



EB-2009-0212

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 Atikokan
Hydro Inc. 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

Atikokan Hydro Inc. ("Atikokan Hydro"), 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.

Atikokan Hydro is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2008, the Board announced the establishment of a new multi-year electricity distribution rate-setting plan, the 3rd Generation Incentive Rate Mechanism ("IRM") process, that will be used to adjust electricity distribution rates starting in 2009 for those distributors whose 2008 rates were rebased through a cost of service review. As part of the plan, Atikokan Hydro 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 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on July 14, 2008, its *Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008, and its *Addendum to the Supplemental Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (together the "Reports"). Among other things, the Reports contained the relevant guidelines for 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 Atikokan Hydro's rate application was given through newspaper publication in Atikokan Hydro'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. Two letters of comment were received. applied and was granted intervenor status in this proceeding. One letter of comment was received from an individual customer, asking for the reasons supporting the rate change. The other letter of comment was from The Vulnerable Energy Consumers Coalition ("VECC") and was in relation to Atikokan Hydro's proposed revenue-to-cost ratio adjustments. The Board's Notice of Application noted that the Board may order costs in this proceeding in relation to Atikokan Hydro's proposed revenue-to-cost ratio adjustments. There were no intervention requests. One letter of comment was received from The Vulnerable Energy Consumers Coalition ("VECC") relating to Atikokan Hydro's proposed revenue-to-cost ratio adjustments, which is dealt with in this decision. 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

Atikokan Hydro's rate application was filed on the basis of the Guidelines. In fixing new distribution rates and charges for Atikokan Hydro, 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 Atikokan Hydro'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 provisions¹, and an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2007.

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.

¹ The Ontario capital tax rate decreased from 0.285% to 0.225% effective January 1, 2007. The Ontario capital tax deduction also increased from \$10 million to \$12.5 million effective January 1, 2007, and from \$12.5 million to \$15 million effective January 1, 2008.

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

Tax Rates						
Federal & Provincial As of December 15, 2009	Effective January 1, 2009	Effective January 1, 2010	Effective January 1, 2011	Effective January 1, 2012	Effective January 1, 2013	Effective January 1, 2014
Federal income tax						
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%
Ontario income tax	14.00%	13.00%	11.75%	11.25%	10.50%	10.00%
Combined federal and Ontario	33.00%	31.00%	28.25%	26.25%	25.50%	25.00%
Federal & Ontario Small Business						
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%
Ontario Capital Tax						
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.

The Board's rate model indicates that Atikokan Hydro's tax sharing amount is a refund of \$377. This amount when unitized using Atikokan Hydro's volumetric billing determinants results in \$(0.0000) energy-based kWh rate riders when rounded to four decimal places and \$(0.00) demand-based kW rate riders when rounded to two decimal places. Consistent with Board findings in similar cases, the Board orders Atikokan Hydro to record the tax sharing refund amount of \$377 in variance account 1595 for disposition in a future rate setting process.

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 Atikokan Hydro'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.

Atikokan Hydro commented that this process would be administratively burdensome and that adjustments to reflect the change to HST should not occur until its next cost of service application so that the impact can be evaluated based on a forecast test year.

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, Atikokan Hydro 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 which become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of Atikokan Hydro'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. Atikokan Hydro is authorized conduct smart meter activities because it is covered by paragraph 8 of section 1(1) of O. Reg. 427/06.

Atikokan Hydro requested the continuation of its standard smart meter funding adder of \$1.00 per metered customer per month. The Board approves the funding adder as proposed by Atikokan Hydro. This funding adder will be reflected in the Tariff of Rates

and Charges. Atikokan Hydro'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 Atikokan Hydro'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 Atikokan Hydro 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 Board's Decision (EB-2008-0014) for Atikokan Hydro's 2008 cost of service rate application prescribed a phase-in period to adjust its revenue-to-cost ratios.

Atikokan Hydro proposed to adjust its revenue-to-cost ratios as shown in Column 3 in the table below.

