



RP-2005-0020
EB-2005-0370

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 Greater
Sudbury 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

Greater Sudbury Hydro Inc. (GSHI or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. GSHI 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.

GSHI 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 when appropriate.

Public notice of the rate Application made by GSHI 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.

GSHI has requested an amount of \$21,073,975 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$285,366 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that GSHI has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Request for leave to apply for Tier 2 adjustment in the future;
- Corporate Structure; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 GSHI 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 GSHI'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 GSHI's revenue requirements.

Request for leave to apply for Tier 2 adjustment in the future

The Applicant has requested leave to retain the right to apply for Tier 2 adjustments should some future event indicate that there was an under investment in the local distribution system. This is based on their claim that for rate mitigation purposes that they have not applied for full MARR in the past. Therefore they understand that they are entitled to claim for Tier 2 in this Application but for rate mitigation purposes prefer to defer the application.

The School Energy Coalition ("SEC") argued that the Applicant appears to not have been financially harmed from not earning full rate of return during the period 1999 to 2004 and noted that the Applicant responded to a Vulnerable Energy Consumers Coalition interrogatory that neither expenses nor capital have been under funded as a result of a decision to defer MARR.

The Board agrees with SEC. The Applicant has the ability to apply at any time to the Board for financial relief should such circumstances present itself. The Board is not prepared to approve leave for adjustments outside of the current period. In addition, the Board notes there was no evidence to indicate how much of an adjustment would be required nor any evidence that would allow the Board to test the prudence of such a claim.

Corporate Structure

SEC raised an issue with respect to the corporate structure of the utility. Essentially GSHI holds the distribution assets, and all distribution services are outsourced to an affiliate, Greater Sudbury Hydro Plus Inc. SEC is concerned that the level of disclosure made by GSHI was not adequate for the determination of reasonable costs. SEC recommended that the Board require utilities which outsource significant levels of services to affiliates to provide additional levels of detail in future filings. This would give reviewers a better ability to establish the reasonableness of costs charged by affiliates.

In this and similar situations, the Board is concerned that the Applicant has not met its burden of proof in demonstrating the reasonableness of its costs. This is not a finding that the costs are unnecessarily unreasonable, but rather a finding that the Applicant has not provided sufficient information to make that determination. In this case, the Board will approve the costs claimed by GSHI, with the exceptions noted in this decision. However, the Board reminds the Applicant that the burden of demonstrating reasonableness of costs rests with an applicant, including costs associated with transactions with affiliates. In its next rate case, the Applicant must provide detailed financial information on its operations, and details of costs incurred by its affiliates in providing services 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 the 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 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 \$21,213,083 including a debit amount of \$285,366 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 Greater Sudbury 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 Greater Sudbury Hydro Inc., and the rates and charges are final in all respects.

- 3) Greater Sudbury 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 12, 2006.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "John Zych". The signature is stylized with a large initial "J" and a long, sweeping underline.

John Zych
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

Greater Sudbury 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

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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

To qualify for residential rates an electrical service shall meet all of the following conditions:

- The electricity shall be intended for and used primarily for a residence in which one or more person(s) reside.
- The electrical service shall be individually metered, no bulk metering allowed.

Residential customers are defined as customers connected as detached, semi-detached or duplex dwelling units. It does not include Residential Rate Class customers in apartments, condominiums, row housing or any other abode that is not a detached, semi-detached or duplex dwelling unit. The definition does not include the installation of primary, transformation and secondary to the hand holes in a new subdivision. All items excluded from the residential rate class definition, as above, shall be treated as general service rate class customers.

General Service Less Than 50 kW

To qualify for general service rates an electrical service shall meet all of the following conditions:

- The electrical service shall not qualify as a Residential Rate Class service.
- The electrical service shall have a peak demand less than 50 kilowatts for seven or more months in any twelve month period.
- New connections will be classified based on the rating, in amperes, of the main switch or sum of main switches.

The General Service Less Than 50 kW Rate Class includes those Residential Rate Class customers that are not in detached, semidetached or duplex dwelling units. The General Service Rate Class also includes subdivision developments and all General Service Rate Class customers.

General Service 50 to 4,999 kW

To qualify for General Service 50 to 4,999 kW Rates, an electrical service shall meet all of the following conditions:

- The electrical service shall not qualify as a Residential Rate Class service.
- The electrical service shall not qualify for a General Service Less Than 50 kW Rate Class service.
- New customers will be classified based on the rating, in amperes, of the main switch or sum of main switches.

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 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.

Sentinel Lighting

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

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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	\$	15.00
Distribution Volumetric Rate	\$/kWh	0.0114
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Residential – Time of Use

Service Charge	\$	15.00
Distribution Volumetric Rate	\$/kWh	0.0114
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0036
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	\$	21.59
Distribution Volumetric Rate	\$/kWh	0.0182
Regulatory Asset Recovery	\$/kWh	(0.0001)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0032
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0026
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	\$	178.35
Distribution Volumetric Rate	\$/kW	4.6506
Regulatory Asset Recovery	\$/kW	0.0721
Retail Transmission Rate – Network Service Rate	\$/kW	2.4902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9636
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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Unmetered Scattered Load

Service Charge (per connection)	\$	10.66
Distribution Volumetric Rate	\$/kWh	0.0182
Regulatory Asset Recovery	\$/kWh	0.0012
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0032
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0026
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)	\$	0.77
Distribution Volumetric Rate	\$/kW	2.0890
Regulatory Asset Recovery	\$/kW	0.1226
Retail Transmission Rate – Network Service Rate	\$/kW	1.3383
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0552
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)	\$	0.2300
Distribution Volumetric Rate	\$/kW	0.8169
Regulatory Asset Recovery	\$/kW	(0.1397)
Retail Transmission Rate – Network Service Rate	\$/kW	1.2642
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9968
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
Statement of account	\$	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
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
Specific Charge for Access to the Power Poles \$/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)

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LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0559
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0453
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A