

1 **RATE CONSIDERATIONS FOR SUB-TRANSMISSION**
2 **CUSTOMERS**

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4 This exhibit provides information in support of the derivation of Sub-Transmission (ST)
5 rates replacing the existing Low Voltage (LV) rates. These rates will be applicable to all
6 customers grouped in the new ST customer class.

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8 **1.0 ST CLASS DESCRIPTION**

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10 The proposed ST class consists of all supply points to Embedded LDCs, plus other
11 accounts whose supply from Hydro One Distribution assets is three-phase, between 44
12 kV and 13.8 kV inclusive, for whom Hydro One does not have the responsibility for the
13 local customer-site transformation and whose load is over 500 kW.

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15 **2.0 ST RATE DERIVATION**

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17 2008 proposed ST rates are developed using the results of the Cost Allocation
18 Methodology. Exhibit G2, Tab 1, Schedule 1, includes more details on the results of the
19 Cost Allocation and the basis for the proposed ST rates. As recommended by Hydro One
20 and supported by Stakeholder feedback received at the session on September 5th, 2007,
21 the proposed ST rates have a fixed monthly charge, and also various volumetric charges
22 to be applied based on the types of asset used. The charges for the use of ST line, High
23 Voltage Distribution Stations, Low Voltage Distribution Stations with Secondary
24 voltages of 12.5 kV or below, Specific ST line and Specific Primary Line, were derived
25 using the Cost Allocation Methodology and replace the corresponding LV charges. In
26 addition a fixed charge for customers that do not own their meters is proposed.

1 For consistency with billing of RTSR charges, addressed in Exhibit G1, Tab 6, Schedule
 2 1, the ST line and HVDS charges are proposed to be billed to customers supplied from
 3 multiple feeders connected to the same TS or HVDS based on their aggregated billing
 4 demand.

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 6 For customers with Load Displacement generation above 1 MW, or 2 MW for renewable
 7 generation installed after October 1998, it is proposed that the ST volumetric charges be
 8 billed on a gross load basis, consistent with the methodology used to bill for Retail
 9 Transmission Service Rates connections.

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 11 The following Table shows the current LV charges and the proposed 2008 ST charges.

12
 13 **Table 1**
 14 **ST Proposed 2008 monthly charges**
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| LV | | ST | |
|----------------------------|--------------------------|-----------------------|----------------------------|
| Asset Type Utilized | Current Volumetric Rate* | Asset Type Utilized | Proposed Volumetric Rate** |
| Shared LV Line | \$0.633/kW | Common ST Line | \$0.58/kW |
| HVDS-high | \$1.678/kW | HVDS-high | \$1.42/kW |
| HVDS-low | \$3.797/kW | HVDS-low | \$2.66/kW |
| Shared LVDS | \$2.12/kW | LVDS-low | \$1.24/kW |
| Specific LV Line | \$526/km | Specific ST Line | \$729/ km |
| Specific Distribution Line | \$358/km | Specific Primary Line | \$565/ km |

16 *No applicable Service Charge

17 ** Fixed Charge of \$188 and a meter charge of \$553 will also apply

1 *HVDS-High Rate*

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3 For consistency purposes, it is proposed that the HVDS-high rate be set equivalent to the
4 Retail Transmission Service Rate (RTSR) – transformation. Customers in the ST group
5 can obtain transformation from above 50 kV to a voltage between 44 kV and 13.8 kV
6 either through the use of an HVDS–high, or through a TS owned by Hydro One
7 Transmission. Customers that obtain supply through a TS are charged the RTSR –
8 transformation.

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10 *HVDS-low rate*

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12 It is proposed, that consistent with the current rate structure, the HVDS-low rate be set to
13 be the sum of the HVDS-high rate and LVDS-low rate. HVDS-lows supply voltage at or
14 below 12.5 kV.

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16 *LVDS-low rate*

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18 LVDS-lows transform power from between 44 kV and 13.8 kV, to under 13.8 kV. The
19 rate is set to recover the portion of the Cost Allocation Methodology dollars attributable
20 to LVDS-low.

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22 *Specific ST Line and Specific Primary Line rates*

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24 A line section is “Specific” if it supplies solely one LDC and is within that LDC’s
25 territory. ST lines are between 44 kV and 13.8 kV, while Primary lines are between 12.5
26 kV and 4.16 kV. These Specific Line rates are set at values which would recover the
27 Cost Allocation Methodology dollars attributable to ST and Primary lines, and also

1 reflect the relationship in unit costs between ST and Primary lines. Specific Line rates
2 are charged by km rather than by kW.

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4 *Meter Charge for Hydro One Owned Meter*

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6 Most of the customers in the ST group provide their own metering facilities. To reflect
7 this, Hydro One is proposing an additional fixed charge applicable only to customers for
8 whom Hydro One provides metering facilities.

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10 *Fixed charge*

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12 Hydro One is proposing to introduce a fixed charge per delivery point in cases where a
13 customer uses common ST lines, or uses HVDSs and the customer owns the lines
14 emanating from the HVDS. The fixed charge is intended to recover costs that do not vary
15 with consumption. All other customer groups have a distribution rate structure that
16 includes both a fixed and a volumetric charge. The level of the fixed charge is proposed
17 to be \$188 per account. This value is lower than the fixed charge that would be
18 determined using the fixed Revenue Requirement estimated by the Cost Allocation
19 Methodology. The \$188 charge is based on the OEB Cost Allocation method c) of
20 determining fixed charges: Minimum System with PLCC Adjustment, adjusted to
21 exclude Low Voltage meter costs. A lower fixed charge results in a higher volumetric
22 charge than estimated by the Cost Allocation Methodology, to enable Hydro One to
23 recover the revenue requirement allocated to the ST group.

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