Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2008-0233

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 Innisfil Hydro Distribution Systems Limited for an order approving or fixing just and reasonable rates and other charges for the distribution of electricity to be effective May 1, 2009.

BEFORE: **Cathy Spoel**
Presiding Member

Pamela Nowina
Member and Vice-Chair

DECISION AND ORDER

April 6, 2009

BACKGROUND

Innisfil Hydro Distribution Systems Limited ("Innisfil" or the "Applicant") filed an application with the Ontario Energy Board on August 15, 2008, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that it charges for electricity distribution to be effective May 1, 2009. Innisfil is the licensed electricity distributor serving the Town of Innisfil.

Innisfil is one of over 80 electricity distributors in Ontario that are regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. In an effort to assist distributors in preparing their applications, the Board issued the *Filing Requirements for Transmission and Distribution Applications* on November 14, 2006. Chapter 2 of that document outlines the filing requirements for cost of service rate applications, based on a forward test year, by electricity distributors.

On January 30, 2008, as part of the plan, the Board indicated that Innisfil would be one of the electricity distributors to have its rates rebased for the 2009 rate year. Accordingly, Innisfil filed a cost of service application based on 2009 as the forward test year.

The Board assigned the application file number EB-2008-0233 and issued a Notice of Application and Hearing dated September 2, 2008. The Board approved four interventions: the Association of Major Power Consumers Ontario (AMPCO), Energy Probe, School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC). Board staff also posed interrogatories and made submissions. The Board determined that this application would be decided by way of a written hearing. The hearing closed with Innisfil filing its reply argument on February 20, 2009.

The full record is available at the Board's offices.

In its original application, Innisfil requested a revenue requirement of $8,241,691 to be recovered in new rates effective May 1, 2009. The resulting requested rate increase was estimated as a 16.9% increase over 2008 on the delivery component of the bill for a residential customer consuming 1,000 kWh per month.

The following aspects of Innisfil's Application for rates were accepted by all parties:

- Loss adjustment factor
- Capital projects related to utility relocates, 44 kV feeder, remote load interruptors, and M3 line extension
- Service reliability
- Smart meters
- Cost of capital and capital structure except long-term debt rate

The Board accepts the Applicant's evidence on these matters and the resultant rate consequences.

THE ISSUES

The following issues were raised in the submissions filed by Board staff, Energy Probe, SEC, and VECC and are addressed in this decision:

- Load Forecast
- Other Distribution Revenue
- Operating, Maintenance & Administrative Expenses
- Payments in Lieu of Taxes
- Capital Expenditures and Rate Base
- Long-term Debt Rate
- Cost Allocation and Rate Design
- Deferral and Variance Accounts

LOAD FORECAST

The following issues are addressed in this section:

- Methodology and model
- Customer forecast

Methodology and Model

In its Application, Innisfil explained that it developed its weather normalized load forecast using a total system weather normalized purchased energy forecast based on a multifactor regression model that incorporated historical load, weather, and economic data.

The intervenors raised a number of concerns about the use of this model.

Energy Probe argued that using a single multifactor regression model falsely assumed all rate classes were influenced by the same set of variables to the same degree. Energy Probe also argued that adding an additional independent variable based on the number of customers would establish a more accurate relationship to the total system purchased energy forecast. VECC agreed.

Innisfil agreed that the number of customers should be included in the regression analysis, but noted that the monthly numbers of customers by class data were not available in Innisfil's records for the early years of the historical data.

Innisfil agreed to use the loss factor adjusted based on the average for the period 2005 to 2007, which is 1.0477 instead of 1.058, as suggested by Energy Probe.

Energy Probe submitted that the load forecasting methodology used by the Applicant also assumed the weather adjustment was proportional to each weather sensitive class, but that the three weather sensitive classes (residential, GS < 50kW, and GS > 50kW) would be expected to have different levels of sensitivity to the weather.

Energy Probe and VECC submitted that the methodology demonstrated no relationship between customer count forecast and the total weather normalized billed energy forecast. For future forecasts, Energy Probe recommended the Board direct Innisfil to develop the forecast for each rate class to include the number of customers and the normalized average use according to an econometric estimation. VECC submitted that similar to the OEB direction provided in the Toronto Hydro case[1], the Board should direct Innisfil to work with other distributors to develop a more comprehensive and integrated approach to load forecasting.

[1] Toronto Hydro Decision, EB-2007-0680, Pages 32-33

Innisfil explained that its data has a number of limitations which led it to use the single multifactor regression model for all classes. The billing cycle meter reading schedules were not at month-end which was required in order for consumption data to match the heating degree days used in the regression model, and the monthly billing data was not available for a large part of the regression period even though the billing data period matched the monthly consumption data. However, Innisfil stated that it does have the monthly amount of the kWh purchased from the IESO.

Innisfil acknowledged that the development of a load forecast model and methodology for electricity rate cost of service ("CoS") applications is evolving in the electricity industry. Innisfil stated that it expects to improve its load forecasting methodology in future CoS applications by taking into consideration comments made by parties to this proceeding as well as to other CoS applications in 2009 and beyond.

Board Findings

Given that Innisfil does not have adequate information related to monthly numbers of customers and monthly billing data to forecast load by customer class, the Board finds that the Applicant's approach for the load forecast is reasonable. The Board therefore accepts the Applicant's load forecast for the purpose of setting 2009 rates. The Board notes that in its submissions Innisfil stated that it expects to improve its load forecasting methodology in future rebased cost of service applications.

Customer Forecast

Innisfil's customer forecast was developed using the historical annual growth rate for the period from 2002 to 2007, as shown in Table 1. Innisfil used the historical annual growth rate to forecast customer connections for all classes, except for the Unmetered Scattered Load class, for which no historical data was available.

Table 1

Rate Class	2009 Number of customers/connections Forecast As Filed (Exhibit 3/ Tab 2/ Schedule 3/ Page 7/ Table 8)	As per Energy Probe Interrogatory 1 (b)
		(kWh)
Residential	13,512	155,528,870
GS < 50kW	827	31,359,068
GS > 50kW	72	40,258,708
Streetlights	2,810	1,652,371
Sentinel Lights	193	123,512
Unmetered Load	85	562,039

Energy Probe submitted that the forecasts for residential, GS<50kW, and GS>50kW classes were too low. Energy Probe also submitted that the 2009 customer forecast for the residential class should be calculated using the weighted monthly approach. Energy Probe stated that the 2009 customer forecast for GS<50kW should be based on Innisfil's December 2008 forecast, and the 2009 customer forecast for GS>50kW should be based on the September 2008 number. VECC also shared a similar view to that of Energy Probe; however SEC had no comments on the customer forecast.

