



EB-2011-0171

**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 Hearst Power Distribution Company Limited for an order or orders approving or fixing just and reasonable distribution rates and other charges, to be effective May 1, 2012.

**BEFORE:** Karen Taylor  
Presiding Member

Paula Conboy  
Member

## DECISION AND ORDER

### Introduction

Hearst Power Distribution Company Limited (“Hearst”), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the “Board”) on October 14, 2011 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Hearst charges for electricity distribution, to be effective May 1, 2012.

Hearst is one of 77 electricity distributors in Ontario regulated by the Board. The *Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario’s Electricity Distributors* (the “IR Report”), issued on July 14, 2008, establishes a three year plan term for 3<sup>rd</sup> generation incentive regulation mechanism (“IRM”) (i.e., rebasing plus three years). In its October 27, 2010 letter regarding the development of a Renewed Regulatory Framework for Electricity (“RRFE”), the Board announced that it was extending the 3<sup>rd</sup> generation IRM plan until such time as the RRFE policy initiatives have been

substantially completed. As part of the plan, Hearst is one of the electricity distributors that will have its rates adjusted for 2012 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 IR Report, its *Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008 (the "Supplemental Report"), 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 (collectively the "Reports"). Among other things, the Reports contain the relevant guidelines for 2012 rate adjustments for distributors applying for distribution rate adjustments pursuant to the IRM process. On June 22, 2011 the Board issued an update to Chapter 3 of the Board's *Filing Requirements for Transmission and Distribution Applications* (the "Filing Requirements"), which outlines the Filing Requirements for IRM applications based on the policies in the Reports.

Notice of Hearst's rate application was given through newspaper publication in Hearst'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. No letters of comment were received. The Notice of Application indicated that intervenors would be eligible for cost awards with respect to Hearst's proposed revenue-to-cost ratio adjustments and its request for lost revenue adjustment mechanism ("LRAM") recoveries. The Vulnerable Energy Consumers Coalition ("VECC") applied for and was granted intervenor status in this proceeding. The Board granted VECC eligibility for cost awards in regards to Hearst's request for LRAM recoveries and any revenue-to-cost ratio matters that go beyond the implementation of previous Board decisions. Board staff also participated in the proceeding. The Board proceeded by way of a written hearing.

While the Board has considered the entire record in this proceeding, 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;
- Rural or Remote Electricity Rate Protection;
- Revenue-to-Cost Ratio Adjustments;

- Shared Tax Savings Adjustments;
- Retail Transmission Service Rates;
- Review and Disposition of Group 1 Deferral and Variance Account Balances;
- Review and Disposition of Account 1521: Special Purpose Charge;
- Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes; and
- Review and Disposition of Lost Revenue Adjustment Mechanism.

### **Price Cap Index Adjustment**

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

On March 13, 2012, the Board announced a price escalator of 2.0% for those distributors under IRM that have a rate year commencing May 1, 2012.

The stretch factors are assigned to distributors based on the results of two benchmarking evaluations to divide the Ontario industry into three efficiency cohorts. In its letter to Licensed Electricity Distributors dated December 1, 2011 the Board assigned to Hearst efficiency cohort 2 and a cohort specific stretch factor of 0.4%.

On that basis, the resulting price cap index adjustment is 0.88%. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across customer classes that are not eligible for Rural or Remote Electricity Rate Protection. The price cap index adjustment will not apply to the following components of delivery 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;
- MicroFIT Service Charges; and
- Retail Service Charges.

### Rural or Remote Electricity Rate Protection

On December 21, 2011, the Board issued a Decision with Reasons and Rate Order (EB-2011-0405) establishing the Rural or Remote Electricity Rate Protection (“RRRP”) benefit and charge for 2012. The Board amended the RRRP charge to be collected by the Independent Electricity System Operator from the current \$0.0013 per kWh to \$0.0011 per kWh effective May 1, 2012. The final Tariff of Rates and Charges attached to this Decision and Order reflects the new RRRP charge.

### Revenue-to-Cost Ratio Adjustments

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 and in its updated report *Review of Electricity Distribution Cost Allocation Policy*, dated March 31, 2011.

