



**RP-2005-0020**  
**EB-2005-0398**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998, c.15 (Schedule B);

**AND IN THE MATTER OF** an Application by Northern  
Ontario Wires Inc. for an order or orders approving or  
fixing just and reasonable distribution rates and other  
charges, effective May 1, 2006.

**BEFORE:** Paul Vlahos  
Presiding Member

## **DECISION AND ORDER**

Northern Ontario Wires Inc. (“NOW” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. NOW filed an application (the “Application”) with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006. According to the Board’s schedule for filings, NOW was to have filed its application no later than October 3, 2005. NOW actually filed a complete application in December 2005.

NOW is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the *2006 Electricity Distribution Rate Handbook* (the “Handbook”) and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an application. The models determine the amounts to be included for the payments in lieu of taxes (“PILs”) and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board's decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

As a distributor that is embedded in Hydro One Network's low voltage system, the Applicant has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. The amount claimed by the Applicant was provided by Hydro One Networks as a reasonable approximation of the actual amount that Hydro One Networks will assess the Applicant. To the degree that the amount differs from the actual amount approved for Hydro One Networks in another proceeding (RP-2005-0020/EB-2005-0378), this difference will be reconciled at the end of the Regulatory Asset recovery period, as set out in the Phase II regulatory assets decision issued on December 9, 2004 (RP-2004-0064/RP-2004-0069/RP-2004-0100/RP-2004-0117/RP-2004-0118).

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the "Generic Issues Proceeding") and released its decision (the "Generic Decision") on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by NOW was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and NOW had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

On April 28, 2006, the Board issued an Order declaring rates then existing for NOW to be interim, effective May 1, 2006, until such time as the Board issued a final rate order for 2006 rates. This Decision and Order is final with respect to 2006 rates and supersedes the Order of April 28.

NOW has requested an amount of \$3,389,239 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$427,979 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that NOW has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding NOW's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Applicable Debt Rate;
- Unmetered Scattered Load Rates;
- Distribution Loss Factors;
- Regulatory Asset Amounts; and
- Consequences of the Generic Decision (EB-2005-0529).

### **Low Voltage Rates**

NOW included in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks will be levying on NOW for Low Voltage wheeling distribution services provided to NOW.

The Board notes that this estimate reflects Hydro One Networks' current approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks has applied for an LV rate of \$0.63/kW in its 2006 rate application RP-2005-0020/EB-2005-0378, and the Board has approved this rate.

The Board is of the view that the LV adjustment that NOW has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount does not reflect the updated Hydro One Networks rate. Although the Generic Decision provides that embedded distributors are to track differences between LV costs charged by the host distributor(s) and corresponding revenues recovered from ratepayers, the Board seeks to minimize systemic sources of variance. The Board is of the view that NOW's rates should reflect the LV rates authorized by the Board for the host distributor. Accordingly, the Board has revised the amount for LV charge recovery in NOW's revenue requirement.

### **Applicable Debt Rate**

In its Application, NOW stated that it has a term loan held by a third party for \$2,236,253, issued in December 2000, for a 20 year term at a rate of 7.25%. The rate applicable to this loan was renegotiated in November 2005 to 4.8%; however, the Application model used the former rate of 7.25% in calculating the proposed revenue requirement.

The Handbook states that for debt held by a third party, the actual debt rate is to be used. The Board therefore finds that a rate of 4.8% should apply to the debt, and has adjusted the model accordingly. This is consistent with the approach embodied in the Handbook, in which returns to capital (debt and equity) were set on a forward-looking basis.

### **Unmetered Scattered Load (USL) Variable Rates**

NOW is among the group of distributors that have not developed specific USL rates, and therefore charge USL customers based on the Handbook option of applying the general service less than 50 kW (GS <50) rate with the monthly service charge set at 50% of the GS <50 monthly service charge.

However, in the Application model, NOW did not update the variable charge for the USL class. Therefore, the Board has amended the Application model to reflect in USL rates the variable charge from the GS <50 rates.

### **Distribution Loss Factors**

In its original Application, NOW followed the prescribed three-year average methodology for calculating distribution loss factors to derive a loss factor of 7.53%. However, the data on sales for 2004 appeared to be anomalous and was significantly lower than in previous years, without a corresponding drop in deliveries to the NOW system. Consequently, losses for 2004 may be overstated.

In response to interrogatories, NOW refiled the losses calculation schedule and revised the 2004 sales so that they reflect the level of 2003 sales. NOW indicated that it was investigating the validity of the 2004 sales figures. The revised figure for losses is 3.82%. NOW requested that the Board approve the revised figure on an interim basis until it could confirm the validity of the 2004 sales figures.

