

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2008-0201

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 Norfolk
Power Distribution 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

Norfolk Power Distribution Inc. (“Norfolk”) is a licensed distributor of electricity providing service to consumers within its licensed service area. Norfolk 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.

Norfolk is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2008, the Board announced the establishment of a new multi-year electricity

distribution rate-setting plan, the 3rd Generation Incentive Rate Mechanism (“IRM”) process, that will be used to adjust electricity distribution rates starting in 2009 for those distributors whose 2008 rates were rebased through a cost of service review. As part of the plan, Norfolk is one of the electricity distributors to have its rates adjusted for 2009 on the basis of the 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 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* on July 14, 2008, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* on September 17, 2008, and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario’s Electricity Distributors* on January 28, 2009 (together the “Reports”). Among other things, the Reports contained the relevant guidelines for 2009 rate adjustments (the “Guidelines”) for distributors applying for distribution rate adjustments pursuant to the IRM process.

Notice of Norfolk’s rate application was given through newspaper publication in Norfolk’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. No letters of comment were received. The Vulnerable Energy Consumers Coalition (“VECC”) and Board staff posed interrogatories and made submissions. 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

Norfolk’s rate application was filed on the basis of the Guidelines. In fixing new

distribution rates and charges for Norfolk, the Board has applied the policies described in the Reports.

As outlined in the Reports, distribution rates under the 3rd Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 0.72% and Norfolk's utility specific stretch factor of 0.4%. 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 1.18%. 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.

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 federal small business income limit for affected distributors. 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.

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.

Norfolk 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.

Norfolk requested the continuation of the standard smart meter funding adder of \$1.00 per metered customer per month previously approved by the Board, 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-approved \$1.00 per metered customer per month funding adder shall continue. Norfolk'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 Norfolk'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 Norfolk applies for the recovery of these costs.

Revenue-to-Cost Ratios

Revenue-to-cost ratios ("Ratios") measure the relationship between the revenues expected from a class of customers and the level of costs allocated to that class. The Board has established target Ratio ranges (the "Target Ranges") for Ontario electricity distributors in its report *Application of Cost Allocation for Electricity Distributors*, dated November 28, 2007. In its EB-2007-0753 Decision, the Board made findings with regard to Norfolk's Ratios and directed that they be incrementally adjusted over time, starting in 2008 (the "2008 Ratios").

Norfolk proposed to adjust its Ratios as shown in Column 2 of Table 1.

Table 1 – Norfolk’s Revenue-to-Cost Ratios (%)

Rate Class	2008 Ratio Column 1	Proposed 2009 Ratio Column 2	Target Range Column 3
Residential	102.6	102.3	85 – 115
GS < 50 kW	99.1	99.1	80 – 120
GS 50 – 4,999 kW	98.8	98.8	80 – 180
Street Lighting	54.3	62.2	70 – 120
Sentinel Lighting	47.0	58.5	70 – 120
USL	100.7	100.7	80 – 120

Board staff noted in its submission that, for the purpose of calculating the Ratio adjustments, the rate model allocates the low voltage charges and transformer allowance “costs” across rate classes in a way that may differ from how they were allocated in Norfolk’s 2008 cost of service application (“2008 CoS”).

Board staff submitted that this difference is immaterial and that Norfolk’s proposed Ratio adjustments are reasonable and in compliance with its 2008 cost of service Decision (EB-2007-0753). Board staff also noted that the rate model will be adjusted next year to enable distributors to reflect how the low voltage charges and transformer allowance “costs” were allocated for the purpose of calculating their Ratios in their 2008 CoS. Accordingly, any differences in the calculation of the Ratios in the 2009 rate model will be reversed in the 2010 rate model next year.

In its submission, VECC concurred with Board staff’s observations regarding the allocation of the transformer allowance “costs” and low voltage charges. VECC however noted two additional concerns with the rate model.