The decision in Hearst’s 2010 cost of service rate application (EB-2009-0266) directed Hearst to increase its revenue to cost ratio in the 2012 rate year for the Street Lighting rate class to the target minimum range of 70%. Hearst was also directed to achieve in its 2012 rates a ratio of no higher than 180% for the GS>50kW class and, if necessary in order to attain this ratio, it may raise the ratio for the Residential class towards 100%.

The table below outlines the proposed revenue-to-cost ratios.

Rate Class	Current 2011 Ratio	Proposed 2012 Ratio	Target Range
Residential	98.00%	99.00%	85 – 115
General Service Less Than 50 kW	100.00%	100.00%	80 – 120
General Service 50 to 1499 kW	222.00%	180.00%	80 – 180

Intermediate With Self Generation	80.00%	80.00%	85 – 115
Street Lighting	50.00%	70.00%	70 – 120
Sentinel Lighting	70.00%	70.00%	70 – 120

Board staff submitted that the proposed revenue-to-cost ratio adjustments were in accordance with the Board's directions in Hearst's 2010 cost of service proceeding.

The Board will approve the proposed revenue to cost ratios, as the proposed adjustments are in accordance with EB-2009-0266.

### **Shared Tax Savings Adjustments**

In its Supplemental Report, the Board determined that a 50/50 sharing of the impact of currently known legislated tax changes, as applied to the tax level reflected in the Board-approved base rates for a distributor, is appropriate.

The calculated annual tax reduction over the IRM plan term will be allocated to customer rate classes on the basis of the Board-approved base-year distribution revenue. These amounts will be refunded to customers each year of the plan term, over a 12-month period, through a volumetric rate rider using annualized consumption by customer class underlying the Board-approved base rates.

Hearst's application identified a total tax savings of \$411 resulting in a shared amount of \$206 to be refunded to rate payers. Hearst noted in its application that since the calculated rate riders of one or more classes results in negligible amounts when rounded to four decimal places, Hearst requested that the entire amount be recorded in USoA 1595 for disposition in a future rate proceeding.

In interrogatories, Board staff noted that it was unable to verify the first portion of tab 5 of the Tax-Savings Workform with Hearst's 2010 Revenue Requirement Workform ("RRWF"). In response to Board staff interrogatory #2, Hearst confirmed with Board staff that the workform was incorrectly populated and requested Board staff to make the necessary corrections to the Tax-Savings Workform so that the latter is consistent with the RRWF<sup>1</sup>. Board staff submitted that in all other respects, Hearst completed the Tax-

<sup>1</sup> EB-2011-0171, Interrogatory Responses, Page 3

Savings Workform with the correct rates and reflected the RRWF from the Board's cost of service decision in EB-2009-0266.

Board staff also submitted that due to the revisions noted above, the tax savings rate riders are no longer negligible and therefore the new tax savings amount of a credit of \$5,113 should be disposed.

In its reply submission, Hearst agreed with Board staff.

The Board approves the disposition of shared tax savings of \$5,113 over a one year period, May 1, 2012 to April 30, 2013.

### **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"). Variance 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. variance Accounts 1584 and 1586).

On June 22, 2011 the Board issued revision 3.0 of the *Guideline G-2008-0001 - Electricity Distribution Retail Transmission Service Rates* (the "RTSR Guideline"). The RTSR Guideline outlines the information that the Board requires electricity distributors to file to adjust their RTSRs for 2012. The RTSR Guideline requires electricity distributors to adjust their RTSRs based on a comparison of historical transmission costs adjusted for the new UTR levels and the revenues generated under existing RTSRs. The objective of resetting the rates is to minimize the prospective balances in Accounts 1584 and 1586. In order to assist electricity distributors in the calculation of the distributors' specific RTSRs, Board staff provided a filing module.

On December 20, 2011 the Board issued its Rate Order for Hydro One Transmission (EB-2011-0268) which adjusted the UTRs effective January 1, 2012, as shown in the following table:

### 2012 Uniform Transmission Rates

Network Service Rate	\$3.57 per kW
<u>Connection Service Rates</u>	
Line Connection Service Rate	\$0.80 per kW
Transformation Connection Service Rate	\$1.86 per kW

In its submission, Board staff noted that it had no concerns with the RTSR Workform as filed.

