



June 3, 2010

**BY COURIER AND RESS**

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

Dear Ms. Walli,

**RE: Whitby Hydro Electric Corporation  
Application for Approval of 2010 Electricity Distribution Rates  
EB- 2009-0274**

As directed by the Board's Procedural Order No. 3, Whitby Hydro Electric Corporation has provided responses to Board Staff's interrogatories (dated May 20, 2010) for this rate proceeding. Two paper copies and an electronic copy (CD) will follow via courier. A copy has also been filed electronically through the Board's RESS system.

Should you require any further information or clarification, please contact me directly.

Respectfully submitted,

*Original signed by*

Ramona Abi-Rashed  
Treasurer

Cc: Neil Mather (email)  
All Intervenors (email)

**Board Staff Supplemental Interrogatories  
Whitby Hydro Electric Corp.  
2010 Electricity Distribution Rates  
EB-2009-0274**

**31. Customer Numbers in Capital Expenditures versus Rate Design**

**Ref: IRR VECC #6; Exh 3, Table 10; Attachment 7-4 (complete Excel File Application Models 2d)**

**The response to VECC # 6 shows 39,856 customers forecast in 2010, in background data underlying the forecast of capital expenditures. As background to the load forecast, Exhibit 3 Table 10 shows 37,119 at year-end, and less than that as an average. The forecast in the cost allocation table 'Whitby APPL\_8', worksheet I6 shows 39,395 customers total, of which Streetlights is a single customer. Please reconcile these inputs, and if necessary modify some or all of the various outcome(s) that depend on them.**

**Response:**

Two reconciliations have been prepared to address both the year end and average load forecast customer numbers in relation to the figures referenced in this question.

The differences noted in this question can be primarily attributed to the following factors:

- year end vs. average figures
- residential vs. total customers
- # customers/accounts vs. # lights or connections

The first chart (below) reconciles the 2010 year end load forecast to the customer count noted in VECC#6 (Table 2-1). The figure of 39,856 represents the total customer number which is derived using the load forecast as the starting point and adjusts it to more closely reflect the number of accounts that are serviced by Whitby Hydro. In doing so, the number of streetlights has been reduced to one, and the sentinel lights have been fully removed to avoid double counting and acknowledge that sentinel lights are attached to an already existing customer/account.

It should be noted that the question also appears to reference a comparison of the residential customer number (37,119) to the total customer number (39,856).

The figure of 39,856 was presented in VECC#6, table 2-1 as it was considered appropriate to include figures which represented a forecast for year end customer accounts which was not inflated to include the number of streetlight and sentinel lights.

**Reconciliation of Customer Forecasts - 2010 Year End**

	Load Forecast 2010 Year End	Adj #1	Adj #2	VECC#6 Table 2-1
Residential	37,119			37,119
GS<50 kW	1,909			1,909
GS>50 kW	436			436
USL	391			391
Sentinel Light	37		(37)	0
Streetlight	11,581	(11,580)		1
	51,473	(11,580)	(37)	39,856

- 1) Adjust # of lights to # customers.
- 2) Adjust to avoid double counting as sentinel lights are attached to existing customers.

The second chart (below) reconciles the 2010 average load forecast to the figures used in the cost allocation sheet I6. The cost allocation figures are intended to reflect the average load forecast adjusted to remove the impact of customers/accounts that have multiple unmetered lights/connections. In making this adjustment the effect of consolidated billing has also been included. The adjustments affect the USL, Streetlight, and Sentinel Light customer classes as noted. The figures for cost allocation are intended to align with OEB guidelines and instructions published for the Cost Allocation Information Filing (CAIF).

The figure of 39,395 used for cost allocation (sheet I6) is a total customer number, and as such the appropriate reconciliation is done at the total customer level.

**Reconciliation of Customer Forecasts - 2010 Average**

	Load Forecast 2010 Average	Adj #1	Adj #2	Adj #3	Cost Allocation Sheet I6
Residential	36,927				36,927
GS<50 kW	1,909				1,909
GS>50 kW	435				435
USL	391	(297)			94
Sentinel Light	37			(8)	29
Streetlight	11,478		(11,477)		1
	51,177				39,395

- 1) Adjust # connections to # customers accounts. Customers with multiple connections/accounts that have consolidated billing are counted as one customer.
- 2) Adjust # streetlights to # customer accounts.
- 3) Adjust # sentinel lights to # customer accounts.

