

1 **DEVELOPMENT OF REGULATORY ASSET RATE RIDER # 3**

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3 This exhibit presents the process for calculating the Rate riders in respect of recovery of
4 the Regulatory Assets, which is comprised of the following steps:

- 5
6 a) isolate the amounts to be collected
7 b) determine the class allocators and charge determinants
8 c) derive initial rates as the ratio of the amounts to be collected divided by the respective
9 class charge determinants

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11 **1.0 INTRODUCTION**

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13 Hydro One Distribution proposes to derive the Regulatory Rate riders consistent with the
14 approach approved by the Board to develop Rate Riders #1 to recover the Regulatory
15 Assets in proceeding RP-2004-0117/RP-2004-0118. The resultant Rate riders provided
16 herein are consistent with the Board’s guidelines and approval under that same
17 proceeding.

18
19 **2.0 RATE DESIGN**

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21 Hydro One Distribution proposes in this submission that the Rate riders developed to
22 recover the costs of the Regulatory Assets from the various rate classes should be based
23 on 2008 forecast sales information to make it consistent with the data used to establish
24 2008 Distribution rates. It is also proposed that the rate adjustments be made to the
25 volumetric charge only, consistent with the decision in RP-2004-0117/RP-2004-0118,
26 and that the Regulatory Asset Account balances be recovered from customers over a four
27 year period.

1 Hydro One Distribution proposes to use the same mechanism as was previously used to
2 recover the Regulatory Asset account balances as per RP-2004-0117/RP-2004-0118 to
3 recover the new Regulatory Asset account balances.

4
5 For all the Acquired customer classes that are being harmonized as per Exhibit G1, Tab 2,
6 Schedule 5, it is proposed that the Regulatory Riders developed for the corresponding
7 customer classes, be used for the Acquired LDCs' customer classes. For example, if an
8 Acquired Residential customer group is being harmonized with the Urban Residential
9 customer class, it is the Urban Residential customer class Regulatory Rate Rider # 3 that
10 would be applied to the Residential customers of this Acquired LDC.

11

12 **2.1 Rate Rider Design Steps**

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14 The initial rate riders per rate class are derived by apportioning to customer classes the
15 amounts to be recovered, arrived at through the same allocation process approved as part
16 of RP-2004-0117/ RP-2004-0118 and described in Exhibit G1, Tab 5, Schedule 1, using
17 the allocators described in Exhibit G1, Tab 5, Schedule 2.

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19 **2.2 Class Amounts To Be Recovered**

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21 The amounts to be recovered for each customer group were determined in Exhibit G1,
22 Tab 5, Schedule 1. Table 1 below re-states the annual amounts to be recovered from
23 customer classes in column 2 assuming a four year recovery period.

24

1 **2.3 Charge Determinants**

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3 The charge determinants to be used are described in Exhibit G1, Tab 5, Schedule 2.
4 Table 1 below re-states the charge determinants to be used by customer class in column
5 3.

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7 **3.0 RATE RIDER # 3**

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9 Using the class amounts in column 2 and the corresponding charge determinants in
10 column 3, Rate Rider # 3 can be derived. Table 1 below provides the rate rider for each
11 customer class.

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Table 1
Customer Class Rate Rider

Customer Class	Amount Allocated (A) \$000's	Consumption (B) GWhs or MWs	Rate Rider (C)=(A)/(B) ¢/kWh or \$/kW
Urban Residential (UR)	(372)	1,494	(0.02)
R1 Residential (R1)	(1,638)	4,407	(0.04)
R2 Residential (R2)	(2,745)	5,624	(0.05)
Seasonal	119	707	0.02
Urban General Service energy	(249)	424	(0.06)
Urban General Service demand (\$/kW)	(601)	2,203.3	(0.27)
General Service energy	(1,305)	2,299	(0.06)
General Service demand (\$/kW)	(2,395)	11,019.4	(0.22)
Distributed Generator (\$/kW)	(2)	48.8	(0.04)
Street Lights	(97)	121	(0.08)
Sentinel Lights	(18)	22	(0.08)
Sub-Transmission (\$/kW)	(2,867))	43,021.9	Note 1
Total	(12,170)	N/A	N/A

Note 1. For ST customers the value of Rider # 3 will depend if the customer is market participant or not

Acquired LDC Customers

To provide consistency in approach with the proposed harmonization plan, rate riders will be developed for each harmonized Acquired LDC customer class based on the customer class that they are being harmonized to.

