



**Oakville Hydro Electricity
Distribution Inc.**
861 Redwood Square
Oakville Ontario
L6J 5E3

February 1, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th. Floor
P.O. Box 2319
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: ONTARIO ENERGY BOARD STAFF SUBMISSION
2008 ELECTRICITY DISTRIBUTION RATES – Addendum Retail Transmission
Rates
Oakville Hydro Electricity Distribution Inc.
EB-2007-0834

Please find attached Oakville Hydro's answer for the above proceeding for
distribution to the Board staff and any intervenors.

Yours truly,
Original signed by
Cristina Birceanu
Manager, Regulatory Affairs



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861 Redwood Square
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OAKVILLE HYDRO ELECTRICITY DISTRIBUTION INC.

Re: ONTARIO ENERGY BOARD STAFF SUBMISSION

2008 ELECTRICITY DISTRIBUTION RATES

Oakville Hydro Electricity Distribution Inc.

EB-2007-0834

January 23, 2008

INTRODUCTION

The purpose of this document is to provide the Ontario Energy Board (the “Board”) with OHEDI’s answers after its review of the Board staff submission.

RETAIL TRANSMISSION SERVICE RATES ADJUSTMENT

Background

Oakville Hydro Electricity Distribution Inc. (“OHEDI”) submitted an application on October 26, 2007, seeking approval for changes to the rates that OHEDI charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism.

On October 29, 2007, the Board sent a letter to all Electricity Distributors directing each distributor to propose an adjustment to their retail transmission rates and disposition of the associated variance account balances on its 2008 Cost of Service or Incentive Rate Mechanism application. The Board letter underlined that the objective in resetting the rates is to minimize the prospective variance in these accounts and to ensure that the prospective variance that remains does not have a consistent pattern of increase credits or debits over time.

On October 31, 2007, the Board staff answered to OHEDI’s enquiry MPE 2007-0553 regarding Ontario Uniform Transmission Rate Order EB-2007-0759 (see Appendix A – Copy of the Board Staff email). OHEDI had sought guidance on the Retail Transmission Rates adjustment procedure.

On November 9, 2007, OHEDI filed an addendum to 2008 IRM proposing rate adjustments to dispose of the balances in the variance accounts that have accumulated to a significant level taking into account the effect of the change in the retail transmission rates as the Board directed the distributors on its October 29, 2007 letter.

The proposed adjustments are deemed to minimize the actual outstanding balances of the Retail Settlement Variance Accounts Network and Connection (1584 and 1586), and to reflect the Wholesale Transmission Rates' changes approved by the Board Rate Order dated October 21, 2007.

Specifics:

- ✓ Oakville Hydro is an embedded distributor; its transmission services are provided by IESO and Hydro One.
- ✓ OHEDI didn't apply for retail transmission rate revision in 2006 EDR.

The Board staff submitted an application on January 23, 2008 asking for comments on OHEDI's addendum to the 2008 Electricity Distribution Rates submission EB-2007-0834 – Retail Transmission Service Rates Adjustment.

OHEDI's answers and comments

Board staff request for comments:

"OHEDI is proposing to adjust its current RTR by the cost/revenue ratios using September 30, 2007 account balances for network and connection respectively. The proposed cost/revenue ratio for network is 1.71 while the proposed cost/revenue ratio for connection is 0.60. In deriving their cost/revenue ratio for network, OHEDI combined the September 30, 2007 balances of accounts 4714 (Network Charges) and 1584 (RSVA Network) to establish the costs. The cumulative balances of these accounts were divided by the balance in account 4066 (Network Billed amounts) to determine a cost/revenue ratio. This process was repeated to determine the cost/revenue ratio for connection. The calculated cost/revenue ratios were then applied to the current approved RTR — Network Service Rate and RTR — Line and Transformation Connection Service Rate.

Board staff is unclear about consistency of these calculations since the balances in variance accounts 1584 and 1586 are cumulative while accounts 4714 and 4066 are cleared on an annual basis. Parties are asked to comment on this approach".

OHEDI's comments:

OHEDI is proposing rate riders embedded in the RTR to dispose of the variance account balances as of September 30, 2007.

The calculation of the proposed rate riders (rate increments) is based on the cost-revenue ratio following the same concept used in the Board 2006 EDR Model, which combined the 2004 balance of accounts 4714 (Network Charges) and 1584 (RSVA Network) to establish the costs. The cumulative balances of these accounts were divided by the 2004 balance in account 4066 (Network Billed amounts) to determine a cost/revenue ratio. This process was repeated to determine a cost/revenue ratio.

At the time of the 2006 EDR process, OHEDI's cost/revenue ratio was: (see Exhibit 1 below)

Exhibit 1:

Extract - Approved 2006 EDR model- worksheet 8-6 Retail Transmission Rates

| | Network | Connection |
|--------------------|------------------|-------------------|
| Total 2004 Cost | \$ 15,246,565.18 | \$ 2,597,876.82 |
| | | |
| Total 2004 Revenue | \$ 9,411,785.59 | \$ 8,275,653.14 |
| | | |
| Variance | \$ 5,834,779.59 | \$ (5,677,776.32) |
| | | |
| Cost/Revenue Ratio | 1.62 | 0.31 |

Unfortunately, OHEDI chose to not apply for RTR revision which would have re-set the rates to reflect correctly the costs and the revenue close to ratio of one.

