



February 18, 2009

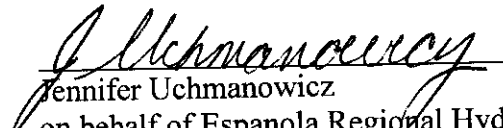
Kirsten Walli, Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

Attention: Ms. Walli

**Re: Espanola Regional Hydro Distribution Corporation's Rate Application for Recovery of Payments in Lieu of Taxes (PILs)**

Please find enclosed Espanola Regional Hydro Distribution Corporation's Rate Application for Recovery of PILs. The application will be electronically filed through the Board's web portal, a copy emailed to the Board Secretary and (2) paper copies including an electronic copy on a CD sent to the Board.

Sincerely,

  
Jennifer Uchmanowicz  
on behalf of Espanola Regional Hydro Inc  
Rates and Regulatory Affairs Officer  
PUC Distribution Inc.  
Sault Ste. Marie Ont.  
Email: [jennifer.uchmanowicz@ssmpuc.com](mailto:jennifer.uchmanowicz@ssmpuc.com)  
Phone: 705-759-3009

## **Espanola Regional Hydro Distribution Corporation (“ERHDC”)**

### **Rate Application**

### **Recovery of Payments in Lieu of Taxes (PILs)**

February 18, 2009

#### **ONTARIO ENERGY BOARD**

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Espanola Regional Hydro Distribution Corporation (ERHDC) to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates for the distribution of electricity effective May 1, 2009.

#### **APPLICATION**

The Applicant is Espanola Regional Hydro Distribution Corporation (ERHDC). The Applicant is an Ontario corporation with its office in the town of Espanola carrying on the business of distributing electricity within the towns of Espanola, Massey and Webbwood.

The Applicant hereby applies to the Ontario Energy Board (the “Board”) pursuant to section 78 of the Ontario Energy Board Act, 1998 for approval to increase distribution rates to include the recovery of Payments in Lieu of Taxes (PILs) which are not in current rates. This request is in addition to ERHDC’s 2009 Incentive Regulation Mechanism (2009 IRM) Rate Application currently before the Board (EB-2008-0173).

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable on the following grounds:

- (i) the proposed adjusted rates are necessary to meet the Applicant’s PILs requirements;

- (ii) there are no impacts to any of the customer classes or consumption level subgroups that are so significant as to warrant the deferral of any adjustments being requested by the Applicant; and
- (iii) other grounds as may be set out in the material accompanying this Application Summary.

The Applicant applies for an Order or Orders approving the proposed change in distribution rates effective May 1, 2009. The Applicant submits these rates and charges are just and reasonable pursuant to section 78 of the Ontario Energy Board Act, 1998 being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15.

## **INTRODUCTION**

In ERHDC's original 2008 Cost of Service rate application there were projected loss carry-forwards available to be applied against the projected taxable income to reduce taxable income to zero and therefore projecting no PILs recovery to be included in the 2008 approved cost of service rates. ERHDC has now fully utilized all of the loss carry-forwards available and will be paying PILs in 2009 and is requesting a PILs recoverable amount to be included in rates. ERHDC proposed a mechanism in the 2008 Cost of Service Rate Application to commence recovering PILs in 2009 and also requested an adjustment to rates for the recovery of PILs in the 2009 IRM application submitted to the OEB on November 11, 2008 (EB-2008-0173). The Board did not address the PILs issue in the 2008 rate order and determined that the request was beyond the intended 2009 IRM format and that the request would not be heard as part of ERHDC's 2009 IRM proceedings. Due to ERHDC's financial situation and a tight operating budget the applicant is seeking relief in 2009 before the next cost of service rate application and respectfully submits this application.

## **SUMMARY OF APPLICATION**

1. In ERHDC's original 2008 cost of service rate application it was assumed there were \$457,257 of loss carry-forwards available to offset 2008 PILs. As a result no PILs recovery requirement was included in the 2008 cost of service rate application.
2. Triggered by a Board interrogatory in the 2008 rate process, it was discovered that the estimated loss carry-forward available at December 31, 2006 was in fact \$115,272 and not \$457,257.
3. Due to the estimated loss carry-forwards of \$457,257 available in 2008, no PILs were estimated to be payable in 2008. Since the loss carry-forward available at December 31, 2006 was in fact \$115,272 this was applied to 2007 and there were no remaining loss carry-forward amounts available for 2008. As

- a result, ERHDC did have actual taxable income and paid PILs in 2008 but this information was not reflected in the 2008 cost of service application.
4. However, as noted in the 2008 cost of service interrogatory responses, ERHDC did recognize that PILs would be payable in 2009 and beyond due to the use of all available loss carry-forwards prior to 2009.
  5. Once the error was detected and recognizing that the next rebasing would be in several years, ERHDC requested in its interrogatory responses that the application be amended to include PILs recovery for 2009 and beyond.
  6. The requested mechanism was rates including the estimated annual PILs recovery excluding the effect of the loss carry-forwards and an offsetting negative rate rider in 2008. The negative rate rider would have been removed beyond 2008 when loss carry-forwards were no longer available and PILs would be payable. In this manner, no PILs would have been collected for 2008, but recovery would have been in the 2009 rates.
  7. No issues were raised by the Board Staff or the two intervenors in their submissions regarding ERHDC proposed treatment of PILs.
  8. In the Board's decision the application for a negative rate rider was not addressed and also in the decision it was incorrectly stated that ERHDC had not applied for PILs to be recovered in 2008 rates as it had non-capital losses of \$457,257 that can shelter taxable income for 2008 and beyond. Therefore currently there is no provision in rates to recover PILs.
  9. ERHDC included in the 2009 IRM application a request for PILs recovery that Board Staff determined was not part of the IRM proceedings and disallowed the request as part of that proceeding.
  10. ERHDC is requesting in this application to have its distribution rates adjusted to include the recovery of PILs that it will be liable for in 2009 and were identified in its 2008 cost of service rate application and 2009 IRM application.

### **PILs BACKGROUND**

ERHDC submitted a Cost of Service rate application to the OEB (EB-2007-0901) November 6, 2007. In that application ERHDC did not request an amount for recovery of PILs to be included in rates. On Exhibit4/page36 of the application ERHDC stated that it has a non-capital loss carry-forward at the end of 2006 in the amount of \$457,257. At this time ERHDC expected that the loss carry-forwards could be used to reduce taxable income for several years going forward.

In the Board Staff Interrogatories for ERHDC Cost of Service Rate application (EB-2007-0901) question #49 from Board Staff stated:

***“49. Reference Exhibits: Exhibit 1, Audited financial statements, Note 14, Loss carry-forwards. In note 14 of the 2006 audited financial statements in Exhibit 1, the loss carry-forwards are shown as \$115,272. In Exhibit 4, page 36, the loss carry-forwards are disclosed as \$457,257.***

***Please explain why the difference exists.***

***What is the correct amount?”***

ERHDC investigated the discrepancy and provided the following response to Board Staff Interrogatory #49:

***“The correct balance for the 2006 loss carry-forwards is \$115,272. ERHDC used the \$457,257 in error. ERHDC carried back \$341,985 of the 2005 loss to 2003. ERHDC has filed an objection with the Ministry of Finance regarding a reassessment that was done in 2001, 2002, and 2003 which determined taxable income was \$341,985 in 2003 not \$49,317. ERHDC carried the losses back to ensure interest was not accrued. In preparing this application ERHDC used the loss carry-forward amount of \$457,257 not taking into consideration the \$341,985 of the loss that was carried back to 2003. In this [2008 Cost of Service] application ERHDC forecasted to utilize \$110,238 of the loss carry-forward in 2008. Therefore PILs will be payable in 2009 and 2010. ERHDC requests a negative rate rider in 2008 that will be removed in 2009 and 2010 for the recovery of PILs. ERHDC has calculated the rates excluding the PILs loss carry-forward in 2008 and calculated the rates including the PILs loss carry-forward in 2008. ERHDC is applying for the difference in rates to be a negative rate rider in 2008 and being taken off in 2009 and 2010. Please refer to Appendix A below for the revised PILs calculation and bill impacts”.***

ERHDC submitted Appendix A with the responses to the Board Staff Interrogatories revising the service revenue requirement calculation to include PILs recovery. ERHDC requested a volumetric negative rate rider to be included in 2008 rates and removed in the following years to allow for recovery of PILs. ERHDC included these calculations and the volumetric negative rate rider amounts by rate class in Appendix A (page 177 of 203).

