



RP-2005-0020
EB-2005-0436

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 Woodstock
Hydro Services 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

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

Woodstock 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.

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 this rate Application made by Woodstock 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 Board also received one letter of comment from a ratepayer of Woodstock Hydro. 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.

Woodstock Hydro has requested an amount of \$7,825,033 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$335,951 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Woodstock Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

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

- Cost of Debt;
- Low Voltage Wheeling Charges;
- Bad Debt;
- Rate Increase Impact; and
- Impact of the Generic Decision (EB-2005-0529).

Cost of Debt

The Applicant included in its Application a cost of debt of 7.25% for the debt held by its municipal shareholder. The record of the Application indicates that the debt rate in place in previous years was 6.756%, which the Applicant explained was negotiated with its shareholder before it was earning a full Market-based Rate of Return.

The Handbook provides that for debt held by an affiliate, the debt rate allowed is the lower of the actual debt rate and the deemed debt rate at time of issuance. For debt issued after May 12, 2005, the updated debt rate of 6.25% documented in the Handbook is applicable unless the actual rate is lower. This would also apply to variable or renegotiated debt, or to debt whose rate is tied to the current rate allowed by the Board.

The Applicant indicated that it believed that the 7.25% rate would apply as it would be earning a full Market-based Rate of Return of 9.0% based on its proposed rates. There is no specific indication as to when the Applicant and its shareholder actually reset the debt rate, although the Applicant had rates in place incorporating a full Market-Based Rate of Return effective May 1, 2005 as a result of Board approval of its 2005 rate application.

The evidence on the record of this proceeding indicates that Woodstock Hydro's cost of debt in the previous years was 6.756%. This was lower than the size-related deemed debt rate applicable to a distributor of Woodstock Hydro's size per the original Distribution Rate Handbook issued in March 2000, but higher than the current size-related debt rate updated in the current Handbook.

The Board finds that the allowed cost of debt for Woodstock Hydro is 6.756%, and has revised the Applicant's revenue requirement to reflect this. Woodstock Hydro has not provided evidence that a firm long-term rate applies to the debt. However, the Board accepts that the debt in question is not newly issued, and therefore will not require the lower rate of 6.25%.

Low Voltage Wheeling Charges

Woodstock Hydro provides Low Voltage ("LV") wheeling distribution services to part of Hydro One Networks' distribution service area, and applied for an LV rate of \$0.11/kW to be charged as of May 1, 2006. There was no evidence filed by other parties with respect to the proposed LV wheeling rate.

The Board finds Woodstock Hydro's LV rates to be charged for wheeling services provided to Hydro One Networks from May 1, 2006 onwards to be reasonable and approves them.

Woodstock Hydro also applied for approval of a one-time charge to Hydro One Networks of \$15,425 plus applicable carrying charges, for deferred LV charges. In 2001, Woodstock Hydro applied and received approval to track these LV charges in a deferral account. The principal of \$15,425 is the total of amounts not yet billed for distribution wheeling services provided to Hydro One Networks, at the previously applied-for rate of \$0.11/kW.

Since a Board-authorized account exists to track these amounts, the Board authorizes

the one-time charge for historical LV services to Hydro One as proposed by the Applicant.

Bad Debt

The Applicant has recorded in Regulatory Asset Account 1572 an amount of \$229,995 plus subsequent carrying charges related to the loss of a major customer in 2001, and is seeking final approval for recovery of this material bad debt.

The Board will not authorize the recovery of this bad debt amount because the Board views the amounts being sought to be out of period. This request by the Applicant is unusual and there is a high onus on the Applicant to demonstrate why it is appropriate to recover the out of period amounts. Agreeing to the Applicant's request would constitute retroactive ratemaking, a practice not endorsed by the Board. In fact, retroactivity is not permitted by the courts when rates have been declared final. Under Bill 210, the rates for electricity distributors were made final. In making this finding, the Board has concluded that failure to recover the requested amount will not cause unmanageable financial hardship to the Applicant.