As a part of the 2006 Rates Decision Order, the Board-approved balances for each regulatory/liability account were closed out to account 1590 (Recovery of Regulatory Assets), which made the 1584 and 1586 RSVA balances to drop to a lower amount but the cost-revenue ratio remained almost in the same pattern:

September 2007

| | Network | Connection |
|--------------------|------------------|-------------------|
| Total Cost | \$ 11,601,282.82 | \$ 3,541,387.05 |
| | | |
| Total Revenue | \$ 6,765,043.09 | \$ 5,935,758.72 |
| | | |
| Variance | \$ 4,836,239.73 | \$ (2,394,371.67) |
| | | |
| Cost/Revenue Ratio | 1.71 | 0.60 |

In its addendum to 2008 IRM for RTR adjustments, OHEDI analyzed the historical data in the RSVAs accounts to determine the appropriate rate by customer class that would make the revenue and expense net to as close to zero as possible on an annual basis.

The 2006 EDR model calculation for Transmission Rates revision was the most appropriate to be used in OHEDI's 2008 application for RTR adjustments.

The resulted/adjusted RT Rates (including the wholesale transmission changes from the Board Rate Order dated October 17, 2007 – EB-2007-0759) were modeled on a load forecast per customer class (see addendum to 2008 IRM- Appendix A1 – Forecast October, 2007 to April 30, 2008) which shows much reduced balances as of April 30, 2008:

1584 Network- April, 30, 2008 forecasted ending balance: **\$771,674** (including interest)

1586 Connection- April, 30, 2008 forecasted ending balance: **\$55,445** (including interest)

If the Retail Transmission Rates adjustments are not approved, and if only wholesale TR and Hydro One TR changes are considered, the forecasted April 30, 2008 balances would be:

1584 Network: **\$ 6,217,181**

1586 Connection: **\$ (3,082,945)**

(see Appendix B1 and B2 for detail)

OHEDI agrees with the Board staff's point of view that the distributor must ensure a proper matching of the billed amounts recorded in Account 4066 Billed NW to those charges recorded in Account 4714 Charges NW and similar for Account 4068 Billed CN and Account 4716 Charges CN, on an annual basis.

OHEDI underlines that the method used for the rate increments/adjustments is a calculation method only, used to establish the ratio, and is meant to reduce the variance account balances by re-setting the RT rates to the just amount.

For fairness and consistency, it is our view that OHEDI should use the same methodology used by the majority of LDCs in 2006 EDR process for adjusting retail transmission rates.

Board staff request for comments:

“Usual practice for disposing of variance and deferral accounts in the electricity sector is to use the most up-to-date audited balances, as supported by audited financial statements, plus forecasted carrying charges on those balances up to the start of the new rate year.”

OHEDI's comments:

OHEDI used September 2007 balances as they were reported in 2.1.1 Variance Account Balances RRR filing on October 31, 2007.

Starting from the December 31, 2006 balance (the most up-to-date audited balance), would have had the same impact once the forecast would have been calculated on the actual data (including carrying charges) until September 30, 2007, and on forecasted revenue and costs amounts applying carrying charges on the monthly balance from October 1, 2007 to April 30, 2008.

Board staff request for comments:

"The disposition of deferral and variance account balances is generally dealt with in aggregate rather than clearing discrete accounts. The Board also typically disposes of these accounts through rate riders that are not incorporated into the rate itself. Parties are asked to comment on whether the Board should consider the disposition of deferral and variance account balances should be dealt with in aggregate since some accounts may contain debit balances while others have credit balances. Disposing of all deferral and variance accounts at the same time would minimize fluctuations in amounts refunded to or collected from customers through deferral and variance account disposition."

OHEDI's comments:

Disposing of deferral accounts and variance accounts balances through rate riders that are not incorporated into the rate itself is a correct concept when it addresses to variance accounts that capture in retail rates or settlements the wholesale market rate changes pattern (e.g. 1580 Wholesale Market Settlement).

When the rates are stable and predictable as wholesale transmission rates, OHEDI believes that incorporating rate riders is the most appropriate method of rate change.

Outstanding transmission balances show that the former transmission rates set-up among customer classes does not equal the wholesale transmission rates. It is difficult to model retail rates per kW and kWh since the wholesale rates are per kW (maximum 15-minute demand on a monthly basis).

When the distributor's load profile changes significantly, there is a reason for RT rates revision.

OHEDI's load profile changed significantly in 2004 when one of our two large users dropped the usage from 27 MW to less than 2 MW. The load mix became mainly residential and small commercial.

Another point meant to sustain our approach is that not incorporated rate riders presume:

- Board decision for a new variance account which will monitor the balance
- LDC's billing and accounting set-up to monitor and report the variance
- Board disposition for the remaining/outstanding balance

All above issues which are driven by not incorporated rate riders presume costs.