Below is a copy of the PILs section of Appendix A from the interrogatory responses in of the cost of service rate application – note that the calculations were done before the final rate order and do not reflect any adjustments for the Board’s Decision.

**“Appendix A - REVISED PILS CALCULATION AND RATES**

***Below is a revised Service Revenue Requirement calculation that was done to compare the impact with and without the loss carry-forward in 2008. In response to question #49.***

	<b><i>With Loss Carry- forward</i></b>	<b><i>No Loss Carry- Forward</i></b>
<b><i>OM&amp;A Expenses</i></b>	<b><i>964,229</i></b>	<b><i>964,229</i></b>
<b><i>Amortization Expenses</i></b>	<b><i>179,455</i></b>	<b><i>179,455</i></b>
<b><i>Total Distribution Expenses</i></b>	<b><i>1,143,684</i></b>	<b><i>1,143,684</i></b>
<b><i>Regulated Return On Capital</i></b>	<b><i>196,720</i></b>	<b><i>196,720</i></b>
<b><i>PILs (with gross-up)</i></b>	<b><i>0</i></b>	<b><i>22,576</i></b>

**Service Revenue Requirement      1,340,404      1,362,980**

	Including loss carry-forward			Excluding loss carry-forward			
	in 2008			in 2008			
Customer Class	Volumetric Rate	Fixed Charge		Volumetric Rate	Fixed Charge	Negative Rate Rider in 2008	
Residential	\$0.0143 kWh	\$10.39		\$0.0147 kWh	\$10.39	(\$0.0004) kWh	
GS <50	\$0.0167 kWh	\$18.43		\$0.0171 kWh	\$18.43	(\$0.0004) kWh	
GS>50-Regular	\$3.8089 kW	\$123.37		\$3.8704 kW	\$123.37	(\$0.0615) kW	
Street Light	\$5.4793 kW	\$0.82		\$5.6804 kW	\$0.82	(\$0.2011) kW	
Sentinel	\$7.7130 kW	\$0.90		\$7.9183 kW	\$0.90	(\$0.2053) kW	
Unmetered Scattered Load	\$0.0131 kWh	\$8.53		\$0.0134 kWh	\$8.53	(\$0.0004) kWh	
<b>TOTAL</b>							

***ERHDC is applying for the negative rate rider above and the revised rates excluding the loss carry-forward in 2008. There will be no impact on the 2008 bills from the original application but ERHDC has included below the bill impacts projected for 2009 and 2010 when the negative rate rider is removed. [The bill impacts were included in the Appendix A to the interrogatory responses but for the purposes of this application have not been included] ”***

From the 2008 cost of service rate application interrogatory responses (page 114 of 203) ERHDC has included a copy of the 2006 T2 Corporate Income Tax Return non-capital loss continuity work chart with an ending balance of \$115,272 as evidence of the loss carry-forward balance at the end of 2006 as TABLE 1 below. In TABLE 1 the first column indicates the loss carry-forwards available by the year the losses were incurred. The last three columns show how much of those losses from each year were applied to the 2006 income to reduce it to zero. In 2006 there was an opening balance of \$124,781 (consisting of \$8,593 loss from 2004 and \$116,188 loss from 2005). In 2006 \$9,509 of the loss carry-forward was used leaving \$115,272 of the 2005 loss available for use in 2007.

ERHDC also included in 2008 Cost of Service rate application the audited financial statements for the year ended December 31, 2006. Note 14 of the financial statements stated that for the payment in lieu of tax purposes, the company has losses which can be applied to reduce future taxable income in the amount of \$115,272. ERHDC has included a copy of Note 14 of the 2006 audited financial statements as TABLE 2 below.

Included below as TABLE 3 is a copy of the loss continuity schedule from ERHDC's 2007 corporate tax return as evidence that the loss carry-forwards were

fully utilized in 2007. The first columns of TABLE 3 indicate that there was \$115,272 of the 2005 loss remaining to be utilized and no losses in 2006 that could be carried forward. In the last columns, the \$115,272 is applied to reduce 2007 taxable income leaving a "Balance at the end of the Year" of zero.

**TABLE 1**

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## Non-Capital Loss Continuity Workchart

### Part 6 – Analysis of balance of losses by year of origin

Non-capital losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2005	116,188	N/A		N/A	916		115,272
2004	8,593	N/A		N/A	8,593		
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			*
Total	124,781				9,509		115,272

Farm losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2005		N/A		N/A			
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			
1997		N/A		N/A			*
Total							

Restricted farm losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A	N/A	
2005		N/A		N/A		N/A	
2004		N/A		N/A		N/A	
2003		N/A		N/A		N/A	
2002		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2000		N/A		N/A		N/A	
1999		N/A		N/A		N/A	
1998		N/A		N/A		N/A	
1997		N/A		N/A		N/A	*
Total						N/A	

\* This balance expires this year and will not be available next year.



**TABLE 2**

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2006

**13. Payment in lieu of future taxes**

(a) The components of the payment in lieu of future tax balances are as follows:

	<u>2006</u>	<u>2005</u>
Payment in lieu of future taxes		
Effect of losses carrying forward	\$ 21,464	\$ 48,228
Difference between tax basis of capital assets and carrying amount	46,882	71,998
Difference between carrying value of regulatory assets and tax basis	<u>(18,519)</u>	<u>(58,920)</u>
	49,827	61,306
Valuation allowance	<u>(36,749)</u>	<u>(48,228)</u>
	<u>\$ 13,078</u>	<u>\$ 13,078</u>

(b) The provision for payments in lieu of taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 18.62% to the earnings (loss) for the years as follows:

	<u>2006</u>	<u>2005</u>
Earnings (loss) before payment in lieu of taxes	\$ 9,509	\$ (123,509)
Anticipated income tax expense (recovery)	1,770	(22,997)
Other	<u>(1,770)</u>	<u>9,919</u>
Provision for payment in lieu of taxes	<u>\$ —</u>	<u>\$ (13,078)</u>

**14. Loss carry forwards**

For payment in lieu of tax purposes, the company has losses which can be applied to reduce future years taxable income.

These losses expire as follows:

2015	\$ <u>115,272</u>
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TABLE 3

2006 09 14 10:00

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## Non-Capital Loss Continuity Workchart

### Part 6 -- Analysis of balance of losses by year of origin

Non-capital losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2006		N/A		N/A			
2005	115,272	N/A		N/A	115,272		
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2001		N/A		N/A			
Total	115,272				115,272		
Farm losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2006		N/A		N/A			
2005		N/A		N/A			
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			
Total							
Restricted farm losses							
Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce		Balance at end of year
					Taxable income	Part IV tax	
Current	N/A				N/A		
2006		N/A		N/A		N/A	
2005		N/A		N/A		N/A	
2004		N/A		N/A		N/A	
2003		N/A		N/A		N/A	
2002		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2000		N/A		N/A		N/A	
1999		N/A		N/A		N/A	
1998		N/A		N/A		N/A	
Total						N/A	

\* This balance expires this year and will not be available next year.

