



RP-2005-0020
EB-2005-0417

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 Tay Hydro
Electric Distribution Company 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

Tay Hydro Electric Distribution Company Inc. ("Tay Hydro" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. Tay 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.

Tay 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 (“LV”) 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 in due course.

Public notice of the rate Application made by Tay 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 the Applicant had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

Tay Hydro has requested an amount of \$1,628,881 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$218,422 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Tay Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Tay 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;
- Transformer Ownership Allowance;
- Specific Service Charges;
- Mitigation of Rate Impacts;
- Distribution Loss Adjustment Factor; and
- Impact of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 Tay 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 Tay 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 Tay Hydro's revenue requirement.

Transformer Ownership Allowance

Tay Hydro is not applying for the usual customer owned transformer allowance of \$0.60/kW. The Applicant noted that the rate of \$0.60 per kW disappeared from its rate schedule in 2002 and when it was realized that this allowance was no longer on its approved rate schedule, the allowance was discontinued with the September 2003 billing.

The use of the allowance is to encourage customers to invest in electricity system infrastructure to the benefit of all ratepayers. The Board made no explicit determination that the allowance was to be discontinued. Tay Hydro is reminded that changes to the rate structure of the Applicant can only be made with the approval of the Board. Only in situations where the Board gives clear instructions that previous rates are to be changed or eliminated should the Applicant do so. Tay Hydro is directed to re-institute the allowance at the rate of \$0.60/kW. The Applicant is also directed to provide a full refund to customers eligible for this allowance from September 2003 to April 30, 2006. This refund should be provided within 90 days of the date of this Decision. Once

completed Tay Hydro will file a report with the Board documenting the implementation of the rebate.

Specific Service Charges

The Applicant substituted its own formula instead of the standard amount in the Handbook for the pole attachment charge for “clearance poles”. This charge was set at one-half of the regular charge of \$22.35/pole/year. There was no evidence provided to explain why there should be a difference in the pole charge between the clearance poles and the other poles maintained by the Applicant.

The Board wishes to see continued development towards uniformity in provincial electricity rates and that the rates applied reasonably match the cost of services rendered. The Board is charged with the responsibility of ensuring that cross-subsidization of services is minimized to the extent practicable. For this reason the Board has revised the Applicant’s standard service charges, and directs the Applicant to apply these charges as stated in the Tariff of Rates and Charges. In making this finding, the Board has concluded that there should not be an undue impact on customers using these services.

Mitigation of Rate Impacts

Tay has identified that the bill increases associated with the 2006 distribution revenue requirement for the Sentinel Light sub-class would have been higher than 10% and has proposed a mitigation plan to reduce the level to less than 10%. There are 17 Sentinel Light accounts. The reason for the impact is the allocated share of the regulatory asset costs.

The proposed plan is to extend the regulatory asset recoveries allocated to this group over 4 years rather than 2 and to reduce the variable distribution charge by \$2.80/kW. Tay acknowledges that it will forego a small amount of distribution revenue as part of this plan. The Board finds this plan to be acceptable. It strikes a balance between the financial goals of the company and the interest of the ratepayers.

Distribution Loss Adjustment Factor

Tay Hydro included in its Application a distribution loss factor adjustment of 1.0508. The Board approves the 1.0508 distribution loss factor. The Board notes that the RP-2004-0188 Report of the Board dated May 11, 2005 stated that any distributor whose

distribution losses are higher than 5% 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. However, given the size of the distributor, the nature of its service territory, and the small amount by which the loss factor exceeds 5%, the Board will not require a plan to be filed. However, the Board required the Applicant to monitor the level of distribution losses, and develop a plan for reduction if the distribution loss adjustment factor increases beyond 1.0508.

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 \$1,648,847, including a debit amount of \$218,422 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 Tay Hydro Electric Distribution Company 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 Tay Hydro Electric Distribution Company Inc., and is final in all respects.
3. Tay Hydro Electric Distribution Company 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



John Zych
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0417

April 12, 2006

ONTARIO ENERGY BOARD

Tay Hydro Electric Distribution Company 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
EB-2005-0417

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 refers to a service which is less than 50 kW supplied to single-family dwelling units that is for domestic or household purposes, including seasonal occupancy. At Tay Hydro's discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate or by blocking the residential rate by the number of units.

General Service Less Than 50 kW

This classification refers to any service supplied to premises other than those designated as Residential and whose average monthly maximum demand over the past twelve months is less than 50 kW. This includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk metered). For new customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformer.

General Service 50 to 4,999 kW

This classification refers to all non-residential customers whose average monthly maximum demand used for billing purposes over the past twelve months is equal to or greater than 50 kW but less than 5,000 kW. For new customers without prior billing history, the peak demand will be based on 90% of the proposed capacity or installed transformer.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak 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 demand/consumption of the proposed unmetered load.

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. This classification refers private roadway lighting operation, 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.

Tay Hydro Electric Distribution Company 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
EB-2005-0417

MONTHLY RATES AND CHARGES

Residential

| | | |
|--|--------|--------|
| Service Charge | \$ | 14.74 |
| Distribution Volumetric Rate | \$/kWh | 0.0115 |
| Regulatory Asset Recovery | \$/kWh | 0.0058 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0053 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0047 |
| 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 | \$ | 14.87 |
| Distribution Volumetric Rate | \$/kWh | 0.0175 |
| Regulatory Asset Recovery | \$/kWh | 0.0039 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0048 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |
| 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 | \$ | 206.76 |
| Distribution Volumetric Rate | \$/kW | 3.2729 |
| Regulatory Asset Recovery | \$/kW | 0.9416 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.9747 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.6747 |
| 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 connection) | \$ | 7.28 |
| Distribution Volumetric Rate | \$/kWh | 0.0175 |
| Regulatory Asset Recovery | \$/kWh | 0.0079 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0048 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |
| 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) | \$ | 0.71 |
| Distribution Volumetric Rate | \$/kW | 3.2621 |
| Regulatory Asset Recovery | \$/kW | 7.4173 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.4968 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3217 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0010 |
| Regulated Price Plan – Administration Charge (if applicable) | \$ | 0.25 |

Tay Hydro Electric Distribution Company 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
EB-2005-0417

Street Lighting

| | | |
|--|--------|--------|
| Service Charge (per connection) | \$ | 0.68 |
| Distribution Volumetric Rate | \$/kW | 3.7369 |
| Regulatory Asset Recovery | \$/kW | 1.0734 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.4893 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.2946 |
| 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 charge | \$ | 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 |

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) |

Tay Hydro Electric Distribution Company 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
EB-2005-0417

LOSS FACTORS

| | |
|---|--------|
| Total Loss Factor – Secondary Metered Customer < 5,000 kW | 1.0866 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | N/A |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0757 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | N/A |