First, VECC submitted that the Ratios shown in Column 1 of Table 1 should be used as the starting point for the 2009 Ratio adjustments. In contrast, the rate model estimates

what the actual 2008 Ratios were and uses these estimates as the starting point for the 2009 Ratio adjustments. VECC submitted that the approach underlying the rate model only works if the billing parameters (i.e., kWhs, kW and customer count) represent close to the same proportions by rate class in 2009 as they did in Norfolk's Cost Allocation Informational filing. VECC submitted that the Board should direct Board staff to revisit this part of the rate model next year.

Second, VECC noted that Norfolk's Cost Allocation Informational filing allocated distribution service revenues and miscellaneous revenues across rate classes, whereas the rate model only allocates distribution service revenues. VECC noted that the impact of this difference in methodology is likely small. VECC submitted that the Board should direct Board staff to revisit this part of the rate model next year.

VECC noted that Norfolk has not used the Board's 2009 rate model to determine its proposed Ratio adjustments. VECC submitted that Norfolk's proposed rate adjustments represented an improvement over the one incorporated in the 2009 rate model and should be approved by the Board. However, VECC noted that part of the methodology used by Norfolk included some of the issues raised above by Board staff and VECC.

The Board sees merits in Board staff's proposed adjustments to the rate model and VECC's proposed additional adjustments. The Board expects Board staff to consider those adjustments when preparing the rate model for next year. The Board notes that VECC and Board staff recommended that Norfolk's proposed 2009 Ratio adjustments be approved as submitted. The Board approves Norfolk's proposed rate adjustments as they follow the direction and intent of the 2008 cost of service Decision (EB-2007-0753) and are reasonable.

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.

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.

Norfolk proposed to increase its RTSR – Network Service Rates by 11.3% and to increase its RTSR – Line and Transformation Connection Service Rates by 10.6%. Norfolk indicated that these adjustments were appropriate as they reflect the expected increase in charges payable by Norfolk resulting from the UTR changes. The Board finds that this approach is reasonable and approves these adjustments.

The Board is providing Norfolk 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:

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

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

DATED at Toronto, March 13, 2009
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A
To Decision and Order
EB-2008-0201
March 13, 2009

Norfolk Power Distribution 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-2008-0201

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).

IMPLEMENTATION 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 an account taking electricity at 750 volts or less where the electricity is used exclusively in a 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 refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW

This classification refers to a non residential account whose monthly average peak demand is equal to or greater than, or forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or 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 customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

Sentinel Lighting

This classification refers to accounts that are unmetered lighting load supplied to a sentinel light.

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, 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.

Norfolk Power Distribution Inc.

TARIFF OF RATES AND CHARGES

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EB-2008-0201

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	22.02
Service Charge Tax Change Rate Rider – effective until April 30, 2010	\$	(0.02)
Distribution Volumetric Rate	\$/kWh	0.0199
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0049
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	\$	50.74
Service Charge Tax Change Rate Rider – effective until April 30, 2010	\$	(0.04)
Distribution Volumetric Rate	\$/kWh	0.0146
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	245.37
Service Charge Tax Change Rate Rider – effective until April 30, 2010	\$	(0.21)
Distribution Volumetric Rate	\$/kW	3.9228
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0034)
Retail Transmission Rate – Network Service Rate	\$/kW	1.8322
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7109
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	26.55
Service Charge Tax Change Rate Rider – effective until April 30, 2010	\$	(0.02)
Distribution Volumetric Rate	\$/kWh	0.0156
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0045
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0043
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Norfolk Power Distribution Inc.

TARIFF OF RATES AND CHARGES

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EB-2008-0201

Sentinel Lighting

Service Charge (per connection)	\$	6.15
Distribution Volumetric Rate	\$/kW	15.4239
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0109)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3888
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3503
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)	\$	1.85
Distribution Volumetric Rate	\$/kW	6.4893
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0050)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3819
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3227
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
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
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
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

Norfolk Power Distribution Inc.

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	EB-2008-0201
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
Specific Charge for Access to the Power Poles (\$/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

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