

Erie Thames Powerlines Corporation

EB-2007-0928

2008 Electricity Distribution Rates

REPLY SUBMISSIONS

May 5, 2008

1. Erie Thames Powerlines Corporation (“ETPL”) filed its application (the “Application”) for the 2008 distribution rates on November 30, 2007 for rates effective May 1, 2008. ETPL, distributor license ED-2002-0516, distributes electricity to approximately 17,000 customers in 11 small communities in southwestern Ontario from Port Stanley to Tavistock, a distance of over 100 km.
2. The Notice of the Application was issued December 27, 2008 and published in the London Free Press on Saturday, December 29, 2007. Energy Probe Research Foundation (“Energy Probe”) and the Vulnerable Energy Consumers Coalition (“VECC”) intervened in the rate application and actively participated throughout the process. No ratepayers of ETPL participated in the proceeding.
3. Energy Probe and VECC filed submissions on April 21, 2008 and Board Staff filed submissions on April 23, 2008. These submissions of ETPL are intended to respond to the submissions of each of these parties.
4. In the initial Application filed with the OEB, ETPL had requested a rate decrease based upon a forecasted sufficiency of \$317,071. As indicated herein, ETPL concurs with the position of Board Staff, VECC and Energy Probe on several, but certainly not all of the issues. For example, ETPL agrees that a revised cost of power of approximately \$54.00/MWh is appropriate given the more recent forecasts and the Board’s decisions in other distributor rate applications.

5. Based upon the Board's decision to review Account 1588, ETPL is also amending its request in respect of the disposition of deferral and variance accounts. ETPL would request that disposition of all listed accounts be deferred until the Board determines the disposition of Account 1588.
6. However, there are still some issues where ETPL (cost of debt, OM&A, cost allocation), Board Staff and the intervenors are not in agreement and given such disagreement, ETPL has not completed a comprehensive review of the various scenarios because of the numerous potential outcomes. ETPL proposes to provide a comprehensive analysis and the proposed rates based upon the Board's decision within 14 days of such decision being made.

Commencement of Rate Order and Retroactivity

7. Board Staff indicated that a decision and order of the Board panel would not be forthcoming prior to May 1, 2008 and requested ETPL's thoughts on implementation of the decision and order.¹ The Board issued made an interim order dated April 30, 2008 that continued ETPL's existing 2007 rates (post May 1, 2008 - the "Interim Rates").
8. ETPL recognizes that it was late in filing its application and that the full amount of any sufficiency should be returned to the ratepayers. In addition, the Notice of Application indicated that a typical ratepayer would expect a reduction of 3% in its rates.
9. Prior to the implementation of the order requested in this Proceeding, ETPL will use the Interim Rates as required by the Board. ETPL submits that the implementation of the new rates and recognition and return of the revenue sufficiency following May 1, 2008 should be accomplished in an administratively straightforward manner that is fair to ratepayers.
10. It should be noted that this Application includes cost allocation and rate design which has resulted in shifts of the various rate classes. Therefore, a retroactive application of the new 2008 Rates would result in some ratepayers receiving a rebate and other ratepayers seeing a retroactive rate increase. ETPL thinks that such a situation would be confusing for ratepayers and does not see this situation as fair to ratepayers.
11. As such, ETPL suggests that the new rates take effect June 1, 2008 or July 1, 2008 dependent upon the timing of a decision of the Board. ETPL would make an accounting entry, as described below, to capture the sufficiency earned from May 1, 2008 through to the implementation of the new 2008 Rates.
12. As the Board will recall, ETPL currently has a rate rider to recover certain costs related to a Decision of the Board² in RP-2005-0020/EB-2007-0016 dated June 8, 2007. This rate rider applies to all customers on a volumetric basis. The recovery is currently projected to be complete during summer 2009. ETPL suggests that the sufficiency earned during the period of the Interim Rates be used to reduce the amount to be recovered through the rate rider.

¹ Board Staff Submissions, p. 2 of 22.

² Board file number RP-2005-0020/EB-2005-0361/EB-2006-0197/EB-2007-0016.

13. ETPL submits that this approach would ensure that **all** ratepayers are able to benefit from the sufficiency. ETPL's proposal is consistent with the expectations created by the Notice of Application. Further, this is administratively straightforward to implement.