Whitby Hydro believes that the above should assist in clarifying the differing customer numbers and that all figures are relevant and supported in the context they have been presented. As such, no modifications are required.

**32. Cost Allocation**

Board staff apologizes that IR # 19 was based on the incorrect assumption that a detailed cost allocation study had not been filed. That has been corrected in the response, which pointed out that the complete working model has been filed with the application.

Ref: IRR Board staff # 19; Attachment 7-4 (Application Model 2d); and Exhibit 3, Table 9 (p. 203)

The class demand inputs in Worksheet I8 do not correspond with the forecasts of billing demand amounts in Exhibit 3. For example the forecast kW for the GS>50 class is 966,330 kW while the input for DNCP12 is 774,545 kW, whereas the forecast kW for Streetlights is 24,361 kW and DNCP12 is 25,593 kW.

- a) Please re-examine these amounts for consistency, and make any adjustments to the load forecast and/or the cost allocation study that might be necessary to achieve a higher level of consistency.

**Response:**

No change is required.

- b) If a change is not made to the data, please explain why the quantities for streetlights should not be approximately equal, given that streetlights would be expected to have very little diversity amongst themselves.**

**Response:**

The methodology used for streetlights was chosen for consistency with the methodology used for GS > 50.

In the case of GS > 50, the DNCP12 is the total load of all GS > 50 customer in the one hour each month when the total load of those GS > 50 customers is at its maximum. The load forecast is the sum of each customer's peak demand for each of the 12 months. Due to diversity among the GS > 50 clients, the load forecast exceeds the DNCP12. The scaling factor used is the ratio of the 2010 load forecast to the 2006 EDR as shown on I6 rows 21 and 22. Since the purpose of this table is to reflect the peak demand rather than energy, the scaling factor is based on demand where forecasted, and energy elsewhere.

Put differently, the DCNCP12 reflects the non-coincident peak among rate classes, but the coincident peak within the rate classes. The load forecast reflects the billing demand which is the non-coincident peak both among and within classes.

It may be noted that the same approach was taken for the 2006 cost allocation model as well.

- c) Please provide a description of the source of the data for the GS>50 kW class, and how the amounts in the two referenced documents were derived from the underlying data.**

**Response:**

In order to determine the 2010 co-incident and non-coincident peaks for Worksheet I8, the 2006 Hydro One file was taken, starting with the existing load profiles by class. Without any large use customers substantially changing the load shape, the existing load shapes by class were used for 2010. A scaling factor was applied to each class load profile so that shifts in relative demand among the classes would be captured. The system peak hours, the CP values, and NCP values were re-determined using the 2010 load profiles and forecast volumes.

**33. Forecast of Wholesale Transmission Costs**

Ref: IRR Board staff # 2 and # 22; Rate Order EB-2009-0096, p. 27 of 589

- a) **Please clarify the sentence in the response to # 22c: “The billing kW amounts assumed ..... represent approximately 0.2% of the wholesale weather normalized consumption forecast for 2010”. If the amount 0.2% is intended to be the increase of the 2010 forecast over the 2009 weather corrected actual amount, please reconcile this amount with the energy forecast (Exhibit 3, Table 9).in which the increase over 2009 is approximately 0.5%.**

**Response:**

Billing demand forecasts for transmission can be affected not only by customer consumption and demand patterns but also by load shifting between facilities that are directly connected to the provincial transmission system and those that are partially embedded within Hydro One Networks (HONI). Load shifting between facilities occurs for a variety of reasons including emergency restoration of power due to outages; to facilitate maintenance work and planned construction; or to accommodate HONI requests or neighbouring utilities requests to free up capacity at shared stations. As a result, billing demand forecasts were compared to consumption data to test for reasonability of the relationship between the billed kW demand forecast and the wholesale consumption on an annual basis.

To further clarify, the 0.20% figure was not intended to represent the increase over the 2009 weather corrected actual. The figure was derived by taking the annual billed demand divided by the annual weather corrected consumption. When comparing 2009 and 2010, both calculations resulted in a 0.20% ratio. This approach was taken to ensure a level of reasonability while acknowledging that the relationship between billing demand and consumption is somewhat imprecise as it can be affected by several other factors.

