EB-2007-0681

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Hydro One Networks Inc., for an Order or Orders approving rates for the distribution of electricity.

ARGUMENT

of
ROGERS CABLE COMMUNICATIONS INC.
(Rogers)

August 18, 2008

MACLEOD DIXON LLP
Toronto-Dominion Centre
Canadian Pacific Tower
100 Wellington Street West
Suite 500, P.O. Box 128
Toronto, ON M5K 1H1

Ian Mondrow
Telephone : (416) 203-4435
Facsimile: (416) 360-8277
Email: ian.mondrow@macleoddixon.com

Counsel for Rogers Cable Communications Inc.

Introduction.

1. During oral argument, counsel for Hydro One characterized Rogers' position in this proceeding as being that unmetered scattered load (USL) should be treated as a separate rate class [Tr. 7 - p.43, line 13]. That is not what Rogers is arguing in this case.

2. It is not contentious that even where USL customers are included in a broader rate class, USL <u>rates</u> are appropriately set in a manner different from those of the balance of the class within which USL customers are included. This is the case in Hydro One's proposal as well.

3. Hydro One's rate design witness, Mr. Roger, acknowledged that this distinct rate treatment for USL customers is intended to reflect differences between the nature of USL customers and that of other types of distribution customers. [Tr.5 - p.135, lines 2 to 9]

4. While Hydro One proposes to group USL customers within a diverse General Service Energy (GSe) class, it also proposes to apply a credit to the GSe fixed customer charge in order to derive a distinct customer charge to be applied in rates for USL customers. The resulting distinct USL rate is intended to better reflect the costs incurred to serve USL customers. [Ex.G1/T4/S5]

5. In this case, Rogers argues that Hydro One's proposed rate for USL customers still does not properly reflect the costs incurred to serve USL customers, in two respects:

   (a) The proposed USL rate would result in an over recovery from USL customers relative to the costs to serve those customers. Rogers argues that the USL fixed charge credit should be increased to result in USL rates that fall within the Board's directed revenue to cost ratio range for USL customers.

   (b) Hydro One has inappropriately classified all USL customers with the non-urban GSe class, even though 392 USL connections are physically located within areas in which other Hydro One distribution customers qualify for <u>lower</u> Urban General Service energy billed (UGSe) rates. Rogers argues that these 392 USL connections should be reclassified as UGSe customers, and charged accordingly.

6. The rate changes and USL connection reclassifications (relative to those proposed) argued for by Rogers would result in USL rates that better reflect the costs incurred to serve USL customers than the rate that Hydro One has proposed, with minimal impact on Hydro One's remaining customers.

Separate treatment of USL customers.

7. Hydro One's rate design witness, Mr. Roger, acknowledges two basic principles of setting distribution rates that are fair:

   (a) Like customers should be charged for distribution service on the same basis, while unlike customers are charged on a different basis. [Tr.5 - p.73 line 11 to p.74, line 2].

   (b) When energy (kilowatt-hours) is the primary billing determinant for a customer class, it follows that high load factor customers will subsidize low load factor customers and that the causal costs of low load factor customers will be under-recovered relative to the causal costs of higher load factor customers. [Tr.5 - p.74 lines 7 to 15]

8. USL customers are unlike the other customers in Hydro One's proposed GSe class:

   (a) USL customers often own a number of separately billed connections. In the case of Rogers, 850 connections (based on 2005 data). [Tr.5 - p.101 lines 8 to 9; Tr.5 - p.113 lines 15 to 17].

   (b) Under Hydro One's historical rate and under its proposed rates, each USL connection attracts a separate fixed customer charge. In Rogers' case, each cable amplifier is considered a separate USL customer. [Tr.5 - p.75, lines 14 to 16]

   (c) USL loads are generally quite small. [Tr.5 - p.75, lines 1 to 5]

   (d) USL loads generally present predictable consumption patterns. [Tr.5 - p.75, lines 1 to 5]

9. In contrast, the proposed GSe class into which Hydro One has grouped USL connections is an extremely broad class, including a number of disparate types of customers, all of whom are separately metered, and none of whom are like USL customers. [Tr.5 - p.116 line 4 to p.117 line 21]

10. Hydro One's USL rate proposal implicitly recognizes the first principle of rate making set out above; that like customers should be treated similarly, and different from unlike customers. In recognition of this principle Hydro One's proposal provides for a fixed customer charge credit to be applied to the standard GSe customer charge in order to derive a USL specific rate. This credit recognizes that USL customers are different in kind from the other customers in the proposed class. [Tr.5 - p.135, lines 2 to 9]

