



January 16, 2008

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
TORONTO, ON M4P 1E4

Re: Kenora Hydro Electric Corporation Ltd

Dear Sirs:

Enclosed please find one CD containing a single PDF file of the Manager's Summary and supporting calculations, and 2 paper copies of the same, as requested.

Should you require anything further, please contact this office.

Sincerely,

Janice Robertson
Manager of Finance & Regulatory Affairs
Kenora Hydro Electric Corporation Ltd.
Phone (807)467-2014
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NETWORK AND CONNECTION RATES
PROPOSED ADJUSTMENTS
MAY 1, 2008

MANAGER'S SUMMARY
EB-2007-0835

JANUARY 15, 2008

- Janice Robertson
- Manager of Finance
& Regulatory Affairs
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Submission:

Kenora Hydro submits a proposal to adjust customer rates effective May 1, 2008, for customer Network and Connection rates.

This submission contains:

- One CD – containing the electronic filing of the Manager’s Summary and calculations underlying the adjustments to rates.
- Two paper copies of the Manager’s Summary and the summary of the proposed rates.

General Comments:

- As a result of rate setting by the O.E.B. on entry into the deregulated market, Kenora Hydro has been over-collecting from customers on two charge types, Network and Connection charges since 2002. This over-collection has resulted in two variance accounts with credit balances. The Network variance account is minimal, having a balance of \$(15,907) including carrying charges, as at Sept 30, 2007. The Connection variance is significant, having a balance of \$(471,235) including carrying charges, as at Sept 30, 2007.
- Late October, 2007, one of Kenora Hydro’s three primary transformers failed. The system is currently operating at 2/3 of its normal capacity, and Kenora is a winter peaking utility. It has been necessary to acquire and arrange for prompt installation of a replacement transformer before the highest peaking month places extreme demand on the remaining transformers. It is estimated that the purchase and installation of the replacement transformer will be in excess of \$800,000, capitalized late in 2007. This unplanned expenditure, coupled with the required substation re-build, which also began late in 2007, will have an immediate \$1.8 million dollar impact on the utility, with further substation capital expenditures budgeted for \$3.7 million over the next three years.
- The OEB has indicated that rate stability is desirable. If the May 1, 2008 rates were set to include repayment to customers to eliminate the variance accounts, a material swing in rates will occur, with a potential 60% decrease in residential rates (\$484,000 total reduction in cash flow to Kenora Hydro – Schedule 4). The next rate filing will include the significant substation capital expenditures, resulting in another large rate swing, with an estimated increase in rates by as much as 17.5% (using 2006 RAM as an estimator).



- Projecting forward, taking into account the known change in these two charge types from the I.E.S.O. effective November 1, 2007, and assuming no growth or significant changes to Kenora Hydro customer base, the following rates are proposed:

Network Rates

As at May 1, 2007 and Proposed May 1, 2008, decrease of 13.0%

| | <u>Current Rate</u> | <u>Proposed Rate</u> |
|-------------------------|---------------------|----------------------|
| Residential | 0.0049/kwh | 0.0043/kwh |
| Gen Service Under 50 kw | 0.0044/kwh | 0.0038/kwh |
| Gen Service Over 50 kw | 1.8149/kw | 1.5790/kw |
| Streetlight | 1.3687/kw | 1.1910/kw |

Connection Rates

As at May 1, 2007 and Proposed May 1, 2008, decrease of 27.5%

| | <u>Current Rate</u> | <u>Proposed Rate</u> |
|-------------------------|---------------------|----------------------|
| Residential | 0.0017/kwh | 0.0012/kwh |
| Gen Service Under 50 kw | 0.0015/kwh | 0.0010/kwh |
| Gen Service Over 50 kw | 0.5930/kw | 0.4299/kw |
| Streetlight | 0.4584/kw | 0.3323/kw |

- The proposed rates for the Network and Connection charges will eliminate the growth in the two variance accounts, stabilizing the revenue collected to more closely match the new IESO charges for these two line items (Schedules 1, 2 and 3).



Recommendation:

Kenora Hydro recommends a decrease of 13.0% in rates for the Network rate, and a 27.5% reduction in rates for the Connection charge. These proposed rates will equalize the collections from customers and the charges from the I.E.S.O. on an annual basis. The disposition of the variance accounts and accumulated carrying charges will be deferred to future rate filings to reduce the impact on rates given the unusual capital expenditures required for the substation rebuild in 2007, 2008 and 2009.

