Niagara-on-the-Lake Hydro Inc. – 2008 Retail Transmission Rates
EB-2007-0813
Manager's Summary

1. PURPOSE

This application is in response to the letter of October 29, 2007 to all Electricity Distributors directing us to propose adjustments to our retail transmission rates (RTR) and disposition of our associated variance account balances in our IRM applications. As Niagara-on-the-Lake (NOTL) Hydro Inc.'s IRM application had already been submitted on that date, we are submitting this application separately under the same Board File Number EB-2007-0813.

This application proposes the necessary RTR adjustments effective May 1, 2008, resulting in what we have termed "proposed base rates". In addition, a **one-year rate rider** (1 May, 2008 to Apr 30, 2009) is proposed to dispose of our associated variance account balances prior to our self-nominated rate re-basing date of May 1, 2009.

2. PROPOSED ADJUSTMENT TO RETAIL TRANSMISSION RATES

a) Approach

The approach taken is based on the approach in Sheet 8-6 of the 2006 EDR model. This is reflected in Sheets "4 NW Rate Adjustment" and "8 CN Rate Adjustment" in our enclosed RTR model. The annual costs to NOTL Hydro at the new IESO rates going forward are compared to the NOTL Hydro revenue at our current RTR rates, and the % reductions to RTR rates needed to bring revenues and costs in line are calculated. The estimates of these annual costs and revenue are done in Sheets "2 NW Base Rate" and "6 CN Base Rate". The assumed annual volumes are based on the recent 12 months from Oct 2006 to Sep 2007.

In the case of connection charges, an additional Hydro One bypass cost is included. This cost to NOTL Hydro (since July 2003 and continuing) is currently under OEB review.

b) Result

The proposed base rates reflect a 12.68% reduction for network rates and a 19.62% reduction for connection rates. The specific proposed base rates are shown in the "RTR-Network" and "RTR-Connection" areas of Sheet "1 SUMMARY".

3. PROPOSED DISPOSITION OF ASSOCIATED VARIANCE ACCOUNT BALANCES

Account 1584 - Network

a) Approach

Sheet 8-6 of the 2006 EDR model is also used as the basis for the method of calculating the one-year rate rider as the % change to the revenue resulting from the proposed new base rate, needed to remove the variance account 1584 balance. This approach is reflected in Sheet "4 NW Rate Adjustment".

The variance balance to be removed is the balance generated since the EDR regulatory asset approval, i.e. Jan 1, 2005 to the present (as of Sep 30, 2007, as reported in the Q3 RRR) plus the forecast additional balance up to Apr 30, 2008. The details behind the balance amount are provided in Sheet "5 NW Reconciliation" with further details in Sheet "3 NW Rate Rider". The assumed volumes from present to Apr 2008 are based on the prior year volumes for the same months.

b) Result

The proposed rate riders reflect a 6.68% increase to the proposed network base rates. The specific proposed rate riders are shown in the "1584 Network" area of Sheet "1 SUMMARY".

Account 1586 - Connection

c) Approach

The method is the same for Account 1586 as for Account 1584. Please refer to Sheets "7 CN Rate Rider ", "8 CN Rate Adjustment", and "9 CN Reconciliation".

For connection, the Hydro One bypass cost is included. Also, the debits authorized by the OEB to Account 1586, related to revenue credited to Account 4090 from NOTL Hydro's owned transformer stations, are included for the period up to Apr 30, 2006. These stations were included in the rate base from May 1, 2006 as a result of EDR.

d) Result

The proposed rate riders reflect a 113.76% reduction in the proposed network base rates. The specific proposed rate riders are shown in the "1586 Network" area of Sheet "1 SUMMARY".

4. 2008 RATE TARIFF – IRM updated to include Proposed RTR Changes

The 2008 Rate Tariff submitted with NOTL Hydro's 2008 IRM has been updated to reflect the RTR changes – see Sheet "10 Tariff 2008". These rates are the sum of the proposed base rates and rate riders for the year May 2008 to Apr 2009. The "1584 Network" and "1586 Connection" areas of Sheet "1 SUMMARY" also show the combined rates, as well as their components.

5. BILL IMPACTS– IRM updated to include Proposed RTR Changes

Sheet "11 Bill Imp May07 vs. May 08" is an update of the corresponding Sheet in the IRM model to reflect the proposed new RTR rates.

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