



**EB-2009-0213**

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

**BEFORE:** Paul Vlahos  
Presiding Member

## **DECISION AND ORDER**

### **Introduction**

Bluewater Power Distribution Corporation (“Bluewater”), a licensed distributor of electricity, 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, 2010.

Bluewater 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, Bluewater is one of the electricity distributors that will have its rates adjusted for 2010 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 2010 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 Bluewater's rate application was given through newspaper publication in Bluewater'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.

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;
- Changes in the Federal and Provincial Income Tax Rates;
- Harmonized Sales Tax;
- Smart Meter Funding Adder;
- Revenue-to-Cost Ratios;
- Retail Transmission Service Rates;
- Review and Disposition of Group 1 Deferral and Variance Accounts; and
- Introduction of MicroFIT Generator Service Classification and Rate.

### **Price Cap Index Adjustment**

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

distribution rates and charges for Bluewater, 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 Bluewater's utility specific stretch factor of 0.4%. 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 0.18%. The Board has adjusted the rate model to reflect the newly calculated price cap index adjustment. The 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.

### **Changes in the Federal and Provincial Income Tax 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 provisions<sup>1</sup>, and an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2007.

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<sup>1</sup> 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.

The Federal Budget which was presented on January 27, 2009 and received Royal Assent on March 12, 2009 included an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2009.

On March 26, 2009, the Ontario provincial budget was presented and Bill 218, the enabling legislation, received Royal Assent on December 15, 2009. For corporations, the basic income tax rates will decrease in stages from 14% to 10% by July 1, 2013, while on July 1, 2010, the small business rate will drop from 5.5% to 4.5%, after the small business deduction is made where applicable. A provincial small business surtax claws back the benefit of the small business deduction when taxable income of associated corporations exceeds \$500,000 and eliminates the benefit completely once taxable income, on an associated basis, reaches \$1,500,000. The surtax will be eliminated on July 1, 2010.

The following table summarizes past, current and impending tax changes.

<b>Tax Rates</b>						
<b>Federal &amp; Provincial</b>	<b>Effective</b>	<b>Effective</b>	<b>Effective</b>	<b>Effective</b>	<b>Effective</b>	<b>Effective</b>
<b>As of December 15, 2009</b>	<b>January 1,</b>	<b>January 1,</b>	<b>January 1,</b>	<b>January 1,</b>	<b>January 1,</b>	<b>January 1,</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Federal income tax</b>						
General corporate rate	38.00%	38.00%	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
Surtax (4% of line 3)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	28.00%	28.00%	28.00%	28.00%	28.00%	28.00%
Rate reduction	-9.00%	-10.00%	-11.50%	-13.00%	-13.00%	-13.00%
	19.00%	18.00%	16.50%	15.00%	15.00%	15.00%
<b>Ontario income tax</b>	14.00%	13.00%	11.75%	11.25%	10.50%	10.00%
<b>Combined federal and Ontario</b>	<b>33.00%</b>	<b>31.00%</b>	<b>28.25%</b>	<b>26.25%</b>	<b>25.50%</b>	<b>25.00%</b>
<b>Federal &amp; Ontario Small Business</b>						
Federal small business threshold	500,000	500,000	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Ontario small business rate	5.50%	5.00%	4.50%	4.50%	4.50%	4.50%
Ontario surtax claw-back of 4.25% (eliminated July 1, 2010) starts at \$500,000 and eliminates the SBC at \$1,500,000.						
Ontario surtax	4.25%	2.125%	0.00%	0.00%	0.00%	0.00%
<b>Ontario Capital Tax</b>						
Capital deduction	15,000,000	15,000,000	0	0	0	0
Capital tax rate	0.225%	0.075%	0.0%	0.0%	0.0%	0.0%
OCT will be eliminated on July 1, 2010 but tax will be prorated for the first 6 months in 2010.						

The Board is of the view that these tax changes when combined could be material and should be passed on to ratepayers using a 50/50 sharing as determined by the Board in the Reports.

