



Oakville Hydro
Electricity Distribution Inc.
P. O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-5831
email: hydro@oakvillehydro.com
www.oakvillehydro.com

February 18, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: OEB File No. EB-2009-0271
Oakville Hydro Electricity Distribution Inc.
Electricity Distribution Rate Application**

Please find accompanying this letter, two copies of Oakville Hydro's updated evidence with respect to its Application for Electricity and Distribution Rates and Charges effective May 1, 2010. Oakville Hydro is updating the evidence filed with the Board on August 28, 2009 as per procedural order No. 4 in this proceeding. A complete copy of the updated application has been filed through the Board's Regulatory Electronic Submission System.

On January 29, 2010 Oakville Hydro Corporation announced that it had sold its wholly owned subsidiary, Blink Communications Inc. to Rogers Communications Inc. This transaction has had a material impact on Oakville Hydro's OM&A and revenue and the resulting base revenue requirement calculations for the 2010 Test Year as detailed in the updated Application.

Oakville Hydro has also updated its Application to include the correction of minor errors and omissions in pre-filed evidence identified through the interrogatory process. These corrections do not result in a change to the updated revenue requirement.

The scope of the update covers the following:

- 1) Exhibit 1: The Administrative Documents have been revised to reflect the updates to the Application as detailed below.
- 2) Exhibit 2: The rate base has been increased from \$132,448,079 to \$133,187,190 to reflect the following:
 - a) An increase in net fixed assets arising from a capital lease agreement between Oakville Hydro Electricity Distribution Inc. and Blink Communications Inc. to acquire optical fibres that were completed on January 4, 2010 for use in connection with the internal communications of its business including the communication of electricity consumption information, for SCADA (Supervisory Control and Data Acquisition) purposes and for communications in disaster circumstances
 - b) An increase in the working capital allowance included in the rate base due to increased administration costs resulting from a reduction in shared services.



Oakville Hydro
 Electricity Distribution Inc.
 P. O. Box 1900
 861 Redwood Square
 Oakville ON L6J 5E3
 Telephone: 905-825-9400
 Fax: 905-825-5831
 email: hydro@oakvillehydro.com
 www.oakvillehydro.com

- c) An increase in the working capital allowance included in the rate base resulting from the update to the 2010 electricity costs to \$0.06215 per kWh as per the Regulated Price Plan Report issued by the Ontario Energy Board on October 15, 2009.
- 3) Exhibit 3: Other Operating Revenues have been decreased by \$204,085 to reflect the following:
- a) A reduction of \$363,080 in interest income on funds previously loaned to Blink Communication Inc.
 - b) A net increase of \$8,275 in other income as a result of the replacement of affiliate occupancy charges with a long-term lease agreement with Rogers Communications Inc for point of presence (POP) site rental, duct rentals, data centre space, backup generator rental and for pole rentals.
 - c) A normalized increase in other income of \$150,720 resulting from the provision of temporary transitional services to Rogers Communications Inc. for office space, financial services and warehouse services as detailed below.

Type of Service	Estimated Annual Charge	Time Frame	Estimated Revenue
Office Space	201,105	2 years	\$ 402,210
Warehousing	46,619	2 years	93,238
Financial Services	82,894	1 Month	6,908
Financial Services	40,262	3 months	10,065
IT services	271,379	1 month	22,615
IT Services	271,379	3 months	67,845
			\$ 602,881

1/4 of services **\$ 150,720.24**

- 4) Exhibit 4: Administration and amortization costs have been increased by \$578,129 to reflect the following:
- a) Increased administration costs resulting from the reallocation of shared services.
 - b) Increased amortization costs associated with the capital lease agreement between Oakville Hydro Electricity Distribution Inc. and Blink Communications Inc. described in 2 a).
- PILs have increased by \$349,254 and capital taxes have increased by \$554 due to changes in the rate base and an update to the combined income tax rate for the 2010 Test Year of 31% to reflect the enacted Ontario Corporate tax rate of 12% effective July 1, 2010.
- 5) Exhibit 5: The cost of capital has been revised to reflect the following:
- a) Changes in cost of capital calculations due to changes in rate base.



