

1 **TRANSFORMER OWNERSHIP ALLOWANCE**

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3 This exhibit presents a description of the Transformer Ownership Allowance proposed
4 for 2010 and 2011.

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6 **1.0 CUSTOMER SUPPLIED TRANSFORMER ALLOWANCE**

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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.

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17 Hydro One Distribution is proposing to maintain the currently approved Transformer
18 Ownership Allowances of \$0.60/kW and 0.14 ¢/kWh. Some customers that provide their
19 own transformation are energy billed, therefore, in order to be able to provide these
20 customers with a Transformer Ownership Allowance, a rate based on ¢/kWh is required.
21 The proposed Transformer Ownership Allowance will also apply to single-phase
22 customers that provide their own transformation equipment.

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24 The projected cost based on the proposed \$0.60/kW credit is \$0.66 million resulting in a
25 \$.0533/kW CSTA rate adder to the variable charges.