Niagara-on-the-Lake Hydro Inc.

May 13, 2009

Ms. Kirsten Walli
Ontario energy Board Secretary
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto ON M4P 1E4

VIA RESS, E-mail and mail

Niagara-on-the-Lake Hydro Inc.
RTR– Connection Rate Reduction and Rate Rider
Board File Number – not assigned

Dear Ms. Walli

Niagara-on-the-Lake Hydro Inc. is pleased to submit the attached application for a reduction in our RTR rates that will benefit all customers of our community.

In this application, NOTL Hydro proposes 1) reduced RTR connection rates based on termination of a load assignment, 2) a fair settlement payment to Hydro One and removal of the current accrued connection charge liability, and 3) one-year RTR rate riders to repay customers for excess RTR connection billed amounts up to the effective date of the reduced rates. We are providing a thorough summary of the history of events leading to this application and an outline of the proposed resolution.

We would be pleased to provide any further information or details that you may require for this application.

Yours truly

ORIGINAL SIGNED BY JIM HUNTINGDON

Jim Huntingdon, President
jhuntingdon@notlhydro.com

Attachment
Cc R. Davidson, Hydro One

INTRODUCTION

CHRONOLOGY

In 1999, Ontario Hydro unilaterally assigned a 10 mW supply point, located in Niagara Falls, to the Niagara-on-the-Lake Hydro Electric Commission when a new transformer station was required. Niagara-on-the-Lake Hydro has since disputed the authority of Ontario Hydro (Hydro One) to place this obligation on the local utility. Hydro One's operating guidelines of the day required mutual consent and an economic evaluation be completed prior to assigning load, neither of which we understand were obtained nor completed. Within two years of this assignment, NOTL Hydro still found it necessary to finalize plans to add a new $2.8 million transformer station, negating the need for the Niagara Falls supply point. Further, updates to the Transmission Code in July, 2005 clarified that such a unilateral load assignment practice is not allowed. This has been confirmed by the Compliancy Department of the O.E.B.

On February 6, 2007, after 8 years of fruitless negotiations, NOTL Hydro wrote to Hydro One, requesting their agreement to have the OEB intervene and assist us with reaching an equitable settlement. On July 27, 2007, we wrote to the OEB Secretary asking for OEB intervention to settle the dispute. On August 27, 2007, we agreed to have the OEB Compliance Department review our case. After almost a year with no perceivable progress, the NOTL Hydro Board Chair wrote the OEB Chair on July 3, 2008 asking for assistance to settle our dispute. In March 2009, we received a verbal request from the Compliancy Office for Hydro One and NOTL Hydro to meet one more time, face to face, to resolve our issues. The meeting was held on March 25, 2009 and the Compliancy Office was advised that impasse remains.

PURPOSE OF THE APPLICATION

The purpose of the application is to receive consent from the O.E.B. to reduce our RTR rates in recognition that NOTL Hydro:

- is no longer required to accrue for the impact of the Stanley supply,
- will provide a fair compensation to Hydro One for their 1999 infrastructure hard costs; and
- wishes to return excess funds collected to our customers.

Specifically, OEB approval of the following three items is requested:

1. RTR Connection Rate Reduction

The Hydro One charges resulting from this load assignment have caused a financial impact to our customers, paid through the "Retail Transmission Rate - Line and Transformation Connection Service Rate", (RTR) in excess of $100,000 annually. Since early 2007, NOTL Hydro has not utilized this supply point and as of January 2009, we are no longer accruing for the Hydro One charges. Accordingly, we wish to apply for an RTR connection rate reduction, effective as soon as possible, to pass on the benefit of the removal of these charges to our customers. The details are provided in **Section 1**.

2. Settlement of Liability to Hydro One

Recognizing that in 1999, Hydro One did rebuild approximately 3 km of pole line to 'ready' the supply point, this application proposes to pay Hydro One $200,000, equivalent to the estimated current depreciated value of that asset, as a final settlement of the liability for Hydro One charges accrued since the assignment of the supply point. This payment is approximately equal to the amount of the liability as of July 2008. The details are provided in **Section 2**.

3. Repayment of Excess RTR Revenue to Customers

For the period from the settlement date of July 2008 discussed above, until such time as the above RTR reduction is in effect, NOTL Hydro customers' RTR payments include a component for the Hydro One charges. NOTL

Hydro is requesting an RTR rate rider to repay these excess revenues to customers. The amount of the rate rider depends on the duration of the OEB hearing and thus the effective date of the RTR reduction (Item 1 above). The details are provided in **Section 3**.

The Table below summarizes the proposed rates and rate riders:

Niagara-on-the-Lake Hydro Inc.
Board File Number (not assigned)
Filed May 15, 2009

SUMMARY

Proposed Adjustment to Retail Transmission Rates (RTR)

RTR - Connection

Annual cost at new IESO rates	$	281,762
Annual revenue at current rates	$	(410,130)
Variance	$	(128,368)
Revenue ratio		68.70%
Proposed % rate change		-31.30%

	Current Rates	-31.30% Change	Proposed Rates
Residential *$/kWh*	$0.0020	-$0.0006	$0.0014
General Service			
Less than 50 kW/USL *$/kW*	$0.0019	-$0.0006	$0.0013
Greater than 50 kW (to 4999 kW)			
Non-Interval *$/kW*	$0.7418	-$0.2322	$0.5096
Interval *$/kW*	$1.7841	-$0.5584	$1.2257
Street Lighting *$/kW*	$0.5734	-$0.1795	$0.3939

