



RP-2005-0020
EB-2005-0343

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 Cambridge and North Dumfries Hydro 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

Cambridge and North Dumfries Hydro Inc. (“CNDHI” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. CNDHI 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.

CNDHI 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.

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 when appropriate.

Public notice of the rate Application made by CNDHI 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 CNDHI 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.

CNDHI has requested an amount of \$23,268,408 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$871,615 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that CNDHI has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Wheeling Rates to Charge Embedded Distributors;
- Tier1 Non-routine/unusual Adjustment;
- Tier 1 Revenue Adjustment;
- Transformation Assets;
- Charitable Donations Adjustment;
- Specific Service Charges;
- Regulatory Assets; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 CNDHI 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 CNDHI'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 CNDHI's revenue requirement.

Wheeling Rates to Charge Embedded Distributors

CNDHI is a host distributor to Waterloo North Hydro Inc. and Hydro One Networks Inc. The Applicant provided information on the costs associated with the provision of these services in conformity with the methodology outlined in the Handbook, which allows the utility to recover the return on assets and annual expenses of operation, maintenance, administration and amortization associated with wheeling services.

The Board finds that the applied-for LV wheeling rates will produce appropriate cost recoveries from Waterloo North Hydro and Hydro One Networks and accepts the applied-for LV wheeling rates.

Tier 1 Non-routine/unusual Adjustment

CNDHI made a Tier 1 non-routine/unusual adjustment of \$127,829 to offset reduced revenues stemming from changes in its collection practices.

The Board finds that the proposal represents a selective adjustment for future events, rather than a normalizing adjustment for events in 2004. This does not comply with the Handbook and the Board has removed the proposed adjustment from the determination of the Applicant's revenue requirement.

Tier 1 Revenue Adjustment

CNDHI made a Tier 1 revenue adjustment of \$143,161 to offset reduced interest income stemming from lower expected average cash balances going forward than has historically been the case.

The Board has the same concerns with this adjustment as with the Tier 1 non-routine/unusual adjustment discussed above. Both adjustments represent a quasi-forward test year filing that is inappropriate in a historical test year application. For these reasons, the Board does not accept this adjustment and has removed it from the determination of the Applicant's revenue requirement.

Transformation Assets

Some assets operated by a distributor may be classified as part of a transmission system according to the definition of "transmission system" in the *Ontario Energy Board Act, 1998*. The Board has the power, under section 84 of the Act, to determine that transmission system assets are part of a distribution system, and can therefore treat them as distribution assets for the purpose of setting distribution rates. In this Application, CNDHI has requested that its transformation assets be deemed to be distribution assets in its rate base.

The Board deems the transformation assets as distribution assets. The costs associated with those assets are included in the revenue requirement for the Applicant. As a result, the \$1.50/kW allowance that had been permitted for transformation services will no longer apply after May 1, 2006.

Charitable Donations Adjustment

CNDHI's application reflected removal of \$17,500 in charitable contributions in 2004. In response to an interrogatory from the Board, CNDHI confirmed that the unrecoverable contribution was rather \$12,250. The Board has adjusted the Applicant's model to reflect the confirmed amount.

Specific Service Charges

CNDHI included in its Application requests for Specific Service Charges. The Board notes that CNDHI proposed a number of departures from the standard charges proposed by the Handbook. The Board wishes to see continued development toward uniformity in provincial electricity rate structures, and that the rates applied reasonably match the cost of services rendered. The Board is charged with the responsibility of ensuring that cross subsidization of services is minimized to the extent practicable. For these reasons the Board has revised the Applicant's standard service charges, and directs the Applicant to apply these charges as stated in the Tariff of Rates and Charges. In making this finding, the Board concluded that there should not be an undue impact on customers using these services.

Regulatory Assets

CNDHI used customer numbers as the allocator for disposing of the balance in its Regulatory Assets Account 1508, rather than distribution revenue. CNDHI justified this approach on the basis that the balance in account 1508 is related mainly to wholesale market requirements and, as such, using the number of customers provided a fairer allocation among customer classes and is consistent with the allocator for disposing of transition costs.