Respectfully Submitted

Janice Robertson
Manager of Finance & Regulatory Affairs
Kenora Hydro

**Kenora Hydro
Network and Connection Rates
Impact on Variance Accounts**

Schedule 1

Network Account

Expense from IESO will be reduced 18.37%

With the decrease in expense projected, the annual amounts will be:

| 2008 | | Reduce By Eff May 1, 2008 | Projected Annual |
|--|------------|--------------------------------------|-----------------------------|
| Annual Revenue with rates as at May 1, 2007 | 531,937.00 | 13.0% | 495,526.00 |
| Annual Expense with projected decrease Nov 1, 2007 | 462,707.00 | | 462,707.00 |
| Potential Change in Variance Account in 2008 | | | <u>32,819.00</u> |
| | | | |
| 2009 | | | Projected Annual |
| Annual Revenue with decrease effective May 1, 2008 | | | 462,785.00 |
| Annual Expense with projected decrease Nov 1, 2007 | | | 462,707.00 |
| Potential Change in Variance Account in 2009 | | | <u>78.00</u> |

With a 13% reduction in rates effective May 1, 2008, there will be little change in the variance annually by the end of 2009.

Connection Account

Expense from IESO will be reduced 28.05%

Monthly variance changes are minimal, rate was re-set in May 1, 2006 rate filing to correct for majority of growth in variance account.

With the decrease in IESO expense projected, the annual amounts will be:

| 2008 | | Reduce By Eff May 1, 2008 | Projected Annual |
|--|------------|--------------------------------------|-----------------------------|
| Annual Revenue with rates as at May 1, 2007 | 179,847.00 | 27.5% | 153,851.00 |
| Annual Expense with projected decrease Nov 1, 2007 | 130,131.00 | | 130,131.00 |
| Potential Change in Variance Account in 2008 | | | <u>23,720.00</u> |
| | | | |
| 2009 | | | Projected Annual |
| Annual Revenue with decrease effective May 1, 2008 | | | 130,389.00 |
| Annual Expense with projected decrease Nov 1, 2007 | | | 130,131.00 |
| Potential Change in Variance Account in 2009 | | | <u>258.00</u> |

With a 27.5% reduction in rates effective May 1, 2008, there will be little change in the variance by end of 2009.

