



EB-2008-0202

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 North Bay Hydro Distribution 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

North Bay Hydro Distribution Limited ("North Bay") is a licensed distributor of electricity providing service to consumers within its licensed service area. North Bay 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.

North Bay 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, North Bay 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 North Bay’s rate application was given through newspaper publication in North Bay’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

North Bay’s rate application was filed on the basis of the Guidelines. In fixing new distribution rates and charges for North Bay, 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 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.

North Bay 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.

North Bay 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.

North Bay intends to install smart meters in the 2009 test year. North Bay originally requested a utility-specific smart meter funding adder of \$1.89 per metered customer per month. Following Board staff’s interrogatory and submission, North Bay revised its proposed funding adder to \$1.47 per metered customer per month.

The Board approves the funding adder of \$1.47 per metered customer per month as

revised by North Bay. This new funding adder is reflected in the Tariff of Rates and Charges that is appended to this Decision and Order. North Bay'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 \$1.47 per metered customer per month is intended to provide funding for North Bay'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 North Bay 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.

North Bay proposed to increase its RTSR – Network Service Rates by 11.0 % and to increase its RTSR – Line and Transformation Connection Service Rates by 5.0%. The Board finds that this approach is reasonable and therefore approves these adjustments.

The Board is providing North Bay 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:

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

1. North Bay shall review the draft Tariff of Rates and Charges set out in Appendix A. North Bay 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 North Bay 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 North Bay and is final in all respects.

4. North Bay 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 North Bay 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 North Bay and will issue a final Tariff of Rates and Charges.

DATED at Toronto, March 11, 2009

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

Appendix “A”

To Decision and Order

EB-2008-0202

March 11, 2009

North Bay Hydro Distribution 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-2008-0202

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 applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate 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 a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase.

General Service Less Than 50 kW

This classification includes non residential accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 2,999 kW

This classification includes non residential accounts where monthly average peak demand is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 3,000 kW.

General Service 3,000 to 4,999 kW

This classification includes non residential accounts where monthly average peak demand 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.

Unmetered Scattered Load

This classification includes accounts taking electricity at 750 volts or less where monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. These connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer provides detailed manufacturer information/ documentation with regard to electrical demand/consumption of the proposed load.

Sentinel Lighting

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

Street Lighting

This classification is for roadway lighting with the Municipality. The consumption for this customer is based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

North Bay Hydro Distribution Ltd.

TARIFF OF RATES AND CHARGES

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MONTHLY RATES AND CHARGES

Residential

| | | |
|---|--------|--------|
| Service Charge | \$ | 14.00 |
| Service Charge Rate Rider for Storm Damage Cost Recovery – effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kWh | 0.0112 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0052 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0047 |
| 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 | \$ | 23.17 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kWh | 0.0139 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0048 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |
| 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 | \$ | 312.87 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kW | 2.1783 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.9313 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.6636 |
| 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 | \$ | 2,400.76 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kW | 0.7321 |
| Retail Transmission Rate – Network Service Rate – Interval Metered | \$/kW | 2.0487 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered | \$/kW | 1.8386 |
| 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 customer) | \$ | 21.75 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kWh | 0.0139 |
| Retail Transmission Rate – Network Service Rate | \$/kWh | 0.0048 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0042 |
| Wholesale Market Service Rate | \$/kWh | 0.0052 |
| Rural Rate Protection Charge | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$ | 0.25 |

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Sentinel Lighting

| | | |
|--|--------|--------|
| Service Charge (per connection) | \$ | 1.98 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kW | 6.9018 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.4639 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3130 |
| 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) | \$ | 0.44 |
| Service Charge Rate Rider for Storm Damage Cost Recovery– effective until April 30, 2010 | \$ | 0.64 |
| Distribution Volumetric Rate | \$/kW | 2.3570 |
| Retail Transmission Rate – Network Service Rate | \$/kW | 1.4565 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.2860 |
| 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 | | |
| 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 |
| Disconnect/Reconnect at meter - during regular hours | \$ | 65.00 |
| Disconnect/Reconnect at meter - after regular hours | \$ | 165.00 |
| Service call - customer-owned equipment | \$ | 30.00 |
| 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) |

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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 | 1.0387 |
| Total Loss Factor – Secondary Metered Customer > 5,000 kW | N/A |
| Total Loss Factor – Primary Metered Customer < 5,000 kW | 1.0283 |
| Total Loss Factor – Primary Metered Customer > 5,000 kW | N/A |