Proposed RTR Connection Rate Rider

TIMING A - if rate reduction effective Oct 1, 2009

To Pay Back Customers for Hydro One Liability Reflected in RTR Billings July 2008 to Sep 30 2009	$149,261

	Proposed Rider Effective Oct 1 2009 to Sep 30 2010
Residential *$/kWh*	-$0.0008
General Service	
Less than 50 kW/USL *$/kW*	-$0.0008
Greater than 50 kW (to 4999 kW)	
Non-Interval *$/kW*	-$0.3201
Interval *$/kW*	-$0.3201
Street Lighting *$/kW*	-$0.2861

Proposed RTR Connection Rate Rider

TIMING B - if rate reduction effective Jan 1, 2010

To Pay Back Customers for Hydro One Liability Reflected in RTR Billings July 2008 to Dec 31 2009	$180,136

	Proposed Rider Effective Jan 1 2010 to Dec 31 2010
Residential *$/kWh*	-$0.0010
General Service	
Less than 50 kW/USL *$/kW*	-$0.0010
Greater than 50 kW (to 4999 kW)	
Non-Interval *$/kW*	-$0.3863
Interval *$/kW*	-$0.3863
Street Lighting *$/kW*	-$0.3452

1. RTR CONNNECTION RATE REDUCTION

Approach

The proposed reduction was calculated in a similar manner to the approach used in the 2006 EDR process and the applications for 2008 and 2009 RTSRs. Estimates of future annual connection costs and revenues at the Uniform Transmission Rates (UTRs) effective January 1, 2009 and the current approved Retail Transmission Rates (RTR) effective May 1 2009 were based on the monthly volumes implicit in the two-year period 2007 and 2008. This estimation indicated the percentage change in RTSR rates required to bring costs and revenues in line. Three estimations were done:

1. Using annual volumes in the 1st year (January 2007 to December 2007) of this two year period;
2. Using the annual volumes in the 2nd year (January 2008 to December 2008); and
3. Using the average annual volumes over the two years, 2007 and 2008.

NOTL Hydro proposes to increase the rates based on the average volumes over the two years (estimate 3. above) as will be indicated below.

2007 and 2008 Data

Table 1 below shows the actual data for the two-year period.