KENORA HYDRO
Network Rates - Stop Growth in Variance

Schedule 2

| | | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
|--|--------------|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Network Expense | IESO Invoice | 2006 | 50,433.43 | 49,621.22 | 47,382.69 | 36,693.78 | 41,434.03 | 41,303.85 | 45,240.38 | 45,616.77 | 37,740.88 | 47,362.88 | 48,350.55 | 55,199.15 |
| | | 2007 | 54,403.92 | 53,993.57 | 49,581.60 | 38,918.16 | 38,756.85 | 43,607.47 | 55,776.47 | 42,868.84 | 38,015.39 | 47,362.88 | 48,350.55 | 55,199.15 |
| Network Revenue | | 2006 | | | | | | | | | | | | |
| | | May 1/06 | | | | | | | | | | | | |
| | RK | | 30,738.94 | 22,585.78 | 26,837.62 | 14,206.98 | 18,200.62 | 16,412.75 | 12,494.49 | 19,341.89 | 12,633.01 | 13,822.51 | 15,676.86 | 12,992.07 |
| | UK | | 16,938.90 | 14,293.84 | 14,209.62 | 9,886.35 | 11,144.02 | 10,088.39 | 9,459.53 | 11,484.54 | 9,832.50 | 9,481.65 | 10,112.93 | 7,570.33 |
| | GK | | 18,410.28 | 17,360.66 | 19,892.18 | 16,141.68 | 16,524.63 | 14,705.28 | 13,200.66 | 21,195.19 | 14,203.80 | 16,096.58 | 12,298.65 | 14,393.71 |
| | ST | | 0.00 | 1,411.38 | 705.69 | 705.69 | 0.00 | 705.69 | 603.60 | 603.60 | 1,207.20 | 603.60 | 0.00 | 603.60 |
| | | | 66,088.12 | 55,651.66 | 61,645.11 | 40,940.70 | 45,869.27 | 41,912.11 | 35,758.28 | 52,625.22 | 37,676.51 | 40,004.34 | 38,088.44 | 35,559.71 |
| | | 2007 | | | | | | | | | | | | |
| | | May 1/07 | | | | | | | | | | | | |
| | RK | | 24,464.44 | 20,185.99 | 24,295.91 | 14,425.62 | 17,596.56 | 12,952.37 | 16,247.97 | 14,869.51 | 13,455.50 | 15,056.08 | 15,676.86 | 12,992.07 |
| | UK | | 13,743.92 | 11,276.25 | 11,893.17 | 10,279.55 | 12,504.88 | 9,314.03 | 10,375.52 | 9,817.54 | 8,357.63 | 8,837.78 | 8,837.78 | 7,570.33 |
| | GK | | 18,369.69 | 16,335.63 | 17,266.56 | 15,785.44 | 20,414.21 | 14,666.69 | 18,486.65 | 17,854.39 | 17,867.78 | 15,256.20 | 12,298.65 | 14,393.71 |
| | ST | | 603.60 | 603.60 | 603.60 | 1,207.20 | 0.00 | 603.60 | 603.60 | 603.60 | 603.60 | 603.60 | 0.00 | 603.60 |
| | | | 57,181.65 | 48,401.47 | 54,059.24 | 41,697.81 | 50,515.65 | 37,536.69 | 45,713.74 | 43,145.04 | 40,284.51 | 39,753.66 | 38,088.44 | 35,559.71 |
| | | 2007 | | | | | | | | | | | | |
| | | Change in RSVA | | | | | | | | | | | | |
| | | Jan 1, 2007 | (2,777.73) | 5,592.10 | (4,477.64) | (2,779.65) | (11,758.80) | 6,070.78 | 10,062.73 | (276.20) | (2,269.12) | 7,609.22 | 10,262.11 | 19,639.44 |
| | | RSVA Balance | (16,869.29) | (11,277.19) | (15,754.83) | (18,534.48) | (30,293.28) | (24,222.50) | (14,159.77) | (14,435.97) | (16,705.09) | (9,095.87) | 1,166.24 | 20,805.68 |
| | | 1407.73 | 1353.83 | 1289.31 | 1246.18 | 1185.92 | 1115.03 | 999.16 | 906.51 | 852.35 | 797.13 | 733.65 | 699.09 | 703.52 |
| | | | (15,515.46) | (9,987.88) | (14,508.65) | (17,348.56) | (29,178.25) | (23,223.34) | (13,253.26) | (13,583.62) | (15,907.96) | (8,362.22) | 1,865.32 | 21,509.20 |
| Project Balances to May 1, 2008 | | 2008 | | | | | | | | | | | | |
| Without Rate Change | | | | | | | | | | | | | | |
| | RK | | 24,464.44 | 20,185.99 | 24,295.91 | 14,425.62 | 17,596.56 | 12,952.37 | 16,247.97 | 14,869.51 | 13,455.50 | 15,056.08 | 15,676.86 | 12,992.07 |
| | UK | | 13,743.92 | 11,276.25 | 11,893.17 | 10,279.55 | 12,504.88 | 9,314.03 | 10,375.52 | 9,817.54 | 8,357.63 | 8,837.78 | 8,837.78 | 7,570.33 |
| | GK | | 18,369.69 | 16,335.63 | 17,266.56 | 15,785.44 | 20,414.21 | 14,666.69 | 18,486.65 | 17,854.39 | 17,867.78 | 15,256.20 | 12,298.65 | 14,393.71 |
| | ST | | 603.60 | 603.60 | 603.60 | 1,207.20 | 0.00 | 603.60 | 603.60 | 603.60 | 603.60 | 603.60 | 0.00 | 603.60 |
| | | | 57,181.65 | 48,401.47 | 54,059.24 | 41,697.81 | 50,515.65 | 37,536.69 | 45,713.74 | 43,145.04 | 40,284.51 | 39,753.66 | 38,088.44 | 35,559.71 |