The Board is prepared to approve the loss factor based on the above revisions in view of the anomalous character of the 2004 data. However, to make the loss factor interim would effectively make rates interim, and the Board sees no persuasive reason to do that in this situation, given that losses are subject to variance account treatment in any event. Therefore, the Board will approve a distribution loss factor of 3.82% on a final basis. The Board notes that it is open to NOW to apply for a change in its distribution loss factor if circumstances in the future warrant that.

### **Regulatory Asset Amounts**

The Board has observed and corrected two errors in the Application with respect to regulatory asset recovery.

The first concerns an unwarranted reduction in the amount of transition costs to be recovered, which resulted from a mistaken double-counting of amounts already recovered. The Board has adjusted the Application model to remove the double-counting of this amount.

The second concerns an error in the recording and allocation of amounts assigned to NOW (among most other electric utilities) by Hydro One under direction of the Board, which related to Hydro One pension costs. An amount of approximately \$22,000 was originally recorded in account 1586 rather than account 1508, with the result that the amount was allocated for recovery according to kilowatt-hour consumption rather than distribution revenue. This amount was subsequently revised in error to a lower figure. The Board has adjusted the Application Model to correctly record and allocate the Hydro One pension cost amount.

### **Consequences of the Generic Decision on this Application**

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

### **Resulting Revenue Requirements**

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$3,340,505, including a debit amount of \$470,297 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

## Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

## THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective July 14, 2006, for electricity consumed or estimated to have been consumed on and after July 14, 2006. The application of the revised distribution rates shall be prorated to July 14, 2006. If Northern Ontario Wires Inc.'s billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.
2. The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Northern Ontario Wires Inc., and is final in all respects.
3. Northern Ontario Wires Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

**DATED** at Toronto, July 14, 2006.

ONTARIO ENERGY BOARD



Peter O'Dell  
Assistant Board Secretary

Appendix "A"

RP-2005-0020  
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July 14, 2006

ONTARIO ENERGY BOARD



# Northern Ontario Wires Inc.

## TARIFF OF RATES AND CHARGES

### Effective July 14, 2006

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

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#### APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

#### EFFECTIVE DATES

DISTRIBUTION RATES – July 14, 2006 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES – July 14, 2006 for all charges incurred by customers on or after that date.  
LOSS FACTOR ADJUSTMENT – July 14, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

#### SERVICE CLASSIFICATIONS

##### **Residential**

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. Further servicing details are available in the utility's Conditions of Service.

##### **General Service Less Than 50 kW**

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in the utility's Conditions of Service.

##### **General Service 50 to 4,999 kW**

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the utility's Conditions of Service.

##### **Unmetered Scattered Load**

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/ documentation with regard to electrical demand/consumption of the proposed unmetered load. Further servicing details are available in the utility's Conditions of Service.

##### **Street Lighting**

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the utility's Conditions of Service.

# Northern Ontario Wires Inc.

## TARIFF OF RATES AND CHARGES

### Effective July 14, 2006

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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	16.44
Distribution Volumetric Rate	\$/kWh	0.0107
Regulatory Asset Recovery	\$/kWh	0.0047
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### General Service Less Than 50 kW

Service Charge	\$	21.52
Distribution Volumetric Rate	\$/kWh	0.0101
Regulatory Asset Recovery	\$/kWh	0.0031
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### General Service 50 to 4,999 kW

Service Charge	\$	206.63
Distribution Volumetric Rate	\$/kW	2.0293
Regulatory Asset Recovery	\$/kW	1.1357
Retail Transmission Rate – Network Service Rate	\$/kW	2.0129
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5764
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

##### Unmetered Scattered Load

Service Charge (per connection)	\$	10.86
Distribution Volumetric Rate	\$/kWh	0.0101
Regulatory Asset Recovery	\$/kWh	0.0131
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

##### Street Lighting

Service Charge (per connection)	\$	1.03
Distribution Volumetric Rate	\$/kW	3.3445
Regulatory Asset Recovery	\$/kW	0.8394
Retail Transmission Rate – Network Service Rate	\$/kW	1.5181
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2187
Wholesale Market Service Rate	\$/kWh	0.0052

# Northern Ontario Wires Inc.

## TARIFF OF RATES AND CHARGES

### Effective July 14, 2006

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Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25
 <b>Specific Service Charges</b>		
Customer Administration		
Arrears Certificate	\$	15.00
Returned Cheque charge (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of Account Charge – no disconnection	\$	30.00
Disconnect/Reconnect at Meter - during Regular Hours	\$	65.00
Disconnect/Reconnect at Meter - after Regular Hours	\$	185.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

### LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0429
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0324
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A