11. Hydro One's evidence also acknowledges that as load with a flat profile, USL customers billed on an energy basis would, everything else being equal, subsidize other energy billed customers in the GSe class with more variable load profiles. [Tr.5 - p.92, lines 6 to 12]

12. Cable amplifiers, which is the type of USL facility that Rogers owns and operates, have completely flat load profiles [Ex.K5 - p.7 as discussed at Tr.5 - pp. 106 to 107; Ex.K5.5 - p.23 at heading 3.7]. While Hydro One's evidence is that the battery mats recently added to some cable amplifiers to maintain backup battery capability in winter (for the benefit of cable phone customers in the event of a distribution system failure) present some variability to this load profile, Hydro One's witnesses also acknowledge that the energy consumption of these mats is a small fraction of the overall cable amplifier consumption.[1] [Tr.5 - p.95, lines 11 to 12]

13. Accordingly, everything else being equal, cable amplifier USL customers like Rogers would be cross-subsidizing Hydro One's other GSe customers, but for derivation and application of an appropriate USL rate credit.

[1] The study provided by Hydro One in response to transcript undertaking J5.3 acknowledges that the load profile for the cable amplifiers themselves is flat. It does not appear to provide further relevant information as presented, and indeed Rogers' experts have been unable to determine what data is presented in the attachments to the narrative and what that data attempts to demonstrate. In the end the report is unclear and appears to add little, if anything, to the evidence in this proceeding.

14. Properly derived, a USL fixed charge credit can address, in some measure at least, the cross-subsidy by USL customers of other GSe customers that would otherwise result. [Tr.5 - p.135, lines 2 to 9]

Effect of the proposed metering credit.

15. Pursuant to the Board's directions, Hydro One has derived a "metering credit" which it proposes to apply to reduce the fixed customer charge for USL customers. This credit is intended to reflect the fact that USL connections are not metered, and thus do not contribute to metering costs. [Tr.5 - p.119, lines 19 to 21; Ex.G2/T1/S1, Attach.A, page 49 as reproduced in Ex.K5.2, p.26]

16. Rogers takes no quarrel with whether Hydro One has properly derived the credit <u>on account of metering costs</u>.

17. However, this credit is <u>not</u> intended to reflect other differences between USL customers, and distribution costs that they drive, on the one hand, and other, unlike customers and their impact on distribution costs, on the other hand.

18. In order to determine whether USL rates inclusive of metering credits properly reflect costs to serve USL customers, and avoid cross-subsidization by relatively flat load profile USL customers (including particularly flat load profile cable amplifiers) of other GSe customers, a revenue to cost analysis would need to be performed. [Tr.5 - lines 13 to 21]

19. In accord with directions from the Board contained in the September 29, 2006 *Board Directions on Cost Allocation Methodology for Electricity Distributors* (Ex. K5.5 herein, at page 15, section 2.3.5 of the report), Hydro One performed such an analysis for the 2006 test year. The outcome of that analysis revealed a revenue to cost ratio for USL customers of 2.16 [Ex.H/T8/S5, Attachment, p.10, column 19, see row labelled "REVENUE TO EXPENSES %"]. That is, according to Hydro One's cost allocation model run output for 2006, USL customers were, on average, paying more than <u>twice</u> what it cost Hydro One to serve them.

20. Hydro One has not performed any analysis of revenue relative to costs for its proposed USL rates for 2008. [Ex.H/T8/S5; Tr.5 - p.120, lines 8 to 13]

Derivation of a USL revenue to cost ratio for 2008.

21. Though Hydro One has not done a revenue to cost analysis for its proposed 2008 USL rate, Rogers attempted to derive a 2008 rate based on Hydro One's 2006 data and some revenue information provided by Hydro One in response to Rogers' interrogatories. That attempt was filed as page 29 of Ex. K5.2.