- b) **Please update the forecast of transmission cost using the recently approved Retail Transmission Service Rates for Whitby Hydro’s host distributor Hydro One Networks, and make the resulting adjustments to the Working Capital Allowance and make any changes to Whitby Hydro’s proposed Retail Transmission Service Rates. (For convenience, the rates are \$2.65 per kW Network and \$2.14 per kW Connection)**

**Response:**

An updated forecast of the transmission costs which incorporates the approved RTSRs for Hydro One Network’s (HONI) Sub Transmission class has been included below:

	IESO		HONI		Total	
	Network	Line Connection & Transformation	Network	Line Connection & Transformation	Network	Line Connection & Transformation
Billing Demand:						
Jan - Apr	412,347	415,498	140,033	139,033		
May - Dec	923,552	950,270	232,376	257,540		
2009A kW	1,335,899	1,365,768	372,409	396,573		
Rates:						
Jan. 1, 2010	\$ 2.97	\$ 2.44	\$ 2.24	\$ 1.99		
May 1, 2010	\$ 2.97	\$ 2.44	\$ 2.65	\$ 2.14		
Total Charges:						
Jan - Apr	\$ 1,224,671	\$ 1,013,815	\$ 313,674	\$ 276,676	\$ 1,538,345	\$ 1,290,491
May - Dec	\$ 2,742,949	\$ 2,318,659	\$ 615,796	\$ 551,136	\$ 3,358,746	\$ 2,869,794
2010F	\$ 3,967,620	\$ 3,332,474	\$ 929,470	\$ 827,811	\$ 4,897,090	\$ 4,160,285

On this basis, Whitby Hydro's RTSRs have been revised to factor in the updated transmission costs from HONI. The revised analysis and resulting rates are provided as follows:

**Recalculation of Retail Transmission Rates - Board Staff 2nd Round IR #**

		(A) 2010 Forecast kWh/kW	(B) Approved TLF	Loss Adjusted kWh (A x B)	Approved RSTR Network	Approved RSTR Connection	Fcst Network Revenue	Fcst Connection Revenue
Residential	kWh	350,407,180	1.0601	371,466,652	\$0.0052	\$0.0053	1,931,627	1,968,773
GS<50 kW	kWh	75,150,446	1.0601	79,666,988	\$0.0048	\$0.0048	382,402	382,402
GS>50 kW	kW	966,330	n/a	966,330	\$1.9491	\$1.8879	1,883,474	1,824,334
USL	kWh	2,493,809	1.0601	2,643,687	\$0.0048	\$0.0048	12,690	12,690
Sentinel Lights	kW	120	n/a	120	\$1.4774	\$1.4901	177	179
Street Lights	kW	24,361	n/a	24,361	\$1.4699	\$1.4595	35,808	35,555
							4,246,177	4,223,933

	2010 Projected Revenue	2010 Projected Costs	Revenue to Cost Ratios	Revenue Short/(Over)	Required Rate Incr/(Decr)
Transmission Network	4,246,177	4,897,090	0.87	650,913.20	15.33%
Transmission Connection	4,223,933	4,160,285	1.02	(63,647.40)	-1.51%
	8,470,110	9,057,376	0.94	587,265.80	6.93%

**2010 Proposed Transmission Rates (recalculated)**

	Current Rates	Rev to Cost Adjustment	Adjustment (1.0601- 1.0454)	Total Adjustment	Proposed Rates
<u>Network</u>					
Residential	\$0.0052	15.33%	1.47%	16.80%	\$0.0061
GS< 50 kW	\$0.0048	15.33%	1.47%	16.80%	\$0.0056
GS> 50 kW	\$1.9491	15.33%		15.33%	\$2.2479
USL	\$0.0048	15.33%	1.47%	16.80%	\$0.0056
Sentinel Lighting	\$1.4774	15.33%		15.33%	\$1.7039
Street Lighting	\$1.4699	15.33%		15.33%	\$1.6952
<u>Line and Transformation Connection</u>					
Residential	\$0.0053	-1.51%	1.47%	-0.04%	\$0.0053
GS< 50 kW	\$0.0048	-1.51%	1.47%	-0.04%	\$0.0048
GS> 50 kW	\$1.8879	-1.51%		-1.51%	\$1.8595
USL	\$0.0048	-1.51%	1.47%	-0.04%	\$0.0048
Sentinel Lighting	\$1.4901	-1.51%		-1.51%	\$1.4676
Street Lighting	\$1.4595	-1.51%		-1.51%	\$1.4375

As noted in its response to Board Staff's original IR#30, Whitby Hydro acknowledges that the above changes should be included as an application update (see Board Staff IRR#35). The impact of this update on working capital allowance and revenue requirement is:

Transmission Costs:	+\$631,166
Working Capital Allowance	+\$ 94,675
Revenue Requirement	+\$ 8,557



For modeling purposes, the Ratemaker model uses the load data and the proposed 2010 rates to derive the transmission costs used for the calculation of capital allowance. As such, the transmission costs are slightly different (see chart below) from those forecasted above with the difference being attributed to rounding.

