



**EB-2010-0226**

**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 Middlesex  
Power Distribution Corporation - Dutton for an order or  
orders approving or fixing just and reasonable distribution  
rates and other charges, to be effective November 1,  
2010.

**BEFORE:** Ken Quesnelle  
Presiding Member

Karen Taylor  
Member

## **DECISION AND ORDER**

### **Introduction**

Middlesex Power Distribution Corporation - Dutton (“Dutton”), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the “Board”) on June 25, 2010 for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective November 1, 2010.

Dutton 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, Dutton is one of the electricity distributors that will have its rates adjusted for 2010 on the basis of the 2<sup>nd</sup> Generation Incentive Rate Mechanism (“IRM”) process. IRM applications provide

for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its *Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. Among other things, the Report contained the relevant guidelines for 2009 rate adjustments (the "Guidelines") for distributors applying for distribution rate adjustments pursuant to the IRM process. On July 22, 2009 the Board issued an update to Chapter 3 of the Board's "Filing Requirements for Transmission and Distribution Applications" (the "Filing Requirements"), which outlined the filing requirements for IRM applications by electricity distributors.

Notice of Dutton's rate application was given through newspaper publication in Dutton's service area advising interested parties where the rate application could be viewed and advising how they could intervene in the proceeding or comment on the application. There were no intervention requests and no comments were received. Board staff participated in the proceeding. The Board proceeded by way of a written hearing.

In Procedural Order No. 1, issued on October 13, 2010, the Board considered it necessary to re-open the record to provide for a second round of interrogatories with respect to the recovery period of Dutton's 2004 Regulatory Asset balances. Dutton's response reiterated that a recovery period of 1.5 years is appropriate for its 2004 Regulatory Asset Balance. This issue will be dealt with in greater detail below.

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. The following issues are addressed in this Decision and Order:

- Price Cap Index Adjustment;
- Harmonized Sales Tax;
- Smart Meter Funding Adder;
- Low Voltage Charges;
- Retail Transmission Service Rates;
- Review and Disposition of Deferral and Variance Accounts; and
- Introduction of microFIT Generator Service Classification and Rate.

## **Price Cap Index Adjustment**

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

As outlined in the Report, distribution rates under the 2<sup>nd</sup> Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 1.0%. Based on the final 2009 data published by Statistics Canada, the Board has established the price escalator to be 1.3%. The resulting price cap index adjustment is therefore 0.3%. The rate model was adjusted to reflect the newly calculated price cap index 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.

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

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;
- Retail Transmission Service Rates;
- Wholesale Market Service Rate;
- Rural Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Transformation and Primary Metering Allowances;
- Loss Factors;
- Specific Service Charges; and
- Retail Service Charges.

## **Harmonized Sales Tax**

The 8% Ontario provincial sales tax ("PST") and the 5% Federal goods and services tax ("GST") was harmonized effective July 1, 2010, at 13%, pursuant to the Ontario Tax Plan for More Jobs and Growth Act which received Royal Assent on December 15, 2009.

The PST is currently included in a distributor's OM&A expenses and capital expenditures. The PST is therefore included in the distributor's revenue requirement and is recovered from ratepayers through distribution rates.

When the PST and GST are harmonized, distributors will pay the HST on purchased goods and services but will claim an input tax credit ("ITC") for the PST portion. Therefore, the distributor will no longer incur that portion of the tax that was formerly applied as PST.

Therefore Dutton shall record in deferral account 1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs)) the incremental ITC it receives beginning, July 1, 2010, on distribution revenue requirement items that were previously subject to PST and become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of Dutton's next cost of service rate order. Fifty percent (50%) of the confirmed balances in the account shall be returnable to the ratepayers.

The Board may issue more detailed accounting guidance in the future. In that event, the Applicant should make the appropriate accounting entries, if and as applicable.

### **Smart Meter Funding Adder**

In its Decision in proceeding EB-2009-0177, the Board approved a smart meter rate adder of \$1.00 per metered customer per month. The Board however postponed the implementation of the smart meter adder as part of a rate mitigation plan.

In its application, Dutton requested the implementation of the previously approved smart meter rate adder.

The Board approves the implementation of the previously approved smart meter adder of \$1.00 per metered customer per month.

### **Low Voltage Charges**

In its Decision in proceeding EB-2009-0177, the Board found that the low voltage charges of \$11,377 to be reasonable. The Board however postponed the implementation of the charges as part of a rate mitigation plan.

In its application, Dutton requested that the previously approved low voltage charges be incorporated into rates.

The Board approves the implementation of the previously approved low voltage charges of \$11,377 and the associated rate riders proposed by Dutton.

### **Retail Transmission Service Rates**

Electricity distributors are charged the Ontario Uniform Transmission Rates (“UTRs”) at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates (“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 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).

Dutton proposed to change the existing RTSRs by the same proportions as the changes in the UTRs from July 1, 2009 to January 1, 2010. Therefore, Dutton proposed to increase its RTS Network Rates by 15.6%, and increase its RTS Connection Rates by 5.2%.