Atikokan Hydro's Revenue-to-Cost Ratios (%)

Rate Class	2009 Ratio Column 1	Proposed 2010 Ratio Column 2	Target Range Column 3
Residential	113.98	104.78	85 - 115
General Service Less Than 50 kW	108.29	100.00	80 - 120
General Service 50 to 4,999 kW	43.88	70.00	80 - 180
Unmetered Scattered Load	45.00	62.50	80 - 120
Sentinel Lighting	40.00	70.00	70 - 120
Street Lighting	45.00	70.00	70 - 120

Atikokan Hydro proposed not to increase the revenue-to-cost ratio for the Unmetered Scattered Load ("USL") as the previous Board decision required on the reason that the

rates for this rate class is already “considerably higher” compared to other distributors in the province. Atikokan Hydro further indicated that the results stemming from the cost allocation model may not be correct. Atikokan Hydro proposed that any further adjustment to the USL revenue-to-cost ratio be considered during its next cost of service proceeding.

With regard to the General Service 50 to 4,999 kW (“GS > 50 kW”) rate class, Atikokan Hydro noted that, by making an adjustment for how the transformation allowance is accounted for in the model, its estimated actual 2009 revenue-to-cost ratio changed from 65% to 57%. In order to phase in the impact of the transformation allowance adjustment, Atikokan Hydro proposed to increase the revenue-to-cost ratio to 70% in 2010 and 80% in 2011 for this rate class.

Finally, Atikokan Hydro indicated that 74% of the additional revenue from the proposed adjustments described above was assigned to the Residential rate class, which reduces the revenue-to-cost ratio for this rate class down to 104.8% from 107.2% in 2009. The remaining 26% of the additional revenue was used to reduce the General Service Less Than 50 kW (“GS < 50 kW”) ratio to 100% from 107.7% in 2009.

In its letter of comment, VECC indicated that Atikokan Hydro’s proposal is inconsistent with the Board’s Decision in EB-2008-0014 and amounted to a request to vary that Decision. VECC noted that in that Decision, the Board ordered that the revenue-to-cost ratios for the GS > 50 kW and the USL rate classes be brought to the bottom of their target range in 2010. VECC also noted that the Board had directed Atikokan Hydro to ensure that the increased revenue from other rate classes be used primarily to reduce the revenue requirement in the Residential rate class. VECC observed that Atikokan Hydro proposed to use the increased revenue to primarily decrease the revenue-to-cost ratio in the GS < 50 kW rate class. In VECC’s view, the revenue-to-cost ratio in the Residential rate class should not exceed the one for the GS < 50 kW rate class.

Board staff took no issue with Atikokan Hydro’s revenue-to-cost ratio adjustments.

The Board notes that the establishment of specific revenue requirements through cost causality determinations is a fundamental rate-making principle. Cost allocation policies reasonably allocate the costs of providing service to various classes of consumers and, as such, provide an important reference for establishing rates that are just and

reasonable. The Board's determination in EB-2008-0114, Atikokan Hydro's 2009 cost of service application, reflected that principle as well as the incremental approach outlined in the *Report of the Board on the Application of Cost Allocation for Electricity Distributors* dated November 28, 2007.

With respect to the USL rate class, the Board is of the view that its incremental approach, as reflected in the width of the USL target range, provides sufficient assurance that influencing factors are taken into account when making revenue-to-cost ratio adjustments, such as the potential for model misspecification as alluded to by Atikokan Hydro. The Board therefore does not accept Atikokan Hydro's proposal to deviate from the Board's previous decision. The revenue to cost ratio for the USL rate class shall be adjusted to 80% for 2010.

With respect to the GS > 50 kW rate class, the Board notes that this rate class has been cross-subsidized for an extended period of time and that the final adjustment should be completed in one year as previously directed by the Board. The revenue to cost ratio for the GS > 50 kW rate class shall be adjusted to 80% for 2010.