22. In examination on this attempted derivation, however, Hydro One's witnesses revealed for the first time that the 2006 study output previously filed with the Board and provided in response to a Rogers' interrogatory was essentially wrong. Apparently, the 2006 study did not fully capture allocable costs for a number of the 2006 rate classes studied. [Tr.5 - p.124, lines 11 to 23]

23. Unfortunately, Hydro One has not provided any corrected study to determine the appropriateness, from a revenue to cost ratio perspective, of its proposed 2008 USL rates. [Tr.5 - p.135, lines 13 to 21]

24. However, Mr. Roger did offer Rogers, and the Board, some comfort in that respect through the following line of reasoning [Tr.5, p.124, line 24 to p.126, line 12; Tr.5 - p.127, line 25 to p.128, line 2; Tr.5. - p.146 line 10 to p.147, line 11]:

(a) USL customers are to be classed within the proposed GSe class, which has a target revenue to cost ratio of 1.08. [Ex.G1/T3/S1/p.4, Table 2]

(b) The closest comparator in the 2006 cost allocation study earlier filed with the Board to the GSe class proposed for 2008 is the 2006 G1 class. In the 2006 study, the G1 class revenue to cost ratio was reported to be 1.83. [Ex.H/T8/S5, Attachment p. 9, column 9, row labelled "REVENUE TO EXPENSES %"].

(c) The cost allocation to this essentially similar group of customers has increased between the 2006 and the 2008 cost allocation studies, principally as a result of a different cost allocation methodology adopted by Hydro One for the 2008 study.

That is, the change between the 2006 G1 revenue to cost ratio and the 2008 GSe revenue to cost ratio is primarily the result of more costs being captured for the GSe class than was the case in the 2006 modelling for the G1 class. [Tr.5 - p.126, lines 7 to 11]

(d) It would be appropriate to assume that the costs allocable to USL customers under the 2008 methodology as compared to those allocated in the 2006 model run would be greater in the same proportion as the increase in costs allocated in 2008 to the GSe class compared to those allocated in the 2006 model run to the G1 class. [Tr.5 - p.127, line 25 to p.128, line 2].

25. To have produced a revenue to cost ratio of 1.08 for the G1 class in 2006, every dollar allocated in 2006 to the G1 class <u>should</u> have been $1.69[2]. Pursuing Mr. Roger's reasoning, costs now properly captured for the proposed GSe class for 2008 are 69% higher than was the case in the (faulty) 2006 study.

26. To apply this reasoning to derive a revenue to cost ratio for USL customers in 2008, the analysis suggested by Hydro One [Tr.5 - p.127, line 25 to p.128, line 2], Rogers has redone what was formerly filed during cross-examination as page 29 of Ex.K5.2. The revised chart is included as page 1 of Attachment 1 to this argument.

27. The 2006 column on this revised chart is the same as the 2006 column on the original chart. Mr. Roger acknowledged in examination [Tr.5 - p.122, lines 1 to 18] that the data shown in this column is consistent with Hydro One's own data as presented in the output of its 2006 cost allocation modelling (a copy of that output is provided as the attachment to Ex.H/T8/S5).

28. The revenue data presented in the 2008 column on the revised chart (the first three lines), is also the same as the 2008 revenue data on the original chart as presented to Mr. Roger in cross-examination. That 2008 revenue data was derived from information provided by

[2] To solve for what costs should have been allocated in 2006 to produce a revenue of $1.08 for every $1.00 of costs, as compared to the 2006 model output which indicated that revenues were $1.83 for every $1.00 of costs, assuming that the main variable between the two years is costs, the solution is: 1.08/1 = 1.83/x; 1.08 * x = 1.83; x = 1.83/1.08 = 1.69.

Hydro One in interrogatory responses to Rogers and from data provided in Hydro One's 2006 cost allocation modelling output, all of which Mr. Roger acknowledged was representative for the purposes of this revenue to cost ratio analysis. [Tr.5 - p.122, line 25 to p.124, line 5]

29. To derive a USL costs figure for 2008 that is in accord with the reasoning proposed by Mr. Roger in comparing the 2006 G1 class to the proposed 2008 GSe class, the attached analysis set out in Attachment 1 to this Argument uses Hydro One's 2006 cost data for USL customers as provided in its modelling output, and escalates it by 69% for 2008 (shown in table on page 1 of Attachment 1 hereto). That is, 2006 USL costs are escalated in the same proportion as costs allocated between the 2006 presentation of G1 costs and the 2008 presentation of GSe costs. Again, Mr. Roger acknowledged this as an appropriate approximation in considering the target USL rate proposed.[3] [Tr.5 - p.127, line 25 to p.128, line 2]

30. The result for the target USL rate proposed, based on the only information provided by Hydro One, is a proposed revenue to cost ratio for USL customers of 1.52. That is, when the target USL rate is reached, proposed revenues from USL customers will be, on average, 50% higher than the costs incurred to serve those customers.

