



EB-2007-0594

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 Canadian
Niagara Power Inc. – Eastern Ontario Power for an order
or orders approving or fixing just and reasonable
distribution rates and other charges, to be effective May
1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Canadian Niagara Power Inc. – Eastern Ontario Power (“CNPI-Eastern Ontario” or the “Applicant”) is a licensed distributor providing electrical service to consumers within its licensed service area. CNPI-Eastern Ontario filed an 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 charges, to be effective May 1, 2007.

CNPI-Eastern Ontario is one of 85 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 issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “Report”)

on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments (“the guidelines”) for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of CNPI-Eastern Ontario’s rate application was given through newspaper publication in CNPI-Eastern Ontario’s service area. The evidence filed as part of the rate application was made available to the public. Both CNPI-Eastern Ontario and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions. While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

CNPI-Eastern Ontario’s rate application was filed on the basis of the guidelines. In fixing new rates and charges for CNPI-Eastern Ontario, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The large corporation tax allowance that was included in 2006 rates was removed prior to the application of the price cap index adjustment:

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

CNPI-Eastern Ontario requested an amount for smart meter costs. The Board has approved an amount of \$0.26 per month per metered customer. CNPI-Eastern Ontario's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. It is the Board's understanding that CNPI-Eastern Ontario will not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007. The amount collected through the smart meter rate adder will be booked into the existing variance accounts, and retained in those accounts, to help fund future smart meter activity. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

Notwithstanding CNPI-Eastern Ontario's general compliance with the guidelines, the Board reviewed the following issue in detail:

- Outstanding matter from CNPI-Eastern Ontario's 2006 EDR decision - elimination of TOU General Service rates.

Elimination of TOU General Service rates

In its 2006 EDR application, CNPI-Eastern Ontario requested a change to the name of its General Service >50 kW TOU class to General Service >50 kW Legacy and that the class be closed to new customers. CNPI-Eastern Ontario also has a conventional General Service >50 kW class but with a different rate structure of fixed and variable charges.

On April 28, 2006 the Board issued its Decision and Order on CNPI-Eastern Ontario's 2006 EDR application. In that decision the Board noted that the approved rates in the Legacy class are more advantageous to higher demand customers, and that if the Legacy rate class were closed, customers with similar load characteristics to those in the Legacy class would be treated unequally by not having access to the Legacy rates. The Board denied CNPI-Eastern Ontario's request to close the rate class.

However, the Board accepted the proposed rate levels for the TOU class on a temporary basis until such time as the Board approved a new rate structure reflecting the elimination of the GS>50 kW TOU rate class. The Board directed CNPI-Eastern Ontario to file a rate design proposal within 90 days of the issuance of the April 28, 2006

decision. The proposal was to reflect a revised general service rate that treats all qualifying customers fairly and equally, based on load characteristics.

On July 27, 2006, CNPI-Eastern Ontario submitted its rate design proposal in accordance with the April 28, 2006 order. However, in light of certain economic developments in CNPI-Eastern Ontario's service area, CNPI-Eastern Ontario withdrew its proposal on September 6, 2006 and stated that it will file a more comprehensive proposal in the 4th quarter of 2006.

The Board notes that no revised proposal has been filed to date and that CNPI-Eastern Ontario applied to continue both its TOU and conventional GS >50 kW classes for its 2007 IRM adjustment.

On March 5, 2007, CNPI-Eastern Ontario filed a clarification letter with the Board providing an update on the status of the rate design proposal. In that communication CNPI-Eastern Ontario notified the Board that two of the six consumers in the TOU class have disappeared, a third has indicated that it will cease operations by early 2007 and a fourth may follow suit. The Applicant requested additional time to re-evaluate its approach to the elimination of the TOU class. The Applicant explained that rather than impair the Board's IRM process, it elected to proceed with its 2007 application based on the 2006 EDR decision including maintaining the temporary TOU class. The Applicant stated that it intends to approach the Board following the 2007 EDR process to discuss and explore possible alternatives to address the Board's 2006 rate order and the distribution revenue impacts of the recent economic developments in CNPI-Eastern Ontario's service territory.

In light of the new information submitted by CNPI-Eastern Ontario regarding the changing economic conditions in CNPI-Eastern Ontario's service territory, the Board finds that CNPI-Eastern Ontario's request to extend the period for filing a revised rate design proposal is reasonable. The Board will therefore allow CNPI-Eastern Ontario to temporarily maintain the TOU rate class as revised by the IRM adjustments approved in this decision.

Furthermore, the Board will expect CNPI-Eastern Ontario to file a revised rate design proposal as part of its next cost of service application. The proposal should conform to the conditions and specifications outlined in the April 28, 2006 decision.

