

## CONTENTS

|                      |                                                                                         |                |
|----------------------|-----------------------------------------------------------------------------------------|----------------|
| <b>CHAPTER 1</b>     | <b>INTRODUCTION .....</b>                                                               | <b>1-1</b>     |
| 1.1                  | INTRODUCTION .....                                                                      | 1-1            |
| 1.2                  | PURPOSE .....                                                                           | 1-1            |
| 1.3                  | CONDITION OF LICENCE .....                                                              | 1-2            |
| 1.4                  | COST ALLOCATION STUDIES .....                                                           | 1-2            |
| 1.5                  | REGULATORY PROCESS .....                                                                | 1-3            |
| 1.5.1                | Notice of Application .....                                                             | 1-4            |
| 1.5.2                | Establishing Initial PBR Rates and Plan Parameters .....                                | 1-4            |
| 1.5.3                | The Annual Rate Adjustment Process .....                                                | 1-5            |
| <br><b>CHAPTER 2</b> | <br><b>OVERVIEW OF THE ELECTRICITY DISTRIBUTION RATE REGULATION<br/>FRAMEWORK .....</b> | <br><b>2-1</b> |
| 2.1                  | INTRODUCTION .....                                                                      | 2-1            |
| 2.2                  | ESTABLISHING INITIAL RATES .....                                                        | 2-1            |
| 2.3                  | USE OF PBR AS THE RATE REGULATING MECHANISM .....                                       | 2-2            |
| 2.3.1                | Objectives of PBR .....                                                                 | 2-2            |
| 2.3.2                | First Generation PBR .....                                                              | 2-3            |
| 2.3.3                | Second Generation PBR .....                                                             | 2-3            |
| 2.4                  | SERVICE QUALITY STANDARDS .....                                                         | 2-4            |
| 2.5                  | DEMAND SIDE MANAGEMENT .....                                                            | 2-5            |
| <br><b>CHAPTER 3</b> | <br><b>ESTABLISHING INITIAL UNBUNDLED RATES .....</b>                                   | <br><b>3-1</b> |
| 3.1                  | INTRODUCTION .....                                                                      | 3-1            |
| 3.1.1                | Approach to Setting Initial Rates .....                                                 | 3-1            |
| 3.2                  | UNBUNDLING CURRENT RATES .....                                                          | 3-2            |
| 3.3                  | RATE DESIGN .....                                                                       | 3-3            |
| 3.3.1                | Impact on Total Bill Resulting from Change in Rate Design .....                         | 3-4            |
| <br>3.4              | <br>ADJUSTMENTS TO INITIAL REVENUE REQUIREMENTS .....                                   | <br>3-4        |
| 3.4.1                | Market-Based Rate of Return .....                                                       | 3-5            |