Capital and Capital Projects

a) Capital Spending

14. ETPL has forecasted capital spending, net of developer contributions, for 2008 in the amount of \$1,123,000. The level of spending is consistent with the long-run capital spending levels.
15. Energy Probe accepts the capital expenditure level as reasonable.³ Board Staff indicates that the level of capital spending is consistent with the historical long-run spending levels. VECC took no issue with the quantum of spending on customer demand projects.
16. ETPL submits that the proposed level of capital spending is appropriate and supported by the evidence and the historical levels of capital spending.

b) Asset Management

17. VECC has requested the Board to direct ETPL to complete a "comprehensive asset condition assessment that addresses all of its major assets and indicates the priority areas for renewal prior to the end of 2008".⁴
18. ETPL submits that such a report is not necessary and that its current practice is adequate and appropriate for the circumstances. Based upon the comments made, ETPL submits that there may be a misunderstanding regarding ETPL's asset management practices.
19. In response to Board Staff IR#25(a), ETPL provided a copy of the Asset Investment Strategic Process. This flowchart provides the analytical framework for reviewing the major assets within ETPL's system. This process is applied on a continuous basis to the assets such that every asset in each class is reviewed in a three year period. For example, with pole replacement, ETPL does a review of approximately one third of its poles each year and therefore covers the entire system over the three year period. Within the AIS framework projects from the various asset classifications are prioritized based upon a number of factors (safety, reliability) and a capital spending program is developed for the year.
20. In addition, ETPL will consider specific projects as circumstances dictate. Information provided by ETS is used to identify projects on a continuous basis.
21. ETPL's asset review is ongoing and covers all of the major assets in ETPL's system. The information provided by ETPL for pole replacement was illustrative of the information developed as part of the asset management process.

³ Energy Probe, para. 10.

⁴ VECC Submissions, para. 2.6.

c) Net Fixed Assets

22. Comments were made regarding the amount of Net Fixed Assets by Energy Probe. ETPL would note that the Schedule 19A included averages for the 2008 Test Year only. ETPL submits the correct amount of Net Fixed Assets for 2006 is \$15,921,143; for 2007 is \$16,433,858 and for 2008 is \$16,558,122. This is consistent with Energy Probe's Table found in the Appendix to its submission, except for a \$3 difference in 2008 which is likely attributable to rounding errors and is not significant.

d) Working Capital

23. ETPL included in the Application the use of the default 15% of OM&A and power supply. Board Staff made no comment in respect of the proposed Working Capital amount proposed by ETPL. VECC and Energy Probe raised issues with the proposed cost of power and the methodology used to calculate the Working Capital Allowance.
24. ETPL will adjust its rates to reflect a cost of power of \$54.00/MWh which is the cost approved by the Board in its Decision EB-2007-0746, based upon November 1, 2007 RPP. The approach consistent with the positions of Energy Probe and VECC that suggested an amount of approximately \$54/MWh.
25. ETPL submitted the Application based upon the Hydro One rates (Transmission and Connection) approved at that time. ETPL will revise its rates based upon the new transmission rates. As discussed later herein, the new Hydro One rates are actually higher for ETPL because of the new charges and the number of meter points and meters that are present on ETPL's system. ETPL would note the apparent discrepancy identified by VECC is attributable to the change in treatment of Hydro One as an embedded distributor within the ETPL system. Simply put, there was no rate in 2007 for Hydro One and therefore, there is no discrepancy.
26. Energy Probe, by itself, suggested that a further reduction to the Working Capital Allowance was justified based upon the availability of customer deposits. ETPL understands the Energy Probe submission to be that the availability of such an amount should lead to a reduced percentage in the order of 13%. ETPL does not agree with this position for the following reasons:
- a) There has been no lead/lag study, required or completed, for ETPL or a directly comparable utility that would indicate that any rate other than 15% is appropriate. The adoption of any rate other than 15% would be arbitrary and contrary to the regulatory and administrative law principles in Ontario.
 - b) The instances relied upon by Energy Probe are for much larger electrical and gas utilities and are not applicable to ETPL's situation and there is a complete absence of any evidence as to the appropriateness of such a level that Energy Probe has suggested.

c) Energy Probe relied upon situations in which settlements were reached with the utility. The use of a single item that formed part of a comprehensive settlement agreement between intervenors and a utility should not form the underlying basis to establish the working capital allowance in this proceeding.

d) The 15% rate used by ETPL is the historical rate used in the industry.