Table 1

1													**Hydro One Load Assignment** *(under OEB*						
2	**Connection Costs and Revenue**												**Account 4716**			**RTSR Deferral Account Monthly Balances**			
3	**2 years of actual data**															**Account 1586 Balance**		**RSVA$_{CN}$**	
4																			
5				Costs Acct 4716						Revenue Acct 4068			Hydro One						
6				Rates		$ Amounts				Rates	$ Amounts		Rates	Base load trigger point		Month Variance	Balance end of Month	Reconciliation	
7				Hydro One	IESO	Hydro One	IESO	Total		Customers			$/kW	6,353				Audited GL	Difference*
8	Month		Date	$/kW	$/kW				Date					kW	Date			-$ 319,959	
9	1		Jan-07	$ 2.09	$ 0.82	-$ 506	$ 23,250	$ 22,745	Jan-07		$ 33,200		$ 1.48	$ -	Jan-07	-$ 10,455	-$ 330,414	-$ 330,414	$ -
10	2		Feb-07	$ 2.09	$ 0.82	$ 5,714	$ 24,241	$ 29,955	Feb-07		$ 32,992		$ 1.48	$ 15,023	Feb-07	$ 11,987	-$ 318,427	-$ 318,427	$ -
11	3		Mar-07	$ 2.09	$ 0.82	-$ 5,630	$ 22,511	$ 16,881	Mar-07		$ 40,397		$ 1.48	$ 9,402	Mar-07	-$ 14,113	-$ 332,541	-$ 332,541	$ -
12	4		Apr-07	$ 2.09	$ 0.82	$ 86	$ 19,834	$ 19,920	Apr-07		$ 32,190		$ 1.48	$ 9,373	Apr-07	-$ 2,897	-$ 335,438	-$ 335,438	$ -
13	5		May-07	$ 2.09	$ 0.82	$ 48	$ 24,820	$ 24,868	May-07		$ 35,375		$ 1.48	$ 9,373	May-07	-$ 1,135	-$ 336,573	-$ 336,573	-$ 0
14	6		Jun-07	$ 2.09	$ 0.82	$ 42	$ 34,474	$ 34,516	Jun-07		$ 32,471		$ 1.48	$ 9,373	Jun-07	$ 11,418	-$ 325,154	-$ 325,154	-$ 0
15	7		Jul-07		$ 0.82	-$ 11	$ 32,533	$ 32,522	Jul-07	May 2006 rates (no change May 2007)	$ 40,362		$ 1.48	$ 9,402	Jul-07	$ 1,562	-$ 323,592	-$ 323,592	-$ 0
16	8		Aug-07		$ 0.82		$ 33,841	$ 33,841	Aug-07		$ 48,795		$ 1.48	$ 9,402	Aug-07	-$ 5,552	-$ 329,144	-$ 329,144	-$ 0
17	9		Sep-07		$ 0.82		$ 32,524	$ 32,524	Sep-07		$ 44,679		$ 1.48	$ 9,402	Sep-07	-$ 2,752	-$ 331,896	-$ 331,895	-$ 0
18	10		Oct-07		$ 0.82		$ 38,474	$ 38,474	Oct-07		$ 35,386		$ 1.48	$ 9,402	Oct-07	$ 12,490	-$ 319,405	-$ 319,405	-$ 0
19	11		Nov-07		$ 0.59		$ 24,895	$ 24,895	Nov-07		$ 35,037		$ 1.61	$ 10,228	Nov-07	$ 87	-$ 319,319	-$ 320,144	$ 826
20	12		Dec-07		$ 0.59		$ 18,427	$ 18,427	Dec-07		$ 31,285		$ 1.61	$ 10,228	Dec-07	-$ 2,629	-$ 321,947	-$ 321,947	-$ 0
21	13		Jan-08		$ 0.59		$ 16,703	$ 16,703	Jan-08		$ 35,033		$ 1.61	$ 10,228	Jan-08	-$ 8,101	-$ 330,048	-$ 330,048	-$ 0
22	14		Feb-08		$ 0.59		$ 16,682	$ 16,682	Feb-08		$ 34,867		$ 1.61	$ 10,228	Feb-08	-$ 7,956	-$ 338,004	-$ 338,004	-$ 0
23	15		Mar-08		$ 0.59		$ 15,047	$ 15,047	Mar-08		$ 37,170		$ 1.61	$ 10,228	Mar-08	-$ 11,895	-$ 349,899	-$ 349,899	-$ 0
24	16		Apr-08		$ 0.59		$ 13,696	$ 13,696	Apr-08		$ 34,649		$ 1.61	$ 10,228	Apr-08	-$ 10,725	-$ 360,623	-$ 360,623	-$ 0
25	17		May-08		$ 0.59		$ 19,383	$ 19,383	May-08		$ 37,326		$ 1.61	$ 10,228	May-08	-$ 7,715	-$ 368,338	-$ 368,338	-$ 0
26	18		Jun-08		$ 0.59		$ 32,878	$ 32,878	Jun-08		$ 19,395		$ 1.61	$ 10,228	Jun-08	$ 23,712	-$ 344,627	-$ 344,627	-$ 0
27	19		Jul-08		$ 0.59		$ 22,147	$ 22,147	Jul-08		$ 31,109		$ 1.61	$ 10,228	Jul-08	$ 1,267	-$ 343,360	-$ 343,360	-$ 0
28	20		Aug-08		$ 0.59		$ 20,995	$ 20,995	Aug-08	May 2008 rates	$ 37,777		$ 1.61	$ 10,228	Aug-08	-$ 6,553	-$ 349,913	-$ 349,913	-$ 0
29	21		Sep-08		$ 0.59		$ 20,626	$ 20,626	Sep-08		$ 39,291		$ 1.61	$ 10,228	Sep-08	-$ 8,437	-$ 358,349	-$ 358,349	-$ 0
30	22		Oct-08		$ 0.59		$ 14,313	$ 14,313	Oct-08		$ 34,433		$ 1.61	$ 10,228	Oct-08	-$ 9,892	-$ 368,241	-$ 368,241	-$ 0
31	23		Nov-08		$ 0.59		$ 15,848	$ 15,848	Nov-08		$ 26,754		$ 1.61	$ 10,228	Nov-08	-$ 677	-$ 368,918	-$ 368,918	-$ 0
32	24		Dec-08		$ 0.59		$ 17,187	$ 17,187	Dec-08		$ 29,239		$ 1.61	$ 10,228	Dec-08	-$ 1,824	-$ 370,742	-$ 370,742	-$ 0
33																			
34									*May 2008 rates are*		*80.38%*		*of approved May 2006 rates, per the approved RTR application submitted 19 Nov 2007.*						
35									*May 2009 rates are*		*113.20%*		*of approved May 2008 rates, per the approved RTR application submitted 28 Nov 2008.*						
36									*Therefore, May 2009 rates are*		*90.98%*		*of approved May 2006 rates*						

Actuals

As shown in the Table, there were various changes in cost rates and revenue rates at different dates over this period, 2007 to 2008:

- New Hydro One rate for base load trigger point kW on the Hydro One station known as “Stanley TS”, effective November 1, 2007 (Notwithstanding that no load was taken from Stanley TS, the Hydro One load assignment of 6,353 kW was reflected in accrued costs to account 4716);
- New IESO rate effective November 1, 2007.
- New customer rates effective May 1, 2008.

Estimation of Future Connection Costs and Revenues

Future connection costs for each month were estimated by dividing the actual connection cost in the corresponding month in 2007 or 2008 by the rate applicable in that month and multiplying the result by the rate effective January 1, 2009.

Future revenues for each month at the current rates (effective May 1, 2009) were estimated by adjusting the revenue amount of the corresponding month in 2007 (or 2008) by the overall percentage change[1] from customer rates applicable in that month of 2007 (or 2008) to the current rates.

The results of the three estimations are shown in Table 2 below, i.e.:

1. Using the annual volumes in 2007, a 26.43% decrease in rate would apply;
2. Using the annual volumes in 2008, a 35.99% decrease in rates would apply;
3. Using the average annual volumes over the two years, 2007 and 2008, a 31.30% decrease in rates would apply.

NOTL proposes to decrease the rates based on the average volumes of the two-year period, i.e. by 31.30% (3. above)

[1] See foot of Table 1 for applicable percentages.