The Board finds that the 2012 UTRs are to be incorporated into the filing module.

### Review and Disposition of Group 1 Deferral and Variance Account Balances

The *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative* (the "EDDVAR Report") provides that, during the IRM plan term, the distributor's Group 1 Account balances will be reviewed and disposed 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.

Hearst's 2010 actual year-end balance for Group 1 Accounts including interest projected to April 30, 2012 is a credit of \$549,723. This amount results in a total claim of \$0.00744 per kWh, which exceeds the preset disposition threshold, and as such, Hearst requested disposition of these accounts over a four year period, with the exception of Account 1588 – Global Adjustment Sub-Account ("GA Sub-Account") for which Hearst requested a one year disposition period. Hearst requested a four year disposition period to allow for the smoothing of rate impacts by avoiding a large rate fluctuation when this rider is terminated<sup>2</sup>.

In its submission, Board staff noted that the principal amounts to be disposed as of December 31, 2010 reconcile with the amounts reported as part of the *Reporting and Record-keeping Requirements*. Board staff took no issue with Hearst's request to dispose of its 2010 Deferral and Variance Account balances at this time.

Board staff did however take issue with the disposition period requested by Hearst with the exception of GA Sub-Account. Board staff noted that Hearst's application is not

<sup>2</sup> EB-2011-0171, Application, Exhibit 1, Tab 3, Sch.4, Page 1

consistent with the EDDVAR Report with respect to the standard disposition period for Group 1 accounts (i.e. one year).

In its response to Board staff interrogatories, Hearst provided rate riders and bill impacts for one, two and three year disposition periods for the repayment of its Group 1 Accounts (excluding the GA Sub-Account).

While recognizing the value of the EDDVAR Report in guiding decisions with respect to the disposition of deferral and variance accounts, Board staff noted that in the past, the Board has made decisions which deviate from the EDDVAR Report if it deems it in the public interest to do so. For example, in Guelph Hydro's 2010 IRM application (EB-2009-0226), Guelph Hydro requested to dispose of Group 1 Accounts over a four-year period. In that proceeding, Board staff submitted that while some volatility in customer bills may occur, it is in the best interest of customers to dispose of account balances over a shorter time frame so as to reduce intergenerational inequity. The Board found that Guelph's rationale for proposing to extend the disposition period may be reasonable, but believed that a four year disposition period was too long. The Board found that a disposition period of two years was appropriate.

In the current application, Board staff noted that using a disposition period as long as four years would exacerbate intergenerational inequities. However, Board staff recognized that some volatility in electricity bills may result from adopting a shorter disposition period. Board staff submitted that the Board should strike a balance between reducing intergenerational inequities and mitigating rate volatility.

Based on the bill impacts provided by Hearst, staff recommended that a three-year disposition period should be adopted for all Group 1 accounts.

In its reply submission, Hearst agreed with Board staff's submission.

The Board notes that the disposition threshold of \$0.001 has been exceeded. Accordingly, the Board will approve the disposition of Hearst's Group 1 Deferral and Variance Account balances of a credit of \$549,723 on a final basis as of December 31, 2010 plus interest to April 30, 2012. The Board approves a disposition period of three years, May 1, 2012 to April 30, 2015.

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts.

Account Name	Account Number	Principal Balance	Interest Balance	Total Claim
LV Variance Account	1550	\$65,877	\$4,578	\$70,465
RSVA - Wholesale Market Service Charge	1580	-\$160,763	-\$10,433	-\$171,196
RSVA - Retail Transmission Network Charge	1584	\$19,024	-\$1,237	\$17,788
RSVA - Retail Transmission Connection Charge	1586	-\$156,187	-\$11,684	-\$167,871
RSVA - Power (excluding Global Adjustment)	1588	-\$279,767	-\$89,960	-\$369,727
RSVA - Power - Sub-Account - Global Adjustment	1588	\$70,678	\$4,353	\$75,032
Recovery of Regulatory Asset Balances	1590	-\$13,351	\$9,318	-\$4,213
Disposition and Recovery of Regulatory Balances (2008)	1595			-
Disposition and Recovery of Regulatory Balances (2009)	1595			-
<b>Group 1 Total</b>				<b>-\$549,723</b>

For accounting and reporting purposes, the respective balance of each Group 1 account approved for disposition shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3<sup>rd</sup> Quarter) RRR data reported.

