

Tillsonburg Hydro Inc.

EB-2008-0246

2009 Electricity Rate Rebasing Application

Argument in Chief

Executive Summary

THI seeks an order or orders of the Board authorizing it to charge rates that recover the proposed 2009 Test Year revenue requirement of \$3,240k by April 30, 2010. The rates provided at Schedule A have been developed to recover this amount during the 12 months from May 1, 2009 until April 30, 2010; since the Board's order in this application was not issued in time to be implemented May 1, 2009, THI proposes to seek authorization to charge rate riders designed to ensure that THI recovers its authorized 2009 Test Year revenue requirement.

THI seeks orders of the Board that will recover the ongoing costs incurred to provide distribution service to the inhabitants of the Town of Tillsonburg at an appropriate quality of service and that provide an opportunity to earn a fair rate of return. THI's proposed rates and other regulated rates and charges have been developed using Board approved methodologies and using THI's 2009 budget.

THI proposes to seek authorization to charge rate riders relating to deferral and variance accounts.

This application is supported by data that was updated most recently on April 14, 2009

Revenues

THI estimates that it will recover \$2,506k in the 2009 Test Year if rates are not changed. This estimate reflects the sum total of all revenues recovered through distribution rates, other regulated rates and charges and interest income.

1 Because of changes in the demand for automobiles THI's largest customer recently announced
2 its decision to idle its Tillsonburg operations in May 2009. THI has adjusted its load forecast to
3 reflect the reclassification of this customer. THI is exposed to the restructuring of the
4 automobile industry as the majority of its largest customers are engaged in auto part fabrication
5 and/or assembly. As the restructuring of this industry continues, THI's customer base and
6 throughput are expected to change. THI intends to seek appropriate relief through rates by
7 seeking approval of just and reasonable rate riders. THI undertakes to bring forward these
8 proposals as and when the facts become known.

9
10 THI's 2009 Test Year distribution revenues are supported by a load forecast determined as
11 follows:

- 12 • using 5 years of load data;
- 13 • using 10 years of weather , consistent with precedents (eg., Toronto Hydro);
- 14 • using econometric techniques, specifically a statistically valid regression equation
15 determined by regressing weather sensitive energy consumption against observed
16 weather and economic activity;
- 17 • adjusting for anticipated CDM achievements, per the Ontario Power Authority's
18 forecasts.

19
20 It is the evidence of THI's expert witness that the load forecast has been based on the best
21 information available and that there is no benefit of using a longer time series to estimate
22 normal weather or to relying on alternate exogenous variables to estimate the different
23 regression equation. As THI has demonstrated, using 20 or 30 years of weather data changes
24 the load forecast by less than 0.5%. THI's load forecast has been prepared assuming that the
25 change in employment growth in 2009 is 0%. THI submits that this assumption may be
26 optimistic.

27
28 THI submits that its CDM adjustments are appropriate. They are based on the OPA's most
29 recent publicly available forecast of CDM achievements and throughput forecasts. THI
30 acknowledges that these forecasts prepared well before the government's Green Energy Act
31 received first reading and that, as a result, they are likely conservative.

1 Revenues recovered through other regulated rates and charges were estimated by applying the
2 Board's currently authorized default rates and charges to the 2009 Test Year load forecast,
3 where appropriate, or by escalating the volumetric driver consistent with changes identified by
4 the load forecast.

5
6 THI's forecast interest revenue was estimated by applying THI's projected applicable interest
7 rate, 0.75%, to the forecast level of cash on hand associated with the provision of distribution
8 service (eg. excluding security deposits). THI's April 2009 update estimated that 2009 interest
9 revenue would amount to \$6,000.

10
11 THI acknowledges that higher quality load data will be available when Smart Meters are
12 deployed and operating.

13
14 THI submits that its proposed 2009 Test Year revenue forecast is based on the best available
15 information and is appropriate for rate making purposes.

16
17
18 **Rate Base**

19
20 THI proposes a 2009 Test Year rate base of \$8,714k. This consists of \$6,243k of net Property,
21 Plant and Equipment ("PPE") and \$2,471k of Working Cash Allowance ("WCA").

22
23 THI's net PPE portion of rate base has been estimated by incorporating asset reclassifications,
24 asset additions, Contributions in Aid of Construction, asset retirements and depreciation. THI
25 is taking steps to be able to deploy Smart Meters throughout its licensed service area; the
26 associated capital spending will be recorded in the Board authorized deferral account.

1 THI seeks to effect the reclassification of assets that were previously incorrectly recorded as
2 transmission assets and has proposed adjustments to the December 31, 2007 closing balances
3 of accounts 1715, 1815, 1835 and 1845 and to accumulated depreciation also as of that date.
4 The subject assets are conductors, which emanate from the low voltage side of the Tillsonburg
5 TS and connect to THI's distribution system, that operate at distribution voltages and are owned
6 by THI. These assets are used and useful in the provision of distribution service to the
7 inhabitants of the Town of Tillsonburg. By reclassifying these assets THI's distribution rate base
8 will reflect the assets that are used and useful in providing distribution service.

9
10 THI proposes to increase its PPE for the amounts it will invest to be able to connect customers
11 and to continue to deploy its Voltage Conversion program. In total these programs result in
12 \$678k of investment in THI's distribution system. All these assets will be used and useful during
13 the 2009 Test Year and all costs will be prudently incurred to reduce line losses and improve
14 reliability. THI's Voltage Conversion program has been underway for several years and is
15 planned and administered in a way that provides flexibility to appropriately manage the needs of
16 the business. This initiative renews THI's distribution system and benefits the electricity end
17 users in the Town of Tillsonburg. THI also proposes to increase its PPE for the amounts it will
18 invest to connect new customers in the 2009 Test Year. THI has estimated these amounts
19 based on costs incurred in previous years. The amount invested in any year is related to the
20 number of lots to be developed and to the characteristics of the developments (eg. whether
21 multi-family units or single family detached dwellings). THI has estimated the amount of
22 Contributions in Aid of Construction that it will recover will seek from developers and has
23 reduced the 2009 Test Year investment by this amount.

24
25 THI is not planning to retire or dispose of any PPE assets during the 2009 Test Year.