In its reply submission, Innisfil objected to an increase in the customer forecast given the severe economic downturn that was expected to continue in 2009 and beyond. Innisfil submitted that the growth of GS<50kW could be expected to decline. With regards to GS>50kW, customer load could drop below the 50kW threshold due to the reduction of the production demand. Innisfil further submitted that the 2009 customer forecast that supported the billed kWh forecast of 229,484,568 kWh was the most appropriate and considered the views of all parties and the current economic conditions.

Board Findings

The Board recognizes that Innisfil filed its customer forecast when it filed its application on August 15, 2008. The Board is of a view that forecasts are by their nature imprecise. The Board is also of the view that the variations identified by intervenors are not material. The Board therefore accepts the Applicant's customer forecast for the purposes of setting 2009 rates.

OTHER DISTRIBUTION REVENUE

Energy Probe submitted that the amount in the Interest and Dividend Income account ($18,000) should be added back to reflect the delay in going from a cash position to a debt position and a reduction in the magnitude of the debt position.
Energy Probe and VECC submitted that the 2009 forecast for Interest and Dividend Income should remove the amount associated with deferral and variance accounts because the interest costs were effectively double counted.

In its reply submission, Innisfil submitted that it agreed with Energy Probe's observation that $18,000 should be added to the interest revenue as a revenue offset. Innisfil further submitted that it will remove $28,000 of regulatory asset carrying charges from account 4405 to avoid double counting.

Board Findings

The Board approves the changes in the Interest and Dividend income account as proposed by the Applicant in its reply submission.

OPERATING, MAINTENANCE and ADMINSTRATIVE EXPENSES ("OM&A")

Operating costs include OM&A expenses, depreciation and amortization expenses, payments in lieu of taxes ("PILs"), and any transformer allowance payments to customers. PILs are proxies for capital and income taxes that otherwise would have to be paid if the Applicant were not owned by a municipality.

The final PILs tax allowance for ratemaking purposes is determined after the Board makes its findings on other relevant parts of the Applicant's application.

Operating costs also include interest charges on the Applicant's debt. These are dealt with in the cost of capital section of the Decision.

Table 2 shows the components of the proposed OM&A expenses for 2009 and compares them with previous years.

Table 2 - OM&A Expenses ($)

	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Operations	$ 600,374	$ 639,277	$ 733,700	$ 778,575
Maintenance	$ 416,921	$ 489,578	$ 580,100	$ 657,080
Billing & Collecting	$ 829,894	$ 923,175	$ 950,950	$ 1,010,600
Community Relations	$ 60,213	$ 49,890	$ 10,600	$ 11,700
Administrative & General (excl. LV)	$ 989,218	$ 1,071,420	$ 1,237,175	$ 1,463,165
Additional Request: IFRS				$ 25,000
TOTAL	**$ 2,896,620**	**$ 3,173,340**	**$ 3,512,525**	**$ 3,946,120**

The 2009 total OM&A expenses forecast is approximately $3,946,120, an increase of 24.4% or $772,780, from 2007 actual spending. [2] OM&A expenses in 2008 were 10.7% higher than the 2007 actual. The forecast increase from 2007 to 2009 is mainly attributed to inflation, wages and staff changes, 2009 rate rebasing costs, International Financial Reporting Standards (IFRS), and distribution system maintenance.

The following issues are addressed in this section:

- 2009 rate rebasing costs
- International Financial Reporting Standards (IFRS)
- Inflation
- Management wages and overtime
- Post Retirement Benefits
- Contracted line crews

[2] Total OM&A excludes PILs and property taxes

2009 Rate Rebasing Costs

Innisfil is requesting approval of regulatory costs of $148,000 for costs associated with the 2009 CoS application and has amortized the costs over a 4-year period ($37,000/year). The costs include preparation and review of application and interrogatories ($75,000), intervenor costs ($30,000), and legal costs ($43,000).

Energy Probe submitted that the evidence provided by Innisfil included costs related to an oral component of this proceeding and that since none was required, these costs should be reduced from the forecasted level of $148,000 to $134,000. SEC echoed Energy Probe's concern and submitted that $43,000 should be removed from the forecast.

Innisfil replied that it had estimated $43,000 for reply submission consulting costs and $30,000 for intervenor costs. Given that there are 4 intervenor groups and no minimum or maximum cost per intervenor, Innisfil submitted that it did not accept the proposal of reducing its rebasing costs as proposed by Energy Probe and SEC.

Board Findings

The Board finds it appropriate for the Applicant to recover the costs associated with the preparation of its 2009 rates case over the future period as these are one-time costs which will not be incurred again until the next rebasing. Intervenors should not assume that an oral hearing is more expensive than a written hearing. While there was no oral component to the hearing, there were additional procedural steps such as a second round of interrogatories. The Board accepts the proposed expense of $148,000 to be amortized over 4 years. The Board therefore allows an expense of $37,000 to be reflected in 2009 rates.

IFRS

Innisfil is requesting $100,000 for costs associated with the transition to IFRS and has proposed to amortize the costs over a 4-year period ($25,000/year). In response to SEC's interrogatory, Innisfil stated that it is planning to conduct a study to identify and assess the potential impacts on its reporting systems to transition to the IFRS reporting standards.[3] In response to Energy Probe's interrogatory, Innisfil stated that it may incur additional yearly operational expenses, but it has not included an estimate for these costs. Innisfil had stated that it has begun the planning stage for the conversion from GAAP to IFRS and will require an understanding of the OEB requirements versus the IFRS presentation of its financial records to better estimate any additional costs.[4]

Energy Probe submitted that the Board has yet to determine if all distributors will be required to convert to IFRS, the degree to which changes may be required and whether conversion costs can be minimized through a joint effort through either the Board or EDA. Energy Probe also notes that Innisfil's request is premature and should be rejected, as the Board has initiated a consultation on Transition to IFRS and Consequent Amendments to Regulatory Instruments (EB-2008-0408).

VECC submitted that an appropriate treatment for Innisfil's request will be determined by the Board's ultimate decision with respect to IFRS costs.

SEC echoed Energy Probe's response and added that the amount requested by Innisfil does not appear to be justified by any particular analysis and should be removed from its 2009 OM&A total.

