



**EB-2008-0231**

**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 Hearst  
Power Distribution Company Limited for an order or  
orders approving or fixing just and reasonable distribution  
rates and other charges, to be effective May 1, 2009.

**BEFORE:** Paul Vlahos  
Presiding Member

Ken Quesnelle  
Member

## **DECISION AND ORDER**

### **Introduction**

Hearst Power Distribution Company Limited (“Hearst Power”) is a licensed distributor of electricity providing service to consumers within its licensed service area. Hearst Power 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, 2009.

Hearst Power is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. As part of the plan, Hearst Power is one of the electricity distributors to have its rates adjusted for 2009 on the basis of the 2<sup>nd</sup> Generation Incentive Rate Mechanism (“IRM”) process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its *Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. Among other things, the Report contained the relevant guidelines for 2009 rate adjustments (the "Guidelines") for distributors applying for distribution rate adjustments pursuant to the IRM process.

Notice of Hearst Power's rate application was given through newspaper publication in Hearst Power's service area advising of the availability of the rate application and advising how interested parties may intervene in the proceeding or comment on the application. There were no intervention requests and no comments were received. The Board proceeded by way of a written hearing.

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.

### **Price Cap Index Adjustment**

Hearst Power's rate application was filed on the basis of the Guidelines. In fixing new distribution rates and charges for Hearst Power, the Board has applied the policies described in the Report.

As outlined in the Report, distribution rates under the 2<sup>nd</sup> Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 1.0%. Based on the final 2008 data published by Statistics Canada, the Board has established the price escalator to be 2.3%. The resulting price cap index adjustment is therefore 1.3%. The rate model was adjusted to reflect the newly calculated price cap adjustment. This price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes. An adjustment for the transition to a common deemed capital structure of 60% debt and 40% equity was also effected. A change in the federal income tax rate effective January 1, 2009 was incorporated into the rate model and reflected in distribution rates.

On December 13, 2007, the Ontario government introduced its 2007 Ontario Economic Outlook and Fiscal Review (the "Fiscal Review"). The enabling legislation received Royal Assent on May 14, 2008. Included in this Fiscal Review were changes to the

Ontario capital tax provisions<sup>1</sup>, and an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2007.

The Federal Budget enacted on February 3, 2009 included an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2009, and a change in the capital cost allowance (CCA) applicable to certain computer equipment and related system software (CCA class 50) acquired between January 27, 2009 and February 2011.

The Board has considered these fiscal changes and determined that the rate model will be adjusted to reflect the increase in the provincial and federal small business income limit for affected distributors, and the changes in the Ontario capital tax provisions. The Board is of the view that these changes when combined could be material, and should be passed through to ratepayers. With regard to the change in the CCA, the Board notes that this change would be captured in the revenue requirement calculation as it relates to smart meters when a distributor applies for cost recovery for the applicable investment period. For other computer equipment and related system software in class 50, the Board concludes that this adjustment is not required since it does not appear to be material.

The price cap index adjustment does not apply to the following components of distribution rates:

- Rate Riders;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Retail Service Charges;
- Loss Factors; and
- Smart Meter Funding Adder.

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<sup>1</sup> The Ontario capital tax rate decreased from 0.285% to 0.225% effective January 1, 2007. The Ontario capital tax deduction also increased from \$10 million to \$12.5 million effective January 1, 2007, and from \$12.5 million to \$15 million effective January 1, 2008.

## **Rural or Remote Electricity Rate Protection Adjustment**

In accordance with Ontario Regulation 442/01, Rural or Remote Electricity Rate Protection (“RRRP”) (made under the *Ontario Energy Board Act, 1998*) the Board issued a Decision on December 17, 2008 setting out the amount to be charged by the Independent Electricity System Operator (“IESO”) with respect to the RRRP for each kilowatt-hour of electricity that is withdrawn from the IESO-controlled grid.

In a letter dated December 17, 2008 the Board directed distributors that had a rate application before the Board to file a request with the Board that the RRRP charge in their tariff sheet be revised to 0.13 cent per kilowatt-hour effective May 1, 2009.

Hearst Power complied with this directive. The rate model was adjusted to reflect the new RRRP charge.

