



RP-2005-0020
EB-2005-0431

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 West Coast
Huron Energy 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

DECISION AND ORDER

West Coast Huron Energy Incorporated (“West Coast Huron” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its defined service area. West Coast Huron 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.

West Coast Huron 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.

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 West Coast Huron 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.

West Coast Huron was also a party to a separate hearing (EB-2004-0513), which dealt with rates charged to West Coast Huron's single large use customer, Sifto Canada Inc ("Sifto"). The outcome of that hearing had direct impacts on West Coast Huron's 2006 rate application, both in terms of ongoing rates to all customers and with respect to balances in regulatory asset accounts. As a part of the EB-2004-0513 Decision, West Coast Huron was directed to re-file its 2006 distribution rates application to reflect the outcome of the EB-2004-0513 proceeding. Therefore, this Decision refers to the application as re-filed by West Coast Huron, which itself incorporated the effects of the EB-2004-0513 Decision. For additional certainty, this Decision does not alter any of the outcomes of the EB-2004-0513 proceeding, but does deal with some derivative issues.

In its initial application, West Coast Huron requested an amount of \$1,862,696 as revenue to be recovered through distribution rates and charges. Included in this amount was a credit of \$12,520 for the recovery of regulatory assets. As a result of the EB-2004-0513 Decision, these amounts were revised to \$2,239,889 and a debit of \$364,674.

Except where noted in this Decision, the Board finds that West Coast Huron has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Recovery of Legal and Consulting Costs;
- Rate Mitigation Proposals;
- Distribution Loss Adjustment Factors; and
- Impact of the Generic Decision (EB-2005-0529).

Recovery of Legal and Consulting Costs

West Coast Huron initially claimed \$81,459 plus estimated interest of \$10,763 for consulting fees incurred up to December 31, 2002, arising from a former proceeding in which Sifto challenged the previously approved Large User distribution rates. That proceeding was stayed by legislation. The total amount of \$92,222 was reclassified from account 1570 "Qualifying Transition Costs" to account 1572 "Extra-Ordinary Event Losses" and was allocated to the Large User class.

In connection with the EB-2004-0513 proceeding, West Coast Huron incurred further legal and consulting costs, to a total of \$225,791, including the costs noted above. In addition, Sifto was awarded its costs in that proceeding by the Board, which costs, upon their determination by the Board, will be payable by West Coast Huron. West Coast Huron contends that Sifto's cost award should not exceed \$76,341. Using West Coast Huron's figure for the Sifto cost award, the total of these costs reflected in West Coast Huron's application is \$302,132.

West Coast Huron made two further proposals regarding these amounts. First, West Coast Huron transferred the amounts to account 1508 "Other Regulatory Assets". Second, West Coast Huron proposed that it would absorb 45% percent of these costs (inclusive of the Sifto cost award), and recover from customers including Sifto the remaining 55% through regulatory asset rate riders. These proportions mirrored those that applied to the main amount found to be owing to Sifto by West Coast Huron in the EB-2004-0513 Decision.

In its submissions regarding the revised West Coast Huron application, Sifto objected to proposals that would result in Sifto paying through rates any part of West Coast Huron's legal and consulting costs, or any part of its own cost award.

There are several elements in West Coast Huron's overall proposal concerning recovery of legal and consulting costs, notably including the allocation of any allowed costs. However, the fundamental question is whether any of the costs should be allowed for inclusion in the revenue requirement. The Board finds that these costs are not allowable for recovery.

In making this finding, the Board has considered the basic question of whether there is any justification for recovering these costs from customers, rather than treating them as a consequence of normal business risks for which distributor shareholders are compensated through equity returns. The Board finds that there is no evidence to suggest that ratepayers overall have benefited from the incurrence of these legal and consulting costs, which are different in kind from the amounts found in the EB-2004-0513 proceeding to have been mis-allocated. The legal and consulting costs were undertaken at the discretion and under the control of management, and were related to a dispute in which the shareholder had a large and direct stake. The Board therefore finds that these costs will be borne by the shareholder rather than customers.

As a result of this finding, it becomes unnecessary for the Board to comment on West Coast Huron's allocation proposals, or to make any adjustments as a result of the final costs awarded to Sifto, which are yet to be determined.

Rate Mitigation Proposals

In its revised application, West Coast Huron presented proposals to mitigate rate impacts for certain rate class sub-groups. Generally, the amounts involved were in the hundreds of dollars, and the proposal involved the creation of "special temporary groups" of customers.

Given the findings in this Decision, the Board expects that mitigation and the creation of special temporary customers groups will be unnecessary and therefore does not accept the proposal.

