

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5707
Fax: (416) 345-5866
Andrew.skalski@HydroOne.com



Andrew Skalski

Director – Major Projects and Partnerships
Regulatory Affairs

BY COURIER

August 26, 2011

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

Dear Ms. Walli:

**EB-2011-0085 – Erie Thames Powerlines Corporation Application for Service Area
Amendment – Hydro One Networks Inc. Evidence**

I am attaching two (2) copies of the Hydro One Networks (“Hydro One”) response to Procedural Order No. 2 requesting the submission of a detailed economic evaluation prepared in accordance with Appendix B of the DSC.

As Hydro One’s previously filed Offer to Connect that was based on a cost estimate prepared in December, 2010 has now expired, the attached economic evaluation has been updated using 2011 rates, costs and economic parameters. All applicable costs have been included.

A copy of this cover letter and the attached evaluation have been filed in text-searchable electronic form through the Ontario Energy Board's Regulatory Electronic Submission System and the confirmation slip is also enclosed.

Sincerely,

ORIGINAL SIGNED BY ANDREW SKALSKI

Andrew Skalski

c. Mr. Chris White, Erie Thames Powerlines Corporation

HYDRO ONE NETWORKS INC.
EB-2011-0085 ERIE THAMES POWERLINES SAA
ECONOMIC EVALUATION
SIFTON DEVELOPMENT

CAPITAL COSTS			
NON CONTESTABLE			
Engineering & Design			
	Design Costs	\$	4,188.75
Subdivision Secondary Costs			
	Material		15,413.34
	Labour		21,921.63
	Equipment		12,408.47
	Other Miscellaneous		2,895.31
	Administration & Overhead		4,136.16
			<u>56,774.91</u>
Subdivision Primary Costs			
	Material		9,340.18
	Labour		6,606.51
	Equipment		3,739.54
	Other Miscellaneous		872.56
	Administration & Overhead		1,246.51
			<u>21,805.30</u>
Total Non Contestable		\$	82,768.96
CONTESTABLE WORK			
Subdivision Secondary Costs			
	Material		27,062.27
	Labour		14,061.42
	Equipment		7,959.30
	Other Miscellaneous		1,857.17
	Administration & Overhead		2,653.10
			<u>53,593.26</u>
Subdivision Primary Costs			
	Material		34,592.81
	Labour		10,989.41
	Equipment		6,220.42
	Other Miscellaneous		1,451.43
	Administration & Overhead		2,073.47
			<u>55,327.54</u>
Total Contestable		\$	108,920.80
TOTAL NON CONTESTABLE & CONTESTABLE		\$	191,689.76

Line 1

Line 2

NON CONTESTABLE AND CONTESTABLE ABOVE STANDARD CONNECTION

Pad-mount Transformer	\$	7,063.70	Line 3
Work Site Inspection Costs (non-contestable)	\$	10,692.91	Line 4

HYDRO ONE NETWORKS INC.
EB-2011-0085 ERIE THAMES POWERLINES SAA
ECONOMIC EVALUATION
SIFTON DEVELOPMENT

OPERATING & MAINTENANCE COSTS		
Estimated Connection O&M per year	\$	6,431.85
Subdivision Underground Line based on 877m		905.94
Estimated Reinforcement O&M per year		10,870.02
Estimated Annual O&M	\$	18,207.81
Estimated O&M over 25 years	\$	455,195.20
PV of O&M Costs @ 6.18% discount rate (mid-period)		\$235,714.85

Line 5

REVENUE ASSUMPTIONS		
Volume	54 units @ 613.65 average kWh per year	33,137.34
	Rate Class R1	
	Cents per kWh for delivery charges ¹	0.03317
	Monthly Energy Charge	\$ 1,099.17
	Service charge ²	\$ 19.72
	# Units	54.00
	Monthly Service Charge	\$ 1,064.88
	Total Monthly Revenue	\$ 2,164.05
	Annual revenue	\$ 25,968.60
	25 years revenue	\$ 649,215.00
	Discount rate - annual (mid-period)	6.18%
	PV of 25 Years Revenue	\$336,181.61
Notes:	(1) Based on HONI Distribution Volumetric rate effective January 1, 2011, excluding rate rider recovery	
	(2) Based on HONI Service Charge rates effective January 1, 2011, excluding Smart Meter Adder	

Line 6

HYDRO ONE NETWORKS INC.
EB-2011-0085 ERIE THAMES POWERLINES SAA
ECONOMIC EVALUATION
SIFTON DEVELOPMENT

CAPITAL CONTRIBUTION CALCULATION					
		Hydro One Completes:			
		Contestable and Non-Contestable work		Non-Contestable work only	
Total Capital Costs	Lines 1 & 2	\$	191,689.76	\$	82,768.96
PV of O&M Cost (25 years)	Line 5		235,714.85		235,714.85
Total Cost to Connect		\$	427,404.61	\$	318,483.81
PV of Revenue (25 years)	Line 6	\$	336,181.61	\$	336,181.61
<u>Taxes, Tax Credits and Other</u>					
PV Income Taxes			28,432.09		28,432.09
CCA Tax Shield and Municipal Taxes			(15,064.39)		(15,064.39)
PV Working Capital			1,687.43		1,687.43
PV of Taxes, Tax Credits and Other		\$	15,055.13	\$	15,055.13
Revenue after Tax		\$	321,126.48	\$	321,126.48
Contribution Required - Included Items	Line 7 - Line 8	\$	106,278.13	\$	(2,642.67)
Padmount Transformer	Line 3	\$	7,063.70	\$	7,063.70
Work Site Inspection Costs	Line 4	\$	-	\$	10,692.91
Total Excluded Items		\$	7,063.70	\$	17,756.61
Contribution Required - Included & Excluded Items	Line 9 + lines (10+11)	\$	113,341.83	\$	15,113.94
HST			14,734.44		1,964.81
Total Contribution Required + HST		\$	128,076.27	\$	17,078.75

Line 7

Line 8

Line 9

Line 10

Line 11

Line 12

Line 13