OHEDI's point of view is that dealing the disposition of RT 1584 and 1586 balances in aggregate with other deferral and variance accounts will not eliminate future outstanding RT variance balances. We have to change the rate structure in order to eliminate potential differences/balances and set just and reasonable rates.

Board staff request for comments:

"Given that one of the intents of the Incentive Regulation Mechanism was to provide a streamlined process for setting rates, parties are asked to comment on whether the Board may wish to consider waiting for the review of the disposition of all deferral and variance accounts until such time as OHED applies for its distribution rates to be rebased, which is scheduled to occur in 2010."

OHEDI's comments:

OHEDI comments that 2008 IRM process is a good opportunity to eliminate outstanding retail transmission balances combined with rate adjustments dictated by the wholesale transmission rate changes. This will diminish the customer bill impact in 2008 and 2009 year rate.

OHEDI is scheduled for rate rebasing in 2010. The actual RT rate structure has driven outstanding variance balances.

OHEDI's concern is that waiting for 2010 rebasing process in order to revise and correct the retail transmission would imply an increase of the outstanding balances and would aggravate the customer's bill impact.

Board staff request for comments:

"Were the Board to consider the proposed disposition of account 1586 and 1584 in this application, the interest calculation should be adjusted coincident with the clearance of the accounts. Board staff is unclear if interest amounts are included in the balance provided for accounts 1584 and 1586, and if so, up to what period."

OHEDI's answer:

The interest amounts are included in the balance provided for accounts 1584 and 1586 up to April 30, 2008 (see addendum to 2008 IRM- Appendix A1 – Forecast October 1, 2007 to April 30, 2009).

It is the Board's mandate to approve incorporated or separate rate riders. Oakville Hydro welcomes any process which leads toward just and reasonable rates. Parties should conclude which approach is the best for our customers:

- ✓ correcting the rates now and minimize the customer bill impact
- or
- ✓ correcting the rates later (2010) and risk a bigger impact in customer's bill.

All above have been respectfully submitted and original signed by,

Cristina Birceanu
Manager Regulatory Affairs
Oakville Hydro Electricity Distribution Inc.

Dated at Oakville, Ontario this 31st day of January 2008.

Cristina Birceanu

From: Pascale Duguay [Pascale.Duguay@oeb.gov.on.ca]
Sent: October 31, 2007 4:23 PM
To: Cristina Birceanu
Cc: Lee Harmer; Market Operations; Valerie Dixon
Subject: RE: MPE 2007-0553 - Ontario Uniform Transmission Rate Order EB-2007-0759

Hi Cristina,

Please find below further guidance from the Board on this matter.

The Board's October 29, 2007 letter directing electricity distributors to propose an adjustment to their Retail Transmission Rates indicated that resetting these rates should take into consideration the upcoming reduction in the wholesale transmission rates and the pattern of variance in the Retail Transmission variance accounts. The Board also said that the objective of resetting the rates is to minimize the prospective variance in these accounts and to ensure that the prospective variance that remains does not have a consistent pattern of increased credits or debits over time.

In proposing the new level of RTS rates LDCs may consider, among other things:

- The fact that wholesale transmission rates are decreasing on average by 12%
- The Network Rate is falling from \$2.83/kW to \$2.31/kW, a decrease of 18%
- The Line Connection Rate is falling from \$0.81/kW to \$0.59/kW, a decrease of 28%
- The Transformation Connection Rate is increasing from \$1.50/kW to \$1.61/kW, an increase of 7%
- If directly connected to the transmission system, the fact that transmission rates will change on November 1, 2007, but if embedded, the fact that Hydro One will reflect these reductions in their transmission related rates on May 1, 2008
- the levels, positive and negative, in the Retail Transmission variance accounts (1584 and 1586)
- the trend in the variance (i.e., is it growing at a constant rate?) to date
- an analysis of the historical data in the account to determine the appropriate rate by customer class that would make the revenue and expense net to as close to zero as possible on an annual basis

Regarding the balances in the variance accounts that have accumulated to a significant level, or if a credible forecast of future accumulations is anticipated, LDCs may also propose a rate rider to dispose of the variance. The proposal for a rate rider should take into account the effect of the proposed change in the RTS rates as noted above.

Since you have already filed your 2008 IRM application, you will need to file your proposal separately using the same assigned docket number. The proposed adjustment to the RTS charge will need to be dealt with outside the 2008 IRM spreadsheet model. You can do this by describing your proposal in a manager's summary and attach supporting documentation/calculation where required.