Innisfil replied that the total cost includes conducting a study and transitioning to IFRS. It also stated that it was concerned with the potential IFRS transition date of January 1, 2011, and that it would be aggressively pursuing the project in 2009. Therefore, Innisfil submitted that it does not agree that the cost should be removed, but it is not opposed to utilizing a deferral or variance account to track the actual costs.

Board Findings

The Applicant has provided a forward-based forecast budget related to IFRS costs. The Board recognizes that a consultation on Transition to IFRS and Consequent Amendments to Regulatory Instruments (EB-2008-0408) has begun, but this does not mean that reasonably incurred IFRS costs should not be considered for recovery. The Board finds that amount of IFRS costs requests by the Applicant is reasonable. The Board approves the costs related to Innisfil's transition to IFRS. However, the Board will

[3] Response to SEC Interrogatory #1b
[4] Response to Energy Probe's second set of Interrogatories, Page 4, #26a

not approve a deferral account for the tracking of actual costs at this time. The Board's generic consideration of IFRS costs will address the issue of deferral accounts.

Inflation

Innisfil is requesting $214,401 for costs associated with inflation. The inflationary amounts for 2008 and 2009 were $110,506 (3.5%) and 103,895 (2.9%), respectively. Innisfil noted that the inflationary forecasts are based on forecasted inflationary increase by banking institutions and the forecasted cost of living being communicated by government agencies via newspapers and business journals.

Energy Probe submitted that the inflation percentages used by Innisfil were not consistent with the current economic situation. Energy Probe noted that the 2008 inflation rate for Ontario was 2.3%, as reported by Statistics Canada in January 2009. Energy Probe stated that BMO Capital Markets is forecasting an inflation rate of 0.3% for Ontario based on its January 2009 Provincial Economic Outlook. Energy Probe also noted that TD Economics is forecasting an inflation rate of 0.5% for Ontario based on its January 2009 Provincial Economic Outlook. Energy Probe submitted that Innisfil should adopt inflation rates for 2008 and 2009 of 2.3% and 1%, respectively. Therefore, the increase related to 2008 and 2009 should be reduced by $37,888 and $38,826, respectively.[5]

SEC echoed Energy Probe's submission stating that an inflationary adjustment of 1% would be more appropriate for 2009 given that CPI forecasts for 2009 are under 1%.

VECC submitted that Innisfil's 2009 forecasted inflation rate was significantly over-forecasted and that it would be appropriate to take into account the current economic situation. Furthermore, a more recent forecast of inflation would be far below the 2.9% used by Innisfil.

In its reply submission, Innisfil stated that a 2009 CPI forecast of 1% is not appropriate. Innisfil argued that the CPI is not valid for industrial applications as it measures, among other things, food, recreation, alcohol and tobacco products and that an industry specific price index is more appropriate. Innisfil submitted that over 60% of OM&A costs are

[5] Energy Probe Submission, Pages 8 and 9

directly attributed to internal labour and external line costs that are subject to multi-year contracts and collective agreements.

Board Findings

To be consistent with the Board's findings in its December 20, 2006 Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board will approve the annual percent change in the Implicit Price Index for National Gross Domestic Product (GDP-IPI) for Final Domestic Demand. On March 2, 2009, Statistics Canada published the change for 2008 over 2007 as part of the National Economic Accounts. The percent change is 2.3% and the Board directs Innisfil to adjust its 2009 forecasted inflationary amount to reflect this change.

Management Wages and Overtime

In its evidence, Innisfil has forecasted an 8% increase in average yearly base wages for management, from $84,218 in 2008 to $90,994 in 2009.[6] The main items driving the increase are:

i. Bringing management salaries in line with the average salaries published by the EDA and in line with the Town of Innisfil comparable management positions (2.4%).
ii. Up until 2009, Innisfil was providing management, billing and collecting, and Accounts Payable services to Innisfil Energy Services Ltd. (IESL). As of January 2009, Innisfil is no longer providing services to IESL. Therefore, management salaries were increased by 2.4% as time will no longer be spent on energy management issues.
iii. The President is a full-time employee for Innisfil (0.8%).
iv. Inflationary increases (2.5%).

In addition, Innisfil is requesting an average yearly management overtime budget of $4,505 per FTE.

Energy Probe submitted that even though Innisfil will eliminate services to IESL, no reductions in costs have been considered to reflect that management time, billing and collecting services, and accounts payable services are no longer required for IESL.

[6] Exhibit 4, Tab 2, Schedule 7, Page 1

Energy Probe estimated that the change in management services offered to IESL accounts for 2.4% of the 8% increase in the average yearly base wages for management. Energy Probe then submitted that the average management base wage increase should be reduced by 2.4% for a total reduction of $16,480.

Energy Probe has also requested that average management overtime be reduced by $1,000 for a total reduction of $8,000 for a management complement of 8 FTEs because Innisfil's management would no longer be required to provide any services to IESL. Energy Probe argued that the costs that were recovered for work performed for an affiliate should not be automatically recovered from customers of the regulated company. Energy Probe submitted that the inter-company revenues for management services ranged between $26,000 and $31,000 and by increasing management salaries and overtime, Innisfil is essentially recovering those lost management revenues.

VECC submitted that it is not appropriate to increase salaries paid by utilities that are below the averages published by the EDA unless utilities whose salaries are above average are systematically reduced. Furthermore, VECC noted that the compensation to utility management should be based on services provided to ratepayers and not reflect lost opportunities for management in unregulated activities. In addition, VECC submitted that the embedded inflationary rate of 2.5% should be reduced and brought in line with a more recent forecast of inflation. Lastly, VECC suggested that the Board consider whether salaried management should be eligible for any overtime payments.

SEC submitted that the increase in management salaries does not appear to have been driven by any particular need. It also stated that the increase in allocation as a result of the sale of water heaters appears to result in an increase in cost to Innisfil without any offsetting reduction in personnel costs.

In its reply submission, Innisfil stated its affiliate water rental company is selling its water heaters because Innisfil is deemed non-compliant according to the latest amendments made to the Affiliate Relationships Code (ARC). Innisfil explained that its water heater affiliate does not have any employees and that Innisfil shares the time for two of its management employees, the President and the CFO/Treasurer, with its affiliate company. Innisfil stated that the billing, collection, and AP services were billed on a per transaction basis and the management time spent on the affiliate was marginal.

Furthermore, Innisfil stated that it did not adjust salaries based on EDA averages alone and that it used mean and median comparators as well as municipal salaries as comparators. In addition, Innisfil submitted that its compensation to utility management does not reflect lost opportunities for management in unregulated activities.