	Forecasted Costs	RateMaker Calculation	Diff
Transmission Network	4,897,090	4,902,788	5,698
Transmission Connection	4,160,285	4,163,171	2,886

### **34. Low Voltage Adder**

Ref: IRR Board staff # 3 and # 23; Rate Order EB-2009-0096, p. 26 of 589

**Please update the four-year average LV cost using the Hydro One Networks' newly-approved Subtransmission Class Rates. Please make the resulting adjustments to the Working Capital Allowance, and make any changes to Whitby Hydro's proposed LV adders.**

### **Response:**

A summary of the approved HONI LV rates that are applicable to Whitby Hydro are provided below.

**Table 8-9: HONI Rates - LV Charges Applicable to Whitby Hydro - updated for May/10 IRs (round 2)**

Component	Charge Determinant per Billing Month	Rate prior to 2009	New Rate	Rate Rider #4	Rate Rider #8	Rate Riders #5c & 5d	Net Rate
Service Charge	\$/Delivery Point	n/a	\$274.12	-\$65.78	\$3.13		\$211.47
Common ST Lines Charge	\$/kW	\$0.63	\$0.630	-\$0.195	\$0.007		\$0.442
Reg Asset 2008 (RAR3a)	\$/kW	n/a	-\$0.01				-\$0.010
Reg Asset Rider #6A	\$/kW	n/a	\$0.005				\$0.005

	<u>Effective</u>	<u>Implementation</u>	<u>Sunset</u>
RAR3a	1-May-08	1-Feb-09	30-Apr-11
Rate Rider#4	1-May-08	1-Feb-09	30-Apr-11
Rate Rider#5	1-May-09	1-Jun-09	30-Apr-10
RAR6A	1-Jan-10	1-May-10	31-Dec-11
RAR#8	1-May-10	1-May-10	31-Dec-11

The LV costs (4 year average) have been updated to include the impact of the approved HONI rates.

**Forecast for 2010 LV Charge (and subsequent IRM term)  
Updated for May/10 end round of IRs**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Service Charge	8,659	12,256	13,158	13,158
Common ST line	159,761	221,647	245,776	245,776
RAR3a	(3,901)	(1,377)	0	0
RAR6A	1,262	1,951	0	0
	<u>165,781</u>	<u>234,476</u>	<u>258,934</u>	<u>258,934</u>

4 year average

229,531

It should be noted that the allocation of the LV revenue by customer class was prorated using the Transmission Connection revenue as the basis. This methodology was noted in the application (Exhibit 8, page 392). While the differences are not material, two versions of updated LV rate adders have been provided:

- Version 1: uses an allocation of LV revenue based on the originally proposed class share (as per Exhibit 8, Table 8-10)
- Version 2: uses the revised class share which was developed from Transmission Connection Revenues which were re-calculated using updated transmission connection data as per IRR#33.

**VERSION 1**

**Table 8-11: Updated Calculation of 2010 LV Recovery Rates (based on revised LV Cost Forecast (as per 2nd round Board Staff IR #34))**

<b>Customer Class Name</b>	<b>LV Charges Allocated</b>	<b>Forecast Volumes (kW or kWh)</b>	<b>LV Recovery Rate</b>
Residential	107,407	350,407,180	0.0003
General Service Less Than 50 kW	20,777	75,150,446	0.0003
General Service 50 to 4,999 kW	98,724	966,330	0.1022
Unmetered Scattered Load	689	2,493,809	0.0003
Sentinel Lighting	10	120	0.0806
Street Lighting	1,924	24,361	0.0790
<b>TOTAL</b>	<b>229,531</b>		

**VERSION 2**

**Table 8-11: Updated Calculation of 2010 LV Recovery Rates (based on revised LV Cost Forecast (as per 2nd round Board Staff IR #34))**