In the Board Staff submission dated April 4, 2007 (EB-2007-0901) the PILs issue and request for the negative rate rider was not further addressed. ERHDC had 2 other interveners, the School Energy Coalition and the Vulnerable Energy Consumers Coalition that also had no further comments regarding the PILs request in their submissions.

In the OEB Decision dated June 3, 2008 for the 2008 Cost of Service Rate application the Board stated on Page 5 of the decision that *"The final PILs tax allowance for ratemaking purposes is determined after the Board makes its findings on other relevant parts of the Company's application. ERHDC has not applied for PILs taxes to be recovered in 2008 rates as it has non-capital tax losses of \$457,257 that it can carry forward to shelter taxable income in 2008, and beyond."* It should be noted that this statement does not take into consideration the interrogatory process and evidence filed where it was clarified that \$457,257 is not the correct loss carry-forward amount and the request for the negative rate rider as the loss carry-forwards will not cover future years.

On October 17, 2008 the OEB held a web cast providing direction and filing requirements for distributors that are filing an IR application such as ERHDC in 2009. ERHDC asked the following question during the web cast *"Loss carry forwards in the 2008 application will not be available possibly in 2009 but in any event prior to the next rebasing – can the new tax calc be incorporated in rates through the IRM process?"* The OEB responded to the question in frequently asked questions under 3<sup>rd</sup> generation IRM issued on October 28, 2008 on page 7, question #1 *"A rate adjustment sheet(s) can be provided to the applicant to enter an application adjustment such as this and other similar requests. Contact the OEB Market Operations hotline. Please note that this or similar requests may be deemed as outside of the IRM process and handled offline. The applicant is at risk of missing the May 1, 2009 implementation date. To avoid this risk the applicant may consider submitting a separate application."* ERHDC contacted the OEB market operations hotline and our Rate Generator Module was modified to include a tab for the request of a loss carry-forward adjustment.

On November 11, 2008 ERHDC submitted a 2009 Distribution Rate Application under 3<sup>rd</sup> Generation IRM (EB-2008-0173). In this application ERHDC requested a Carry-forward Tax Adjustment. The Managers Summary item #5 was as follows:

*"In ERHDC's 2008 Cost of Service rate application loss carry-forwards were projected to be utilized resulting in no projected PILs and therefore no PILs recovery included in the approved 2008 rates. ERHDC has utilized all of the loss carry-forwards available and will be paying PILs in 2009 and is requesting a PILs recoverable amount to be included in the rate base and reflected in 2009 approved rates. ERHDC re-calculated PILs based on the approved 2008 Cost of Service application taxable income without deducting the loss carry-forward. ERHDC is applying for a re-calculated grossed-up PILs amount of \$29,101 to be included in*

*the 2009 revenue requirement. Below is a summary of the requested change in revenue requirement.*

2008 approved revenue requirement from distribution rates	\$1,340,310
Increase to revenue requirement for inclusion of PILs	<u>\$29,101</u>
Revised revenue requirement	\$1,369,411

*Percentage increase to rates* *2.17%*

*To incorporate the request for the 2.17% increase into the 3<sup>rd</sup> GIRM rate model calculations OEB staff has added sheet D.3.2 "Loss Carry-Forward Tax Adjustment".*

*ERHDC has included a detailed calculation below for the revised PILs calculation."*

ERHDC also included a taxable income calculation, a CCA calculation, and a PILs calculation in the 2009 IRM application Manager Summary in support of the request for the loss carry-forward tax adjustment request.

On November 18, 2008 ERHDC filed an addendum to the Managers Summary further clarifying the request for the Loss Carry-forward Tax Adjustment applied for the in the 2009 IRM Rate Application. The addendum was as follows:

*"#5 (b)*

*Loss Carry-forward Tax Adjustment*

*In ERHDC's 2008 Cost of Service Rate Application submitted to the Board on November 6<sup>th</sup> 2007 (EB-2007-0901) a PILs amount was not applied for in rates due to loss carry-forwards being available to reduce taxable income. In the 2008 application (Exhibit 4/page36) ERHDC stated that there were non-capital loss carry-forwards available at the end of 2006 of \$457,257.*

*In Board Staff Interrogatories question #49 for ERHDC's 2008 Rate Application it was questioned why the 2006 audited financial statements in note #14 stated that the loss carry-forwards available were \$115,272. In response to Board Staff question #49 (page 170 of Responses to Board Staff Interrogatories) ERHDC indicated that the correct balance for the 2006 loss carry-forwards was in fact \$115,272. The Ministry of Finance reassessed 2001, 2002 and 2003 and determined ERHDC's taxable income to be \$341,985. To be conservative and to ensure interest was not accrued ERHDC carried back \$341,985 of the 2005 loss to 2003. The original 2008 Cost of Service Application did not take into consideration the \$341,985 loss that was carried back to 2003. ERHDC has filed a notice of objection with the Ministry of Finance dated Aug 1, 2006 objecting to the decision. No decision has been issued by the Ministry of Finance.*

*In the 2008 Board Staff Interrogatories Responses ERHDC requested a negative rate rider in 2008 to be removed in 2009 in recognition of the loss carry-forwards*

*being fully utilized in 2008. Refer to Board Staff Interrogatory responses page 168 to 170 for discussion of loss carry-forward and a copy of the notice of objection filed with the Ministry of Finance. Page 114 of Board Staff Interrogatory Responses is a copy of the 2006 Federal Tax Return Non-capital loss continuity work chart with an ending balance of \$115,272 that was filed with the Canada Revenue Agency. ERHDC utilized the \$115,272 loss carry-forward in 2007.*

*In the Board's submission the PILs issue was not further addressed and in the Board's Decision dated June 3, 2008 (Page 5) the Board states that Espanola has not applied for PILs taxes to be recovered in 2008 rates as it has non-capital tax losses of \$457,257 that can carry forward to shelter taxable income in 2008, and beyond. ERHDC notes that the actual loss carry-forward amount was \$115,272 not \$457,257. The balance of loss carry-forwards of \$115,272 was fully utilized in 2007. Therefore ERHDC is applying for a PILs recovery in the 2009 IRM application."*

On November 25, 2008 the Ontario Energy Board issued a letter of acknowledgement of receipt of ERHDC's 2009 IRM application (EB-2008-0173) and stated that "The Board notes that your application includes a request for an adjustment to your 2009 revenue requirement for the recovery of payments in lieu of taxes ("PILs"). This goes beyond the intended 2009 IRM format and amounts to a request to adjust your approved revenue requirement as determined in your 2008 cost of service rate case (EB-2007-0901). The Board will not hear this part of Espanola's application in the EB-2008-0173 proceeding and reduces the scope accordingly."

ERHDC has re-organized their operations, put in place a management services contract and completed a cost of service rate application in 2008. Since 2004 ERHDC has made changes to improve the financial health of the utility. ERHDC has made progress and has been pro-active in improving the utilities operations and financial health. ERHDC requests PIL's to be included in rates as it is significant to the operations of ERHDC due to a tight operating budget and pending installation of smart meters and financial requirements. ERHDC requests that the PILs adjustment be rolled into 2009 IRM rates applied for that are currently before the Board to be effective May 1, 2009.