Using the Board's rate model, Bluewater's tax sharing amount is a refund of \$83,556. . In its submission, Board staff noted that the amount of tax sharing, when unitized using Bluewater's volumetric billing determinants, results in energy-based kWh rate riders of \$(0.0000) when rounded to the fourth decimal place and demand-based kW rate riders of \$(0.00) when rounded to the second decimal place. As a result, Board staff suggested that the Board may wish to consider directing Brantford Power to record the tax sharing refund amount in variance account 1595 for disposition in a future rate setting. In its reply submission, Bluewater supported Board staff's suggestion. The Board agrees with Board staff and orders Bluewater to record the tax sharing refund amount of \$83,556 in variance account 1595.

### **Harmonized Sales Tax**

The 8% Ontario provincial sales tax ("PST") and the 5% Federal goods and services tax ("GST") will be harmonized effective July 1, 2010, at 13%, pursuant to Ontario Bill 218 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.

Board staff submitted that the Board may wish to consider the establishment of a deferral account to record the amounts, after July 1, 2010 and until Bluewater's next cost-of-service rebasing application, that were formerly incorporated as the 8% PST on capital expenditures and expenses incurred, but which will now be eligible for an ITC. This account would track the incremental change due to the introduction of the HST that incorporates an increased ITC from the current 5% to a 13% level.

Bluewater commented that this process would be administratively onerous, and that incremental costs may be incurred to track these incremental changes. Bluewater further submitted that the potential savings were not anticipated to be material, and noted that this is just one of many changes that distributors may experience on a regular basis. .

The Board finds that it would not be incrementally onerous for distributors to track the ITC amounts as the distributor will need to file ITC information in GST/HST returns and go through the quantification process to satisfy the requirements by the tax authorities and that the final amounts will be confirmed by the tax authorities. In regulatory parlance, what Staff is suggesting is in the nature of a deferral account, not a variance account, and as such there is no need to compare these amounts with any reference to PST levels reflected in existing rates.

Rather, the issue in the Board's view is whether a distributor's cost reductions arising from the implementation of the HST should be returned to the ratepayers. In that regard, the Board notes that to do so would be consistent with what the Board has done with tax changes in second and third generation IRMs. In second generation IRM, the Board treated 100% of the tax changes as a Z factor. In the third generation IRM, the Board determined that tax changes would be shared equally between ratepayers and the shareholder. The 50% was considered appropriate as the changes in input prices will flow through the GDP-IPI over time to some degree. The same rationale applies in the case of the HST.

The Board therefore directs that, beginning July 1, 2010, Bluewater shall record in deferral account 1592 (PILs and Tax Variances, Sub-account HST / OVAT Input Tax Credits (ITCs)), the incremental ITC it receives 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 Bluewater'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**

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. Bluewater is authorized conduct smart meter activities because it is covered by paragraph 8 of section 1(1) of O. Reg. 427/06.

Bluewater requested to change its smart meter funding adder from \$0.26 to \$1.00 per metered customer per month. The Board will approve the standard funding adder proposed by Bluewater. This funding adder will be reflected in the Tariff of Rates and Charges. Bluewater’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 Bluewater’s smart metering activities in the 2010 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 Bluewater applies for the recovery of these costs.

### **Revenue-to-Cost Ratios**

Revenue-to-cost 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.

The Settlement Agreement in Bluewater's 2009 cost of service rate application (EB-2008-0221) prescribed a phase-in period to adjust its revenue-to-cost ratios.

Bluewater proposed to adjust its revenue-to-cost ratios as shown in Column 2 in the table below.

### Bluewater's Revenue-to-Cost Ratios (%)

Rate Class	2009 Ratio Column 1	Proposed 2010 Ratio Column 2	Target Range Column 3
Residential	103.00	103.00	85 - 115
General Service Less Than 50 kW	110.00	107.00	80 - 120
General Service 50 to 999 kW	90.00	90.00	80 - 180
General Service 1,000 to 4,999 kW	101.00	101.00	80 - 180
Large Use	107.00	107.00	85 - 115
Unmetered Scattered Load	70.00	75.00	80 - 120
Sentinel Lighting	47.00	59.67	70 - 120
Street Lighting	56.00	65.67	70 - 120

The Board finds that the proposed revenue-to-cost ratios are in accordance with the Settlement Agreement referenced above. The Board therefore approves the proposed revenue-to-cost ratios.