### **Review and Disposition of Account 1521: Special Purpose Charge**

The Board authorized Account 1521, Special Purpose Charge Assessment (“SPC”) Variance Account in accordance with Section 8 of Ontario Regulation 66/10 (Assessments for Ministry of Energy and Infrastructure Conservation and Renewable Energy Program Costs) (the “SPC Regulation”). Accordingly, any difference between (a) the amount remitted to the Minister of Finance for the distributor’s SPC assessment

and (b) the amounts recovered from customers on account of the assessment were to be recorded in "Sub-account 2010 SPC Assessment Variance" of Account 1521.

In accordance with Section 8 of the SPC Regulation, distributors are required to apply no later than April 15, 2012 for an order authorizing the disposition of any residual balance in sub-account 2010 SPC Assessment Variance. The Filing Requirements state the Board's expectation that requests for disposition of this account balance would be heard as part of the proceedings to set rates for the 2012 year.

Hearst provided a reconciliation of Account 1521 as requested by Board staff during the interrogatory phase. Based on Hearst's reconciliation, Board staff supported Hearst's request to dispose of the updated balance in this account of a credit of \$5,380.

Board staff submitted that despite the usual practice, the Board should authorize the disposition of Account 1521 as of December 31, 2010, plus the amounts recovered from customers in 2011, including interest, because the account balance does not require a prudence review and electricity distributors are required by regulation to apply for disposition of this account. Board staff submitted that the \$5,380 credit balance in Account 1521 should be approved for disposition over a three year period, in line with Board staff's submission on Hearst's Group 1 Accounts.

The Board approves the disposition, over a three year period, of a credit balance of \$5,380 in Account 1521 on a final basis as at April 30, 2012. The Board directs Hearst to close Account 1521 effective May 1, 2012.

For accounting and reporting purposes, the balance of Account 1521 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the *Accounting Procedures Handbook for Electricity Distributors*. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3<sup>rd</sup> Quarter) RRR data reported.

### **Review and Disposition of Account 1562: Deferred Payments in Lieu of Taxes**

In 2001, the Board approved a regulatory payments in lieu of taxes proxy approach for

rate applications coupled with a true-up mechanism filed under the RRR to account for changes in tax legislation and rules and to true-up between certain proxy amounts used to set rates and the actual amount of taxes paid. The variances resulting from the true-up were tracked in Account 1562 for the period 2001 through April 30, 2006.

On November 28, 2008, pursuant to sections 78, 19 (4) and 21 (5) of the *Ontario Energy Board Act, 1998*, the Board commenced a Combined Proceeding (EB-2008-0381) on its own motion to determine the accuracy of the final account balances with respect to Account 1562 Deferred Payments in Lieu of Taxes (“Deferred PILs”) (for the period October 1, 2001 to April 30, 2006) for certain electricity distributors that filed 2008 and 2009 distribution rate applications.

The Notice in the Combined Proceeding included a statement of the Board’s expectation that the decision resulting from the Combined Proceeding would be used to determine the final account balances with respect to Account 1562 Deferred PILs for the remaining distributors. In its decision and order, the Board stated that: “Each remaining distributor will be expected to apply for final disposition of account 1562 with its next general rates application (either IRM or cost of service).”<sup>3</sup>

After revisions made in the interrogatory stage to correctly record the deferral account variance adjustments in the year subsequent to the tax year, Hearst applied to recover from customers a debit balance of \$2,185 consisting of a principal amount of \$1,495 plus related carrying charges of \$689.

In its submission, Board staff noted that Hearst followed the regulatory guidance and the decisions issued by the Board in determining the amounts in its Account 1562 Deferred PILs account to be recovered from its customers. Board staff supported Hearst’s proposal as revised.

In its reply submission, Hearst agreed with Board staff.

The Board approves the revised PILs 1562 principal and projected interest balance as at April 30, 2012 of \$2,185 consisting of a principal debit amount of \$1,495 plus related debit carrying charges of \$689 over a period of three years, consistent with the findings on the disposition period on all other deferral and variance accounts disposed in this Decision.