With respect to overtime, Innisfil noted that it does not have any line crews. Innisfil explained that its control room functions are performed by Innisfil's management, and not by unionized staff as is the case in other utilities. Innisfil stated that the work done by contract line crews is of a transient nature. Innisfil submitted that its management performs control room functions for after hours crew dispatch, SCADA operations and coordinating switching with Hydro One to support the work performed by contract line crews. Innisfil stated that its management does not receive shift premiums, standby pay, minimum call out pay or time and one half or double time pay that are usually paid to unionized staff. Furthermore, it stated that its management does not receive bonus pay that is common practice throughout the industry. Innisfil therefore submitted that there should not be any offsetting reduction in employee costs.

Board Findings

The Board finds that Innisfil's approach in setting wages for its management is appropriate based on its use of wage comparators and its practical judgment. Based on Innisfil's rationale, the Board will accept the wage increase for management. In regards to overtime, the Board finds that it is appropriate for Innisfil's management, and not the Board, to determine the overall compensation scheme of the company.

Post Retirement Benefits

Energy Probe submitted that the onetime setup charge of $22,604 associated with the post-retirement benefits should be recovered over a 4 year period rather than a 3 year period.

In its reply submission, Innisfil agreed with Energy Probe and stated that it would make the necessary changes to the recovery period for the post retirement benefits.

Board Findings

The Board accepts the proposed 4 year amortization period as was agreed by Innisfil in its reply submission.

Contracted Line Crew

Innisfil is requesting approval of a $146,000 increase related to the increased costs of its contracted line crew. The 2008 and 2009 increases are $74,000 and $72,000 respectively that suggest a 20% increase in line crew costs. In response to a Board staff interrogatory,[7] Innisfil stated that in January 2008 the non-union line contractor McG Poleline Ltd. that had been utilized for the past several years was being sold to K Line Maintenance and Construction Ltd ("K Line"). In March 2008, Innisfil issued a tender for overhead and underground hydro utility line works to any interested contractors. The contract was awarded to K Line because it provided the lowest price.

Board staff invited parties to comment on whether Innisfil had adequately explored alternate options to contracting line work as opposed to accepting a significant increase in costs. While SEC stated that it does not suggest that the RFP was carried out improperly, it questioned the quality of Innisfil's RFP process and inquired why there were not more attractive offers submitted. SEC suggested that Innisfil needs to start developing an alternative to the current service provider.

In its reply submission, Innisfil stated that it had issued a public line contract tender in the spring of 2008 and all known line contractors in the Barrie area and GTA were contacted directly. In addition, an advertisement was placed on the EDA's website. Innisfil stated that several responses were received and the lowest bid was chosen. Innisfil submitted that by purchasing services from K Line that were established through a public tender process, it pays market rates for contracted line crew costs. Innisfil then stated that because of its previous long term relationship with McG Poleline Innisfil was paying less than market rates for the contracted crew services up to July 1, 2008.

In its reply submission, Innisfil further explained that it did not have the lead time to pursue the option of internalizing line crews. In any event, it would still need line contractors to assist with the capital and maintenance projects if it had established its

[7] Response to Board Staff Interrogatory #1.2c

own internal crew operation. Finally, Innisfil submitted that it has been advantageous to control its variable costs by deploying contract line crews from a contractor pool and paying for the personnel and equipment as needed.

Board Findings

The Board finds that Innisfil undertook the tender process appropriately and with the requisite due diligence and that it was appropriate to have chosen the lowest bid. The Board accepts Innisfil's request of a $146,000 increase related to the costs of its contracted line crew.

PAYMENTS IN LIEU OF TAXES (PILs)

Innisfil's evidence contained detailed tax calculations which showed a regulatory income tax amount of $575,915 as payable in 2009. This was based on an assumed tax rate of 33%.

Board staff noted that Innisfil seemed to have calculated an income tax rate by adding the grossed-up PILs, already computed, to the regulatory net income. Board staff submitted that Innisfil's methodology resulted in a higher tax rate, as adding the PILs tax amount to the regulatory net income produces a higher taxable income. Board staff stated that Innisfil's method diverges from the Board's established methodology. Board staff noted that the impact of this divergence is immaterial. VECC submitted that it would be inappropriate to include such an amount in the revenue requirement absent compelling evidence that such divergence is in the public interest. Innisfil submitted that its method had been verified by an independent auditor and appeared to be correct.

Energy Probe raised a concern regarding misclassification of amounts in certain CCA accounts and submitted that appropriate adjustments to correct any misclassifications should be made for the calculation of the 2009 CCA amount. Innisfil agreed with Energy Probe's submission on this matter.

Intervenors observed that the January 27, 2009 federal budget introduced changes that may have an impact on Innisfil's regulatory taxable income in 2009.
Innisfil stated that whenever an adjustment or an update to income or capital taxes had been necessary during the present rates process, that adjustment or update had been done.

Board Findings

The Board directs Innisfil to adhere to the Board's established PILs methodology in its next cost of service rate adjustment filing. Due to the relative non-materiality of the differential between Innisfil's methodology and the Board's established methodology, the Board will not require Innisfil to adjust its methodology for the purposes of rate-setting in the present proceeding.

The Board finds that Innisfil should correct all errors that have been identified in its PILs calculations, and incorporate in its draft rate order any adjustments to regulatory taxable income that arise from this Board Decision.

The Federal Budget enacted on February 3, 2009 included an increase in the small business income limit from $400,000 to $500,000 effective January 1, 2009, and a change in the capital cost allowance (CCA) applicable to certain computer equipment and related system software (CCA class 50) acquired between January 27, 2009 and February 2011. The Board has considered these fiscal changes and determined that the draft rate order should reflect the increase in the federal small business income limit for affected distributors and the change in the CCA.

Innisfil is directed to incorporate any such changes into its draft rate order.

The Board directs Innisfil to incorporate all other known income and capital tax changes into its PILs calculations for 2009 that have arisen since the application was filed.

RATE BASE

Innisfil is requesting approval of $23.0 million for the 2009 rate base. This amount is a 14.7% increase ($2,952,345) from Innisfil's 2007 actuals and a 17.0% increase ($3,342,467) from its 2006 actuals.

The following issues are addressed in this section:

- Capital expenditures
    - Road Widening Project
    - Proposed reductions in Other Capital Expenditures
- Working capital allowance
- Computer software depreciation

Capital Expenditures

Innisfil's original application proposed capital expenditures of $6,497,892 in 2009, which Innisfil subsequently reduced to $5,167,342 through responses to interrogatories, particularly the response to VECC's second round interrogatory #25 ("the Update").[8] This revised figure represents an increase of approximately 100% compared to the 2008 projected level of $2,577,260 and an increase of approximately 275% compared to 2007 actual capital expenditures of $1,485,248.