The Board has made the necessary adjustments to CNPI-Eastern Ontario's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
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 Eastern Ontario, and is final in all respects.
3. CNPI-Eastern Ontario shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. CNPI-Eastern Ontario shall file a revised rate design proposal that eliminates the temporarily approved General Service >50 kW TOU class as part of its next cost of service application.

DATED at Toronto, April 12, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

EB-2007-0594

April 12, 2007

ONTARIO ENERGY BOARD

Canadian Niagara Power – Eastern Ontario Power

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

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, 2007 for all consumption or deemed consumption services used on or after that date.
 SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
 LOSS FACTOR ADJUSTMENT – May 1, 2007 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

The Residential Class (Regular) refers to a service taking electricity normally at 750 volts or less where the electricity is used for domestic and household purposes in a single family unit. A single family unit being a permanent structure located on a single parcel of land and approved by a civic authority as a dwelling and occupied for that purpose by a single customer.

Residential rates are also applied to apartment buildings with 6 units or less that are bulk metered. Apartment buildings with more than 6 units that are bulk metered are deemed to be General Service.

General Service Less Than 50 kW

This classification refers to the supply of electrical energy to single commercial or industrial customer and whose average peak demand is (or is forecasted to be) less than 50 kW. Single commercial or industrial customers are interpreted as a structure or structures on a single parcel of land occupied by one customer. An apartment building with more than 6 units that is bulk metered and has an average peak demand less than 50 kW is deemed to be General Service less than 50 kW. The common area of a separately metered apartment building having a demand less than 50 kW is also deemed to be General Service less than 50 kW.

General Service 50 to 4,999 kW

This classification refers to the supply of electrical energy to single commercial or industrial customer and whose average peak demand is (or is forecasted to be) equal to or greater than 50 kW but less than 5000 kW. Single commercial or industrial customers are interpreted as a structure or structures on a single parcel of land occupied by one customer.

General Service 50 to 4,999 kW – Time of Use

This classification refers to the supply of electrical energy to single commercial or industrial customers requesting time of use rates and whose average peak demand is (or is forecasted to be) equal to or greater than 50 kW but less than 5000 kW. Single commercial or industrial customers are interpreted as a structure or structures on a single parcel of land occupied by one customer

Unmetered Scattered Load

This classification refers to the supply of electrical service to a Customer that is deemed to have a constant load over a billing period, normally with minimum electrical consumption. Energy consumption is based on connected wattage and calculated hours of use. Examples of unmetered scattered load are cable television amplifiers billboards, area lighting.

Sentinel Lighting

This classification refers to dusk to dawn lighting to residential and general service customers.

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Street Lighting

This classification refers to the supply of electrical service for roadway lighting. Energy consumption is based on connected wattage and calculated hours of use. Customers are usually a Municipality, Region or the Ministry of Transportation.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	16.18
Distribution Volumetric Rate	\$/kWh	0.0072
Regulatory Asset Recovery	\$/kWh	0.0035
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
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
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	32.58
Distribution Volumetric Rate	\$/kWh	0.0153
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
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
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	758.14
Distribution Volumetric Rate	\$/kW	3.4921
Regulatory Asset Recovery	\$/kW	(0.1374)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9261
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5517
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW – Time of Use

Service Charge	\$	3,263.36
Distribution Volumetric Rate	\$/kW	1.1876
Regulatory Asset Recovery	\$/kW	(0.2020)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0457
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7011
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

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Unmetered Scattered Load

Service Charge (per customer)	\$	32.58
Distribution Volumetric Rate	\$/kWh	0.0153
Regulatory Asset Recovery	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0047
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
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge	\$	1.76
Distribution Volumetric Rate	\$/kW	2.5967
Regulatory Asset Recovery	\$/kW	1.5041
Retail Transmission Rate – Network Service Rate	\$/kW	1.4600
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2247
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	1.75
Distribution Volumetric Rate	\$/kW	2.3948
Regulatory Asset Recovery	\$/kW	0.9996
Retail Transmission Rate – Network Service Rate	\$/kW	1.4526
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1996
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears Certificate	\$	15.00
Statement of Account	\$	15.00
Pulling Post Dated Cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	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
Charge to certify cheques	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

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Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection – during regular hours	\$	30.00
Collection of account charge – no disconnect – after regular hours	\$	165.00
Disconnect/Reconnect Charges - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charges - At Meter After 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
Install/remove load control device – after regular hours	\$	185.00
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Temporary service install & remove – overhead – with transformer	\$	1,000.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(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	1.0715
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0608
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A