26
27 THI has appropriately estimated the accumulated depreciation and has correctly determined the
28 net PPE portion of its proposed 2009 Test Year rate base.

29

30

1 THI has requested authorization from its Board of Directors to proceed with the installation of
2 Smart Meters throughout its licensed service area in 2009. The associated investment will be
3 recorded in account 1555. THI submitted documentation of its participation in the London Hydro
4 Smart Meter Request for Proposal and communication from the Fairness Commissioner in
5 support of its proposal to invest in Smart Meters.

6
7 THI's proposed WCA has been prepared using the Board's 2006 EDR methodology applied to
8 the anticipated Cost of Power, including the adjustment to the RRRP and changes to RTSRs,
9 and to the proposed 2009 Test Year load forecast plus the forecast OM&A expense.

10
11 THI submits that it's proposed 2009 Test Year net PPE and WCA are appropriate for rate
12 making purposes.

13
14
15 **Cost of Service**

16
17 THI proposes to recover \$2,689k through rates related to its period costs: OM&A, depreciation
18 and PILs expense.

19
20 THI acquires the goods and services recorded as OM&A costs under the Master Service
21 Agreement with the Town. The Town procures goods and services at competitive prices and
22 provides THI with the amount and level of goods and services required for THI to provide
23 distribution service at an appropriate level of quality that meets all of the requirements of the
24 Ontario Energy Board. The Town determines an estimate of costs it will incur for the year and
25 recovers this amount plus a Management Fee equal to 5%. THI also monitors that the Town's
26 provision of goods and services is in the amounts required by THI to support the ongoing
27 provision of distribution service at an appropriate level of quality. The Town's management fee
28 recovers amounts eligible for recovery but not explicitly identified, contributes towards the
29 recovery of indirect costs not charged to THI (such as telecom, IT), provides a return on the
30 assets employed by the Town to the benefit of THI as well as the return of capital employed.

1 The proposed 2009 Test Year OM&A costs are \$508k greater than those incurred in 2008. This
2 variance is explained below:

- 3 • \$189.0k due to labour cost changes;
- 4 • \$71.0k due to the amortization of the costs of the new CIS, net of decreased support
5 costs;
- 6 • \$31.5k due to THI assuming responsibility for Paper and Postage costs;
- 7 • \$47.4k due to changes in capitalized Fleet costs;
- 8 • \$86.2k due to changes in capitalized Labour costs;
- 9 • \$64.8k due to the 4 year amortization of the rate rebasing costs;
- 10 • \$2.9k due to changes in the OEB Assessment; and
- 11 • \$15.7k of other cost changes.

12
13 Changes in capitalized costs account for \$133.6k of the proposed \$508.5k increase in OM&A.
14 Incremental OM&A costs amount to \$374.9k and are chiefly due to incremental labour costs, the
15 annualized amortization of the costs of the new CIS net of decreased support costs, and the
16 annualized amortization of the subject 2009 EDR application. Versus the OM&A costs incurred
17 in 2006 of \$1,614.1k the incremental 2009 Test Year OM&A costs are a 23.2% increase over
18 that 4 year period or 5.4% compounded annual increase.

19
20 Labour cost changes are due to the addition of three positions and to Cost of Living
21 Adjustments. Two of the three new positions are newly recruited apprentice linesmen who are
22 required for succession planning purposes. THI submits that it is taking prudent and
23 appropriate steps to prepare for retirements that are anticipated but will commence on dates
24 that THI cannot predict. In this respect, THI is in the same position as are many other LDCs in
25 Ontario. The third position is the Operations Regulatory Affairs Manager ("ORAM") position that
26 is required so that THI has access to adequate Operations regulatory expertise and to lessen
27 the demands on the Finance Regulatory Affairs Manager ("FRAM"). Due to the increasing
28 regulatory burden and the complexity of regulation THI cannot continue to rely primarily on the
29 FRAM for regulatory expertise. The FRAM is also responsible for regulatory accounting and
30 finance duties. THI provided examples of some of the tasks that the ORAM will assume
31 responsibility for at E10/T3/S26. THI identified the need for an ORAM previously and has
32 unsuccessfully recruited for this position twice. The OEB Regulatory Auditors concurred that
33 THI lacks sufficient regulatory staff. THI proposes to recruit for the position again; if this

1 recruitment effort is not successful THI will need to procure consulting services which are
2 expected to costs more than the proposed costs of the ORAM so there is an additional incentive
3 to succeed.

4
5 THI proposes to recover \$64.8k annually through rates to offset the costs of the subject 2009
6 rate rebasing application. THI notes that this amount is higher than that incurred by other
7 distributors. This is attributed to the filing of two updates to the applications so that changes in
8 load are appropriately incorporated in the proposed rates. It is also because THI relied almost
9 exclusively on consulting services out of necessity to complete its application. If THI had been
10 able to successfully recruit an ORAM, it expects that these costs might have been less. The
11 need to recover the increased costs of the application and the costs of the ORAM commencing
12 in the same year is a coincidence due to the timing of the application and THI's previous lack of
13 recruiting success.

14
15 The costs recoverable through rates of the new CIS have been revised down to \$71k per year.
16 This reflects the recovery of the capital costs over 4 years and the appropriate allocation to THI
17 of the associated support costs. THI requires the new CIS primarily because the existing CIS is
18 no longer supported by the vendor so as to be maintained current with changes in the electricity
19 market and secondarily to be able to fully bill commodity at time of use prices. THI proposes to
20 recover through rates only its share of the ongoing support costs.

21
22 The changes in capitalized Labour and Fleet costs reflect the anticipated level of capital
23 investment.

24
25 Board staff probed the status of THI's asset management program. THI's responses document
26 that the Town recruited an Asset Management technologist who is, among other things,
27 responsible for designing and implementing THI's asset management program over the next
28 several years. The asset management plan is expected to assist in optimizing THI's
29 management of the overall system. THI's current inspections practices and results will be
30 integrated into that plan.

1 THI's proposed Bad Debt expense is based on levels observed in previous periods, as there is
2 no better information to support a different amount. THI notes that it will incur costs in the 2009
3 Test Year to comply with recently implemented changes to the Distribution System Code that
4 pertain to Low Income Energy Assistance Program, and to prepare for the transition to IFRS;
5 THI has not amended its proposed 2009 Test Year OM&A costs for these costs.