Table 3 lists the percentage change in capital expenditures from 2007 actuals to the 2009 Test year.

Table 3T[9]

	2007 Actual	2008 Bridge	2009 Test
Capital Expenditures	$1,485,248	$2,577,260	$5,167,342
% change as compared to the prior year		73.5%	100.5%

Innisfil's five-year capital plan showed capital expenditures projected to be at approximately the $2.6 million level in 2008, rising to approximately $5.2 million in the 2009 Test year and in the range of $3.9 to $4.3 million in the 2010 to 2012 period.[10]

The following issues are addressed in this section:

- Capital expenditures – Road Widening Project
- Proposed reductions in Other Capital Expenditures
    - Customer connections and metering
    - General plant expenditures

[8] VECC Second Round Interrogatory Response #25 (the Update)
[9] Based on Exhibit 2/Tab 3/Schedule 1 and the Update
[10] Board staff Interrogatory Response #3.3

Road Widening Project

Innisfil's application provided a breakdown of its forecast capital expenditures for the 2009 Test year, as revised in the Update. A key area responsible for the $2.6 million forecast 2009/2008 increase in capital expenditures was in the area of customer demand.

Innisfil's expenditures in the customer demand category, increased from approximately $950,000 in 2008 to $2.3 million in 2009, or an increase of $1.35 million, based on the information provided in the Update. This increase is significantly related to a road widening project to allow for an underground relocation and urbanization of Innisfil Beach Road. This project had been scheduled to take place over a four year period beginning in 2008 and Innisfil's application, as originally filed, contained cost estimates of $750,000 for 2008 and $788,800 for 2009 for this project.

Innisfil stated in the Update that the beginning of the project had been delayed from 2008 until 2009 and the cost for the first phase had increased from $750,000 to $1,050,000. The overall effect of the Update on the costs of this project was a decrease of $750,000 in 2008, due to the one-year delay and an increase in 2009 from the originally budgeted level of $788,800 to $1,050,000.

Energy Probe submitted that if the Board was to allow this increase, it should also require some increase in the contributions that offset the increase in capital expenditures. Energy Probe submitted that the Board should direct Innisfil to increase the contributions that offset capital expenditures to reflect higher contributions related to the $300,000 increase in the cost of this project. VECC supported Energy Probe's submission.

In its reply submission, Innisfil stated that it agreed with Energy Probe's submission and estimated that the contributions for this project should increase by $56,000.

<u>Board Findings</u>

The Board finds that Innisfil has adequately justified the proposed expenditure level on this project. The Board also notes that no parties objected to the Applicant's proposal.

The Board accepts Innisfil's estimate that contributions for this project should increase by $56,000.

Proposed Reductions in Other Capital Expenditures

Energy Probe noted that Innisfil had made significant changes to its forecast of capital expenditures in both 2008 and 2009 from the levels originally filed. Energy Probe stated that it accepted the net impact of these changes. However, it referred to Innisfil's response to a VECC interrogatory indicating that there was an additional reduction in 2008 capital expenditures of $115,300.[11] In its reply submission, Innisfil agreed with Energy Probe.

Customer Connections and Metering

Energy Probe submitted that Innisfil should be required to make two further reductions in its forecast 2009 capital expenditures. First, Energy Probe noted that Innisfil was forecasting an increase in capital expenditures related to customer connections and metering from a level of $80,000 in 2008 to $144,000 in 2009.[12] Energy Probe requested a reduction of $64,000 in 2009 capital expenditures related to this item, which was supported by VECC. Innisfil agreed with the intervenors, but submitted that the budget should be reduced to $74,000, not $80,000 as proposed by Energy Probe.

General Plant Expenditures

Energy Probe's second proposed area of reduction was in the area of general plant expenditures, which Energy Probe submitted should be maintained at 2008 levels in 2009 resulting in a proposed reduction of $50,000. This was also supported by VECC. Innisfil disagreed with this proposal characterizing it as unsubstantiated and arbitrary, given the review and analysis already put forward to develop the 2009 capital requirements.

[11] VECC Interrogatory Response #25
[12] Energy Probe Interrogatory Response #23

Board Findings

The Board finds that Innisfil has adequately justified the remainder of its capital program and approves it. The Board accepts Innisfil's proposed downward adjustment to customer connections and metering capital expenditures of $80,000.

Working Capital Allowance

Energy Probe and VECC both made submissions on Innisfil's proposed working capital allowance. Energy Probe stated that it accepted the approach taken by Innisfil to calculate the allowance with some proposed adjustments. Energy Probe continued to believe the 15% methodology may be overstating the required allowance for working capital. Therefore, it recommended the Board direct Innisfil to prepare a lead lag study for its next rebasing application. VECC supported Energy Probe's position. In its reply submission, Innisfil stated that in the context of this application, the methodology it has used remains appropriate.

Energy Probe submitted that Innisfil's calculation should be adjusted so that its cost of power component reflects the most recent cost of power forecast presented to the Board. VECC supported Energy Probe's position. Innisfil stated that it had used an updated rate of $0.0603 per kWh from the Board's Regulated Price Plan Report.

Energy Probe also submitted that the cost of power component should reflect the forecast of network and connection transmission services provided by Hydro One Networks Inc. ("HONI").

VECC noted that some other distributors are not billed by the IESO for all components of the RPP price and are billed for different components for non-RPP customers.[13] VECC submitted that the Board should work with distributors and the IESO to establish a common approach to determining what elements of the RPP Price Report should be included in the cost of power for purposes of determining working capital allowances. Energy Probe also expressed concern over the methodology used by Innisfil to calculate the commodity component of the cost of power.

[13] VECC Interrogatory Response #43 - COLLUS Power (EB-2008-0226),

Energy Probe submitted that Innisfil had used an incorrect loss factor in the calculation of the energy quantities used in the calculation of the cost of power portion of the working capital component of rate base. Energy Probe submitted that the impact on working capital was an increase of $57,322 and that this increase was appropriate. Innisfil agreed with Energy Probe.