27. ETPL will recalculate its rates based upon the foregoing or as directed by the Board.

e) Service Reliability

28. ETPL submits that it has maintained a high level of service quality and the SAIDI, CAIDI, SAIFI filings support this position. 2007 reliability statistics have been reviewed and show that 2007 could be best described as an anomaly year. ETPL has a comprehensive asset management plan that relies on the information systems and processes to assess and evaluate the ongoing asset condition. ETPL targets for reliability are for continuous improvement and to strive for excellence within our pier grouping.

29. First, ETPL undertook a number of feeder enhancement projects that increased the number of planned outages. The number of outage events was consistent with prior years but impacted a greater number of customers. Further, these projects should improve reliability over the long-term but had the immediate impact of increasing outages.

30. It must be remembered that ETPL's service territory is embedded within Hydro One's system and is comprised of a number of areas that have only a single supply from Hydro One. As new customers are added in each area, an outage will necessarily impact a greater number of customers and therefore, it appears the adverse inference drawn by the Board Staff is not warranted. ETPL would point out that the actual number of outage events was down in 2007.

31. ETPL noted that during 2007, there were a number of storms that had a greater intensity than is typically experienced by ETPL. This had the impact of creating more issues related to trees. ETPL would caution against drawing too strong of conclusions regarding reliability upon a single year but would assert that the longer term trends are more appropriate.

32. ETPL would highlight that it identified a particular type insulator that was defective and has begun a project to replace those insulators.

33. ETPL continues to provide high quality service and will continue to monitor the service reliability indicators to ensure the reliability of the service is maintained.

f) Load Transfers

34. VECC takes issues with the purported savings on Load Transfers noting that the calculation does not take factor in financing costs. Even VECC recognizes that ETPL's proposal will result in long-term benefits as it talks only of a potential possible short-term increase. ETPL has and continues to work with Hydro One to deal with load transfers in a manner that is

most beneficial to the customer. In certain circumstances this has meant Hydro One providing service and in other cases, such as those identified in the Application, ETPL is to provide the service.

35. ETPL does not agree that there will be a short-term increase and that its proposal is the correct business decision as elimination of Load Transfers is consistent with industry practice and Board direction.

Capital Structure and Cost of Capital

36. ETPL has requested a capital structure of 53.33% debt and 46.67% equity. This structure is consistent with the OEB Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006 (the "Board Cost of Capital Report"). A summary of the ETPL's capital structure and requested cost of capital is included in Table 1.

Table 1 - Summary of Capital Structure

Capital Component	Capital Structure (%)	Rate Originally Requested	Rate Currently Requested
Long-term Debt: Shareholder - (\$8,038,524)	49.33%	7.25%	7.25%
Long-Term Debt (Bank \$3,781,598)		5.54%	5.54%
Short Term Debt	4.0%	4.77%	4.47% ⁵
Equity	46.67%	8.68%	8.57% ⁶
Weighted Average Cost of Capital			7.49%

37. No party took issue with the proposed capital structure proposed by ETPL.
38. ETPL has, consistent with the past treatment of its long-term debt requested the inclusion of a cost of debt at the rate of 7.25%. Board Staff, VECC and Energy Probe indicated that the long-term debt could be reduced to 6.1%. The rationale for such a reduction is not clear nor is it supported by any evidence.
39. ETPL would like to point out that the requested long-term debt rate is consistent with the Board approved rates of ETPL since market opening. Furthermore, ETPL's position is consistent with the Board's stated policy contained in the Board Cost of Capital Report at page 13 which stated:

⁵ Updated to reflect January Consensus Forecast and 10 year and 30 year Government of Canada bond yield

⁶ Updated to reflect January Consensus Forecast and 10 year and 30 year Government of Canada bond yield.