Hope this helps. Thanks

Pascale Duguay
Manager Energy Retail Policy
Regulatory Policy Development
Telephone: 416-440-7739
E-Mail: pascale.duguay@oeb.gov.on.ca

From: Cristina Birceanu [mailto:cbirceanu@oakvillehydro.com]
Sent: October 30, 2007 2:05 PM

01/02/2008

To: Market Operations

Subject: Re Ontario Uniform Transmission Rate Order EB-2007-0759

Good afternoon,

Re: Ontario Uniform transmission Rate Order EB-2007-0759: effect on Distributor Transmission Rates
– October 29, 2007

1. Is it in the Board intention to provide LDCs with filing instructions in order to submit for transmission rates adjustments?
2. If no instructions would be provided, which is the base year the distributor has to take it in consideration for analysis?
3. Oakville Hydro hasn't applied for transmission rate change in 2006 EDR. Does it make a difference in the retail transmission rate change process?
4. Oakville Hydro submitted the 2008 IRM on October 26, 2007. In order to apply for transmission rate change, do we have to re-apply 2008 IRM, or could it be a separate application?

Thank you for your support,

Cristina Birceanu
Oakville Hydro Electricity Distribution Inc.
Manager Regulatory Affairs
(905)-825-4422

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01/02/2008

APPENDIX B1 -

Retail Transmission Rates
Cost/Revenue ratio = 1; No RTR adjustments approved
Cost/Revenue Ratio 1.00 1.00

| Customer Class | | Actual Retail Transmission Rates | | Increment \$/kWh | | Adjusted Retail Transmission Rates | | Retail TR as per OEB Decission | |
|------------------------------------|--------|----------------------------------|------------|------------------|------------|------------------------------------|------------|--------------------------------|------------|
| | | Network | Connection | Network | Connection | Network | Connection | Network | Connection |
| Residential | \$/kWh | 0.0059 | 0.0052 | \$0.0000 | \$0.0000 | \$0.0059 | \$0.0052 | \$0.0048 | \$0.0050 |
| GS <50 kW | \$/kWh | 0.0054 | 0.0047 | \$0.0000 | \$0.0000 | \$0.0054 | \$0.0047 | \$0.0044 | \$0.0045 |
| GS 50 to 999 kW | \$/kW | 2.0339 | 1.7691 | \$0.0000 | \$0.0000 | \$2.0339 | \$1.7691 | \$1.6602 | \$1.6849 |
| GS 50 to 999 kW - Interval Metered | \$/kW | 2.0997 | 1.8263 | \$0.0000 | \$0.0000 | \$2.0997 | \$1.8263 | \$1.7139 | \$1.7393 |
| GS 1000 to 4999 kW | \$/kW | 2.0997 | 1.8263 | \$0.0000 | \$0.0000 | \$2.0997 | \$1.8263 | \$1.7139 | \$1.7393 |
| Large Use | \$/kW | 2.8156 | 2.4490 | \$0.0000 | \$0.0000 | \$2.8156 | \$2.4490 | \$2.2982 | \$2.3324 |
| USL | \$/kWh | 0.0054 | 0.0047 | \$0.0000 | \$0.0000 | \$0.0054 | \$0.0047 | \$0.0044 | \$0.0045 |
| Street Lighting | \$/kW | 1.6968 | 1.4759 | \$0.0000 | \$0.0000 | \$1.6968 | \$1.4759 | \$1.3850 | \$1.4056 |
| Sentinel Lighting | \$/kW | 0.4077 | 0.3546 | \$0.0000 | \$0.0000 | \$0.4077 | \$0.3546 | \$0.3328 | \$0.3377 |
| Average | | | | 0.00% | 0.00% | | | -18.37% | -4.76% |

| Rate Change | |
|-------------|------------|
| Network | Connection |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |
| -18.37% | -4.76% |

Average Impact
-11.57%

| Rate | IESO Actual | IESO Nov. 1, 2007 to Dec. 31, 2008 | IESO Rates impact | | Ratio | Weighted Average Ratio for CN |
|--|-------------|------------------------------------|-------------------|---------|-------|-------------------------------|
| | \$/kW | \$/kW | \$ | % | | |
| Network Service Charge | 2.83 | 2.31 | -\$0.52 | -18.37% | 0.82 | |
| Transformation Connection Service Charge | 1.5 | 1.61 | \$0.11 | 7.33% | 1.07 | |
| Line Connection Service Charge | 0.81 | 0.59 | -\$0.22 | -27.16% | 0.73 | |
| Average | | | | -12.73% | | 0.9524 |

| Rate | Hydro One Actual | Hydro One forecasted rates starting May 1, 2008 | Hydro One Rates impact | | Ratio | Weighted Average Ratio for CN |
|--|------------------|---|------------------------|---------|-------|-------------------------------|
| | \$/kW | \$/kW | \$ | % | | |
| Network Service Charge | 2.52 | 2.06 | -\$0.46 | -18.37% | 0.82 | |
| Transformation Connection Service Charge | 1.35 | 1.45 | \$0.10 | 7.33% | 1.07 | |
| Line Connection Service Charge | 0.63 | 0.46 | -\$0.17 | -27.16% | 0.73 | |
| Average | | | | -12.73% | | 0.9636 |

Appendix B2

FORECAST OCTOBER 1, 2007 TO APRIL 30, 2009

Cost/Revenue ratio = 1; No RTR adjustments approved

Ratio see 2.1.2 Q3 2007 RRR report
Assumptions: 0.29 GS 50 to 999 kW with interval meters
0.71 GS 50 to 999 kW with standard meters