Board Findings

The Board notes that Innisfil has followed the Board's Filing Requirements for Transmission and Distribution Applications dated November 14, 2006 which allows the utility to apply a 15% factor to derive the allowance for working capital. The Board will not require Innisfil to prepare a lead lag study for its next rebasing application. In making this finding, the Board is mindful of the significance of the costs of such studies to smaller utilities. The Board therefore finds that Innisfil's approach of using a 15% factor to derive its working capital allowance is reasonable.

The Board notes that Innisfil has stated that it has used the updated rate of $0.0603 per kWh from the Board's Regulated Price Plan. The Board directs Innisfil to make any other corrections to these calculations that may be necessary.

The Board will not require Innisfil to reflect the forecast of network and connection transmission services provided by HONI as these amounts have not yet been approved by the Board.

The Board notes VECC's request that the Board should work with distributors and the IESO to establish a common approach to determining what elements of the RPP Price Report should be included in the cost of power for purposes of determining working capital allowances. The Board views this matter as a generic policy issue that is not within the scope of this Decision.

Computer Software Depreciation

Energy Probe stated that Innisfil was depreciating computer software over three years, whereas it submitted that this depreciation expense should be based on a five year period. In its reply submission, Innisfil submitted that the use of a 5 year amortization period is not appropriate and that due to how quickly software becomes out of date, 3 years is a reasonable amortization period.

Board Findings

The Board accepts Innisfil's arguments for the use of its proposed three year amortization period for computer software and finds the three year period to be reasonable based on the evidence presented.

COST OF CAPITAL and CAPITAL STRUCTURE

Cost of Debt

The Board's guidelines for the cost of capital are set out in its Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation of Ontario's Electricity Distributors (the "Board Report"), dated December 20, 2006.
Innisfil has proposed a weighted debt cost rate for 2009 of 6.93%, consisting of three instruments, which are a note payable to an affiliate at an interest rate of 3.35%, a debenture payable to the Town of Innisfil at a 9.75% rate, and a bank loan to be obtained in 2009 at a 5.08% rate. Parties to the proceeding made submissions on each of these instruments.

Bank Loan

Energy Probe noted that as a result of the reduction in forecast capital expenditures made by Innisfil since its application had originally been filed, the amount of this bank loan had been reduced from $4.0 million to $1.9 million.[14] Energy Probe submitted that it accepted this reduction as reasonable.

Energy Probe noted that Innisfil had forecast a rate of 5.08% on this bank loan based on a 25 year rate for a serial loan from Infrastructure Ontario which had increased to 6.17% as of October 31, 2008.[15] Energy Probe added that Innisfil had proposed that the debt rate to be used for the bank loan be based on an Infrastructure Ontario rate when the Board set the deemed long term debt rate.
Energy Probe made two submissions on Innisfil's proposal. First, it agreed in principle with the use of the proposed Infrastructure Ontario rate, noting that this rate had fallen from 6.17% to 5.47%, as of January 30, 2009. Energy Probe stated, however, that it was unclear why the proposed 25 year term is the appropriate one to use. Energy

[14] Exhibit 6, Tab 1, Schedule 3, Page 2 and VECC Revised Interrogatory Response #25
[15] Board staff Interrogatory Response #2.1 and Board staff submission pages 8-9

Probe noted that lower rates are available from Infrastructure Ontario for shorter terms and that these rates were lower than the originally forecast 25 year 5.08% rate. Energy Probe submitted that the Board should approve a deemed long term weighted debt rate that includes the original forecast rate of 5.08%, as Innisfil has access to rates in this order of magnitude and lower for terms less than 25 years.

In its reply submission, Innisfil stated that it agreed with Energy Probe's observation regarding the term of the debt and would enter into a shorter term loan with the corresponding lower rate.

Board Findings

The Board finds that Innisfil should use the Board's current deemed long term debt rate of 7.62% as the imputed rate on its new bank loan in determining its cost of debt for regulatory purposes rather than its proposed rate of 5.08%, since as of the completion of the record for this proceeding, Innisfil has not issued its new bank loan and as such, the rate on this instrument is unknown.

The table below sets out the Board's conclusions for Innisfil's deemed capital structure and cost of capital. It incorporates the Board's recent updated cost of capital parameters.

Table 4 - Board-approved 2009 Capital Structure and Cost of Capital

Capital Component	**% of Total Capital Structure**	**Cost rate (%)**
Long-Term Debt	52.7	7.81
Short-Term Debt	4.0	1.33
Equity	43.3	8.01
Weighted Average Cost of Capital		**7.64**

COST ALLOCATION AND RATE DESIGN

The following issues are addressed in this section:

- Line losses
- Cost allocation and revenue to cost ratios
- Rate design - monthly fixed charges
- Retail transmission rates

Line Losses

Innisfil proposes a total loss factor (“TLF”) of 1.0746 for secondary metered customers and 1.0638 for primary metered customers.

The TLF is based on:

- A three year average (2005 to 2007) distribution loss factor (“DLF”), which Innisfil has determined to be 1.0477 and 1.0372 for secondary and primary metered customers, respectively; and
- The 2007 supply facility loss factor (“SFLF”), which Innisfil has determined to be 1.0257.

In choosing a three year average for DLF, Innisfil has eliminated some anomalous data from previous years. The proposed SFLF is lower than the typical factor. Energy Probe supported Innisfil’s proposal.

Board Findings

Innisfil’s proposal to use a three year average of distribution loss factors and to use the 2007 supply facility loss factor is reasonable. The Board therefore finds the total loss factor for secondary metered customers is 1.0746 and for primary metered customers is 1.0638. The Board directs Innisfil to incorporate the necessary corrections into its draft rate order.

Cost Allocation and Revenue to Cost Ratios

Table 5 sets out Innisfil's current and proposed revenue to cost ratios. The ratios from the Cost Allocation Informational Filing submitted by Innisfil in January 2007 are listed in column 1. The proposed ratios are in column 3. The Board's target ranges, as established in the Board's *Application of Cost Allocation for Electricity Distributors EB-2007-0667*, are set out in column 4.