Customer Class Name	LV Charges Allocated	Forecast Volumes (kW or kWh)	LV Recovery Rate
Residential	107,041	350,407,180	0.0003
General Service Less Than 50 kW	20,791	75,150,446	0.0003
General Service 50 to 4,999 kW	99,069	966,330	0.1025
Unmetered Scattered Load	690	2,493,809	0.0003
Sentinel Lighting	10	120	0.0809
Street Lighting	1,931	24,361	0.0793
<b>TOTAL</b>	<b>229,531</b>		

As noted in its response to Board Staff's original IR#30, Whitby Hydro acknowledges that the above changes should be included as an application update (see Board Staff IRR#35). The impact of this update on working capital allowance and revenue requirement is:

LV Costs:	+\$25,941
Working Capital Allowance	+\$ 3,891
Revenue Requirement	+\$ 351

**35. Service Revenue Requirement**

Ref: IRR Board staff # 30 and VECC # 40

The response provided an update of the revenue requirement that was consistent with responses to interrogatories as well as more recent information.

Upon completion of responses to all supplemental interrogatories, please provide any further adjustments to ensure consistency with the responses, so that the combined response will show all adjustments that Whitby Hydro would now propose to make relative to the original application.

**Response:**

Whitby Hydro identified several updates that it proposed to make to the original application in Board Staff's IRR#30. The following items were identified:

- Cost of Capital Parameters
- Commodity Cost of Power
- Secondary Services
- Transmission and Low Voltage Costs

The specific impacts of the updates were provided for all items identified with the exception of the Transmission and Low Voltage Costs which were identified as a placeholder until HONI received final approvals for their transmission and LV rates. The impact of the recently approved HONI rates has been provided in IRR# 33 and 34.

Updated Revenue Requirement Control Logs (part 1 & 2) and a Revenue Requirement Work Form have been provided which include the updates identified in Board Staff IRR #30 and incorporate the recently approved HONI transmission and LV rates. Part 1 of the Revenue Requirement Control Log (Individual Changes) lists all of the updates and each of their individual impacts separately to the components affecting rate base and service revenue requirement. Those items identified as "round 1" tie back to the control log provided in Board Staff IRR #30. The transmission and LV updates are identified as "round 2".

**REVENUE REQUIREMENT CONTROL LOG: PART 1 (INDIVIDUAL CHANGES)**

5/21/2010

Change	Average Net Fixed Assets (A)	Expenses For Working Capital (B)	Working Capital Allowance (C)	Rate Base A+C	Debt Interest (D)	Equity (E)	OMA (F)	Depreciation (G)	PILS (H)	Service Revenue Requirement D+E+F+G+H
<b><u>Commodity-Round 1</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		7,238,968	1,085,845	1,085,845	46,913	34,790			16,445	98,148
	64,117,056	85,121,505	12,768,226	76,885,282	3,321,752	2,463,404	8,919,421	4,929,391	1,211,370	20,845,338
<b><u>Secondary Services- Round 1</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact	199,591			199,591	8,623	6,395		-9,283	3,022	8,757
	64,316,647	77,882,537	11,682,381	75,999,028	3,283,462	2,435,009	8,919,421	4,920,108	1,197,947	20,755,947
<b><u>Cost of Capital- Round 1</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact					-379,807	557,884			250,643	428,720
	64,117,056	77,882,537	11,682,381	75,799,437	2,895,032	2,986,498	8,919,421	4,929,391	1,445,568	21,175,910
<b><u>Transmission Costs-Round 2</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		631,166	94,675	94,675	4,091	3,033			1,433	8,557
	64,117,056	78,513,703	11,777,056	75,894,112	3,278,930	2,431,647	8,919,421	4,929,391	1,196,358	20,755,747
<b><u>LV Updates-Round 2</u></b>										
Initial Request	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
Impact		25,941	3,891	3,891	168	125			58	351
	64,117,056	77,908,478	11,686,272	75,803,328	3,275,007	2,428,739	8,919,421	4,929,391	1,194,983	20,747,541
<b>Total Changes</b>										
	199,591	7,896,075	1,184,411	1,384,002	-320,012	602,227	0	-9,283	271,601	544,533

Part 2 of the Revenue Requirement Control Log (Total Impact), similarly lists the five updates identified by Whitby Hydro, but calculates the impacts of each to rate base, OMA and depreciation. The cumulative changes to rate base are then applied against the updated cost of capital parameters to arrive at a total impact of all updates to the Service Revenue Requirement.