Table 2, 3 and 4 below show the Regulatory assets by Acquired LDC.

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Table 2
Regulatory Rate Rider # 3 by Residential class for Acquired LDCs

LDC	Residential Rate Rider # 3 ¢/kWh
Ailsa Craig	(0.04)
Arkona	(0.04)
Arnprior to R1	(0.04)
Arnprior to Urban	(0.02)
Arran-Elderslie	(0.04)
Artemesia	(0.04)
Bancroft	(0.04)
Bath	(0.04)
Blandford-Blenheim	(0.04)
Blyth	(0.04)
Bobcaygeon	(0.04)
Brighton	(0.04)
Brockville to R1	(0.04)
Brockville to Urban	(0.02)
Caledon CH 01	(0.02)
Caledon CH 02	(0.04)
Caledon CH 06	(0.05)
Caledon CH 07	0.02
Carleton Place to R1	(0.04)
Carleton Place to Urban	(0.02)
Cavan-Millbrook-North Monaghan	(0.04)
Centre Hastings	(0.04)
Chalk River	(0.04)
Champlain	(0.04)
Cobden	(0.04)
Deep River	(0.04)
Deseronto	(0.04)
Dryden to R1	(0.04)
Dryden to Urban	(0.02)
Dundalk	(0.04)
Durham	(0.04)
Eganville	(0.04)
Erin	(0.04)
Exeter	(0.04)
Fenelon Falls	(0.04)

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Exhibit G1

Tab 5

Schedule 3

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LDC	Residential Rate Rider # 3 ¢/kWh
Forest	(0.04)
GBE to R1	(0.04)
GBE to Urban	(0.02)
Georgina	(0.04)
Glencoe	(0.04)
Grand Bend	(0.04)
Hastings	(0.04)
Havelock	(0.04)
Kirkfield	(0.04)
Lanark Highlands	(0.04)
Larder Lake	(0.04)
Latchford	(0.04)
Lindsay to R1	(0.04)
Lindsay to Urban	(0.02)
Lucan Granton	(0.04)
Malahide	(0.04)
Mapleton	(0.04)
Markdale	(0.04)
Marmora	(0.04)
McGarry	(0.04)
Meaford	(0.04)
Middlesex Centre	(0.04)
Napanee	(0.04)
Nipigon	(0.04)
North Dorchester	(0.04)
North Dundas	(0.04)
North Glengarry	(0.04)
North Grenville	(0.04)
North Perth	(0.04)
North Stormont	(0.04)
Omeme	(0.04)
Perth to R1	(0.04)
Perth to Urban	(0.02)
Perth East	(0.04)
Prince Edward	(0.04)
Quinte West to R1	(0.04)
Quinte West to Urban	(0.02)
Rainy River	(0.04)

LDC	Residential Rate Rider # 3 ¢/kWh
Ramara	(0.04)
Red Rock	(0.04)
Rockland	(0.04)
Russell	(0.04)
Schreiber	(0.04)
Severn	(0.04)
Shelburne	(0.04)
Smiths Falls to R1	(0.04)
Smiths Falls to Urban	(0.02)
South Glengarry	(0.04)
South River	(0.04)
Springwater	(0.04)
Stirling-Rawdon	(0.04)
Terrace Bay	(0.04)
Theford	(0.04)
Thessalon	(0.04)
Thorndale	(0.04)
Thorold to R1	(0.04)
Thorold to Urban	(0.02)
Tweed	(0.04)
Wardsville	(0.04)
Warkworth	(0.04)
West Elgin	(0.04)
Whitchurch Stouffville to R1	(0.04)
Whitchurch Stouffville to Urban	(0.02)
Warton	(0.04)
Woodville	(0.04)
Wyoming	(0.04)

