



RP-2005-0020
EB-2005-0406

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
Peterborough 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

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

PDI 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 PDI 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 PDI 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.

PDI has requested an amount of \$14,479,598 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$514,513 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that PDI has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Debt Rate;
- Adequacy of the information provided to support the Application; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 PDI 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 PDI'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 PDI's revenue requirement.

Debt Rate

PDI's capital structure includes a loan from its shareholder in the amount of \$21,657,680, dating from January 1, 2000. The loan is included in the Long Term Liabilities in PDI's financial statement. However, the Board notes that it is a demand loan from an affiliate, and it does not have a fixed term. The Board finds that the deemed debt rate in the previous Handbook (March, 2000) does not apply to a demand note because such an instrument cannot be considered embedded debt with an enduring interest rate; the note can be called at any time. Therefore, the Board finds that the deemed debt rate in the current Handbook of 6.25% should be used for this loan. PDI will be allowed for ratemaking purposes a debt rate of 6.04%, being the weighted average of this \$21.7 million loan at 6.25% and a \$1.5 million loan at 3.00%. The Board has adjusted PDI's revenue requirement accordingly.

Adequacy of the information provided in support of the Application

PDI acquires all of its services from an affiliate. The Board notes that the Application did not include any information on staff compensation levels paid by PDI. The response to an interrogatory on this subject provides an average cost but does not break the information down by group of employees. In response to other interrogatories, PDI did provide the Service Level Agreement that governs PDI's costs, and data on the assignment of costs to PDI and to its regulated and unregulated affiliates. While the data provided was voluminous, it did not assist the Board in its deliberations.

This is not a finding that the costs are necessarily unreasonable, and in this case, the Board will approve the costs claimed by PDI. However, the Board reminds the Applicant that the burden of demonstrating 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 Applicant can refer to the Board's decision on rates for Enbridge Gas Distribution Inc. dated December 13, 2002 (RP-2001-0032) for an indication of the information that the Applicant should provide in its next application for rate approval. In that decision, the Board found that, while it is not inherently opposed to unregulated affiliates profiting from their relationship with the regulated affiliate, it is essential that the applicant utility be able to establish that outsourcing arrangements also provide tangible benefits to the applicant utility and its ratepayers. The Board also stated that the applicant must demonstrate not only that the arrangements will not harm ratepayers, but also that there will be a significant and tangible benefit to ratepayers.

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 \$14,296,104 including a debit amount of \$514,513 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 Peterborough 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 Peterborough Distribution Inc., and is final in all respects.
3. Peterborough 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 27, 2006.

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

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April 27, 2006

ONTARIO ENERGY BOARD

Peterborough Distribution Inc. Peterborough Service Area 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

Residential class customers are defined as single-family dwelling units for domestic or household purposes. Semi-detached and row town-housing will be considered residential class if each individual unit is located on its own registered freehold lot fronting on the public road allowance. Each unit must have its own individual service connection from the road allowance and each main service disconnect is assessable from the unit which it supplies. All other developments are considered to be in the General Service class.

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 class customers are defined as all buildings not classified as residential. A customer must remain in its customer class for a minimum of twelve (12) months before being reassigned to another class.

General Service 50 to 4,999 kW

This classification applies to all buildings not classified as residential and having a service connection capable of load delivery equal to or above 50 kW or having an average monthly peak demand equal to or greater than 50 kW over a twelve month period, but less than 5,000 kW. A customer must remain in its customer class for a minimum of twelve (12) months before being reassigned to another class.

Customers who require service connections above 1,000 kVA must supply and own the primary conductors, switchgear and their own transformation above the maximum supplied by Peterborough Distribution Inc. (see Section 3.3 of Condition of Service). The maximum allowable service connection on the 27.6 kV system is 5,000 kVA.

