

1 **TRANSFORMER OWNERSHIP ALLOWANCE**

2
3 This exhibit presents a description of the Transformer Ownership Allowance proposed
4 for 2008.

5
6 **1.0 CUSTOMER SUPPLIED TRANSFORMER ALLOWANCE**

7
8 There are circumstances under which, Hydro One Distribution does not supply customers
9 with transformation equipment, but rather the customer provides its own equipment. This
10 occurs usually when the customer has unique consumption characteristics that require the
11 use of special equipment not usually provided by Hydro One Distribution or the level of
12 consumption is above a certain threshold. Since the rates developed for some customer
13 classes assume that Hydro One Distribution provides transformation to the customer,
14 customers that provide their own transformation should be entitled to receive a credit
15 equivalent to the costs of transformation included in customer rates.

16
17 Hydro One is proposing to maintain the current Transformer Ownership Allowance of
18 \$0.60/kW and establish a Transformer Ownership Allowance based on ¢/kWh basis.
19 Some customers that provide their own transformation are energy billed, therefore, in
20 order to be able to provide them with a Transformer Ownership Allowance, a rate based
21 on ¢/kWh is required. Hydro One used 2006 billing data to determine the equivalent
22 Transformer Ownership Allowance in ¢/kWh. The 2008 proposed Transformer
23 Ownership Allowance for energy billed customers is 0.14 ¢/kWh. The proposed
24 Transformer Ownership Allowance will also apply to current single-phase customers that
25 provide their own transformation equipment.

26
27 The projected cost based on the proposed \$0.60/kW credit is \$0.93 million resulting in a
28 \$.07/kW CSTA rate adder to the variable charges