Consumers Council of Canada and the Vulnerable Energy Consumers Coalition (CCC) and (VECC) INTERROGATORY #4 List 1

Interrogatory

Ref: B1/T3/S1 p. 10

Issue: Cost of Capital/Capital Structure

Topic: Market Risks

Request:

Ms. McShane discuss how Tx's rate structure mitigates bypass risk, please discuss in detail the following aspects of Tx's rate structure

a) Tx's ability to offer special rates to offset potential by pass and the extent to which such rates have been used in the past to prevent bypass.

b) Please indicate the percentage of Tx's revenue requirement represented by it sown industrial load.

c) The proportion of Tx's revenue requirement that is recovered as fixed payments independent of usage and how much varies with load.

d) Please indicate the revenues derived from each of Tx's customers and how these revenues are derived.

e) Please list all deferral accounts available to Tx.

f) Please indicate the forecast and actual annual revenue requirement for each year since 2000 and explain the reasons for the divergence

Response

a) There is no ability to offer special rates for transmission service. The charges for transmission service are specified in the Ontario Transmission Rate Schedules (Ref. Joint Filing EB-2005-0241, RP-2001-0034, RP-2001-0035, RP-2001-0036, RP-1999-0044) which are administered by the IESO and applied uniformly to all transmission customers in Ontario.

b) Industrial load represents about 10% of the peak load directly connected to the transmission system and 20% through peak load of distributors that are directly

connected to the transmission system. It is estimated that industrial load accounts for roughly 25% of the Transmission revenue requirement.

c) 0% of Transmission revenue requirement is recovered through fixed payments independent of usage

d) For 2007, Transmission revenues are collected from transmission customers as follows:

- $705.1M in revenues are derived from Network service transmission customers based on the higher of their coincident peak load or 85% of their non-coincident peak load, net of any embedded generation
- $183.1M in revenues are derived from Line Connection service transmission customers based on their non-coincident peak load
- $338.2M in revenues are derived from Transformation Connection service transmission customers based on their non-coincident peak load
- $4.9M in revenues from Wholesale Meter service customers based on their use of Hydro One owned revenue meters

e) In addition to the deferral accounts listed in Exhibit F1/T2/S1 page 2, Hydro One Transmission also used deferral accounts to record obligations related to transmission earnings sharing, other post employment benefits (OPEB) and environmental remediation.

f) This information is not available as Hydro One Transmission does not calculate revenue requirement for years where there is no rate filing.