6 The proposed 2009 Test Year depreciation expense has been estimated using the Board
7 approved depreciable lives for PPE assets and is \$29k greater than the expense projected to be
8 incurred in 2008 due to proposed capital spending.

9
10 The 2009 Test Year updated provision for PILs is \$62k. It has been computed using the
11 Board's methodology and the recently released Allowed Return on Equity.

12
13 THI will participate in several OPA CDM programs during the 2009 Test Year and has
14 appropriately removed the associated costs and revenues from its rate rebasing application.

15
16 THI submits that its amended OM&A costs, updated depreciation expense and amended PILs
17 provision are appropriate for rate making purposes.

18 19 20 **Cost of Capital**

21
22 THI's April 2009 amended evidence proposes a cost of capital of \$657k for the 2009 Test Year.
23 It has been estimated using the Board's capital structure methodology and using the Board's
24 most recently provided costs of capital. THI submits that this amount is appropriate for rate
25 making purposes.

Revenue Requirement

THI's proposed 2009 Test Year revenue requirement is \$3,240k. It has been estimated using the methodology of the Board's 2006 EDR and is relatively stable. Board staff and intervenors did not pose interrogatories on THI's revenue requirement methodology. Interrogatories on the individual line items are addressed elsewhere in this argument. THI submits that its revenue requirement methodology is suitable for rate making purposes and that its proposed 2009 Test Year revenue requirement of \$3,240k is appropriate for rate making purposes.

Revenue Deficiency

THI's proposed 2009 Test Year gross revenue deficiency is \$818k. It has been determined as the difference between the proposed revenue requirement and the forecast revenues recoverable in the 2009 Test Year at currently authorized rates. THI submits that its revenue deficiency methodology is suitable for rate making purposes and that its proposed 2009 Test Year revenue deficiency of \$818k is appropriate for rate making purposes.

THI acknowledges that its gross revenue deficiency has increased from the original August 2008 filing to the most recent April 2009 Update. This is attributable to the impact of reclassifying customers and of customers ceasing operations due to rapid unexpected changes in the auto industry. If THI experiences another material loss of load or loses a significant customer, THI will need to seek Board authorization to charge additional rate riders that will support the recovery of the 2009 revenue requirement by April 30, 2010.

Cost Allocation

THI has applied the Board's Cost Allocation Review – Informational Filing (“CAR-IF”) methodology using its 2006 EDR data and the results of Hydro One Networks Inc.’s (“HONI”). The estimated Revenue:Cost (“R:C”) ratios and fixed charge floor and ceiling data of THI’s existing and proposed customer classes comply with the Board’s guidance. Consistent with the Board’s decisions in other rate rebasing applications THI has adjusted its CAR-IF model to reflect the Board’s treatment of the Transformer Ownership Allowance and to treat Street Lighting based on the number of connections.

The proposed partitioning is intended to overcome intra-class subsidization. The proposed elimination of the Sentinel Lighting customer class predates the Board’s paper on customer class design. If approved, it will achieve the consolidation of THI’s two smallest customer classes, by customer number and electricity throughput.

THI proposes to partition its existing General Service (“GS”) 500 – 4,999 kW customer class into a GS 500 – 1,499 kW customer class and a GS > 1,500 kW customer class to overcome an existing intra-class subsidy and to improve the homogeneity of its customer classes. THI also proposes to eliminate its Sentinel Lighting customer class by merging it with the existing Unmetered Scattered Load customer class. This proposal is intended to streamline THI’s customer classes and to treat all unmetered loads, other than Street Lighting, consistently.

THI submits that it has appropriately adjusted its CAR-IF to support its proposed changes to customer classes – specifically to eliminate the Sentinel Lighting customer class and to partition the existing General Service 500 – 4,999 kW customer class into a 500 – 1,499 kW and a >1,500 kW customer class.

THI submits that its proposed rates are appropriately supported by the adjusted CAR-IF.

Rate Design

THI proposes to continue to charge fixed and variable distribution charges. THI proposes to charge the maximum fixed monthly charge permitted by Board policy. By selecting the maximum fixed monthly charge THI seeks to promote rate stability for most customer classes and not unduly increase its risk that it will not recover the authorized revenue requirement.

Board staff posed interrogatories that requested recalculated rates for the Street Lighting and proposed USL customer classes. THI has not proposed such adjustments since they would undermine its ability to recover its authorized revenue requirement.

THI proposes to adjust rates so that over a two year period all its rates achieve Revenue:Cost ratios consistent with the Board approved ranges as per established Board practice. THI acknowledges that for some customer classes this adjustment, independent of the proposed recovery of the claimed revenue deficiency, will result in large rate changes. This is further exacerbated for the customer classes that are eligible for Transformer Ownership Allowance; previously, THI's General Service 500 – 4,999 kW variable distribution rates were less than the authorized Transformer Ownership Allowance. THI's proposed recovery of its computed 2009 Test Year gross revenue deficiency in combination with changes to move this customer class towards the lower end of the Board's authorized Revenue:Cost ratio results in a significant bill impact.

THI did not propose to mitigate rates further out of concern for the associated undesirable consequences to other customer classes that would be required so that THI could recover its proposed 2009 Test Year revenue requirement. THI notes that its distribution rates have chronically under earned versus the Board authorized maximum Allowed Rate of Return. THI submits that its customers have enjoyed rate mitigation in those years when THI incurred the ongoing costs to provide an appropriate quality of service and its shareholder was not afforded an opportunity to earn a fair rate of return on invested capital.

THI submits that its proposed customer classes are appropriate and that its proposal to preserve its fixed monthly charges at approximately current levels is appropriate.

Proposed Rates

THI's proposed 2009 rates and other charges are provided at Schedule A. As is described elsewhere, these rates will not be adequate to recover the proposed 2009 Test Year revenue requirement since they will not be authorized until after May 1, 2009 or if THI experiences an unidentified further material loss of load or loses a significant customer. To ensure that THI recovers its authorized 2009 Test Year revenue requirement THI will develop appropriate rate riders that will expire on April 30, 2010 or, as proposed by THI, such other twelve month period as appropriate. These rate riders may need to be continued in subsequent rate years.

