



**EB-2008-0208**

**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 PUC  
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**

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

PUC 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 3<sup>rd</sup> 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, PUC 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 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on July 14, 2008, its *Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008, and its *Addendum to the Supplemental Report of the Board on 3<sup>rd</sup> 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 PUC's rate application was given through newspaper publication in PUC'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. The Vulnerable Energy Consumers Coalition (“VECC”) posed interrogatories on PUC's proposed revenue-to-cost ratio adjustments. Board staff posed interrogatories and made a submission. 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**

PUC's rate application was filed on the basis of the Guidelines. In fixing new

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

As outlined in the Reports, distribution rates under the 3<sup>rd</sup> Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 0.72% and PUC'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.

**Bill 44 – Payments in Lieu of Taxes (PILs)**

On December 13, 2007, the Ontario government introduced its *2007 Ontario Economic Outlook and Fiscal Review*. Bill 44, the enabling legislation, received Royal Assent on May 14, 2008, and was promulgated in *The Ontario Gazette* on May 24, 2008. The resulting tax provision changes resulted in a decrease in PILs for PUC.

The Board's Decision in EB-2007-0931, PUC's 2008 cost of service application ("2008 CoS"), was issued on May 22, 2008, prior to Bill 44 being enacted. Accordingly, PUC's revenue requirement was calculated on the tax rates that existed prior to the enactment of Bill 44.

Board staff noted that some 2008 CoS proceedings required more time to process than others. As a result, some applications that were filed with the Board at around the same time as PUC filed its 2008 CoS application had their Decisions issued after May 24, 2008, with their resulting electricity distribution rates reflecting the lower tax rates. Board staff submitted that for consistency and fairness across electricity distributors, the difference in PILs PUC is collecting in its distribution rates as a result of its 2008 CoS Decision having been issued before May 24, 2008, should be removed as of May 1, 2009. Board staff also submitted that the additional amounts PUC collected in the 2008

rate year should remain with PUC, as it appropriately reflected the Board Decision (EB-2007-0931) for that rate year. Board staff further submitted that PUC's distribution rates should be adjusted to reduce the revenues collected by \$18,371.

PUC agreed with Board staff's submission and the calculated amount.

The Board finds Board staff's proposed adjustment appropriate and has reflected these changes in the attached draft Tariff of Rates and Charges (Appendix A).

### **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.

PUC 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.

PUC 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. PUC'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 PUC'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 PUC 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-2007-0931 Decision, the Board made findings with regard to PUC's Ratios and directed that they be incrementally adjusted over time, starting in 2008 (the "2008 Ratios").

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

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

<b>Rate Class</b>	<b>2008 Ratio</b> Column 1	<b>Proposed 2009 Ratio</b> Column 2	<b>Target Range</b> Column 3
Residential	93	93.7	85 – 115
GS < 50 kW	117	114.7	80 – 120
GS 50 – 4999 kW	125	123.1	80 – 180
Street Lighting	44	57.1	70 – 120
Sentinel Lighting	54	62.1	70 – 120
USL	82	82.0	80 – 120

The Board endorses the rate adjustments to achieve PUC’s proposed ratios as they follow the direction and intent of the 2008 CoS Decision (EB-2007-0931) 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. PUC receives only network service from the transmitter; it does not incur costs for the line connection or transformation connection services.

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.

PUC proposed to increase its RTSR – Network Service Rates by 11.3%. PUC indicated that this adjustment was appropriate as it reflects the expected increase in charges payable by PUC resulting from the UTR changes. The Board finds that this approach is reasonable and approves this adjustment.

The Board is providing PUC 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:**

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

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

**DATED** at Toronto, March 16, 2009.  
**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

Appendix A

To Decision and Order

EB-2008-0208

March 16, 2009

# **PUC Distribution Inc.**

## **TARIFF OF RATES AND CHARGES**

### **Effective Date 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 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 single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadplex with residential zoning.

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

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly peak demand is less than, or is forecast to be less than, 50 kW.

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

This classification applies to a non residential account whose average monthly peak demand used for billing purposes over the past 12 months is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW.

##### **Unmetered Scattered Load**

This classification applies to an account taking electricity at 750 volts or less whose average monthly peak demand is less than, or is 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 applies to safety/security lighting with a Residential or General Service customer. This is typically exterior lighting, and unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

##### **Street Lighting**

This classification applies 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.

**PUC Distribution Inc.**  
**TARIFF OF RATES AND CHARGES**  
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**MONTHLY RATES AND CHARGES****Residential**

Service Charge	\$	9.72
Distribution Volumetric Rate	\$/kWh	0.0151
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kWh	0.0006
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0048
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	\$	16.12
Distribution Volumetric Rate	\$/kWh	0.0182
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kWh	0.0003
Retail Transmission Rate – Network 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	\$	149.59
Distribution Volumetric Rate	\$/kW	4.4791
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kW	0.0051
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0053)
Retail Transmission Rate – Network Service Rate	\$/kW	1.7851
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2450
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)	\$	11.03
Distribution Volumetric Rate	\$/kWh	0.0271
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kWh	0.0003
Retail Transmission Rate – Network 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

**Sentinel Lighting**

Service Charge (per connection)	\$	2.25
Distribution Volumetric Rate	\$/kW	20.9375
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kW	0.0105
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0347)
Retail Transmission Rate – Network Service Rate	\$/kW	1.3532
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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**Street Lighting**

Service Charge (per connection)	\$	2.08
Distribution Volumetric Rate	\$/kW	13.5339
Distribution Volumetric Deferral Account Rate Rider – effective until April 30, 2010	\$/kW	0.0018
Distribution Volumetric Tax Change Rate Rider – effective until April 30, 2010	\$/kW	(0.0225)
Retail Transmission Rate – Network Service Rate	\$/kWh	1.3463
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**

<b>Customer Administration</b>		
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned Cheque (plus bank charges)	\$	15.00
Legal letter	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
<b>Non-Payment of Account</b>		
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 Charge- At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	\$	185.00
Disconnect/Reconnect Charge - At Pole During Regular Hours	\$	185.00
Disconnect/Reconnect Charge - At Pole After Hours	\$	415.00
Install/Remove load control device – during regular hours	\$	65.00
Install/Remove load control device – after regular hours	\$	185.00
Service call – customer-owned equipment		Time & materials
Service call – after regular hours		Time & materials
Temporary service install & remove – overhead – no transformer		Time & materials
Temporary service install & remove – underground – no transformer		Time & materials
Temporary service install & remove – overhead – with transformer		Time & materials
Removal of overhead lines – during regular hours		Time & materials
Removal of overhead lines – after hours		Time & materials
Roadway escort – after regular hours		Time & materials
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
<b>Allowances</b>		
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	1.0454
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0350