<b>REVENUE REQUIREMENT CONTROL LOG: PART 2 (TOTAL IMPACT)</b>										
	<b>Average Net Fixed Assets (A)</b>	<b>Expenses For Working Capital (B)</b>	<b>Working Capital Allowance (C)</b>	<b>Rate Base A+C</b>	<b>Debt Interest (D)</b>	<b>Equity (E)</b>	<b>OMA (F)</b>	<b>Depreciation (G)</b>	<b>PILS (H)</b>	<b>Service Revenue Requirement D+E+F+G+H</b>
<b>Initial Request</b>	64,117,056	77,882,537	11,682,381	75,799,437	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
<b>Change</b>										
<b>Commodity-Round 1</b>		7,238,968	1,085,845	1,085,845						0
	64,117,056	85,121,505	12,768,226	76,885,282	3,274,839	2,428,614	8,919,421	4,929,391	1,194,925	20,747,190
<b>Secondary Services-Round 1</b>	199,591			199,591				-9,283		-9,283
	64,316,647	85,121,505	12,768,226	77,084,873	3,274,839	2,428,614	8,919,421	4,920,108	1,194,925	20,737,907
<b>Transmission Costs-Round 2</b>		631,166	94,675	94,675						0
	64,316,647	86,409,778	12,961,467	77,278,114	3,274,839	3,041,028	8,919,421	4,920,108	1,471,105	21,299,553
<b>LV Updates-Round 2</b>		25,941	3,891	3,891						0
	64,316,647	86,435,719	12,965,358	77,282,005	3,274,839	3,041,028	8,919,421	4,920,108	1,471,105	21,299,553
<b>Total Changes (pre cost of capital)</b>	199,591	7,896,075	1,184,411	1,384,002				-9,283		-9,283
<b>Cost of Capital- Round 1 parameters</b>					-326,948	612,414			276,180	561,646
<b>Total Impact</b>	<b>64,316,647</b>	<b>85,778,612</b>	<b>12,866,792</b>	<b>77,183,439</b>	<b>2,947,891</b>	<b>3,041,028</b>	<b>8,919,421</b>	<b>4,920,108</b>	<b>1,471,105</b>	<b>21,299,553</b>

Rate Base Column: Initial Requested Rate Base	75,799,437
+ Total Changes (part 1)	1,384,002
= Total Impact (part 2)	<u>77,183,439</u>



# REVENUE REQUIREMENT WORK FORM

Name of LDC: Whitby Hydro Electric Corporation

File Number: EB-2009-0274

Rate Year: 2010

Line No.	Particulars	Revenue Requirement	
		Application	Per Board Decision
1	OM&A Expenses	\$8,919,421	\$8,919,421
2	Amortization/Depreciation	\$4,929,391	\$4,920,108
3	Property Taxes	\$ -	\$ -
4	Capital Taxes	\$45,600	\$46,638
5	Income Taxes (Grossed up)	\$1,149,325	\$1,424,467
6	Other Expenses	\$ -	\$ -
7	Return		
	Deemed Interest Expense	\$3,274,839	\$2,947,892
	Return on Deemed Equity	\$2,428,614	\$3,041,028
8	Distribution Revenue Requirement before Revenues	\$20,747,189	\$21,299,553
9	Distribution revenue	\$19,856,446	\$20,408,810
10	Other revenue	\$890,743	\$890,743
11	Total revenue	\$20,747,189	\$21,299,553
12	Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)	(\$0) (1)	\$0 (1)

## Notes

(1) Line 11 - Line 8

Reflects updates as of May 21, 2010 (per Board Staff IRR #30, #35) - See note on Sheet A. Data Input Sheet for a summary.

**36. Foregone Revenue Rate Rider**

Ref: IRR VECC # 1

**Whitby Hydro has confirmed that it is seeking an effective date of May 1, 2010, and in its response has included the assumption that the implementation date might be July 1, 2010. Using an alternative assumption that the implementation date would be August 1, please calculate the revenue that would be foregone between May 1 and August 1, 2010, and provide a calculation of rate riders that would recover the revenue over the period to April 30, 2011.**

**Response:**

Whitby Hydro has calculated the foregone revenue (assuming an implementation date of August 1, 2010) as follows:

***Foregone Revenue Impacts:***

Fixed Distribution Revenue	123,961	
Volumetric Distribution Revenue	373,898	497,859
Regulatory Asset Recovery		(354,477)
LRAM Recovery		47,497
		<u>190,878</u>

For the purpose of this exercise, Whitby Hydro has excluded any amount of foregone revenue associated with the LV cost recovery by removing the LV rate adder (as outlined in Exhibit 8, Table 8-12) from the proposed Distribution Volumetric Rate Riders for each customer class. LV costs are “pass through” costs and any differences between revenue recovery and costs are recorded in a variance account which will be disposed of at a future date. In addition, as LV costs for the test year have been developed using a 4 year average, this normalization for forecasting does not lend itself to matching 2010 LV revenue recovery against the actual costs incurred during the test year.

