



**RP-2005-0020
EB-2005-0361
EB-2006-0197**

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 Erie
Thames Powerlines Corporation 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

Erie Thames Powerlines Corporation (“ETPC” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. On October 12, 2005, ETPC filed an 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. On April 12, 2006, the Board issued a Decision and Order that approved interim rates for ETPC. The April 12, 2006 Decision and Order also ordered ETPC to file audited financial statements and to resubmit an application for 2006 distribution rates, 2006 payments in lieu of taxes (“PILs”) allowance and final approval of regulatory asset recovery, based on audited financial information, together with details of affiliate transactions, within 120 days of the order. ETPC refiled its Application (the “Application”) on August 14, 2006.

ETPC 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 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 Networks Inc ("Hydro One Networks"). 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 Networks' low voltage system, the Applicant has included the recovery of certain regulatory assets that have been allocated by Hydro One Networks to ETPC. 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 2 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 and Order. The Board notes that pursuant to section 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 and Order.

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 and Order. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by ETPC was given through newspaper publication in ETPC's 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 School Energy Coalition ("SEC"). While the Board has considered the entire record in this proceeding, it has made reference in this Decision and Order 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 ETPC 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, 2006.

ETPC has requested an amount of \$8,166,037 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$947,986 for the recovery of regulatory assets. Except where noted in this Decision and Order, the Board finds that ETPC has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

In considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Bad Debt Expense; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

The Board notes that this estimate reflects Hydro One Networks' previously approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks 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 ETPC 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 ETPC'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 ETPC's revenue requirement.

Bad Debt Expense

ETPC's bad debt expense for the electricity distribution business was \$41,470 in 2004. For 2003, the bad debt expense was \$145,000 but included bad debt for both its electricity distribution business and water and sewer business. ETPC proposed that an additional Tier 1 adjustment of \$50,000 bad debt expense be included in electricity distribution expenses for 2004 for a total of \$91,470. The bad debt expense for 2002 was reported at \$95,000.

The Board finds the information provided by ETPC to be insufficient, as it does not provide a reasonable evidentiary base to establish a bad debt expense trend over the 2002 to 2004 period. The 2003 values are inclusive of the water and sewer bad debts, and it is unclear whether the Applicant's 2002 amount includes only electricity distribution bad debt. The Board finds ETPC's 2004 amount of \$41,470 to be the most supportable level to be included in rates. The Board therefore does not accept the

proposed \$50,000 Tier 1 adjustment and has removed this amount in setting 2006 rates.

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 its revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.27 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 amount is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision and Order. Pursuant to the Generic Decision, variance accounts have been authorized by the Board and the details have been communicated by the Board on June 13, 2006.

Resulting Revenue Requirement

As a result of the Board's determinations on these issues, the Board has adjusted ETPC's revenue requirement to be recovered through distribution rates and charges to \$8,203,664, including a debit amount of \$947,986 for the recovery of regulatory assets.

Effective Date

The rates set out in the attached Tariff of Rates and Charges will be effective as of January 1, 2007. The Board notes that the delay in implementation is due to the lack of appropriate evidence originally filed by the Applicant. This delay was within the control of management and therefore there is no justification for the Board to not follow its general policy of not granting retroactive rate increases. The foregone revenue from May 1, 2006 to January 1, 2007 related to Hydro One Networks' low voltage rates and smart meters will be captured in pre-existing deferral accounts.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Decision and Order is approved, effective January 1, 2007, for electricity consumed or estimated to have been consumed on and after January 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix "A" of this Decision and Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Erie Thames Powerlines Corporation.
3. Erie Thames Powerlines Corporation shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. School Energy Coalition shall submit their cost claim by January 19, 2007. A copy of the cost claim must be filed with the Board and one copy is to be served on Erie Thames Powerlines Corporation. The cost claim must be done in accordance with section 10 of the Board's Practice Direction on Cost Awards.
5. Erie Thames Powerlines Corporation will have until February 2, 2007 to object to any aspect of the costs claimed. A copy of the objection must be filed with the Board and one copy must be served on School Energy Coalition.
6. If an objection is made, School Energy Coalition will have until February 9, 2007 to make a reply submission as to why its cost claim should be allowed. Again, a copy of the submission must be filed with the Board and one copy is to be served on Erie Thames Powerlines Corporation.

DATED at Toronto, January 2, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter O'Dell
Assistant Board Secretary

Appendix "A"

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January 2, 2007

ONTARIO ENERGY BOARD

Erie Thames Powerlines Corp.

TARIFF OF RATES AND CHARGES

Effective January 1, 2007

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 e approved 2006 Electricity Distribution Rate Handbook or any other Licence conditions, Codes, Guidelines or Orders 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 – January 1, 2007 for all consumption or deemed consumption services used on or after that date.

SPECIFIC SERVICE CHARGES – January 1, 2007 for all charges incurred by customers on or after that date.

LOSS FACTOR ADJUSTMENT – January 1, 2007 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 Customers

This classification refers to the supply of electrical energy to customers residing in residential dwelling units. Further servicing details are available in the distributor's Conditions of Service.

General Service Less Than 50 kW

This classification applies to a non residential account whose average monthly maximum demand is less than or is forecast to be less than, 50 kW, and town houses and condominiums that require centralized bulk metering. Further servicing details are available in the distributor's Conditions of Service.

General Service 50 to 999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 50 to 999 kW non-interval metered

General Service 50 to 999 kW interval metered

Further servicing details are available in the distributor's Conditions of Service.

General Service 1,000 to 2,999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 3,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 1,000 to 2,999 kW non-interval metered

General Service 1,000 to 2,999 kW interval metered

Further servicing details are available in the distributor's Conditions of Service.

General Service 3,000 to 4,999 kW

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 3,000 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

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Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW. Further servicing details are available in the distributor'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, decorative street lighting, billboards, etc. The level of consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connection load times the required lighting times established in the approved OEB street lighting load shape template. Street Lighting plant, facilities or equipment owned by the customer are subject to the ESA requirements.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	13.84
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	0.0047
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050
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	\$	27.25
Distribution Volumetric Rate	\$/kWh	0.0161
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

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General Service 50 to 999 kW

Service Charge	\$	381.03
Distribution Volumetric Rate	\$/kW	1.9630
Regulatory Asset Recovery	\$/kW	0.6559
Retail Transmission Rate – Network Service Rate	\$/kW	1.9561
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6359
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

General Service 1,000 to 2,999 kW

Service Charge	\$	6,266.70
Distribution Volumetric Rate	\$/kW	2.2000
Regulatory Asset Recovery	\$/kW	2.0238
Retail Transmission Rate – Network Service Rate	\$/kW	2.1246
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7592
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

General Service 3,000 to 4,999 kW

Service Charge	\$	7,023.01
Distribution Volumetric Rate	\$/kW	2.1387
Regulatory Asset Recovery	\$/kW	0.1437
Retail Transmission Rate – Network Service Rate	\$/kW	2.2400
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8774
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	14,227.93
Distribution Volumetric Rate	\$/kW	1.3102
Regulatory Asset Recovery	\$/kW	(0.0674)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.3553
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9955
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	\$	6.34
Distribution Volumetric Rate	\$/kWh	0.0367
Regulatory Asset Recovery	\$/kWh	0.0044
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kWh	0.0046
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

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Sentinel Lighting

Service Charge (per connection)	\$	2.05
Distribution Volumetric Rate	\$/kW	9.7358
Regulatory Asset Recovery	\$/kW	4.4848
Retail Transmission Rate – Network Service Rate	\$/kW	1.5107
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2633
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)	\$	0.52
Distribution Volumetric Rate	\$/kW	1.7903
Regulatory Asset Recovery	\$/kW	(0.1571)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5107
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2633
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Easement letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	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
Special meter reads	\$	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
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles \$/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)

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LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0427
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0322
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045