Dutton’s proposed increases assume that its existing RTSRs are reflective of the UTRs as of July 1, 2009. However, this is not the case since in Dutton’s previous rate proceeding (EB-2009-0177), the Board found that Dutton’s current RTSRs would remain in place as part of a rate mitigation plan.

For this reason, the Board will not approve any changes to Dutton’s RTSRs at this time. Based on revision 2.0 of the Guideline G-2008-0001- Electricity Distribution Retail Transmission Service Rates, Dutton will be required as part of its 2011 IRM application to re-calibrate its RTSRs using a workform provided by Board staff. The re-calibration will be based on a comparison of historical transmission costs adjusted for the new UTR levels, and revenue generated under existing RTSRs. This approach will therefore more appropriately determine RTSRs that are applicable to Dutton.

## **Review and Disposition of Deferral and Variance Accounts**

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 account balances will be reviewed and disposed of if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed of.

In its application, Dutton did not request the disposition of its December 31, 2008 Group 1 account balances since it is currently in the process of reviewing the pre-acquisition (pre May 1, 2009) account activities. Dutton proposed that it would do so at the time of its next IRM application.

In its Decision in proceeding EB-2009-0177, the Board approved the amount of \$163,620 representing the principal balance as of December 31, 2004 and interest forecast to December 31, 2009 as recoverable regulatory assets. This amount was to be offset by the amount overcharged through non-Board approved rates from May 1, 2005 to February 28, 2010. The amount overcharged was \$85,402, leaving a residual amount of \$78,218 to be recovered. The Board also determined that it did not need to make a finding on the appropriate commencement date or time period over which this residual amount would be recovered, and indicated that this matter would be the subject of a future rate proceeding.

In this application, Dutton proposed that the residual amount of \$78,218 be recovered over 1.5 years.

In response to Board staff interrogatory #1 a), Dutton confirmed that carrying charges for the March 1, 2010 to October 31, 2010 period were not included, and advised that the incremental interest would amount to \$69 in favour of the applicant. Dutton proposed no updates to its calculated rate riders since this amount was immaterial.

The Board will accept the justification provided by Dutton not to dispose of its December 31, 2008 Group 1 account balances in this proceeding. The Board expects that Dutton will include a request to dispose of its most current audited Group 1 deferral and variance account balances in its 2011 rates proceeding. The Board will also approve Dutton's proposal to recover the previous Board approved Regulatory Asset Recovery

amount of \$78,218 over a 1.5 year period.

### **Introduction of MicroFIT Generator Service Classification and Rate**

Ontario's Feed-In Tariff (FIT) program for renewable energy generation was established in the *Green Energy and Green Economy Act, 2009*. The program includes a stream called microFIT, which is designed to encourage homeowners, businesses and others to generate renewable energy with projects of 10 kilowatts (kW) or less.

In its EB-2009-0326 Decision and Order, issued February 23, 2010, the Board approved the following service classification definition, which is to be used by all licensed distributors:

microFIT Generator:

*This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system.*

On March 17, 2010, the Board approved a province-wide fixed service charge of \$5.25 per month for all electricity distributors effective September 21, 2009.

The microFIT Generator service classification and the service charge will be included in the Tariff of Rates and Charges.

### **Rate Model**

The Board is providing Dutton 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 2009 Board approved Tariff of Rates and Charges. The rate model was adjusted, where applicable, to correct any discrepancies.

**THE BOARD ORDERS THAT:**

1. Dutton's new distribution rates shall be effective November 1, 2010.
2. Dutton shall review the draft Tariff of Rates and Charges set out in Appendix A. Dutton 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 Dutton to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order:

3. The draft Tariff of Rates and Charges set out in Appendix A of this order will become final, effective November 1, 2010, and will apply to electricity consumed or estimated to have been consumed on and after November 1, 2010.

If the Board receives a submission by Dutton 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 Dutton and will issue a final Tariff of Rates and Charges.

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

**DATED** at Toronto, October 25, 2010  
**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary



Appendix A

To Decision and Order

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Rate model and a draft Tariff of Rates and Charges

October 25, 2010

**Middlesex Power Distribution Corp.  
Dutton Hydro Limited  
TARIFF OF RATES AND CHARGES  
Effective and Implementation Date November 1, 2010  
except for the microFIT Generator Class effective date of September 21, 2009**

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

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## RESIDENTIAL SERVICE CLASSIFICATION

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.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

|  |        |        |
|--|--------|--------|
| Service Charge   | \$     | 12.78  |
| Smart Meter Funding Adder  | \$     | 1.00   |
| Distribution Volumetric Rate   | \$/kWh | 0.0121 |
| Low Voltage Service Rate   | \$/kWh | 0.0014 |
| Regulatory Asset Recovery – Effective until April 30, 2012                 | \$/kWh | 0.0039 |
| Retail Transmission Rate – Network Service Rate                            | \$/kWh | 0.0057 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0050 |

### MONTHLY RATES AND CHARGES – Regulatory Component

|   |        |        |
|---|--------|--------|
| Wholesale Market Service Rate                                   | \$/kWh | 0.0052 |
| Rural Rate Protection Charge                                    | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$     | 0.25   |

**Middlesex Power Distribution Corp.  
Dutton Hydro Limited  
TARIFF OF RATES AND CHARGES  
Effective and Implementation Date November 1, 2010  
except for the microFIT Generator Class effective date of September 21, 2009**

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EB-2010-0226

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a non residential account taking 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.

