



RP-2005-0020
EB-2005-0342

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 Brantford
Power 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

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

Brantford 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. (“Hydro One”). 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.

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 Brantford 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 Brantford Power 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.

Brantford Power has requested an amount of \$19,198,897 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$2,474,780 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Brantford Power has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Brantford 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;
- Conservation and Demand Management ("CDM") Funding;
- Rate Base Adjustment;
- Bad Debt Expense; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

Brantford Power did not include in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks will be levying on Brantford Power for Low Voltage wheeling distribution services provided to Brantford Power.

The Board 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 an LV adjustment for Brantford Power should be included in its Application to recover its expected LV charges in 2006. 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 Brantford Power's rates should reflect the LV rates authorized by the

Board for the host distributor. Accordingly, the Board has included the amount for LV charge recovery in Brantford Power's revenue requirement.

Further, Brantford Power did not include in its Application any amounts for the recovery of certain Regulatory Assets that have been allocated to it by Hydro One Networks. Brantford Power stated that it intends to comply with the Board's filing guidelines for the recovery of amounts with respect to Account 1508 – Hydro One LV Charges (Jan 2004 to May 2006). However, it has not.

The Board does not condone Brantford Power's failure to comply with filing guidelines, and cautions Brantford Power that future failures will jeopardize its recovery of costs. Failure to follow filing guidelines is not a reason for the Board to accept a protracted period for disposition of regulatory asset amounts. The Board has made the necessary adjustments to the regulatory asset rate riders to ensure that these amounts are disposed of in a timely fashion.

The amount provided by Hydro One Networks to the Applicant for LV Charges recovery is 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).

CDM Funding

Brantford Power originally applied for approval to recover \$415,000 in distribution rates to be invested in CDM activities. In support, Brantford Power provided Schedule 3-4 as required by the Handbook. Although the Applicant provided the total projected budget amounts for each program, it did not specify the projected incremental demand or energy savings and did not provide the required cost/benefit analysis for its proposed programs.

By letter dated April 7, 2006, Brantford Power submitted a revised Tier 1 adjustment and incremental CDM plan, for a substantially lower amount, \$313,392. Brantford Power states in the revised filing that the net benefits of the overall plan under TRC cost effectiveness evaluation will exceed \$880,000.

This filing has placed the Board in a difficult and unacceptable position. The plan promises substantial net benefits, and there are strong public interest reasons to vigorously pursue cost effective CDM programs. However, the filing comes after the close of the record in this case, and as such precludes a normal analysis of the evidence by the Board and intervenors in this proceeding. The Board does not condone the filing of new evidence after the record of a proceeding is closed, but accepts the filing on an exceptional basis, given the public interest in the pursuit of cost effective CDM and that intervenors had not taken active interest in the Applicant's incremental CDM proposal.

The Board directs Brantford Power to implement its plan as filed. However, given the absence of review by the Board and intervenors, the Board directs Brantford Power to record all of its costs related to this program in a variance account for future disposition. Brantford Power is directed to file a complete analysis of the results achieved and the cost effectiveness of the programs retrospectively to support recovery of these costs at the time an application is made for their disposition.

Rate Base Adjustment

Brantford Power requested a Tier 2 adjustment for foregone capital expenditures in the amount of \$2,977,540 as a result of its 1999 loss amount of \$937,730 not being incorporated into the calculation of the incremental MARR during the initial rate setting process in 2001.

Brantford Power provided the details of the capital project activities with respect to a proposed conversion program. It stated that in 1993, the Applicant's predecessor entity, the Public Utilities Commission of the City of Brantford, initiated a 10 year plan to be completed in 2003, to convert the existing outdated 4 kV systems to more efficient 27 kV systems, but that Brantford Power had to delay the implementation of its 4 kV – 27 kV conversion program as a result of the 1999 losses during the period of 2001 through 2003. Brantford Power's proposed conversion program consists of three projects, one of which is planned for the year 2006 for \$1,404,500, and the remainder of which is planned for 2007 for \$1,573,040.

Brantford Power meets the Handbook's eligibility requirements for a Tier 2 adjustment. The Board is satisfied that Brantford Power's Tier 2 capital spending plan is adequately

documented and justified. Therefore, the Board approves the Tier 2 adjustment for 2006, and will adjust 2006 rate base by the proposed 2006 investment amount of \$1,404,500, subject to the ½ year rule applied in accordance with the Handbook. The Applicant should not take this finding as direction regarding the acceptability of post 2006 projects or costs. In this Decision, the Board makes no determination as to whether the post 2006 expenditures are approved for ratemaking purposes without review.