| | IESO Invoice | 2008 | 44,409.92 | 44,074.95 | 40,473.46 | 31,768.89 | 31,637.22 | 35,596.78 | 45,530.33 | 34,993.83 | 31,031.96 | 38,662.32 | 39,468.55 | 45,059.07 |
| | | | (decr 18.37%) | | | | | | | | | | | |
| Effective May 1, 2008 | | 2008 | | | | | | | | | | | | |
| Reduce Revenue by | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | |
| 13.00% | | | | | | | | | | | | | | |
| | RK | | 24,464.44 | 20,185.99 | 24,295.91 | 14,425.62 | 17,596.56 | 11,268.56 | 14,135.73 | 12,936.47 | 11,706.29 | 13,098.79 | 13,098.79 | 12,992.07 |
| | UK | | 13,743.92 | 11,276.25 | 11,893.17 | 10,279.55 | 12,504.88 | 8,103.21 | 9,026.70 | 8,541.26 | 7,271.14 | 7,688.87 | 7,688.87 | 7,570.33 |
| | GK | | 18,369.69 | 16,335.63 | 17,266.56 | 15,785.44 | 20,414.21 | 12,760.02 | 16,083.39 | 15,533.32 | 15,544.97 | 13,272.89 | 13,272.89 | 14,393.71 |
| | ST | | 603.60 | 603.60 | 603.60 | 1,207.20 | 0.00 | 525.13 | 525.13 | 525.13 | 525.13 | 525.13 | 525.13 | 603.60 |
| | | | 57,181.65 | 48,401.47 | 54,059.24 | 41,697.81 | 50,515.65 | 32,656.92 | 39,770.95 | 37,536.18 | 35,047.52 | 34,585.68 | 33,136.94 | 30,936.95 |
| | IESO Invoice | 2008 | 44,409.92 | 44,074.95 | 40,473.46 | 31,768.89 | 31,637.22 | 35,596.78 | 45,530.33 | 34,993.83 | 31,031.96 | 38,662.32 | 39,468.55 | 45,059.07 |
| | | | (decr 18.37%) | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2008 | (12,771.73) | (4,326.52) | (13,585.78) | (9,928.92) | (18,878.43) | 2,939.86 | 5,759.38 | (2,542.35) | (4,015.56) | 4,076.63 | 6,331.61 | 14,122.12 |
| RSVA Balance | | 20,805.68 | 8,033.95 | 3,707.43 | (9,878.35) | (19,807.27) | (38,685.71) | (35,745.85) | (29,986.47) | (32,528.82) | (36,544.38) | (32,467.75) | (26,136.13) | (12,014.02) |
| | | 703.52 | 782.58 | 813.11 | 827.20 | 789.66 | 714.39 | 567.39 | 431.55 | 317.60 | 194.00 | 55.13 | (68.25) | (167.57) |
| | | | 8,816.53 | 4,520.54 | (9,051.15) | (19,017.61) | (37,971.31) | (35,178.46) | (29,554.92) | (32,211.21) | (36,350.39) | (32,412.62) | (26,204.39) | (12,181.58) |
| Effective May 1, 2008 | | 2009 | | | | | | | | | | | | |
| Reduce Revenue by | | | | | | | | | | | | | | |
| % | | | | | | | | | | | | | | |
| 13.00% | | | | | | | | | | | | | | |
| | RK | | 21,284.06 | 17,561.81 | 21,137.44 | 12,550.29 | 15,309.01 | 11,268.56 | 14,135.73 | 12,936.47 | 11,706.29 | 13,098.79 | 13,098.79 | 12,992.07 |
| | UK | | 11,957.21 | 9,810.34 | 10,347.06 | 8,943.21 | 10,879.25 | 8,103.21 | 9,026.70 | 8,541.26 | 7,271.14 | 7,688.87 | 7,688.87 | 7,570.33 |
| | GK | | 15,981.63 | 14,212.00 | 15,021.91 | 13,733.33 | 17,760.36 | 12,760.02 | 16,083.39 | 15,533.32 | 15,544.97 | 13,272.89 | 13,272.89 | 14,393.71 |
| | ST | | 525.13 | 525.13 | 525.13 | 1,050.26 | 0.00 | 525.13 | 525.13 | 525.13 | 525.13 | 525.13 | 525.13 | 603.60 |
| | | | 49,748.04 | 42,109.28 | 47,031.54 | 36,277.09 | 43,948.62 | 32,656.92 | 39,770.95 | 37,536.18 | 35,047.52 | 34,585.68 | 33,136.94 | 30,936.95 |
| | IESO Invoice | 2009 | 44,409.92 | 44,074.95 | 40,473.46 | 31,768.89 | 31,637.22 | 35,596.78 | 45,530.33 | 34,993.83 | 31,031.96 | 38,662.32 | 39,468.55 | 45,059.07 |
| | | | (decr 18.37%) | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2009 | (5,338.12) | 1,965.67 | (6,558.08) | (4,508.20) | (12,311.40) | 2,939.86 | 5,759.38 | (2,542.35) | (4,015.56) | 4,076.63 | 6,331.61 | 14,122.12 |
| RSVA Balance | | (12,014.02) | (17,352.13) | (15,386.46) | (21,944.54) | (26,452.75) | (38,764.14) | (35,824.29) | (30,064.91) | (32,607.26) | (36,622.82) | (32,546.19) | (26,214.57) | (12,092.46) |
| | | (167.57) | (213.22) | (279.16) | (337.63) | (421.02) | (521.54) | (668.84) | (804.97) | (919.22) | (1,043.13) | (1,182.29) | (1,305.97) | (1,495.59) |
| | | | (17,565.35) | (15,665.62) | (22,282.17) | (26,873.76) | (39,285.68) | (36,493.13) | (30,869.89) | (33,526.48) | (37,665.95) | (33,728.48) | (27,520.54) | (13,498.04) |