### 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).

On May 28, 2009, the Board issued its Decision and Rate Order in proceeding EB-2008-0272, which set new UTRs for Ontario transmitters, effective July 1, 2009. The new UTRs effective July 1, 2009 were as follows:

- Network Service Rate was increased from \$2.57 to \$2.66 per kW per month, a 3.5% increase;



- Line Connection Service Rate remained unchanged at \$0.70 per kW per month; and
- Transformation Connection Service Rate was decreased from \$1.62 to \$1.57 per kW per month, for a combined Line and Transformation Connection Service Rates reduction of 2.2%.

On July 22, 2009 the Board issued an amended “Guideline for *Electricity Distribution Retail Transmission Service Rates*” (“RTSR Guideline”), which provided electricity distributors with instructions on the evidence needed, and the process to be used, to adjust RTSRs to reflect the changes in the UTRs effective July 1, 2009. The Board set as a proxy at that time an increase of 3.5% for the Network Service Rate and reduction of 2.2% for the combined Line and Transformation Connection Service Rates. The Board also noted that there would be further changes to the UTRs in January 2010. The objective of resetting the rates is to minimize the prospective balances in deferral accounts 1584 and 1586.

On January 21, 2010, the Board approved new UTRs effective January 1, 2010. The new UTRs were as follows:

- Network Service Rate has increased from \$2.66 to \$2.97 per kW per month, an 11.7% increase over the July 1, 2009 level or 15.6% over the rate in effect prior to July 1, 2009;
- Line Connection Service Rate has increased from \$0.70 to \$0.73 per kW per month; and
- Transformation Connection Service Rate has increased from \$1.57 to \$1.71 per kW per month, for a combined Line and Transformation Connection Service Rates increase of 7.5% over the July 1, 2009 level or 5.2% over the rate in effect prior to July 1, 2009.

Bluewater proposed to change the existing RTS rates by the same proportions as the changes in the UTRs noted above effective July 1, 2009. Therefore, Bluewater has proposed to increase all of its RTS Network Rates by 3.5%, and decrease all of its RTS Connection Rates by 2.2%. However, in its reply submission, Bluewater agreed with Board staff that the RTSR rates should reflect the January 1, 2010 UTRs.

The Board notes that very few distributors, including Bluewater, included in their 2009 rates the July 1, 2009 level of UTRs since for most of them distribution rates would have

been implemented on May 1, 2009. The Board also notes that Bluewater agreed to reflect the January 1, 2010 UTRs. Therefore, in accordance with the July 22, 2009 RTSR Guideline, the Board finds that the revisions to the RTSRs ought to reflect the changes from the current level (i.e. rate in effect prior to July 1, 2009) over the to the January 1, 2010 level. This represents an increase of about 15.6% to the RTSR Network Service Rates, and an increase of about 5.2% to the RTSR Line and Transformation Connection Service Rates. The Board will reflect these findings in Bluewater's draft Rate Order

### **Review and Disposition of Group 1 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.

With respect to the disposition period, the EDDVAR Report states that the default position would be one year.

#### **(i) Balances**

Bluewater has requested that the Board review and approve the disposition of the December 31, 2008 Group 1 account balances as defined by the EDDVAR Report since the preset disposition threshold of \$0.001 per kWh was exceeded. The combined total of Group 1 account balance is a credit of \$2,925,917, which includes a debit balance of \$271,696 in the 1588 global adjustment sub-account. (Credit balances are amounts payable to customers and debit balances are amounts recoverable from customers). Bluewater has included interest on these account balances using the Board's prescribed interest rates to April 30, 2010. Bluewater's account balances as at December 31, 2008, plus projected carrying charges to April 30, 2010, are shown below.

