



RP-2005-0020
EB-2005-0419

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 Thunder
Bay Hydro Electricity 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

Thunder Bay Hydro Electricity Distribution Inc. ("Thunder Bay Hydro" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. Thunder Bay 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.

Thunder Bay 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. (“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.

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 Thunder Bay 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 Thunder Bay 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.

Thunder Bay Hydro has requested an amount of \$18,198,944 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$280,963 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Thunder Bay Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Proposal for a new General Service ("GS") Intermediate Use Class; and
- Consequences of the Generic Decision (EB-2005-0529).

Proposal for a new GS Intermediate Use Class

Thunder Bay Hydro applied for approval to implement a new GS Intermediate Use rate. The Applicant stated that this rate class would be for all customers with a demand of more than 3000 kW and less than 5000 kW. The Large Use class would remain in existence for customers with loads greater than 5000 kW. The Applicant provided the historical load data in the EDR model for the years 2002, 2003, and 2004 as if there had been a GS Intermediate Use class during those three years, to be consistent with its proposal.

Thunder Bay Hydro proposed that three of its customers that are currently or were formerly classed in Large Use be reclassified under a new proposed GS Intermediate Use class. Thunder Bay Hydro provided the following reasons for the reclassification of these customers:

- One customer has already been reclassified to the existing lower-consumption class GS > 1000 kW – 5000 kW;
- A second customer is seeking a change to the lower class GS > 1000 kW – 5000 kW; and
- The forecasted load profile for the third customer indicates that its consumption will decline below the Large Use threshold.

Thunder Bay Hydro stated that it would experience a decrease in distribution revenue if the new intermediate rate class for these three customers was not used. Based on the differential in the monthly service charges between the GS > 1000 kW – 5000 kW and Large Use classes, the Applicant stated that the decrease in distribution revenue would be \$353,231.

The Board notes that Thunder Bay Hydro is basing its case for the introduction of the new GS Intermediate Use class on a possible distribution revenue loss due to the transfer of three Large Use customers to the lower GS 1000 – 5000 kW class. The effect of the proposal is to collect substantially the same revenue from those customers despite a significant actual (or projected) decline in consumption.

The Board finds that the essence of this proposal is to make fundamental changes to the allocation of costs to compensate for actual or projected losses in revenue due to load reductions. As such, the Board finds that the proposal is not in compliance with the Handbook provisions for an historical test year filing. Even if the proposal were brought in the context of a forward test year filing, the Board is not satisfied that the methodology represents a reasonable approach to cost allocation, rather than an ad hoc measure to mitigate revenue losses.

For these reasons, the Board will not now approve Thunder Bay's proposal for a new GS Intermediate Use class. Thunder Bay Hydro will have the opportunity to file a complete cost allocation proposal in the near future, and at that time will be able to present proposals consistent with the approved cost allocation methodology.

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 \$18,240,004, including a debit amount of \$280,963 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 Thunder Bay Hydro Electricity 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 Thunder Bay Hydro Electricity Distribution Inc., and is final in all respects.
3. Thunder Bay Hydro Electricity 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 written in a cursive style with a large initial "J" and a long, sweeping underline.

John Zych
Board Secretary

Appendix "A"

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April 12, 2006

ONTARIO ENERGY BOARD

Thunder Bay Hydro Electricity 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

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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 refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately 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 refers to a non residential 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. This class includes small commercial services such as small stores, small service stations, restaurants, churches, small offices and other establishments with similar loads.

General Service 50 to 999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,000 kW. This class includes medium and large-size commercial buildings, apartment buildings, condominiums, trailer courts, industrial plants, as well as large stores, shopping centers, hospitals, manufacturing or processing plants, garages, storage buildings, hotels, motels, schools, colleges, arenas and other comparable premises. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 1,000 kW non-interval metered
- General Service 50 to 1,000 kW interval metered.

General Service 1,000 to 4,999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 1,000 kW but less than 5,000 kW.

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

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 boots, traffic lights, railway crossings, private sentinel lighting etc. The customer will provide detailed manufacturing information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

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Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photocells. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	10.90
Distribution Volumetric Rate	\$/kWh	0.0134
Regulatory Asset Recovery	\$/kWh	0.0004
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0046
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 Less Than 50 kW

Service Charge	\$	16.45
Distribution Volumetric Rate	\$/kWh	0.0118
Regulatory Asset Recovery	\$/kWh	0.0004
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0023
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 999 kW

Service Charge	\$	177.07
Distribution Volumetric Rate	\$/kW	1.0097
Regulatory Asset Recovery	\$/kW	0.1604
Retail Transmission Rate – Network Service Rate	\$/kW	1.7047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.8989
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.8083
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	0.9934
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

General Service 1000 to 4,999 kW

Service Charge	\$	1,585.27
Distribution Volumetric Rate	\$/kW	1.3944
Regulatory Asset Recovery	\$/kW	(0.0577)
Retail Transmission Rate – Network Service Rate	\$/kW	1.8083
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.9934
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

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Large Use

Service Charge	\$	11,259.54
Distribution Volumetric Rate	\$/kW	1.7054
Regulatory Asset Recovery	\$/kW	(0.1454)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0047
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1268
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)	\$	8.09
Distribution Volumetric Rate	\$/kWh	0.0118
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0023
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)	\$	5.95
Distribution Volumetric Rate	\$/kW	4.7740
Regulatory Asset Recovery	\$/kW	0.0000
Retail Transmission Rate – Network Service Rate	\$/kW	1.2921
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.7094
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.32
Distribution Volumetric Rate	\$/kW	1.9162
Regulatory Asset Recovery	\$/kW	(0.1223)
Retail Transmission Rate – Network Service Rate	\$/kW	1.2856
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.6949
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
Easement letter	\$	15.00
Account history	\$	15.00
Returned cheque charge (plus bank charges)	\$	25.00
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

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Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect charge - At Meter – during regular hours	\$	65.00
Disconnect/Reconnect charge - At Meter – after regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - during regular hours	\$	185.00
Disconnect/Reconnect charge - 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	\$	1000.00
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	1.0457
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0352
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045