio Adjustments for 2011 IRM

Rate Class	Current Revenue/ Cost Ratio	Proposed Revenue/ Cost Ratio (2011 IRM)	\$ Change	% Change
Residential	1.00	1.00	\$ -	0.00%
General Service Less Than 50 kW	0.65	0.80	\$ 245,302	23.10%
General Service 50 to 2,999 kW	1.50	1.32	\$ (272,541)	-12.30%
General Service 3,000 to 4,999 kW	1.50	1.32	\$ (10,606)	-12.20%
Sentinel Lighting	0.46	0.54	\$ 1,950	17.40%
Street Lighting	0.41	0.51	\$ 35,895	23.60%
Unmetered Scattered Load	1.20	1.20	\$ 0.00	0.00%

2.Price Cap Adjustment

Based on the current price cap parameters, the Rate Generator model reflects an adjustment of 0.18%. That calculation is based on a price escalator of 1.3%, less a productivity factor of 0.72%, and less a stretch factor of 0.4%.

3.Shared Tax Savings

Based on the 2011 Shared Tax Work form, EPLC is applying for a \$(53,537) Z-Factor Tax Change in 2011.

4. Proposed Rates and Bill Impacts

The rates proposed in this Application are found at Tab 6 – Proposed Tariff Sheet and include all impacts detailed in this Manager’s Summary.

The bill impacts from the proposed rates are summarized in Table 2 below and found in Tab 7 in detail.

Table 2 - Bill Impact by Rate Class

Rate Class	kWh	kW	Distribution Bill Impact		Total Bill Impact	
			\$	%	\$	%
Residential	800		(0.06)	(0.20)%	(0.07)	(0.10)%
General Service Less Than 50 kW	2,000		8.70	23.30%	9.83	3.60%
General Service 50 to 2,999 kW	435,000	1,480	(598.68)	(12.80)%	(676.51)	(1.10)%
General Service 3,000 to 4,999 kW	1,750,000	4,000	(1,242.29)	(18.20)%	(1,403.78)	(0.70)%
Sentinel Lighting	180	0.5	0.91	18.20%	1.03	4.20%
Street Lighting	37	0.1	0.57	25.40%	0.65	9.70%
Unmetered Scattered Load	2,000		(0.18)	(0.30)%	0.21	(0.10)%

5. Proposed Rate Rider or Z-Factor Recovery of Late Payment Litigation

EPLC is seeking recovery of a one-time expense in the amount of \$75,997 for the payment of the settlement to resolve the litigation against former Municipal Electricity Utilities in relation to late payment penalty charges.