



**EB-2009-0215**

**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 Canadian Niagara Power Inc. - Port Colborne 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**

Canadian Niagara Power Inc. ("CNPI") is a licensed distributor of electricity providing service to consumers within three service territories – Port Colborne ("CNPI-PC"), Fort Erie ("CNPI-FE"), and Eastern Ontario Power ("CNPI-EOP). CNPI filed an application with the Ontario Energy Board (the "Board"), received on October 28, 2009, under section 78 of the Ontario Energy Board Act, 1998, "), for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges of CNPI-PC, to be effective May 1, 2010. CNPI filed a separate application for the Fort Erie and Eastern Ontario Power service territories.

CNPI is one of about 80 electricity distributors in Ontario that are regulated by the Board. In 2008, the Board announced the establishment of a new multi-year electricity distribution rate-setting plan, the 3<sup>rd</sup> Generation Incentive Rate Mechanism ("IRM") process, that will be used to adjust electricity distribution rates starting in 2009 for those distributors whose 2008 rates were rebased through a cost of service review. As part of

the plan, CNPI is one of the electricity distributors that will have its rates adjusted for 2010 on the basis of the IRM process, which provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service applications.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its *Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on July 14, 2008, its *Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on September 17, 2008, and its *Addendum to the Supplemental Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* on January 28, 2009 (together the "Reports"). Among other things, the Reports contained the relevant guidelines for 2010 rate adjustments (the "Guidelines") for distributors applying for distribution rate adjustments pursuant to the IRM process. On July 22, 2009 the Board issued an update to Chapter 3 of the Board's "Filing Requirements for Transmission and Distribution Applications" (the "Filing Requirements"), which outlined the filing requirements for IRM applications by electricity distributors.

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

In its reply submission, CNPI stated that it has no issues with the matters raised by Board staff in its submission.

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;

- Calculation Error in Existing Foregone Revenue Rate Rider;
- Review and Disposition of Group 1 Deferral and Variance Accounts; and
- Introduction of MicroFIT Generator Service Classification and Rate.

### **Price Cap Index Adjustment**

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

As outlined in the Reports, distribution rates under the 3<sup>rd</sup> Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 0.72% and CNPI - PC's utility specific stretch factor of 0.6%.

CNPI noted that, while it has three service territories, it is a single entity and it should be considered as such for purposes of being assigned a stretch factor. CNPI-FE and CNPI-EOP, which were the subject of a separate decision, were each assigned a lower stretch factor of 0.4%. Since the assignment of stretch factor values comes from a separate Board initiative, and the single entity proposition may also apply to other distributors, the Board is not prepared to deal with this issue as part of this IRM 2010 process. The Board has therefore assigned a stretch factor of 0.6% for CNPI-PC.

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 -0.02%. The Board has adjusted the rate model to reflect the newly calculated price cap index adjustment. The price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes. An adjustment for the transition to a common deemed capital structure of 60% debt and 40% equity was also effected.

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

- Rate Riders;
- Rate Adders;
- Low Voltage Service Charges;

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

### **Changes in the Federal and Provincial Income Tax Rates**

On December 13, 2007, the Ontario government introduced its 2007 Ontario Economic Outlook and Fiscal Review (the “Fiscal Review”). The enabling legislation received Royal Assent on May 14, 2008. Included in this Fiscal Review were changes to the Ontario capital tax provisions<sup>1</sup>, and an increase in the small business income limit from \$400,000 to \$500,000 effective January 1, 2007.

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

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

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

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

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

OCT will be eliminated on July 1, 2010 but tax will be prorated for the first 6 months in 2010.

The Board is of the view that these tax changes when combined could be material and should be reflected in rates using a 50/50 sharing as determined by the Board in the Reports. Therefore the incentive regulation rate model shall be adjusted accordingly.

## 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 CNPI - PC'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.

In response to an interrogatory from Board staff, CNPI indicated that it would comply were the Board to direct it to establish a variance account to capture the reductions in OM&A and capital expenditures. CNPI further added that the variance account should capture the incremental costs incurred by CNPI to track the costs related to changes in taxation.

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, CNPI - PC 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 CNPI - PC'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. CNPI is authorized conduct smart meter activities because it is covered by paragraph 8 of section 1(1) of O. Reg. 427/06.