KENORA HYDRO
Connection Rates - Stop Growth in Variance

Schedule 3

| | | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
| Connection | IESO Invoice | 2006 | 15,680.04 | 16,601.72 | 14,308.18 | 12,240.96 | 13,738.28 | 14,080.22 | 15,421.74 | 14,257.34 | 12,864.98 | 13,807.98 | 16,482.00 | 17,057.64 | |
| | | 2007 | 17,040.42 | 17,284.78 | 14,969.92 | 13,452.92 | 12,275.40 | 14,565.66 | 16,674.70 | 14,292.60 | 12,959.28 | 13,807.98 | 11,858.80 | 12,272.97 | |
| Connection Revenue | | | | | | | | | | | | | | | |
| | | 2006 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| May 1/06 | RK | | 26,999.12 | 19,811.99 | 23,541.38 | 12,462.32 | 15,612.64 | 7,911.74 | 4,366.85 | 6,716.61 | 4,383.96 | 4,799.99 | 5,431.71 | 4,512.01 | |
| | UK | | 14,660.10 | 12,370.91 | 12,298.10 | 8,556.64 | 9,479.47 | 4,779.62 | 3,351.18 | 4,008.84 | 3,285.04 | 3,233.56 | 3,448.13 | 2,581.83 | |
| | GK | | 15,555.05 | 14,658.32 | 16,821.81 | 13,627.01 | 13,640.73 | 8,921.30 | 4,313.94 | 7,415.30 | 4,641.01 | 5,259.41 | 4,018.52 | 4,705.30 | |
| | GK = 5930/kw | ST | | 0.00 | 1,219.28 | 609.64 | 609.64 | 0.00 | 609.64 | 212.15 | 202.15 | 404.30 | 202.15 | 0.00 | 202.15 |
| | ST = 4584/kw | | | 57,214.27 | 48,060.50 | 53,270.93 | 35,255.61 | 38,732.84 | 20,222.30 | 12,244.12 | 18,342.70 | 12,714.31 | 13,495.11 | 12,898.36 | 12,001.29 |
| | | 2007 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| May 1/07 | RK | | 8,545.38 | 7,004.99 | 8,431.25 | 5,006.52 | 6,105.34 | 4,493.54 | 5,638.85 | 5,159.88 | 4,669.41 | 5,224.91 | | | |
| | UK | | 4,686.94 | 3,845.56 | 4,055.81 | 3,505.41 | 4,264.44 | 3,176.01 | 3,537.86 | 3,347.53 | 2,850.25 | 3,014.21 | | | |
| | GK | | 6,025.98 | 5,337.48 | 5,642.94 | 5,160.03 | 6,687.29 | 4,792.24 | 6,040.34 | 5,846.02 | 5,845.04 | 4,984.82 | | | |
| | GK = 5930/kw | ST | | 202.15 | 202.15 | 202.15 | 404.30 | 0.00 | 202.15 | 202.15 | 202.15 | 202.15 | | | |
| | ST = 4584/kw | | | 19,460.45 | 16,390.18 | 18,332.15 | 14,076.26 | 17,057.07 | 12,663.94 | 15,419.20 | 14,555.58 | 13,566.85 | 13,426.09 | 12,898.36 | 12,001.29 |
| Change in RSVA | | Jan 1, 2007 | (2,420.03) | 894.60 | (3,362.23) | (623.34) | (4,781.67) | 1,901.72 | 1,255.50 | (262.98) | (607.57) | 381.89 | (1,039.56) | 271.68 | |
| RSVA Balance | | (446,877.41) | (449,297.44) | (448,402.84) | (451,765.07) | (452,388.41) | (457,170.08) | (455,268.36) | (454,012.86) | (454,275.84) | (454,883.41) | (454,501.52) | (455,541.08) | (455,269.40) | |
| Carrying Char: | | (868.19) | (2,586.32) | (4,293.65) | (5,997.59) | (7,714.29) | (9,433.37) | (11,170.61) | (12,900.63) | (14,625.88) | (16,352.13) | (18,080.69) | (19,807.79) | (21,538.85) | |
| | | | (451,883.76) | (452,696.49) | (457,762.66) | (460,102.70) | (466,603.45) | (466,438.97) | (466,913.49) | (468,901.72) | (471,235.54) | (472,582.21) | (475,348.88) | (476,808.25) | |
| Project Balances to May 1, 2008 | | 2008 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| | RK | | 8,545.38 | 7,004.99 | 8,431.25 | 5,006.52 | 6,105.34 | 4,493.54 | 5,638.85 | 5,159.88 | 4,669.41 | 5,224.91 | | | |
| | UK | | 4,686.94 | 3,845.56 | 4,055.81 | 3,505.41 | 4,264.44 | 3,176.01 | 3,537.86 | 3,347.53 | 2,850.25 | 3,014.21 | | | |
| | GK | | 6,025.98 | 5,337.48 | 5,642.94 | 5,160.03 | 6,687.29 | 4,792.24 | 6,040.34 | 5,846.02 | 5,845.04 | 4,984.82 | | | |