Similarly, Whitby Hydro has not included any calculations for foregone revenue associated with the Smart Meter Funding Adder. Smart Meter variance accounts are used to track differences between revenue recoveries and costs, and since the purpose of this funding adder is strictly to provide advance funding to mitigate the impact of smart meter costs, there will be an opportunity to recover appropriate costs at a later date when Whitby Hydro applies for a disposition rider.

Conversely, Whitby Hydro has prepared calculations for foregone revenue (and the associated rate riders) for both Regulatory Assets and LRAM recoveries. The intent of the Regulatory Asset Rate Rider (RARR) is to attempt to recover the balances already incurred (in Whitby Hydro’s case this is actually a credit back to the customers for over-recoveries). It seems appropriate to calculate a



foregone RARR to ensure that regulatory asset balances are more likely to be cleared as intended. The LRAM rate rider represents revenue for which Whitby Hydro has already lost due to its CDM efforts. In order to ensure that the intent of the LRAM mechanism is preserved, a foregone revenue rate rider for LRAM is appropriate.

All calculations assume an even proration of 3 months (May – July) or 3/12<sup>th</sup> of the load forecast for 2010 and use the differential in the originally proposed 2010 rates as compared to the currently approved 2009 rates to derive the foregone revenue for the items noted. The calculations and underlying assumptions for all of the amounts identified as well as the resulting foregone revenue rate riders are provided as follows:

**Distribution Fixed Rates**

Customer Class	per	2009 Approved			2010 Proposed		Diff	
		Service Charge (MSC)	SM rate adder	MSC excl SM rate adder	MSC excl SM rate adder	SM rate adder	MSC excl SM funding adder	SM funding adder
Residential	customer	17.71	1.00	16.71	17.62	2.13	0.91	1.13
GS<50 kW	customer	19.51	1.00	18.51	20.44	2.13	1.93	1.13
GS>50 kW	customer	192.34	1.00	191.34	191.34	2.13	0.00	1.13
USL	connection	9.97		9.97	9.59		(0.38)	0.00
Sentinel Lights	light	2.87		2.87	4.19		1.32	0.00
Streetlights	light	1.04		1.04	1.40		0.36	0.00
<b>Total</b>								

**Foregone Revenue Rate Rider - Fixed Distribution (excl SM funding adder)**

Customer Class	per	2010 Load Forecast	# Months (May-Jul)	2010-2009 Rate Diff	Foregone Revenue \$ (MSC)	Foregone Revenue Rate Rider (MSC)
Residential	customer	36,927	3	0.91	100,811	0.30
GS<50 kW	customer	1,909	3	1.93	11,053	0.64
GS>50 kW	customer	435	3	0.00	0	0.00
USL	connection	391	3	(0.38)	(446)	-0.13
Sentinel Lights	light	37	3	1.32	147	0.44
Streetlights	light	11,478	3	0.36	12,396	0.12
<b>Total</b>					<b>123,961</b>	

**Assumptions:**

- 1) 2010 rate implementation date of August 1, 2010
- 2) Foregone revenue rate rider calculated over a nine month period (Aug. 1, 2010 - April 30, 2011).

**Distribution Volumetric Rates**

Customer Class	per	2009 Approved			2010 Proposed			Diff
		Distribution	LV rate adder	Distribution excl LV rate adder	Distribution	LV rate adder	Distribution excl LV rate adder	Distribution excl LV rate adder
Residential	kWh	0.0137	0.0006	0.0131	0.0148	0.0003	0.0145	0.0014
GS<50 kW	kWh	0.0181	0.0006	0.0175	0.0200	0.0002	0.0198	0.0023
GS>50 kW	kW	3.3729	0.2297	3.1432	4.0566	0.0906	3.9660	0.8228
USL	kWh	0.0325	0.0006	0.0319	0.0312	0.0002	0.0310	(0.0009)
Sentinel Lights	kW	7.7629	0.2080	7.5549	11.3413	0.0715	11.2698	3.7149
Streetlights	kW	4.1309	0.1820	3.9489	5.6149	0.0701	5.5448	1.5959
<b>Total</b>								