“The Board has determined that for embedded debt the rate approved in prior Board decisions shall be maintained for the life of each active instrument, unless a new rate is negotiated, which case it shall be treated as new debt.”

40. First, the debt instrument is not variable rate loan. A variable rate moves lockstep with a predetermined base, such as the prime rate. The subject debt instruments do not. The submission of Energy Probe says the Board *may want* to treat this as a variable rate loan meaning Energy Probe recognizes that the loan agreements are not variable rate instruments but seeks such treatment. That approach is not rational and inconsistent with regulatory practice.
41. Second, ETPL is wholly owned by ETPC which in turn is owned by the 7 municipal corporations, each corporation has a 1/7th voting share of ETPC. The municipal shareholders that comprise the shareholders of ETPC hold the debt with ETPL, however, such shareholders, while related, are not affiliates with ETPL. As such, the specific requirements identified by the Board and referred to by the intervenors in which it would deem a different debt rate have not been met.
42. Finally, the wording of the above section is mandatory, to provide certainty to distributors, lenders and ratepayers about the treatment of debt instruments and therefore the appropriate rate is 7.25% for the loans to the municipalities.
43. ETPL had requested a return on equity of 8.68% based upon the Board approved formula. Energy Probe requested a reduction in the return on equity to 8.57% to reflect the January Consensus forecast and the actual 10 year and 30 year Government of Canada Bond Yields. ETPL agrees that the applied for return should be 8.57%.

Smart Metering

44. ETPL does not currently carry on any Smart Metering activities. Currently, ETPL has replaced conventional meters with conventional meters.
45. The commitment of the Province of Ontario was that Smart Meters would be required for every customer by the end of 2010. The statements in the 2006 Annual Report were forward looking statements based upon the stated policy of the provincial government. ETPL has not, and will not, undertake any Smart Metering activities without approval of the Board.
46. ETPL has collected the Smart Metering Adder of \$0.26 per month per customer for the Smart Metering initiative. This represents a continuation of the Board's prior decision in RP-2005-0020/EB-2005-0361.
47. Project 1113 C&I meter changes is not a Smart meter project. This project is related to meter replacements/retrofits for customers that have had a load increase that has moved the customer to a point whereby ETPL is required to install interval metering. ETPL is aware that any Smart Metering pilot programs require separate Board approval. ETPL would like

to highlight that the \$30,000 planned expenditures is based upon historical practices of meter replacements/upgrades and is well below the materiality threshold of \$166,523 for 2008.

Operation, Maintenance and Administration (“OM&A”)

48. ETPL receives the majority of its services from affiliated entities. Aside from OM&A costs discussed below, there was no real issue taken by VECC or Energy Probe at the level of the expenditures. ETPL submits that its aggregate costs are appropriate.
49. It should be noted that the services purchased from ETS have remained flat \$2,979,797 (2006) to \$2,974,753 (2008) despite two years growth. The services received by ETPL from ETS are provided pursuant to a Master Services Agreement (“MSA”) which has insulated ETPL from inflationary pressures. As noted in response to interrogatories, ETPL has continued to receive services from ETS pursuant to the MSA that provided for a 2% per year reduction in fixed per customer charges.
50. As noted in response to VECC Supplemental #32, ETPL purchased approximately \$55,296 from worth of services from Utilismart in 2006 prior to Utilismart becoming an affiliate of ETPL. This results in total expenditures with Utilismart totaled \$112,896 (\$55,296 and \$57,300) in 2006. Expenditures to Utilismart in 2008 are forecasted to be \$117,504. The price increase over 2 years has been approximately 4% in total. The type of service provided by Utilismart has not changed since the acquisition.
51. In 2006, ETPL purchased RDI Consulting Inc. (“RDI”). The level of service provided and the amount billed by RDI have remained constant over the period 2006 to 2008. Prior to the acquisition, RDI had provided the services to ETPL pursuant to an agreement negotiated at arm’s length. Since the acquisition, the services have continued to be provided pursuant to such agreement.
- a) OM&A Costs*
52. Each of Board Staff, VECC and Energy Probe made comment in respect of the requested OM&A. ETPL submits that the requested amount is reasonable and justified. The gross increase over two years is approximately 5.3% which is appropriate given the rate of inflation, the fact that ETPL has experienced steady growth of about 1% over that time period and other factors discussed below.
53. By way of background, ETPL switched its allocation method after 2006 to allocate costs based upon work orders. This has lead to a more accurate tracking of costs and expenses but has also resulted in a shifting of certain costs from Administrative and General (“A&G”) to Maintenance and Billing and Collections. Therefore, it is somewhat misleading to just look at an individual item rather than the totality of the costs incurred by ETPL.