Rate Increase Impact

In its argument filed on January 3, 2006, the Vulnerable Energy Consumers Coalition ("VECC") argued that Woodstock Hydro's distribution rate increase, in aggregate, for 2006 compared to 2005 is over 25%. The 2006 rates are based on a 2004 historical base, while those for 2005 and earlier years are derived from 1999 data with subsequent adjustments. VECC compared this 25% increase to the cumulative inflation over the period 1999 to 2004 of about 10%.

VECC stated that it had sought further explanation through discovery. Even allowing for staffing increases, Woodstock Hydro's increases are more than 20%, and VECC cautioned the Board about such sizable increases. However, VECC stated that, while it had not conducted a comprehensive review, it believed that Woodstock Hydro's rate Application is consistent with the Handbook.

In reply argument filed on January 13, 2006, Woodstock Hydro acknowledged that its proposed rate increases are relatively large, but considers that the 2006 rate-setting process is, for it, a catch-up with similar utilities. Woodstock Hydro also cited the Comparators and Cohorts study released by the Board in December 2005 and referred

to normalized comparator scores which indicate that its costs are generally lower than average for its cohort.

The Board's objectives require it to consider the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service, and the financial viability of the electricity industry.

The rates for 2006 are based on 2004 data, while current rates are, in large part, based on significantly older 1999 data. The Board notes that depending on a distributor's circumstances, its revenue requirement and associated rates resulting from the updated test year could be substantially lower or higher than present levels. Comparisons to existing rates are relevant but not determinative in establishing new rates, especially in cases where structural differences exist between former and prospective cost structures.

The Board finds that Woodstock Hydro has generally provided adequate support for its Application. The Board will not require any particular mitigation of rate levels. The Board finds that the rates, once adjusted for the rulings in this Decision, are just and reasonable.

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 \$7,665,386, including a debit amount of \$184,825 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 Woodstock Hydro Services 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 Woodstock Hydro Services Inc., and is final in all respects.
- 3) Woodstock Hydro Services 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 fluid and cursive, with the first name "John" written in a larger, more prominent script than the last name "Zych".

John Zych
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0436

April 12, 2006

ONTARIO ENERGY BOARD

Woodstock Hydro Services 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

RP-2005-0020
EB-2005-0436

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.

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.

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.

Embedded Distributor

This classification applies to an electricity distributor licensed by the Board, that is provided electricity by means of this distributor's facilities.

Woodstock Hydro Services Inc.

TARIFF OF RATES AND CHARGES

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RP-2005-0020
EB-2005-0436

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	11.42
Distribution Volumetric Rate	\$/kWh	0.0192
Regulatory Asset Recovery	\$/kWh	0.0007
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
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	\$	21.83
Distribution Volumetric Rate	\$/kWh	0.0124
Regulatory Asset Recovery	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
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 4,999 kW

Service Charge	\$	296.53
Distribution Volumetric Rate	\$/kW	1.8137
Regulatory Asset Recovery	\$/kW	0.2137
Retail Transmission Rate – Network Service Rate	\$/kW	2.2502
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7825
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	\$	13,944.58
Distribution Volumetric Rate	\$/kW	2.4686
Regulatory Asset Recovery	\$/kW	(0.1353)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.8066
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.0899
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)	\$	10.78
Distribution Volumetric Rate	\$/kWh	0.0124
Regulatory Asset Recovery	\$/kWh	0.0082
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
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

Woodstock Hydro Services Inc.

TARIFF OF RATES AND CHARGES

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RP-2005-0020
EB-2005-0436

Street Lighting

Service Charge (per connection)	\$	0.88
Distribution Volumetric Rate	\$/kW	3.5088
Regulatory Asset Recovery	\$/kW	(0.4078)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6609
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3157
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Embedded Distributor

Low Voltage Wheeling Charge Rate	\$/kW	\$0.11
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Specific Service Charges

Customer Administration		
Notification Charge	\$	4.00
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
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	\$	15.00
Disconnect/Reconnect at meter – during regular hours	\$	30.00
Disconnect/Reconnect at meter – after regular hours	\$	55.00
Install / remove load control device – during regular hours	\$	30.00
Install / remove load control device – after regular hours	\$	55.00
Pre-paid Meter – Monthly Service Charge	\$	7.50
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	1.0440
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0335
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045