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<sup>3</sup> EB-2008-0381 Account 1562 Deferred PILs Combined Proceeding, Decision and Order, p. 28

For accounting and reporting purposes, the balance of Account 1562 shall be transferred to the applicable principal and interest carrying charge sub-accounts of Account 1595 pursuant to the requirements specified in Article 220, Account Descriptions, of the Accounting Procedures Handbook for Electricity Distributors. The date of the journal entry to transfer the approved account balances to the sub-accounts of Account 1595 is the date on which disposition of the balances is effective in rates, which generally is the start of the rate year (e.g. May 1). This entry should be completed on a timely basis to ensure that these adjustments are included in the June 30, 2012 (3<sup>rd</sup> Quarter) RRR data reported.

### **Review and Disposition of Lost Revenue Adjustment Mechanism**

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outline the information that is required when filing an application for LRAM or SSM.

In response to Board staff interrogatories, Hearst updated its LRAM claim to \$33,992.14, to be recovered over a one year period, using the final 2010 OPA program results. The lost revenues include the effect of CDM programs implemented from 2006-2010. Hearst requested approval of these savings persisting until April 30, 2012.

#### Persisting impacts of 2006-2010 programs and 2010 lost revenues

In its submission, Board staff noted that Hearst's rates were last rebased in 2010. Board staff noted that the CDM Guidelines state the following with respect to LRAM claims:

Lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast at that time<sup>4</sup>.

In cases in which it was clear in the application or settlement agreement that an adjustment for CDM was not being incorporated into the load forecast specifically because of an expectation that an LRAM application would address the issue, and if this approach was accepted by the Board, then Board staff would agree that an LRAM application is appropriate. Board staff submitted that Hearst may want to highlight in its

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<sup>4</sup> Section 5.2: Calculation of LRAM, Guidelines for Electricity Distributor Conservation and Demand Management (EB-2008-0037)

reply whether the issue of an LRAM application was addressed in their cost of service application.

In the absence of the above information, Board staff did not support the recovery of the requested 2010 lost revenues from 2010 CDM programs or the persisting lost revenues from 2006, 2007, 2008, 2009, and 2010 CDM programs in 2010, 2011, or 2012 as these amounts should have been built into Hearst's last approved load forecast.

VECC submitted that energy savings from the OPA's CDM programs deployed between 2006 and 2010 are not accruable in 2010 through April 30, 2012 as these savings should have been incorporated in the 2010 load forecast at the time of rebasing.

#### 2006, 2007, 2008, and 2009 programs

In its submission, Board staff noted that Hearst has not collected the lost revenues associated with CDM programs delivered in 2006, 2007, 2008, and 2009. Staff notes that except for 2006, Hearst was under IRM for these years. In 2006, Hearst rebased on a historical test year basis and there was no opportunity for Hearst to account for CDM activity in its rates. Board staff therefore supported the approval of the 2006, 2007, 2008, and 2009 lost revenues, including the persisting lost revenues from 2006 programs in 2007, 2008, and 2009, the persisting lost revenues from 2007 programs in 2008 and 2009, and the persisting lost revenues from 2008 programs in 2009.

Board staff requested that Hearst provide an updated LRAM amount that only includes lost revenues from 2006, 2007, 2008, and 2009 CDM programs, including the persisting lost revenues noted above, in the years 2006, 2007, 2008, and 2009, and the subsequent rate riders.

In its submission, VECC supported the approval of the lost revenues requested by Hearst related to the impact of CDM programs implemented in 2006 to 2009 for the years 2006, 2007, 2008 and 2009 as Hearst did not collect this revenue while under IRM in the years prior to rebasing.

In its reply submission, Hearst concurred with Board staff's and VECC's submission with respect to lost revenues prior to 2010 and provided an updated LRAM amount of \$21,703.17 and the associated rate riders. With respect to load reductions included in the 2010 load forecast in its cost of service application, Hearst noted that in developing

that forecast, it had used a Normalized Average Consumption approach. While some LDCs specifically lower their load forecast in the test year and in subsequent years to include expected future reductions due to their adoption of CDM initiatives, Hearst did not have the sophistication to take this approach<sup>5</sup>.

