

January 26, 2007

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

Dear Kirsten,

**Re: Norfolk Power Distribution Inc.  
Application for 2007 Distribution Rates**

Norfolk Power Distribution Inc. (Norfolk Power) is pleased to submit to the Ontario Energy Board ("OEB") its 2007 distribution rate application, in compliance with the OEB letter dated December 20, 2006 that directs the company to file its distribution rate application by January 26, 2007. The December 20<sup>th</sup> letter was accompanied by the OEB's Report on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors. The Report detailed the Board's policies on the cost of capital and 2nd generation incentive regulation mechanism and includes filing requirements to guide a distributor in the preparation of their rate applications for the 2007 rate year.

The filing guidelines indicate that each application should include a completed incentive regulation mechanism model ("IRM Model") and a brief Manager's Summary explaining all rate adjustments applied for. The completed IRM Model is attached and this letter will constitute a brief Manager's Summary for Norfolk Power 2007 rate application. Information that is provided in the IRM Model will not be repeated in this letter. Eight paper copies of this letter and the completed IRM Model will be courier to your office. An electronic copy of the application will be also sent today.

**Price Cap Adjustment**

Under the 2nd Generation IRM plan Norfolk Power's distribution rates for 2007 have been adjusted for two factors: a price escalator and an X factor. The OEB has determined that GDP-IPI – for final domestic demand is to be used as the price escalator for the 2nd Generation IRM. For 2007, the OEB expects Norfolk Power to use, as a proxy, the current value of 1.92% in its applications. The IRM Model includes this proxy as a reasonable estimate of the index result. Norfolk

Power understands that when the final 2006 data are published by Statistics Canada in late February 2007, the OEB will adjust the inflation index in Norfolk Power's rate application model, to ensure this final published number is used to adjust rates.

The OEB approved X-Factor of 1.0% is applied to reduce the upward adjustment resulting from the GDP-IPI value. The X-Factor represents the annual average expected productivity gain to be achieved by a distributor.

The IRM Model applied the price cap adjustment to fixed and variable distribution rates net of the 2006 smart meter funding increment. Norfolk Power did not have a Large Corporation Tax allowance or incremental 2006 CDM funding. Norfolk Power understands the price cap will not apply to Specific Service Charges.

### **The Smart Meter Adder**

Smart Meter Funding is currently included in the Monthly Service Charge for metered customers in accordance with the OEB's Decision RP-2005-0020/EB-2005-0529 and as approved in the OEB's Decision and Rate Order that supports Norfolk Power's current rates. The current rate adder has been removed and then re-incorporated into the 2007 rate. The amount of the rate adder may change as a result of the OEB's current review of smart meter funding. It is expected the OEB will be communicating on this issue before the end of January, 2007.

### **Conclusion**

The proposed 2007 distribution rates for Norfolk Power are shown in Sheet 10, 2007 Tariff Sheet of the IRM Model and the resulting bill impacts are shown in sheets 11, 12 and 13. The bill impact for a residential customer in Norfolk County with a monthly electricity consumption of 750 kWh, will increase by 0.32% or \$0.32 per month before GST. The same customer using 1000 kWh per month will see an increase of 0.29% or \$0.37 per month before GST.

We would be pleased to provide any further information or details that you may require relative to this application.

Yours truly,

J. F. Druyf, C.M.A.  
President & CEO  
Norfolk Power Distribution Inc.

# Norfolk Power Distribution Inc.

## Tariff OF RATES AND CHARGES

Effective May 1, 2007\*

(\*Except as otherwise noted)

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges, and Loss Factors**

EB-2007-0560

### SERVICE CLASSIFICATIONS

FOR OEB STAFF USE ONLY

#### **Residential**

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electrical energy to residential customers where such energy is used exclusively in separately 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 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 low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by NPD1 to be less than, 50 kW.

#### **General Service Less 50 to 4,999 kW**

This classification applies to general service customers with a monthly average peak demand during a calendar year equal to or greater than, or forecast by NPD1 to be equal to or greater than, 50 kW but less than 5,000 kW.

#### **Unmetered Scattered Load**

This classification applies to low voltage connection assets that operate at 750 volts or less and supply electricity to general service customers whose monthly average peak demand during a calendar year is less than, or forecast by NPD1 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 customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

#### **Sentinel Lighting**

This classification refers to lighting customers, other than street lighting customers, controlled by photo cells. The daily consumption for these customers will be based on the calculated connected load times the required night time or lighting times established in the approved OEB street lighting/sentinel lighting load shape template.

#### **Street Lighting**

This classification refers to roadway lighting customers such as the Norfolk County, Ministry of Transportation and private roadway lighting, controlled by photo cells. The daily consumption for these customers will be based on the calculated connected load times the required night time or lighting times established in the approved OEB street lighting load shape template.

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### MONTHLY RATES AND CHARGES

#### Residential

Service Charge	\$	18.49
Distribution Volumetric Rate	\$/kWh	0.0169
Regulatory Asset Recovery	\$/kWh	0.0046
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
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 Less Than 50 kW

Service Charge	\$	41.75
Distribution Volumetric Rate	\$/kWh	0.0117
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
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 Less 50 to 4,999 kW

Service Charge	\$	219.80
Distribution Volumetric Rate	\$/kW	3.0181
Regulatory Asset Recovery	\$/kW	0.1217
Retail Transmission Rate – Network Service Rate	\$/kW	2.0076
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6283
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

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### Unmetered Scattered Load

Service Charge	\$	20.75
Distribution Volumetric Rate	\$/kWh	0.0117
Regulatory Asset Recovery	\$/kWh	0.0023
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
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

### Sentinel Lighting

Service Charge	\$	1.37
Distribution Volumetric Rate	\$/kW	3.3786
Regulatory Asset Recovery	\$/kW	9.2909
Retail Transmission Rate – Network Service Rate	\$/kW	1.5217
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2851
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

### Street Lighting

Service Charge	\$	0.71
Distribution Volumetric Rate	\$/kW	2.4030
Regulatory Asset Recovery	\$/kW	0.2931
Retail Transmission Rate – Network Service Rate	\$/kW	1.5141
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2588
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

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### 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
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	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
Special meter reads	\$	30.00
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
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
Install/Remove load control device - after regular hours	\$	185.00
Service call - customer-owned equipment	\$	30.00
Service call - after regular hours	\$	165.00

#### 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	1.0560
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0454
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A