



EB-2008-0196

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 Newbury Power Inc. 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

Newbury Power Inc. ("Newbury") is a licensed distributor of electricity providing service to consumers within its licensed service area. Newbury 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.

Newbury 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, Newbury is one of the electricity distributors to have its rates adjusted for 2009 on the basis of the 2nd 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 2nd 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 Newbury's rate application was given through newspaper publication in Newbury'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

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

As outlined in the Report, distribution rates under the 2nd 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 provisions¹, 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.

¹ 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

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.

Newbury 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.

Newbury requested 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. In its EB-2008-0350 Decision and Order dated February 9, 2009, the Board granted Middlesex Power Distribution Corporation (“Middlesex”) leave to acquire Newbury subject to the transaction being completed within 18 months of the date of the Decision and Order. The Board understands that this transaction is expected to be completed by the end of March 2009. Middlesex is authorized to conduct smart meter activities because its service area is identified as a

priority installation by O. Reg. 428/06. Since Newbury will be amalgamated into Middlesex shortly, the Board has determined that recovery for smart meter activities should also be included in Newbury's rate schedule, and therefore authorizes the smart meter funding adder of \$1.00. If the transaction does not close prior to the implementation date of this Decision and Order (i.e. May 1, 2009), the Board may review this portion of the Decision. This new funding adder is reflected in the Tariff of Rates and Charges that is appended to this Decision and Order. Newbury'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 Newbury'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 Newbury 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.

Newbury proposed to increase its RTSR – Network Service Rates by 11.3 % and to increase its RTSR – Line and Transformation Connection Service Rates by 5.5%. The Board finds that this approach is reasonable and therefore approves these adjustments.

Recovery of Low Voltage Charges

In proceeding EB-2007-0864, the Board approved the recovery of \$22,171 of Low Voltage (“LV”) Charges that Hydro One Networks Inc. levied on Newbury for LV wheeling distribution services by means of a one-year rate rider.

Newbury is requesting the continuation of the LV rate rider since this it is an ongoing expense that is currently not included in the distribution volumetric rate and would otherwise be captured in a deferral account. Newbury proposed that the rate rider remain in effect until such time that Newbury’s distribution rates are rebased, which is proposed to occur May 1, 2014.

The Board recognizes the ongoing nature of the LV Charges. While the Board accepts Newbury’s proposal as being reasonable, the Board is of the view that an adjustment to the distribution volumetric rate would allow for a consistent recovery of LV Charges across distributors. The Board therefore approves the ongoing recovery of LV Charges through an adjustment to base rates.

The Board is providing Newbury 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:

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

1. Newbury shall review the draft Tariff of Rates and Charges set out in Appendix A. Newbury 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 Newbury 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 Newbury and is final in all respects.
4. Newbury 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 Newbury 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 Newbury and will issue a final Tariff of Rates and Charges.

DATED at Toronto, March 17, 2009

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix “A”

To Decision and Order

EB-2008-0196

March 17, 2009

Newbury Power Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2009

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, 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 for all consumption or deemed consumption services used on or after that date.

SERVICE CLASSIFICATIONS

Residential

This classification refers to the supply of electrical energy to customers residing in residential dwelling units. Further servicing details are available in the distributor's Conditions of Service.

General Service Less Than 50 kW

This classification applies to a non residential account whose average monthly maximum demand is less than, or is forecast to be less than 50 kW. Further servicing details are available in the distributor's Conditions of Service.

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. Further servicing details are available in the distributor's Conditions of Service.

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. Street Lighting plant, facilities or equipment owned by the customer are subject to the ESA requirements.

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	12.89
Distribution Volumetric Rate	\$/kWh	0.0163
Regulatory Asset Recovery – effective until April 30, 2013	\$/kWh	0.0064
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0051
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Newbury Power Inc.

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-2008-0196

General Service Less Than 50 kW

Service Charge	\$	22.76
Distribution Volumetric Rate	\$/kWh	0.0164
Regulatory Asset Recovery – effective until April 30, 2013	\$/kWh	0.0054
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0048
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 4,999 kW

Service Charge	\$	266.07
Distribution Volumetric Rate	\$/kW	3.0587
Regulatory Asset Recovery – effective until April 30, 2013	\$/kW	1.1996
Retail Transmission Rate – Network Service Rate	\$/kW	1.9357
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7911
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.81
Distribution Volumetric Rate	\$/kW	4.7072
Regulatory Asset Recovery – effective until April 30, 2013	\$/kW	1.3610
Retail Transmission Rate – Network Service Rate	\$/kW	1.4605
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3855
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
Statement of Account	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Notification charge	\$	15.00
Account history	\$	15.00
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
Special meter reads	\$	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	\$	30.00
Service call – customer-owned equipment	\$	30.00
Service call – after regular hours	\$	165.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$	(0.60)

Newbury Power Inc.

TARIFF OF RATES AND CHARGES

Effective May 1, 2009

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

Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	EB-2008-0196 (1.00)
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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

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0580
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0475