



RP-2005-0020
EB-2005-0405

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 Peninsula
West Utilities 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

Peninsula West Utilities Limited (“PWUL” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. PWUL 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.

PWUL 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 PWUL 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 PWUL 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.

PWUL has requested an amount of \$13,683,988 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$2,166,482 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that PWUL has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Tier 2 Adjustment;
- 2005 Spring Storm;
- Distribution Loss Factor;
- Consequences of the Generic Decision (EB-2005-0529); and
- Quality of Application and Responses to Interrogatories.

Low Voltage Rates

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

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 PWUL 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 PWUL'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 PWUL's revenue requirement.

Tier 2 Adjustments

PWUL requested in its Application a Tier 2 adjustment in the amount of \$1,233,008 in deferred capital projects and maintenance activities to be recovered through a 12 month rate rider. PWUL claimed it is eligible for a Tier 2 adjustment of this amount because the implementation of its second tranche of the Market Adjusted Revenue Requirement (MARR) was delayed by 33 months due to the passage of Bill 210. PWUL stated that it had deferred making some capital investments due to the resulting financial constraints. It is PWUL's intention to reactivate these programs and to complete them by the end of the 2006 rate year (i.e., by May 2007).

The amount of \$1,233,008 is derived from a calculation of foregone revenue, and includes a provision for PILs. PWUL's evidence filed with the Board outlined capital and maintenance projects totalling \$1,140,000. The Board will refer to this plan as the remedial spending plan. The amount for the remedial spending plan is the one the Board considers to be relevant.

The Board finds that PWUL is eligible for a Tier 2 adjustment. Based on the evidence filed with respect to the remedial spending plan, the Board is satisfied that the remedial spending plan is needed and adequately documented, and therefore accepts the activities set out in the plan. However, the Board questions the characterization of some elements of the plan as operating expenses.

Based on the evidence describing the projects, the Board accepts the pole inspection survey amounts as operating expenditures, totalling approximately \$55,000, and places this amount in the Tier 2 rate rider with an effective period of one year. The balance of the expenditures, \$1,085,000, should be treated as capital or capitalized labour. The Board therefore approves a Tier 2 rate base adjustment of \$1,085,000. The Tier 2 adjustment will be subject to the half-year rule in accordance with the Handbook; in subsequent rate applications, the figure for rate base will be updated.

PWUL also proposed an adjustment of \$263,653 to rate base (the secondary adjustment) and \$294,297 as an adjustment to ongoing distribution expenses.

With respect to the secondary adjustment, PWUL has calculated the figure of \$263,653 based on hypothetical spending which might have occurred had the second instalment of MARR be implemented earlier. As such, it does not represent an actual investment made by PWUL, and the Board will therefore not adjust rate base to reflect it.

With respect to the Tier 2 adjustment for ongoing distribution expenses of \$294,297, similar reasoning applies, since the amount is based on foregone revenues which might have been, but were not, used for distribution expenditures. PWUL has not provided evidence to justify the need for an adjustment to ongoing expenses. Therefore, the Board will not allow that adjustment.

2005 Spring Storm

PWUL proposed to recover costs amounting to \$323,133 associated with a spring storm occurring in April 2005. This issue is out of scope for this proceeding and, accordingly, the Board has made the adjustments to the regulatory asset model to remove this amount.

Distribution Loss Factor

PWUL has applied to update its distribution loss factor from 1.0654 to 1.0550. The Handbook states that if the distribution loss factor exceeds 1.05, the distributor must report on the reason for this level of loss and provide an action plan as to how the distributor intends to reduce the level of losses.

The Board accepts the loss factor proposed and directs the Applicant to submit a report to the Board within 90 days of the release of this Decision indicating its reasons for its current level of distribution losses and setting out an action plan to reduce losses within its distribution network.

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.

