



RP-2005-0020
EB-2005-0401

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 Orillia
Power Distribution Corporation 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

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

OPDC 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 Networks) 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, OPDC has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. The amount claimed by OPDC was provided by Hydro One Networks as a reasonable approximation of the actual amount that Hydro One Networks will assess OPDC. 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 OPDC 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.

OPDC has requested an amount of \$6,555,526 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$39,459 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that OPDC has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Payment in lieu of taxes (PILs);
- Harmonization of Time of Use Rates;
- Transactions with Affiliates; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 OPDC 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 OPDC'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 OPDC's revenue requirements.

PILs

OPDC has applied for approval to recover \$688,526 for PILs expense. This amount is based on an adjustment to the Test Year Taxable Income worksheet in the PILs model, which is made for the sole purpose of increasing the calculated value of PILs in the model. The Applicant's rationale is that its taxable income is very close to a boundary point in the tax schedule, and that in all previous years its income has been on the opposite side of this boundary. A very small increase in forecast taxable income has a dramatic effect on the calculation of PILs – in the Applicant's case an increase of \$6,300 leads to additional PILs cost of \$142,752.

The Board recognizes that the design of the PILs structure is unusual by being so sensitive to the steps in the schedule of tax rates. Nevertheless the Board finds that the adjustment to the PILs worksheet is not warranted. OPDC will be encouraged to prudently manage its costs to avoid the higher PILs costs. The Board approves the amount of \$545,903 to be included in the revenue requirement for OPDC's PILs expense.

Harmonization of Time of Use Rates

OPDC proposes to harmonize the distribution rates of the sub-classification of Time of Use ("TOU") customers with the equivalent non-TOU customers. The non-TOU customers benefit from the harmonization and the TOU customers will experience somewhat higher bill impacts than other customers of OPDC, because of the difference between the rates prior to harmonization. However, the Board finds that the rate impact on the TOU customers is not unreasonable.

The Board finds that the rate harmonization proposed by OPDC is reasonable and that

it will not create undue customer bill impacts.

Transactions with Affiliates

OPDC acquires a large amount of services from its affiliates, especially in shared services with Orillia Power Generation Corporation. The Board has the responsibility to determine the prudence of all such costs, and needs detailed information on which to base its judgement. The Applicant has presented its information clearly and has been helpful in its responses to interrogatories, but the record is not adequate to allow the Board to make an informed judgment on the prudence of these costs.

In this and similar situations, the Board is concerned that the Applicant has not met the burden of proof in demonstrating the reasonableness of its costs. This is not a finding that the costs are necessarily 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 OPDC, with the exceptions noted in this Decision. However, the Board reminds the Applicant that the burden of demonstrating the 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 Board notes that the upcoming cost allocation study may address its concerns to some extent, as long as the study encompasses all those activities of the affiliated entities in which OPDC has a share of costs. Nevertheless, the Applicant is notified that in future, more detailed information will be required to establish the prudence of such costs.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters and standby rates 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.

With respect to standby rates, the Generic Decision provided that existing and proposed standby rates should be declared interim upon the effective date of the rates approved in this decision. Given that OPDC proposed to continue its legacy standby rates, those rates are declared interim at the proposed level as of the effective date of the rate order accompanying this Decision.

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 \$6,474,200 including a credit amount of \$39,459 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 Orillia Power Distribution Corporation'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 Orillia Power Distribution Corporation and the rates and charges are final, with the exception of the standby rates which are interim.
- 3) Orillia Power Distribution Corporation 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 cursive "Zych".

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
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April 12, 2006

ONTARIO ENERGY BOARD

Orillia Power Distribution Corporation

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 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 4,999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Orillia Power Distribution Corporation has discontinued the distinction within this classification based on the type of meter at the customer's premises. The previous classification "Time-of-Use" remains in effect for purposes of the Regulatory Asset rate rider only.)

Standby Power

This classification applies to an account with load displacement facilities that contracts with the distributor to provide emergency standby power when its load displacement facilities are not in operation. The level of the billing demand will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as name-plate rating of the load displacement facility.

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, 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

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.

Orillia Power Distribution Corporation

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
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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	13.47
Distribution Volumetric Rate	\$/kWh	0.0127
Regulatory Asset Recovery	\$/kWh	0.0012
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0041
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
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	\$	30.76
Distribution Volumetric Rate	\$/kWh	0.0143
Regulatory Asset Recovery	\$/kWh	(0.0006)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0037
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0032
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	\$	334.97
Distribution Volumetric Rate	\$/kW	3.3686
Regulatory Asset Recovery	\$/kW	(0.1113)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5640
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2987
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 50 to 4,999 kW (formerly Time of Use)

Service Charge	\$	334.97
Distribution Volumetric Rate	\$/kW	3.3686
Regulatory Asset Recovery	\$/kW	(0.7095)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5640
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2987
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Standby Power – INTERIM APPROVAL

Distribution Volumetric Rate – \$/kW of contracted amount	\$/kW	1.00
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Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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Unmetered Scattered Load

Service Charge (per connection)	\$	15.38
Distribution Volumetric Rate	\$/kWh	0.0143
Regulatory Asset Recovery	\$/kWh	(0.0006)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0037
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0032
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	\$	3.15
Distribution Volumetric Rate	\$/kW	8.4577
Regulatory Asset Recovery	\$/kW	(2.0953)
Retail Transmission Rate – Network Service Rate	\$/kW	1.1581
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9886
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)	\$	1.05
Distribution Volumetric Rate	\$/kW	3.6856
Regulatory Asset Recovery	\$/kW	(2.0434)
Retail Transmission Rate – Network Service Rate	\$/kW	1.1522
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9683
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
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Account History	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Legal letter charge	\$	15.00
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
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charges for non payment of account - At Meter After Regular Hours	\$	185.00
Disconnect/Reconnect Charges for non payment of account - At Pole During Regular Hours	\$	185.00
Disconnect/Reconnect Charges for non payment of account – At Pole After Regular Hours	\$	415.00

Orillia Power Distribution Corporation

TARIFF OF RATES AND CHARGES

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Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
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 – 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	1.0370
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0267
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045