CNPI requested to change its current smart meter funding adder of \$0.27 to the standard funding adder of \$1.00 per metered customer per month. The Board approves the funding adder proposed by CNPI as reasonable. This new funding adder will be reflected in the Tariff of Rates and Charges. CNPI'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 CNPI'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 CNPI 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 Amended Decision (EB-2008-0224) for CNPI - PC’s 2009 cost of service rate application prescribed a phase-in period to adjust its revenue-to-cost ratios.

CNPI proposed to adjust its revenue-to-cost ratios in 2010 as shown in Column 2 in the table below.

**CNPI - PC’s Revenue-to-Cost Ratios (%)**

<b>Rate Class</b>	<b>2009 Ratio</b> Column 1	<b>Proposed 2010 Ratio</b> Column 2	<b>Target Range</b> Column 3
Residential	94.70	94.70	85 - 115
General Service Less Than 50 kW	91.16	91.16	80 - 120
General Service 50 to 4,999 kW	128.61	127.01	80 - 180
Unmetered Scattered Load	69.93	74.97	80 - 120
Sentinel Lighting	61.69	65.85	70 - 120
Street Lighting	50.99	60.50	70 - 120

The Board finds that the proposed revenue-to-cost ratios are in accordance with the Board’s findings in the decision referenced above. The Board therefore approves the proposed revenue-to-cost ratios.

### Retail Transmission Service Rates

Electricity distributors are charged the Ontario Uniform Transmission Rates (“UTRs”) at the wholesale level and subsequently pass these charges on to their distribution customers through the Retail Transmission Service Rates (“RTSRs”). There are two RTSRs, whereas there are three UTRs. The two RTSRs are for network and connection. The wholesale line and transformation connection rates are combined into one retail connection service charge. Deferral accounts are used to capture timing



differences and differences in the rate that a distributor pays for wholesale transmission service compared to the retail rate that the distributor is authorized to charge when billing its customers (i.e., deferral accounts 1584 and 1586).

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

- Network Service Rate was increased from \$2.57 to \$2.66 per kW per month, a 3.5% increase;
- Line Connection Service Rate remained unchanged at \$0.70 per kW per month; and
- Transformation Connection Service Rate was decreased from \$1.62 to \$1.57 per kW per month, for a combined Line and Transformation Connection Service Rates reduction of 2.2%.

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

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

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

Rates increase of 7.5% over the July 1, 2009 level or 5.2% over the rate in effect prior to July 1, 2009.

CNPI proposed to change the existing RTS rates by the same proportions as the changes in the UTRs noted above effective July 1, 2009. Therefore, CNPI has proposed to increase all of its RTS Network Rates by 3.5%, and decrease all of its RTS Connection Rates by 2.2%.

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

### **Calculation Error in Existing Foregone Revenue Rate Rider**

In its EB-2008-0224 Amended Decision and Rate Order, the Board approved a Foregone Revenue Rate Rider to allow the recovery of the revenue shortfall between the May 1, 2009 effective date and the November 1, 2009 implementation date. CNPI stated in this application that it made a calculation error in the determination of the fixed and volumetric rate riders associated with the General Service 50 to 4,999 kW, Sentinel and Street Lighting rate classes. CNPI requested that the calculation be corrected. The error resulted in an understatement of the foregone revenue by approximately \$96,000. CNPI proposed to prospectively adjust the Foregone Revenue Rate Rider for the applicable rate classes over the May 1, 2010 to April 30, 2011 period.

Board staff reviewed the evidence provided by CNPI and submitted that it agreed with the calculation of the corrected rate riders. Board staff submitted that the Board might consider approving CNPI's corrected Foregone Revenue Rate Riders as it would more accurately reflect the intent of the Board's Amended Decision and Order in the EB-2008-0224 proceeding.

The Board finds that CNPI has provided a reasonable analysis that is consistent with the Board's findings in its EB-2008-0224 Amended Decision and Order, and therefore will approve CNPI's adjusted Foregone Revenue Rate Rider for the applicable rate classes over the May 1, 2010 to April 30, 2011 period.