|                  |                                                       |                                                                                                 |            |
|------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------|
|                  | 3.4.1.1                                               | <i>Definition of Rate Base</i> .....                                                            | 3-5        |
|                  | 3.4.1.2                                               | <i>Contributed Capital</i> .....                                                                | 3-5        |
|                  | 3.4.1.3                                               | <i>Rate of Return on Common Equity (ROE) Ceiling for 2000</i>                                   | 3-6        |
|                  | 3.4.1.4                                               | <i>Calculation of Additional Revenue Requirement to Include in Rates the Allowed MBRR</i> ..... | 3-6        |
|                  | 3.4.1.5                                               | <i>Potential Rate Impacts Related to MBRR</i> .....                                             | 3-9        |
|                  | 3.4.2                                                 | <i>Deferral Accounts</i> .....                                                                  | 3-9        |
| 3.5              | OTHER RATE MATTERS                                    | .....                                                                                           | 3-9        |
|                  | 3.5.1                                                 | <i>Minimum Bill</i> .....                                                                       | 3-9        |
|                  | 3.5.2                                                 | <i>Load Control Discount</i> .....                                                              | 3-9        |
|                  | 3.5.3                                                 | <i>Miscellaneous/Specific Service Charges</i> .....                                             | 3-10       |
|                  | 3.5.4                                                 | <i>Rural or Remote Rate Protection</i> .....                                                    | 3-10       |
| <b>CHAPTER 4</b> | <b>INITIAL UNBUNDLED RATES - CALCULATIONS</b>         | .....                                                                                           | <b>4-1</b> |
| 4.1              | INTRODUCTION                                          | .....                                                                                           | 4-1        |
|                  | 4.1.1                                                 | <i>Distribution Customer Classes</i> .....                                                      | 4-2        |
|                  | 4.1.2                                                 | <i>COP Rates - Pre-Market Opening</i> .....                                                     | 4-2        |
|                  | 4.1.3                                                 | <i>COP Rates - Post-Market Opening</i> .....                                                    | 4-3        |
| 4.2              | UNBUNDLING OF CLASS RR                                | .....                                                                                           | 4-3        |
|                  | 4.2.1                                                 | <i>Determination of COP Revenue Requirement</i> .....                                           | 4-3        |
| 4.3              | DETERMINATION OF DISTRIBUTION RR                      | .....                                                                                           | 4-6        |
| 4.4              | DEVELOPMENT OF DISTRIBUTION AND COP RATES             | .....                                                                                           | 4-7        |
|                  | 4.4.1                                                 | <i>Distribution Rate Structure</i> .....                                                        | 4-7        |
|                  | 4.4.2                                                 | <i>Assessment of Rate Impact Resulting from Change of Rate Design</i>                           | 4-7        |
|                  | 4.4.3                                                 | <i>COP Rates - Pre-Market Opening</i> .....                                                     | 4-8        |
| 4.5              | ADJUSTMENT OF BASE RR FOR MARKET BASED RATE OF RETURN | .....                                                                                           | 4-8        |
| 4.6              | RESIDENTIAL RATES                                     | .....                                                                                           | 4-8        |
|                  | 4.6.1                                                 | <i>Determination of Residential Class RR</i> .....                                              | 4-8        |
|                  | 4.6.1.1                                               | <i>Determination of the Pre-Market Opening Residential COP</i> ....                             | 4-9        |
|                  | 4.6.1.2                                               | <i>Reconciliation of Actual and Calculated Residential Class COP</i>                            | 4-13       |
|                  | 4.6.1.3                                               | <i>Determination of Base Residential Distribution RR</i> .....                                  | 4-14       |
|                  | 4.6.2                                                 | <i>Designing the Residential Rates</i> .....                                                    | 4-14       |
|                  | 4.6.2.1                                               | <i>Residential Distribution Volumetric kWh Rate</i> .....                                       | 4-14       |
|                  | 4.6.2.2                                               | <i>Residential Monthly Distribution Service Charge</i> .....                                    | 4-15       |
|                  | 4.6.2.3                                               | <i>Residential Non-TOU COP Energy (kWh) Rate</i> .....                                          | 4-16       |
|                  | 4.6.2.4                                               | <i>Residential TOU COP Energy (kWh) Rates</i> .....                                             | 4-16       |
| 4.7              | SENTINEL LIGHTING                                     | .....                                                                                           | 4-16       |
|                  | 4.7.1                                                 | <i>Sentinel Lighting Class RR</i> .....                                                         | 4-17       |
|                  | 4.7.1.1                                               | <i>Pre-Market opening Sentinel Lighting COP</i> .....                                           | 4-17       |
|                  | 4.7.1.2                                               | <i>Reconciliation of Actual and Calculated COP</i> .....                                        | 4-19       |

