



RP-2005-0020
EB-2005-0413

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 Renfrew
Hydro 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

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

Renfrew 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 Renfrew 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 intervenors and Renfrew Hydro 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.

Renfrew Hydro has requested an amount of \$1,759,537 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$32,039 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Renfrew Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Retail Transmission Rates;
- Loss Adjustment Factors; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

The Board notes that this estimate reflects Hydro One Networks’ current approved LV rate of \$0.56/kW. The Board notes that Hydro One Networks applied for an LV rate of \$0.63/kW in its 2006 rate application RP-2005-0020/EB-2005-0378, and the Board has approved this rate.

The Board is of the view that the LV adjustment that Renfrew Hydro 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 Renfrew Hydro’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 Renfrew Hydro’s revenue requirements.

Retail Transmission Rates

A material portion of Renfrew Hydro’s supply is directly delivered to it from Ontario Power Generation’s Stewartville Generating Station by Hydro One, without the use of the transmission grid. As a result of this supply arrangement, the application of standard retail transmission service rates (“RTS rates”) by Renfrew Hydro has resulted in an accumulating credit balance in the associated variance account.

Renfrew Hydro found that the default adjustment in EDR model would not give satisfactory results for revised ongoing RTS rates. Therefore, Renfrew Hydro calculated the change to the RTS rates outside the model using the specific 2004 RTS costs, and 2004 revenues adjusted for unbilled consumption to determine the appropriate adjustment to the rates. The Board accepts Renfrew Hydro’s proposal and expects that as a result of the adjustment the variance account balances will stabilize to more reasonable levels.

Loss Adjustment Factors

Renfrew Hydro applied to reduce its distribution loss factor from 5.56% to 5.40%. The proposed reduction is based on the methodology set out in the Handbook. Subject to its findings below, the Board accepts the proposed reduction in the distribution loss factor.

The Board notes that the RP-2004-0188 Report of the Board dated May 11, 2005 stated that any distributor whose 3-year average of distribution losses is higher than 5 percent will be required to report on those losses and provide an action plan as to how the distributor intends to reduce the level of losses. No plan was proposed by Renfrew Hydro. However, Renfrew Hydro did state that it has included a (distribution system) optimization study in its Conservation and Demand Management Plan. The Board directs Renfrew Hydro to conduct the optimization study and to file the study and the results with the Board as soon as they are available.

Renfrew Hydro is also applying to reduce its Supply Facilities Loss Factor from 4.50% to Hydro One's approved factor of 3.40%.

The Board notes that the Handbook dealt with only distribution loss factors. The information required by the Handbook did not extend to the Supply Facilities Loss Factor, and the Board is not persuaded that the information required to support changes to the Supply Facilities Loss Factor is currently available to it. Consequently, the Board will not authorize changes to Supply Facilities Loss Factors at this time. The Board anticipates that this matter will be examined in detail in forthcoming proceedings.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for Renfrew Hydro. Renfrew Hydro did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. In this situation, the Generic Decision provides that an amount determined as \$0.30 per residential customer per month be reflected in Renfrew Hydro's revenue requirement. The Board finds in this Decision 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 \$1,743,943, including a credit amount of \$69,972 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 Renfrew Hydro 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 Renfrew Hydro Inc., and is final in all respects.
3. Renfrew Hydro Inc. 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 written in a cursive, flowing style.

John Zych
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

Renfrew Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

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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.

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.

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 customer will provide detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load.

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.

Renfrew Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	14.52
Distribution Volumetric Rate	\$/kWh	0.0117
Regulatory Asset Recovery	\$/kWh	(0.0004)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0027
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	\$	29.74
Distribution Volumetric Rate	\$/kWh	0.0078
Regulatory Asset Recovery	\$/kWh	(0.0011)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0025
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	\$	159.71
Distribution Volumetric Rate	\$/kW	2.1085
Regulatory Asset Recovery	\$/kW	(0.3014)
Retail Transmission Rate – Network Service Rate	\$/kW	1.8377
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9742
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)	\$	14.74
Distribution Volumetric Rate	\$/kWh	0.0075
Regulatory Asset Recovery	\$/kWh	0.0009
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0025
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Renfrew Hydro Inc.

TARIFF OF RATES AND CHARGES

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Street Lighting

Service Charge (per connection)	\$	0.95
Distribution Volumetric Rate	\$/kW	2.7108
Regulatory Asset Recovery	\$/kW	(1.0810)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3860
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.7531
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		
Easement Letter	\$	15.00
Arrears certificate	\$	15.00
Account History	\$	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
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 Charge - At Meter During Regular Hours	\$	65.00
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	1.0898
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0789
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A