### 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

CNPI 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 debit of \$1,373,898, which includes a debit balance of \$501,189 in the 1588 global adjustment sub-account. (Credit balances are amounts payable to customers and debit balances are amounts recoverable from customers). CNPI has included interest on these account balances using the Board's prescribed interest rates to April 30, 2010. CNPI'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	9,600	126	9,726
RSVA - Wholesale Market Service Charge	1580	(451,918 )	(20,403 )	(472,321 )
RSVA - Retail Transmission Network Charge	1584	(256,895 )	(70,477 )	(327,372 )
RSVA - Retail Transmission Connection Charge	1586	169,378	(26,070 )	143,308
RSVA - Power (Excluding Global Adjustment)	1588	1,283,359	207,828	1,491,187
RSVA - Power (Global Adjustment Sub-account)	1588	498,068	3,121	501,189
Recovery of Regulatory Asset Balances	1590	(75,282 )	103,463	28,181
		<u>1,176,310</u>	<u>197,588</u>	<u>1,373,898</u>

In response to an interrogatory from Board staff, CNPI stated that it had reviewed the Regulatory Audit & Accounting Bulletin 200901 and confirmed that it had accounted for its 1588 RSVA power and global adjustment sub-account in accordance with that Bulletin. Board staff noted that the proposed balances for disposition may no longer reconcile with previously audited balances nor with CNPI - PC's Reporting and Record-keeping Requirements ("RRR") filings. Board staff indicated that its review of the balances showed that the differences between the applied for account balances and the previously audited balances were material. Board staff however noted that CNPI stated in response its interrogatory #7d that it had complied with the Board's accounting policies and procedures. Board staff suggested that the Board might consider approving the proposed deferral and variance account balance disposition rate riders on a final basis. As an alternative Board staff suggested that, were the Board to be concerned about CNPI's deferral variance balances, the Board might consider declaring the disposition rate riders interim until the revised balance can be supported by a third party audit in a future application.

The Board is concerned about the difference between the amount sought for disposition and the balances reported in CNPI-PC's RRR data. The Board will approve the disposition of the December 31, 2008 balances and projected interest to April 30, 2010 as reported by CNPI but not on a final basis. Any adjustment to the 2008 Group 1 account balances shall be brought forward to the Board in CNPI's next rate proceeding. For accounting purposes, the balance 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 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 CNPI - PC followed the guidelines outlined in the EDDVAR Report and approves CNPI - PC'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 Board staff interrogatory, CNPI disagreed with Board staff's suggestion to establish a separate rate rider that would be prospectively applied to non-RPP customers on the ground that this would re-suppose that the global adjustment sub-account would be solely attributable to non RPP customers which may not be an accurate assumption. CNPI suggested that the Board should continue to dispose of the allocated global adjustment sub-account balance from all customers in each class since this approach recognizes that both RPP and non RPP customers would have contributed, in some manner, to the balance in the global adjustment sub-account. CNPI further indicated that its current billing system could not readily accommodate a separate rate rider that would apply prospectively to non-RPP customers to dispose of the global adjustment sub-account balance.

While the Board agrees in principle with Board staff that a separate rate rider should apply to non-RPP customers to dispose of the global adjustment sub-account balance,

the Board however acknowledges that CNPI does not readily have the billing capability to implement such a change. Considering CNPI's current billing constraints, the Board will approve at this time the disposition of the allocated global adjustment sub-account balance from all customers in the affected rate class.

The Board directs CNPI to further investigate and report to the Board in a proceeding no later than the rebasing proceeding, CNPI's projection of the costs that CNPI would need to incur in order to accommodate the establishment of a separate rate rider to dispose of the global adjustment sub-account.

CNPI proposed a one year disposition period for the Group 1 account balances. Board staff agreed with CNPI's proposal. The Board accepts the disposition period of one year as proposed by CNPI.

### **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 CNP 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. CNPI's new distribution rates for the Port Colborne service territory shall be effective May 1, 2010.
2. CNPI shall review the draft Tariff of Rates and Charges set out in Appendix A. CNPI 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 CNPI to the effect that inaccuracies were found or information was missing pursuant to item 1 of this Decision and Order:

3. Unless otherwise noted in the main body of this Decision and Order or in the appendix, 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 CNPI 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 CNPI and will issue a final Tariff of Rates and Charges.

4. CNPI shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.
5. Pursuant to section 30 of the Ontario Energy Board Act, 1998, CNPI shall pay the

Board's costs of and incidental to, this proceeding immediately upon receipt of the Board's invoice.