Proposed Rate Riders and Rate Adders

THI's proposed two year rate riders are also provided at Appendix A and are expected to recover approximately \$157,402 (the sum of the balances recorded in accounts 1508, 1525 and 2425) over that period. THI submits that it appropriately estimated the proposed LRAM and SSM awards and has provided evidence on the determination of these amounts that is supported by the review of an independent third party. THI has allocated these balances to customer classes based on causality and using allocation factors previously approved by the Board. Consistent with past Board decisions, THI proposes to use volumetric charge parameters. THI also submits that the balances recorded in accounts 1508 and 1525 were prudently incurred and are eligible for recovery. The two year recovery period is proposed in an effort to contain intergenerational inequities.

In response to information requests filed by Board staff, THI has estimated the rate riders associated with the disposition of many of its variance and deferral account balances as of December 31, 2007 plus associated carrying charges. THI acknowledges that clearing many of the account balances will diminish concerns of inter-generational inequities but is concerned that clearing balances prior to the Board concluding its generic review of the disposition of account balances may result in THI's customers being treated differently from customers of other LDCs.

1 THI seeks authorization to charge a Smart Meter Rate Adder ("SMRA") in the amount of
2 \$1.00/metered-customer/month beginning in the 2009 Rate Year. THI is a member of the
3 London Hydro Smart Meter Request for Proposal and has recently acquired approval of the
4 Fairness Commissioner to proceed with the implementation of Smart Meters; thus, it has
5 obtained all the required approvals and is compliant with the applicable regulations to the
6 *Ontario Energy Board Act, 1998*. THI further observes that the recoveries will be recorded in
7 the approved deferral account. THI notes that if the Board authorizes the requested
8 \$1.00/metered-customer/month and its Board of Directors delays implementing Smart Meters by
9 one year that THI will not be financially advantaged since the changes will be recorded in the
10 Smart meter deferral account and used to offset the costs.

11
12 THI submits that its proposed 2009 Test Year rate riders and SMRA are appropriate.

13
14
15 **Other Regulated Rates and Charges**

16
17 THI proposes to continue to charge Board approved levels of Specific Service Charges, retailer
18 charges, Pole Rental Fees, and Late Payment Charges. THI originally proposed a loss factor of
19 3.88% and has revised it to 4.20%, being the three year arithmetic average of the corrected
20 distribution loss factors. THI does not propose any changes to its previously authorized
21 Transformer Ownership Allowance.

22
23 THI submits that it's proposed other regulated rates and charges are just and reasonable.
24
25
26

Conclusion

THI submits that its proposed 2009 Test Year rates are just and reasonable and should be approved by the Board. The costs proposed to be recovered through these rates are the ongoing costs incurred to provide distribution service in the Town of Tillsonburg at an appropriate level of quality and have been prudently incurred. The estimated gross revenue deficiency is material because it overcomes chronic under earning in previous period and because of changes in THI's customer base and through put. THI observes that it continues to be exposed to unprecedented risks that it will lose large customer loads or customers. Should this risk be realized THI may need to seek further relief.

- 1 Appendix A – Proposed rates and Charges – O/S
- 2

Appendix 1-1

Effective ☐
May 1/09

Residential

Service Charge	\$	14.30
Distribution Volumetric Rate	\$/kWh	0.0203
Regulatory Asset Recovery	\$/kWh	0.0012
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0050
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service < 50 kW

Service Charge	\$	29.15
Distribution Volumetric Rate	\$/kWh	0.0148
Regulatory Asset Recovery	\$/kWh	0.0004
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0046
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service >50 kW, <500 kW

Service Charge	\$	111.00
Distribution Volumetric Rate	\$/kW	1.9763
Regulatory Asset Recovery	\$/kW	0.0327
Retail Transmission Rate – Network Service Rate	\$/kW	1.7610
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5833
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Appendix 1-1

Effective ☐
May 1/09

Street Lighting

Service Charge	\$	1,150.00
Distribution Volumetric Rate	\$/kW	4.1125
Regulatory Asset Recovery	\$/kW	0.1585
Retail Transmission Rate – Network Service Rate	\$/kW	1.4461
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3002
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge	\$	20.00
Distribution Volumetric Rate	\$/kWh	0.0027
Regulatory Asset Recovery	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0046
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service >500 kW, <1,500 kW

Service Charge	\$	751.00
Distribution Volumetric Rate	\$/kW	1.8983
Regulatory Asset Recovery	\$/kW	0.0468
Retail Transmission Rate – Network Service Rate	\$/kW	2.3076
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.1566
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service >1,500 kW

Service Charge	\$	1,151.00
Distribution Volumetric Rate	\$/kW	2.2409
Regulatory Asset Recovery	\$/kW	0.0173
Retail Transmission Rate – Network Service Rate	\$/kW	2.3076
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.1566
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Appendix 1-1

		Effective ☐ May 1/09
Specific Service Charges		
Returned Cheque charge (plus bank charges)	\$	15.00
Account set up charge / change of occupancy charge	\$	30.00
Special Meter reads	\$	30.00
Late Payment - per month	%	1.50
Collection of account charge – no disconnection	\$	30.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Install / remove load control device – after regular hours	\$	185.00
Service call – after regular hours	\$	165.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Transformer Allowance for Ownership - per kW of billing demand/month	\$	0.60
Retailer Service Agreement -- standard charge	\$	100.00
Retailer Service Agreement -- monthly fixed charge (per retailer)	\$	20.00
Retailer Service Agreement -- monthly variable charge (per customer)	\$	0.50
Distributor-Consolidated Billing -- monthly charge (per customer)	\$	0.30
Retailer-Consolidated Billing -- monthly credit (per customer)	\$	-0.30
Service Transaction Request -- request fee (per request)	\$	0.25
Service Transaction Request -- processing fee (per processed request)	\$	0.50
Allowances		
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	%	-1.00
LOSS FACTORS		
Primary Metered Customer < 5,000 kW		1.0320
Secondary Metered Customer < 5,000 kW		1.0420

- 1 Appendix B – summary Bill Impacts of proposed rates and charges – O/S
- 2

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2009 EDR Application (EB 2008-0246) version: 1
August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

