



**RP-2005-0020**  
**EB-2005-0374**

**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 Halton Hills  
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**

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

Halton Hills 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. (“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 Halton Hills 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 Halton Hills Hydro 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.

Halton Hills Hydro has requested an amount of \$11,966,215 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$1,663,845 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Halton Hills Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Cost of Debt;
- Adjustment to Rate Base;
- Bad Debt;
- Management Incentive Compensation Plan;
- Conservation and Demand Management ("CDM") Funding; and
- Consequences of the Generic Decision (EB-2005-0529).

**Low Voltage Rates**

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

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 Halton Hills Hydro 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 Halton Hills Hydro'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 Halton Hills Hydro's revenue requirement.

**Cost of Debt**

In the application, Halton Hills identified a promissory note issued by the Town of Halton Hills in November of 2005, bearing an interest rate of 9.16%. The applied-for debt rate was 7.25%, the former deemed debt rate for a distributor the size of Halton Hills. However, as stated in section 5.2 of the Handbook, debt held by an affiliated party and issued on May 13, 2005 or later is costed at the lower of the actual rate or the updated deemed debt rate of 6.25%, documented in Table 5.1 of the Handbook. Therefore, the Board allows a rate of 6.25% on this debt.

**Adjustment to Rate Base**

In its Application, Halton Hills Hydro applied to adjust its ratebase in the amount of \$680,687 for the cost of a new distribution line, scheduled to have been built in 2005.

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 closer to a typical year of capital investments, operations and revenue to the extent possible.

This adjustment is not consistent with the Handbook, and therefore the Board does not approve the rate base adjustment for investments taking place in 2005. The Board notes that Halton Hills 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, Halton Hills Hydro may not make selective adjustments for post-2004 events outside the guidelines of the Handbook.

**Bad Debt**

Halton Hills has applied to adjust its distribution expenses in the amount of \$31,913 related to the bankruptcy of a customer in 2004.

As defined by the Handbook, a Tier 1 adjustment is to move the results of the 2004 year closer to a typical year of capital investments, operations and revenue to the extent possible. However, it is not to be used to collect a discrete, non-recurring cost that occurred in 2004 only. If it were, the adjustment would persist in rates.

The Board will not allow the Tier 1 adjustment for recovery of this bad debt amount because such an adjustment is out of compliance with the Handbook. The Board has adjusted the rate model to reflect this finding.

**Management Incentive Compensation Plan**

In its Application, Halton Hills Hydro proposed to recover \$58,000 associated with its management incentive compensation program, which it asserted benefits both ratepayers and the shareholder.

As set out in section 6.2.5 of the Handbook, an Applicant seeking to recover incentive compensation through rates is to provide details of the incentive compensation plan(s) that includes: a list of performance measurement criteria, identification and explanation of incentives that benefit ratepayers and shareholders, and a separate breakdown of the total annual dollar value relating to the shareholders and ratepayers.

The record in this Application contained insufficient information on this cost. In response to interrogatories from intervenors, Halton Hills stated that it considered its incentive program to be proprietary.

Due to the insufficient amount of evidence filed, the Board will not approve the recovery of this amount for Halton Hills Hydro's incentive program. The Board reminds Halton Hills Hydro that the onus is on the Applicant to justify their proposals in evidence, and that interveners are rightful parties in the rate-making process. Halton Hills Hydro has an obligation to provide complete responses to intervenor interrogatories.

### **CDM Funding**

Halton Hills applied for approval to recover \$88,690 in distribution rates and \$90,979 as an adjustment to ratebase to be invested in incremental Conservation and Demand Management ("CDM") activities.

In the Report of the Board, total resource cost ("TRC") cost effectiveness analysis was identified as a requirement for approval of incremental funding for CDM. Furthermore, the Board notes that in the decision on the Generic CDM Issues RP-2005-0020 / EB-2005-0523, the Board adopted the TRC test as the prudence test for CDM spending.

Halton Hills Hydro supplied its TRC effectiveness analysis subsequent to the discovery process. The Board does not condone the filing of new evidence after the record of a proceeding is closed, but accepts the filing on an exception basis, given the public interest in the pursuit of cost effective CDM and the fact that no intervenor commented on the Applicant's original proposal. The Board will accept the results of the TRC testing, which indicates positive net benefits for the activities, and will therefore allow the requested CDM amounts.