Table 2

CONNECTION		Current Retail Tranmission Rate Connection $/kWh	Increment $/kWh	Adjusted Retail Transmission Rate Connection $		Current Retail Tranmission Rate Connection $/kWh	Increment $/Kw	Adjusted Retail Tranmission Rate Connection $	
		Connection	Connection	per KWh	% change	Connection	Connection	per KW	% change
RESIDENTIAL									
Regular		0.0020	(0.0006)	0.0014	-31.30%				
GENERAL SERVICE									
Less than 50 kW and USL classes		0.0019	(0.0006)	0.0013	-31.30%				
Greater than 50 kW (to 4999 kW)	Non-Interval					0.7418	-0.2322	0.5096	-31.30%
	Interval					1.7841	-0.5584	1.2257	-31.30%
Street Lighting						0.5734	-0.1795	0.3939	-31.30%

	At Average volumes 2007 - 2008		At 2007 volumes		At 2008 volumes	
	At Current Rates	At Proposed rates[3]	At Current Rates	At Proposed rates[3]	At Current Rates	At Proposed rates[3]
Total Annual Cost[1]	$ 281,762	$ 281,762	$ 295,975	$ 295,975	$ 267,550	$ 267,550
Total Annual Revenue[2]	$ 410,130	$ 281,762	$ 402,304	$ 295,975	$ 417,956	$ 267,550
Variance	$ (128,368)	$ -	$ (106,329)	$ -	$ (150,407)	$ -
Cost / Revenue Ratio	0.6870		0.7357		0.6401	
	-31.30%		*-26.43%*		*-35.99%*	

Notes:
1. Based on average annual volumes at approved rates effective 1 Jan 2009
2. Based on average annual volumes
3. Assuming same annual volumes

Future Annual Connection Costs

Assuming same monthly volumes as 2007

	IESO rate effective Jan 1, 2009 $/kW
	$ 0.70
Jan	$ 19,848
Feb	$ 20,693
Mar	$ 19,217
Apr	$ 16,932
May	$ 21,188
Jun	$ 29,429
Jul	$ 27,772
Aug	$ 28,888
Sep	$ 27,765
Oct	$ 32,843
Nov	$ 29,537
Dec	$ 21,863
Total	$ 295,975

Future Annual Connection Revenue

	Forecast at proposed rates	Forecast at Current Rates (May 1 2009)*		Actual 2007 at May 2006 rates
	All Classes	All Classes	**Adjustment Factor applied to bring actual 2007 monthly revenue to current rates*	All Classes
Jan	$ 22,223	$ 30,207	*90.98%*	$ 33,200
Feb	$ 22,084	$ 30,017	*90.98%*	$ 32,992
Mar	$ 27,041	$ 36,755	*90.98%*	$ 40,397
Apr	$ 21,547	$ 29,288	*90.98%*	$ 32,190
May	$ 23,679	$ 32,186	*90.98%*	$ 35,375
Jun	$ 21,735	$ 29,543	*90.98%*	$ 32,471
Jul	$ 27,017	$ 36,723	*90.98%*	$ 40,362
Aug	$ 32,662	$ 44,396	*90.98%*	$ 48,795
Sep	$ 29,907	$ 40,651	*90.98%*	$ 44,679
Oct	$ 23,686	$ 32,196	*90.98%*	$ 35,386
Nov	$ 23,453	$ 31,878	*90.98%*	$ 35,037
Dec	$ 20,941	$ 28,464	*90.98%*	$ 31,285
Total	$ 295,975	$ 402,304		$ 442,168

Future Annual Connection Costs

Assuming same monthly volumes as 2008

	IESO rate effective Jan 1, 2009 $/kW
	$ 0.70
Jan	$ 19,818
Feb	$ 19,793
Mar	$ 17,852
Apr	$ 16,250
May	$ 22,997
Jun	$ 39,008
Jul	$ 26,277
Aug	$ 24,910
Sep	$ 24,471
Oct	$ 16,981
Nov	$ 18,803
Dec	$ 20,391
Total	$ 267,550

Future Annual Connection Revenue

	Forecast at proposed rates	Forecast at Current Rates (May 1 2009)*		Actual 2008 at May 2006 rates until April and May 2008 rates from May
	All Classes	All Classes	**Adjustment Factor applied to bring actual 2008 monthly revenue to current rates*	All Classes
Jan	$ 20,404	$ 31,874	*90.98%*	$ 35,033
Feb	$ 20,307	$ 31,723	*90.98%*	$ 34,867
Mar	$ 21,649	$ 33,819	*90.98%*	$ 37,170
Apr	$ 20,181	$ 31,525	*90.98%*	$ 34,649
May	$ 27,047	$ 42,252	*113.20%*	$ 37,326
Jun	$ 14,054	$ 21,954	*113.20%*	$ 19,395
Jul	$ 22,542	$ 35,214	*113.20%*	$ 31,109
Aug	$ 27,373	$ 42,761	*113.20%*	$ 37,777
Sep	$ 28,470	$ 44,475	*113.20%*	$ 39,291
Oct	$ 24,950	$ 38,977	*113.20%*	$ 34,433
Nov	$ 19,386	$ 30,284	*113.20%*	$ 26,754
Dec	$ 21,187	$ 33,097	*113.20%*	$ 29,239
Total	$ 267,550	$ 417,956		$ 397,041

Summary of Proposed RTR Connection Rate Reduction

The proposed rates as a result of the reduction of 31.30% indicated above are summarized below in Table 3.

Table 3

Proposed Adjustment to Retail Transmission Rates (RTR)						
RTR - Connection				Current Rates	-31.30% Change	Proposed Rates
Annual cost at new IESO rates	$ 281,762	Residential *$/kWh*		$0.0020	-$0.0006	$0.0014
Annual revenue at current rates	$ (410,130)	General Service				
Variance	$ (128,368)	Less than 50 kW/USL *$/kW*		$0.0019	-$0.0006	$0.0013
Revenue ratio	68.70%	Greater than 50 kW (to 4999 kW)				
Proposed % rate change	-31.30%	Non-Interval *$/kW*		$0.7418	-$0.2322	$0.5096
		Interval *$/kW*		$1.7841	-$0.5584	$1.2257
		Street Lighting *$/kW*		$0.5734	-$0.1795	$0.3939

2. SETTLEMENT OF LIABILITY TO HYDRO ONE

From July 2003 to December 2008, NOTL has accrued monthly transformation connection charges resulting from the Stanley base load trigger point of 6,353 kW. These charges have been recorded by journal entries as accrued costs, as follows:

Debit Account 4716 – amount of charge

Credit Account 2252 – amount of charge.

