



RP-2005-0020
EB-2005-0420

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 Tillsonburg
Hydro Incorporated 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

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

Tillsonburg 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 Tillsonburg 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

intervenor and Tillsonburg 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.

Tillsonburg Hydro has requested an amount of \$3,043,176 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$487,088 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Tillsonburg Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Large User Rate; and
- Consequences of the Generic Decision (EB-2005-0529).

Large User Rate

Tillsonburg Hydro proposed a new Large User rate for application to an existing customer in the GS>50 TOU rate class and a potential new customer in the service territory.

The Board appreciates the need for large user customer classes in most utilities and strives to create consistency among distributors where it is reasonable. However, having reviewed the evidence supporting the proposed Large User rate, the Board is not satisfied with the amount of detail that has been provided in the filing. The Board is concerned that the introduction of a new class, as distinct from the re-setting of rates for an existing class, would invariably have effects on cost allocation for the entire customer base which are not sufficiently documented, and may be changed in the near term through the Board's cost allocation review. Therefore, the Board does not approve the proposed Large User rate at this time. It is open to Tillsonburg Hydro to propose such a rate in future rate filings, and it is the expectation of the Board that a detailed cost allocation will be required.

The consequences of the Board's finding on this matter are reflected in the Tariff of Rates and Charges appended to 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 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 \$3,063,058, including a debit amount of \$487,088 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 Tillsonburg Hydro Incorporated'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 Tillsonburg Hydro Incorporated, and is final in all respects.
3. Tillsonburg Hydro Incorporated 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"

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April 12, 2006

ONTARIO ENERGY BOARD

Tillsonburg Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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

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APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

- DISTRIBUTION RATES - May 1, 2006 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2006 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2006 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification applies to an account in one of three categories of residential services: single-family or single-unit homes, multi-family buildings, and subdivision developments. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

General Service Less Than 50 kW

This classification applies to a non residential account whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

General Service 50 to 499 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 500 kW. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

General Service 500 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, 500 kW but less than 5,000 kW. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

Unmetered Scattered Load

This classification applies to an account 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. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

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. Further servicing details are available in Tillsonburg Hydro's Conditions of Service.

Tillsonburg Hydro Inc.

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential

| | | |
|--|--------|--------|
| Service Charge | \$ | 11.55 |
| Distribution Volumetric Rate | \$/kWh | 0.0158 |
| Regulatory Asset Recovery | \$/kWh | 0.0045 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0055 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0045 |
| 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 | \$ | 24.81 |
| Distribution Volumetric Rate | \$/kWh | 0.0099 |
| Regulatory Asset Recovery | \$/kWh | 0.0020 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0050 |
| 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 499 kW

| | | |
|--|--------|--------|
| Service Charge | \$ | 110.77 |
| Distribution Volumetric Rate | \$/kW | 0.8241 |
| Regulatory Asset Recovery | \$/kW | 0.6184 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.9295 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.5798 |
| 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 500 to 4,999 kW

| | | |
|---|--------|----------|
| Service Charge | \$ | 1,148.09 |
| Distribution Volumetric Rate | \$/kW | 0.4730 |
| Regulatory Asset Recovery | \$/kW | 0.5778 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | \$/kW | 2.5333 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | \$/kW | 2.1518 |
| 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) | \$ | 12.27 |
| Distribution Volumetric Rate | \$/kWh | 0.0099 |
| Regulatory Asset Recovery | \$/kWh | 0.0046 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0050 |
| 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 |

Tillsonburg Hydro Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2006

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Sentinel Lighting

| | | |
|--|--------|--------|
| Service Charge (per connection) | \$ | 1.17 |
| Distribution Volumetric Rate | \$/kW | 7.2502 |
| Regulatory Asset Recovery | \$/kW | 1.3819 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.5886 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3007 |
| 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) | \$ | 1,324.84 |
| Distribution Volumetric Rate | \$/kW | 4.4391 |
| Regulatory Asset Recovery | \$/kW | 0.2615 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.5845 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.2973 |
| 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 | | |
| Returned Cheque (plus bank charges) | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Special Meter Reads | \$ | 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 |
| 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 |
| Install/Remove Load Control Device – After Regular Hours | \$ | 185.00 |
| Service Call – After Regular Hours | \$ | 165.00 |
| 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 | 1.0422 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | N/A |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0317 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | N/A |