31. The revenue to cost ratio for USL customers directed by the Board in its November, 2007 report *"Application of Cost Allocation for Electricity Distributors"* [Ex.K4.6, at pp. 8 to 9] would ideally be 1.00, and in any event would lie between 0.8 and 1.2.

32. Hydro One's proposed USL rates produce a revenue to cost ratio for its USL customers that exceeds the ideal by more than 50%, and exceeds the <u>upper</u> boundary of the Board's directed range (i.e. 120%) by 32% (on a baseline of 100%).

33. Looked at another way, the metering credit applied by Hydro One to the GSe rate to derive a distinct fixed customer charge for USL connections does <u>not</u>, of itself, sufficiently account for the differences in costs to serve USL customers relative to the other types of customers included in the proposed GSe class. In the result, USL

[3] Rogers' acknowledges that USL rates will converge on the target rate over 3 years. Generally references in this argument to the 2008 USL rate are to the target USL rate.

customers would, under Hydro One's proposal, continue, on average, to subsidize other GSe customers.

Correcting for the continued cross-subsidization.

34. Rogers submits that the continued cross-subsidization by USL customers of other types of GSe customers would be unfair.

35. Rogers acknowledges that, as often repeated by Mr. Roger during various questioning, absent individual rates for each customer, in ratemaking there are some customers who win, and some who loose.

36. However, Mr. Roger also acknowledged basic principles of ratemaking that dictate that where there is an identifiable group of customers which is different from other customer types, that identifiable group should be treated as a distinct customer class. In other words, while individual customers might win or lose, the same should not generally be tolerated at a customer class level.

37. That USL customers are unique is not contentious. It is recognition of this uniqueness that has resulted in distinct rates for USL customers, historically in general, and in Hydro One's proposal in this case in particular. [Tr.5 - p. 135, lines 2 to 9]

38. In Rogers' submission, the Hydro One proposal has not properly accounted for the differences in cost to serve USL customers and therefore the proposal does not provide fair treatment for this distinct and readily identifiable group of customers.

39. Attachment 1 to this Argument presents calculations done on behalf of Rogers which derive a USL credit that would appropriately correct for the cross-subsidization that would otherwise result from treating the distinct USL customer group the same as other, different, GSe customer types. This derivation is based on the best (and only) USL cost information provided by Hydro One, as outlined in the previous section of this argument.

40. The derived USL credit shown at page 3 of Attachment 1, which methodologically captures all cost differences between USL customers and other customer types (including differences in metering costs), would reduce the GSe fixed customer charge by a total of $20.65 for billing of USL customers, and would result in a revenue to cost ratio of 1.00.

41. The calculation of this credit assumes reclassification of the 392 urban located USL connections, as advocated in the next section of this argument. (Attachment 2 to this argument shows the credit derivation in the event that these connections are not reclassified.)

42. Rogers also acknowledges that this credit is an approximation. Ideally there would be a proper design done for USL rates, and nuances such as which cost or credit components should be recovered in the fixed charge and which in the variable charge would be properly analyzed and resolved. Hydro One has not done this, though asked [Ex.H/T8/S5, part c.], and Rogers is not equipped to do it. Further, Rogers is simplifying its proposal by advocating that the derived USL credit be applied only to the USL connections that are charged based on the (non-urban) GSe rate, as this represents the majority of USL connections and this simplification facilitates a roughly equitable, and more readily implementable, result in this case.

43. Given the minimal impact on other customers of moving USL customers to a revenue to cost ratio of 1.00 (for their target rate, to be realized in 2011)[4], we can think of no reason not to do so.[5]

[4] Per Attachment 1, the difference in revenue resulting from an increase in the USL credit as proposed herein would be approximately $895,000 per year, on a GSe revenue forecast of $111.1 million per year as indicated in Ex. G1/T3/S1, p.2, table 1, resulting in a class revenue reallocation impact of less than 0.8%.

[5] As indicated at page 4 of Attachment 1, however, to move to a revenue to cost ratio of 1.2, the USL credit would be $14.35, using the same assumption and simplifications as noted above. Attachment 2, page 4 shows that this credit would be $15.80 in the event that the urban located USL connections were not reclassified to the UGSe class.

Reclassification of urban located USL connections.