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Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	9,408	(929 )	8,479
RSVA - Wholesale Market Service Charge	1580	(560,745 )	(17,576 )	(578,321 )
RSVA - Retail Transmission Network Charge	1584	(463,877 )	(22,542 )	(486,419 )
RSVA - Retail Transmission Connection Charge	1586	(316,248 )	(13,670 )	(329,918 )
RSVA - Power (Excluding Global Adjustment)	1588	(1,503,895 )	(53,218 )	(1,557,113 )
RSVA - Power (Global Adjustment Sub-account)	1588	259,254	12,442	271,696
Recovery of Regulatory Asset Balances	1590	(2,026,712 )	1,772,391	(254,321 )
		<u>(4,602,815 )</u>	<u>1,676,898</u>	<u>(2,925,917 )</u>

In response to an interrogatory from Board staff, Bluewater stated that it had reviewed the Regulatory Audit & Accounting Bulletin 200901 and confirmed that it had accounted for its Account 1588 RSVA power and global adjustment sub-account in accordance with this Bulletin.

Bluewater has a Wholesale Market Participant (“WMP”) that is connected to the Independent Electricity System Operator (“IESO”) through its distribution system. A WMP has a contractually negotiated alternate energy arrangement with the IESO, and like any distributor, a WMP is billed directly by the IESO for energy consumption, wholesale market service rates (“WMSR”), and rural rate protection (“RRRP”).

In its submission, Board staff suggested that if a WMP is connected to the distribution grid (i.e. using the distributor’s wires to receive electricity), the variances included in accounts 1580 (Wholesale Market Service Rates and Rural Rate Protection) and 1588 (energy consumption) should not be attributable to the WMP since the WMP would have settled directly with IESO. Board staff stated that it was unclear on whether Bluewater’s WMP fell into this category and submitted that it would be useful to the Board were Bluewater to provide additional information including its views on this particular issue.

In its reply submission, Bluewater noted that it was unaware of the potential implications of the WMP in respect of the disposition of Account 1580 and 1588 prior to considering Board staff’s interrogatories related to RPP and non-RPP customers. Bluewater also noted that the financial implications for the WMP would greatly exceed those associated with the issue around the disposition of the global adjustment sub-account. Bluewater expressed the view that this issue needs to be resolved, but should be resolved in a more generic process. Bluewater further stated that it did not propose the exclusion of

the WMP from the disposition of Account 1580 and 1588 in this rate application and had not provided notice to the WMP customer that of the impact of a potential change to the typical practice for disposing of account 1580 and 1588 balances. Bluewater concluded that this situation is not unique to it, and therefore all distributors with WMP should be treated consistently.

The Board agrees with Board staff and Bluewater that this is an issue that needs to be addressed. The Board also concurs that this application is not the appropriate forum to resolve this issue. The Board will not approve at this time the disposition of the credit amount in accounts 1580 and 1588 as proposed by Bluewater. The Board estimates that the credit amount that is attributable to the WMP by Bluewater is about \$200,000. The Board will approve the disposition of the remaining net balance in accounts 1580 and 1588 and directs Bluewater to retain a credit balance of \$200,000 in these accounts for disposition at a later time. Whether or not there will be a Board policy on this issue by the time Bluewater files its next rates application, Bluewater shall bring this matter forward at that time in any event.

The Board will approve the proposed balances for Group 1 accounts as presented by Bluewater with the adjustment of the \$200,000 amount noted above. The adjusted December 31, 2008 balances and the associated projected interest to April 30, 2010 are considered final. For accounting purposes, the respective balance in each of the Group 1 accounts, with any necessary notations because of the Board's findings herein, shall be transferred to account 1595 as soon as possible but no later than June 30, 2010 so that the Reporting and Record-keeping Requirements ("RRR") data reported in the second quarter of 2010 reflect these adjustments.

**(ii) *Disposition***

The EDDVAR Report includes guidelines on the cost allocation methodology and the rate rider derivation for the disposition of deferral and variance account balances. The Board notes that Bluewater followed the guidelines outlined in the EDDVAR Report and approves Bluewater's proposals except for the treatment of global adjustment sub-account balance.

