



RP-2005-0020
EB-2005-0340

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 Bluewater
Power Distribution 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

Bob Betts
Member

DECISION AND ORDER

Bluewater Power Distribution Corporation (“Bluewater Power” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Bluewater Power 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.

Bluewater Power 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 II 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 in due course.

Public notice of the rate application made by Bluewater Power 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.

Bluewater Power has requested an amount of \$20,612,464 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$1,861,936 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Bluewater Power has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Harmonization of Time of Use Rates;
- Conservation and Demand Management ("CDM") Funding;
- Payment in Lieu of Taxes ("PILs"); and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 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 Bluewater Power 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 Bluewater Power'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 Bluewater Power's revenue requirement.

Harmonization of Time of Use Rates

Bluewater's sub-classification for Time of Use ("TOU") customers creates a distinction between customers with similar demand based solely on the type of meter installed. This distinction applies only for those customers with demand between 500 KW and 1000 KW. The effect of this distinction has been that different rates have applied to customers with similar demand patterns. A rate distinction based on meter type is inconsistent from the normal practice of rate design which is based, in large part, on cost causality.

Bluewater Power proposes to raise the consumption threshold for this sub-class from 500 KW to 1000 KW to eliminate any distinction in rates based on type of meter, given that all customers with demand greater than 1000 KW have an Interval/TOU meter. The name of the new rate class would be changed to remove any reference to interval meters and would be "GS (Intermediate)". The remaining "GS (>50KW)" rate class would be renamed to "GS (50KW-999KW)", and similarly would contain no reference to meter type.

The Board notes that the proposed harmonization will remove a distinction between customers based on meter types and that it will not create undue customer rate impacts. The Board finds the proposed rate harmonization reasonable and accepts the Applicant's implementation plan.

CDM Funding

Bluewater Power has applied for approval to recover \$250,000 in distribution rates to be invested in CDM activities. Bluewater Power has proposed commercial/industrial and residential programs, which focus on lighting.

The Vulnerable Energy Consumers Coalition (“VECC”) expressed concern that the focus of Bluewater’s CDM efforts appears to be exclusively on lighting related initiatives. VECC is of the opinion that incremental CDM funds should not be approved “unless the program offering is balanced such that it reaches all customers and, in particular includes targeted low income programs”.

The Board has noted VECC’s concerns, but observes that low-income program targets are not specifically required under the Board’s guidelines for incremental CDM spending. In addition, Bluewater Power has stated that its program is open to and particularly advantageous for low-income customers.

The Board has reviewed Bluewater Power’s CDM plan and accepts it for inclusion in 2006 rates. The Board notes that Bluewater Power has performed the Total Resource Cost effectiveness screening required for approval, and consequently satisfies the Board’s prudence test for CDM investments.

PILs

Bluewater Power has included an amount of \$1,064,913 in the PILs “Test Year Taxable Income”. This amount relates to the PILs payable on revenue received for the recovery of regulatory assets.

Bluewater Power has stated, “the related regulatory asset deductions were also included in the taxable income calculation in the 2004 corporate tax returns and, thus, were included in the 2006 OEB Tax Model”. Bluewater Power asserts that the recovery of regulatory assets and the treatment in determining the PILs Allowance for 2006 is appropriate.

The Board has previously determined in the Phase II regulatory assets decision issued on December 9, 2004 (RP-2004-0064/RP-2004-0069/RP-2004-0100/RP-2004-0117/RP-2004-0118), that no PILs allowance should be made for revenues that recover regulatory assets since these have already been expensed for tax purposes, which fact

has been acknowledged by Bluewater Power. The Board finds that the amount of \$1,064,913 should be removed as this amount relates to the PILs payable on revenue received for the recovery of regulatory assets.