Hearst noted that its forecast was developed in the expectation of making LRAM claims in future years to compensate it for any subsequent CDM initiatives it undertook. Therefore, Hearst submitted that its LRAM application is appropriate. Hearst by default did not include CDM programs in its 2010 load forecast and should be fully entitled to claim an LRAM related to these programs<sup>6</sup>.

The Board will not approve the LRAM claim as filed by Hearst for persisting impacts of 2006-2010 programs and 2010 lost revenues as it is inconsistent with the 2008 CDM Guidelines. The 2008 CDM Guidelines clearly state that lost revenues are only accruable until new rates (based on a new revenue requirement and load forecast) are set by the Board, as the savings would be assumed to be incorporated in the load forecast. There is no indication in the Board's decision on Hearst's 2010 cost of service application that the load forecast did not include the impact of CDM 2006-2010 programs. The Board will approve the lost revenues of \$21,703.17 including carrying charges related to the impact of CDM programs implemented in 2006 to 2009 for the years 2006 to 2009 as Hearst did not collect this revenue while under IRM in the years prior to rebasing. The disposition period shall be one year as originally proposed by Hearst.

### **Rate Model**

With this Decision, the Board is providing Hearst with a rate model (spreadsheet) and applicable supporting models 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 2011 Board approved Tariff of Rates and Charges and the rate model was adjusted, where applicable, to correct any discrepancies.

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<sup>5</sup> EB-2011-0171, Reply Submission, Page 3

<sup>6</sup> *Ibid*

**THE BOARD ORDERS THAT:**

1. Hearst's new distribution rates shall be effective May 1, 2012.
2. Hearst shall review the draft Tariff of Rates and Charges set out in Appendix A. Hearst 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 **7 days** of the date of issuance of this Decision and Order.
3. If the Board does not receive a submission from Hearst to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the draft Tariff of Rates and Charges set out in Appendix A of this order will become final effective May 1, 2012, and will apply to electricity consumed or estimated to have been consumed on and after May 1, 2012. Hearst shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
4. If the Board receives a submission from Hearst to the effect that inaccuracies were found or information was missing pursuant to item 2 of this Decision and Order, the Board will consider the submission of Hearst and will issue a final Tariff of Rates and Charges.

**Cost Awards**

The Board will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit its cost claims no later than **7 days** from the date of issuance of the final Rate Order.
2. Hearst shall file with the Board and forward to VECC any objections to the claimed costs within **21 days** from the date of issuance of the final Rate Order.
3. VECC shall file with the Board and forward to Hearst any responses to any

objections for cost claims within **28 days** from the date of issuance of the final Rate Order.

4. Hearst shall pay the Board's costs incidental to this proceeding upon receipt of the Board's invoice.

All filings to the Board must quote file number **EB-2011-0171**, be made through the Board's web portal at, [www.errr.ontarioenergyboard.ca](http://www.errr.ontarioenergyboard.ca) and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca). If the web portal is not available parties may email their document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 2 paper copies.

**DATED** at Toronto, April 4, 2012

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**Appendix A**

**To Decision and Order**

**Draft Tariff of Rates and Charges**

**Board File No: EB-2011-0171**

**DATED: April 4, 2012**

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to accounts for customers residing in single dwelling units that consist of a detached house, semi detached, duplex, triplex or quadruplex house, or individually metered apartment building. Further servicing details are available in the utility'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, assessments or credits that are required by law to be invoiced by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, the Global Adjustment, the Ontario Clean Energy Benefit and the HST.

### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	9.15
Distribution Volumetric Rate	\$/kWh	0.0159
Low Voltage Service Rate	\$/kWh	0.0007
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2015		
Applicable only for Non-RPP Customers	\$/kWh	0.0007
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kWh	(0.0043)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kWh	(0.0028)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM)		
Recovery (2012) – effective until April 30, 2013	\$/kWh	0.0006
Rate Rider for Tax Change – effective until April 30, 2013	\$/kWh	(0.0001)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification refers to a non-residential account taking electricity at 750 volts or less whose monthly peak demand is less than or expected to be less than 50 kW. Further servicing details are available in the utility'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	\$	19.67
Distribution Volumetric Rate	\$/kWh	0.0067
Low Voltage Service Rate	\$/kWh	0.0006
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2015 Applicable only for Non-RPP Customers	\$/kWh	0.0007
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kWh	(0.0040)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kWh	(0.0028)
Rate Rider for Tax Change – effective until April 30, 2013	\$/kWh	(0.0001)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0050
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0040