The Board notes that in accordance with Handbook, Tier 2 adjustments are subject to monitoring requirements. Therefore, the Board expects the filing of quarterly reports by Brantford Power during the period of the approved expenditures, confirming that they have taken place as stated in the Applicant's filing, or if not, providing an explanation for the variance and Brantford Power's revised plans.

Bad Debt Expense

Brantford Power submitted bad debt expense amounts of \$122,081, \$173,982, and \$118,968 in 2002, 2003, and 2004, respectively.

In response to interrogatories, Brantford Power submitted a table of individual bad debt occurrences for 2002, 2003, and 2004, which showed that the amount for one occurrence in 2004 was \$41,308, which exceeds the materiality threshold of \$18,618 by \$22,690.

However, the Board notes that the yearly amounts for the Bad Debt expense follow a consistent pattern and that the 2004 amount is the lowest amongst the three. The Board accepts the \$118,968 amount for 2004 Bad Debt Expense as being reasonable.

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.

With respect to standby rates, the Generic Decision provided that existing and proposed standby rates should be declared interim upon the effective date of the rates approved in this decision. Given that Brantford Power proposed to continue its legacy standby rates, those rates are declared interim at the proposed level as of the effective date of the Tariff of Rates and Charges accompanying this Decision.

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 \$19,018,834, including a debit amount of \$2,474,780 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.

By letter dated April 7, 2006, Brantford Power advised the Board of an error in the calculation of the PILs allowance related to its Tier 2 adjustment. Given the Board's

findings on the Tier 2 adjustment, the magnitude of the error is reduced, and the Board has made the necessary adjustments to the PILs model and the revenue requirement.

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 Brantford Power 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 Brantford Power Inc., and is final in all respects, except for the standby rates, which are approved as interim.

3. Brantford Power 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 fluid and cursive, with the first name "John" written in a larger, more prominent script than the last name "Zych".

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
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April 12, 2006

ONTARIO ENERGY BOARD

Brantford Power 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

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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 section refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers.

General Service Less Than 50 kW

This classification refers to a non residential 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.

General Service 50 to 4,999 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 5,000 kW.

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 boots, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

Standby Power

This classification refers to an account that has Load Displacement Generation and requires the distributor to provide back-up service.

Sentinel Lighting

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

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photocells. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape template.

Brantford Power Inc.

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	11.68
Distribution Volumetric Rate	\$/kWh	0.0146
Regulatory Asset Recovery	\$/kWh	0.0040
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0069
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0059
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	\$	24.81
Distribution Volumetric Rate	\$/kWh	0.0073
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0062
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0052
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	\$	316.07
Distribution Volumetric Rate	\$/kW	2.4627
Regulatory Asset Recovery	\$/kW	0.7912
Retail Transmission Rate – Network Service Rate	\$/kW	2.1137
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7879
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 (per connection)	\$	12.26
Distribution Volumetric Rate	\$/kWh	0.0073
Regulatory Asset Recovery	\$/kWh	0.0050
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0062
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0052
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Standby Power – APPROVED ON AN INTERIM BASIS

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility).	\$/kW	1.70
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Brantford Power Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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Sentinel Lighting

Service Charge (per connection)	\$	0.31
Distribution Volumetric Rate	\$/kW	1.4701
Regulatory Asset Recovery	\$/kW	3.2065
Retail Transmission Rate – Network Service Rate	\$/kW	1.9740
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6698
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)	\$	0.30
Distribution Volumetric Rate	\$/kW	1.4868
Regulatory Asset Recovery	\$/kW	(0.0518)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9512
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6505
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
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
Disconnect/Reconnect charge - At Meter – during regular hours	\$	65.00
Disconnect/Reconnect charge - At Meter – after regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - during regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - after regular hours	\$	415.00
Install/Remove load control device - during regular hours	\$	65.00
Temporary Service – Install & remove – overhead – no transformer	\$	500.00
Temporary Service – Install & remove – underground – no transformer	\$	300.00
Temporary Service – Install & remove – overhead – with transformer	\$	1000.00
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	1.0370
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Originally Issued April 12, 2006	
Revised April 21, 2006	

Brantford Power Inc.
TARIFF OF RATES AND CHARGES
Effective May 1, 2006

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approved schedules of Rates, Charges and Loss Factors**

Total Loss Factor – Primary Metered Customer < 5,000 kW
Total Loss Factor – Primary Metered Customer > 5,000 kW

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1.0267
N/A