Forecasted Retail Transmission Network Consumption - October 2007 to April 2009

| | | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | | |
|--|---------|--------|------------|------------|------------|------------|------------|------------|------------|------------|--------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Forecasted Consumption Variance Factor | | | | | | | | | | | | | | | | | | | | | | |
| Residential | 102.50% | kWh | 51,424,179 | 43,863,582 | 50,504,083 | 47,329,497 | 46,123,676 | 54,096,805 | 40,760,134 | 43,337,716 | | 46,884,221 | 58,604,092 | 60,741,799 | 55,235,393 | 52,966,904 | 45,179,490 | 52,019,206 | 48,749,382 | 47,507,386 | 55,719,710 | 41,982,938 |
| GS <50 kW (incuding USL) | 100.01% | kWh | 14,397,524 | 14,230,060 | 16,506,605 | 15,205,119 | 14,597,997 | 17,059,933 | 13,690,214 | 15,499,932 | | 16,343,713 | 17,779,339 | 16,481,828 | 13,139,079 | 14,541,499 | 14,372,360 | 16,671,671 | 15,357,171 | 14,743,976 | 17,230,532 | 13,827,116 |
| GS 50 to 999 kW | 100.50% | kW | 123,859 | 118,174 | 126,308 | 123,456 | 119,522 | 135,136 | 123,310 | 127,093 | | 131,443 | 143,412 | 137,558 | 130,887 | 125,098 | 119,356 | 127,571 | 124,690 | 120,717 | 136,487 | 124,543 |
| GS 1000 to 4999 kW | 100.00% | kW | 33,716 | 37,099 | 40,607 | 35,254 | 37,023 | 38,151 | 36,965 | 39,145 | | 40,806 | 39,928 | 38,121 | 39,040 | 33,716 | 37,099 | 40,607 | 35,254 | 37,023 | 38,151 | 36,965 |
| Large Use | 100.00% | kW | 9,746 | 9,765 | 9,731 | 12,077 | 12,013 | 4,923 | 9,686 | 9,727 | | 9,711 | 9,694 | 9,791 | 9,775 | 9,746 | 9,765 | 9,731 | 12,077 | 12,013 | 4,923 | 9,686 |
| Street Lighting | 100.00% | kW | 2,490 | 2,511 | 2,511 | 2,512 | 2,514 | 2,516 | 2,500 | 5,040 | | 2,529 | 2,529 | 2,529 | 2,532 | 2,490 | 2,511 | 2,511 | 2,512 | 2,514 | 2,516 | 2,500 |
| Sentinel Lighting | 100.00% | kW | 34 | 37 | 29 | 35 | 35 | 34 | 31 | 37 | | 35 | 36 | 33 | 32 | 34 | 37 | 29 | 35 | 35 | 34 | 31 |

