



RP-2005-0020
EB-2005-0430

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 Wellington North Power 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

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

WNPI 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.

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 WNPI 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 WNPI 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.

WNPI has requested an amount of \$1,706,268 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$24,316 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that WNPI has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Low Voltage Rates;
- Tier 2 Adjustments;
- Loss Factor;
- Supplemental Disclosure; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

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

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 WNPI 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 WNPI'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 WNPI's revenue requirement.

Tier 2 Adjustments

The Applicant requested \$627,000 in Tier 2 capital and operating adjustments.

The Applicant noted that it began the 1999 RUD process with negative returns and thus meets the eligibility requirements for Tier 2 adjustments. The Applicant claimed that the adjustments are justified by the financial hardship the utility has experienced.

WNPI stated that its negative returns caused a cumulative \$739,449 loss of revenue from 2001 to 2005 and it is the bulk of this loss that the Applicant sought to recover in the Application. The additional capital expenditures and distribution expenses sought are for safety and reliability improvements that the Applicant had to postpone due to the negative returns. Of the six planned capital expenditures, four projects are aimed at reducing line losses (mostly replacement conductors), one project is aimed at reducing energy consumption, and one project is aimed at improving system integrity. The six capital projects total \$577,000 and are anticipated to be in service or completed by the end of 2006. The remaining \$50,000 sought is to ease the staff work overload by hiring one additional staff member.

The Vulnerable Energy Consumers Coalition ("VECC") stated that the Tier 2 adjustments requested are consistent with the Handbook and should be approved by the Board.

The Board is satisfied that the documentation adequately supports the proposed expenditures. The Board notes that the six projects are anticipated to be in service by year-end 2006 and that a reduction in line losses is expected as a result of the proposed expenditures. The Board approves the Tier 2 adjustment of \$577,000 for the six projects, and will adjust the Applicant's rate base accordingly.

The Board will not approve the requested \$50,000 for additional staff. The Board finds that insufficient justification was provided to demonstrate that 2004 operating expenses were unusually low and unsustainable.

Loss Factor

The Applicant requested approval of a 7.26% Loss Factor.

WNPI explained the relatively high loss factor on the fact that during the past five years the utility has had to delay capital expenditures because of the 1999 negative net income and that the Tier 2 adjustments it applied for would reduce the line losses it is currently experiencing.

The Board notes that the RP-2004-0188 Report of the Board dated May 11, 2005 stated that any distributor whose 3-year average of distribution losses is 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 line losses. The Board approves the requested loss factor. Further, the Board is satisfied that the plan presented by WNPI regarding Tier 2 adjustments and approved by the Board meets these requirements and therefore no additional plan is required in this case.

Supplemental Disclosure

The Supplemental Disclosure is signed by the Applicant's Administrator rather than the Chief Executive Officer or the distributor's external auditor as required by the July 12, 2005 Regulatory Asset Filing Guidelines.

The Applicant provided a Supplemental Disclosure signed by the Administrator of the Corporation (who is also the Secretary/Treasurer of the Corporation). The Applicant stated that it does not have a Chief Executive Officer and that the Administrator is one of the two most senior-ranking employees of the 7-employee company; the other is the

Superintendent who manages the line crew. Both report directly to the Board of Directors.

The Board's Filing Guidelines requires that the Supplemental Disclosure be signed by the Chief Executive Officer or the company's external auditors. However, the Board notes that the company does not have a Chief Executive Officer and that, in the absence of such a position, the Supplemental Disclosure has been signed by the most senior employee overseeing the financial affairs of the company. The Board accepts the signature of the Applicant's Administrator.

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 file a specific smart meter plan in the revenue requirement. In this situation, the Generic Decision provides that an amount determined as \$3.50 per meter per month installed during the rate year be reflected in the Applicant's revenue requirement, instead of the smart meter-related costs proposed by the Applicant. Consequently, the amounts that the Applicant has proposed in the 2006 rate Application have been removed and replaced with the amount determined in accordance with the Generic Decision. Furthermore, the Board finds in this Decision that this smart meter revenue will be allocated to all metered customers and recovered through the monthly service charge. The revised amount 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 \$1,655,692, including a debit amount of \$22,589 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 Wellington North Power 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 Wellington North Power Inc., and is final in all respects.
3. Wellington North Power 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

Wellington North Power 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 the supply of electrical energy to Customers residing in residential dwelling units. Energy is generally supplied as single phase, 3-wire, 60-Hertz, having a nominal voltage of 120/240 Volts.

General Service Less Than 50 kW

This classification applies to customers in General Service buildings with a connected load less than 50 kW, and Town Houses and Condominiums that require centralized bulk metering. General Service buildings are defined as buildings that are used for purposes other than single-family dwellings.

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.

General Service 50 to 4,999 kW Time of Use

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 and are interval metered.

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, decorative street lighting, billboards, 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.

Sentinel Lighting

This classification refers to accounts for unmetered lighting loads supplied to sentinel lights.

Street Lighting

This classification refers to accounts for roadway lighting with a Municipality, Regional Municipality, and Ministry of Transportation. 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.

Wellington North Power Inc.

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	9.89
Distribution Volumetric Rate	\$/kWh	0.0132
Regulatory Asset Recovery	\$/kWh	0.0032
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0048
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0052
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	\$	16.56
Distribution Volumetric Rate	\$/kWh	0.0087
Regulatory Asset Recovery	\$/kWh	0.0000
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
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 50 to 4,999 kW

Service Charge	\$	142.99
Distribution Volumetric Rate	\$/kWh	1.4003
Regulatory Asset Recovery	\$/kWh	(0.2805)
Retail Transmission Rate – Network Service Rate	\$/kWh	1.7757
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	1.8436
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 Time of Use

Service Charge	\$	1,599.16
Distribution Volumetric Rate	\$/kW	2.3720
Regulatory Asset Recovery	\$/kW	(0.5201)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.8860
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0210
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 customer)	\$	7.96
Distribution Volumetric Rate	\$/kWh	0.0087
Regulatory Asset Recovery	\$/kWh	0.0028
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
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 (if applicable)	\$	0.25

Wellington North Power Inc.

TARIFF OF RATES AND CHARGES

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Sentinel Lighting

Service Charge (per connection)	\$	0.47
Distribution Volumetric Rate	\$/kW	3.3781
Regulatory Asset Recovery	\$/kW	7.9850
Retail Transmission Rate – Network Service Rate	\$/kW	1.3460
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4550
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)	\$	0.27
Distribution Volumetric Rate	\$/kW	1.9226
Regulatory Asset Recovery	\$/kW	(0.3634)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3392
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4252
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		
Notification charge	\$	15.00
Account history	\$	15.00
Returned cheque charge (plus bank charges)	\$	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
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
Interval Meter Load Management Tool	\$	50.00
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary service install & remove – overhead – no transformer	\$	500.00
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	1.0726
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A

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Total Loss Factor – Primary Metered Customer < 5,000 kW
Total Loss Factor – Primary Metered Customer > 5,000 kW

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1.0619
N/A