



**RP-2005-0020**  
**EB-2005-0448**

**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 Waterloo  
North Hydro 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**

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

Waterloo 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 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 Waterloo 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.

Waterloo Hydro has requested an amount of \$24,326,147 as revenue to be recovered through distribution rates and charges. Included in this amount is a credit of \$946,021 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Waterloo Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Transformation Assets;
- Low Voltage Rates; and
- Impact of the Generic Decision (EB-2005-0529).

### **Transformation Assets**

Some assets operated by a distributor may be classified as part of a transmission system according to the definition of "transmission system" in the *Ontario Energy Board Act, 1998*. The Board has the power, under section 84 of the Act, to determine that transmission system assets are part of a distribution system, and can therefore treat them as distribution assets for the purpose of setting distribution rates. In this

Application, Waterloo Hydro has requested that their transformation assets be deemed to be distribution assets in its rate base.

The Board deems the transformation assets as distribution assets. The costs associated with those assets are included in the revenue requirement for the Applicant. As a result, the \$1.50/kW for transformation services will no longer apply after May 1, 2006.

### **Low Voltage Rates**

Waterloo Hydro is embedded in the networks of three other electricity distributors, Hydro One Networks Inc. (Hydro One Networks), Kitchener-Wilmot Hydro Inc., and Cambridge and North Dumfries Hydro Inc. Portions of Waterloo Hydro's distribution system are supplied at low voltage (below 50 kV) by these three host distributors. In each of their 2006 rate applications, each host distributor has applied for a Low Voltage (LV) wheeling rate to be charged to Waterloo Hydro on an ongoing basis to recover the costs of using their distribution networks to supply Waterloo Hydro's system.

The Board notes that the estimate by Waterloo Hydro of its LV costs reflects Hydro One Networks currently approved LV rate of \$0.56/kW but not the LV costs that may be levied on it by Kitchener-Wilmot Hydro Inc. and by Cambridge and North Dumfries Hydro Inc. 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 Waterloo Hydro has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount: i) does not reflect the updated Hydro One Networks rate; and ii) does not include any LV cost recovery for charges to be levied by Kitchener-Wilmot Hydro Inc. and Cambridge and North Dumfries Inc. 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. Given that Kitchener-Wilmot Hydro Inc. and Cambridge and North Dumfries Hydro Inc. have proposed individual LV rates, the Board is of the view that Waterloo Hydro's rates should reflect the LV rates authorized by the Board for the three host distributors. Accordingly, the Board has revised the amount for LV charge recovery in Waterloo Hydro's revenue requirements.

At the time of this decision, the LV charge for Cambridge and North Dumfries had not been finalized. The Board has included the proposed rate from Cambridge and North Dumfries of \$0.10/kW as the charge to be included for LV rates for the Applicant. If the approved Cambridge and North Dumfries rate differs from this amount, that difference will be recorded in the account that tracks variances for LV charges.

### **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 \$24,665,713, including a credit amount of \$946,021 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 Waterloo North Hydro 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 out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Waterloo North Hydro Inc., and the rates and charges are final in all respects.
- 3) Waterloo North Hydro 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"

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April 12, 2006

ONTARIO ENERGY BOARD

# Waterloo North 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 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. 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 999 kW non-interval metered
- General Service 50 to 999 kW interval metered
- General Service 1,000 to 4,999 kW interval metered.

##### 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 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.



# Waterloo North Hydro Inc.

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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	15.02
Distribution Volumetric Rate	\$/kWh	0.0134
Regulatory Asset Recovery	\$/kWh	(0.0008)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0019
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	\$	31.32
Distribution Volumetric Rate	\$/kWh	0.0107
Regulatory Asset Recovery	\$/kWh	(0.0009)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0017
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	\$	189.90
Distribution Volumetric Rate	\$/kW	3.6218
Regulatory Asset Recovery	\$/kW	(0.1947)
Retail Transmission Rate – Network Service Rate – (less than 1,000 kW)	\$/kW	2.1218
Retail Transmission Rate – Network Service Rate – Interval Metered (less than 1,000 kW)	\$/kW	2.2535
Retail Transmission Rate – Network Service Rate – Interval Metered (1,000 to 4,999 kW)	\$/kW	2.2508
Retail Transmission Rate – Line and Transformation Connection Service Rate – (less than 1,000 kW)	\$/kW	0.6855
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered (less than 1,000 kW)	\$/kW	0.8563
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered (1,000 to 4,999 kW)	\$/kW	0.8553
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

##### Large Use

Service Charge	\$	6,780.88
Distribution Volumetric Rate	\$/kW	2.7712
Regulatory Asset Recovery	\$/kW	(0.8509)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.4952
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	0.8593
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

# Waterloo North Hydro Inc.

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#### Unmetered Scattered Load

Service Charge (per connection)	\$	15.53
Distribution Volumetric Rate	\$/kWh	0.0106
Regulatory Asset Recovery	\$/kWh	(0.0012)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0017
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)	\$	0.34
Distribution Volumetric Rate	\$/kW	6.8626
Regulatory Asset Recovery	\$/kW	(1.0991)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6002
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.5299
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		
Easement Letter	\$	15.00
Notification Charge	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	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
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter – during regular hours	\$	65.00
Disconnect/Reconnect at meter – after regular hours	\$	185.00
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	1.0505
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0400
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045