Residential

Volume		RPP	Distribution Charges		Total Bill	
kWh *	kW	Rate Class	\$ change	% change	\$ change	% change
250		Summer	\$3.75	24.0%	\$4.30	12.5%
1,500		Summer	\$9.25	26.1%	\$12.55	8.0%
500		Summer	\$4.85	24.7%	\$5.96	10.5%
1,000		Summer	\$7.05	25.6%	\$9.25	8.7%
1,000		Winter	\$7.05	25.6%	\$9.24	8.5%
2,000		Winter	\$11.45	26.4%	\$15.82	7.3%
2,000		Summer	\$11.45	26.4%	\$15.84	7.7%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

General Service < 50

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
1,000		n/a	\$8.92	25.5%	\$16.28	14.3%
2,000		n/a	\$13.72	30.5%	\$28.46	14.1%
5,000		n/a	\$28.12	37.5%	\$64.97	13.9%
10,000		n/a	\$52.12	41.7%	\$125.85	13.8%
15,000		n/a	\$76.12	43.5%	\$186.72	13.8%
3,256		n/a	\$19.75	34.3%	\$43.74	13.9%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

General Service >50 l

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
15,000	60	n/a	\$67.93	42.0%	\$179.73	12.8%
25,000	100	n/a	\$113.72	58.3%	\$300.06	13.3%
100,000	500	n/a	\$571.64	>100%	\$1,346.37	14.8%
		n/a				
		n/a				
42,574	124	n/a	\$141.20	65.7%	\$444.90	12.4%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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2009 EDR Application (EB 2008-0246) version: 1
August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
655,475	1,390	n/a				
1,889,257	3,706	n/a				
742,137	1,595	n/a				

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
150	1.00	Non-res.				
200	1.00	Non-res.				
72	0.20	n/a				
78	0.20	Non-res.				

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

Street Lighting

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
150	1.00	n/a	(\$187.13)	(14.0%)	(\$185.82)	(13.7%)
110.842	320.00	n/a	(\$304.07)	(11.0%)	\$511.11	4.5%
110.842	320.00	Non-res.	(\$304.07)	(11.0%)	(\$160.28)	(1.3%)

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

Unmetered Scattered

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
730		n/a	\$2.29	11.6%	\$8.05	10.4%
2,226		Non-res.	(\$8.63)	(24.9%)	(\$4.60)	(2.0%)

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

General Service >500

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
225,000	500.00	n/a	\$303.08	21.7%	\$1,912.24	9.9%
335,000	750.00	n/a	\$658.33	43.4%	\$3,056.34	10.9%
450,000	1,000.00	n/a	\$1,013.58	62.0%	\$4,231.87	11.3%
575,000	1,250.00	n/a	\$1,368.83	78.0%	\$5,470.17	11.6%
650,000	1,500.00	n/a	\$1,724.08	92.0%	\$6,394.59	11.9%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

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August 22, 2008

F8 Customer Bill Impact Analysis

RPP rates per sheet Y7

Enter example volumes in kWh's (and kW's if applicable) for each customer class

General Service >1.5l

Volume		RPP?	Distribution Charges		Total Bill	
kWh *	kW		\$ change	% change	\$ change	% change
666,666	1,500	n/a	\$2,637.98	>100%	\$7,105.63	13.0%
1,000,000	2,500	n/a	\$4,401.58	>100%	\$11,194.06	13.5%
1,500,000	3,500	n/a	\$6,165.18	>100%	\$16,262.89	13.3%
2,900,000	4,500	n/a	\$7,928.78	>100%	\$26,625.92	11.8%

* Loss Factors (sheet F6) apply to certain pass-through charges (per sheet Y4)

- 1 Appendix C – summary regulatory schedules – O/S
- 2

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August 22, 2008

F1 Distribution Revenue Requirement

Enter adjustments for non-recurring items in 2009 to be addressed via rate adder

		2009 ☐ Projection	Non-recurring items (Total)	2009 ☐ Normalized	Comment
OM&A Expenses	<i>from sheet D1</i>	2,135,524		2,135,524	
3850-Amortization Expense	<i>from sheet E2</i>	491,357		491,357	
Total Distribution Expenses		2,626,881		2,626,881	
Regulated Return On Capital	<i>from sheet D3</i>	656,790		656,790	
PILs (with gross-up)	<i>from sheet E4</i>	62,346		62,346	
Service Revenue Requirement		3,346,017		3,346,017	
Less: Revenue Offsets	<i>from sheet C9</i>	106,433		106,433	
Base Revenue Requirement		3,239,584		3,239,584	

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G7 Variance Analysis: Revenue Sufficiency / Deficiency

	2009 Projection	2008 Projection	Var #	Var %
Utility Income	-98,454	355,168	-453,622	(127.7%)
Utility Rate Base <i>from sheet G6</i>	8,713,761	8,622,102	91,659	1.1%
Indicated Rate of Return	(1.13%)	4.12%	(5.25%)	(127.4%)
Requested / Approved Rate of Return <i>from sheet D3</i>	7.54%	7.54%		
Sufficiency / (Deficiency) in Return	(8.67%)	(3.42%)	(5.25%)	(153.6%)
Net Revenue Sufficiency / (Deficiency)	-755,244	-294,714	-460,531	(156.3%)
Provision for PILs/Taxes *	-62,346		-62,346	
Gross Revenue Sufficiency / (Deficiency)	-817,590	-294,714	-522,877	(177.4%)
Deemed Overall Debt Rate <i>from sheet D3</i>	7.18%	7.25%	(0.07%)	(1.0%)
Deemed Cost of Debt <i>from sheet D3</i>	354,359	312,551	41,807	13.4%
Utility Income less Deemed Cost of Debt	-452,813	42,616	-495,429	(1162.5%)
Return On Deemed Equity	(11.99%)	1.14%	(13.13%)	(1151.4%)

UTILITY INCOME *from sheets E1 & E2 (except PILS / Income Taxes)*

Total Net Revenues	2,528,427	2,523,508	4,919	0.2%
OM&A Expenses	2,135,524	1,626,967	508,557	31.3%
Depreciation & Amortization	491,357	462,589	28,768	6.2%
Taxes other than PILs / Income Taxes				
Total Costs & Expenses	2,626,881	2,089,556	537,326	25.7%
Utility Income before Income Taxes / PILs	-98,454	433,953	-532,407	(122.7%)
PILs / Income Taxes <i>from sheet E4</i>		78,785	-78,785	(100.0%)
Utility Income	-98,454	355,168	-453,622	(127.7%)

* In 2009: difference between amounts on sheet E4 for 2009 at existing rates vs. 2009 at new revenue requirement;
in 2008: Net Sufficiency / (Deficiency) multiplied by grossed-up effective tax rate on Utility Income.