54. As a result of the re-allocation process, ETPL reduced A&G by a total of \$321,308. The total amount of this re-allocation was to Maintenance and Billing and Collections. However, ETPL submits that the actual increase in Maintenance, \$195,472, and Billing and Collection, \$110,259, totals \$305,731 which is less than the re-allocated amounts from A&G. This increase is less than the amount of the re-allocation and indicates that on a per customer basis these costs are decreasing.

b) General & Administrative - Executive Costs

55. As noted above, the overall A&G reduced by \$37,556 from 2006 Actual to 2008 Test. This is the net result of a reduction of \$321,308 that was re-allocated to Maintenance and Billing and Collection as described earlier plus increased costs of \$283,752 attributable to the increased directors fees and the additional executive costs described below.
56. It should be noted that the 4 additional independent directors were added to the Board of Directors of ETPL as a result of the *Affiliate Relationships Code for Electricity Distributors and Transmitters* (the "ARC") requirements imposed by the OEB on all distributors and their affiliates. The new directors are directors of ETPL, the distributor, not any of the affiliates. ETPL, the parent, makes the physical payment to the directors on behalf of ETPL but such costs are on a pass thru basis. Costs incurred to comply with the express requirements of the regulator are reasonable in the circumstances. Presumably, the basis for the inclusion of such a requirement was the ratepayer benefit that would be received from the improved governance attributable to the independence of the Board of Directors. ETPL would point out the basis upon which such costs have not changed.
57. The aggregate costs included in Table 3 of the OEB Staff submission on page 5 of 22 represents Executive salaries and expenses whereas the employee counts include unionized and management employees. The costs associated with management and unionized employees are not included in the aggregate costs listed in Table 3. Because there is not a consistent approach, the result is an apples to oranges comparison that is misrepresentative of the actual situation.
58. To improve the usefulness of the analysis, ETPL submits that the aggregate costs listed in Table 3 should be compared to the number of executive employees as follows:

Table 2- Modified Board Staff Table 3

	Total # of executive employees	Aggregate costs	Average cost per Employee	Change vs. 2008
2006 Board approved	14	\$ 952,792	\$ 68,057	-46%
2006 Actual	16	\$ 640,433	\$ 40,027	-8%
2007	21	\$ 637,393	\$ 30,352	21%
2008	22	\$ 810,988	\$ 36,863	

59. Note that the number of executive employees can be found in the response to Board staff Employee Compensation interrogatory number 2. This paints a very different picture as the costs are, on an employee basis, reducing significantly.
60. A further refinement to Board Staff Table 3 can be made. The employee numbers for 2006 Board approved, 2006 Actual and 2008 are employee count numbers as of the end of the year, but are also equal to full time equivalents (FTE's). The 2007 employee count is as of year end, but the increase in staffing occurred in the second half of 2007. If the 2007 employee count of 21 is adjusted to a FTE equivalent, the number becomes 17 and results in the following analysis:

Table 3 – Further Modified Board Staff Table 3 – FTE Basis

	Total # of executive employees	Aggregate costs	Average cost per Employee	2008 versus % change
2006 Board approved	14	\$ 952,792	\$ 68,057	-46%
2006 Actual	16	\$ 640,433	\$ 40,027	-8%
2007	17	\$ 637,393	\$ 37,494	-2%
2008	22	\$ 810,988	\$ 36,863	

61. ETPL submits that the average cost per employee has decreased steadily from 2006 to 2007 to 2008.
62. ETPC did add permanent executive staff rather to replace costs that were being incurred through using contract services. This approach provides ETPC and ETPL with more comprehensive in-house resources and also ensures that institutional knowledge is maintained within the ETPC family of companies.