Over that period of time, two payments have been made to Hydro One, one for the period July 2003 to June 2004, and the other for the period July 2004 to June 2006. These payments were debited to account 2252.

The details of all the accruals and payments, and the resulting liability balances are shown in Table 4 below.

Table 4

		BLTP Guarantee					Stanley Peak - Transf'n			Accrued	True-up	Cum Liability	Payment	Cumulative	Net Liability
		Peak kW	Adj		Rate	Charge	kW	Rate	Charge	Liabilty			to H1	Payments	Acct 2252
	Date	A		Net	B	C=AxB	C	D	E=CxD	F=C-E				to H1	
2003	Jul-03	6,353		6,353	$1.43	$ 9,084.79	425	$1.43	$ 608.02	-$ 8,476.77		-$ 8,476.77		$ -	-$ 8,476.77
	Aug-03	6,353		6,353	$1.43	$ 9,084.79	3,405	$1.43	$ 4,869.15	-$ 4,215.64		-$ 12,692.41		$ -	-$ 12,692.41
	Sep-03	6,353		6,353	$1.43	$ 9,084.79	3,934	$1.43	$ 5,625.56	-$ 3,459.23		-$ 16,151.64		$ -	-$ 16,151.64
	Oct-03	6,353	-638	5,715	$1.43	$ 8,172.56	3,200	$1.43	$ 4,576.66	-$ 3,595.91		-$ 19,747.55		$ -	-$ 19,747.55
	Nov-03	6,353		6,353	$1.43	$ 9,084.79	3,359	$1.44	$ 4,841.32	-$ 4,243.47		-$ 23,991.02		$ -	-$ 23,991.02
	Dec-03	6,353		6,353	$1.43	$ 9,084.79	2,795	$1.43	$ 3,997.24	-$ 5,087.55		-$ 29,078.57		$ -	-$ 29,078.57
2004	Jan-04	6,353		6,353	$1.43	$ 9,084.79	2,946	$1.43	$ 4,213.22	-$ 4,871.57		-$ 33,950.13		$ -	-$ 33,950.13
		Adjustment for Nov 03									$ 119.54	-$ 33,830.59		$ -	-$ 33,830.59
	Feb-04	6,353	-112	6,241	$1.43	$ 8,924.86	2,866	$1.43	$ 4,098.01	-$ 4,826.85		-$ 38,657.44		$ -	-$ 38,657.44
	Mar-04	6,353	-399	5,954	$1.43	$ 8,514.39	2,946	$1.43	$ 4,212.34	-$ 4,302.05		-$ 42,959.50		$ -	-$ 42,959.50
	Apr-04	6,353	-858	5,495	$1.43	$ 7,857.51	2,810	$1.43	$ 4,018.99	-$ 3,838.52		-$ 46,798.02		$ -	-$ 46,798.02
	May-04	6,353		6,353	$1.43	$ 9,084.79	2,886	$1.43	$ 4,127.18	-$ 4,957.61		-$ 51,755.63		$ -	-$ 51,755.63
	Jun-04	6,353		6,353	$1.43	$ 9,084.79	3,562	$1.43	$ 5,093.10	-$ 3,991.69		-$ 55,747.32		$ -	-$ 55,747.32
		True-up to H1 invoice for For period Jul03 to Jun04									$ 1,868.32	-$ 53,879.00	$ 53,879.00	$ 53,879.00	$ 0.00
	Jul-04	6,353		6,353	$1.43	$ 9,084.79	4,019	$1.43	$ 5,747.17	-$ 3,337.62		-$ 57,216.62		$ 53,879.00	-$ 3,337.62
	Aug-04	6,353		6,353	$1.43	$ 9,084.79	4,194	$1.43	$ 5,998.01	-$ 3,086.78		-$ 60,303.40		$ 53,879.00	-$ 6,424.40
	Sep-04	6,353		6,353	$1.43	$ 9,084.79	4,006	$1.43	$ 5,728.29	-$ 3,356.50		-$ 63,659.90		$ 53,879.00	-$ 9,780.90
	Oct-04	6,353		6,353	$1.43	$ 9,084.79	3,384	$1.43	$ 4,839.12	-$ 4,245.67		-$ 67,905.57		$ 53,879.00	-$ 14,026.57
	Nov-04	6,353		6,353	$1.43	$ 9,084.79	3,254	$1.43	$ 4,653.22	-$ 4,431.57		-$ 72,337.14		$ 53,879.00	-$ 18,458.14
	Dec-04	6,353		6,353	$1.43	$ 9,084.79	3,213	$1.43	$ 4,594.85	-$ 4,489.94		-$ 76,827.08		$ 53,879.00	-$ 22,948.08
2005	Jan-05	6,353		6,353	$1.43	$ 9,084.79	3,229	$1.43	$ 4,617.57	-$ 4,467.22		-$ 81,294.30		$ 53,879.00	-$ 27,415.30
	Feb-05	6,353		6,353	$1.43	$ 9,084.79	3,040	$1.43	$ 4,347.87	-$ 4,736.92		-$ 86,031.22		$ 53,879.00	-$ 32,152.22
	Mar-05	6,353		6,353	$1.43	$ 9,084.79	3,081	$1.43	$ 4,405.20	-$ 4,679.59		-$ 90,710.81		$ 53,879.00	-$ 36,831.81
	Apr-05	6,353		6,353	$1.43	$ 9,084.79	2,499	$1.43	$ 3,573.57	-$ 5,511.22		-$ 96,222.03		$ 53,879.00	-$ 42,343.03
	May-05	6,353		6,353	$1.43	$ 9,084.79	2,621	$1.43	$ 3,748.03	-$ 5,336.76		-$ 101,558.79		$ 53,879.00	-$ 47,679.79
	Jun-05	6,353		6,353	$1.43	$ 9,084.79	3,480	$1.43	$ 4,976.40	-$ 4,108.39		-$ 105,667.18		$ 53,879.00	-$ 51,788.18
	Jul-05	6,353		6,353	$1.43	$ 9,084.79	3,830	$1.43	$ 5,476.90	-$ 3,607.89		-$ 109,275.07		$ 53,879.00	-$ 55,396.07
	Aug-05	6,353		6,353	$1.43	$ 9,084.79	4,235	$1.43	$ 6,056.05	-$ 3,028.74		-$ 112,303.81		$ 53,879.00	-$ 58,424.81
	Sep-05	6,353		6,353	$1.43	$ 9,084.79	3,710	$1.43	$ 5,305.30	-$ 3,779.49		-$ 116,083.30		$ 53,879.00	-$ 62,204.30
	Oct-05	6,353		6,353	$1.43	$ 9,084.79	3,548	$1.43	$ 5,073.64	-$ 4,011.15		-$ 120,094.45		$ 53,879.00	-$ 66,215.45
	Nov-05	6,353		6,353	$1.43	$ 9,084.79	3,211	$1.43	$ 4,591.73	-$ 4,493.06		-$ 124,587.51		$ 53,879.00	-$ 70,708.51
	Dec-05	6,353		6,353	$1.43	$ 9,084.79	3,299	$1.43	$ 4,717.57	-$ 4,367.22		-$ 128,954.73		$ 53,879.00	-$ 75,075.73
2006	Jan-06	6,353		6,353	$1.43	$ 9,084.79	3,096	$1.43	$ 4,427.28	-$ 4,657.51		-$ 133,612.24		$ 53,879.00	-$ 79,733.24