On the matter of the re-distribution of the additional revenue from the USL and the GS>50 kW, the Board finds Atikokan Hydro's proposal to be consistent with the direction provided in the Board's Decision in EB-2008-0114. In that Decision, the Board noted that the increased revenue should have the primary effect of decreasing the revenue requirement of the Residential rate class, which does not necessarily imply decreasing the revenue-to-cost ratio of the Residential rate class. The Board will approve Atikokan Hydro's proposed revenue adjustment for the GS < 50 kW rate class as it follows the direction and intent of the Board's Decision in the EB-2008-0014 proceeding. As this adjustment result in the GS < 50 kW ratio being set at 100%, any additional revenues generated by the revenue-to-cost ratio adjustments to the USL and GS >50 kW rate classes will be applied to reduce the revenue requirement of the Residential rate class.

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.

Atikokan Hydro proposed to change the existing RTS rates by the same proportions as the changes in the UTRs noted above effective July 1, 2009. Therefore, Atikokan Hydro 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, Atikokan Hydro agreed with Board staff that the RTSRs should reflect the January 1, 2010 UTRs.

The Board notes that very few distributors, including Atikokan Hydro, 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 Atikokan Hydro 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) 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 Atikokan Hydro'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

Atikokan Hydro 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 \$120,511, which included a credit balance of \$33,483 in the 1588 global adjustment sub-account. (Credit balances are amounts payable to customers and debit balances are amounts recoverable from customers) Atikokan Hydro has included interest on these account balances using the Board's prescribed interest rates to April 30, 2010. Atikokan Hydro's account balances as at December 31, 2008, plus projected carrying charges to April 30, 2010, are shown below.

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	0	0	0
RSVA - Wholesale Market Service Charge	1580	(65,776)	(12,312)	(78,088)
RSVA - Retail Transmission Network Charge	1584	(43,059)	(10,442)	(53,501)
RSVA - Retail Transmission Connection Charge	1586	(3,370)	(47,232)	(50,603)
RSVA - Power (Excluding Global Adjustment)	1588	78,303	16,871	95,174
RSVA - Power (Global Adjustment Sub-account)	1588	(31,083)	(2,400)	(33,483)
Recovery of Regulatory Asset Balances	1590	(824)	814	(10)
		<u>(65,810)</u>	<u>(54,701)</u>	<u>(120,511)</u>

In response to an interrogatory from Board staff, Atikokan Hydro 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.

The Board is concerned about the difference between the original and revised amount sought for disposition. The Board will approve the disposition of the December 31, 2008 balances and projected interest to April 30, 2010 as reported by Atikokan Hydro but not on a final basis. Any adjustment to the 2008 Group 1 account balances shall be brought forward to the Board in Atikokan Hydro's next rate proceeding. For accounting purposes, the respective balance in each of the Group 1 accounts 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 Atikokan Hydro followed the guidelines outlined in the EDDVAR Report and approves Atikokan Hydro'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, Atikokan Hydro agreed in principle with Board staff that the establishment of a separate rate rider that would be prospectively

applied to non-RPP customers would be more reflective of cost causality. Atikokan Hydro indicated that its current billing system could readily accommodate a separate rate rider that would apply prospectively to non-RPP customers to dispose of the global adjustment sub-account balance.

The Board will adopt the proposal of Board staff that a separate rate rider be established to dispose of the global adjustment sub-account balance. The rate rider would apply prospectively to non-RPP customers. The Board is of the view that it is appropriate to dispose of this account balance from the customer group that caused the variance (i.e. non-RPP customers). While customer migration makes this an imperfect solution, a separate rate rider applicable to non-RPP customers would result in enhanced cost causality compared to a disposition that would apply to all customers in the affected rate classes.

Atikokan Hydro requested the disposition of its Group 1 account balance over a four-year period since the account balances were accumulated 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 Atikokan Hydro proposed to dispose of its revised Group 1 account balance over a two-year period. Atikokan Hydro submitted that a faster disposition period could put it under financial stress as the revised credit amount of \$120,511 represents about 10% of its approved revenue requirement.