The EDDVAR Report adopted an allocation of the global adjustment sub-account balance based on kWh for non-RPP customers by rate class. Traditionally, this allocation would then be combined with all other allocated variance account balances by

rate class. The combined balance by rate class would be divided by the volumetric billing determinants from the most recent audited year-end or Board-approved forecast, if available. This approach spreads the recovery or refund of the allocated account balances to all customers in the affected rate class.

This method was based on two premises. First, the recovery/refund of a variance unique to a subset of customers within a rate class would not be unfair to the rate class as a whole. Second, the distributors' existing billing system may not be capable of billing a subset of customers within a rate class.

Subsequent to the issuance of the EDDVAR Report, exogenous events have resulted in increased balances in the global adjustment sub-account for most electricity distributors. Board staff suggested that the Board may wish to consider establishing a separate rate rider for the disposition of the global adjustment sub-account balance enabling the prospective recovery solely from non-RPP customers, as this would be more reflective of cost causality since it was that group of customers that was undercharged by the distributor in the first place. Alternatively, Board staff suggested that the Board may wish to consider the recovery of the allocated global adjustment sub-account balance from all customers in each class, as this approach would recognize the customer migration that might occur both away from the non-RPP customer group and into the non-RPP customer group.

In response to an interrogatory from Board staff, Bluewater disagreed with Board staff's suggestion to establish a separate rate rider that would be prospectively applied to non-RPP customers. In support of its position, Bluewater stated that the inequity is not material in this case, and that this issue should be thoroughly analyzed before any action from the Board is taken. Bluewater further noted that it does not readily have the billing capability to implement such a change.

Considering Bluewater's current billing constraints, the Board will approve at this time the disposition of the allocated global adjustment sub-account balance from all customers in the affected rate class. The Board directs Bluewater to further investigate and report to the Board in a proceeding no later than its next rebasing proceeding, Bluewater's projection of the costs that Bluewater would need to incur in order to accommodate the establishment of a separate rate rider to dispose of the global adjustment sub-account.

Bluewater requested the disposition of its Group 1 account balance over a four year period. Board staff submitted that a disposition period no longer than one year would be appropriate for all Group 1 account since these balances have been accumulating over the last four year period and to delay any immediate action would not be in the interest of all parties. In its reply submission, Bluewater expressed concern over the significant rate volatility that would arise were a disposition period of one year be used. Bluewater further indicated that inter-generational inequities issues are less relevant for Bluewater due to a relatively slow growth rate and stability in the customer base. Bluewater concluded that a four year disposition period is appropriate because rate stability should outweigh the need to achieve inter-generational equity. The Board accepts in principle Board staff's rationale for a disposition period of one year and adopts it subject to any compelling evidence that the disposition period should be lengthened. The Board finds that Bluewater's rationale for proposing to extend the disposition is reasonable, however the Board is of the view that a disposition period of four years is too long when considering that the credit amount approved for disposition at this time has been lowered by \$200,000. The Board will approve a disposition period of two years in this case.

### **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 Micro FIT, 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 Tariffs of Rates and Charges.

### **Rate Model**

The Board is providing Bluewater 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 and the rate model was adjusted, where applicable, to correct any discrepancies.

### **The Board Orders That:**

1. Bluewater's new distribution rates shall be effective May 1, 2010.
2. Bluewater shall review the draft Tariff of Rates and Charges set out in Appendix A. Bluewater 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 Bluewater 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 May 1, 2010, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2010.

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

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

5. Pursuant to section 30 of the Ontario Energy Board Act, 1998, Bluewater shall pay the Board's costs of and incidental to, this proceeding immediately upon receipt of the Board's invoice.