	Feb-06	6,353		6,353	$1.43	$ 9,084.79	3,015	$1.43	$ 4,311.45	-$ 4,773.34		-$ 138,385.58		$ 53,879.00	-$ 84,506.58
	Mar-06	6,353		6,353	$1.43	$ 9,084.79	3,596	$1.43	$ 5,142.28	-$ 3,942.51		-$ 142,328.09		$ 53,879.00	-$ 88,449.09
	Apr-06	6,353		6,353	$1.43	$ 9,084.79	4,150	$1.43	$ 5,934.50	-$ 3,150.29		-$ 145,478.38		$ 53,879.00	-$ 91,599.38
	May-06	6,353		6,353	$1.43	$ 9,084.79	3,786	$1.43	$ 5,413.65	-$ 3,671.14		-$ 149,149.51		$ 53,879.00	-$ 95,270.51
	Jun-06	6,353		6,353	$1.43	$ 9,084.79	3,488	$1.43	$ 4,988.30	-$ 4,096.49		-$ 153,246.01		$ 53,879.00	-$ 99,367.01
	Jul-06	6,353		6,353	$1.35	$ 8,576.55	3,907	$1.35	$ 5,275.07	-$ 3,301.48		-$ 156,547.49		$ 53,879.00	-$ 102,668.49
	Aug-06	6,353		6,353	$1.35	$ 8,576.55	4,827	$1.35	$ 6,516.45	-$ 2,060.10		-$ 158,607.59		$ 53,879.00	-$ 104,728.59
	Sep-06	6,353		6,353	$1.35	$ 8,576.55	3,705	$1.35	$ 5,001.75	-$ 3,574.80		-$ 162,182.39		$ 53,879.00	-$ 108,303.39
	Oct-06	6,353		6,353	$1.35	$ 8,576.55	3,434	$1.35	$ 4,635.90	-$ 3,940.65		-$ 166,123.04		$ 53,879.00	-$ 112,244.04
	Nov-06	6,353		6,353	$1.35	$ 8,576.55	3,272	$1.35	$ 4,417.20	-$ 4,159.35		-$ 170,282.39		$ 53,879.00	-$ 116,403.39
		True-up to H1 invoice for For period Jul04 to Jun06									-$ 563.99	-$ 170,846.38	$ 99,931.00	$ 153,810.00	-$ 17,036.38
		To adjust rates to 1.48 from Jul06									-$ 1,640.54	-$ 172,486.92		$ 153,810.00	-$ 18,676.92
	Dec-06	6,353		6,353	$1.48	$ 9,402.44	3,069	$1.48	$ 4,542.12	-$ 4,860.32		-$ 177,347.24		$ 153,810.00	-$ 23,537.24
2007	Jan-07	6,353		6,353	$1.48	$ 9,402.44	2,528	$1.48	$ 3,741.44	-$ 5,661.00		-$ 183,008.24		$ 153,810.00	-$ 29,198.24
	Feb-07	6,353		6,353	$1.48	$ 9,402.44	27	$1.48	$ 39.96	-$ 9,362.48		-$ 192,370.72		$ 153,810.00	-$ 38,560.72
	Mar-07	6,353		6,353	$1.48	$ 9,402.44	0	$1.48	$ -	-$ 9,402.44		-$ 201,773.16		$ 153,810.00	-$ 47,963.16
	Apr-07	6,353		6,353	$1.48	$ 9,402.44	20	$1.48	$ 29.60	-$ 9,372.84		-$ 211,146.00		$ 153,810.00	-$ 57,336.00
	May-07	6,353		6,353	$1.48	$ 9,402.44	20	$1.48	$ 29.60	-$ 9,372.84		-$ 220,518.84		$ 153,810.00	-$ 66,708.84
	Jun-07	6,353		6,353	$1.48	$ 9,402.44	20	$1.48	$ 29.60	-$ 9,372.84		-$ 229,891.68		$ 153,810.00	-$ 76,081.68
	Jul-07	6,353		6,353	$1.48	$ 9,402.44	0	$1.48	$ -	-$ 9,402.44		-$ 239,294.12		$ 153,810.00	-$ 85,484.12
	Aug-07	6,353		6,353	$1.48	$ 9,402.44	0	$1.48	$ -	-$ 9,402.44		-$ 248,696.56		$ 153,810.00	-$ 94,886.56
	Sep-07	6,353		6,353	$1.48	$ 9,402.44	0	$1.48	$ -	-$ 9,402.44		-$ 258,099.00		$ 153,810.00	-$ 104,289.00
	Oct-07	6,353		6,353	$1.48	$ 9,402.44	0	$1.48	$ -	-$ 9,402.44		-$ 267,501.44		$ 153,810.00	-$ 113,691.44
	Nov-07	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 277,729.77		$ 153,810.00	-$ 123,919.77
	Dec-07	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 287,958.10		$ 153,810.00	-$ 134,148.10
2008	Jan-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 298,186.43		$ 153,810.00	-$ 144,376.43
	Feb-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 308,414.76		$ 153,810.00	-$ 154,604.76
	Mar-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 318,643.09		$ 153,810.00	-$ 164,833.09
	Apr-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 328,871.42		$ 153,810.00	-$ 175,061.42
	May-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 339,099.75		$ 153,810.00	-$ 185,289.75
	Jun-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 349,328.08		$ 153,810.00	-$ 195,518.08
	Jul-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 359,556.41		$ 153,810.00	**-$ 205,746.41**
	Aug-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 369,784.74		$ 153,810.00	-$ 215,974.74
	Sep-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 380,013.07		$ 153,810.00	-$ 226,203.07
	Oct-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 390,241.40		$ 153,810.00	-$ 236,431.40
	Nov-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 400,469.73		$ 153,810.00	-$ 246,659.73
	Dec-08	6,353		6,353	$1.61	$ 10,228.33	0	$1.61	$ -	-$ 10,228.33		-$ 410,698.06		$ 153,810.00	-$ 256,888.06
2009	Jan-09											-$ 410,698.06		$ 153,810.00	-$ 256,888.06
	Feb-09											-$ 410,698.06		$ 153,810.00	-$ 256,888.06
	Mar-09					H1 charges no longer being accrued						-$ 410,698.06		$ 153,810.00	-$ 256,888.06
	Apr-09											-$ 410,698.06		$ 153,810.00	-$ 256,888.06
	May-09											-$ 410,698.06		$ 153,810.00	-$ 256,888.06