| | GK = 5930/kw | ST | | 202.15 | 202.15 | 202.15 | 404.30 | 0.00 | 202.15 | 202.15 | 202.15 | 202.15 | | | |
| | ST = 4584/kw | | | 19,460.45 | 16,390.18 | 18,332.15 | 14,076.26 | 17,057.07 | 12,663.94 | 15,419.20 | 14,555.58 | 13,566.85 | 13,426.09 | 12,898.36 | 12,001.29 |
| IESO Invoice | | 2008 | 12,260.58 | 12,436.40 | 10,770.86 | 9,679.38 | 8,832.15 | 10,479.99 | 11,997.45 | 10,283.53 | 9,324.20 | 9,934.84 | 11,858.80 | 12,272.97 | |
| (dec 28.05%) | | | | | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2008 | (7,199.87) | (3,953.78) | (7,561.29) | (4,396.88) | (8,224.92) | (2,183.95) | (3,421.75) | (4,272.05) | (4,242.65) | (3,491.25) | (1,039.56) | 271.68 | |
| RSVA Balance | | (455,269.40) | (462,469.27) | (466,423.05) | (473,984.34) | (478,381.22) | (486,606.14) | (488,790.09) | (492,211.84) | (496,483.90) | (500,726.55) | (504,217.80) | (505,257.36) | (504,985.67) | |
| (21,538.85) | | (23,268.87) | (25,026.26) | (26,798.66) | (28,599.81) | (30,417.65) | (32,266.76) | (34,124.16) | (35,994.56) | (37,881.20) | (39,783.96) | (41,699.99) | (43,619.97) | | |
| | | (476,808.25) | (485,738.14) | (491,449.30) | (500,783.01) | (506,981.03) | (517,023.80) | (521,056.85) | (526,336.00) | (532,478.46) | (538,607.75) | (544,001.76) | (546,957.35) | (548,605.64) | |
| Effective May 1, 2008 | | 2008 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| Reduce Revenue by % | | | | | | | | | | | | | | | |
| 27.50% | | | | | | | | | | | | | | | |
| | RK | | 8,545.38 | 7,004.99 | 8,431.25 | 5,006.52 | 6,105.34 | 3,257.82 | 4,088.17 | 3,740.91 | 3,385.32 | 3,788.06 | | | |
| | UK | | 4,686.94 | 3,845.56 | 4,055.81 | 3,505.41 | 4,264.44 | 2,302.61 | 2,564.95 | 2,426.96 | 2,066.43 | 2,185.30 | | | |
| | GK | | 6,025.98 | 5,337.48 | 5,642.94 | 5,160.03 | 6,687.29 | 3,474.37 | 4,379.25 | 4,238.36 | 4,237.65 | 3,613.99 | | | |
| | GK = 5930/kw | ST | | 202.15 | 202.15 | 202.15 | 404.30 | 0.00 | 146.56 | 146.56 | 146.56 | 146.56 | | | |
| | ST = 4584/kw | | | 19,460.45 | 16,390.18 | 18,332.15 | 14,076.26 | 17,057.07 | 9,181.36 | 11,178.92 | 10,552.80 | 9,835.97 | 9,733.92 | 9,351.31 | 8,700.94 |
| IESO Invoice | | 2008 | 12,260.58 | 12,436.40 | 10,770.86 | 9,679.38 | 8,832.15 | 10,479.99 | 11,997.45 | 10,283.53 | 9,324.20 | 9,934.84 | 11,858.80 | 12,272.97 | |
| (dec 28.05%) | | | | | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2008 | (7,199.87) | (3,953.78) | (7,561.29) | (4,396.88) | (8,224.92) | 1,298.64 | 818.53 | (269.27) | (511.76) | 200.93 | 2,507.49 | 3,572.04 | |
| RSVA Balance | | (455,269.40) | (462,469.27) | (466,423.05) | (473,984.34) | (478,381.22) | (486,606.14) | (485,307.51) | (484,488.98) | (484,758.25) | (485,270.02) | (485,069.09) | (482,561.60) | (478,989.56) | |
| (21,538.85) | | (23,268.87) | (25,026.26) | (26,798.66) | (28,599.81) | (30,417.65) | (32,266.76) | (34,110.93) | (35,951.98) | (37,794.07) | (39,638.09) | (41,481.35) | (43,315.09) | | |
| | | (485,738.14) | (491,449.30) | (500,783.01) | (506,981.03) | (517,023.80) | (517,574.27) | (518,599.91) | (520,710.24) | (523,064.08) | (524,707.18) | (524,042.96) | (522,304.65) | | |
| Effective May 1, 2008 | | 2009 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| Reduce Revenue by % | | | | | | | | | | | | | | | |
| 27.50% | | | | | | | | | | | | | | | |