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Table 3
Regulatory Rate Rider # 3 for General Service energy billed class for Acquired LDCs

LDC	General Service Rate Rider # 3 ¢/kWh
Ailsa Craig	(0.06)
Arkona	(0.06)
Arnprior to General Service	(0.06)

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Exhibit G1

Tab 5

Schedule 3

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LDC	General Service Rate Rider # 3 ¢/kWh
Arnprior to Urban General Service	(0.06)
Arran-Elderslie	(0.06)
Artemesia	(0.06)
Bancroft	(0.06)
Bath	(0.06)
Blandford-Blenheim	(0.06)
Blyth	(0.06)
Bobcaygeon	(0.06)
Brighton	(0.06)
Brockville to General Service	(0.06)
Brockville to Urban General Service	(0.06)
Caledon CH	(0.06)
Caledon GS 05	(0.06)
Caledon OH	(0.06)
Campbellford-Seymour	(0.06)
Carleton Place to General Service	(0.06)
Carleton Place to Urban General Service	(0.06)
Cavan-Millbrook-North Monaghan	(0.06)
Centre Hastings	(0.06)
Chalk River	(0.06)
Champlain	(0.06)
Cobden	(0.06)
Deep River	(0.06)
Deseronto	(0.06)
Dryden to General Service	(0.06)
Dryden to Urban General Service	(0.06)
Dundalk	(0.06)
Durham	(0.06)
Eganville	(0.06)
Erin	(0.06)
Exeter	(0.06)
Fenelon Falls	(0.06)
Forest	(0.06)
GBE to General Service	(0.06)
GBE to Urban General Service	(0.06)
Georgina	(0.06)
Glencoe	(0.06)
Grand Bend	(0.06)

LDC	General Service Rate Rider # 3 ¢/kWh
Hastings	(0.06)
Havelock	(0.06)
Kirkfield	(0.06)
Lanark Highlands	(0.06)
Larder Lake	(0.06)
Latchford	(0.06)
Lindsay to General Service	(0.06)
Lindsay to Urban General Service	(0.06)
Lucan Granton	(0.06)
Malahide	(0.06)
Mapleton	(0.06)
Markdale	(0.06)
Marmora	(0.06)
McGarry	(0.06)
Meaford	(0.06)
Middlesex Centre	(0.06)
Napanee	(0.06)
Nipigon	(0.06)
North Dorchester	(0.06)
North Dundas	(0.06)
North Glengarry	(0.06)
North Grenville	(0.06)
North Perth	(0.06)
North Stormont	(0.06)
Omeme	(0.06)
Perth to General Service	(0.06)
Perth to Urban General Service	(0.06)
Perth East	(0.06)
Prince Edward	(0.06)
Quinte West to General Service	(0.06)
Quinte West to Urban General Service	(0.06)
Rainy River	(0.06)
Ramara	(0.06)
Red Rock	(0.06)
Rockland	(0.06)
Russell	(0.06)
Schreiber	(0.06)
Severn	(0.06)

LDC	General Service Rate Rider # 3 ¢/kWh
Shelburne	(0.06)
Smiths Falls to General Service	(0.06)
Smiths Falls to Urban General Service	(0.06)
South Glengarry	(0.06)
South River	(0.06)
Springwater	(0.06)
Stirling-Rawdon	(0.06)
Terrace Bay	(0.06)
Thedford	(0.06)
Thessalon	(0.06)
Thorndale	(0.06)
Thorold to General Service	(0.06)
Thorold to Urban General Service	(0.06)
Tweed	(0.06)
Wardsville	(0.06)
Warkworth	(0.06)
West Elgin	(0.06)
Whitchurch Stouffville to General Service	(0.06)
Whitchurch Stouffville to Urban General Service	(0.06)
Warton	(0.06)
Woodville	(0.06)
Wyoming	(0.06)