c) Regulatory Costs

63. ETPL confirms the amount of regulatory costs included in the 2008 rates is \$256,385. This amount includes \$70,000 related to the 2008 Rate Application process. This is one third of the anticipated costs of the 2008 Rate Application as provided in the response to Energy Probe Supplemental #14.⁷ The remainder of the regulatory costs, \$186,385, is comprised of OEB assessed costs, RRR filings and costs associated with other ongoing regulatory matters.

d) Taxes and Depreciation

64. The rates for certain taxes (Ontario Capital Taxes) and the depreciation of certain assets has changed since ETPL filed the Application. ETPL used the new rates in responding to certain interrogatories but did not do a comprehensive analysis with the new rate for tax and depreciation. As noted, the appropriate tax and depreciation rates will be used in the revised calculation of rates for 2008. These reductions are expected to reduce ETPL's revenue requirement.

⁷ The title on this Schedule incorrectly referred to Supplemental 11.

e) Weather Normalization

65. ETPL based its weather normalization forecast upon the 2004 weather normalization data generated by Hydro One and accepted by the Board in EB-2005-0317 and tabled by Hydro One in RP-2005-0020/EB-2005-0378). Board Staff expressed concern that the data provided covered only one year. Board Staff expressed the concern that such a practice could overstate weather sensitive load and therefore result in under recovery by ETPL.
66. Energy Probe supported the use of the Hydro One model.⁸ VECC acknowledged the use of the Hydro One data and made no objection to the use of such methodology.
67. ETPL submits that the best available information is the Hydro One weather normalization data utilized by ETPL as the Hydro One date is specific to ETPL's load, customer base and weather region.

f) Customer and Load Forecast

68. ETPL based its customer forecasts included in the Application filed in November 2007 on its historical load growth rates. During interrogatories ETPL updated its 2007 Actual customer counts but did not adjust the 2008 Forecasted customer counts to reflect the new updated numbers at that time. The use of the increased numbers will tend to increase other aspects of the Application such as Cost of Power, Capital and the Working Capital Allowance.
69. ETPL will update its 2008 Residential numbers from 12,451 to 12,458 and the GS<50kW numbers from 1388 to 1401. With respect to GS>50 to 999kW, ETPL will adjust its customer forecast from 141 to 144. The adjustment is based upon actual growth realized in 2007 that exceeded the forecasted growth in 2007 numbers available when ETPL filed the Application.
70. The Ethanol Plant has been included in the forecast for 2008. Since ETPL anticipates an offset in load resulting from the closure of Imperial Tobacco no aggregate increase has been forecasted.
71. Board Staff has submitted that the load forecast (kWh) appears to be too high as it does not account for efficiency gains and therefore ETPL is at risk of under recovering.

Rate Design

a) Revenue to Cost Ratios

72. ETPL has based its revenue to cost ratios, as much as possible, on the Board's policy which Board Staff noted in its submissions. ETPL's proposal has resulted in most proposed rate classes having revenue to cost ratios of 1.01:1. The only exception to the Board policy is streetlighting which had revenue to cost ratios of 0.12:1 and, ETPL proposes to take to 0.70:1.00 which is at the lower end of the Board's guideline. ETPL does not support a move

⁸ Energy Probe, para. 39.

to a 1:1 revenue to cost ratio for this rate class as such a change would be a dramatic change for the ratepayer.

73. Energy Probe has requested that ETPL adjust the revenue to cost ratio in each of the 2009 and 2010 rate years. Such an approach, ETPL submits, is inconsistent with the IRM methodology as the re-adjustment of the revenue to cost ratios is effectively a second stage of cost allocation which is not provided for in IRM.
74. ETPL intends to further adjust its revenue to cost ratio during the next rebasing in 2011 to a 1.00 to 1.00 ratio. ETPL submits that this is fair for the ratepayers and consistent with the direction of the Board.
75. ETPL has requested the creation of a new customer classification for embedded distributors.

b) LV Charges

76. ETPL's original Application used the approved existing Hydro One rates at the time of the Application. ETPL re-calculated its rates based upon the new Hydro One rates and the proper amount is \$576,651. This information was provided in the response to Board Staff Supplemental #11D.
77. Board Staff requested that ETPL confirm that the allocation of LV adder charges is in proportion to its retail transmission revenue and determined on a volumetric basis. ETPL confirms that is in fact the situation as demonstrated in Table 4 below. For the purposes of this analysis ETPL utilized the existing Hydro One charges.