The Board notes that the approach proposed by the Applicant is inconsistent with that stated in the Board's July 25, 2005 letter, which had suggested distribution revenue as the appropriate allocator. A consistent approach to this allocator should be applied across all distributors. For these reasons, the Board does not accept the Applicant's proposal and has modified its model to incorporate the use of distribution revenue as the allocator.

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 \$23,009,490, including a debit amount of \$871,615 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 Cambridge and North

Dumfries Hydro 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 Cambridge and North Dumfries Hydro Inc., and is final in all respects.
3. Cambridge and North Dumfries Hydro Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 26, 2006.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "P. O'Dell", written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0343

April 26, 2006

ONTARIO ENERGY BOARD

Cambridge and North Dumfries Hydro 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
EB-2005-0343

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

Residential refers to the supply of electrical energy to detached, semi-detached, and row-housing units (freehold or condominium). This classification typically refers to an account taking electricity at 750 volts or less where electricity is used exclusively in a separate 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. Separate metered dwellings within a town house complex, condominium, or apartment building also qualify as residential customers.

General Service

General Service refers to the supply of electrical energy to business customers, to bulk-metered residential buildings and to combined residential and business or residential and agricultural buildings. Apartment buildings that are bulk metered will be billed at the appropriate General Service rate.

General Service Less than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose average monthly peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 999 kW

This classification refers to a non-residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW.

General Service 1,000 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 forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW.

Large Use

This classification refers to an account whose average monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose average 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 booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

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RP-2005-0020
EB-2005-0343

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 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.

Embedded Distributor

This classification applies to an electricity distributor licensed by the Board, that is provided electricity by means of this distributor's facilities.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	8.99
Distribution Volumetric Rate	\$/kWh	0.0142
Regulatory Asset Recovery	\$/kWh	0.0020
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0048
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
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	\$	12.54
Distribution Volumetric Rate	\$/kWh	0.0131
Regulatory Asset Recovery	\$/kWh	0.0005
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
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	\$	99.44
Distribution Volumetric Rate	\$/kW	3.3592
Regulatory Asset Recovery	\$/kW	0.0389
Retail Transmission Rate – Network Service Rate	\$/kW	2.7517
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.2119
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	\$	787.32
Distribution Volumetric Rate	\$/kW	2.8501
Regulatory Asset Recovery	\$/kW	0.0506
Retail Transmission Rate – Network Service Rate	\$/kW	2.0900
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7360
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

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EB-2005-0343

Large Use

Service Charge	\$	4,382.05
Distribution Volumetric Rate	\$/kW	1.8329
Regulatory Asset Recovery	\$/kW	(0.1896)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9804
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7671
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)	\$	6.13
Distribution Volumetric Rate	\$/kWh	0.0131
Regulatory Asset Recovery	\$/kWh	0.0019
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0043
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
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)	\$	0.27
Distribution Volumetric Rate	\$/kW	1.7225
Regulatory Asset Recovery	\$/kW	(0.0046)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3827
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1116
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Embedded Distributor

Monthly Distribution Wheeling Service Rate – Waterloo North Hydro	\$/kW	0.2000
Monthly Distribution Wheeling Service Rate – Hydro One Networks	\$/kW	0.0700

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Statement of Account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate Invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

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EB-2005-0343

Non-Payment of Account			
Late Payment - per month	%		1.50
Late Payment - per annum	%		19.56
Collection of account charge – no disconnection	\$		30.00
Collection of account charge – no disconnection after regular hours	\$		165.00
Disconnect/Reconnect at meter – during regular hours	\$		65.00
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
Install/Remove load control device – during regular hours	\$		65.00
Install/Remove load control device – after regular hours	\$		185.00
Service call – customer-owned equipment	\$		30.00
Service call – after regular hours	\$		165.00
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	1.0743
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0743
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0636
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0636