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Tillsonburg Hydro Inc. (ED-2003-0026)

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August 22, 2008

D1 Rate Base Summary

Enter the Working Capital Allowance factor

Working Capital Allowance

		<u>2009</u>
Eligible Distribution Expenses:	(1)	
3500-Distribution Expenses - Operation		883,292
3550-Distribution Expenses - Maintenance		186,092
3650-Billing and Collecting		554,947
3700-Community Relations		
3800-Administrative and General Expenses		511,194
3950-Taxes Other Than Income Taxes		
Total Eligible Distribution Expenses		2,135,524
3350-Power Supply Expenses	(2)	14,338,742
Total Expenses for Working Capital		16,474,266
Working Capital Allowance	15.0%	2,471,140

(1) From sheet B4

(2) From sheet C2

TOTAL RATE BASE

		<u>2009</u>
Net Fixed Assets in Service:	(3)	
Opening Balance		6,149,499
Closing Balance		6,335,744
Average Balance		6,242,621
Working Capital Allowance		2,471,140
TOTAL RATE BASE		8,713,761

(3) From Sheet B3

Appendix 1-2

Account Grouping	2006 EDR Approved	2006 □ Actual	2007 □ Actual	2008 □ Projection	2009 @ existing rates	2009 @ new dist. rates
3000-Sales of Electricity	15,661,269	16,315,870	16,970,095	16,004,000	14,340,037	14,340,037
3050-Revenues From Services - Distribution	1,545,119	2,335,785	2,520,493	2,517,959	2,430,661	3,270,251
3100-Other Operating Revenues	21,545	69,072	92,406	94,000	69,766	69,766
3150-Other Income & Deductions			3	92,000		
3200-Investment Income	34,818	65,054	41,000	43,000	28,000	6,000
3350-Power Supply Expenses	-15,682,815	-16,315,870	-16,970,098	-15,951,000	-14,338,815	-14,338,815
Net Revenues	1,579,935	2,469,910	2,653,899	2,799,959	2,529,649	3,347,239
3500-Distribution Expenses - Operation	403,209	659,328	616,632	613,385	883,292	883,292
3550-Distribution Expenses - Maintenance	145,599	182,352	179,508	162,755	186,092	186,092
3650-Billing and Collecting	327,045	377,483	394,768	426,108	554,947	554,947
3700-Community Relations		25,863	6,458			
3800-Administrative and General Expenses	466,193	376,320	422,904	424,719	511,194	511,194
3950-Taxes Other Than Income Taxes	2,679	-7,200				
OM&A Expenses	1,344,725	1,614,146	1,620,270	1,626,967	2,135,524	2,135,524
3850-Amortization Expense	295,849	409,940	441,004	462,589	491,357	491,357
Earnings Before Interest & Taxes	-60,639	445,824	592,625	710,404	-97,232	720,358
3900-Interest Expense		9,882	19,023	16,000	6,469	6,469
Earnings Before Tax	-60,639	435,942	573,601	694,404	-103,702	713,889
4000-Income Taxes	7,163	122,000	187,056	80,785		62,346
Net Income excluding Extraordinary Items	-67,802	313,942	386,545	613,619	-103,702	651,543
4100-Extraordinary & Other Items		22,115				
Net Income	-67,802	291,827	386,545	613,619	-103,702	651,543

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August 22, 2008

F3 Cost Allocation

Enter selected amounts from sheets 'O1' and 'O2' of Cost Allocation model

Customer Class Name	REVENUE ALLOCATION (sheet O1)						
	Service Revenue Requirement	%	Miscellaneous Revenue (mi)	%	Base Revenue Requirement *	%	Revenue to Expenses %
Residential	1,348,257	52.75%	87,124	72.90%	1,261,133	51.76%	123.74%
General Service < 50 kW	418,332	16.37%	12,626	10.56%	405,706	16.65%	110.57%
General Service >50 kW, <500 kW	324,058	12.68%	7,241	6.06%	316,817	13.00%	58.68%
Street Lighting	10,435	0.41%	200	0.17%	10,235	0.42%	317.37%
Unmetered Scattered Load	26,375	1.03%	4,107	3.44%	22,268	0.91%	74.91%
General Service >500 kW, <1,500 kW	175,884	6.88%	3,480	2.91%	172,404	7.08%	53.75%
General Service >1,500 kW	252,746	9.89%	4,739	3.97%	248,007	10.18%	34.67%
TOTAL (from Column C of sheet O1)	2,556,087	100.00%	119,518	100.00%	2,436,569	100.00%	100.00%
	OK	OK	OK	OK	OK	OK	

* Service Revenue Requirement less Miscellaneous Revenue

Customer Class Name	CUSTOMER UNIT COST PER MONTH (sheet O2)				
	Avoided Costs (Minimum Charge)	Directly Related	Minimum System with PLCC * adjustment	Existing Fixed Rate	Maximum Charge **
Residential	\$4.25	\$6.14	\$13.33	\$11.39	\$13.33
General Service < 50 kW	\$10.27	\$13.88	\$28.19	\$24.77	\$28.19
General Service >50 kW, <500 kW	\$33.32	\$43.88	\$53.95	\$111.50	\$111.50
Street Lighting	\$2.60	\$3.96	\$14.78	\$1,336.76	\$1,336.76
Unmetered Scattered Load	\$10.44	\$15.96	\$23.89	\$12.38	\$23.89
General Service >500 kW, <1,500 kW	\$147.15	\$198.51	\$223.63	\$1,158.16	\$1,158.16
General Service >1,500 kW	\$138.31	\$187.19	\$233.04	\$1,158.16	\$1,158.16

* PLCC = 'Peak Load Carrying Capability'

** Greater of 'Directly Related', 'Minimum System with PLCC adjustment', and Existing Fixed Rate

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F4 Revenue Requirement Allocation