**Foregone Revenue Rate Rider - Volumetric Distribution (excl LV rate adder)**

Customer Class	per	2010 Load Forecast	Factor	2010-2009 Rate Diff	Foregone Revenue \$ (Vol)	Foregone Revenue Rate Rider (Vol)
Residential	customer	350,407,180	0.25	0.0014	122,643	0.0005
GS<50 kW	customer	75,150,446	0.25	0.0023	43,212	0.0008
GS>50 kW	customer	966,330	0.25	0.8228	198,774	0.2743
USL	connection	2,493,809	0.25	(0.0009)	(561)	-0.0003
Sentinel Lights	light	120	0.25	3.7149	111	1.2383
Streetlights	light	24,361	0.25	1.5959	9,719	0.5320
<b>Total</b>					<b>373,898</b>	

**Assumptions:**

- 1) 2010 rate implementation date of August 1, 2010
- 2) Factor - assumes even proration of 3/12 of annual load for May - Jul time period
- 3) Foregone revenue rate rider calculated over a nine month period (Aug. 1, 2010 - April 30, 2011).

**Regulatory Asset Rates**

Customer Class	per	2009 Approved	2010 Proposed	Diff
Residential	kWh	0.0000	(0.0017)	(0.0017)
GS<50 kW	kWh	0.0000	(0.0018)	(0.0018)
GS>50 kW	kW	0.0000	(0.6875)	(0.6875)
USL	kWh	0.0000	(0.0018)	(0.0018)
Sentinel Lights	kW	0.0000	(0.4912)	(0.4912)
Streetlights	kW	0.0000	(0.7408)	(0.7408)
<b>Total</b>				

**Foregone Revenue Rate Rider - Regulatory Asset Rate Rider**

Customer Class	per	2010 Load Forecast	Factor	2010-2009 Rate Diff	Foregone Revenue \$	Foregone Revenue Rate Rider (Reg Assets)
Residential	kWh	350,407,180	0.25	(0.0017)	(148,923)	-0.0006
GS<50 kW	kWh	75,150,446	0.25	(0.0018)	(33,818)	-0.0006
GS>50 kW	kW	966,330	0.25	(0.6875)	(166,088)	-0.2292
USL	kWh	2,493,809	0.25	(0.0018)	(1,122)	-0.0006
Sentinel Lights	kW	120	0.25	(0.4912)	(15)	-0.1637
Streetlights	kW	24,361	0.25	(0.7408)	(4,512)	-0.2469
<b>Total</b>					<b>(354,477)</b>	

**Assumptions:**

- 1) 2010 rate implementation date of August 1, 2010
- 2) Factor - assumes even proration of 3/12 of annual load for May - Jul time period
- 3) Foregone revenue rate rider calculated over a nine month period (Aug. 1, 2010 - April 30, 2011).

**LRAM Rate Rider**

Customer Class	per	2009 Approved	2010 Proposed	Diff
Residential	kWh	0.0000	0.0005	0.0005
GS<50 kW	kWh	0.0000	0.0000	0.0000
GS>50 kW	kW	0.0000	0.0153	0.0153
USL	kWh	0.0000	0.0000	0.0000
Sentinel Lights	kW	0.0000	0.0000	0.0000
Streetlights	kW	0.0000	0.0000	0.0000
<b>Total</b>				

**Foregone Revenue - LRAM**

Customer Class	per	2010 Load Forecast	Factor	2010-2009 Rate Diff	Foregone Revenue \$	Foregone Revenue Rate Rider (LRAM)
Residential	kWh	350,407,180	0.25	0.0005	43,801	0.0002
GS<50 kW	kWh	75,150,446	0.25	0.0000	0	0.0000
GS>50 kW	kW	966,330	0.25	0.0153	3,696	0.0051
USL	kWh	2,493,809	0.25	0.0000	0	0.0000
Sentinel Lights	kW	120	0.25	0.0000	0	0.0000
Streetlights	kW	24,361	0.25	0.0000	0	0.0000
<b>Total</b>					<b>47,497</b>	

**Assumptions:**

- 1) 2010 rate implementation date of August 1, 2010
- 2) Factor - assumes even proration of 3/12 of annual load for May - Jul time period
- 3) Foregone revenue rate rider calculated over a nine month period (Aug. 1, 2010 - April 30, 2011).