



**RP-2005-0020**  
**EB-2005-0414**

**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 Rideau St.  
Lawrence 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**

Rideau St. Lawrence Distribution Inc. (“RSL” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. RSL 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.

RSL 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 RSL 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 RSL 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.

RSL has requested an amount of \$2,591,409 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$597,297 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that RSL has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Cost of debt;
- Loss factors;
- Tier 1 adjustment to rate base;
- OMERS expense;
- Affiliate Transactions; and
- Consequences of the Generic Decision (EB-2005-0529).

### **Cost of debt**

RSL has two promissory notes held by municipalities with a current actual rate of 3.94%. The rate for the notes is set by the Applicant's Board of Directors based on the cost of third party debt, a Bank of Montreal loan (subject to a cap which is the existing regulatory deemed cost of debt of 7.25%).

The loan held by the Bank of Montreal has an interest rate of 3.94% and is to be reset in August 2006. In the EDR model, RSL proposed the use of the updated deemed debt rate of 6.25% for the loan, as opposed to applying the current actual rate of 3.94%.

The Board finds that the current rate of the Bank of Montreal loan should apply for ratemaking purposes. RSL did not provide a forecast justifying the use of the 6.25% rate, nor was one expected in a historical test year filing. The Handbook requires the use of the prescribed debt rate as a maximum for new debt or existing debt renegotiated after release of the Handbook. However, in this instance, the debt would not be renegotiated until well into 2006. Therefore, the Handbook prescribes the use of the actual debt rate, if it is lower than the prescribed rate in effect at the time the debt was created or renegotiated. Given the Applicant's methodology in determining the interest rates on affiliated debt, the same current rate of 3.94% should apply to the two affiliated debt instruments. Accordingly, the Board has made the appropriate adjustments in the EDR model to reflect its findings.

### **Loss factors**

RSL used a two year average in calculating its total loss factor as opposed to the three year average methodology outlined in the Handbook. RSL stated that the 2002 data was not correct due to the fact that the Independent Electricity System Operator (Hydro One) loss factor of 3.3% was not factored into the pre-market opening, currently approved, total loss factor of 5.35%..

The Handbook requires that the loss factor to be calculated as the distribution loss factor is the average of the three years (2002, 2003, and 2004). That loss factor is then multiplied with the current default Supply Facilities Loss Factor of 1.0045 to determine the total loss factor. RSL has proposed to adjust the Supply Facilities Loss Factor from 1.0045 to 1.0330. The Board is not prepared at this time to adjust the Supply Facilities Loss Factor, since it is not clear that distributors have provided consistent information in this area. Therefore, the Board finds that the total loss factor for RSL is to be calculated using the existing Supply Facilities Loss Factor and the distribution loss factor determined using the Handbook methodology. Accordingly, the Board has made the appropriate adjustments in the EDR model to reflect a revised total loss factor. Variances between actual and allowed loss factors are captured in variance accounts that will be cleared at a later date.

**Tier 1 adjustment to rate base**

RSL transferred \$101,893 in distribution assets from its affiliate to the Applicant in 2004. In its Application, RSL proposed a Tier 1 adjustment to rate base to reverse this transfer because it represented a one time transfer or unusual transaction. It is RSL's evidence that these assets relate to tools and equipment used exclusively for electrical distribution.

Although the Handbook's definition of a typical year may involve the removal of one-time or unusual transactions, the Board finds that removing these assets from rate base is inappropriate and the result of an incorrect interpretation of the Handbook. The purpose served by Tier 1 adjustments is to move the 2004 year end closer to that of a typical year of capital investments and operations. It is RSL's evidence that these assets are dedicated distribution assets. Therefore, the Board finds that they should remain in rate base. Accordingly, the Board has made the appropriate adjustments in the EDR model to remove the Tier 1 adjustment.

**OMERS Expense**

RSL outsources all of its required distribution services to its affiliate, Rideau St. Lawrence Utilities. RSL confirmed that it does not have any employees. The Applicant proposed to recover OMERS expense related to its affiliate's employees who provide services to RSL. These costs are charged to the Applicant on a cost pass-through basis with no markup.

It is unusual for a distributor to propose OMERS cost recovery for personnel employed by an independent non-regulated entity. This claim would require rigorous evidence supporting not just the level of the costs, but also the methodology used in the allocation of costs from the affiliate to the Applicant. The Board finds that for this Application there is a lack of adequate evidence supporting the overall composition and allocation of costs to the Applicant. The Board disallows the costs identified for OMERS expense and, accordingly, the Board has made the appropriate adjustments in the EDR model to remove the OMERS costs.

## **Affiliate Transactions**

As discussed above under OMERS expense, the Board has concerns about the adequacy of information provided by RSL. RSL acquires all of its services from an unregulated affiliate. The Application includes little information on how costs are assigned or shared with this affiliate. The evidence provided details for approximately \$31,000 in affiliate charges related to shared equipment and facilities. However, even through the discovery phase of this process, RSL failed to provide similar detail on approximately \$1,500,000 of affiliate charges related to its operating 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 RSL, 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.

## **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 \$2,509,287, including a debit amount of \$597,297 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 Rideau St. Lawrence 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 Rideau St. Lawrence Distribution Inc., and is final in all respects.

3. Rideau St. Lawrence 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 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**

# Rideau St. Lawrence Distribution 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**

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**

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.

##### **Westport Sewage Treatment Plant**

This classification applies to the Westport Sewage Treatment Plant 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 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.

# Rideau St. Lawrence Distribution Inc.

## TARIFF OF RATES AND CHARGES

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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	8.70
Distribution Volumetric Rate	\$/kWh	0.0106
Regulatory Asset Recovery	\$/kWh	0.0064
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0049
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	\$	13.24
Distribution Volumetric Rate	\$/kWh	0.0051
Regulatory Asset Recovery	\$/kWh	0.0043
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

##### Westport Sewage Treatment Plant

Service Charge	\$	43.80
Distribution Volumetric Rate	\$/kWh	0.0022
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
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	\$	271.14
Distribution Volumetric Rate	\$/kW	1.6529
Regulatory Asset Recovery	\$/kW	1.4264
Retail Transmission Rate – Network Service Rate	\$/kW	2.0169
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7588
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

# Rideau St. Lawrence Distribution Inc.

## TARIFF OF RATES AND CHARGES

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#### Unmetered Scattered Load

Service Charge (per customer)	\$	7.73
Distribution Volumetric Rate	\$/kWh	0.0353
Regulatory Asset Recovery	\$/kWh	0.0097
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
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)	\$	0.61
Distribution Volumetric Rate	\$/kW	4.7964
Regulatory Asset Recovery	\$/kW	7.6542
Retail Transmission Rate – Network Service Rate	\$/kW	1.5288
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3881
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)	\$	1.16
Distribution Volumetric Rate	\$/kW	4.6582
Regulatory Asset Recovery	\$/kW	0.3541
Retail Transmission Rate – Network Service Rate	\$/kW	1.5211
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3597
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 postdated 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 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
Special meter reads	\$	30.00

# Rideau St. Lawrence Distribution Inc.

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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
Service call – customer owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
Temporary service install and remove – overhead – no transformer	\$	500.00
Temporary service install and remove – underground – no transformer	\$	300.00
Temporary service install and remove – overhead – with transformer	\$	1,000.00
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	1.0772
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0665
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A