Customer Class Name	Outstanding Base Revenue Requirement %			Outstanding Base Revenue Requirement \$ ³			Directly Assigned Revenues ³	Total Base Revenue Requirement
	Cost Allocation ¹	Existing Rates ²	Rate Application	Cost Allocation	Existing Rates	Rate Application		
Residential	51.76%	64.40%	61.02%	1,676,762	2,086,334	1,976,817		1,976,817
General Service < 50 kW	16.65%	17.45%	17.98%	539,414	565,248	582,477		582,477
General Service >50 kW, <500 kW	13.00%	7.15%	9.10%	421,230	231,699	294,861		294,861
Street Lighting	0.42%	1.33%	0.92%	13,608	42,998	29,666		29,666
Unmetered Scattered Load	0.91%	0.81%	0.78%	29,607	26,105	25,269		25,269
General Service >500 kW, <1,500 kW	7.08%	5.50%	4.40%	229,223	178,025	142,542		142,542
General Service >1,500 kW	10.18%	3.37%	5.80%	329,742	109,176	187,953		187,953
TOTAL	100.00%	100.00%	100.00%	3,239,586	3,239,584	3,239,584		3,239,584
			OK			OK		

¹ from sheet F3² from sheet C4³ from sheet F2

Customer Class Name	Total Base Revenue Requirement	Transformer Allowance Recovery ⁴	Low Voltage Revenue Required ⁵	Gross Base Revenue Requirement
Residential	1,976,817			1,976,817
General Service < 50 kW	582,477			582,477
General Service >50 kW, <500 kW	294,861	462		295,323
Street Lighting	29,666			29,666
Unmetered Scattered Load	25,269			25,269
General Service >500 kW, <1,500 kW	142,542	31,915		174,457
General Service >1,500 kW	187,953	52,873		240,826
TOTAL	3,239,584	85,250		3,324,834
		OK		

⁴ Volume per sheet C4: total allocations must match total amount of allowances⁵ allocated per table below:**2009 Transformer Allowances**

	Volume ⁴	Rate	Amount
kW:	142,083	(\$0.6000)	-85,250

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F4 Revenue Requirement Allocation

Customer Class Name	Test Year Revenues ⁶ Transmission - Connection	Class Share	Low Voltage Charges ⁷
Residential	234,428	28.9%	
General Service < 50 kW	104,754	12.9%	
General Service >50 kW, <500 kW	160,119	19.7%	
Street Lighting	4,919	0.6%	
Unmetered Scattered Load	2,345	0.3%	
General Service >500 kW, <1,500 kW	114,716	14.1%	
General Service >1,500 kW	190,045	23.4%	
TOTAL	811,324	100.0%	
		OK	

⁶ charge type per sheet Y4: amounts per sheet C2:

⁷ Total per sheet C2: allocated to customer classes based on Class Share

Customer Class Name	Rate Application			Cost Allocation	Variance	Target Range	
	Allocated Revenue ⁸	Allocated Cost ⁸	Revenue to Cost Ratio	Revenue to Cost Ratio ⁹		Floor	Ceiling
Residential	1,976,817	1,676,762	1.18	1.24	-0.06	0.85	1.15
General Service < 50 kW	582,477	539,414	1.08	1.11	-0.03	0.80	1.20
General Service >50 kW, <500 kW	294,861	421,230	0.70	0.59	0.11	0.80	1.80
Street Lighting	29,666	13,608	2.18	3.17	-0.99	0.70	1.20
Unmetered Scattered Load	25,269	29,607	0.85	0.75	0.10	0.80	1.20
General Service >500 kW, <1,500	142,542	229,223	0.62	0.54	0.08	0.70	1.20
General Service >1,500 kW	187,953	329,742	0.57	0.35	0.22	0.80	1.20
TOTAL	3,239,584	3,239,586	1.00	1.00	-0.00		

⁸ see first table above (Outstanding Revenue Requirement \$)

⁹ from sheet F3

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F5 Fixed/Variable Rate Design

Customer Class Name	Existing Rates (1)			Cost Allocation - Minimum Fixed Rate (2)			Cost Allocation - Maximum Fixed Rate (2)		
	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %
Residential	\$11.39	50.74%	49.26%	\$4.25	15.33%	84.67%	\$13.33	48.08%	51.92%
General Service < 50 kW	\$24.77	43.66%	56.34%	\$10.27	13.48%	86.52%	\$28.19	36.99%	63.01%
General Service >50 kW, <500 kW	\$111.50	52.69%	47.31%	\$33.32	9.48%	90.52%	\$111.50	31.71%	68.29%
Street Lighting	\$1,336.76	48.63%	51.37%	\$2.60	0.11%	99.89%	\$1,336.76	54.07%	45.93%
Unmetered Scattered Load	\$12.38	72.70%	27.30%	\$10.44	48.59%	51.41%	\$23.89	111.18%	-11.18%
General Service >500 kW, <1,500 kW	\$1,158.16	81.41%	18.59%	\$147.15	8.10%	91.90%	\$1,158.16	63.73%	36.27%
General Service >1,500 kW	\$1,158.16	49.78%	50.22%	\$138.31	2.07%	97.93%	\$1,158.16	17.31%	82.69%

(1) per sheet C4

(2) Rates per sheet F3; %s based on # customers per sheet C1 and revenue requirement allocated to customer class per sheet F4

Customer Class Name	Existing Fixed/Variable Split (3)			Rate Application			Resulting Usage		(4) Existing Usage Rate
	Rate	Fixed %	Variable %	Rate	Fixed %	Variable %	Rate	per	
Residential	\$14.07	50.74%	49.26%	\$13.30	47.97%	52.03%	\$0.0207	kWh	\$0.0159
General Service < 50 kW	\$33.27	43.66%	56.34%	\$28.15	36.94%	63.06%	\$0.0150	kWh	\$0.0100
General Service >50 kW, <500 kW	\$185.25	52.69%	47.31%	\$110.00	31.29%	68.71%	\$2.0066	kW	\$0.8315
Street Lighting	\$1,202.22	48.63%	51.37%	\$1,150.00	46.52%	53.48%	\$4.1940	kW	\$4.4791
Unmetered Scattered Load	\$15.62	72.70%	27.30%	\$20.00	93.08%	6.92%	\$0.0032	kWh	\$0.0100
General Service >500 kW, <1,500 kW	\$1,479.43	81.41%	18.59%	\$750.00	41.27%	58.73%	\$1.9262	kW	\$0.4773
General Service >1,500 kW	\$3,330.17	49.78%	50.22%	\$1,150.00	17.19%	82.81%	\$2.2631	kW	\$0.4773

(3) %s per Existing Rates, Rate based on Revenue Requirement allocated to Customer Class per sheet F4 and # customers per sheet C1

(4) per sheet C4

Appendix D – List of issues and evidence references

Revenues

- Is THI's forecasted level of revenues for the 2009TY appropriate for rate making purposes?
- Are THI's weather normalization and revenue forecasting methodologies appropriate?
- What revenues will be recovered in the 2009TY through other regulated rates and charges?