1584

Forecasted Retail Transmission Network Revenue - October 2007 to April 2009

1584

Forecasted Retail Transmission Network Revenue - October 2007 to April 2009

| | | Oct 2007 to April 2008 rates | May 1, 2008 to April 30, 2009 Rates | | | | | | | | | | | | | | | | | | | Revenue | | |
|---|--------|---------------------------------------|-------------------------------------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|------------------|
| | | | | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | Customer Class | |
| Residential | \$/kWh | 0.0059 | 0.0048 | -\$303,403 | -\$258,795 | -\$297,974 | -\$279,244 | -\$272,130 | -\$319,171 | -\$240,485 | -\$208,710.15 | -\$225,789.77 | -\$282,231.51 | -\$292,526.49 | -\$266,008.19 | -\$255,083.37 | -\$217,580 | -\$250,519 | -\$234,772 | -\$228,791 | -\$268,341 | -\$202,186 | Residential | |
| GS <50 kW (incuding USL) | \$/kWh | 0.0054 | 0.0044 | -\$77,747 | -\$76,842 | -\$89,136 | -\$82,108 | -\$78,829 | -\$92,124 | -\$73,927 | -\$68,320.20 | -\$72,039.39 | -\$78,367.31 | -\$72,648.17 | -\$57,914.09 | -\$64,095.64 | -\$63,350 | -\$73,485 | -\$67,691 | -\$64,988 | -\$75,948 | -\$60,947 | GS <50 kW (incuding USL) | |
| GS 50 to 999 kW | \$/kW | 2.0339 | 1.6760 | -\$251,917 | -\$240,354 | -\$256,898 | -\$251,097 | -\$243,096 | -\$274,853 | -\$250,800 | -\$213,006.32 | -\$220,296.83 | -\$240,356.99 | -\$230,545.75 | -\$219,366.30 | -\$209,663.15 | -\$200,039 | -\$213,808 | -\$208,980 | -\$202,321 | -\$228,752 | -\$208,733 | GS 50 to 999 kW | |
| GS 1000 to 4999 kW | \$/kW | 2.0997 | 1.7139 | -\$70,794 | -\$77,897 | -\$85,263 | -\$74,022 | -\$77,736 | -\$80,106 | -\$77,615 | -\$67,090.16 | -\$69,937.03 | -\$68,432.44 | -\$65,335.35 | -\$66,910.02 | -\$57,785.78 | -\$63,584 | -\$69,596 | -\$60,421 | -\$63,453 | -\$65,387 | -\$63,354 | GS 1000 to 4999 kW | |
| Large Use | \$/kW | 2.8156 | 2.2982 | -\$27,441 | -\$27,495 | -\$27,400 | -\$34,004 | -\$13,862 | -\$27,272 | -\$22,355.14 | -\$22,319.14 | -\$22,278.55 | -\$22,501.87 | -\$22,465.81 | -\$22,399.16 | -\$22,443 | -\$22,365 | -\$27,756 | -\$27,609 | -\$11,315 | -\$22,261 | Large Use | | |
| Street Lighting | \$/kW | 1.6968 | 1.3850 | -\$4,226 | -\$4,261 | -\$4,261 | -\$4,263 | -\$4,266 | -\$4,269 | -\$4,242 | -\$6,981.06 | -\$3,502.38 | -\$3,502.38 | -\$3,506.34 | -\$3,506.34 | -\$3,449.11 | -\$3,478 | -\$3,478 | -\$3,479 | -\$3,483 | -\$3,484 | \$5,975 | Street Lighting | |
| Sentinel Lighting | \$/kW | 0.4077 | 0.3328 | -\$14 | -\$15 | -\$12 | -\$14 | -\$14 | -\$14 | -\$13 | -\$12.37 | -\$11.62 | -\$11.97 | -\$10.86 | -\$10.69 | -\$11.29 | -\$12 | -\$10 | -\$12 | -\$12 | -\$11 | -\$10 | Sentinel Lighting | |
| TOTAL collected | | | | -\$735,541 | -\$685,660 | -\$760,944 | -\$724,752 | -\$709,896 | -\$784,398 | -\$674,353 | -\$586,475 | -\$613,896 | -\$695,181 | -\$687,071 | -\$636,181 | -\$612,488 | -\$570,487 | -\$633,262 | -\$603,111 | -\$590,656 | -\$653,238 | -\$551,515 | TOTAL collected | |
| | | Wholesale TNW Rates | | Forecasted Load increase | | 101% | | | | | | | | | | | | | | | | | | |
| Cost of Power based on NW & CN cost structure | | Wholesale Trans. NW rates on Oct 2007 | Starting Nov 1, 2007 | Starting May 1, 2008 | | | | | | | | | | | | | | | | | | | Cost of Power | |
| | | | | | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | |
| 1584 TOTAL COST OF POWER | | | | | \$647,922 | \$641,561 | \$693,606 | \$649,544 | \$806,060 | \$633,619 | \$612,369 | \$749,317 | \$854,095 | \$560,082 | \$990,526 | \$933,543 | \$880,347 | \$808,320 | \$915,973 | \$864,268 | \$842,908 | \$950,229 | \$780,058 | |
| Difference | | | | | -\$87,620 | -\$44,098 | -\$67,338 | -\$75,207 | \$96,165 | -\$150,779 | -\$61,985 | \$162,842 | \$240,199 | -\$135,099 | \$303,455 | \$297,362 | \$267,859 | \$237,833 | \$282,711 | \$261,157 | \$252,252 | \$296,991 | \$228,543 | Difference |
| Balance | | | October 2007 Starting Balance | \$3,439,658 | \$3,352,039 | \$3,307,940 | \$3,240,602 | \$3,165,395 | \$3,261,560 | \$3,110,781 | \$3,048,796 | \$3,211,637 | \$3,451,836 | \$3,316,737 | \$3,620,191 | \$3,917,553 | \$4,185,413 | \$4,423,246 | \$4,705,957 | \$4,967,114 | \$5,219,366 | \$5,516,357 | \$5,744,900 | Balance |
| Interest | | | | | \$14,733.20 | \$14,357.90 | \$14,169.01 | \$13,880.58 | \$13,558.44 | \$13,970.35 | \$13,324.51 | \$13,059.01 | \$13,756.51 | \$14,785.36 | \$14,206.69 | \$15,506.49 | \$16,780.19 | \$17,927.52 | \$18,946.24 | \$20,157.18 | \$21,275.80 | \$22,356.29 | \$23,628.40 | Interest |
| Interest balance | | | | \$161,902.14 | \$176,635.34 | \$190,993.24 | \$205,162.25 | \$219,042.83 | \$232,601.27 | \$246,571.62 | \$259,896.13 | \$272,955.14 | \$286,711.65 | \$301,497.02 | \$315,703.71 | \$331,210.19 | \$347,990.38 | \$365,917.90 | \$384,864.14 | \$405,021.32 | \$426,297.13 | \$448,653.41 | \$472,281.81 | Interest balance |
| 1584 Variance | | | | \$3,601,560.28 | \$3,528,673.93 | \$3,498,933.60 | \$3,445,764.62 | \$3,384,437.93 | \$3,494,160.94 | \$3,357,352.13 | \$3,308,692.00 | \$3,484,592.54 | \$3,738,547.60 | \$3,618,233.71 | \$3,935,895.19 | \$4,248,763.57 | \$4,533,403.26 | \$4,789,164.22 | \$5,090,821.39 | \$5,372,135.31 | \$5,645,663.28 | \$5,965,010.46 | \$6,217,181.53 | 1584 Variance |