|          |                                                                              |      |
|----------|------------------------------------------------------------------------------|------|
| 4.7.1.3  | Base Sentinel Lighting Distribution RR . . . . .                             | 4-19 |
| 4.7.2    | Designing the Sentinel Lighting Distribution Rates . . . . .                 | 4-19 |
| 4.7.2.1  | <i>Sentinel Lighting COP Rates</i> . . . . .                                 | 4-20 |
| 4.8      | GENERAL SERVICE RATES . . . . .                                              | 4-21 |
| 4.8.1    | Determination of the General Service Class RR . . . . .                      | 4-22 |
| 4.8.1.1  | <i>Determination of the Pre-market Opening General Service COP</i> . . . . . | 4-24 |
| 4.8.1.2  | <i>Reconciliation of Actual and Calculated General Service COP</i> . . . . . | 4-29 |
| 4.8.1.3  | <i>Determination of the Base General Service Distribution RR</i> . . . . .   | 4-30 |
| 4.8.2    | Designing the General Service Rates . . . . .                                | 4-31 |
| 4.8.2.1  | <i>General Service Non-Time of Use &gt;50 kW COP Rates</i> . . . . .         | 4-34 |
| 4.8.2.2  | <i>General Service &gt; 50 kWh TOU COP Rates</i> . . . . .                   | 4-34 |
| 4.9      | INTERMEDIATE USE COP RATES . . . . .                                         | 4-35 |
| 4.10     | STREET LIGHTING RATES . . . . .                                              | 4-36 |
| 4.10.1   | Street Lighting Class RR . . . . .                                           | 4-36 |
| 4.10.1.1 | <i>Pre-Market Opening Street Lighting COP</i> . . . . .                      | 4-37 |
| 4.10.1.2 | <i>Reconciliation of Actual and Calculated COP</i> . . . . .                 | 4-38 |
| 4.10.1.3 | <i>Base Street Lighting Distribution RR</i> . . . . .                        | 4-39 |
| 4.10.2   | Designing the Street Lighting Distribution Rates . . . . .                   | 4-39 |
| 4.10.3   | Street Lighting COP Rates . . . . .                                          | 4-40 |
| 4.11     | LARGE USE RATES . . . . .                                                    | 4-41 |
| 4.11.1   | Large Use Class RR . . . . .                                                 | 4-41 |
| 4.11.1.1 | <i>Large Use Class COP</i> . . . . .                                         | 4-42 |
| 4.11.1.2 | <i>Large Use Base Distribution RR</i> . . . . .                              | 4-44 |
| 4.11.2   | Designing the Large Use Distribution Rates . . . . .                         | 4-44 |
| 4.11.2.1 | <i>Large Use COP Rates</i> . . . . .                                         | 4-45 |
| 4.11.2.2 | <i>Diversity Adjustment</i> . . . . .                                        | 4-46 |
| 4.12     | RATE IMPACT ANALYSIS . . . . .                                               | 4-46 |
| 4.13     | MARKET-BASED RATE OF RETURN . . . . .                                        | 4-46 |

|                      |                                                              |                |
|----------------------|--------------------------------------------------------------|----------------|
| <b>CHAPTER 5</b>     | <b>RATE ADJUSTMENT MECHANISM</b>                             | <b>5-1</b>     |
| 5.1                  | INTRODUCTION                                                 | 5-1            |
| 5.2                  | OVERVIEW                                                     | 5-1            |
| 5.3                  | THE IPI                                                      | 5-2            |
| 5.4                  | THE PRODUCTIVITY FACTOR AND EARNINGS SHARING                 | 5-3            |
| 5.5                  | THE Z FACTOR                                                 | 5-4            |
| 5.5.1                | Transition and Extraordinary Event Costs                     | 5-5            |
| 5.5.1.1              | <i>Eligibility Criteria</i>                                  | 5-5            |
| 5.5.1.2              | <i>Board Authority to Review</i>                             | 5-7            |
| 5.5.1.3              | <i>Balancing Account</i>                                     | 5-7            |
| 5.5.1.4              | <i>Disposition Account</i>                                   | 5-7            |
| 5.5.2                | Deferred MBRR                                                | 5-8            |
| 5.6                  | AMALGAMATION AND RATE HARMONIZATION                          | 5-8            |
| <br><b>CHAPTER 6</b> | <br><b>RATE ADJUSTMENT - CALCULATIONS</b>                    | <br><b>6-1</b> |
| 6.1                  | INTRODUCTION                                                 | 6-1            |
| 6.2                  | PRICE CAP ADJUSTMENT MECHANISM                               | 6-1            |
| 6.2.1                | The IPI                                                      | 6-4            |
| 6.2.1.1              | <i>General Formula for IPI</i>                               | 6-4            |
| 6.2.1.2              | <i>Price of Capital Services</i>                             | 6-5            |
| 6.2.1.3              | <i>Price of Labour</i>                                       | 6-8            |
| 6.2.1.4              | <i>Price of Materials</i>                                    | 6-8            |
| 6.2.1.5              | <i>Calculation of Utility's IPI</i>                          | 6-9            |
| 6.2.2                | The Z Factor                                                 | 6-9            |
| 6.2.3                | Over-earnings and Sharing                                    | 6-12           |
| <br><b>CHAPTER 7</b> | <br><b>SERVICE QUALITY</b>                                   | <br><b>7-1</b> |
| 7.1                  | INTRODUCTION                                                 | 7-1            |
| 7.2                  | FIRST GENERATION PBR APPROACH TO SERVICE QUALITY PERFORMANCE | 7-2            |
| 7.3                  | SERVICE QUALITY INDICATORS REPORTING AND MINIMUM STANDARDS   | 7-2            |
| 7.3.1                | Customer Service Performance Indicators                      | 7-2            |
| 7.3.1.1              | <i>Connection of New Services</i>                            | 7-3            |
| 7.3.1.2              | <i>Underground Cable Locates</i>                             | 7-3            |
| 7.3.1.3              | <i>Telephone Accessibility</i>                               | 7-4            |
| 7.3.1.4              | <i>Appointments</i>                                          | 7-4            |
| 7.3.1.5              | <i>Written Responses to Inquiries</i>                        | 7-5            |

|                   |                                                                                                |             |
|-------------------|------------------------------------------------------------------------------------------------|-------------|
| 7.3.1.6           | <i>Emergency Response</i> .....                                                                | 7-6         |
| 7.3.2             | Service Reliability Indices .....                                                              | 7-6         |
| 7.3.2.1           | <i>System Average Interruption Index</i> .....                                                 | 7-6         |
| 7.3.2.2           | <i>SAIFI</i> .....                                                                             | 7-7         |
| 7.3.2.3           | <i>CAIDI</i> .....                                                                             | 7-8         |
| 7.3.2.4           | <i>Cause of Service Interruption</i> .....                                                     | 7-8         |
| 7.4               | REMEDIAL ACTIVITY .....                                                                        | 7-10        |
| <b>CHAPTER 8</b>  | <b>DEMAND SIDE MANAGEMENT</b> .....                                                            | <b>8-1</b>  |
| 8.1               | INTRODUCTION .....                                                                             | 8-1         |
| 8.2               | DSM IN FIRST GENERATION PBR .....                                                              | 8-1         |
| <b>CHAPTER 9</b>  | <b>APPLICATION OF RATES AND CHARGES</b> .....                                                  | <b>9-1</b>  |
| 9.1               | INTRODUCTION .....                                                                             | 9-1         |
| 9.2               | DISTRIBUTION CUSTOMER CLASSES .....                                                            | 9-1         |
| 9.3               | GENERAL POLICIES .....                                                                         | 9-3         |
| 9.3.1             | Interpretation and Regulations .....                                                           | 9-3         |
| 9.3.2             | Payment of Bills .....                                                                         | 9-3         |
| 9.3.3             | Late Payment Charge .....                                                                      | 9-3         |
| 9.3.4             | Collection of Account .....                                                                    | 9-4         |
| 9.3.5             | Disconnection of Electricity Service .....                                                     | 9-4         |
| 9.3.6             | Reconnection of Electricity Service .....                                                      | 9-4         |
| <b>CHAPTER 10</b> | <b>STANDARD SUPPLY SERVICE</b> .....                                                           | <b>10-1</b> |
| 10.1              | INTRODUCTION .....                                                                             | 10-1        |
| 10.2              | PRICING OF SSS .....                                                                           | 10-1        |
| 10.2.1            | Definition of the 50kW Peak Demand Level .....                                                 | 10-1        |
| 10.2.2            | Details of the Spot Price Forecast for the Fixed SSS Price for Small<br>Volume Customers ..... | 10-2        |
| 10.2.3            | Spot Price Pass-through for Large Volume (>50kW) Customers .                                   | 10-2        |
| 10.3              | DIRECT PROCUREMENT OF POWER FOR SSS BY DISTRIBUTORS .....                                      | 10-2        |
| 10.3.1            | Calculation and Recording of PPVA Carrying Costs .....                                         | 10-2        |
| 10.3.2            | Interest Rate Used in the Calculation of PPVA Carrying Costs                                   | 10-2        |
| 10.3.3            | Trigger Mechanism for PPVA Balance Monitoring .....                                            | 10-2        |
| 10.3.4            | Settlement of PPVA costs on Customer Exit (and Entry) .....                                    | 10-2        |

|                   |                                                               |             |
|-------------------|---------------------------------------------------------------|-------------|
| 10.3.5            | Mechanics of the True-Up .....                                | 10-2        |
| 10.3.6            | Clearance of PPVA Account .....                               | 10-2        |
| 10.3.7            | Roll Forward True-Up versus One-Time Adjustment .....         | 10-2        |
| 10.4              | PROCUREMENT OF POWER FOR SSS USING THIRD PARTY SUPPLY .....   | 10-2        |
| 10.4.1            | Minimum Contract Features .....                               | 10-2        |
| 10.4.2            | Requirement for Review of Contract Pricing and Rate Review .. | 10-3        |
| 10.4.3            | Rate Benchmarking .....                                       | 10-3        |
| 10.5              | SSS SERVICE CHARGES .....                                     | 10-3        |
| 10.5.1            | Calculation of SSS Standard Administrative Charge .....       | 10-3        |
| <b>CHAPTER 11</b> | <b>NON-COMPETITIVE ELECTRICITY CHARGES .....</b>              | <b>11-1</b> |
| 11.1              | INTRODUCTION .....                                            | 11-1        |
| 11.2              | BILLING SERVICES .....                                        | 11-1        |
| 11.2.1            | Consolidated Billing .....                                    | 11-1        |
| 11.2.2            | Split Billing .....                                           | 11-1        |
| 11.2.3            | Meter Reads .....                                             | 11-2        |
| 11.2.4            | Time of Use Settlement Capacity .....                         | 11-2        |
| 11.3              | SERVICE TRANSACTION REQUESTS .....                            | 11-2        |
| 11.3.1            | Information Requests .....                                    | 11-2        |
| 11.4              | IMO SETTLEMENT COSTS .....                                    | 11-2        |
| 11.5              | SERVICE AGREEMENTS AND SPECIAL SETTLEMENT SERVICES .....      | 11-2        |
| 11.6              | RETAIL SETTLEMENT VARIANCE ACCOUNT .....                      | 11-2        |
| 11.7              | CONNECTION CHARGES .....                                      | 11-3        |
| <b>CHAPTER 12</b> | <b>FILING REQUIREMENTS .....</b>                              | <b>12-1</b> |
| 12.1              | INTRODUCTION .....                                            | 12-1        |
| 12.2              | FILING TIMELINES .....                                        | 12-1        |
| 12.2.1            | Filing of Evidence for Year 1 of First Generation PBR .....   | 12-1        |
| 12.2.2            | Year 2 and Year 3 Annual Rate Adjustment Process .....        | 12-2        |
| 12.2.3            | Z factor Evidence .....                                       | 12-2        |
| 12.2.4            | Filing of Data for Rate Adjustment .....                      | 12-3        |
| 12.2.5            | IPI Published by Board .....                                  | 12-3        |
| 12.2.6            | Year 2 and Year 3 Rate Adjustment Dates .....                 | 12-3        |
| 12.2.7            | Audited Financial Data to be Filed .....                      | 12-3        |
| 12.2.8            | Summary of Events .....                                       | 12-4        |
| 12.3              | STANDARD SUPPLY SERVICE FILINGS .....                         | 12-4        |
| 12.4              | FIRST GENERATION PBR PLAN ANNUAL FILING REQUIREMENTS .....    | 12-5        |

|        |                                          |       |
|--------|------------------------------------------|-------|
| 12.4.1 | Manager's Summary . . . . .              | 12-5  |
| 12.4.2 | Financial Information . . . . .          | 12-6  |
| 12.4.3 | Energy Delivery Information . . . . .    | 12-8  |
| 12.4.4 | PBR Related Information . . . . .        | 12-10 |
| 12.4.5 | Service Quality Information . . . . .    | 12-12 |
| 12.5   | Z FACTOR INFORMATION . . . . .           | 12-12 |
| 12.6   | STANDARD SYSTEM SUPPLY FILINGS . . . . . | 12-12 |

**APPENDIX A - ACCOUNTING DETAILS FOR FINANCIAL FILING**

**APPENDIX B - SAMPLE OF NOTICE**

**APPENDIX C - DOCUMENTATION RATE UNBUNDLING AND DESIGN MODEL**

**APPENDIX D - DISTRIBUTION "WIRES ONLY" RATE BASE**

**APPENDIX E - CAPITAL ASSETS - AMORTIZATION RATES**

**APPENDIX F - FILING OF EVIDENCE CHECK LIST**

**APPENDIX G - GLOSSARY**