44. Rogers' second concern with Hydro One's USL rate proposal is that Hydro One has inappropriately classified all USL customers with the non-urban GSe class, even though 392 USL connections are physically located within areas in which other Hydro One distribution customers qualify for lower Urban General Service energy billed (UGSe) rates. [Ex.H/T8/S2, p.1, part b.]

45. The substantial difference in the urban versus non-urban general service rates is captured in the table at Ex.H/T8/S2, p.2. This table illustrates that net of application of the USL metering credit presented by Hydro One in its evidence, the service charge for rural customers is more than 400% higher than the service charge for urban customers.[6] As noted above, each USL connection attracts a service charge. [Tr.5- p.75, lines 14 to 16]

46. In addition, the energy charge for rural general service energy billed customers is more than 160% of that for urban general service energy billed customers.

47. At the target rates to be achieved by 2011, the 392 USL connections that are physically located in urban density areas will be overpaying, relative to other general service customers in these locations that are (properly) classed as urban, by (in aggregate) $120,000 per year. [Ex.K5.2, p. 35, as discussed at Tr.5 - pp. 138 to 140]

48. These 392 urban located USL connections were classified as urban in 2007. [Ex.H/T8/S1, Table 1, Row 3]

49. The only reason offered by Hydro One's rates witness for not continuing to include these 392 urban located USL connections in the UGSe class in 2008 was "simplification" of the rate structure. [Tr.5 - p.140, line 20 and p.144, line 27]

50. Rogers acknowledges that, everything else being equal, rate structure simplification is a laudable objective. However, in its zeal for simplification of rates (starting from an

[6] If the USL credit of $20.65 proposed in the preceding section of this argument is applied, the customer charge for the GSe class, net of Rogers' proposed USL credit, is still more than 80% higher than the customer charge for the UGSe class, net of the metering credit shown by Hydro One on this table.

admittedly dizzying legacy array of rates), Hydro One has provided insufficient emphasis to other basic ratemaking principles. These other principles include treating like customers the same, avoiding cross-subsidies between customer types, and balancing consideration of the appropriate overall number of different rates with basic principles of rate fairness and cost causality. (Consider, for example, Mr. Shepherd's examination of Mr. Roger regarding rural rates being applied to schools located in small urban centres, apparently for the sake of avoiding development of a third set of rates for customers in small towns; Tr.5 - starting at p.162.)

51. Rogers submits that when in conflict with considerations of fairness and cost reflectiveness, the principle of rate simplification should yield.

52. Reclassification of urban density qualifying customers to urban rate classes was implemented for hundreds of other Hydro One customers as an outcome of the company's urban density study. [Ex.G1/T2/S4, lines 24 through 27, discussed at Tr.5 - p.143, line 13 to p.147, line 1]

53. It is true that these other reclassifications did not entail applying any additional rates. However, in the case of reclassification of 392 USL customers, the only rate change would be application of a USL credit to one additional customer charge [Ex.H/T8/S2/p.2, table]. It was not due to concern for any cost of administering the application of one additional USL credit that Hydro One did not maintain the historical urban classification of these 392 USL connections [Tr.5 - p. 144, lines 25 to 26]. Mr. Roger indicated a number of times that Hydro One could readily do so, if directed by the Board. [Tr5 - p.140, lines 22 to 23; Tr.5 - p.141, lines 5 to 6; Tr.5 - p.144, lines 17 to 19]

54. The impact of recovering the relatively small revenue decrease attributable to reclassification of these 392 USL connections from the balance of Hydro One's GSe customers would be minimal, in the range of about one tenth of one percent. [Tr.5- p.145, lines 5 through 12; per Ex.G1/T3/S1, p. 2 at table 1, the revenue requirement for the GSe class is $111.1 million, of which amount $120,000 is about one tenth of one percent.]

Conclusion.

55. Ideally, Rogers would advocate that USL connections be identified as a separate class of customers, and USL rates be set on a proper cost allocation study for such class.

56. This is currently done, both generally and in the case of Hydro One, for two specific types of USL connections - street lighting and sentinel lighting. Separate rate classification for these two types of USL connections is largely the result of historical practice, but in any event is accomplished without any apparent difficultly or complication.

57. The appropriateness of classifying all USL connections as a separate rate class is a matter to be considered within the Board's ongoing review of rate design for recovery of electricity distribution costs [EB-2007-0031 - see Ex.K5.2 herein, pp. 7 and 8].

