



**RP-2005-0020**  
**EB-2005-0396**

**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 Norfolk  
Power Distribution 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**

Norfolk Power Distribution Inc. (“Norfolk Power” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Norfolk Power 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.

Norfolk Power 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 Norfolk Power 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 Norfolk Power 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.

Norfolk Power has requested an amount of \$10,621,538 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$848,737 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Norfolk Power has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Rate Mitigation Proposal;
- Loss Factors;
- Deeming of Transmission Assets; and
- Consequences of the Generic Decision (EB-2005-0529).

### **Low Voltage Rates**

Norfolk Power requested in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks and Haldimand County Hydro Inc will be levying on Norfolk Power for Low Voltage wheeling distribution services provided to Norfolk Power. The Board 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. Haldimand County Hydro Inc has also applied for and has been granted Board approval of an LV wheeling rate to serve Norfolk Power.

The Board is of the view that the LV adjustment that Norfolk Power has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount does not reflect the updated rates for Hydro One Networks and Haldimand County Hydro Inc. 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 systematic sources of variance. The Board is of the view that Norfolk Power's rates should reflect the LV rates authorized by the Board for the host distributors. Accordingly, the Board has revised the amount for LV charge recovery in Norfolk Power's revenue requirement.

### **Rate Mitigation Proposal**

Norfolk Power's Application proposed a reduced return on equity (ROE) of 5.3%, compared to the original proposal which requested an ROE of 9.0%. Norfolk Power proposed that the revenue requirement reduction associated with the lower ROE be targeted to the residential class in order to reduce the rate increases for that class from 4.5% to 3.4%, while leaving the impacts to other classes unchanged.

The Vulnerable Energy Consumers Coalition submitted that Norfolk Power's mitigation plan was reasonable.

The Board acknowledges Norfolk Power's efforts to mitigate bill impacts. However, in the Board's view, two factors weigh against acceptance all the elements of the proposal.

First, the proposal effectively streams a discount to a selected class of customers. While it is true that rate impacts for other classes would not be affected directly by the proposal, an opportunity cost for those classes is necessarily involved. Furthermore, the conceptual basis of a class-differentiated ROE is not supported by the Handbook and has not been thoroughly tested in evidence by active or potential intervenors. Since a class-differentiated ROE represents a significant departure from historical Board practice, the Board views such testing as necessary.

Second, if viewed from the perspective of cost allocation, the proposal can be seen as pre-empting the results of the imminent cost allocation exercise. The Board is prepared to accept changes in the inter-class allocation of costs, but requires a sound basis in analysis and evidence to do so. That basis does not exist in the evidence before the Board.

Therefore, while the Board will accept Norfolk Power's proposed reduction in ROE, the Board finds that the reduction in revenue requirement will be applied to all classes through the existing cost allocation methodology embodied in the model.

## Loss Factors

Norfolk Power has proposed a reduction in its distribution Loss Factor from 5.78% to 5.6%, following the methodology set out in the Handbook.

The proposed reduction is consistent with the Handbook requirements and the Board will accept it.

The Board notes that the RP-2004-0188 Report of the Board dated May 11, 2005 stated that any distributor whose 3-year average of distribution losses is higher than 5 percent will be required to report on those losses and provide an action plan as to how the distributor intends to reduce the level of losses. No plan was proposed. Therefore, the Board directs Norfolk Power to file an action plan within 90 days detailing how it intends to reduce the level of losses.

## Deeming of a Transmission Asset

To meet growing local demand, reduce losses, and provide a reliable and secure supply of electricity, Norfolk Power constructed a 115 kV Transformer Station (the "TS") which had an in-service date in 2004.

In this Application, Norfolk Power has requested that the TS be deemed to be a distribution asset.

Some assets operated by a distributor may be classified as part of a transmission system according to the definition of "transmission system" in the *Ontario Energy Board Act, 1998*. The Board has the power, under section 84 of the Act, to determine that transmission system assets are part of a distribution system, and can therefore treat them as distribution assets for the purpose of setting distribution rates. As stated above, Norfolk Power has requested the TS asset completed in 2004 be deemed to be a distribution asset in its rate base.

The Board deems the Norfolk Power TS asset to be a distribution asset. The costs associated with that asset are to be included in the revenue requirement for the Applicant.

## **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 \$10,685,794, including a debit amount of \$848,737 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 Norfolk Power Distribution 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 Norfolk Power Distribution Inc., and is final in all respects.
3. Norfolk Power Distribution Inc. shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

**DATED** at Toronto, April 26, 2006.

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "P. O'Dell", with a long horizontal line extending from the end of the signature.

Peter H. O'Dell  
Assistant Board Secretary

Appendix "A"

RP-2005-0020  
EB-2005-0396

April 26, 2006

ONTARIO ENERGY BOARD



# Norfolk Power Distribution 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-2005-0396

#### 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 low voltage connection assets that operate at 750 volts or less and supply electrical energy to residential customers where such energy is used exclusively in 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 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 applies to low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by NPDI to be less than, 50 kW.

##### General Service 50 to 4,999 kW

This classification applies to general service customers with a monthly average peak demand during a calendar year equal to or greater than, or forecast by NPDI to be equal to or greater than, 50 kW but less than 5,000 kW.

##### Unmetered Scattered Load

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by NPDI to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

##### Sentinel Lighting

This classification refers to lighting customers, other than street lighting customers, controlled by photo cells. The daily consumption for these customers will be based on the calculated connected load times the required night time or lighting times established in the approved OEB street lighting/sentinel lighting load shape template.

##### Street Lighting

This classification refers to roadway lighting customers such as the Norfolk County, Ministry of Transportation and private roadway lighting, controlled by photo cells. The daily consumption for these customers will be based on the calculated connected load times the required night time or lighting times established in the approved OEB street lighting load shape template.

# Norfolk Power Distribution 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-2005-0396

#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	18.32
Distribution Volumetric Rate	\$/kWh	0.0167
Regulatory Asset Recovery	\$/kWh	0.0046
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046
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	\$	41.37
Distribution Volumetric Rate	\$/kWh	0.0116
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
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	\$	217.80
Distribution Volumetric Rate	\$/kW	2.9906
Regulatory Asset Recovery	\$/kW	0.1217
Retail Transmission Rate – Network Service Rate	\$/kW	2.0076
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6283
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)	\$	20.56
Distribution Volumetric Rate	\$/kWh	0.0116
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041
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)	\$	1.36
Distribution Volumetric Rate	\$/kW	3.3478
Regulatory Asset Recovery	\$/kW	9.2909
Retail Transmission Rate – Network Service Rate	\$/kW	1.5217
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2851
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

# Norfolk Power Distribution 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-2005-0396

#### Street Lighting

Service Charge (per connection)	\$	0.70
Distribution Volumetric Rate	\$/kW	2.3811
Regulatory Asset Recovery	\$/kW	0.2931
Retail Transmission Rate – Network Service Rate	\$/kW	1.5141
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2588
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

<b>Customer Administration</b>		
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 charge (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
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Special meter reads	\$	30.00
<b>Non-Payment of Account</b>		
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
<b>Allowances</b>		
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	1.0560
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0454
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A