Table 4 – LV Adder Charges – Volumetric Basis

	RTR Revenue	Percentage	Low Voltage Allocation	Load	Rate
Residential	\$1,194,812	25.37%	\$131,103	123,176,496	0.0011
GS<50	\$360,102	7.65%	\$39,513	40,460,913	0.0010
GS>50 to 999 kW	\$1,291,889	27.43%	\$141,755	359,657	0.3941
GS>1000to 2999 kw	\$526,594	11.18%	\$57,781	135,587	0.4262
GS>3000 to 4999 kW	\$146,938	3.12%	\$16,123	35,687	0.4518
Large Use	\$720,532	15.30%	\$79,062	165,609	0.4774
Street Light	\$26,164	0.56%	\$2,871	9,432	0.3044
Sentinel Light	\$2,583	0.05%	\$283	931	0.3044
Unmetered Scattered Load	\$5,396	0.11%	\$592	606,271	0.0010
Embedded Distributor	\$434,084	9.22%	\$47,631	99,771	0.4774
	\$4,709,094		\$516,713		

78. ETPL's allocation methodology of the Board Staff proposed \$435,000 is provided below in Table 5. Board Staff suggested an amount of \$435,000 as an appropriate amount for the LV Charges but ETPL is unable to understand how such a figure was derived. Based upon the new Hydro One Rates, ETPL submits the proper amount to be included in rates is \$576,651.

Table 5 – Board Staff Requested Breakdown on \$435,000

	RTR Revenue	Percentage	Low Voltage Allocation	Load	Rate
Residential	\$1,194,812	25.37%	\$110,370	123,176,496	0.0009
GS<50	\$360,102	7.65%	\$33,264	40,460,913	0.0008
GS>50 to 999 kW	\$1,291,889	27.43%	\$119,338	359,657	0.3318
GS>1000to 2999 kw	\$526,594	11.18%	\$48,644	135,587	0.3588
GS>3000 to 4999 kW	\$146,938	3.12%	\$13,573	35,687	0.3803
Large Use	\$720,532	15.30%	\$66,559	165,609	0.4019
Street Light	\$26,164	0.56%	\$2,417	9,432	0.2562
Sentinel Light	\$2,583	0.05%	\$239	931	0.2563
Unmetered Scattered Load	\$5,396	0.11%	\$498	606,271	0.0008
Embedded Distributor	\$434,084	9.22%	\$40,098	99,771	0.4019
	\$4,709,094		\$435,000		

79. Hydro One's new rate structure includes new fixed charges of \$188 per month per meter point and \$533 per month per meter. ETPL has 15 meter points and meters in its system so the increase caused by the new charges offset the decrease in the volumetric rates. These new charges result in an overall increase in charges despite the reductions in certain aspects of the Hydro One rates. ETPL has reproduced the part of the response to Board Staff supplemental interrogatory 11D above to confirm its calculation.

Table 6 – Board Staff Supplemental 11D

	LV Charges					
	Shared LV Line	Shared LVDS	Specific LV Line	Fixed Charge	Meter Charge	Total
January	\$ 27,248.41	\$ 4,146.16	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 47,101.96
February	\$ 27,106.22	\$ 4,269.21	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 47,082.82
March	\$ 28,228.51	\$ 4,082.54	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 48,018.44
April	\$ 29,090.85	\$ 3,381.94	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 48,180.17
May	\$ 29,369.04	\$ 3,710.65	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 48,787.08
June	\$ 29,741.33	\$ 4,853.47	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 50,302.19
July	\$ 28,679.89	\$ 4,770.23	\$ 7,224.39	\$ 188.	\$ 8,295.00	\$ 49,157.51
August	\$ 30,179.47	\$ 4,944.04	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 50,830.90
September	\$ 28,049.10	\$ 4,478.20	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 48,234.68
October	\$ 25,226.89	\$ 3,929.41	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 44,863.69
November	\$ 26,557.56	\$ 3,990.94	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 46,255.89

December	\$ 27,629.85	\$ 4,497.99	\$ 7,224.39	\$ 188	\$ 8,295.00	\$ 47,835.23
Total	\$ 337,107.10	\$ 51,054.78	\$ 86,692.68	\$ 2,256.00	\$ 99,540.00	\$ 576,650.56

Notes:

Table completed using data from past 12 months beginning March 2007.