### APPLICATION

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### MONTHLY RATES AND CHARGES – Delivery Component

|  |        |        |
|--|--------|--------|
| Service Charge   | \$     | 26.11  |
| Smart Meter Funding Adder  | \$     | 1.00   |
| Distribution Volumetric Rate   | \$/kWh | 0.0058 |
| Low Voltage Service Rate   | \$/kWh | 0.0013 |
| Regulatory Asset Recovery – Effective until April 30, 2012                 | \$/kWh | 0.0089 |
| Retail Transmission Rate – Network Service Rate                            | \$/kWh | 0.0052 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kWh | 0.0045 |

### MONTHLY RATES AND CHARGES – Regulatory Component

|   |        |        |
|---|--------|--------|
| 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 CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

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### MONTHLY RATES AND CHARGES – Delivery Component

|  |       |        |
|--|-------|--------|
| Service Charge (per connection)  | \$    | 0.94   |
| Distribution Volumetric Rate   | \$/kW | 4.9677 |
| Low Voltage Service Rate   | \$/kW | 0.4520 |
| Regulatory Asset Recovery – effective until April 30, 2012                 | \$/kW | 6.2199 |
| Retail Transmission Rate – Network Service Rate                            | \$/kW | 1.6083 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.4113 |

### MONTHLY RATES AND CHARGES – Regulatory Component

|   |        |        |
|---|--------|--------|
| Wholesale Market Service Rate                                   | \$/kWh | 0.0052 |
| Rural Rate Protection Charge                                    | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$     | 0.25   |

**Middlesex Power Distribution Corp.  
Dutton Hydro Limited  
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## **STREET LIGHTING SERVICE CLASSIFICATION**

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

### **APPLICATION**

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### **MONTHLY RATES AND CHARGES – Delivery Component**

|  |       |        |
|--|-------|--------|
| Service Charge (per connection)  | \$    | 0.63   |
| Distribution Volumetric Rate   | \$/kW | 2.9447 |
| Low Voltage Service Rate   | \$/kW | 0.4344 |
| Regulatory Asset Recovery – effective until April 30, 2012                 | \$/kW | 2.4491 |
| Retail Transmission Rate – Network Service Rate                            | \$/kW | 1.6002 |
| Retail Transmission Rate – Line and Transformation Connection Service Rate | \$/kW | 1.3824 |

### **MONTHLY RATES AND CHARGES – Regulatory Component**

|   |        |        |
|---|--------|--------|
| Wholesale Market Service Rate                                   | \$/kWh | 0.0052 |
| Rural Rate Protection Charge                                    | \$/kWh | 0.0013 |
| Standard Supply Service – Administrative Charge (if applicable) | \$     | 0.25   |

**Middlesex Power Distribution Corp.  
Dutton Hydro Limited  
TARIFF OF RATES AND CHARGES  
Effective and Implementation Date November 1, 2010  
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## **microFIT GENERATOR SERVICE CLASSIFICATION**

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

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### **MONTHLY RATES AND CHARGES – Delivery Component – effective September 21, 2009**

|                |    |      |
|----------------|----|------|
| Service Charge | \$ | 5.25 |
|----------------|----|------|

**Middlesex Power Distribution Corp.  
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**ALLOWANCES**

|   |    |        |
|---|----|--------|
| Transformer Allowance for Ownership - per kW of billing demand/month                      | \$ | (0.60) |
| Primary Metering Allowance for transformer losses – applied to measured demand and energy | %  | (1.00) |

**SPECIFIC SERVICE CHARGES****APPLICATION**

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No 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 or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

|   |    |       |
|---|----|-------|
| Customer Administration   |    |       |
| Arrears certificate   | \$ | 15.00 |
| Easement letter   | \$ | 15.00 |
| Credit reference/credit check (plus credit agency costs)                                  | \$ | 15.00 |
| Returned cheque (plus bank charges)   | \$ | 15.00 |
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | \$ | 30.00 |
| Meter dispute charge plus Measurement Canada fees (if meter found correct)                | \$ | 30.00 |
| Non-Payment of Account  |    |       |
| Late Payment - per month  | %  | 1.50  |
| Late Payment - per annum  | %  | 19.56 |

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## RETAIL SERVICE CHARGES (if applicable)

### APPLICATION

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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

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW 1.0662