1586

Forecasted Retail Transmission Connection Revenue - October 2007 to April 2008

1586

Forecasted Retail Transmission Connection Revenue - October 2007 to April 2008

| | | | | | | | | | | | | | | | | | | | | | | Revenue | | |
|---|--------|---------------------------------------|-------------------------------------|-------------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------|------------------------------|
| | | Oct 2007 to April 2008 rates | May 1, 2008 to April 30, 2009 Rates | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | Customer Class | |
| Residential | \$/kWh | 0.0052 | 0.0050 | -\$267,406 | -\$228,091 | -\$262,621 | -\$246,113 | -\$239,843 | -\$281,303 | -\$211,953 | -\$214,625 | -\$232,189 | -\$290,230 | -\$300,817 | -\$273,547 | -\$262,312 | -\$223,746 | -\$257,619 | -\$241,426 | -\$235,275 | -\$275,945 | -\$207,916 | Residential | |
| GS <50 kW (incuding USL) | \$/kWh | 0.0047 | 0.0045 | -\$67,668 | -\$66,881 | -\$77,581 | -\$71,464 | -\$68,611 | -\$80,182 | -\$64,344 | -\$69,381 | -\$73,158 | -\$79,584 | -\$73,776 | -\$58,813 | -\$65,091 | -\$64,333 | -\$74,626 | -\$68,742 | -\$65,997 | -\$77,127 | -\$61,893 | GS <50 kW (incuding USL) | |
| GS 50 to 999 kW | \$/kW | 1.7859 | 1.7009 | -\$221,205 | -\$211,052 | -\$225,579 | -\$220,485 | -\$213,459 | -\$241,345 | -\$220,224 | -\$216,171 | -\$223,570 | -\$243,928 | -\$233,971 | -\$222,626 | -\$212,778 | -\$203,012 | -\$216,985 | -\$212,085 | -\$205,328 | -\$232,151 | -\$211,835 | GS 50 to 999 kW | |
| GS 1000 to 4999 kW | \$/kW | 1.8263 | 1.7393 | -\$61,576 | -\$67,754 | -\$74,161 | -\$64,384 | -\$67,614 | -\$69,675 | -\$67,509 | -\$68,086 | -\$70,975 | -\$69,448 | -\$66,305 | -\$67,903 | -\$58,644 | -\$64,527 | -\$70,629 | -\$61,318 | -\$64,395 | -\$66,357 | -\$64,294 | GS 1000 to 4999 kW | |
| Large Use | \$/kW | 2.4490 | 2.3324 | -\$23,868 | -\$23,915 | -\$23,832 | -\$29,576 | -\$29,420 | -\$12,057 | -\$23,721 | -\$22,687 | -\$22,651 | -\$22,609 | -\$22,836 | -\$22,799 | -\$22,732 | -\$22,776 | -\$22,697 | -\$28,168 | -\$28,019 | -\$11,483 | -\$22,592 | Large Use | |
| Street Lighting | \$/kW | 1.4759 | 1.4056 | -\$3,675 | -\$3,707 | -\$3,707 | -\$3,708 | -\$3,711 | -\$3,713 | -\$3,690 | -\$7,085 | -\$3,554 | -\$3,554 | -\$3,554 | -\$3,558 | -\$3,500 | -\$3,530 | -\$3,530 | -\$3,531 | -\$3,534 | -\$3,536 | -\$3,514 | Street Lighting | |
| Sentinel Lighting | \$/kW | 0.3546 | 0.3377 | -\$12 | -\$13 | -\$10 | -\$13 | -\$12 | -\$12 | -\$11 | -\$13 | -\$12 | -\$12 | -\$12 | -\$11 | -\$11 | -\$13 | -\$10 | -\$12 | -\$12 | -\$11 | -\$10 | Sentinel Lighting | |
| TOTAL collected | | | | -\$645,411 | -\$601,412 | -\$667,491 | -\$635,743 | -\$622,671 | -\$688,287 | -\$591,451 | -\$598,048 | -\$626,108 | -\$709,366 | -\$701,271 | -\$649,258 | -\$625,069 | -\$581,937 | -\$646,096 | -\$615,282 | -\$602,559 | -\$666,611 | -\$572,053 | TOTAL collected | |
| | | | | Wholesale TNW Rates | | Forecasted Load increase | | 101% | | | | | | | | | | | | | | | | |
| Cost of Power based on NW & CN cost structure | | Wholesale Trans. NW rates on Oct 2007 | Starting Nov 1, 2007 | Starting May 1, 2008 | Oct-07 | Nov-07 | Dec-07 | Jan-08 | Feb-08 | Mar-08 | Apr-08 | May-08 | Jun-08 | Jul-08 | Aug-08 | Sep-08 | Oct-08 | Nov-08 | Dec-08 | Jan-09 | Feb-09 | Mar-09 | Apr-09 | Cost of Power |
