



RP-2005-0020
EB-2005-0361

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 Erie
Thames Powerlines 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

Erie Thames Powerlines Corporation (“ETPC” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. ETPC 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.

ETPC 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 ETPC 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 ETPC 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.

ETPC has requested an amount of \$8,974,796 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$947,986 for the recovery of regulatory assets.

While Erie Thames Powerlines Corporation completed the models for 2006 rates, Regulatory Assets and PILs, the Board was unable to conclude its deliberations on the Application because of the Applicant's unwillingness to provide audited financial statements.

Lack of Audited Financial Statements

ETPC did not submit audited financial statements with its Application. Instead, it provided financial statements prepared by an accounting firm based on information provided by ETPC management. The financial information provided has not been audited, reviewed or verified by an external auditor.

With respect to audited financial statements and reconciliations, section 2.1.3 of the Handbook states that an applicant must file its audited financial statements for 2002, 2003 and 2004 as Schedule 2-3. This section also provides that if the data used in the model is inconsistent with the audited financial statements filed with the Application, a reconciliation must be provided.

In response to Board staff interrogatories, ETPC indicated that it did not have stand-alone audited financial statements. The Erie Thames Power Corporation, ETPC's holding company, does have consolidated statements which are audited annually. ETPL has submitted a copy of these audited consolidated statements.

As a regulated entity, ETPC is expected to meet the requirements of the Handbook and to submit its audited financial statements in the Application. The Board does not accept the Application, given that the credibility of the unadjusted accounting information as the starting point of the Application is in question without audited financial statements.

The Board directs ETPC to obtain and file audited financial statements with the Board within 90 days of the date of this Decision and Order, and to resubmit an application for 2006 distribution rates based on audited financial information within 30 days of that, or 120 days of the date of this Decision and Order.

Pending the refiling of the Application, the existing rates of ETPC, with necessary modifications set out in this Decision, will be made interim as of the effective date of the Tariff of Rates and Charges appended to this Decision.

Related Party Transactions

ETPC acquires a large amount of services from its affiliates, particularly Erie Thames Services Corporation (ETSC). The Board notes that the Application includes little information on how costs, profits and return on investments are assigned or shared with unregulated affiliates. The Board has the responsibility to determine the prudence of all such costs, and needs detailed information on which to base its judgement.

In this and similar situations, the Board is concerned that the Applicant has not met the burden of proof in demonstrating the reasonableness of its costs. This is not a finding that the costs are necessarily unreasonable, but rather a finding that the Applicant has not provided sufficient information to make that determination. The Board reminds the Applicant that the burden of demonstrating the reasonableness of costs rests with an applicant, including costs associated with transactions with affiliates.

As part of its refiled 2006 application, the Applicant is directed to submit details of costs incurred by its affiliates, and the associated mark-ups for the services provided to the Applicant.

The Applicant can refer to the Board's decision on rates for Enbridge Gas Distribution Inc. dated December 13, 2002 (RP-2001-0032) for an indication of the information that the Applicant should provide in its next application for rate approval. The Board found that, while it is not inherently opposed to unregulated affiliates profiting from their relationship with the regulated affiliate, it is essential that the applicant utility must be able to establish that outsourcing arrangements also provide tangible benefits to applicant utility and its ratepayers. The Board also stated that an applicant must demonstrate not only that the arrangements will not harm ratepayers, but also that there will be a significant and tangible benefit to ratepayers.

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 interim Tariff of Rates and Charges appended to this Decision.

Accordingly, the Board has adjusted the relevant rates contained in the existing Schedule of Changed Distribution Rates and Charges of Erie Thames Powerlines Corporation effective since March 1, 2005 for the incremental charges related to smart meters. Pursuant to the Generic Decision, a variance account will be established, the details of which will be communicated in due course.

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 and interim, effective May 1, 2006, for electricity consumed or estimated to have been consumed on and after May 1, 2006.
2. Erie Thames Powerlines Corporation shall file with the Board audited financial statements necessary to support an application for 2006 distribution rates within 90 days of the date of this order.
3. Erie Thames Powerlines Corporation shall resubmit an application for 2006 distribution rates, 2006 PILs allowance and final approval of regulatory asset recovery, based on audited financial information, together with details of affiliate transactions, within 120 days of this order.
4. 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 Erie Thames Powerlines Corporation.
5. Erie Thames Powerlines 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-2005-0361

April 12, 2006

ONTARIO ENERGY BOARD

Erie Thames Powerlines Corp.

INTERIM 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-2005-0361

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 refers to the supply of electrical energy to customers residing in residential dwelling units. Further servicing details are available in the distributor's Conditions of Service.

General Service Less Than 50 kW

This classification applies to a non residential account whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW, and Town Houses and Condominiums that require centralized bulk metering. Further servicing details are available in the distributor's Conditions of Service.

General Service 50 to 2,999 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 3,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 3,000 kW non-interval metered
- General Service 50 to 3,000 kW interval metered.

Further servicing details are available in the distributor's Conditions of Service.

General Service 50 to 4,999 kW Time of Use

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. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 4,999 kW non-interval metered
- General Service 50 to 4,999 kW interval metered.

Further servicing details are available in the distributor's Conditions of Service.

General Service 3,000 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, 3,000 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

Large Use

This classification applies to an 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, 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

Erie Thames Powerlines Corp.

INTERIM 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-2005-0361

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less 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, decorative street lighting, billboards, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

Sentinel Lighting

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

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. Street Lighting plant, facilities or equipment owned by the customer are subject to the ESA requirements.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	10.94
Distribution Volumetric Rate	\$/kWh	0.0124
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	\$	20.84
Distribution Volumetric Rate	\$/kWh	0.0142
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 2,999 kW

Service Charge	\$	302.23
Distribution Volumetric Rate	\$/kW	2.3266
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7882
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Erie Thames Powerlines Corp.

INTERIM 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-2005-0361

General Service 50 to 4,999 kW Time of Use

Service Charge	\$	4,757.21
Distribution Volumetric Rate	\$/kW	2.6648
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7882
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 3,000 to 4,999 kW

Service Charge	\$	5,529.39
Distribution Volumetric Rate	\$/kW	2.4315
Retail Transmission Rate – Network Service Rate	\$/kW	2.3730
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.1090
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Large Use

Service Charge	\$	11,217.37
Distribution Volumetric Rate	\$/kW	2.0110
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

Unmetered Scattered Load

Service Charge (per connection)	\$	4.90
Distribution Volumetric Rate	\$/kWh	0.0313
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)	\$	1.49
Distribution Volumetric Rate	\$/kW	8.1670
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

Erie Thames Powerlines Corp.

INTERIM 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-2005-0361

Street Lighting

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	2.1568
Regulatory Asset Recovery	\$/kW	(0.1200)
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		
Returned Cheque (plus bank charges)	\$	10.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	20.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	20.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	10.00
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	30.00
Disconnect/Reconnect Charges for non payment of account - At Meter After Hours	\$	100.00
Temporary pole service	\$	125.00
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	1.0433
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0328
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045