



RP-2005-0013
EB-2005-0031

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 **Great
Lakes Power Limited** for an order or orders
approving or fixing just and reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND INTERIM ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing), 2003*, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceeding was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR: N/A

2005 PILs Proxy: N/A

Regulatory Assets Second Tranche: \$1,606,532

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

Boniferro Mill Works Inc. (BMW) made specific submissions for this application regarding its classification as the Applicant's lone customer in the Large User "A" class. BMW has been classified the lone customer in this class since November 2003 when the company took over operations from Domtar Inc. BMW applied for intervenor status on the grounds that the distribution rates applied for by the Applicant are not just and reasonable. BMW requested that the Board review the company's rate classification and line-loss factor. BMW requested that it should be correctly classified in the GS> 50 kW class on the grounds that its daily load profile is not consistent with the assumptions made in determining the rate for the Large User "A" class at the time of the last cost of service study. BMW argued that the rates proposed by the Applicant cannot be justified on a cost allocation

basis and that they severely damage its competitiveness. BMW requested a full hearing, including oral testimony and representations.

In reply, the Applicant stated that it objected to the scope of intervention requested by BMW. The Applicant requested that, should BMW be granted intervenor status, its intervention should be limited to matters at issue in the 2005 rate adjustment process. The Applicant argued that in order to reassess BMW's cost allocation, a cost of service study would need to be conducted. The Applicant stated that a study of this type is clearly outside the scope of the 2005 rate adjustment process.

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board deems it appropriate to order any rates approved in this application as interim pending its determination of the issues raised by BMW. The Board intends to proceed promptly to hear evidence on these matters. Upon receipt of such evidence, the Board shall issue a Procedural Order to inform parties of the next steps in the process.

The Applicant's request for the recovery of 33% of the total regulatory asset

balance, coupled with the change in RPP, generated a total bill impact of 10.72% for a typical residential customer using 1000 kWh per month. In order to mitigate the impacts on ratepayers, the Board deems it reasonable to limit the recovery of non-RSVAs to 80% of the amount requested. This is a deferral of \$340,991.

As a result, the Board has made adjustments to the amounts applied for resulting in the following approved amounts:

MARR: N/A

2005 PILs Proxy: N/A

Regulatory Assets Second Tranche: \$1,265,541

Subject to these adjustments, the Board finds that the application conforms with earlier decisions of the Board, directives and guidelines.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached as Appendix "A" is approved on an interim basis effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.
- 2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.
- 3) The Applicant has 30 days from the issuance of this interim order to file written evidence with respect to the BMW issues.

DATED at Toronto, March 30, 2005
ONTARIO ENERGY BOARD

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

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March 30, 2005

ONTARIO ENERGY BOARD