| | 0.36 | 1.5 | 1.61 | 1.61 | \$232,713 | \$233,000 | \$258,247 | \$246,437 | \$240,926 | \$265,974 | \$228,089 | \$243,491 | \$254,498 | \$287,972 | \$284,786 | \$264,338 | \$216,552 | \$216,819 | \$240,313 | \$229,324 | \$224,195 | \$247,504 | \$212,250 | Wholesale TNW Service Charge |
| | 0.36 | | 0.81 | 0.59 | \$232,713 | \$158,120 | \$173,519 | \$167,240 | \$163,499 | \$180,498 | \$154,788 | \$165,240 | \$172,710 | \$195,426 | \$193,264 | \$179,387 | \$216,552 | \$147,140 | \$161,469 | \$155,626 | \$152,145 | \$167,963 | \$144,039 | Hydro One TNW Charge |
| | 0.14 | | 1.35 | 1.35 | \$90,499 | \$84,420 | \$93,568 | \$89,289 | \$87,292 | \$96,368 | \$82,641 | \$94,756 | \$99,040 | \$112,067 | \$110,827 | \$102,869 | \$106,660 | \$99,495 | \$110,276 | \$105,233 | \$102,880 | \$113,576 | \$97,398 | |
| | 0.14 | | 0.63 | 0.63 | \$90,499 | \$84,420 | \$93,568 | \$89,289 | \$87,292 | \$96,368 | \$82,641 | \$64,416 | \$67,328 | \$76,183 | \$75,340 | \$69,931 | \$106,660 | \$99,495 | \$110,276 | \$105,233 | \$102,880 | \$113,576 | \$97,398 | |
| 1586 TOTAL COST OF POWER | | | | | \$646,425 | \$559,961 | \$618,902 | \$592,255 | \$579,009 | \$639,207 | \$548,160 | \$567,903 | \$593,576 | \$671,648 | \$664,217 | \$616,525 | \$582,928 | \$557,195 | \$595,473 | \$567,089 | \$559,498 | \$597,713 | \$539,201 | 1586 TOTAL COST OF POWER |
| Difference | | | | | \$1,014 | -\$41,452 | -\$48,589 | -\$43,488 | -\$43,661 | -\$49,080 | -\$43,292 | -\$30,144 | -\$32,533 | -\$37,718 | -\$37,054 | -\$32,733 | -\$42,141 | -\$24,742 | -\$50,623 | -\$48,193 | -\$43,061 | -\$68,898 | -\$32,852 | |
| | | | | October 2007 Starting Balance | | | | | | | | | | | | | | | | | | | | |
| Balance | | | | -\$2,006,824 | -\$2,005,810 | -\$2,047,262 | -\$2,095,851 | -\$2,139,339 | -\$2,183,001 | -\$2,232,081 | -\$2,275,373 | -\$2,305,517 | -\$2,338,050 | -\$2,375,768 | -\$2,412,821 | -\$2,445,554 | -\$2,487,694 | -\$2,512,437 | -\$2,563,060 | -\$2,611,253 | -\$2,654,314 | -\$2,723,212 | -\$2,756,064 | Principal Amount Balance |
| Interest | | | | | -\$8,595.90 | -\$8,591.55 | -\$8,769.11 | -\$8,977.23 | -\$9,163.50 | -\$9,350.52 | -\$9,560.75 | -\$9,746.18 | -\$9,875.30 | -\$10,014.65 | -\$10,176.20 | -\$10,334.92 | -\$10,475.12 | -\$10,655.62 | -\$10,761.60 | -\$10,978.44 | -\$11,184.87 | -\$11,369.31 | -\$11,664.42 | Interest |
| Interest balance | | | | -\$136,636.17 | -\$145,232.07 | -\$153,823.62 | -\$162,592.73 | -\$171,569.96 | -\$180,733.46 | -\$190,083.98 | -\$199,644.73 | -\$209,390.91 | -\$219,266.20 | -\$229,280.85 | -\$239,457.05 | -\$249,791.97 | -\$260,267.09 | -\$270,922.72 | -\$281,684.32 | -\$292,662.77 | -\$303,847.63 | -\$315,216.94 | -\$326,881.37 | Interest balance |
| 1584 Variance | | | | -\$2,143,460.35 | -\$2,151,042.44 | -\$2,201,085.73 | -\$2,258,444.18 | -\$2,310,909.44 | -\$2,363,734.14 | -\$2,422,164.92 | -\$2,475,017.24 | -\$2,514,907.69 | -\$2,557,315.77 | -\$2,605,048.41 | -\$2,652,278.21 | -\$2,695,345.82 | -\$2,747,961.57 | -\$2,783,359.66 | -\$2,844,744.70 | -\$2,903,915.72 | -\$2,958,161.21 | -\$3,038,428.80 | -\$3,082,945.24 | 1586 Variance |