ERHDC would like to respectfully note that in the Atikokan's 2008 rate application (EB-2008-0014) evidence was provided to show that a loss carry-forward amount exists that was sufficient to eliminate taxable income in the 2008 test year and consequently did not apply to recover PILs in 2008 rates. The Board's findings were as follows: *"While the applicant's decision to forego a claim for PILs expense, given the effect of the loss carry-forward in the test year is understandable, the Board is mindful that such losses may not be available in subsequent years. It is expected that rate adjustments for the next few years will be set using an incentive rate mechanism. If no allowance is made for PILs expense in the test year, rates in subsequent years will not reflect an adequate provision for this category of expense. Accordingly, the Board will allow a provision for PILs in the test year*

*revenue requirement, as if the loss carry-forward were not applied to the test year taxable income calculation. The Board directs the Applicant to file all relevant calculations with respect to the PILs provision and submit them with its Draft Rate Order.”*

## **CALCULATIONS**

### **Taxable Income Calculation**

ERHDC calculated the PILs based on the 2008 approved cost of service amounts (fixed assets, income, etc.).

Income before PILs of \$108,837 is based on the 2008 approved regulated return of \$191,839 less the deemed interest of \$83,002. The amortization of assets agrees to the approved amount in the 2008 Cost of Service application. The CCA calculation has been revised to exclude an amount that was included in error (Class 13) in the 2008 rate application in the amount of \$43,240.

The changes in the calculation of taxable income from the 2008 approved are:

1. removal of the loss carry-forwards (all available loss carry-forwards were used as of December 31, 2007)
2. line 403 corrected to remove \$43,240 in CCA which had previously been included in error

The changes result in taxable income of \$147,268 compared to zero in the 2008 cost of service application.

Line Item	T2S1 line #	Total for Legal Entity	Non- Distribution Eliminations	Utility Amount
<b>Income before PILs/Taxes</b>	<b>A</b>	108,837	0	108,837
<b>Additions:</b>				
Interest and penalties on taxes	103	0	0	0
Amortization of tangible assets	104	178,637	0	178,637
Amortization of intangible assets	106	0	0	0
Recapture of capital cost allowance from Schedule 8	107	0	0	0
Gain on sale of eligible capital property from Schedule 10	108	0	0	0
Income or loss for tax purposes- joint ventures or partnerships	109	0	0	0
Loss in equity of subsidiaries and affiliates	110	0	0	0
Loss on disposal of assets	111	0	0	0
Charitable donations	112	0	0	0

Taxable Capital Gains	113	0	0	0
Political Donations	114	0	0	0
Deferred and prepaid expenses	116	0	0	0
Scientific research expenditures deducted on financial statements	118	0	0	0
Capitalized interest	119	0	0	0
Non-deductible club dues and fees	120	0	0	0
Non-deductible meals and entertainment expense	121	0	0	0
Non-deductible automobile expenses	122	0	0	0
Non-deductible life insurance premiums	123	0	0	0
Non-deductible company pension plans	124	0	0	0
Tax reserves beginning of year	125	0	0	0
Reserves from financial statements- balance at end of year	126	0	0	0
Soft costs on construction and renovation of buildings	127	0	0	0
Book loss on joint ventures or partnerships	205	0	0	0
Capital items expensed	206	0	0	0
Debt issue expense	208	0	0	0
Development expenses claimed in current year	212	0	0	0
Financing fees deducted in books	216	0	0	0
Gain on settlement of debt	220	0	0	0
Non-deductible advertising	226	0	0	0
Non-deductible interest	227	0	0	0
Non-deductible legal and accounting fees	228	0	0	0
Recapture of SR&ED expenditures	231	0	0	0
Share issue expense	235	0	0	0
Write down of capital property	236	0	0	0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	0	0	0

Interest Expensed on Capital Leases	290	0	0	0
Realized Income from Deferred Credit Accounts	291	0	0	0
Pensions	292	0	0	0
Non-deductible penalties	293	0	0	0
Debt Financing Expenses for Book Purposes	294	0	0	0
Other Additions (see OtherAdditions sheet)	295	0	0	0
<b>Total Additions</b>		<b>178,637</b>	<b>0</b>	<b>178,637</b>
<b>Deductions:</b>				
Gain on disposal of assets per financial statements	401	0	0	0
Dividends not taxable under section 83	402	0	0	0
Capital cost allowance from Schedule 8	403	140,206	0	140,206
Terminal loss from Schedule 8	404	0	0	0
Cumulative eligible capital deduction from Schedule 10	405	0	0	0
Allowable business investment loss	406	0	0	0
Deferred and prepaid expenses	409	0	0	0
Scientific research expenses claimed in year	411	0	0	0
Tax reserves end of year	413	0	0	0
Reserves from financial statements - balance at beginning of year	414	0	0	0
Contributions to deferred income plans	416	0	0	0
Book income of joint venture or partnership	305	0	0	0
Equity in income from subsidiary or affiliates	306	0	0	0
Interest capitalized for accounting deducted for tax	390	0	0	0
Capital Lease Payments	391	0	0	0
Non-taxable imputed interest income on deferral and variance accounts	392	0	0	0
Financing Fees for Tax Under S.20(1)(e)	393	0	0	0
Other Deductions (see OtherDeductions sheet)	394	0	0	0
<b>Total Deductions</b>		<b>140,206</b>	<b>0</b>	<b>140,206</b>



<b>Net Income for Tax Purposes</b>		<b>147,268</b>	<b>0</b>	<b>147,268</b>
Charitable donations from Schedule 2	311	0	0	0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	0	0	0
Non-capital losses of preceding taxation years from Schedule 7-1	331	0	0	0
Net-capital losses of preceding taxation years from Schedule 7-1	332	0	0	0
Limited partnership losses of preceding taxation years from Schedule 4	335	0	0	0
<b>TAXABLE INCOME</b>		<b>147,268</b>	<b>0</b>	<b>147,268</b>

#### CCA Calculation

The changes in the calculation of CCA from the 2008 approved is:

1. Class 13 corrected to remove \$43,240 in CCA which had previously been included in error.

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Class	Class Description	UCC Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	1,985,647	0	0	1,985,647	0	1,985,647	4%	79,426	1,906,221
2	Distribution System - pre 1988	0	0	0	0	0	0	6%	0	0
8	General Office/Stores Equip	66,438	1,000	0	67,438	500	66,938	20%	13,388	54,050
10	Computer Hardware/ Vehicles	57,560	0	0	57,560	0	57,560	30%	17,268	40,292
10.1	Certain Automobiles	0	0	0	0	0	0	30%	0	0
12	Computer Software	0	0	0	0	0	0	100%	0	0
13 1	Lease # 1	0	0	0	0	0	0		0	0
13 2	Lease #2	0	0	0	0	0	0		0	0
13 3	Lease # 3	0	0	0	0	0	0		0	0
13 4	Lease # 4	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Software acq'd post Mar 22/04	8,753	0	0	8,753	0	8,753	45%	3,939	4,814
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	246,072	162,500	0	408,572	81,250	327,322	8%	26,186	382,386
98	No CCA	0	0	0	0	0	0		0	0
			0	0		0	0		0	0
			0	0			0		0	0
	TOTAL	2,364,469	163,500	0	2,527,969	81,750	2,446,219		140,206	2,387,763

PILs Calculation

	Source or Input	Tax Payable	Inclusion in Revenue Req.	
Regulatory Taxable Income	TxblIncome	147,268		
Combined Income Tax Rate	TaxRates	<u>16.500%</u>		
Total Income Taxes		24,299		
Investment Tax Credits	-			
Miscellaneous Tax Credits	-			
Total Tax Credits		-		
Income Tax Provision		24,299	29,101	<i>grossed-up for income taxes</i>
Ontario Capital Tax	CapitalTaxes	-	-	<i>Not grossed-up</i>
Large Corporations Tax	CapitalTaxes	-	-	<i>grossed-up for income taxes</i>
<b>Total PILs</b>		<b>24,299</b>	<b>29,101</b>	<i>amount for Output</i>

ERHDC's estimated grossed up PILs based on the approved 2008 cost of service rate application is \$29,101. ERHDC requests that this amount be included in the revenue requirement and reflected in rates effective May 1, 2009. Below is a summary of the requested change in revenue requirement:

2008 approved revenue requirement from current distribution rates	\$1,340,310
Increase to revenue requirement for inclusion of PILs	<u>\$29,101</u>
Revised revenue requirement	\$1,369,411
Percentage increase to rates	2.17%

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Below is a calculation of the 2.17% increase in rates for both the monthly service charge and the volumetric service charge for all rate classes to be included in 2009 rates.