Table 5 - Revenue to Cost Ratio (%)

Customer Class	(1) Informational Filing	(2) Column 1 Revised (Transformer Ownership Allowance)	(3) Application: Exhibit 8 / Tab 1 / Schedule 2 / p. 2	(4) Board Target Range
Residential	101.6	101.75	101.2	85 – 115
GS < 50 kW	131.0	131.13	116.2	80 – 120
GS > 50 kW	146.6	144.69	135.8	80 – 180
Street Lights	9.5	9.47	40.0	70 – 120
Sentinel Lights	17.0	17.01	43.0	70 – 120
USL	78.9	78.88	80.0	80 – 120

In its submission, VECC noted the following concerns with Innisfil's cost allocation informational filing:

- Innisfil's cost allocation informational filing treated the revenue reduction from the transformer ownership allowance as a "cost" and allocated it to all customer classes. At the same time the revenues for the GS > 50 kW class were reported based on no adjustment for transformer ownership.
- Innisfil used the class revenue requirement distribution from the Cost Allocation Informational Filing to determine 100% cost responsibility for 2009. VECC noted that a number of other utilities have reassessed the ongoing validity of their cost allocation informational filing as part of their 2009 rate application.[16]

[16] Westario Power (EB-2008-0250), COLLUS Power (EB-2008-0226), and Bluewater Power (EB-2008-0221).

In response to a VECC interrogatory,[17] Innisfil provided an alternate run of the cost allocation model that reflects the removal of costs and revenues associated with the transformer ownership allowance. The resulting revenue to cost ratios are listed in column 2.

VECC submitted that the ratios in column 2 more closely represent the appropriate reference point to determine the allocation of the distribution revenue requirement that would yield 100% cost responsibility for each class. VECC noted that in the Horizon Utilities decision (EB-2007-0697), the Board accepted a similar adjustment to the cost allocation model.

In reply, Innisfil stated that the difference in columns 1 and 2 is slight and that there would be little impact, if any, on the proposed revenue to cost ratios. With respect to VECC's concern about class revenue requirement to determine 100% cost responsibility for 2009, Innisfil submitted that it followed an iterative process of allocating proportions of revenue to the classes. Innisfil further submitted that it approached the cost allocation adjustment using methodology utilized in the 2008 cost of service applications.

According to the informational filing shown in Table 5 (column 1 or column 2), the ratios for four customer classes, GS < 50 kW, street lights, sentinel lights and USL are currently outside the Board's target range.

As listed in column 3, Innisfil is proposing to move in the direction of 100% for all classes. Innisfil proposed to move the ratio for street lighting and sentinel lighting customer classes half of the way towards the lower band of 70% in this application. Innisfil further proposed to move these two classes to 70% over the following two years to reduce the rate impact. The USL customer class is marginally outside the range and Innisfil proposed moving the ratio to 80% in 2009. Energy Probe and VECC stated that these proposals were reasonable.

Energy Probe did not support adjustment of ratios for the residential and GS > 50 kW customer classes as these ratios are already within the Board's target range. Instead, Energy Probe recommended that the revenue from adjusting street light, sentinel light and USL customer classes offset the revenue to cost ratio of the GS < 50 kW class to

[17] VECC interrogatory #20

120%. Any additional revenue should be applied in tandem to the GS < 50 kW and GS > 50 kW customer classes. VECC made a similar submission regarding adjustment of ratios. SEC on the other hand stated that both GS customer classes are subsidizing the other customer classes. SEC recommended that the revenue to cost ratio for the GS < 50 kW customer class move to 100% over the IRM period and that the ratio for the GS > 50 kW customer class move half of the way to 100% in 2009.

Innisfil stated that it attempted to move all customer classes toward unity while minimizing the impact as much as possible for each customer class. Innisfil noted that the Board's report on cost allocation indicated that the cost allocation process calls for the exercise of some judgement. Innisfil submitted that a revenue to cost ratio of 120% for the GS < 50 kW class may not be more appropriate than the proposed ratio of 116.2%.

Board Findings

The Board recognizes the limitations in the cost allocation model with respect to treatment of the transformer ownership allowance. The Board is satisfied that the revenue to cost ratios in column 2 of Table 5 are appropriate for the purposes of reviewing the ratios for 2009. Accordingly, the Board's findings on revenue to cost ratio are made with respect to the ratios in column 2. The Board also acknowledges VECC's position relating to the ongoing validity of the cost allocation informational filing. Innisfil has not provided an updated cost allocation and is ordered to do so as part of its next cost of service application.
The Board accepts Innisfil's proposal regarding revenue to cost ratios for street lighting and sentinel lighting. The proposal is consistent with 2008 Board decisions. Innisfil's proposal to adjust the USL customer class to 80% is reasonable and accepted by the Board.

The Board concurs with both SEC and Innisfil regarding the over contribution by the GS customer classes, but finds that the impact of SEC's proposal on the other customer classes would be too significant. The Board accepts Innisfil's proposed reallocation in order to achieve unity and to reduce cross-subsidization. The Board finds that while it is not required to do so, it is within the utility's discretion to move towards revenue to cost ratios of unity as long as the impact can be borne by affected rate classes.

Rate Design - Monthly Fixed Charges

In its application, Innisfil proposed to change the current fixed/variable proportion from 57:43 to 50:50. Innisfil stated that it is appropriate for 2009 to shift the weighting of fixed vs. variable to increase the variable proportion to be aligned with the conservation movement.[18]

VECC was the only party to comment on this proposal. VECC submitted that Innisfil's current residential monthly fixed charge of $19.24 is within the range established by the Board's November 2008 Guidelines. As a result, VECC submitted that the current residential fixed/variable split should be maintained. In its reply submission, Innisfil stated that it does not object to maintaining the existing fixed/variable proportion. However, Innisfil submitted that it made a conscious effort to move the fixed/variable split to align with the Minister of Energy and the Ontario Power Authority conservation objectives, as discussed in its rate application.

Board Findings

The Board notes Innisfil's intentions to assist conservation as well as the limited comment from intervenors on monthly fixed charges. It is the Board's view that both fixed/variable proportions of 57:43 and 50:50 are acceptable, and that the proportion is within the utility's discretion. The Board therefore approves the Applicant's proposal.

Retail Transmission Rates

The Board issued a guideline, *Electricity Distribution Retail Transmission Service Rates [G-2008-0001]* on October 22, 2008 indicating the process to be used to adjust retail transmission service rates ("RTSRs") to reflect changes in the Ontario Uniform Transmission Rates ("UTRs"). The changes are outlined in Table 6.

[18] Exhibit 9, Schedule 1, Tab 1, Page 3

Table 6 – Changes in the Ontario Uniform Transmission Rates ("UTRs")

	Current Rate ($/kW/month)	Effective rate on January 1, 2009 ($/kW/month)	Effective increase
Network Service Rate (NW)	2.31	2.57	11.3%
Line Connection Service Rate (CN)	0.59	0.70	18.6%
Transformation Connection Service Rate (TN)	1.61	1.62	0.6%

In response to a Board staff interrogatory, Innisfil stated that it was applying for an increase of 11.3% to network rates and 5.5% to connection rates.[19] VECC noted that Innisfil also stated that it is applying for rate changes of -16.9% and 20.9% for the network and connection charges, respectively based on the trend in deferral account balances. VECC submitted that the RTSR proposal was unclear. Further, VECC stated that the deferral account trends were based on only three months of data and more analysis is required to support adjustments to the RTSRs. VECC submitted that the Board should limit the adjustment to 11.3% and 5.5 % for the network and connection rates, respectively.