| | RK | | 6,195.40 | 5,078.62 | 6,112.66 | 3,629.73 | 4,426.37 | 3,257.82 | 4,088.17 | 3,740.91 | 3,385.32 | 3,788.06 | | | |
| | UK | | 3,398.03 | 2,788.03 | 2,940.46 | 2,541.42 | 3,091.72 | 2,302.61 | 2,564.95 | 2,426.96 | 2,066.43 | 2,185.30 | | | |
| | GK | | 4,368.84 | 3,869.67 | 4,091.13 | 3,741.02 | 4,848.29 | 3,474.37 | 4,379.25 | 4,238.36 | 4,237.65 | 3,613.99 | | | |
| | GK = 5930/kw | ST | | 146.56 | 146.56 | 146.56 | 293.12 | 0.00 | 146.56 | 146.56 | 146.56 | 146.56 | | | |
| | ST = 4584/kw | | | 14,108.83 | 11,882.88 | 13,290.81 | 10,205.29 | 12,366.38 | 9,181.36 | 11,178.92 | 10,552.80 | 9,835.97 | 9,733.92 | 9,351.31 | 8,700.94 |
| IESO Invoice | | 2009 | 12,260.58 | 12,436.40 | 10,770.86 | 9,679.38 | 8,832.15 | 10,479.99 | 11,997.45 | 10,283.53 | 9,324.20 | 9,934.84 | 11,858.80 | 12,272.97 | |
| (dec 28.05%) | | | | | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2009 | (1,848.24) | 553.52 | (2,519.95) | (525.91) | (3,534.23) | 1,298.64 | 818.53 | (269.27) | (511.76) | 200.93 | 2,507.49 | 3,572.04 | |
| RSVA Balance | | (478,989.56) | (480,837.81) | (480,284.29) | (482,804.24) | (483,330.15) | (486,864.38) | (485,565.74) | (484,747.22) | (485,016.49) | (485,528.25) | (485,327.32) | (482,819.84) | (479,247.80) | |
| (43,315.09) | | (45,135.25) | (46,962.43) | (48,787.51) | (50,622.17) | (52,458.82) | (54,308.91) | (56,154.06) | (57,996.10) | (59,839.16) | (61,684.17) | (63,528.41) | (65,363.13) | | |
| | | (525,973.06) | (527,246.72) | (531,591.75) | (533,952.32) | (539,323.20) | (539,874.65) | (540,901.27) | (543,012.58) | (545,367.41) | (547,011.49) | (546,348.25) | (544,610.93) | | |
| Effective May 1, 2008 | | 2010 | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct | Nov | Dec | |
| Reduce Revenue by % | | | | | | | | | | | | | | | |
| 27.50% | | | | | | | | | | | | | | | |
| | RK | | 6,195.40 | 5,078.62 | 6,112.66 | 3,629.73 | 4,426.37 | 3,257.82 | 4,088.17 | 3,740.91 | 3,385.32 | 3,788.06 | | | |
| | UK | | 3,398.03 | 2,788.03 | 2,940.46 | 2,541.42 | 3,091.72 | 2,302.61 | 2,564.95 | 2,426.96 | 2,066.43 | 2,185.30 | | | |
| | GK | | 4,368.84 | 3,869.67 | 4,091.13 | 3,741.02 | 4,848.29 | 3,474.37 | 4,379.25 | 4,238.36 | 4,237.65 | 3,613.99 | | | |
| | GK = 5930/kw | ST | | 146.56 | 146.56 | 146.56 | 293.12 | 0.00 | 146.56 | 146.56 | 146.56 | 146.56 | | | |
| | ST = 4584/kw | | | 14,108.83 | 11,882.88 | 13,290.81 | 10,205.29 | 12,366.38 | 9,181.36 | 11,178.92 | 10,552.80 | 9,835.97 | 9,733.92 | 9,351.31 | 8,700.94 |
| IESO Invoice | | 2010 | 12,260.58 | 12,436.40 | 10,770.86 | 9,679.38 | 8,832.15 | 10,479.99 | 11,997.45 | 10,283.53 | 9,324.20 | 9,934.84 | 11,858.80 | 12,272.97 | |
| (dec 28.05%) | | | | | | | | | | | | | | | |
| Change in RSVA | | Jan 1, 2010 | (1,848.24) | 553.52 | (2,519.95) | (525.91) | (3,534.23) | 1,298.64 | 818.53 | (269.27) | (511.76) | 200.93 | 2,507.49 | 3,572.04 | |
| RSVA Balance | | (479,247.80) | (481,096.04) | (480,542.52) | (483,062.48) | (483,588.39) | (487,122.61) | (485,823.98) | (485,005.45) | (485,274.72) | (485,786.49) | (485,595.56) | (483,078.07) | (479,506.03) | |
| (65,363.13) | | (67,184.27) | (69,012.43) | (70,838.49) | (72,674.13) | (74,511.77) | (76,362.83) | (78,208.96) | (80,051.99) | (81,896.03) | (83,742.02) | (85,587.24) | (87,422.94 | | |

A. Reduce Network Revenue to stop growth in variance account

| <u>Network Revenue</u> | | | |
|------------------------|-------------------------------|----------------------------------|-------------------------------------|
| | <u>May-06</u> <u>Rates</u> | <u>13.00%</u> <u>Decrease</u> | <u>Decrease</u> <u>Cash Flow</u> |
| Res | 201,680.00 | 175,461.60 | |
| Gen < 50 | 134,302.00 | 116,842.74 | |
| Gen > 50 | 194,423.00 | 169,148.01 | |
| Streetlight | 7,150.00 | 6,220.50 | |
| | <u>537,555.00</u> | <u>467,672.85</u> | <u>(69,882.15)</u> |

Reduce Connection Revenue to stop growth in variance account

| <u>Connection Revenue</u> | | | |
|---------------------------|-------------------------------|----------------------------------|--------------------|
| | <u>May-06</u> <u>Rates</u> | <u>27.50%</u> <u>Decrease</u> | |
| Res | 92,673.00 | 67,187.93 | |
| Gen < 50 | 82,053.00 | 59,488.43 | |
| Gen > 50 | 111,577.00 | 80,893.33 | |
| Streetlight | 4,261.00 | 3,089.23 | |
| | <u>290,564.00</u> | <u>210,658.90</u> | <u>(79,905.10)</u> |

Total Decrease Cash Flow Due to Revenue Reducior set to stop growth in accounts (149,787.25)

Anticipated Change in IESO Expenses

| <u>Network Expense</u> | | | |
|------------------------|-------------------------------|---|--------------------------------------|
| | <u>2006</u> <u>Expense</u> | <u>18.00%</u> <u>Decrease</u> <u>in Expense</u> | <u>Increased</u> <u>Cash Flow</u> |
| IESO Invoices 2006 | 548,385.00 | 449,675.70 | <u>98,709.30</u> |

| <u>Connection Expense</u> | | | |
|---------------------------|-------------------------------|---|--------------------------------------|
| | <u>2006</u> <u>Expense</u> | <u>28.00%</u> <u>Decrease</u> <u>in Expense</u> | <u>Increased</u> <u>Cash Flow</u> |
| IESO Invoices 2006 | 176,535.00 | 127,105.20 | <u>49,429.80</u> |

Total Increased Cash Flow Due to Expense Reducior 148,139.10

Net Reduction in Cash Flow (1,648.15)

B. Reduce Network Revenue to eliminate variance account balance

| <u>Network Revenue</u> | | | |
|------------------------|-------------------------------|----------------------------------|-------------------------------------|
| | <u>May-06</u> <u>Rates</u> | <u>18.50%</u> <u>Decrease</u> | <u>Decrease</u> <u>Cash Flow</u> |
| Res | 201,680.00 | 164,369.20 | |
| Gen < 50 | 134,302.00 | 109,456.13 | |
| Gen > 50 | 194,423.00 | 158,454.75 | |
| Streetlight | 7,150.00 | 5,827.25 | |
| | <u>537,555.00</u> | <u>438,107.33</u> | <u>(99,447.68)</u> |

Reduce Connection Revenue to eliminate variance account balance

| <u>Connection Revenue</u> | | | |
|---------------------------|-------------------------------|-----------------------------------|---------------------|
| | <u>May-06</u> <u>Rates</u> | <u>183.50%</u> <u>Decrease</u> | |
| Res | 92,673.00 | (77,381.96) | |
| Gen < 50 | 82,053.00 | (68,514.26) | |
| Gen > 50 | 111,577.00 | (93,166.80) | |
| Streetlight | 4,261.00 | (3,557.94) | |
| | <u>290,564.00</u> | <u>(242,620.94)</u> | <u>(533,184.94)</u> |

Total Decrease Cash Flow Due to Revenue Reducior set to eliminate variance accounts (632,632.62)

Anticipated Change in IESO Expenses

| <u>Network Expense</u> | | | |
|------------------------|-------------------------------|---|--------------------------------------|
| | <u>2006</u> <u>Expense</u> | <u>18.00%</u> <u>Decrease</u> <u>in Expense</u> | <u>Increased</u> <u>Cash Flow</u> |
| IESO Invoices 2006 | 548,385.00 | 449,675.70 | <u>98,709.30</u> |

| <u>Connection Expense</u> | | | |
|---------------------------|-------------------------------|---|--------------------------------------|
| | <u>2006</u> <u>Expense</u> | <u>28.00%</u> <u>Decrease</u> <u>in Expense</u> | <u>Increased</u> <u>Cash Flow</u> |
| IESO Invoices 2006 | 176,535.00 | 127,105.20 | <u>49,429.80</u> |

Total Increased Cash Flow Due to Expense Reducior 148,139.10

Net Reduction in Cash Flow (484,493.52)