Rate Rebalancing Adjustment	Loss Carryforward Tax Adjustment				
Metric Applied To	All Customers				
Method of Application	Both Uniform%				
			Uniform Volumetric	2.17% kWh	
Uniform Service Charge Percent	2.17%			2.17% kW	
<b>Monthly Service Charge</b>					
Class	Metric	Base Rate	To This Class	% Adjustment	Adj To Base
Residential	Customer - 12 per year	10.130000	Yes	2.17%	0.21982
General Service Less Than 50 kW	Customer - 12 per year	18.170000	Yes	2.17%	0.39429
General Service 50 to 4,999 kW	Customer - 12 per year	123.110000	Yes	2.17%	2.67149
Unmetered Scattered Load	Connection - 12 per year	8.530000	Yes	2.17%	0.18510
Sentinel Lighting	Connection - 12 per year	0.900000	Yes	2.17%	0.01953
Street Lighting	Connection - 12 per year	0.820000	Yes	2.17%	0.01779
<b>Volumetric Distribution Charge</b>					
Class	Metric	Base Rate	To This Class	% Adjustment	Adj To Base
Residential	kWh	0.014600	Yes	2.17%	0.00032
General Service Less Than 50 kW	kWh	0.017000	Yes	2.17%	0.00037
General Service 50 to 4,999 kW	kW	3.050400	Yes	2.17%	0.06619
Unmetered Scattered Load	kWh	0.013000	Yes	2.17%	0.00028
Sentinel Lighting	kW	7.661200	Yes	2.17%	0.16625
Street Lighting	kW	10.684100	Yes	2.17%	0.23185

Below ERHDC has summarized the changes from the 2008 approved rates to the proposed 2009 rates by rate class for the service charges and volumetric charges. The rates applied for in the 2009 IRM application that is currently before the Board (EB-2008-0173) have been included in the summary to provide a comprehensive reconciliation from the 2008 approved rates to the rates on the proposed schedule of rates and tariffs included below.

<b>SUMMARY OF CHANGES</b>							
	Current Base	Revenue Cost	K-Factor	Price Cap	Smart Meter	Loss Carry-	Final Rates
	Rate	Ratio	Adjustment	Adjustment	Rate	Forward	Applied for
		Adjustment			Adder	Adjustment	in 2009
	2008	2009 IRM	2009 IRM	2009 IRM	2009 IRM	Current	
	Approved	Application	Application	Application	Application	Application	
<b><u>Monthly Service Charge</u></b>							
Residential	10.1300	-0.2330	-0.01925	0.09896	1.0000	0.2198	<b>11.20</b>
General Service < 50kW	18.1700	-0.4324	-0.03452	0.17735	1.0000	0.3943	<b>19.27</b>
General Service > 50kW	123.1100	14.9332	-0.23391	1.37671	1.0000	2.6715	<b>142.86</b>
USL	8.5300	0.0000	-0.01621	0.08525		0.1851	<b>8.78</b>
Sentinel Lighting	0.9000	0.2544	-0.00171	0.01149		0.0195	<b>1.18</b>
Street Lighting	0.8200	0.2939	-0.00156	0.01108		0.0178	<b>1.14</b>
<b><u>Volumetric Charge</u></b>							
Residential	0.0146	-0.0003	-0.00003	0.00014		0.0003	<b>0.0147</b>
General Service < 50kW	0.0170	-0.0004	-0.00003	0.00017		0.0004	<b>0.0171</b>
General Service > 50kW	3.0504	0.3700	-0.00580	0.03411		0.0662	<b>3.5149</b>
USL	0.0130	0.0000	-0.00003	0.00013		0.0003	<b>0.0134</b>
Sentinel Lighting	7.6612	2.1658	-0.01456	0.09779		0.1662	<b>10.0765</b>
Street Lighting	10.6841	3.8292	-0.02030	0.14430		0.2318	<b>14.8691</b>

## **Proposed 2009 Tariff of Rates and Charges**

### **EXISTING RATE CLASSES**

#### **Residential**

This classification refers to an account taking electricity at 750 volts or less where the electricity used exclusively in a single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning.

#### **General Service Less Than 50kW**

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50kW.

#### **General Service 50 to 4,999kW**

This classification refers to a non residential account whose average peak demand is greater than, or is forecast to be greater than, 50kW but less than 5,000kW.

#### **Unmetered Scattered Load**

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

#### **Sentinel Lights**

This classification applies to safety/security lighting with a Residential or General Service customer. This is typically exterior lighting, and unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

#### **Street Lighting**

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

## PROPOSED RATE SCHEDULE

### Rate Class

#### **Residential**

Rate Description	Metric	Rate
Service Charge	\$	11.20
Distribution Volumetric Rate	\$/kWh	0.0147
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0046
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0037
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

### Rate Class

#### **General Service Less Than 50 kW**

Rate Description	Metric	Rate
Service Charge	\$	19.27
Distribution Volumetric Rate	\$/kWh	0.0171
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0033
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

### Rate Class

#### **General Service 50 to 4,999 kW**

Rate Description	Metric	Rate
Service Charge	\$	142.86
Distribution Volumetric Rate	\$/kW	3.5149
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kW	0.2386
Retail Transmission Rate – Network Service Rate	\$/kW	1.7225
Retail Transmission Rate – Network Service Rate – Interval metered	\$/kW	1.9563
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3068
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval metered	\$/kW	1.8319
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

### Rate Class

#### **Unmetered Scattered Load**

Rate Description	Metric	Rate
Service Charge	\$	8.78
Distribution Volumetric Rate	\$/kWh	0.0134
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0033
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Rate Class

**Sentinel Lighting**

Rate Description	Metric	Rate
Service Charge	\$	1.18
Distribution Volumetric Rate	\$/kW	10.0765
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kW	0.3766
Retail Transmission Rate – Network Service Rate	\$/kW	1.3057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0314
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Rate Class

**Street Lighting**

Rate Description	Metric	Rate
Service Charge	\$	1.14
Distribution Volumetric Rate	\$/kW	14.8691
Distribution Volumetric Rate Rider for Deferral Account Rate Rider – effective until Friday, April 30, 2010	\$/kW	0.4499
Retail Transmission Rate – Network Service Rate	\$/kW	1.2991
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0103
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Specific Service Charges**

**Customer Administration**

	Metric	Current
Arrears certificate	\$	15.00
Account history	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

**Non-Payment of Account**

	Metric	Current
Late Payment - per month	%	1.5%
Late Payment - per annum	%	19.56%
Collection of account charge - no disconnection	\$	30.00
Disconnect/Reconnect at meter - during regular hours	\$	65.00
Disconnect/Reconnect at pole - during regular hours	\$	185.00