58. In the interim, Hydro One is in fact proposing distinct rate treatment for USL customers, grouped within the broader GSe class. This proposal implicitly recognizes the distinct characteristics and cost causality impacts of USL customers.

59. However, the resulting distinct revenue to cost ratio for USL connections derived from the best evidence provided by Hydro One exceeds the Board directed ideal revenue to cost ratio by more than 50%, and exceeds the upper boundary of the Board directed range for USL customers by just under 32%.

60. Further, Hydro One is proposing to overcharge 392 urban located USL connections for no better reason than "simplification" of rates, despite the apparent inequity of charging these urban connections as if they were rurally located.

61. To remedy these inequities, Rogers requests that the Board direct Hydro One to:

(a) Apply a fixed charge credit to non-urban (GSe) USL rates in order to bring the USL revenue to cost ratio within the Board directed range (along with the reclassification advocated). This would entail a USL credit of $20.65 for the non-urban GSe class (vs. the $6.86 proposed by Hydro One) to bring the overall USL revenue to cost ratio to 1.00.

(b) Reclassify the 392 USL connections that are physically located in urban density areas to the UGSe class, and apply UGSe rates net of the Hydro One derived metering credit ($6.65, per Ex.H/T8/S2/p.2, table, second row) in billing these connections for distribution service.

Neither of these changes would have a material impact on remaining GSe customers.

ALL OF WHICH IS RESPECTFULLY SUBMITTED
Macleod Dixon, LLP per:

Ian Mondrow
Counsel to Rogers Cable Communications Inc.

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Rogers' Final Argument, Attachment 1

Hydro One USL Rate Proposal
Revenue to Cost Ratio Calculations by Rogers Cable

	2006*	2008**	2008 With R/C Ratio of 120%	2008 With R/C Ratio of 100%
Distribution Revenue	$1,936,870	$2,350,079	**$1,797,770**	**$1,455,542**
Misc. Revenue	$255,600	$255,600	$255,600	$255,600
Total Revenues	$2,192,470	$2,605,679	$2,053,370	$1,711,142
Costs	$1,012,510	$1,711,142	$1,711,142	$1,711,142
R/C	2.17	1.52	1.20	1.00

* For 2006: Data from Ex.H/T8/S5/Attach. P. 10

** For 2008: Distribution revenue derived from applying proposed USL rates from Ex.G2/T5/S5 to USL connections and 2008 consumption provided in Ex/H/T8/S1.

Misc. Revenues assumed the same as 2006.

Costs escalated from 2006 by 69%, as described in paragraph 29 of Rogers' Final Argument.

Hydro One USL Rate Proposal
Additional USL Credit Computations by Rogers Cable

Statistics*:	Connections	kWh
Total	4917	26630872
Urban	392	2637231
Non-Urban	4525	23993641

* From Ex H Tab 8 Schedule 1
** From Ex H Tab 8 Schedule 2

1. Continuation of 2007 Urban Classification as Applicable, Rates as Proposed

Revenue from Urban USL Connections:

	Number	Rate**	USL Credit	Rate**	Revenue	
Connections	392	$ 12.33	$ 6.65	$ 5.68	$ 26,719	
kWh	2,637,231	$ 0.0209		$ 0.0209	$ 55,118	
Total Revenue Urban						$ 81,837

Revenue from non-Urban USL Connections:

	Number*	Rate**	USL Credit	Rate**	Revenue	
Connections	4,525	30.97	$ 6.86	$ 24.11	$ 1,309,173	
kWh	23,993,641	0.0339		0.0339	$ 813,384	
Total Revenue Non-Urban						$ 2,122,557

Total Revenue from Electricity Rates	$ 2,204,394
Allocated Miscellaneous Revenue	$255,600
Total Revenue	$2,459,994
Estimated Allocated Cost	$1,711,142
Ratio of Revenue to Cost	1.44

2. USL Credit Adjusted (Non-Urban) to Produce Revenue/Cost Ratio of 1.00

Revenue from Urban USL Connections:

	Number	Rate**	USL Credit	Rate	Revenue	
Connections	392	$ 12.33	$ 6.65	$ 5.68	$ 26,719	
kWh	2,637,231	$ 0.0209		$ 0.0209	$ 55,118	
Total Revenue Urban						$ 81,837

Revenue from non-Urban USL Connections:

	Number*	Rate**	USL Credit	Rate	Revenue	
Connections	4,525	30.97	**$ 20.65**	$ 10.32	$ 560,321	
kWh	23,993,641	0.0339		0.0339	$ 813,384	
Total Revenue Non-Urban						$ 1,373,705