Oakville Hydro
Electricity Distribution Inc.
P. O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-5831
email: hydro@oakvillehydro.com
www.oakvillehydro.com

- b) A return on equity for the 2010 Test Year of 9.75% in accordance with the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities (EB-2009-0084) issued on December 11, 2009.
- 6) Exhibit 6: The revenue deficiency has increased from \$4,535,103 to \$6,649,721 as a result of the changes in the revenue requirement calculation as detailed in Attachment A – Revenue Deficiency/Sufficiency.
- 7) Exhibit 7: The cost allocation model has been updated to reflect changes in the revenue requirement calculation, net fixed assets and amortization.
- 8) Exhibit 8: Oakville Hydro's proposed rates and bill impact schedules have been revised to reflect the updates to the Application. The total bill impact for Residential customers using 800 kWh per month has risen from a decrease of 0.18% to an increase of 2.47%. The total bill impact for General Service < 50 kW customers has risen from an increase of 2.49% to an increase of 4.64%.
- 9) Exhibit 9: The smart meter rate adder has been increased from \$1.69 to \$1.77 per metered customer to reflect the following:
 - a) A return on equity for the 2010 Test Year of 9.75%
 - b) A combined income tax rate for the 2010 Test Year of 31% to reflect the enacted Ontario Corporate tax rate of 12% effective July 1, 2010.
 - c) The reclassification of computer software from Class 8 to Class 12.
- 10) Exhibit 10: Oakville Hydro has corrected its LRAM and SSM calculations to reflect errors identified through the interrogatory process. The correction results in an increase in the LRAM calculation from \$666,349 to \$693,565 and a decrease in the SSM calculation from \$141,170 to \$123,051.
- 11) Instructions for updating copies of pre-filed evidence are provided as Attachment B to this letter.

Should there be any questions, please contact me at the number below.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'C. Birceanu'.

Cristina Birceanu
Manager, Regulatory Affairs
Oakville Hydro Electricity Distribution Inc.
P.O. Box 1900
861 Redwood Square
Oakville, ON L6J 5E3
Telephone- (905) 825-4422
Fax- (905) 825-4435
Email- cbirceanu@oakvillehydro.com

REVENUE SUFFICIENCY/DEFICIENCY

Name of LDC: Oakville Hydro Electricity Distribution Inc.
 File Number: EB-2009-0271
 Rate Year: 2010

Revenue Sufficiency/Deficiency

Particulars	Per Application		Amendments		Updated Application	
	At Current Approved Rates	At Proposed Rates	Sale of Affiliate	Cost of Power and Cost of Capital Update	At Current Approved Rates	At Proposed Rates
Revenue Deficiency from Below Distribution Revenue	\$28,506,421	\$4,535,103			\$28,506,421	\$6,649,721
Other Operating Revenue Offsets - net	\$2,093,240	\$2,093,240	(\$204,085)		\$1,889,155	\$28,506,422
Total Revenue	\$30,599,661	\$35,134,764	(\$204,085)	\$-	\$30,395,576	\$37,045,297
Operating Expenses	\$23,012,222	\$23,012,222	\$578,129		\$23,590,351	\$23,590,351
Capital Taxes	\$88,086	\$88,086	\$312	\$242	\$88,640	\$88,640
Deemed Interest Expense	\$5,722,287	\$5,722,287	\$17,977	\$13,955	\$5,754,219	\$5,754,219
Total Cost and Expenses	\$28,822,595	\$28,822,595	\$596,418	\$14,197	\$29,433,211	\$29,433,211
Utility Income Before Income Taxes	\$1,777,066	\$6,312,169			\$962,366	\$7,612,086
Tax Adjustments to Accounting Income per 2009 PILs	\$151,994	\$151,994			\$187,223	\$187,223
Taxable Income	\$1,929,060	\$6,464,163			\$1,149,589	\$7,799,309
Income Tax Rate	32.00%	32.00%			31.00%	31.00%
Income Tax on Taxable Income	\$617,299	\$2,068,532	\$22,852	\$441,097	\$356,372	\$2,417,786
Income Tax Credits	\$-	\$-			\$-	\$-
Utility Net Income	\$1,159,767	\$4,243,636	\$22,852	\$441,097	\$605,993	\$5,194,300
Utility Rate Base	\$132,448,078	\$132,448,078	\$416,108	\$323,004	\$133,187,190	\$133,187,190
Deemed Equity Portion of Rate Base	\$52,979,231	\$52,979,231	\$166,443	\$129,202	\$53,274,876	\$53,274,876
Income/Equity Rate Base (%)	2.19%	8.01%			1.14%	9.75%
Target Return - Equity on Rate Base	8.01%	8.01%		9.75%	9.75%	9.75%
Sufficiency/Deficiency in Return on Equity	-5.82%	0.00%			-8.61%	0.00%
Indicated Rate of Return	5.20%	7.52%			4.78%	8.22%
Requested Rate of Return on Rate Base	7.52%	7.52%			8.22%	8.22%
Sufficiency/Deficiency in Rate of Return	-2.33%	0.00%			-3.45%	0.00%
Target Return on Equity	\$4,243,636	\$4,243,636	\$13,332	\$937,332	\$5,194,300	\$5,194,300
Revenue Sufficiency/Deficiency	\$3,083,870	\$-			\$4,588,307	\$-
Gross Revenue Sufficiency/Deficiency	\$4,535,103	\$-			\$6,649,721	\$-