Distribution Loss Adjustment Factors

West Coast Huron is proposing a Distribution Loss Adjustment Factor based on a three-year (2002-2004) average of 1.0686, a level greater than 5%. The 2006 Handbook requires Applicants that propose a loss factor exceeding 5% to provide an explanation for the proposed level and a loss reduction plan.

West Coast Huron explained that as a result of deregulation on May 1, 2002 and the 10 day wait between the reading and actual billing, it only issued 11 billings to its Interval and Large User customers, which affected its loss factor considerably in 2002. It stated that not recognizing unbilled revenue under these circumstances has also affected its loss factor.

The Board accepts that the one-time increase in billing lag could have affected the recognition of revenue in 2002. However, the proposed distribution loss adjustment factor in this case appears to depend in part on results that may misrepresent the ongoing level of losses, were they to be calculated based on the inclusion of unbilled sales. The exclusion of unbilled deliveries creates a mismatch for a given calendar period between supplies into the system and deliveries out of the system. Despite the uncertainty of the appropriate level of losses in the future, the Board approves the loss factor proposed of 6.86%, comforted by knowing that the accounts influenced by this factor will be "trued-up" and cleared in the future.

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 losses. No plan was proposed. Therefore, the Board directs West Coast Huron to file an action plan within 90 days detailing how it intends to reduce the level of losses.

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 \$2,163,140 and a debit amount of \$276,200 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 are 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 West Coast Huron Energy 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 supersede all previous distribution rate schedules approved by the Ontario Energy Board for West Coast Huron Energy Incorporated.
- 3) West Coast Huron Energy Incorporated shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, August, 11, 2006.

ONTARIO ENERGY BOARD



Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

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August 11, 2006

ONTARIO ENERGY BOARD

West Coast Huron Energy 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.

General Service Less Than 50 kW

This classification refers to the supply of electrical energy to General Service Buildings requiring a connection with a connected load less than 50 kW, and, Town Houses and Condominiums described in section 3.1.8 of the distributor's Conditions of Service 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 499 kW

This classification refers to the supply of electrical energy to General Service Customers requiring a connection with a connected load or whose average monthly maximum demand used for billing purposes is equal to or greater than 50 kW but less than 500 kW.

General Service 500 to 4,999 kW

This classification refers to the supply of electrical energy to General Service Customers requiring a connection with a connected load or whose average monthly maximum demand used for billing purposes is equal to or greater than 500 kW but less than 5,000 kW.

Large Use

This classification refers to the supply of electrical energy to General Service Customers requiring a connection with a connected load or 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 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.

Sentinel Lighting

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

West Coast Huron Energy

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Street Lighting

This classification refers 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.

MONTHLY RATES AND CHARGES

Residential

| | | |
|--|--------|--------|
| Service Charge | \$ | 13.90 |
| Distribution Volumetric Rate | \$/kWh | 0.0083 |
| Regulatory Asset Recovery | \$/kWh | 0.0058 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0048 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0043 |
| 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 | \$ | 33.00 |
| Distribution Volumetric Rate | \$/kWh | 0.0052 |
| Regulatory Asset Recovery | \$/kWh | 0.0022 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0044 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0039 |
| 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 | \$ | 396.99 |
| Distribution Volumetric Rate | \$/kW | 1.0547 |
| Regulatory Asset Recovery | \$/kW | 0.3273 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.7787 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.5500 |
| 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 | \$ | 3,428.28 |
| Distribution Volumetric Rate | \$/kW | 1.4521 |
| Regulatory Asset Recovery | \$/kW | 0.5146 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.8891 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.6992 |
| 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 | \$ | 8,532.88 |
| Distribution Volumetric Rate | \$/kW | 0.7487 |
| Regulatory Asset Recovery | \$/kW | 0.2774 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | \$/kW | 2.0918 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | \$/kW | 1.9431 |
| 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) | \$ | 33.00 |
| Distribution Volumetric Rate | \$/kWh | 0.0052 |
| Regulatory Asset Recovery | \$/kWh | 0.0063 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0044 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0039 |
| 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) | \$ | 5.56 |
| Distribution Volumetric Rate | \$/kW | 4.1621 |
| Regulatory Asset Recovery | \$/kW | 7.0793 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.3483 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.2233 |
| 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) | \$ | 0.70 |
| Distribution Volumetric Rate | \$/kW | 2.6195 |
| Regulatory Asset Recovery | \$/kW | 0.7115 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.3415 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.1983 |
| 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 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Returned Cheque (plus bank charges) | \$ | 15.00 |
| 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 Charge - At Meter During Regular Hours | \$ | 65.00 |

West Coast Huron Energy

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| | | |
|---|----|--------|
| 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 | 1.0145 |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0619 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | 1.0045 |