Total Revenue from Electricity Rates	$ 1,455,542
Allocated Miscellaneous Revenue	$255,600
Total Revenue	$1,711,142
Estimated Allocated Cost	$1,711,142
Ratio of Revenue to Cost	1.00

3. USL Credit Adjusted (Non-Urban) to Produce Revenue/Cost Ratio of 1.20

Revenue from Urban USL Connections:

	Number	Rate**	USL Credit	Rate	Revenue	
Connections	392	$ 12.33	$ 6.65	$ 5.68	$ 26,719	
kWh	2,637,231	$ 0.0209		$ 0.0209	$ 55,118	
Total Revenue Urban						$ 81,837

Revenue from non-Urban USL Connections:

	Number*	Rate**	USL Credit	Rate	Revenue	
Connections	4,525	30.97	**$ 14.35**	$ 16.62	$ 902,549	
kWh	23,993,641	0.0339		0.0339	$ 813,384	
Total Revenue Non-Urban						$ 1,715,933

Total Revenue from Electricity Rates	$ 1,797,770
Allocated Miscellaneous Revenue	$255,600
Total Revenue	$2,053,370
Estimated Allocated Cost	$1,711,142
Ratio of Revenue to Cost	1.20

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Rogers' Final Argument, Attachment 2

Hydro One USL Rate Proposal
Revenue to Cost Ratio Calculations by Rogers Cable

	2006*	2008**	2008 With R/C Ratio of 120%	2008 With R/C Ratio of 100%
Distribution Revenue	$1,936,870	$2,350,079	**$1,797,770**	**$1,455,542**
Misc. Revenue	$255,600	$255,600	$255,600	$255,600
Total Revenues	$2,192,470	$2,605,679	$2,053,370	$1,711,142
Costs	$1,012,510	$1,711,142	$1,711,142	$1,711,142
R/C	2.17	1.52	1.20	1.00

* For 2006: Data from Ex.H/T8/S5/Attach. P. 10

** For 2008: Distribution revenue derived from applying proposed USL rates from Ex.G2/T5/S5 to USL connections and 2008 consumption provided in Ex/H/T8/S1.

Misc. Revenues assumed the same as 2006.

Costs escalated from 2006 by 69%, as described in paragraph 29 of Rogers' Final Argument.

Hydro One USL Rate Proposal
Additional USL Credit Computations by Rogers Cable

Statistics*:	Connections	kWh
Total	4917	26630872

* From Ex H Tab 8 Schedule 1
** From Ex H Tab 8 Schedule 2

1. Revenue from Rates Rates as Proposed by Hydro One

	Number	Rate**	USL Credit	Net Rate	Revenue	
Connections	4,917	30.97	$ 6.86	$ 24.11	$ 1,422,586	
kWh	26,630,872	0.0339		$ 0.0339	$ 902,787	
Total Revenue						$ 2,325,373

Total Revenue from Electricity Rates	$ 2,325,373
Allocated Miscellaneous Revenue	$255,600
Total Revenue	$2,580,973
Estimated Allocated Cost	$1,711,142
Ratio of Revenue to Cost	1.51

2. USL Credit Adjusted to Produce Revenue/Cost Ratio of 1.00

	Number*	Rate**	USL Credit	Net Rate	Revenue	
Connections	4,917	30.97	$ **21.60**	$ 9.37	$ 552,755	
kWh	26,630,872	0.0339		0.0339	$ 902,787	
Total Revenue						$ 1,455,542
Total Revenue from Electricity Rates						$ 1,455,542
Allocated Miscellaneous Revenue						$255,600
Total Revenue						$1,711,142
Estimated Allocated Cost						$1,711,142
Ratio of Revenue to Cost						1.00

3. USL Credit Adjusted to Produce Revenue/Cost Ratio of 1.20

	Number*	Rate**	USL Credit	Net Rate	Revenue	
Connections	4,917	30.97	$ **15.80**	$ 15.17	$ 894,984	
kWh	26,630,872	0.0339		0.0339	$ 902,787	
Total Revenue						$ 1,797,770
Total Revenue from Electricity Rates						$ 1,797,770
Allocated Miscellaneous Revenue						$255,600
Total Revenue						$2,053,370
Estimated Allocated Cost						$1,711,142
Ratio of Revenue to Cost						1.20