Written prefiled evidence references: Exhibit 3

Interrogatory response references: BS 8-16, 37, 38, 40-42; EP 4, 16-20, 33, 35; SEC 4, 7, 9, 28-29; VECC 2-6, 21-28, 32

Rate Base

- Is THI's methodology for estimating the Net Distribution Physical Plant appropriate?
- Is THI's methodology for estimating Working Cash Allowance appropriate?
- Is THI's 2009TY capital budget appropriate?
- Are THI's 2009TY Contributions in Aid of Construction appropriate?
- Is THI's capitalization policy appropriate for rate making purposes?
- Is the proposed rate base for the 2009TY appropriate for rate making purposes?

Written prefiled evidence references: Exhibit 2

Interrogatory response references: BS 1-4, 6, 34-36; EP 6-7, 9, 11-14; SEC 3, 6, 8, 18-19, 21; VECC 17-18, 36-37

1 Period expenses including Operations, Maintenance and Administration costs, Depreciation
2 expense and Payments in Lieu of Taxes expense

- 3 • Are THI's forecast 2009TY period expenses - OM&A, depreciation, PILs – appropriate
4 for rate making purposes?
- 5 • Are the goods and services procured from or through affiliated entities provided in
6 accordance with the transfer pricing requirements of the Board's Affiliate Relationships
7 Code of Conduct?

8
9 Written prefiled evidence references: Exhibit 4

10 Interrogatory response references: BS 4, 17-27, 46-47; EP 1-2, 24, 26-29, 34, 36-39; SEC 2,
11 11-13, 20, 23, 25-27; VECC 14-15, 34-35, 38

12
13
14 **Cost of Capital**

- 15
16 • Has THI correctly implemented the Board's policies on capital structure and cost of
17 capital?
- 18 • Is the proposed capital structure appropriate for the 2009TY appropriate for rate making
19 purposes?
- 20 • Is the proposed cost of capital appropriate for the 2009TY appropriate for rate making
21 purposes?

22
23 Written prefiled evidence references: Exhibit 6

24 Interrogatory response references: EP 8, 22; SEC 10, 14, 15

25
26
27 **Revenue Deficiency**

- 28
29 • Is THI's methodology for estimating the gross revenue deficiency appropriate?

30 Written prefiled evidence references: Exhibit 7

31 Interrogatory response references: EP 25

32

33

Deferral and Variance Accounts

- Is THI's methodology for estimating the balances recorded in each deferral or variance account appropriate?
- Are the accounts that THI proposes to dispose of through rates correctly identified?
- Are the balances recorded in the variance and deferral accounts to be disposed of through rates appropriate?
- Has THI correctly estimated the Lost Revenue Adjustment Mechanism and Shared Savings Mechanism for the years 2005, 2006 and 2007?
- Are the proposed rate riders to be charged during the 2009TY appropriate?

Written prefiled evidence references: Exhibit 5

Interrogatory response references: BS 29, 31, 49; EP 21, 31

Smart Meter Rate Adder

- Is THI's proposed 2009TY Smart Meter Rate Adder appropriate?

Written prefiled evidence references: Exhibit 5

Interrogatory response references: BS 7, 43-45; EP 30; SEC 5, 22

Cost Allocation

- Has THI correctly implemented the Board approved Cost Allocation methodology?
- Are the Cost:Revenue ratios estimated by the 2004 Cost Allocation Review - Informational Filing appropriate for rate making purposes for the 2009 TY?
- Has THI appropriately revised its 2004 CAR-IF for the following proposed customer classes:
 - o General Service >500 kW, <1,500 kW; and
 - o General Service >1,500 kW

Written prefiled evidence references: Exhibit 8

Interrogatory response references: BS 33; EP 23, 32, 40; SEC 16; VECC 7-11, 29-31, 33

Rate Design

- Are THI's proposed 2009TY rate design changes appropriate for rate making purposes?
- Is THI's proposed standby service rate appropriate?
- Are THI's proposed other rates and charges appropriate?

Written prefiled evidence references: Exhibit 9

Interrogatory response references: SEC 17, 24; VECC 12

Other

- Is THI's methodology for determining distribution loss factors appropriate?
- Are the proposed 2009TY distribution loss factors appropriate for rate making purposes?

Written prefiled evidence references: Exhibit 4

Interrogatory response references: BS 30, 39, 48; EP 10

List of Specific Approvals Requested

THI seeks Board authorization to:

- Establish General Service >500 kW, <1,500 kW and General Service >1,500 kW customer classes;
- Eliminate its existing General Service 500 – 4,999 kW customer class;
- Include the customers in THI's existing Sentinel Lighting customer class into its Unmetered Scattered Load customer class and to eliminate the Sentinel Lighting customer class;

- 1 • Charge revised distribution rates, both fixed in the period and varying based on the level
- 2 of service;
- 3 • Charge rate riders that recover the balances recorded in certain variance and deferral
- 4 accounts as of December 31, 2007 and the associated carrying charges as of April 30,
- 5 2009 and to recover THI's Lost Revenue Adjustment Mechanism and Shared Savings
- 6 Mechanism awards;
- 7 • Charge a revised Smart Meter Rate Adder;
- 8 • Charge a rate rider to recover the full 2009 revenue deficiency since rates will not be
- 9 approved until after May 1, 2009;
- 10 • Apply its proposed method for charging for the provision of Standby service; and
- 11 • Apply revised distribution loss factors
- 12