Quality of the Application and Interrogatory Responses

While the Board has found that PWUL's Application is, in general, compliant with the Handbook, the Board has concerns with the quality of the Application and information filed on the record. Board staff and intervenors posed a number of interrogatories to seek further information to complete, clarify and correct the record of the Application. In argument, the School Energy Coalition ("SEC") commented on the inadequate information provided in the Application and, in particular, excessively brief interrogatory responses that, in SEC's view, were uninformative.

The Board finds that the record adduced is adequate for rate-making purposes for this proceeding. However, the Board cautions PWUL that the burden of proof is upon the Applicant to support its Application. This includes providing adequate and timely

response to interrogatories or other requests for information from the Board, Board staff, or other registered intervenors. Rules, codes and guidelines, including the Board's "Rules and Practice of Procedure" and "Getting to know the Ontario Energy Board - Resource Guide for Regulated Entities" are developed and made available to assist all parties in participating effectively, efficiently and professionally with the Board and in Board processes. Failure to provide adequate or timely information could result in denial of all or part of an application.

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 \$12,070,090, including a debit amount of \$1,989,298 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 Peninsula West Utilities Limited'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 Peninsula West Utilities Limited, and is final in all respects
3. Peninsula West Utilities Limited 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 fluid and cursive, with the first name "John" written in a larger, more prominent script than the last name "Zych".

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
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April 12, 2006

ONTARIO ENERGY BOARD

Peninsula West Utilities Limited

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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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

One residential service per lot, per customer. Standard residential services will include all services up to and including 200 amp, 120/240 volt, single phase, three wire. Large residential services will include all services from 201 amp up to and including 400 amp, 120/240 volt, single phase, three wire. Infill residential services are those new residential services not considered to be part of a subdivision development by the Municipality of Lincoln, Pelham and West Lincoln.

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. Note that the following sub-classifications apply:

General Service 50 to 1,000 kW

General Service greater than 1,000 to 5,000 kW if they have a service of 1200 amps (600Y/347 volts) or larger.

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, crosswalks, 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. It is the responsibility of the customer to report to Pen West in writing any change of consumption to the installation.

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 a municipality or the Province of Ontario shall be classified as Street Lighting Service.

Peninsula West Utilities Limited

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential Urban

Service Charge	\$	10.31
Distribution Volumetric Rate	\$/kWh	0.0203
Deferred Projects Recovery	\$/kWh	0.0002
Regulatory Asset Recovery	\$/kWh	0.0066
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 Suburban

Service Charge	\$	10.91
Distribution Volumetric Rate	\$/kWh	0.0156
Deferred Projects Recovery	\$/kWh	0.0001
Regulatory Asset Recovery	\$/kWh	0.0062
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	\$	10.63
Distribution Volumetric Rate	\$/kWh	0.0194
Deferred Projects Recovery	\$/kWh	0.0001
Regulatory Asset Recovery	\$/kWh	0.0055
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 4,999 kW

Service Charge	\$	23.03
Distribution Volumetric Rate	\$/kW	7.1518
Deferred Projects Recovery	\$/kW	0.0493
Regulatory Asset Recovery	\$/kW	1.6214
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

Peninsula West Utilities Limited

TARIFF OF RATES AND CHARGES

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Unmetered Scattered Load

Service Charge (per connection)	\$	5.18
Distribution Volumetric Rate	\$/kWh	0.0194
Deferred Projects Recovery	\$/kWh	0.0001
Regulatory Asset Recovery	\$/kWh	0.0066
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)	\$	1.03
Distribution Volumetric Rate	\$/kW	1.5269
Deferred Projects Recovery	\$/kW	0.0418
Regulatory Asset Recovery	\$/kW	1.2086
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)	\$	0.59
Distribution Volumetric Rate	\$/kW	1.4641
Deferred Projects Recovery	\$/kW	0.0353
Regulatory Asset Recovery	\$/kW	1.4401
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		
Returned cheque (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
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 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

Peninsula West Utilities Limited

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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
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	\$	(0.60)
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	1.0601
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0495
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A