**EB-2009-0271 – 2010 Oakville Hydro Electricity Distribution Inc.
Electricity Distribution Rate Application – Attachment B, Update Instructions**

Updates

Exhibit 1, Tab 1, Schedule 2	Update	Pages	1, 5
Exhibit 1, Tab 1, Schedule 3	Update	Pages	1, 2
Exhibit 1, Tab 1, Schedule 4	Update	Pages	1
Exhibit 1, Tab 1, Schedule 5	Update	Pages	1, 3
Exhibit 1, Tab 1, Schedule 14	Update	Pages	2, 3, 5
Exhibit 1, Tab 1, Schedule 15	Update	Pages	1
Exhibit 1, Tab 2, Schedule 1	Update	Pages	3, 5, 6, 8
Exhibit 1, Tab 2, Schedule 4	Update	Pages	1
Exhibit 1, Tab 2, Schedule 5	Update	Pages	1, 2
Exhibit 1, Tab 2, Schedule 6	Update	Pages	1 to 9
Exhibit 1, Tab 3, Schedule 2, Appendix G	Update	Pages	1 to 17
Exhibit 1, Tab 3, Schedule 4	Update	Pages	1
Exhibit 2, Tab 1, Schedule 1	Update	Pages	1, 2
Exhibit 2, Tab 1, Schedule 2	Update	Pages	1, 2
Exhibit 2, Tab 1, Schedule 3	Update	Pages	5
Exhibit 2, Tab 2, Schedule 1	Update	Pages	1
Exhibit 2, Tab 2, Schedule 2	Update	Pages	2
Exhibit 2, Tab 2, Schedule 3	Update	Pages	2
Exhibit 2, Tab 3, Schedule 1	Update	Pages	1
Exhibit 2, Tab 3, Schedule 2	Update	Pages	3, 4
Exhibit 2, Tab 3, Schedule 3	Update	Pages	1,3
Exhibit 2, Tab 4, Schedule 4	Update	Pages	1, 7 to 10
Exhibit 2, Tab 4, Schedule 4, Appendix B	Update	Pages	1, 2, 78
Exhibit 3, Tab 1, Schedule 2	Update	Pages	1
Exhibit 3, Tab 1, Schedule 3	Update	Pages	3
Exhibit 3, Tab 2, Schedule 1	Update	Pages	52, 53
Exhibit 3, Tab 3, Schedule 1	Update	Pages	2, 3, 4, 6
Exhibit 3, Tab 3, Schedule 2	Update	Pages	5
Exhibit 3, Tab 4, Schedule 2	Update	Pages	1, 2, 4
Exhibit 4, Tab 1, Schedule 1	Update	Pages	3
Exhibit 4, Tab 2, Schedule 1	Update	Pages	1, 2, 3
Exhibit 4, Tab 2, Schedule 2	Update	Pages	9, 10, 11
Exhibit 4, Tab 2, Schedule 3	Update	Pages	1, 4, 5
Exhibit 4, Tab 2, Schedule 5	Update	Pages	2
Exhibit 4, Tab 2, Schedule 5	Update	Pages	15
Exhibit 4, Tab 2, Schedule 6	Update	Pages	6, 8, 10, 11, 13, 14
Exhibit 4, Tab 2, Schedule 8	Update	Pages	5 to 10, 13, 16 to 20
Exhibit 4, Tab 2, Schedule 10	Update	Pages	8
Exhibit 4, Tab 3, Schedule 1	Update	Pages	1, 3, 6, 7