As indicated in the Introduction, NOTL proposes to pay Hydro One $200,000, as a final settlement of the liability for Hydro One charges accrued since the assignment of the supply point. This amount recognizes that in 1999, Hydro One did rebuild approximately 3 km of pole line to 'ready' the supply point, and $200,000 is equivalent to the estimated current depreciated value of that asset.

The $200,000 payment would be approximately equal to the amount of the liability in account 2252 as of July 2008 ($205,746.61), as highlighted in Table 4 above.

NOTL proposes that:

- this payment to Hydro One would be a final settlement of NOTL's liability to Hydro One; and
- the following journal entry would be made to eliminate the liability in account 2252, currently $256,888.06 (see Table 4), and to reverse cost accruals to account 4716 for Hydro One charges since approximately July 2008:

Account 2252	$256,888.06 debit
Account 4716	$56,888.06 credit
Cash Account	$200,000.00 credit (= payment to Hydro One).

3. REPAYMENT OF EXCESS RTR REVENUE TO CUSTOMERS

While the accrual of Hydro One charges since July 2008 would be reversed as per Section 2 above, NOTL's customers are still being charged approved RTR connection rates which include a component for the Hydro One charges. NOTL wishes to repay customers via a RTR connection rate rider for the excess revenue thus received.

The amount to repay would be $5,746 for part of July 2008 [= the difference between the balance at the end of July 2008 and the $200,000 payment to Hydro One] plus $10,228 for each month until the reduced RTR rates requested in Section 1 come into effect. The effective date would depend on the time required for OEB processing of this application. Two possible timings are presented in Table 5 below:

Table 5

	Hydro One Bypass *(under OEB review)*					
		Base load trigger point (kW)	6,353		**TIMING A**	**TIMING B**
	Period after Hydro One Liability Settled	Price reflected in RTR-Connection Rate	Hydro One Charge reflected in Rate	Cumulative from July 2008	**Assuming Rate Reduction Effective Oct 1 2009**	**Assuming Rate Reduction Effective Jan 1 2010**
Reflected in Approved RTR Rates effective May 1, 2008	Jul-08 (part)	$1.61	$5,746	$5,746		
	Aug-08	$1.61	$10,228	$15,975		
	Sep-08	$1.61	$10,228	$26,203		
	Oct-08	$1.61	$10,228	$36,431		
	Nov-08	$1.61	$10,228	$46,660		
	Dec-08	$1.61	$10,228	$56,888		
	Jan-09	$1.61	$10,228	$67,116		
	Feb-09	$1.61	$10,228	$77,345		
	Mar-09	$1.61	$10,228	$87,573		
	Apr-09	$1.61	$10,228	$97,801		
Reflected In Approved RTR Rates effective May 1, 2009	May-09	$1.62	$10,292	$108,093		
	Jun-09	$1.62	$10,292	$118,385		
	Jul-09	$1.62	$10,292	$128,677		
	Aug-09	$1.62	$10,292	$138,969		
	Sep-09	$1.62	$10,292	$149,261	**$149,261**	
	Oct-09	$1.62	$10,292	$159,553		
	Nov-09	$1.62	$10,292	$169,844		
	Dec-09	$1.62	$10,292	$180,136		**$180,136**
				Total to Pay back to Customers for Period from Jul 2008	**$149,261**	**$180,136**

- Timing A - If the process allows the rate reduction to be effective October 1, 2009, the amount to repay is $149,261;

- Timing B – if the process allows the rate reduction to be effective January 1, 2010, the amount to repay is $180,136.

To allocate the repayment across rate classes, NOTL proposes to use the same allocators as in the approved RTR rate application for the current rates effective May 1, 2009. These allocators are based on 2007 actual kWh as per Table 6 below:

Table 6

(Used as basis for DVA rate riders in 2009 rate application, effective May 1, 2009)*

2007 Data By Class*	kW	kWhs
RESIDENTIAL CLASS		65,499,951
GENERAL SERVICE <50 KW CLASS		34,969,161
GENERAL SERVICE >50 KW NON TIME OF USE	203,395	78,684,896
UNMETERED & SCATTERED LOADS		217,931
STREET LIGHTING	2,899	1,002,185
Totals		180,374,124

Allocators	kWhs
RESIDENTIAL CLASS	36.3%
GENERAL SERVICE <50 KW CLASS	19.4%
GENERAL SERVICE >50 KW NON TIME OF USE	43.6%
UNMETERED & SCATTERED LOADS	0.1%
STREET LIGHTING	0.6%
Totals	100%

Using these allocators, NOTL is proposing one-year rate riders as per the calculations in Table 7 below for Timing A or Timing B:

Table 7

TIMING A - if rate reduction effective Oct 1, 2009

		Allocator	Residential	GS < 50 KW	GS > 50 Non TOU	Scattered Load	Street Lighting
Total to be Repaid	$ 149,261	kWh	$ 54,202	$ 28,937	$ 65,112	$ 180	$ 829
Number of years	1						
Proposed Rate Riders			$ (0.0008)	$ (0.0008)	$ (0.3201)	$ (0.0008)	$ (0.2861)
Billing Determinants			kWh	kWh	kW	kWh	kW
Reconcilaition							*Totals*
Repaid at this rate			*$52,400*	*$27,975*	*$65,107*	*$174*	*$829*	*$146,486*
over (under) repaid			*-$1,802*	*-$962*	*-$5*	*-$6*	*$0*	*-$2,775*

TIMING B - if rate reduction effective Jan 1, 2010

		Allocator	Residential	GS < 50 KW	GS > 50 Non TOU	Scattered Load	Street Lighting
Total to be Repaid	$ 180,136	kWh	$ 65,414	$ 34,923	$ 78,581	$ 218	$ 1,001
Number of years	1						
Proposed Rate Riders			$ (0.0010)	$ (0.0010)	$ (0.3863)	$ (0.0010)	$ (0.3452)
Billing Determinants			kWh	kWh	kW	kWh	kW
Reconcilaition							*Totals*
Repaid at this rate			*$65,500*	*$34,969*	*$78,571*	*$218*	*$1,001*	*$180,259*
over (under) repaid			*$86*	*$46*	*-$10*	*$0*	*$0*	*$123*

The proposed rate riders are summarized in Table 8 below.

Table 8

Proposed RTR Connection Rate Rider			
TIMING A - if rate reduction effective Oct 1, 2009			Proposed Rider
			Effective Oct 1 2009 to Sep 30 2010
To Pay Back Customers for Hydro One Liability Reflected in RTR Billings July 2008 to Sep 30 2009	$149,261	Residential *$/kWh*	-$0.0008
		General Service	
		Less than 50 kW/USL *$/kW*	-$0.0008
		Greater than 50 kW (to 4999 kW)	
		Non-Interval *$/kW*	-$0.3201
		Interval *$/kW*	-$0.3201
		Street Lighting *$/kW*	-$0.2861

Proposed RTR Connection Rate Rider			
TIMING B - if rate reduction effective Jan 1, 2010			Proposed Rider
			Effective Jan 1 2010 to Dec 31 2010
To Pay Back Customers for Hydro One Liability Reflected in RTR Billings July 2008 to Dec 31 2009	$180,136	Residential *$/kWh*	-$0.0010
		General Service	
		Less than 50 kW/USL *$/kW*	-$0.0010
		Greater than 50 kW (to 4999 kW)	
		Non-Interval *$/kW*	-$0.3863
		Interval *$/kW*	-$0.3863
		Street Lighting *$/kW*	-$0.3452

NOTL Hydro would like to implement the rate reduction as soon as possible, subject to the timing of the processing of the application. In the event that the process allows an effective date different from the timings A or B discussed above, the amount to be repaid through the rate rider and the corresponding rate riders should be adjusted accordingly.

- end -