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## GENERAL SERVICE 50 to 1,499 kW SERVICE CLASSIFICATION

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 1,500 kW. Further servicing details are available in the utility'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	\$	54.56
Distribution Volumetric Rate	\$/kW	2.3102
Low Voltage Service Rate	\$/kW	0.2270
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2015		
Applicable only for Non-RPP Customers	\$/kW	0.2351
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kW	(1.3889)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kW	(1.0232)
Rate Rider for Lost Revenue Adjustment Mechanism (LRAM) Recovery/Shared Savings Mechanism (SSM)		
Recovery (2012) – effective until April 30, 2013	\$/kW	0.0283
Rate Rider for Tax Change – effective until April 30, 2013	\$/kW	(0.0150)
Retail Transmission Rate – Network Service Rate	\$/kW	2.0699
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6047

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## INTERMEDIATE USERS SERVICE CLASSIFICATION

This classification refers to a non residential account whose monthly average peak is equal to or greater than, or is forecast to be equal to or greater than, 1,500 kW but less than 5,000 kW. Further servicing details are available in the utility'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	\$	221.94
Distribution Volumetric Rate	\$/kW	1.0166
Low Voltage Service Rate	\$/kW	0.2677
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2015		
Applicable only for Non-RPP Customers	\$/kW	0.2005
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kW	(1.2268)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kW	(0.8739)
Rate Rider for Tax Change – effective until April 30, 2013	\$/kW	(0.0051)
Retail Transmission Rate – Network Service Rate	\$/kW	2.3151
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.8928

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification is a sub-category of the street lighting load. These customers are billed on a fixed load based on the size of bulb. Further servicing details are available in the utility'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)	\$	7.06
Distribution Volumetric Rate	\$/kW	3.1049
Low Voltage Service Rate	\$/kW	0.1791
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kW	(5.5214)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kW	(0.9880)
Rate Rider for Tax Change – effective until April 30, 2013	\$/kW	(0.0657)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5690
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2550

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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EB-2011-0171

## STREET LIGHTING SERVICE CLASSIFICATION

This classification refers to roadway lighting within the town, and private roadway lighting operation, controlled by photo cells. The consumption for these customers is 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 utility'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)	\$	7.84
Distribution Volumetric Rate	\$/kW	2.2827
Low Voltage Service Rate	\$/kW	0.1755
Rate Rider for Global Adjustment Sub-Account Disposition (2012) – effective until April 30, 2015 Applicable only for Non-RPP Customers	\$/kW	0.2127
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2013	\$/kW	(3.1332)
Rate Rider for Deferral/Variance Account Disposition (2012) – effective until April 30, 2015	\$/kW	(0.9151)
Rate Rider for Tax Change – effective until April 30, 2013	\$/kW	(0.0951)
Retail Transmission Rate – Network Service Rate	\$/kW	1.5610
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2294

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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EB-2011-0171

## **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 utility'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	\$	5.25
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# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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EB-2011-0171

## ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.45)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

## SPECIFIC SERVICE CHARGES

### APPLICATION

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#### Customer Administration

Arrears Certificate	\$	15.00
Easement Letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned Cheque charge (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Special meter reads	\$	30.00

#### Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of Account Charge – no disconnection	\$	30.00
Disconnect/Reconnect at Meter - during Regular Hours	\$	40.00
Disconnect/Reconnect at Pole - during Regular Hours	\$	time and materials

Install/Remove load control device – during regular hours	\$	40.00
Temporary service install and remove – overhead – no transformer	\$	time and materials
Temporary service install and remove – underground – no transformer	\$	time and materials
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35

# Hearst Power Distribution Company Ltd.

## TARIFF OF RATES AND CHARGES

### Effective and Implementation Date May 1, 2012

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

EB-2011-0171

## 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 monthly charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing monthly 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	1.0460
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0356