



RP-2005-0020
EB-2005-0397

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 North Bay
Hydro Distribution Limited 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

North Bay Hydro Distribution Limited (North Bay Hydro or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. North Bay 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.

North Bay 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.

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 North Bay 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 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.

North Bay Hydro has requested an amount of \$11,982,682 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$649,939 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that North Bay Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Tier 1 Capital Adjustments;
- Specific Service Charges;
- Unmetered Scattered Load;
- Changes in timing of Regulatory Asset Recovery; and
- Impact of the Generic Decision (EB-2005-0529).

Tier 1 Capital Adjustments

North Bay Hydro included in its Application Tier 1 capital adjustments in the amount of \$1,155,000. This was composed of \$325,000 for a new transformer station, \$250,000 for switchgear replacement, \$200,000 for SCADA system upgrade, \$240,000 for a line truck and \$140,000 for an AS400 Computer system.

The Vulnerable Energy Consumers Coalition ("VECC") argued that these adjustments are not in compliance with the Handbook. Their specific concern was that the timeline for installation was not clear. North Bay Hydro responded to VECC's argument by asserting that the additions were necessary for on-going operations to ensure adequacy, quality and reliability of North Bay Hydro's electrical service.

The Board agrees that these expenditures are warranted, and has allowed these expenditures to remain in the Application. However the Board is concerned that North

Bay Hydro complete these projects in a timely fashion. Therefore the Board directs North Bay Hydro to report quarterly to the Chief Regulatory Officer on the progress of these expenditures and to confirm completion of these projects before the end of 2006.

Specific Service Charges

North Bay Hydro has included in their Application requests for Specific Service Charges. The Board notes that several of the requested Specific Service Charges were lower than the standard charges proposed by the Handbook. The Board wishes to see continued development towards uniformity in provincial electricity rates and that the rates applied reasonably match the cost of services rendered. The Board is charged with the responsibility of ensuring that cross subsidization of services is minimized to the extent practicable. For these reasons the Board has revised the Applicant's standard service charges, and directs the Applicant to apply these charges as stated in the Tariff of Rates and Charges. In making this finding, the Board concluded that there should not be an undue impact on customers using these services.

Unmetered Scattered Load

Currently the Applicant does not have a separate USL sub-classification, but includes the accounts in its General Service < 50 kW sub-class. The billing is on a per customer basis. To ensure consistency with the rate schedules of other electricity distributors, the Board finds that a separate sub-class for USL should be created. This will be billed in the same manner as the General Service < 50 kW sub-class, including the billing on a per customer basis. This rate design change will not affect the revenue requirement of the Applicant. Details of the new rate are included in the Tariff of Rates and Charges.

Changes in Timing of Regulatory Asset Recovery

The Board notes that the Applicant has adjusted the period for recovery of regulatory assets for two rate classes, Greater than 50 kW and Intermediate General Service. The Applicant proposes to recover its expenses over a four year period, in contrast to the two year period prescribed. The Board appreciates the Applicant's concern with respect to the rate impact of this recovery on the affected rate groups. However, the Board recognizes the need for closure of the recovery process. The Board also notes that the proposed overall bill impacts for these two customer groups are reasonable assuming two year recovery. For this reason the Board has amended the Regulatory Asset rate riders for the Greater than 50 kW and Intermediate General Service rate classes to levels consistent with the prescribed two year recovery period.

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. As there is a variance account, and for simplicity, the Board has not made any distinction for purposes of setting rates between the meter costs for residential and non-residential customers. 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 \$11,905,206 including a debit amount of \$649,939 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 North Bay Hydro'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 North Bay Hydro, and is final in all respects.
- 3) North Bay Hydro 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

North Bay Hydro Distribution Ltd.

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 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. All customers are single-phase.

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 2,999 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 3,000 kW.

General Service 3,000 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 3,000 kW but less 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 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.

North Bay Hydro Distribution Ltd.

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	12.84
Distribution Volumetric Rate	\$/kWh	0.0112
Regulatory Asset Recovery	\$/kWh	0.0011
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047
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	\$	22.01
Distribution Volumetric Rate	\$/kWh	0.0139
Regulatory Asset Recovery	\$/kWh	0.0011
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 2,999 kW

Service Charge	\$	311.74
Distribution Volumetric Rate	\$/kW	2.1785
Regulatory Asset Recovery	\$/kW	0.4575
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6678
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 3,000 to 4,999 kW

Service Charge	\$	2,399.80
Distribution Volumetric Rate	\$/kW	0.7321
Regulatory Asset Recovery	\$/kW	0.6023
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2508
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.8432
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 customer)	\$	21.75
Distribution Volumetric Rate	\$/kWh	0.0139
Regulatory Asset Recovery	\$/kWh	0.0011
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

Originally Issued April 12, 2006
First Revision April 25, 2006
Second Revision May 10, 2006

North Bay Hydro Distribution Ltd.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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Sentinel Lighting

Service Charge (per connection)	\$	1.98
Distribution Volumetric Rate	\$/kW	6.9024
Regulatory Asset Recovery	\$/kW	0.2547
Retail Transmission Rate – Network Service Rate	\$/kW	1.6083
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3163
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)	\$	0.44
Distribution Volumetric Rate	\$/kW	2.3572
Regulatory Asset Recovery	\$/kW	0.3686
Retail Transmission Rate – Network Service Rate	\$/kW	1.6002
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2893
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Returned cheque charge (plus bank charges)	\$	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
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
Disconnect/Reconnect at meter - during regular hours	\$	65.00
Disconnect/Reconnect at meter - after regular hours	\$	165.00
Service call - customer-owned equipment	\$	30.00
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)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0387
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0283
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045