**Other**

	Metric	Current
Temporary service install & remove - overhead - no transformer	\$	500.00
Temporary service install & remove - underground - no transformer	\$	300.00
Specific Charge for Access to the Power Poles \$/pole/year	\$	22.35

**Allowances**

	Metric	Current
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	-0.60
Primary Metering Allowance for transformer losses - applied to measured demand and energy	%	-1.0



**Retail Service Charges (if applicable)**

**Retail Service Charges (if applicable)**

**Metric Current**

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)

**Service Transaction Requests (STR)**

Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50

Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party

Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

**LOSS FACTORS**

**Current**

<b>Total Loss Factor - Secondary Metered Customer &lt; 5,000 kW</b>	1.0543
<b>Total Loss Factor - Secondary Metered Customer &gt; 5,000 kW</b>	0.0000
<b>Total Loss Factor - Primary Metered Customer &lt; 5,000 kW</b>	1.0443
<b>Total Loss Factor - Primary Metered Customer &gt; 5,000 kW</b>	0.0000

## **BILL IMPACTS**

The bill impacts include the proposed rate changes in the 2009 IRM application currently before the Board (EB-2008-0208) and the proposed rate changes in this application for PILs recovery to be effective May 1, 2009 in comparison to 2008 approved rates.

**Residential** ▼

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	10.39	11.20
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kWh	0.0146	0.0147
Distribution Volumetric Rate Rider(s)	\$/kWh	0.0009	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0041	0.0046
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035	0.0037
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>1,000</b>	<b>kWh</b>	<b>-</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>600</b>	<b>kWh</b>	<b>Load Factor</b>	

<b>Loss Factor</b>	<b>1.0543</b>
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	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	600	0.0560	33.60	600	0.0560	33.60	0.00	0.0%	28.44%
Energy Second Tier (kWh)	455	0.0650	29.58	455	0.0650	29.58	0.00	0.0%	25.03%
<b>Sub-Total: Energy</b>			<b>63.18</b>			<b>63.18</b>	<b>0.00</b>	<b>0.0%</b>	<b>53.47%</b>
Service Charge	1	10.39	10.39	1	11.20	11.20	0.81	7.8%	9.48%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	1,000	0.0146	14.60	1,000	0.0147	14.70	0.10	0.7%	12.44%
Distribution Volumetric Rate Rider(s)	1,000	0.0009	0.90	1,000	0.0009	0.90	0.00	0.0%	0.76%
<b>Total: Distribution</b>			<b>25.89</b>			<b>26.80</b>	<b>0.91</b>	<b>3.5%</b>	<b>22.68%</b>
Retail Transmission Rate – Network Service Rate	1,055	0.0041	4.33	1,055	0.0046	4.85	0.52	12.0%	4.10%
Retail Transmission Rate – Line and Transformation Connection Service Rate	1,055	0.0035	3.69	1,055	0.0037	3.90	0.21	5.7%	3.30%
<b>Total: Retail Transmission</b>			<b>8.02</b>			<b>8.75</b>	<b>0.73</b>	<b>9.1%</b>	<b>7.41%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>33.91</b>			<b>35.55</b>	<b>1.64</b>	<b>4.8%</b>	<b>30.09%</b>
Wholesale Market Service Rate	1,055	0.0052	5.49	1,055	0.0052	5.49	0.00	0.0%	4.65%
Rural Rate Protection Charge	1,055	0.0010	1.06	1,055	0.0010	1.06	0.00	0.0%	0.90%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	0.21%
<b>Sub-Total: Regulatory</b>			<b>6.80</b>			<b>6.80</b>	<b>0.00</b>	<b>0.0%</b>	<b>5.75%</b>
<b>Debt Retirement Charge (DRC)</b>	1,000	0.00700	7.00	1,000	0.00700	7.00	0.00	0.0%	5.92%
<b>Total Bill before Taxes</b>			<b>110.89</b>			<b>112.53</b>	<b>1.64</b>	<b>1.5%</b>	<b>95.24%</b>
<b>GST</b>	110.89	5%	5.54	112.53	5%	5.63	0.09	1.6%	4.76%
			<b>116.43</b>			<b>118.16</b>	<b>1.73</b>	<b>1.5%</b>	<b>100.00%</b>

**General Service Less Than 50 kW**

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	18.43	19.27
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kWh	0.0170	0.0171
Distribution Volumetric Rate Rider(s)	\$/kWh	0.0009	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0031	0.0033
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>2,860</b>	<b>kWh</b>	<b>-</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>750</b>	<b>kWh</b>	<b>Load Factor</b>	

**Loss Factor 1.0543**

	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	750	0.0560	42.00	750	0.0560	42.00	0.00	0.0%	12.44%
Energy Second Tier (kWh)	2,266	0.0650	147.29	2,266	0.0650	147.29	0.00	0.0%	43.61%
<b>Sub-Total: Energy</b>			<b>189.29</b>			<b>189.29</b>	<b>0.00</b>	<b>0.0%</b>	<b>56.05%</b>
Service Charge	1	18.43	18.43	1	19.27	19.27	0.84	4.6%	5.71%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	2,860	0.0170	48.62	2,860	0.0171	48.91	0.29	0.6%	14.48%
Distribution Volumetric Rate Rider(s)	2,860	0.0009	2.57	2,860	0.0009	2.57	0.00	0.0%	0.76%
<b>Total: Distribution</b>			<b>69.62</b>			<b>70.75</b>	<b>1.13</b>	<b>1.6%</b>	<b>20.95%</b>
Retail Transmission Rate – Network Service Rate	3,016	0.0038	11.46	3,016	0.0042	12.67	1.21	10.6%	3.75%
Retail Transmission Rate – Line and Transformation Connection Service Rate	3,016	0.0031	9.35	3,016	0.0033	9.95	0.60	6.4%	2.95%
<b>Total: Retail Transmission</b>			<b>20.81</b>			<b>22.62</b>	<b>1.81</b>	<b>8.7%</b>	<b>6.70%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>90.43</b>			<b>93.37</b>	<b>2.94</b>	<b>3.3%</b>	<b>27.65%</b>
Wholesale Market Service Rate	3,016	0.0052	15.68	3,016	0.0052	15.68	0.00	0.0%	4.64%
Rural Rate Protection Charge	3,016	0.0010	3.02	3,016	0.0010	3.02	0.00	0.0%	0.89%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	0.07%
<b>Sub-Total: Regulatory</b>			<b>18.95</b>			<b>18.95</b>	<b>0.00</b>	<b>0.0%</b>	<b>5.61%</b>
<b>Debt Retirement Charge (DRC)</b>	2,860	0.00700	20.02	2,860	0.00700	20.02	0.00	0.0%	5.93%
<b>Total Bill before Taxes</b>			<b>318.69</b>			<b>321.63</b>	<b>2.94</b>	<b>0.9%</b>	<b>95.24%</b>
<b>GST</b>	318.69	5%	15.93	321.63	5%	16.08	0.15	0.9%	4.76%
			<b>334.62</b>			<b>337.71</b>	<b>3.09</b>	<b>0.9%</b>	<b>100.00%</b>

**General Service 50 to 4,999 kW** ▼

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	123.37	142.86
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kW	3.0504	3.5149
Distribution Volumetric Rate Rider(s)	\$/kW	0.2386	0.2386
Retail Transmission Rate – Network Service Rate	\$/kW	1.5476	1.7225
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2446	1.3068
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>76,800</b>	<b>kWh</b>	<b>195</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>750</b>	<b>kWh</b>	<b>Load Factor</b>	<b>54.0%</b>