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 file a specific smart meter plan in the revenue requirement. In this situation, the Generic Decision provides that an amount determined as \$3.50 per meter per month installed during the rate year be reflected in the Applicant's revenue requirement, instead of the smart meter-related costs proposed by the Applicant. Consequently, the amounts that the Applicant has proposed in the 2006 rate Application have been removed and replaced with the amount determined in accordance with the Generic Decision. Furthermore, the Board finds in this Decision that this smart meter revenue will be allocated to all metered customers and recovered through the monthly service charge. The revised amount 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 \$19,960,800 and a debit amount of \$1,861,936 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 Bluewater Power Distribution Corporation'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 Bluewater Power Distribution Corporation.
- 3) Bluewater Power Distribution Corporation 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



John Zych
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0340

April 12, 2006

ONTARIO ENERGY BOARD

Bluewater Power Distribution Corp.

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
EB-2005-0340

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 Customers

This classification applies to single-family dwelling units for domestic or household purposes shall be classed as residential service. A residential customer may be found in a detached, semi-detached, linear row housing, apartment building, or mixed-use building. Where electricity service is provided for combined residential and business purposes (including agricultural usage) and the wiring does not provide for separate metering, the classification shall be in the discretion of Bluewater Power Distribution Corporation ("BPDC") and shall be based on such considerations as the estimated predominant consumption or the municipal tax roll classification. Where more than one dwelling is served by a single meter, that service shall be considered a General Service Customer

General Service Less Than 50 kW

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or is forecast to have, an average monthly peak demand less than 50 kW, and has a monthly peak demand that never exceeds 100 kW. BPDC shall review this rate class designation on an annual basis and the customer's designated rate class may change as a result.

General Service 50 to 999 kW

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or is forecast to have, an average monthly peak demand equal to or greater than 50 kW and less than 1,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result.

General Service 1,000 to 4,999 kW

This classification applies to a customer not designated Residential, and that: over a twelve month period has, or is forecast to have, an average monthly peak demand equal to or greater than 1,000 kW and less than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result.

Large Use

This classification applies to a customer not designated as Residential, and that over 12 consecutive billing periods has, or is forecast to have, an average monthly peak demand equal to or greater than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result.

Unmetered Scattered Load

This classification applies to an account whose average monthly maximum 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, etc. The level of the consumption will be agreed to by BPDC and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Sentinel Lighting

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

Bluewater Power Distribution Corp.

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
EB-2005-0340

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 connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	13.92
Distribution Volumetric Rate	\$/kWh	0.0117
Regulatory Asset Recovery	\$/kWh	0.0068
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	\$	25.45
Distribution Volumetric Rate	\$/kWh	0.0128
Regulatory Asset Recovery	\$/kWh	0.0022
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 999 KW

Service Charge	\$	331.21
Distribution Volumetric Rate	\$/kW	1.6252
Regulatory Asset Recovery	\$/kW	0.2300
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7882
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 4,999 kW

Service Charge	\$	3,088.16
Distribution Volumetric Rate	\$/kW	1.5261
Regulatory Asset Recovery	\$/kW	(0.6980)
Retail Transmission Rate – Network Service Rate	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9603
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	\$	18,042.49
Distribution Volumetric Rate	\$/kW	1.1436
Regulatory Asset Recovery	\$/kW	(0.1287)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.4952
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.2417
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Originally Issued April 12, 2006
Revised April 27, 2006

Bluewater Power Distribution Corp.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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RP-2005-0020
EB-2005-0340

Unmetered Scattered Load

Service Charge (per connection)	\$	12.60
Distribution Volumetric Rate	\$/kWh	0.0128
Regulatory Asset Recovery	\$/kWh	0.0052
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

Sentinel Lighting

Service Charge (per connection)	\$	1.81
Distribution Volumetric Rate	\$/kW	4.8281
Regulatory Asset Recovery	\$/kW	3.2763
Retail Transmission Rate – Network Service Rate	\$/kW	1.6083
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4113
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)	\$	1.37
Distribution Volumetric Rate	\$/kW	3.7416
Regulatory Asset Recovery	\$/kW	(1.0840)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6002
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3824
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		
Duplicate invoices for previous billing	\$	15.00
Income tax letter	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	10.00
Returned Cheque charge (plus bank charges)	\$	15.00
Special meter reads	\$	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
Disconnect/Reconnect Charge - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	\$	185.00
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	1.0446
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0342
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

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