



**RP-2005-0020**  
**EB-2005-0372**

**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 Guelph  
Hydro Electric Systems 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**

Guelph Hydro Electric Systems Inc. (“Guelph Hydro” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Guelph Hydro 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.

Guelph Hydro 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.

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 Guelph Hydro 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.

Guelph Hydro has requested an amount of \$23,953,003 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit amount of \$17,898 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Guelph Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Upgrades to wholesale metering points; and
- Consequences of the Generic Decision (EB-2005-0529).

### **Upgrades to Wholesale Metering Points**

As set out in section 3.2.3 of the Handbook, the purpose of a Tier 1 adjustment is to adjust the results of the 2004 year to make it closer to a typical year of capital investments, operations and revenue to the extent possible. The Handbook also provides that adjustments should be made to reflect certain events for 2005. Among these are adjustments for wholesale meters. Guelph Hydro has made such adjustments in its Application, and the Board has accepted these because they are compliant with the Handbook requirements.

However, in its Application, Guelph Hydro has also applied to adjust its ratebase for the upgrade of six wholesale metering points, taking place in 2006, in the amount of \$1,260,000.

This adjustment is not consistent with the Handbook, and therefore the Board does not approve the rate base adjustment for investments taking place in 2006. The Board notes that Guelph Hydro had the option to apply on a forward test year basis to reflect forecast costs for the test year, but did not do so. Having chosen to file the Application on an historical test year basis, Guelph Hydro may not make selective adjustments for post-2004 events outside the guidelines of the Handbook.

**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 \$23,993,781, including a debit amount of \$17,898 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 Guelph Hydro Electric Systems 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 Guelph Hydro Electric Systems Inc. and is final in all respects.
- 3) Guelph Hydro Electric Systems 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**

John Zych  
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

# Guelph Hydro Electric Systems 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 classification includes accounts 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 includes non residential accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW.

##### General Service 50 to 999 kW

This classification includes non residential accounts where 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. 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 999 kW non-interval metered
- General Service 50 to 999 kW interval metered

##### General Service 1,000 to 4,999 kW

This classification includes non residential accounts where 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. . 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 1,000 to 4,999 kW non-interval metered
- General Service 1,000 to 4,999 kW interval metered

##### Large Use

This classification refers to an account where 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 includes accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. These connections include cable TV power packs, bus

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shelters, telephone booths, traffic lights, railway crossings, etc. The customer provides detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed load.

#### **Sentinel Lighting**

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

#### **Street Lighting**

This classification is for roadway lighting with the Municipality. The consumption for this customer is based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

### **MONTHLY RATES AND CHARGES**

#### **Residential**

Service Charge	\$	13.44
Distribution Volumetric Rate	\$/kWh	0.0177
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
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	\$	11.03
Distribution Volumetric Rate	\$/kWh	0.0199
Regulatory Asset Recovery	\$/kWh	0.0001
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

#### **General Service 50 to 999 kW**

Service Charge	\$	228.83
Distribution Volumetric Rate	\$/kW	2.6562
Regulatory Asset Recovery	\$/kW	0.0079
Retail Transmission Rate – Network Service Rate	\$/kW	2.1761
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8569
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9263
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	\$	608.77
Distribution Volumetric Rate	\$/kW	2.0629
Regulatory Asset Recovery	\$/kW	(0.1613)
Retail Transmission Rate – Network Service Rate	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.9263

**Originally Issued April 12, 2006**

**Revised April 25, 2006**



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Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2574
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9263
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25
 <b>Large Use</b>		
Service Charge	\$	890.95
Distribution Volumetric Rate	\$/kW	1.8664
Regulatory Asset Recovery	\$/kW	(0.1603)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.7260
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.3261
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25
 <b>Unmetered Scattered Load</b>		
Service Charge (per connection)	\$	5.38
Distribution Volumetric Rate	\$/kWh	0.0199
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
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
 <b>Sentinel Lighting</b>		
Service Charge (per connection)	\$	6.41
Distribution Volumetric Rate	\$/kW	5.9132
Regulatory Asset Recovery	\$/kW	0.4049
Retail Transmission Rate – Network Service Rate	\$/kW	1.6662
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4217
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25
 <b>Street Lighting</b>		
Service Charge (per connection)	\$	0.14
Distribution Volumetric Rate	\$/kW	0.7865
Regulatory Asset Recovery	\$/kW	(0.1292)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7106
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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#### Specific Service Charges

Customer Administration		
Returned Cheque (plus bank charges)	\$	8.55
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	8.75
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	10.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	9.00
Disconnect/Reconnect at meter – during regular hours	\$	20.00
Disconnect/Reconnect at Meter - after regular hours	\$	50.00
Disconnect/Reconnect at Pole – during regular hours	\$	50.00
Disconnect/Reconnect at Pole – after regular hours	\$	95.00
Service Call – customer-owned equipment	\$	17.50
Service Call – after regular hours	\$	95.00
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	1.0319
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0216
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045