## **Smart Meter Funding Adder**

On October 22, 2008 the Board issued a Guideline for Smart Meter Funding and Cost Recovery (“Smart Meter Guideline”) which sets out the Board’s filing requirements in relation to the funding of, and the recovery of costs associated with, smart meter activities conducted by electricity distributors.

As set out in the Smart Meter Guideline, a distributor that plans to implement smart meters in the rate year must include, as part of the application, evidence that the distributor is authorized to conduct smart meter activities in accordance with applicable law.

Hearst Power reports that it is authorized to conduct smart meter activities because it has procured smart meters pursuant to and in compliance with the August 14, 2007 Request for Proposal issued by London Hydro Inc.

Hearst Power originally requested the continuation of the smart meter funding adder previously approved by the Board. Hearst Power subsequently amended its application to request the standard smart meter funding adder of \$1.00 per metered customer per month, which is intended to provide funding in the case where a distributor may be in the early stages of planning and may not yet have sufficient cost information to request a utility-specific funding adder. The Board approves the funding adder of \$1.00 per metered customer per month as proposed by Hearst Power. This new funding adder is

reflected in the Tariff of Rates and Charges that is appended to this Decision and Order. Hearst Power's variance accounts for smart meter program implementation costs, previously authorized by the Board, shall also be continued.

The Board notes that the smart meter funding adder of \$1.00 per metered customer per month is intended to provide funding for Hearst Power's smart metering activities in the 2009 rate year. The Board has not made any finding on the prudence of the proposed smart meter activities, including any costs for smart meters or advanced metering infrastructure whose functionality exceeds the minimum functionality adopted in O. Reg. 425/06, or costs associated with functions for which the Smart Metering Entity has the exclusive authority to carry out pursuant to O. Reg. 393/07. Such costs will be considered at the time that Hearst Power applies for the recovery of these costs.

### **Retail Transmission Service Rates**

On October 22, 2008 the Board issued a Guideline for *Electricity Distribution Retail Transmission Service Rates* ("RTSR Guideline") which provides electricity distributors with instructions on the evidence needed, and the process to be used, to adjust Retail Transmission Service Rates ("RTSRs") to reflect changes in the Ontario Uniform Transmission Rates ("UTRs").

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new UTRs for Ontario transmitters, effective January 1, 2009. The Board approved an increase of 11.3% to the wholesale transmission network rate, an increase of 18.6% to the wholesale transmission line connection rate, and an increase of 0.6% to the wholesale transformation connection rate. The combined change in the wholesale transmission and transformation connection rates is an increase of about 5%.

Electricity distributors are charged the UTRs at the wholesale level and subsequently pass these charges on to their distribution customers through the RTSRs. There are two RTSRs, whereas there are three UTRs. The two RTSRs are for network and connection. The wholesale line and transformation connection rates are combined into one retail connection service charge. Deferral accounts are also used to capture timing differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e., deferral accounts 1584 and 1586).

In the RTSR Guideline the Board directed all electricity distributors to propose an adjustment to their RTSRs to reflect the new UTRs for Ontario transmitters effective January 1, 2009. The objective of resetting the rates was to minimize the prospective balances in deferral accounts 1584 and 1586.

Hearst Power proposed to increase its RTSR – Network Service Rates by 11% and to increase its RTSR – Line and Transformation Connection Service Rates by 5%. The Board finds that this approach is reasonable and therefore approves these adjustments.

The Board is providing Hearst Power with a rate model (spreadsheet) and a draft Tariff of Rates and Charges (Appendix A) that reflects the elements of this Decision. The Board also reviewed the entries in the rate model to ensure that they were in accordance with the 2008 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

**The Board Orders That:**

Hearst Power's new distribution rates will be effective May 1, 2009. The Board orders that:

1. Hearst Power shall review the draft Tariff of Rates and Charges set out in Appendix A. Hearst Power shall file with the Board a written confirmation assessing the completeness and accuracy of the draft Tariff of Rates and Charges, or provide a detailed explanation of any inaccuracies or missing information, within seven (7) calendar days of the date of this Decision and Order.