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Table 4
Regulatory Rate Rider # 3 for General Service demand billed class for Acquired LDCs

LDC	General Service Rate Rider # 3 \$/kW
Ailsa Craig	(0.22)
Arkona	(0.22)
Arnprior to General Service	(0.22)
Arnprior to Urban General Service	(0.27)
Arran-Elderslie	(0.22)
Artemesia	(0.22)
Bancroft	(0.22)
Bath	(0.22)

LDC	General Service Rate Rider # 3 \$/kW
Blandford-Blenheim	(0.22)
Blyth	(0.22)
Bobcaygeon	(0.22)
Brighton	(0.22)
Brockville to General Service	(0.22)
Brockville to Urban General Service	(0.27)
Caledon CH	(0.22)
Caledon GS 05	(0.22)
Caledon OH	(0.22)
Campbellford-Seymour	(0.22)
Carleton Place to General Service	(0.22)
Carleton Place to Urban General Service	(0.27)
Cavan-Millbrook-North Monaghan	(0.22)
Centre Hastings	(0.22)
Chalk River	(0.22)
Champlain	(0.22)
Cobden	(0.22)
Deep River	(0.22)
Deseronto	(0.22)
Dryden to General Service	(0.22)
Dryden to Urban General Service	(0.27)
Dundalk	(0.22)
Durham	(0.22)
Eganville	(0.22)
Erin	(0.22)
Exeter	(0.22)
Fenelon Falls	(0.22)
Forest	(0.22)
GBE to General Service	(0.22)
GBE to Urban General Service	(0.27)
Georgina	(0.22)
Glencoe	(0.22)
Grand Bend	(0.22)
Hastings	(0.22)
Havelock	(0.22)
Kirkfield	(0.22)
Lanark Highlands	(0.22)
Larder Lake	(0.22)

LDC	General Service Rate Rider # 3 \$/kW
Latchford	(0.22)
Lindsay to General Service	(0.22)
Lindsay to Urban General Service	(0.27)
Lucan Granton	(0.22)
Malahide	(0.22)
Mapleton	(0.22)
Markdale	(0.22)
Marmora	(0.22)
McGarry	(0.22)
Meaford	(0.22)
Middlesex Centre	(0.22)
Napanee	(0.22)
Nipigon	(0.22)
North Dorchester	(0.22)
North Dundas	(0.22)
North Glengarry	(0.22)
North Grenville	(0.22)
North Perth	(0.22)
North Stormont	(0.22)
Omeme	(0.22)
Perth to General Service	(0.22)
Perth to Urban General Service	(0.27)
Perth East	(0.22)
Prince Edward	(0.22)
Quinte West to General Service	(0.22)
Quinte West to Urban General Service	(0.27)
Rainy River	(0.22)
Ramara	(0.22)
Red Rock	(0.22)
Rockland	(0.22)
Russell	(0.22)
Schreiber	(0.22)
Severn	(0.22)
Shelburne	(0.22)
Smiths Falls to General Service	(0.22)
Smiths Falls to Urban General Service	(0.27)
South Glengarry	(0.22)
South River	(0.22)

LDC	General Service Rate Rider # 3 \$/kW
Springwater	(0.22)
Stirling-Rawdon	(0.22)
Terrace Bay	(0.22)
Theford	(0.22)
Thessalon	(0.22)
Thorndale	(0.22)
Thorold to General Service	(0.22)
Thorold to Urban General Service	(0.27)
Tweed	(0.22)
Wardsville	(0.22)
Warkworth	(0.22)
West Elgin	(0.22)
Whitchurch Stouffville to General Service	(0.22)
Whitchurch Stouffville to Urban General Service	(0.27)
Wiaraton	(0.22)
Woodville	(0.22)
Wyoming	(0.22)

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3 **Regulatory Rate Rider # 3 Large Users Acquired LDCs**

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5 Regulatory Rate Rider # 3 for Large Users of Acquired LDCs will be the Regulatory Rate

6 Rider # 3 applicable to the Sub-Transmission customer class.