Customers have the option of ownership of transformation at all sizes and are required to own the transformation above the maximum levels supplied by Peterborough Distribution Inc. If a customer decides or is required to own their transformation, the transformer specifications and its loss evaluation require approval from Peterborough Distribution Inc. If the customer is required or decides to own their transformation, the transformer specifications and its loss evaluation require approval from Peterborough Distribution Inc. The customer is required to compensate Peterborough Distribution Inc for transformer losses that exceed the maximum acceptable losses. The customer will receive a transformer allowance as specified in the current rate schedule for privately owned transformation.

Peterborough Distribution Inc.
Peterborough Service Area
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Large Use

This classification applies to an 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, 5,000 kW. All conditions outlined in the preceding section apply except where they are superseded by this section. A customer must remain in its customer class for a minimum of twelve (12) months before being reassigned to another class. All service connections above 5,000 kVA must be supplied from the 44 kV system.

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 covers sentinel lights used for security or other commercial activities. All attempts must be made to connect these loads to a metered service where possible. The customer is required to provide details of the connected load and usage pattern prior to connecting to the distribution system. The customer owns all the equipment and facilities from the load side of the connection to the distribution system. The connection shall be made to the distribution system as approved by Peterborough Distribution Inc. Peterborough Distribution Inc. has operational control of the connection to the distribution system. The customer is responsible for any requirements under the Ontario Electrical Safety Code and is required to have all equipment inspected and approved by the Electrical Safety Authority.

Street Lighting

This classification applies only to street lighting equipment owned by the City of Peterborough, other authorized municipalities or the Province of Ontario and operating within the licenced territory of Peterborough Distribution Inc. Included is decorative and seasonal lighting connected to street lighting facilities owned by the City of Peterborough, other authorized municipalities and the Province of Ontario. The customer owns all equipment and facilities from the load side of the connection to the distribution system. The customer is required to provide details of the connected load and usage pattern prior to connecting to the distribution system. Each streetlight is to be individually controlled by a photocell. Underground connections for street lighting require a main disconnect to be installed by the Customer. The customer is responsible for any requirements under the Ontario Electrical Safety Code and is required to have all equipment inspected and approved by the Electrical Safety Authority. The customer may retain operational control of any disconnects if authorized by Peterborough Distribution Inc. and operated by qualified personnel. Peterborough Distribution Inc. retains operational control of the connections to the distribution system.

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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	11.69
Distribution Volumetric Rate	\$/kWh	0.0121
Regulatory Asset Recovery	\$/kWh	0.0022
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
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	\$	25.15
Distribution Volumetric Rate	\$/kWh	0.0083
Regulatory Asset Recovery	\$/kWh	0.0005
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
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	\$	215.83
Distribution Volumetric Rate	\$/kW	2.2787
Regulatory Asset Recovery	\$/kW	(0.0385)
Retail Transmission Rate – Network Service Rate	\$/kW	2.1218
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2572
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	4,318.56
Distribution Volumetric Rate	\$/kW	0.9281
Regulatory Asset Recovery	\$/kW	(0.6211)
Retail Transmission Rate – Network Service Rate	\$/kW	2.4952
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5760
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

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Unmetered Scattered Load

Service Charge (per customer)	\$	25.15
Distribution Volumetric Rate	\$/kWh	0.0083
Regulatory Asset Recovery	\$/kWh	0.0005
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
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

Sentinel Lighting

Service Charge (per connection)	\$	0.82
Distribution Volumetric Rate	\$/kW	4.2813
Regulatory Asset Recovery	\$/kW	0.9199
Retail Transmission Rate – Network Service Rate	\$/kW	1.6083
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9922
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)	\$	0.73
Distribution Volumetric Rate	\$/kW	3.2417
Regulatory Asset Recovery	\$/kW	(0.4220)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6002
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9719
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter	\$	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

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Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	30.00
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect at meter - during regular Hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Disconnect/Reconnect at pole – after regular hours	\$	415.00
Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
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	\$	1,000.00
Service 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	1.0350
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0247
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045