



**RP-2005-0020**  
**EB-2005-0418**

**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 Terrace Bay  
Superior Wires 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**

Terrace Bay Superior Wires Inc. (“Terrace Bay” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. Terrace Bay 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.

Terrace Bay 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. 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 in due course.

Public notice of the rate Application made by Terrace Bay was given through bill inserts and unmarked mailings in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The Board also received one letter of comment from a ratepayer of Terrace Bay. 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.

Terrace Bay has requested an amount of \$765,404 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$171,613 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Terrace Bay has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Cost of Debt;
- Payment in Lieu of Taxes ("PILs");
- Rate Increase Impact; and
- Impact of the Generic Decision (EB-2005-0529).

### **Low Voltage Rates**

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

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 Terrace Bay 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 Terrace Bay’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 Terrace Bay’s revenue requirements.

### **Cost of Debt**

The Applicant has applied for a cost of debt of 7.25%, based on the debt held by its municipal shareholder. However, Terrace Bay’s Audited Financial Statements indicate that the debt rate is negotiated annually and ranges between 0% and 7.25%. In 2005, the Applicant paid \$25,000 towards the debt for an effective rate of 2.96%. The Applicant stated that the 2006 amount was unknown.

The Handbook allows for affiliated debt negotiated prior to May 13, 2005 to have a cost of debt up to the deemed size-related debt rate as documented in the initial Distribution Rate Handbook issued in March 2000. For debt negotiated on or after May 13, 2005, the debt rate is to be set at the lower of actual and 6.25%.

The Board finds that there is insufficient evidence on the record as to when the Applicant and its shareholder may have renegotiated the debt payment or the cost of debt. The Board is concerned that financing be obtained on terms that are necessary and sufficient to ensure the financial viability of the distributor is maintained and that ratepayers are not burdened with undue costs. The Board considers that the updated

deemed debt rate of 6.25%, applicable to a distributor of similar size to Terrace Bay, is the appropriate cost of affiliated debt for establishing 2006 rates. The Board has made the necessary adjustments.

### **PILs**

The Applicant amended its Application on February 16, 2006. In the amended Application, the estimated allowance for PILs in 2006 is \$20,022. However, Terrace Bay has documented a loss carry-forward of over \$20,000 that would not be used, in all likelihood, in 2005. Thus, the loss carry-forward would be available, in whole or part, to reduce the 2006 PILs requirement.

The Board takes the view that compliance with the Handbook requires estimating, based on the most current information, the actual 2006 PILs liability that the distributor will face. The Board recognizes that the actual PILs paid will differ, and that both the net income and PILs liability will vary depending on customer growth, changes in demand, weather variations, and other factors. However, in this case, Terrace Bay should have adjusted its 2006 PILs liability by the loss carry-forward that it has available. The Board has therefore corrected the February 16, 2006 PILs spreadsheet for this omission.

### **Rate Increase Impact**

In its argument, the School Energy Coalition ("SEC") stated that Terrace Bay's current rates are higher than many other electricity distributors. With the amended model filed by Terrace Bay to reflect 2006 PILs and Hydro One Networks Inc LV charge recoveries, the distribution rate increase is over 60% for a GS > 50 kW customer, such as a large school, and over 40% for a GS < 50 kW customer. SEC contended that the proposed amendments are not adequately supported and should be denied until Terrace Bay can fully explain these revisions.

The Board's objectives require it to consider the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service, and the financial viability of the electricity industry.

The rates for 2006 are based on 2004 data, while current rates are, in large part, based on significantly older 1999 data. The Board notes that depending on a distributor's circumstances, its revenue requirement and associated rates resulting from the updated test year could be substantially lower or higher than those existing. For example, a

significant portion of Terrace Bay's overall revenue requirement is driven by LV costs, which are not present in existing rates. Comparisons to existing rates are relevant but not determinative in establishing new rates, especially in cases where structural differences exist between former and prospective cost structures.

The Board considers that, generally, compliance with the Handbook and the guidelines for final approval of Regulatory Assets establish a suitable revenue requirement and the rates necessary to recover the revenue requirement.

The Board finds that Terrace Bay has provided adequate support for its Application, and the compliance of this Application with the Handbook and the guidelines for final approval of Regulatory Assets, results in rates that are just and reasonable, once adjusted for the findings in this Decision.

### **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 directs 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 \$766,011, and \$171,613 for regulatory assets recovery.

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 Terrace Bay Superior Wires 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 Terrace Bay Superior Wires Inc., and is final in all respects.
- 3) Terrace Bay Superior Wires 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"

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April 12, 2006

ONTARIO ENERGY BOARD

# **Terrace Bay Superior Wires 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. All customers are single-phase.

##### **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 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.

##### **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.

# Terrace Bay Superior Wires 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-2005-0418

#### MONTHLY RATES AND CHARGES

##### Residential

|  |        |        |
|--|--------|--------|
| Service Charge   | \$     | 20.63  |
| Distribution Volumetric Rate   | \$/kWh | 0.0144 |
| Regulatory Asset Recovery  | \$/kWh | 0.0097 |
| Retail Transmission Rate – Network Service Rate                            | \$/kWh | 0.0051 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0046 |
| 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   | \$     | 40.97  |
| Distribution Volumetric Rate   | \$/kWh | 0.0117 |
| Regulatory Asset Recovery  | \$/kWh | 0.0082 |
| Retail Transmission Rate – Network Service Rate                            | \$/kWh | 0.0047 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0041 |
| 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   | \$     | 290.63 |
| Distribution Volumetric Rate   | \$/kW  | 3.9663 |
| Regulatory Asset Recovery  | \$/kW  | 2.2726 |
| Retail Transmission Rate – Network Service Rate                            | \$/kW  | 1.9115 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW  | 1.6323 |
| 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)  | \$     | 20.35  |
| Distribution Volumetric Rate   | \$/kWh | 0.0128 |
| Regulatory Asset Recovery  | \$/kWh | 0.0082 |
| Retail Transmission Rate – Network Service Rate                            | \$/kWh | 0.0047 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0041 |
| 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)  | \$     | 1.35   |
| Distribution Volumetric Rate   | \$/kW  | 4.1814 |
| Regulatory Asset Recovery  | \$/kW  | 2.9480 |
| Retail Transmission Rate – Network Service Rate                            | \$/kW  | 1.4416 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW  | 1.2619 |
| Wholesale Market Service Rate  | \$/kWh | 0.0052 |
| Rural Rate Protection Charge   | \$/kWh | 0.0010 |
| Regulated Price Plan – Administration Charge (if applicable)               | \$     | 0.25   |

# Terrace Bay Superior Wires 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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#### 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 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 | 1.0426 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | 1.0145 |
| Total Loss Factor – Primary Metered Customer < 5,000 kW   | 1.0321 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW   | 1.0045 |