The Board accepts in principle Board staff's rationale for a disposition period of one year and adopts it subject to any substantiated evidence that the disposition period should be lengthened. The Board finds that Atikokan Hydro's rationale for proposing a two year disposition period in this case is reasonable. The Board will reflect this finding in Atikokan Hydro's draft Rate Order.

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 Atikokan Hydro 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. Atikokan Hydro's new distribution rates shall be effective May 1, 2010.
2. Atikokan Hydro shall review the draft Tariff of Rates and Charges set out in Appendix A. Atikokan Hydro 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 Atikokan Hydro 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 Atikokan Hydro 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 Atikokan Hydro and will issue a final Tariff of Rates and Charges.

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

DATED at Toronto, April 12, 2010

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A
To Decision and Order
EB-2009-0212
April 12, 2010

Atikokan Hydro Inc.
TARIFF OF RATES AND CHARGES
Effective and Implementation Date May 1, 2010
except for the microFIT Generator Class effective date of September 21, 2009

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EB-2009-0212

RESIDENTIAL SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separately metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. 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	\$	30.53
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0121
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2012 Applicable only for Non-RPP Customers	\$/kWh	(0.0028)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0018)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0054
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0024

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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EB-2009-0212

GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification applies to a non residential account taking electricity at 750 volts or less 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

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	\$	69.89
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kWh	0.0089
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2012 Applicable only for Non-RPP Customers	\$/kWh	(0.0028)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0018)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0021

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

Atikokan Hydro Inc.
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GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

General Service 50 to 999 kW non-interval metered

General Service 50 to 999 kW interval metered

General Service 1,000 to 4,999 kW interval metered

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	\$	439.95
Smart Meter Funding Adder	\$	1.00
Distribution Volumetric Rate	\$/kW	1.7130
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2012 Applicable only for Non-RPP Customers	\$/kW	(1.0474)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.6885)
Retail Transmission Rate – Network Service Rate	\$/kW	1.9725
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.0949
Retail Transmission Rate – Network Service Rate – Interval Metered ≥ 1,000 kW	\$/kW	2.0926
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.8321
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	0.9122
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered ≥ 1,000kW	\$/kW	0.9197

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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UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum 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 boots, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor 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

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 (per account)	\$	372.75
Distribution Volumetric Rate	\$/kWh	0.0479
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kWh	(0.0018)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0021

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

Atikokan Hydro Inc.
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SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification applies to safety/security lighting. This is typically exterior lighting, and often unmetered. Consumption is estimated based on the equipment rating and estimated hours of use. 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.

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MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	12.54
Distribution Volumetric Rate	\$/kW	102.1343
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(2.5605)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4951
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.6567

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

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 (per connection)	\$	8.12
Distribution Volumetric Rate	\$/kW	10.0086
Rate Rider for Global Adjustment Sub-Account Disposition – effective until April 30, 2012		
Applicable only for Non-RPP Customers	\$/kW	(0.8735)
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2012	\$/kW	(0.5742)
Retail Transmission Rate – Network Service Rate	\$/kW	1.4877
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.6432

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

Atikokan Hydro Inc.
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EB-2009-0212

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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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.

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

Service Charge	\$	5.25
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Atikokan Hydro Inc.
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ALLOWANCES

Transformer Allowance for Ownership – per kW of billing demand/month – customer shall be credited at a rate of 10% of the applicable Distribution Volumetric Rate

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.

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		
Returned Cheque charge (plus bank charges)		\$
25.00		
Account set up charge / change of occupancy charge (plus credit agency costs if applicable)	\$	25.00
Special Meter reads	\$	25.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection	\$	25.00
Disconnect/Reconnect at Meter – during regular hours	\$	28.00
Disconnect/Reconnect at Meter – after regular hours	\$	315.00
Disconnect/Reconnect at Pole – during regular hours	\$	28.00
Disconnect/Reconnect at Pole – after regular hours	\$	315.00
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.

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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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	1.0753
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0645
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A