



**RP-2005-0020**  
**EB-2005-0338**

**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 Barrie  
Hydro Distribution Inc. 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

Bob Betts  
Member

## **DECISION AND ORDER**

Barrie Hydro Distribution Inc. (“Barrie Hydro” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Barrie Hydro filed an Application (the “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.

Barrie Hydro 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 the payments in lieu of taxes (“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. 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 Network’s low voltage system, the Applicant has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. 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. The Board notes that pursuant to ss. 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.

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

Public notice of the rate Application made by Barrie Hydro was given through newspaper publication in its 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 intervenors, and intervenors and the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Barrie Hydro has requested an amount of \$34,202,560 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$3,302,458 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Barrie Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Barrie Hydro's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Construction Work in Progress account;
- Amortization of rolling stock and equipment;
- Cost of Debt;
- Account 1508, OEB Cost Assessment; and
- Impact of the Generic Decision (EB-2005-0529).

**Low Voltage Rates**

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

The Board notes that this estimate reflects Hydro One Networks’ current approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks has 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 Barrie Hydro 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 Barrie Hydro’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 Barrie Hydro’s revenue requirement.

**Construction Work in Progress account**

Barrie Hydro has included in rate base the average balance at the beginning and end of 2004 for Construction Work in Progress (CWIP). This adjustment represents 10% of Barrie Hydro’s requested rate base.

The Vulnerable Energy Consumers Coalition (“VECC”) argued that Barrie Hydro’s inclusion in rate base of the CWIP account should not be approved. VECC argued that to do otherwise would be in direct contradiction to the Rate Handbook and the Board’s Report on the Handbook, which defined rate base as the average of the net fixed asset balances at the beginning and the end of 2004. In addition, VECC stated that since the load and customer count used to derive the rates are based on 2004 values, the rate base used to derive the revenue requirement should reflect the average value of the assets that were in service over 2004. VECC submitted that this would provide an appropriate matching of the 2004 load with the 2004 costs for facilities that were used and useful in providing service in 2004.

The Applicant argued that the CWIP assets were either already serving customers (e.g.

Distribution Plant in subdivisions which were occupied in 2004 and whose consumption was included in 2004 loads) or were assets which maintain reliability (e.g. Overhead Conductors and Devices), or were projects which maintain regulatory requirements (e.g. Wholesale Meters). In addition, Barrie Hydro argued that CWIP asset amounts were allowed to be included in previous rate setting proceedings and so they should also be allowed in this process - especially since there was no specific direction to exclude CWIP in the Rate Handbook or Board Report. Finally, Barrie Hydro argued that if CWIP is not allowed in rate base, LDCs would have no vehicle in rates through which to recover the capital costs for these amounts.

The Board finds that the CWIP account will not be included in rate base. Rate base is defined by the 2006 Rate Handbook as the net fixed assets calculated as an average of the balances at the beginning and end of 2004, plus a working capital allowance. The Rate Handbook does not provide for the inclusion in rate base of CWIP amounts as it is understood that amounts associated with CWIP, and shown as such, have not yet been capitalized. Often in the life of a utility there will be assets under construction that have not yet been capitalized. There is not sufficient evidence to create an exception for Barrie Hydro.

#### **Amortization of rolling stock and equipment**

Barrie Hydro has requested the continued use of a 5 year amortization rate for rolling stock and equipment instead of the updated 8 year rate for large vehicles that is stated in Appendix B of the Rate Handbook.

The Applicant submitted that the purpose of the request is to maintain consistency with past rate applications. The Applicant stated that the original RUD model reflected depreciation amounts based on an amortization period of 5 years. The Applicant has provided a calculation showing the effects on both the Applicant's distribution expenses and fixed asset account balances resulting from the continued use of the 5 year rate. The result is a recovery of \$85,655 more than if the 8 year rate was used.

