

1 **MITIGATION OF BILL IMPACTS LEGACY CUSTOMERS**

2
3 This exhibit presents the proposed impact mitigation plan for Legacy customers. As per
4 the guidelines in the 2006 Electricity Distribution Rate Handbook, LDCs have to present
5 a mitigation plan, if as a result of the proposed rate increase, customer classes or group of
6 customers have yearly impacts higher than 10 percent on total bill.

7
8 **1.0 INTRODUCTION**

9
10 As was shown in Exhibit G1, Tab 7, Schedule 1, R3 Seasonal customers prior to
11 mitigation would see impacts higher than 10 percent on total bill resulting from the
12 proposed increase in 2008 Revenue Requirement, moving distribution rates to the target
13 distribution rates determined by using the Cost Allocation Study methodology, creating
14 new customer groups, Regulatory Asset Rate Rider # 3, and RTSR changes.

15
16 The bill impact mitigation that Hydro One Distribution proposes includes the following
17 approach to address the impacts on the customer class that could see impacts, on average,
18 of over 10 percent on total bill.

- 19
20 1. Average total bill impacts have been limited to a maximum of 10% in 2008, 8% in
21 2009, and 7% in 2010. These maximums still leave some room to accommodate third
22 generation Incentive Rate Mechanism increases. Increases in 2011 reflect the
23 remaining increases resulting from the multi-year proposed harmonization process
24 and are under 10% on average total bill
- 25 2. Regulatory Rate Rider # 3 is being refunded over 4 years, consistent with Hydro One
26 approved past practices for Regulatory Rate Riders and to provide for a smoother bill
27 impact over the 4 year period.

- 1 3. The target revenue to cost ratio proposed for the various customer groups is in the
- 2 range of 0.7 to 1.2, as opposed to using revenue to cost ratio of 1. This is consistent
- 3 with the Board's Report issued November 28, 2007.
- 4 4. The target distribution rates are being phased-in over a period of four years.
- 5 5. A deferral account is being set up to recover the shortfall in 2008 proposed Revenue
- 6 Requirement that results from Hydro One's proposed Revenue to Cost Ratios by
- 7 customer class. The revenue to cost ratios are consistent with the Board's
- 8 recommended revenue to cost ratios. Table 1 and 2 do not include the effect of the
- 9 \$0.07/kW CSTA rate adder.

10

11 Table 1 below shows the initial 2008 Distribution rates derived in Exhibits G1, Tab 4,
 12 Schedule 2, and the adjusted 2008 Distribution rates after taking into account the four
 13 year phase-in period for the customer classes.

14

15

16

17

Table 1
2008 Distribution Rates

	2008 Initial Distribution Rates		2008 Mitigated Distribution Rates	
	Target Fixed Service Charge [\$/cust]	Target Volumetric Charge [¢/kWh or \$/kW]	Target Fixed Service Charge [\$/cust]	Target Volumetric Charge [¢/kWh or \$/kW]
UR	14.32	2.29	14.00	2.44
R1	19.04	2.60	19.00	2.81
R2	49.91	3.10	26.2* - 30.64*	2.2 - 2.68
Seasonal	19.51	6.38	19 - 33.18	3.2 - 4.7
Uge	12.33	2.09	14.27	2.00
Ugd	29.19	7.25	18.49	7.42
Gse	30.97	3.39	34.74*** - 203.36***	3.38
GSd	46.75	9.22	38.68 - 207.3	9.44
Street Light	1.00	4.57	1.00**	4.57
Sentinel	1.00	5.30	1.00**	5.30
DGen	36.66	7.07	36.66	7.07

18 *Net of RRRP **Nominal fixed Charge ***Excludes \$0.35 adder for USL meter credit

19

1 All Legacy customer rate classes, with the exception of Street Lights, Sentinel Lights,
2 and Distributed Generator are being phased-in to the target distribution rates over a four
3 year period, similar to the period over which Acquired customer classes will be
4 harmonized. Street Lights and Sentinel Lights achieve their corresponding target rates in
5 2008 since the total bill impact is less than 10 percent, or is less than \$1.80 per month per
6 connection. Distributed Generator rates are also not being phased in as the majority of
7 these customers see bill decreases. The range in fixed charges provided in Table 1 above
8 reflects the fact that in many instances there are various legacy customer classes being
9 mapped into the new customer classes. It also includes Caledon classes being mapped to
10 R2 and Seasonal groups, Terrace Bay Street lights, and an Acquired General Service
11 customer being mapped to Distributed Generator group.

12
13 For USL, Hydro One is proposing to mitigate the impact to these type of customers by
14 setting a volumetric charge that results in annual bill impacts near \$10 per month. The
15 fixed charge is being phased-in in a similar fashion as for the other Acquired LDC
16 customers. The shortfall in revenues resulting from this mitigation measure for USL
17 customers is being recovered from the current USL General Service single-phase energy
18 billed customers.

19
20 The following table shows the bill impacts for the customer groups using the mitigated
21 Distribution rates. All customer classes have impacts of less than 10% on total bill with
22 the exception of Distributed Generator, Street Light and Sentinel Light. Street Light and
23 Sentinel Light have total bill impacts of less than \$1.80 per month per connection. Fifty
24 one Distributed Generators will see bill decreases. Twenty nine Distributed Generators
25 are estimated to have total bill impacts of 15%. One Distributed Generator customer has a
26 total bill impact of 112%, or approximately \$25 per month.

Table 2
2008 Customer Class Total Bill Impact after Mitigation Plan

	Bill Impact % increase/(decrease)
UR	(11) to 1.9
R1	1.30
R2	(1.8) to 9
Seasonal	7 to 9.8
Urban General Service energy	(21.5) to (8.8)
Urban General Service demand	(10) to (5.6)
General Service energy	(8.4) to 2.5
General Service demand	(7.7) to 1.5
Street Light	5 to 21.9
Sentinel	25.0
Distributed Generator	(30.9) to 111.9

The range in bill impacts provided in Table 2 above reflects the various legacy customer groups being mapped into the new customer groups. It also includes Caledon classes being mapped to R2 and Seasonal groups, Terrace Bay Street lights, and an Acquired General Service customer being mapped to Distributed Generator group.

Combining the proposed Distribution rates with other applicable charges and using 2008 sales forecast, customer bills can be calculated for all customer classes and groups. Schedule 3 through Schedule 6 of Exhibit G2, Tab 5 show the results of the bill impact analysis for each Legacy customer group broken down by levels of consumption for each customer class. Schedule 3 provides the impacts due to Distribution revenue increase only on the distribution portion of the bill. Schedule 4 shows the impact of the Distribution rate changes due to revenue requirement increase and Regulatory Rate Rider # 3 only on the Distribution portion of the bill. Schedule 5 shows total bill impacts that include Regulatory Rate Rider # 3 and 2008 revenue increase, but exclude RTSR changes. Schedule 6 shows total bill impacts due to all rate changes.

The complete 2008 Rate Schedule is provided in Exhibit G2, Tab 5 Schedule 1.