**Loss Factor 1.0543**

	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	750	0.0560	42.00	750	0.0560	42.00	0.00	0.0%	0.52%
Energy Second Tier (kWh)	80,221	0.0650	5,214.37	80,221	0.0650	5,214.37	0.00	0.0%	63.98%
<b>Sub-Total: Energy</b>			<b>5,256.37</b>			<b>5,256.37</b>	<b>0.00</b>	<b>0.0%</b>	<b>64.50%</b>
Service Charge	1	123.37	123.37	1	142.86	142.86	19.49	15.8%	1.75%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	195	3.0504	594.83	195	3.5149	685.41	90.58	15.2%	8.41%
Distribution Volumetric Rate Rider(s)	195	0.2386	46.53	195	0.2386	46.53	0.00	0.0%	0.57%
<b>Total: Distribution</b>			<b>764.73</b>			<b>874.80</b>	<b>110.07</b>	<b>14.4%</b>	<b>10.73%</b>
Retail Transmission Rate – Network Service Rate	195	1.5476	301.78	195	1.7225	335.89	34.11	11.3%	4.12%
Retail Transmission Rate – Line and Transformation Connection Service Rate	195	1.2446	242.70	195	1.3068	254.83	12.13	5.0%	3.13%
<b>Total: Retail Transmission</b>			<b>544.48</b>			<b>590.72</b>	<b>46.24</b>	<b>8.5%</b>	<b>7.25%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>1,309.21</b>			<b>1,465.52</b>	<b>156.31</b>	<b>11.9%</b>	<b>17.98%</b>
Wholesale Market Service Rate	80,971	0.0052	421.05	80,971	0.0052	421.05	0.00	0.0%	5.17%
Rural Rate Protection Charge	80,971	0.0010	80.97	80,971	0.0010	80.97	0.00	0.0%	0.99%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	0.00%
<b>Sub-Total: Regulatory</b>			<b>502.27</b>			<b>502.27</b>	<b>0.00</b>	<b>0.0%</b>	<b>6.16%</b>
<b>Debt Retirement Charge (DRC)</b>	76,800	0.00700	537.60	76,800	0.00700	537.60	0.00	0.0%	6.60%
<b>Total Bill before Taxes</b>			<b>7,605.45</b>			<b>7,761.76</b>	<b>156.31</b>	<b>2.1%</b>	<b>95.24%</b>
<b>GST</b>	7,605.45	5%	380.27	7,761.76	5%	388.09	7.82	2.1%	4.76%
			<b>7,985.72</b>			<b>8,149.85</b>	<b>164.13</b>	<b>2.1%</b>	<b>100.00%</b>

### Unmetered Scattered Load

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	8.53	8.78
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kWh	0.0130	0.0134
Distribution Volumetric Rate Rider(s)	\$/kWh	0.0009	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0038	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0031	0.0033
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>925</b>	<b>kWh</b>	<b>0</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>750</b>	<b>kWh</b>	<b>Load Factor</b>	

**Loss Factor 1.0543**

	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	750	0.0560	42.00	750	0.0560	42.00	0.00	0.0%	40.48%
Energy Second Tier (kWh)	226	0.0650	14.69	226	0.0650	14.69	0.00	0.0%	14.16%
<b>Sub-Total: Energy</b>			<b>56.69</b>			<b>56.69</b>	<b>0.00</b>	<b>0.0%</b>	<b>54.64%</b>
Service Charge	1	8.53	8.53	1	8.78	8.78	0.25	2.9%	8.46%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	925	0.0130	12.03	925	0.0134	12.40	0.37	3.1%	11.95%
Distribution Volumetric Rate Rider(s)	925	0.0009	0.83	925	0.0009	0.83	0.00	0.0%	0.80%
<b>Total: Distribution</b>			<b>21.39</b>			<b>22.01</b>	<b>0.62</b>	<b>2.9%</b>	<b>21.21%</b>
Retail Transmission Rate – Network Service Rate	976	0.0038	3.71	976	0.0042	4.10	0.39	10.5%	3.95%
Retail Transmission Rate – Line and Transformation Connection Service Rate	976	0.0031	3.03	976	0.0033	3.22	0.19	6.3%	3.10%
<b>Total: Retail Transmission</b>			<b>6.74</b>			<b>7.32</b>	<b>0.58</b>	<b>8.6%</b>	<b>7.06%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>28.13</b>			<b>29.33</b>	<b>1.20</b>	<b>4.3%</b>	<b>28.27%</b>
Wholesale Market Service Rate	976	0.0052	5.08	976	0.0052	5.08	0.00	0.0%	4.90%
Rural Rate Protection Charge	976	0.0010	0.98	976	0.0010	0.98	0.00	0.0%	0.94%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	0.24%
<b>Sub-Total: Regulatory</b>			<b>6.31</b>			<b>6.31</b>	<b>0.00</b>	<b>0.0%</b>	<b>6.08%</b>
<b>Debt Retirement Charge (DRC)</b>	925	0.00700	<b>6.48</b>	925	0.00700	<b>6.48</b>	<b>0.00</b>	<b>0.0%</b>	<b>6.25%</b>
<b>Total Bill before Taxes</b>			<b>97.61</b>			<b>98.81</b>	<b>1.20</b>	<b>1.2%</b>	<b>95.24%</b>
<b>GST</b>	97.61	5%	<b>4.88</b>	98.81	5%	<b>4.94</b>	<b>0.06</b>	<b>1.2%</b>	<b>4.76%</b>
			<b>102.49</b>			<b>103.75</b>	<b>1.26</b>	<b>1.2%</b>	<b>100.00%</b>

## Sentinel Lighting

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	0.90	1.18
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kW	7.6612	10.0765
Distribution Volumetric Rate Rider(s)	\$/kW	0.3766	0.3766
Retail Transmission Rate – Network Service Rate	\$/kW	1.1731	1.3057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9823	1.0314
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>86</b>	<b>kWh</b>	<b>0.24</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>750</b>	<b>kWh</b>	<b>Load Factor</b>	<b>49.1%</b>

**Loss Factor 1.0543**

	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	91	0.0560	5.10	91	0.0560	5.10	0.00	0.0%	23.71%
Energy Second Tier (kWh)	0	0.0650	0.00	0	0.0650	0.00	0.00	0.0%	0.00%
<b>Sub-Total: Energy</b>			<b>5.10</b>			<b>5.10</b>	<b>0.00</b>	<b>0.0%</b>	<b>23.71%</b>
Service Charge	1	0.90	0.90	1	1.18	1.18	0.28	31.1%	5.49%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	1	7.6612	7.66	1	10.0765	10.08	2.42	31.6%	46.86%
Distribution Volumetric Rate Rider(s)	1	0.3766	0.38	1	0.3766	0.38	0.00	0.0%	1.77%
<b>Total: Distribution</b>			<b>8.94</b>			<b>11.64</b>	<b>2.70</b>	<b>30.2%</b>	<b>54.11%</b>
Retail Transmission Rate – Network Service Rate	1	1.1731	1.17	1	1.3057	1.31	0.14	12.0%	6.09%
Retail Transmission Rate – Line and Transformation Connection Service Rate	1	0.9823	0.98	1	1.0314	1.03	0.05	5.1%	4.79%
<b>Total: Retail Transmission</b>			<b>2.15</b>			<b>2.34</b>	<b>0.19</b>	<b>8.8%</b>	<b>10.88%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>11.09</b>			<b>13.98</b>	<b>2.89</b>	<b>26.1%</b>	<b>64.99%</b>
Wholesale Market Service Rate	91	0.0052	0.47	91	0.0052	0.47	0.00	0.0%	2.19%
Rural Rate Protection Charge	91	0.0010	0.09	91	0.0010	0.09	0.00	0.0%	0.42%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	1.16%
<b>Sub-Total: Regulatory</b>			<b>0.81</b>			<b>0.81</b>	<b>0.00</b>	<b>0.0%</b>	<b>3.77%</b>
<b>Debt Retirement Charge (DRC)</b>	86	0.00700	0.60	86	0.00700	0.60	0.00	0.0%	2.79%
<b>Total Bill before Taxes</b>			<b>17.60</b>			<b>20.49</b>	<b>2.89</b>	<b>16.4%</b>	<b>95.26%</b>
<b>GST</b>	17.60	5%	0.88	20.49	5%	1.02	0.14	15.9%	4.74%
			<b>18.48</b>			<b>21.51</b>	<b>3.03</b>	<b>16.4%</b>	<b>100.00%</b>