The Board finds that Barrie Hydro has not provided sufficient reason to deviate from the Rate Handbook. The Rate Handbook stipulates that should an Applicant not use the rates outlined in Appendix B, it must justify this departure and file both the amortization schedules it proposes to use and a supporting amortization study. The Applicant has not provided an amortization study to support the use of the different rates.

**Cost of Debt**

Barrie Hydro has a promissory note held by the City of Barrie for \$20,000,000 issued on October 31, 2000. The term of the note at the time of the filing of the Application was two years from January 1, 2004 at 7.50%. Barrie Hydro did not provide any information on the next term of the note.

Barrie Hydro applied the lower of the actual rate of the note, 7.50%, and the deemed debt rate to the calculation of the weighted cost of debt. However, Barrie Hydro proposed the use of the old deemed debt rate of 7.00% as the maximum allowable debt rate to be applied on affiliated debt instead of the new updated rate.

Barrie Hydro stated that in a communication with Board Staff, Barrie Hydro was advised that the note's most recent renewal date and rate should apply. The Applicant acknowledged that it interpreted this to mean January 1, 2004. Thus, the Applicant stated that it used the old deemed debt rate since it was the one in effect at that time.

The Board finds that the updated deemed debt rate of 6.00% should be applied to the promissory note for the purposes of generating 2006 rates. According to the Rate Handbook, the 7.00% ceiling on the cost of debt for affiliated debt would apply for fixed rate debt issued before May 13, 2005. For new or renegotiated debt after that date, the updated lower debt rate of 6.00% would be the ceiling.

**Account 1508, OEB Cost Assessment**

In a letter dated December 20, 2004 the Board directed distributors to use an interest rate of 5.75% for carrying costs related to the OEB cost assessment, instead of the deemed debt rate which is applied to all other regulatory asset accounts. Barrie Hydro did not apply the updated rate but instead applied its deemed rate of 7.00%.

Barrie Hydro stated that the difference is not material and therefore the utility should not be required to amend the regulatory assets worksheet to reflect the lower rate.

The Board finds that irrespective of whether the difference is material or not, the rate that should apply is the one communicated to all distributors in the December 20, 2004 letter which is 5.75%. Therefore, this is the rate that will be applied to this account.

In the December 9, 2004 regulatory assets decision, the Board did not approve a

specific allocator for account 1508. Barrie Hydro used customer numbers as the proposed allocator. Barrie Hydro argued that the functions of the OEB are applicable to each and every customer as opposed to loads.

VECC argued that since the Board uses distribution revenue to allocate OEB costs to the various distributors in Ontario, that it should use the same allocator to assign cost responsibility to the customer classes.

The Board finds that distribution revenue is the appropriate allocator. The Board notes that most distributors have proposed the use of distribution revenue as the allocator for these costs and that the Board itself uses distribution revenue to allocate the OEB cost assessments to distributors.

### **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 revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 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 increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

### **Resulting Revenue Requirement**

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$32,816,885 including a debit amount of \$3,301,806 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model

used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

### **Cost Awards**

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

### **THE BOARD ORDERS THAT:**

- 1) The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006. The application of the revised distribution rates shall be prorated to May 1, 2006. If Barrie Hydro Distribution Inc.'s billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.
- 2) The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Barrie Hydro Distribution Inc., and they are final in all respects.
- 3) Barrie Hydro Distribution Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.



DATED at Toronto, April 12, 2006.

**ONTARIO ENERGY BOARD**

A handwritten signature in black ink, appearing to read "John Zych". The signature is written in a cursive style with a large initial "J" and a distinct "Z" and "Y".

John Zych  
Board Secretary

Appendix "A"

RP-2005-0020  
EB-2005-0338

April 12, 2006

ONTARIO ENERGY BOARD

# Barrie Hydro Distribution Inc.

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2006

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

RP-2005-0020  
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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 Code, Guideline or Order 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 - May 1, 2006 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.  
LOSS FACTOR ADJUSTMENT – May 1, 2006 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

This classification refers to the supply of electrical energy to residential customers residing in detached, semi detached, townhouse (freehold or condominium) dwelling units duplexes or triplexes. Supply will be limited up to a maximum of 200 amp @ 240/120 volt. Further servicing details are available in the utility's Conditions of Service.

