

TOTAL LOSS FACTORS

1.0 INTRODUCTION

This exhibit describes the proposal with respect to loss factors for Hydro One Distribution Legacy, Acquired and ST customers for use in conjunction with 2008 distribution rates.

1.1 Hydro One Distribution Situation

Hydro One Distribution undertook an update study of losses, as requested by the Board in RP-2005-0020/EB-2005-0378. Results of the study are presented in Exhibit A, Tab 15, Schedule 3, Attachment A. The study results show that, on average, Hydro One Distribution losses are estimated to be higher than the values currently approved by the Board. In light of Hydro One Distribution on going efforts to reduce losses as discussed in Exhibit A, Tab 15, Schedule 3, Hydro One Distribution does not propose at this time, to change the distribution loss factors to the values established in the study.

Hydro One also undertook a study of individual customer losses for all customers in its Sub-Transmission class, as requested by the Board in RP-2005-0020/EB-2005-0378. The study shows that some customers would benefit while other customers would see bill increases if losses are implemented on a customer by customer basis, as opposed to class average losses. The study also shows that site specific losses can vary unpredictably from year to year for reasons outside customer control. The study is included as Appendix A in this Schedule. Hydro One is proposing to maintain the average class loss approach for 2008 and beyond.

1 Losses are used to uplift, or adjust, the Commodity, Retail Transmission Service,
2 Wholesale Market Service, and Rural or Remote Rate Protection charges to the wholesale
3 level at which Hydro One Distribution settles for these charges with the IESO. Debt
4 Retirement and Distribution charges are not subject to loss adjustments.

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6 For energy billed customers, Board guidelines dictate that loss adjustments be applied to
7 metered or estimated energy billing quantities. For demand billed customers, loss
8 adjustments are applied to the corresponding tariffs and the billed quantities used are the
9 metered quantities.

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11 Exhibit G2, Tab 5 to Tab 94, Schedule 1, shows the corresponding Supply Facilities Loss
12 Factors, Distribution Loss Factors, and Total Loss Factors that Hydro Ones Distribution
13 proposes for 2008 for its Legacy, Acquired and ST customers, (including Embedded
14 LDC).

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16 The Total Loss Factors for the new proposed UR and R1 customer classes were derived
17 by taking the weighted average, by energy, of the currently OEB approved TLFs of the
18 customers comprising the new customer class. This approach was endorsed by
19 Stakeholders at the Session on September 5th, 2007.

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21 For example, the new Urban Residential class is made up of Legacy Urban Residential,
22 Acquired Residential, Legacy R1 and Legacy R2 customers. Legacy customers have a
23 TLF of 9.2% while Acquired Residential customers have TLFs of 5.45%. Taking these
24 two TLFs values and multiplying by the energy for the Legacy and Acquired customer
25 classes respectively, the weighted average TLF for the new Urban residential customer
26 class is 7.8%. The same approach was used to develop the proposed TLFs for R1.

1 For R2, Seasonal, Distributed Generator, Street Light and Sentinel Lights, the TLFs are
 2 unchanged from their current TLFs. For Urban General Service energy billed and
 3 General Service energy billed the TLFs are the current TLFs approved for secondary
 4 metered customers of 9.2%. For Urban General Service demand, General Service
 5 demand, and Distributed Generator, the TLFs are the currently approved TLFs for
 6 primary metered customers of 6.1%. For the ST class, it is proposed to maintain the TLF
 7 of 3.4%, since the vast majority of the customers in this new class, by energy, are
 8 Embedded LDCs and Embedded Directs, with TLFs of 3.4%.

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10 The Table below shows the proposed loss factors for the new customer classes compared
 11 with the current approved loss factors.

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Table of loss factors

Proposed Customer Class	Current TLF %	Proposed TLF %
Urban Residential	5.45 or 9.2	7.8
R1	5.45 or 9.2	8.5
R2	5.45 or 9.2	9.2
Seasonal	5.45 or 9.2	9.2
Urban General Service energy	5.45, 6.1 or 9.2	9.2
Urban General Service demand	5.45, 6.1 or 9.2	6.1
General Service energy	5.45, 6.1 or 9.2	9.2
General Service demand	5.45, 6.1 or 9.2	6.1
Street Light	4.26 or 9.2	9.2
Sentinel Lights	9.2	9.2
Distributed Generator	5.45 or 6.1	6.1
Sub-Transmission	1.45, 3.4, 5.45, 6.1 or 9.2	3.4

1 Measurement Canada requires that meters used for billing must be sealed and re-verified
2 on a periodic basis. The IESO market rules require that legacy metering installations
3 must be brought into compliance with the IESO's metering standards upon the earliest
4 seal expiry date after market opening. These metering installations are substantially more
5 complex than a meter used for residential customers and the installation requires design
6 engineering. This results in many meters requiring either a substantial upgrade or total
7 replacement, depending on the degree of equipment replacement needed to achieve
8 compliance with IESO market rules.

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10 Hydro One Distribution requested and received Board approval as part of the 2006
11 Distribution rates, that if the meter is located at the TS or HVDS, at time of reseal of the
12 meter, if Hydro One requires the customer to relocate the meter to either inside the fence
13 or immediately outside the TS or HVDS, for safety, security and access reasons,
14 depending on physical characteristics of the station, then the applicable Total Loss Factor
15 is 0.6% for customers supplied by express feeders¹. This applies to all ST customers
16 whose meter is being relocated and was implemented as of May 1, 2006.

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18 Also, if the meter is relocated away from the TS or HVDS, losses must be based on
19 engineering studies. Hydro One will add non-technical losses consistent with the method
20 inherent in the existing Distribution Loss Factors.

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22 Customers also requested that they be allowed to estimate losses based on engineering
23 studies, instead of using average loss factor, in cases where the meter is being relocated.
24 In these situations, this would result in more accurate loss adjustments and would be
25 consistent with the mechanism to apply loss adjustments in the IESO administered
26 market.

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¹ Feeder used by only one customer and the meter is located at the station

1 The above deal with situations in which Hydro One does not want the metering within
2 the TS or HVDS. However, Hydro One Distribution proposes that in all situations in
3 which a feeder delivers to solely one supply point, and in which the metering is located
4 away from the supplying station, that the customer calculates applicable losses based on
5 engineering studies. Hydro One will add non-technical losses consistent with the method
6 inherent in the existing Distribution Loss Factors.

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8 Also, Hydro One Distribution proposes that in situations in which the metering is at the
9 supplying TS or HVDS (either inside the fence or immediately outside the fence), that the
10 DLF not be applied, but solely the losses associated with the transformation at the station,
11 i.e. the approved Supply Facility Loss Factor be applied.

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13 There are situations in which there is no metering at the customer supply point, and
14 quantities are calculated by taking the differences between other metering (for example,
15 feeder total minus the only other customer on the feeder). In such situations, the normal
16 application of the DLF to the difference in metering quantities could result in double-
17 counting the feeder losses. Therefore, Hydro One Distribution proposes that in such a
18 situation, the application of loss adjustment avoid double-counting the feeder losses by
19 adjusting appropriately the meter quantities separately.

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