**Street Lighting** ▼

Monthly Rates and Charges	Metric	Current Rate	Applied For Rate
Service Charge	\$	0.82	1.14
Service Charge Rate Rider(s)	\$	-	-
Distribution Volumetric Rate	\$/kW	10.6841	14.8691
Distribution Volumetric Rate Rider(s)	\$/kW	0.4499	0.4499
Retail Transmission Rate – Network Service Rate	\$/kW	1.1672	1.2991
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9622	1.0103
Wholesale Market Service Rate	\$/kWh	0.0052	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010	0.0010
Standard Supply Service – Administration Charge (if applicable)	\$	0.25	0.25

<b>Consumption</b>	<b>48</b>	<b>kWh</b>	<b>0.14</b>	<b>kW</b>
<b>RPP Tier One</b>	<b>750</b>	<b>kWh</b>	<b>Load Factor</b>	<b>47.0%</b>

<b>Loss Factor</b>	<b>1.0543</b>
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	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
Energy First Tier (kWh)	51	0.0560	2.86	51	0.0560	2.86	0.00	0.0%	12.08%
Energy Second Tier (kWh)	0	0.0650	0.00	0	0.0650	0.00	0.00	0.0%	0.00%
<b>Sub-Total: Energy</b>			<b>2.86</b>			<b>2.86</b>	<b>0.00</b>	<b>0.0%</b>	<b>12.08%</b>
Service Charge	1	0.82	0.82	1	1.14	1.14	0.32	39.0%	4.82%
Service Charge Rate Rider(s)	1	0.00	0.00	1	0.00	0.00	0.00	0.0%	0.00%
Distribution Volumetric Rate	1	10.6841	10.68	1	14.8691	14.87	4.19	39.2%	62.82%
Distribution Volumetric Rate Rider(s)	1	0.4499	0.45	1	0.4499	0.45	0.00	0.0%	1.90%
<b>Total: Distribution</b>			<b>11.95</b>			<b>16.46</b>	<b>4.51</b>	<b>37.7%</b>	<b>69.54%</b>
Retail Transmission Rate – Network Service Rate	1	1.1672	1.17	1	1.2991	1.30	0.13	11.1%	5.49%
Retail Transmission Rate – Line and Transformation Connection Service Rate	1	0.9622	0.96	1	1.0103	1.01	0.05	5.2%	4.27%
<b>Total: Retail Transmission</b>			<b>2.13</b>			<b>2.31</b>	<b>0.18</b>	<b>8.5%</b>	<b>9.76%</b>
<b>Sub-Total: Delivery (Distribution and Retail Transmission)</b>			<b>14.08</b>			<b>18.77</b>	<b>4.69</b>	<b>33.3%</b>	<b>79.30%</b>
Wholesale Market Service Rate	51	0.0052	0.27	51	0.0052	0.27	0.00	0.0%	1.14%
Rural Rate Protection Charge	51	0.0010	0.05	51	0.0010	0.05	0.00	0.0%	0.21%
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25	0.00	0.0%	1.06%
<b>Sub-Total: Regulatory</b>			<b>0.57</b>			<b>0.57</b>	<b>0.00</b>	<b>0.0%</b>	<b>2.41%</b>
<b>Debt Retirement Charge (DRC)</b>	48	0.00700	0.34	48	0.00700	0.34	0.00	0.0%	1.44%
<b>Total Bill before Taxes</b>			<b>17.85</b>			<b>22.54</b>	<b>4.69</b>	<b>26.3%</b>	<b>95.23%</b>
<b>GST</b>	17.85	5%	0.89	22.54	5%	1.13	0.24	27.0%	4.77%
			<b>18.74</b>			<b>23.67</b>	<b>4.93</b>	<b>26.3%</b>	<b>100.00%</b>



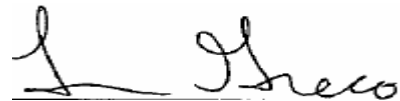
### **SUMMARY OF APPLICATION**

1. In ERHDC's original 2008 cost of service rate application it was assumed there were \$457,257 of loss carry-forwards available to offset 2008 PILs. As a result no PILs recovery requirement was included in the 2008 cost of service rate application.
2. Triggered by a Board interrogatory in the 2008 rate process, it was discovered that the estimated loss carry-forward available at December 31, 2006 was in fact \$115,272 and not \$457,257.
3. Due to the estimated loss carry-forwards of \$457,257 available in 2008, no PILs were estimated to be payable in 2008. Since the loss carry-forward available at December 31, 2006 was in fact \$115,272 this was applied to 2007 and there were no remaining loss carry-forward amounts for 2008. As a result, ERHDC did have actual taxable income and paid PILs in 2008 but this information was not reflected in the 2008 cost of service application.
4. However, as noted in the 2008 cost of service interrogatory responses, ERHDC did recognize that PILs would be payable in 2009 and beyond due to the use of all available loss carry-forwards prior to 2009.
5. Once the error was detected and recognizing that the next rebasing would be in several years, ERHDC requested in its interrogatory responses that the application be amended to include PILs recovery for 2009 and beyond.
6. The requested mechanism was rates including the estimated annual PILs recovery excluding the effect of the loss carry-forwards and an offsetting negative rate rider in 2008. The negative rate rider would have been removed beyond 2008 when loss carry-forwards were no longer available and PILs would be payable. In this manner, no PILs would have been collected for 2008, but recovery would be in the 2009 rates.
7. No issues were raised by the Board Staff or the two intervenors in their submissions regarding ERHDC proposed treatment of PILs.
8. In the Board's decision the application for a negative rate rider was not addressed and also in the decision it was incorrectly stated that ERHDC had not applied for PILs to be recovered in 2008 rates as it had non-capital losses of \$457,257 that can shelter taxable income for 2008 and beyond. Therefore currently there is no provision in rates to recover PILs.
9. ERHDC included in the 2009 IRM application a request for PILs recovery that Board Staff determined was not part of the IRM proceedings and disallowed the request as part of that proceeding.

10. ERHDC is requesting in this application to have its distribution rates adjusted to include the recovery of PILs that it will be liable for in 2009 and were identified in its 2008 cost of service rate application and 2009 IRM application.

ERHDC respectfully requests an order approving the proposed distribution rate changes. ERHDC requests the PILs adjustment to be included in the 2009 rates effective May 1, 2009.

DATED at Sault Ste. Marie Ontario, this 18 day of February, 2009.

A handwritten signature in black ink, appearing to read "T. Greco", written over a horizontal line.

*Terrance P. Greco*  
*On behalf of Espanola Regional Hydro Distribution Corporation*  
*Vice President Finance*  
*PUC Services*