**DATED** at Toronto, April 13, 2010

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary



Appendix A  
To Decision and Order  
EB-2009-0213  
April 13, 2010

**Bluewater Power Distribution Corp.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 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

All service supplied to single-family dwelling units for domestic or household purposes shall be classed as residential service. Where electricity service is provided for combined residential and business purposes (including agricultural usage) and the wiring does not provide for separate metering, the classification shall be in the discretion of Bluewater Power Distribution Corporation ("Bluewater Power") and shall be based on such considerations as the estimated predominant consumption or the municipal tax roll classification. A residential customer may be found in a detached, semi-detached, linear row housing, apartment building or mixed-use building. Where more than one dwelling is served by a single meter, that service shall be considered a General Service Customer. 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	\$	13.66
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0186
Low Voltage Service Rate	\$/kWh	0.0002
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kWh	(0.0014)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0016)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0060
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0053

## 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

**Bluewater Power Distribution Corp.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2010**  
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EB-2009-0213

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or a new customer forecast to have, an average monthly peak demand less than 50 kW, and has a monthly peak demand that never exceeds 100 kW. Bluewater Power shall review this rate class designation on an annual basis and the customer's designated rate class may change as a result. 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.

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### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	24.48
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0172
Low Voltage Service Rate	\$/kWh	0.0002
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kWh	(0.0017)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0015)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047

### 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

**Bluewater Power Distribution Corp.**  
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## GENERAL SERVICE 50 to 999 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over a twelve month period has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 50 kW and less than 1,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. 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	\$	140.51
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kW	3.5243
Low Voltage Service Rate	\$/kW	0.0722
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kW	(0.7366)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.4975)
Retail Transmission Rate – Network Service Rate	\$/kW	2.2326
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8765

### 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

**Bluewater Power Distribution Corp.**  
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## GENERAL SERVICE 1,000 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a customer not designated Residential, and that: over a twelve month period has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 1,000 kW and less than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. 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	\$	3088.84
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kW	1.2655
Low Voltage Service Rate	\$/kW	0.0792
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kW	(0.9688)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.5536)
Retail Transmission Rate – Network Service Rate	\$/kW	2.3712
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	2.0571

### 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

**Bluewater Power Distribution Corp.**  
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## LARGE USE SERVICE CLASSIFICATION

This classification applies to a customer not designated as Residential, and that over 12 consecutive billing periods has, or a new customer forecast to have, an average monthly peak demand equal to or greater than 5,000 kW. This rate class designation is reviewed on an annual basis and the customer's designated rate class may change as a result. 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.

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### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	25,035.58
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kW	1.4974
Low Voltage Service Rate	\$/kW	0.0905
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kW	(1.4516)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.8479)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012 Applicable only for Wholesale Market Participants	\$/kW	(0.2717)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.6255
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.3524

### 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

**Bluewater Power Distribution Corp.**  
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## UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand is less than, or a new customer 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 level of the consumption will be agreed to by Bluewater Power and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

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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.

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### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge (per connection)	\$	13.57
Distribution Volumetric Rate	\$/kWh	0.0369
Low Voltage Service Rate	\$/kWh	0.0002
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kWh	(0.0013)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0017)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0047

### 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

**Bluewater Power Distribution Corp.**  
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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

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

Service Charge (per connection)	\$	2.34
Distribution Volumetric Rate	\$/kW	15.4572
Low Voltage Service Rate	\$/kW	0.0570
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kW	(0.6011)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.7337)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6923
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4809

### 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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## **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. 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)	\$	1.62
Distribution Volumetric Rate	\$/kW	12.5074
Low Voltage Service Rate	\$/kW	0.0558
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until April 30, 2011	\$/kW	(0.5189)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.4856)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6837
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.4507

### **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

**Bluewater Power Distribution Corp.**  
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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**

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

Service Charge	\$	5.25
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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**

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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<b>Customer Administration</b>		
Duplicate invoices for previous billing	\$	15.00
Income tax letter	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	10.00
Returned Cheque charge (plus bank charges)	\$	15.00
Special meter reads	\$	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
Disconnect/Reconnect Charge - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect Charge - At Meter After Hours	\$	185.00
Specific Charge for Access to the Power Poles – \$/per pole/year	\$	22.35

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## RETAIL SERVICE CHARGES (if applicable)

### 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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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	1.0356
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0253
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045