Fixed Charges and Meter Charges have also been added as per Hydro One's Application EB-2007-0681.

Assumes new charges in place for a full year.

Line Losses

80. ETPL has reviewed the comments of Board Staff and the response to IR#44. ETPL misinterpreted the IR and submits that the information provided was Distribution Loss Factors and not Total Loss Factors as earlier indicated. ETPL had already taken into account the Hydro One losses in the wholesale kWh supplied by the IESO. This has been corrected in Table 7.

81. The correct DLF are reproduced below in Table 7.

Table 7 – Distribution Loss Factors

	2002	2003	2004	2005	2006	Total
"Wholesale" kWh (IESO)	384,727,219	403,186,920	428,002,180	463,924,515	487,919,420	2,167,760,253
Wholesale kWh for Large Use customer(s) (IESO)	-	-	-	-	-	-
Net "Wholesale" kWh (A)-(B)	384,727,219	403,186,920	428,002,180	463,924,515	487,919,420	2,167,760,253
Retail kWh (Distributor)	359,173,975	375,518,978	399,171,334	435,533,295	457,487,808	2,026,885,390
Retail kWh for Large Use Customer(s) (1% loss)	-	-	-	-	-	-
Net "Retail" kWh (D)-(E)	359,173,975	375,518,978	399,171,334	435,533,295	457,487,808	2,026,885,390
Loss Factor [(C)/(F)]	1.0711	1.0737	1.0722	1.0652	1.0665	1.0695
HONI Loss Factor Applied	0.0340	0.0340	0.0340	0.0340	0.0340	0.0340
Distribution Loss Adjustment Factor	1.0371	1.0397	1.0382	1.0312	1.0325	1.0355
<u>Total Utility Loss Adjustment Factor</u>	<u>LAF</u>					
Supply Facility Loss Factor	1.0045					
Distribution Loss Factors						
Secondary Metered Customer						
Distribution Loss Factor - Secondary Metered Customer > 5,000kW	1.0100					
Primary Metered Customer						
Distribution Loss Factor - Primary Metered Customer < 5,000kW	1.0209					
Distribution Loss Factor - Primary Metered Customer > 5,000kW	1.0000					
Total Loss Factor						
Secondary Metered Customer						
Total Loss Factor - Secondary Metered Customer < 5,000kW	1.0358					
Total Loss Factor - Secondary Metered Customer > 5,000kW	1.0145					
Primary Metered Customer						
Total Loss Factor - Primary Metered Customer < 5,000kW	1.0255					
Total Loss Factor - Primary Metered Customer > 5,000kW	1.0045					

82. ETPL submits that the use of the 5 year averaged DLF is appropriate.

Deferral & Variance Accounts

83. ETPL originally requested in the Application the disposition, over a 2 year period, of the following variance accounts:

<u>Accounts</u>	<u>Amounts</u>
1550 LV Variance	\$370,764
1580 RSVA – Wholesale Market Service Charge	(\$132,988)
1582 RSVA – One-time Wholesale Market Serv.	\$55,533
1584 RSVA – Retail Transmission Network Charges	(\$97,359)
1586 RSVA – Retail Transmission Connection Charges	(\$242,231)
Subtotal	(46,281)
1588 RSVA – Power	\$503,984
Total	\$457,702

84. Subsequent to ETPL's filing, the Board indicated that it would consider the disposition of Account 1588 in a separate proceeding. Board Staff indicated the Board may wish to reconsider the disposition of the other accounts in light of the decision to deal with Account 1588 in another proceeding.

85. ETPL requests that the Board not dispose of any of the accounts listed above at this time.

Cost Submissions

86. Energy Probe and VECC both requested 100% of their reasonably incurred costs. ETPL does not oppose such requests.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

ERIE THAMES POWERLINES CORPORATION

Chris White, Vice President & General Manager