Exhibit 5, Tab 1, Schedule 1	Update	Pages	1
Exhibit 5, Tab 1, Schedule 2	Update	Pages	1
Exhibit 6, Tab 1, Schedule 1	Update	Pages	1
Exhibit 6, Tab 1, Schedule 2	Update	Pages	1
Exhibit 6, Tab 1, Schedule 2	Update	Pages	2
Exhibit 7, Tab 1, Schedule 3	Update	Pages	3, 4, 5
Exhibit 7, Tab 1, Schedule 3, Appendix 2-P	Update	Pages	1
Exhibit 7, Tab 1, Schedule 3, Appendix A	Update	Pages	1 to 4
Exhibit 8, Tab 1, Schedule 1	Update	Pages	1, 2
Exhibit 8, Tab 1, Schedule 2	Update	Pages	2 To 4, 8 To 10
Exhibit 8, Tab 1, Schedule 3	Update	Pages	3, 4
Exhibit 8, Tab 2, Schedule 1	Update	Pages	1, 2
Exhibit 8, Tab 2, Schedule 6	Update	Pages	1, 2
Exhibit 8, Tab 2, Schedule 7	Update	Pages	1
Exhibit 8, Tab 2, Schedule 8	Update	Pages	All
Exhibit 9, Tab 1, Schedule 1	Update	Pages	2
Exhibit 9, Tab 2, Schedule 1	Update	Pages	1, 2
Exhibit 9, Tab 3, Schedule 1	Update	Pages	3, 5
Exhibit 9, Tab 3, Schedule 1, Appendix C	Update	Pages	1 to 12

Correction of errors

Exhibit 3, Tab 2, Schedule 1	Update	Pages	15, 39
Exhibit 3, Tab 3, Schedule 1	Update	Pages	2, 3
Exhibit 3, Tab 3, Schedule 2	Update	Pages	4
Exhibit 3, Tab 4, Schedule 2	Update	Pages	4
Exhibit 4, Tab 2, Schedule 4	Update	Pages	2
Exhibit 4, Tab 2, Schedule 5	Update	Pages	4
Exhibit 4, Tab 2, Schedule 7	Update	Pages	3, 4
Exhibit 7, Tab 1, Schedule 2	Update	Pages	3
Exhibit 7, Tab 1, Schedule 3	Update	Pages	3, 4
Exhibit 8, Tab 1, Schedule 2	Update	Pages	7
Exhibit 8, Tab 1, Schedule 4	Update	Pages	8
Exhibit 8, Tab 2, Schedule 1	Update	Pages	12, 14, 15, 16
Exhibit 9, Tab 1, Schedule 1	Update	Pages	1
Exhibit 9, Tab 2, Schedule 1	Update	Pages	1
Exhibit 10, Tab 1, Schedule 2	Update	Pages	1
Exhibit 10, Tab 1, Schedule 3	Update	Pages	1
Exhibit 10, Tab 1, Schedule 4	Update	Pages	1
Exhibit 10, Tab 1, Schedule 6	Update	Pages	1
Exhibit 10, Tab 1, Schedule 6, Appendix C	Update	Pages	All