In its reply submission, Innisfil stated that its reply to interrogatories was incomplete. Innisfil confirmed that it is applying for UTR adjustments of 11.3% and 5.5% for the network and connection rates, respectively, and proposed adjustments of -16.9% to network rates and 20.9% to connection rates associated with the trend in the deferral account balances. Innisfil's reply submission provided its complete response to interrogatories including a table summarizing proposed RTSRs reflecting UTR adjustments and adjustments to address trends in deferral account balances.

Innisfil clarified that it performed the deferral account trend analysis for the period of January 2006 to September 2008. Innisfil also explained that the Board approved a UTR change in May 2008 and that the data for August and September 2008 were unusual. Hence the deferral account trend analysis is limited to data from the months of May to July 2008.

[19] Board staff Interrogatory #10.1

Board Findings

The Board agrees with VECC that Innisfil's deferral account balance trend analysis is based on limited data. However, the net impact of Innisfil's proposal on customer RTSRs, network and connection combined, is minor and the proposal may mitigate trends in the balances in the RTSR deferral accounts. Accordingly, the Board accepts Innisfil's proposal.

DEFERRAL AND VARIANCE ACCOUNTS

Table 7 sets out the account balances (as of December 31, 2007 with interest forecast to April 30, 2009) which Innisfil proposes to clear for disposition. Innisfil used an interest rate of 3.35% for the January 1, 2009 through April 30, 2009 period in the calculation of the interest carrying costs. Innisfil proposed to collect these balances over 2 years.

Table 7 – Innisfil Proposed Deferral and Variance Accounts for Disposition

ACCOUNT #	ACCOUNT NAME	BALANCE - $
1508	Other Regulatory Assets • Sub-Account – OEB Cost Assessments • Sub-Account – Pension Contributions	 $ 51,949 $123,237
1550	LV Variance	$247,804
TOTAL		**$422,990**

VECC and Energy Probe submitted that the interest rates to determine the accrued interest should be based on the Board's latest prescribed interest rate of 2.45%. Energy Probe also submitted that Innisfil's 2 year recovery period should be extended to 4 years to match the length of the 3rd Generation IRM plan and mitigate customer impacts. In its reply submission, Innisfil agreed with the intervenors that the revised rate riders should be calculated using the 2.45% interest rate and a 4 year recovery period.

Board Findings

The Board notes Innisfil's agreement with the intervenors to dispose of the balances in Account 1508 and 1550 over the period of 4 years. The Board accepts Innisfil's change in recovery period of accounts balances from 2 years to 4 years. The amounts to be disposed of are the principal balances as of December 31, 2007 and interest forecast to April 30, 2009, based on the Board's prescribed interest rate.

IMPLEMENTATION

The Board has made findings in this Decision which change the proposed 2009 distribution rates. These are to be reflected in a Draft Rate Order prepared by Innisfil. This Draft Rate Order is to be developed assuming an effective date of May 1, 2009.

In filing its Draft Rate Order, it is the Board's expectation that Innisfil will not use a calculation of the revised revenue deficiency to reconcile the new distribution rates with the Board's findings in this Decision. Rather, the Board expects Innisfil to file detailed supporting material, including all relevant calculations showing the impact of this Decision on Innisfil's proposed revenue requirement, the allocation of the approved revenue requirement to the classes and the determination of the final rates. Innisfil should also show detailed calculations of the revised retail transmission rates and variance account rate riders reflecting this Decision.

Innisfil should also provide a detailed breakdown of its capital expenditure and rate base calculations for both 2008 and 2009 which would demonstrate that all adjustments proposed by Innisfil in the Update and approved by the Board have been included and that no items have been omitted, or double counted.

The Board is concerned with the amount of time and energy that some intervenors are putting into matters of detail that are not matters of principle and are not material. This level of scrutiny has the potential to increase costs to the utility, intervenors and the Board and to increase the overall regulatory burden associated with rate setting, while not meaningfully contributing to the setting of just and reasonable rates.

RATE ORDER

A Rate Order decision will be issued after the processes regarding the Draft Rate Order as set out below are completed.

COST AWARDS

The Board may grant cost awards to eligible stakeholders pursuant to its power under section 30 of the *Ontario Energy Board Act, 1998*. When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of the Board's Practice Direction on Cost Awards. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

All filings with the Board must quote the file number EB-2008-0233**,** and be made through the Board's web portal at www.errr.oeb.gov.on.ca, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must be received by the Board by 4:45 p.m. on the stated date. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.oeb.gov.on.ca. If the web portal is not available you may e-mail your documents to the attention of the Board Secretary at BoardSec@oeb.gov.on.ca. All other filings not filed via the Board's web portal should be filed in accordance with the Board's Practice Directions on Cost Awards.

THE BOARD DIRECTS THAT:

1. Innisfil shall file with the Board, and shall also forward to AMPCO, Energy Probe, SEC, and VECC, a Draft Rate Order attaching a proposed Tariff of Rates and Charges reflecting the Board's findings in this Decision, within 14 days of the date of this Decision. The Draft Rate Order shall also include customer rate impacts and detailed supporting information showing the calculation of the final rates.

2. AMPCO, Energy Probe, SEC, and VECC shall file any comments on the Draft Rate Order with the Board and forward to Innisfil within 7 days of the filing of the Draft Rate Order.

3. AMPCO, Energy Probe, SEC, and VECC shall file with the Board and forward to their respective cost claims within 26 days from the date of this Decision.

4. Innisfil shall file with the Board and forward to AMPCO, Energy Probe, SEC, and VECC responses to any comments on its Draft Rate Order within 7 days of the receipt of any submissions.

5. Innisfil shall file with the Board and forward AMPCO, Energy Probe, SEC, and VECC any objections to the claimed costs within 40 days from the date of this Decision.

6. AMPCO, Energy Probe, SEC, and VECC shall file with the Board and forward to Innisfil any responses to any objections for cost claims within 47 days of the date of this Decision.

7. Innisfil shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

DATED at Toronto, April 6, 2009

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary