



EB-2005-0209

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
PowerStream Inc. for an order approving retail
transmission service rates.

BEFORE Paul Sommerville
Presiding Member

Cynthia Chaplin
Member

DECISION AND ORDER

By application dated January 17, 2005 PowerStream Inc. applied for an order of the Ontario Energy Board under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B (the "Act"). Specifically, PowerStream seeks an order of the Board authorizing a higher Network Retail Transmission Service Rate ("NRTSR") and a lower Connection Retail Transmission Service Rate ("CRTSR"). By letter dated March 1, 2005, PowerStream requested that the Board dispose of the application without a hearing, pursuant to subsection 21(4)(b) of the Act. The Board assigned the application Board File No. EB-2005-0209.

The Board approved CRTSRs and NRTSRs at specific levels to be charged by all distributors in the province. These rates were designed to permit the recovery of the costs incurred to operate and maintain the transmission system in the province – the network of lines, transformers, control equipment, protection equipment and so on. PowerStream charges all of its customers the CRTSR and NRTSR and has done so since market opening. PowerStream is atypical compared with other distributors, insofar as it owns a considerable inventory of transformation assets. The costs of the transformers it owns are recovered through its distribution rates.

PowerStream analyzed the bills it issued to its customers in 2003 for connection and network service and the bills it in turn was issued by the then IMO for these services using a price variance or true up analysis. This analysis demonstrated

that PowerStream over-recovers Connection charges by approximately 45% and under-recovers Network charges by approximately 3%. By this application, PowerStream proposes to reduce the CRTSR by 45% and to increase the NRTSR by 3% to end both the respective over-recovery and under-recovery arising from charging the uniform rates.

Of note, deferral account 1586 acts to hold PowerStream harmless from the consequences of over or under recovery. However, this account accrues interest at 7% per annum and, as the net balance of the over-recovery and under-recovery is an amount owed by the utility to the customer so too is the interest accrued. In 2003, this over-collection gave rise to an accrued interest liability of approximately \$775,000.

Concurrent with the filing of the subject application, PowerStream applied for a Board order authorizing distribution rates effective March 1, 2005. PowerStream, recognizing the benefits to its customers of infrequent rate changes, desires that the rate changes associated with the subject application be authorized concurrent with those arising from its 2005 distribution rates application. This desire prompted PowerStream to suggest that the subject application be disposed of without a hearing pursuant to subsection 21(4)(b) of the Act.

Subsection 21(4)(b) of the Act permits the Board to make orders and to dispose of an application without a hearing if:

- no party is materially adversely affected, other than the applicant, and
- the applicant waives its right to a hearing.

The Board finds that in this instance it is able to act under subsection 21(4)(b) of the Act and can dispose of the application without a hearing. In this instance the net effect of the proposed reduction in the CRTSR and proposed increase in the NRTSR is an overall rate reduction. Thus, the Board finds that no party is materially adversely affected. The Board accepts PowerStream's March 1, 2005 letter as its demonstration that it waives its right to a hearing. For these reasons the Board will dispose of the application without a hearing.

The Board grants the application. The proposed recalibration of the NRTSR and CRTSR is based on 2003 data and was determined using a true-up methodology. The Board does not believe that the rigour of a formal cost allocation study is warranted at this time. Such studies are to be conducted in 2007 after the Board's 2006 revenue requirement proceedings are completed. The Board finds that the proposed rates are more accurate than those now charged and provide a mitigating effect for other 2005 rate increases. The Board concurs with PowerStream that it is in the public interest to implement these recalibrated rates concurrent with the implementation of 2005 distribution rates.

THE BOARD THEREFORE ORDERS THAT:

1. PowerStream Inc. is hereby authorized to charge the rates set out in Appendix A attached to this Decision and Order.

Issued at Toronto, March 31, 2005

ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A"

DECISION AND ORDER

BOARD FILE NO. EB-2005-0209

DATED MARCH 31, 2005