##### General Service Less Than 50 kW

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected to be less than 50 kW. Further servicing details are available in the utility's Conditions of Service.

##### General Service 50 to 4,999 kW

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than, or is expected to be equal to or greater than 50 kW but less than 5000 kW. Further servicing details are available in the utility's Conditions of Service.

##### General Service 50 to 4,999 kW TOU

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than, or is expected to be equal to or greater than 50 kW but less than 5000 kW and who has an electrical service of at least 600 amps at 600/347 volts or 1600 amps at 208/120 volts. If the customer meets these criteria then an interval meter is required. Further servicing details are available in the utility's Conditions of Service.

##### Large Use

This classification refers to an account whose monthly average peak demand is equal to or greater than or is expected to be equal to or greater than 5000 kW. Further servicing details are available in the utility's Conditions of Service.

##### Unmetered Scattered Load

This classification refers to a non-residential account taking electricity at 240/120 or 120 volts whose monthly peak demand is less than or expected to be less than 50 kW. As determined by Barrie Hydro Distribution Inc. because of the type of connection or location a meter is not feasible in these situations. A detailed calculation of the load will be calculated for billing purposes. Further servicing details are available in the utility's Conditions of Service.

##### Street Lighting

This classification refers to accounts concerning roadway lighting for a Municipality, Regional Municipality, and/or the Ministry of Transportation. This lighting will be controlled by photocells. The consumption for these customers will be based on the calculated connected load times as established in the approved OEB Street Lighting Load Shape Template. Further servicing details are available in the utility's Conditions of Service.

# Barrie Hydro Distribution Inc.

## TARIFF OF RATES AND CHARGES

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RP-2005-0020  
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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	14.63
Distribution Volumetric Rate	\$/kWh	0.0137
Regulatory Asset Recovery	\$/kWh	0.0033
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
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	\$	14.50
Distribution Volumetric Rate	\$/kWh	0.0153
Regulatory Asset Recovery	\$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### General Service 50 to 4,999 kW

Service Charge	\$	355.79
Distribution Volumetric Rate	\$/kW	1.7405
Regulatory Asset Recovery	\$/kW	0.6923
Retail Transmission Rate – Network Service Rate	\$/kW	2.0459
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7796
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 50 to 4,999 kW Time of Use

Service Charge	\$	355.79
Distribution Volumetric Rate	\$/kW	1.7405
Regulatory Asset Recovery	\$/kW	0.6923
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.7159
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.3624
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	\$	8,689.57
Distribution Volumetric Rate	\$/kW	0.5305
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.7233
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.3689
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

# Barrie Hydro Distribution Inc.

## TARIFF OF RATES AND CHARGES

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#### Unmetered Scattered Load

Service Charge (per connection)	\$	7.11
Distribution Volumetric Rate	\$/kWh	0.0153
Regulatory Asset Recovery	\$/kWh	0.0021
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
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)	\$	0.31
Distribution Volumetric Rate	\$/kW	1.4582
Regulatory Asset Recovery	\$/kW	0.2019
Retail Transmission Rate – Network Service Rate	\$/kW	1.6161
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4057
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
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
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	\$	15.00
Disconnect/Reconnect at Meter - during Regular Hours	\$	30.00
Disconnect/Reconnect at Meter - after Regular Hours	\$	185.00
Disconnect/Reconnect at Pole - during Regular Hours	\$	185.00
Disconnect/Reconnect at Pole - after Regular Hours	\$	415.00
Service Call – customer owned equipment – charge based on time and materials	\$	
Service Call – after regular hours – charge based on time and materials	\$	
Specific Charge for Access to the Power Poles – per 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)

#### LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0510
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0405
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045