The Board cautions Halton Hills Hydro that subsequent rate filings must be complete and on time.

### **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 file a specific smart meter plan in the revenue requirement. In this situation, the Generic Decision provides that an amount determined as \$3.50 per meter per month installed during the rate year be reflected in the Applicant's revenue requirement, instead of the smart meter-related costs proposed by the Applicant. Consequently, the amounts that the Applicant has proposed in the 2006 rate Application have been removed and replaced with the amount determined in accordance with the Generic Decision. Furthermore, the Board finds in this Decision

that this smart meter revenue will be allocated to all metered customers and recovered through the monthly service charge. The revised amount 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 \$11,777,084, including a debit amount of \$1,663,845 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 Halton Hills 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 Halton Hills Hydro Inc., and is final in all respects.
3. Halton Hills 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"

RP-2005-0020  
EB-2005-0374

April 12, 2006

ONTARIO ENERGY BOARD

# Halton Hills 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-2005-0374

#### 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 applies to an account taking electricity at 750 volts or less where the 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. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. The customer will be supplied at one service entrance only.

##### **General Service Less Than 50 kW**

This classification applies to a non residential 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.

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

This classification applies to a non-residential customer with an average peak demand equal to or greater than 50 kW over the past twelve months, or is forecast to be equal to or greater than 50 kW, but less than 1,000 kW. For a new customer without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformer.

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

This classification applies to a non-residential customers with an average peak demand equal to or greater than 1,000 kW over the past twelve months, or is forecast to be equal to or greater than 1,000 kW, but less than 5,000 kW. For a new customer without prior billing history, the peak demand will be based on 90% of the installed transformer.

##### **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, pedestrian X-Walk signals/beacons, 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.

##### **Street Lighting**

All services supplied to street lighting equipment owned by or operated for the Municipality, the Region or the Province of Ontario shall be classified as Street Lighting Service. Street Lighting plant, facilities, or equipment owned by the customer are subject to the Electrical Safety Authority (ESA) requirements and Halton Hills Hydro specifications.

# Halton Hills Hydro Inc.

## TARIFF OF RATES AND CHARGES

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RP-2005-0020  
EB-2005-0374

#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	11.59
Distribution Volumetric Rate	\$/kWh	0.0119
Regulatory Asset Recovery	\$/kWh	0.0042
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

##### Residential (Time of Use)

Service Charge	\$	10.89
Distribution Volumetric Rate	\$/kWh	0.0124
Regulatory Asset Recovery	\$/kWh	0.0042
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	\$	24.86
Distribution Volumetric Rate	\$/kWh	0.0099
Regulatory Asset Recovery	\$/kWh	0.0038
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 999 kW

Service Charge	\$	93.18
Distribution Volumetric Rate	\$/kW	4.5796
Regulatory Asset Recovery	\$/kW	0.4894
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7882
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

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

Service Charge	\$	205.71
Distribution Volumetric Rate	\$/kW	4.2615
Regulatory Asset Recovery	\$/kW	1.2870
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 (if applicable)	\$	0.25

# Halton Hills Hydro Inc.

## TARIFF OF RATES AND CHARGES

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RP-2005-0020  
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#### Unmetered Scattered Load

Service Charge (per connection)	\$	12.12
Distribution Volumetric Rate	\$/kWh	0.0099
Regulatory Asset Recovery	\$/kWh	0.0019
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)	\$	1.17
Distribution Volumetric Rate	\$/kW	4.9399
Regulatory Asset Recovery	\$/kW	2.5490
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

#### Street Lighting

Service Charge (per connection)	\$	0.52
Distribution Volumetric Rate	\$/kW	3.4144
Regulatory Asset Recovery	\$/kW	1.3403
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		
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

# Halton Hills Hydro Inc.

## TARIFF OF RATES AND CHARGES

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EB-2005-0374

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
Interval Meter Charge	\$	20.00
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 (\$/pole/year)	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.50)
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	1.0368
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0265
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A