If the Board does not receive a submission by Hearst Power to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order:

2. The draft Tariff of Rates and Charges set out in Appendix A of this Order will become final, effective May 1, 2009, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2009.
3. The Tariff of Rates and Charges set out in Appendix A of this Order shall supersede all previous distribution rate schedules approved by the Board for Hearst Power and is final in all respects.

4. Hearst Power shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

If the Board receives a submission by Hearst Power to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order, the Board will consider the submission of Hearst Power and will issue a final Tariff of Rates and Charges.

**DATED** at Toronto, March 12, 2009

ONTARIO ENERGY BOARD

*Original signed by*

Kirsten Walli  
Board Secretary

**Appendix “A”**

**To Decision and Order**

**EB-2008-0231**

**March 12, 2009**



# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2009

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

EB-2008-0231

#### 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, 2009 for all consumption or deemed consumption services used on or after that date.  
SPECIFIC SERVICE CHARGES - May 1, 2009 for all charges incurred by customers on or after that date.  
RETAIL SERVICE CHARGES – May 1, 2009 for all charges incurred by retailers or customers on or after that date.  
LOSS FACTOR ADJUSTMENT – May 1, 2009 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 accounts for customers residing in single dwelling units that consist of a detached house, semi detached, duplex, triplex or quadruplex house, or individually metered apartment building. Further servicing details are available in the utility's Conditions of Service.

##### **General Service Less Than 50 kW**

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected to be less than 50 kW. Further servicing details are available in the utility's Conditions of Service.

##### **General Service 50 to 2,999 kW**

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 3,000 kW. Further servicing details are available in the utility's Conditions of Service.

##### **General Service 3,000 to 4,999 kW**

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 3,000 kW but less than 5,000 kW. Further servicing details are available in the utility's Conditions of Service.

##### **Sentinel Lighting**

This classification is a sub-category of the street lighting load. These customers are billed on a fixed load based on the size of bulb. Further servicing details are available in the utility's Conditions of Service.

##### **Street Lighting**

This classification refers to roadway lighting within the town, and private roadway lighting operation, controlled by photo cells. The consumption for these customers is based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the utility's Conditions of Service.

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2009

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#### MONTHLY RATES AND CHARGES

##### Residential

Service Charge	\$	8.42
Distribution Volumetric Rate	\$/kWh	0.0102
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0050
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

##### General Service Less Than 50 kW

Service Charge	\$	5.97
Distribution Volumetric Rate	\$/kWh	0.0097
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0040
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

##### General Service 50 to 2,999 kW

Service Charge	\$	30.41
Distribution Volumetric Rate	\$/kW	2.9926
Retail Transmission Rate – Network Service Rate	\$/kW	1.6512
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7837
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

##### General Service 3,000 to 4,999 kW

Service Charge	\$	57.34
Distribution Volumetric Rate	\$/kW	0.8903
Retail Transmission Rate – Network Service Rate	\$/kW	1.8467
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.1038
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

##### Sentinel Lighting

Service Charge (per connection)	\$	3.98
Distribution Volumetric Rate	\$/kW	1.8938
Retail Transmission Rate – Network Service Rate	\$/kW	1.2516
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4077
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective May 1, 2009

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EB-2008-0231

#### Street Lighting

Service Charge (per connection)	\$	0.99
Distribution Volumetric Rate	\$/kW	1.2912
Retail Transmission Rate – Network Service Rate	\$/kW	1.2452
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3790
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

#### Specific Service Charges

Customer Administration		
Arrears Certificate	\$	15.00
Easement Letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	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
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	\$	40.00
Disconnect/Reconnect at Pole - during Regular Hours	\$	time and materials
Install/Remove load control device – during regular hours	\$	40.00
Temporary service install and remove – overhead – no transformer	\$	time and materials
Temporary service install and remove – underground – no transformer	\$	time and materials
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)

#### Retail Service Charges (if applicable)

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

**Hearst Power Distribution Company Ltd.**  
**TARIFF OF RATES AND CHARGES**  
**Effective May 1, 2009**

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EB-2008-0231

**LOSS FACTORS**

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0509
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0404
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A