**DATED** at Toronto, April 16, 2010

ONTARIO ENERGY BOARD

*Original signed by*

Kirsten Walli  
Board Secretary



Appendix A

To Decision and Order

EB-2009-0215

April 16, 2010

**Canadian Niagara Power – Port Colborne**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2010**  
**except for the microFIT Generator Class effective date of September 21, 2009**

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

EB-2009-0215

## RESIDENTIAL SERVICE CLASSIFICATION

The Residential Class (Regular) refers to a service taking electricity normally at 750 volts or less where the electricity is used for domestic and household purposes in a single family unit. A single family unit being a permanent structure located on a single parcel of land and approved by a civic authority as a dwelling and occupied for that purpose by a single customer. Residential rates are also applied to apartment buildings with 6 units or less that are bulk metered. Apartment buildings with more than 6 units that are bulk metered are deemed to be General Service. 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	\$	15.46
Smart Meter Funding Adder	\$	1.00
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	0.73
Distribution Volumetric Rate	\$/kWh	0.0219
Low Voltage Service Rate	\$/kWh	0.0001
Rate Rider for Tax Change – effective until April 30, 2011	\$/kWh	(0.0002)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kWh	0.0010
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kWh	0.0002
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	0.0064
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042

## 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

**Canadian Niagara Power – Port Colborne**  
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EB-2009-0215

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification refers to the supply of electrical energy to single commercial or industrial customer and whose average peak demand is (or is forecasted to be) less than 50 kW. Single commercial or industrial customers are interpreted as a structure or structures on a single parcel of land occupied by one customer. An apartment building with more than 6 units that is bulk metered and has an average peak demand less than 50 kW is deemed to be General Service less than 50 kW. The common area of a separately metered apartment building having a demand less than 50 kW is also deemed to be General Service 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	\$	30.69
Smart Meter Funding Adder	\$	1.00
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	1.87
Distribution Volumetric Rate	\$/kWh	0.0144
Low Voltage Service Rate	\$/kWh	0.0001
Rate Rider for Tax Change – effective until April 30, 2011	\$/kWh	(0.0001)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kWh	0.0009
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kWh	0.0001
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	0.0050
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0038

### 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

**Canadian Niagara Power – Port Colborne**  
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EB-2009-0215

## GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification refers to the supply of electrical energy to single commercial or industrial customer and whose average peak demand is (or is forecasted to be) equal to or greater than 50 kW but less than 5000 kW. Single commercial or industrial customers are interpreted as a structure or structures on a single parcel of land occupied by one customer. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

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

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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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	\$	560.91
Smart Meter Funding Adder	\$	1.00
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	26.83
Distribution Volumetric Rate	\$/kW	2.7862
Low Voltage Service Rate	\$/kW	0.0324
Rate Rider for Tax Change – effective until April 30, 2011	\$/kW	(0.0158)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kW	0.1155
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kW	0.0221
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	2.1371
Retail Transmission Rate – Network Service Rate	\$/kW	1.7574
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.5031

### 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 refers to the supply of electrical service to a customer that is deemed to have a constant load over a billing period, normally with minimum electrical consumption and the consumption is unmetered. Energy consumption is based on connected wattage and calculated hours of use. Examples of unmetered scattered load are cable television amplifiers, billboards, area lighting. 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 customer)	\$	47.55
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	6.66
Distribution Volumetric Rate	\$/kWh	0.0242
Low Voltage Service Rate	\$/kWh	0.0001
Rate Rider for Tax Change – effective until April 30, 2011	\$/kWh	(0.0002)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kWh	0.0034
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kWh	0.0001
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kWh	0.0044
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0044
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0038

### 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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## **STANDBY POWER SERVICE CLASSIFICATION**

The Standby subclass charge is applied to a customer with load displacement facilities behind its meter but is dependent on Canadian Niagara Power Inc. to supply a minimum amount of electricity in the event the customer's own facilities are out of service. The minimum amount of supply that Canadian Niagara Power Inc. must supply is a contracted amount agreed upon between the customer and Canadian Niagara Power Inc. 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 – APPROVED ON AN INTERIM BASIS**

Standby Charge – for a month where standby power is not provided. The charge is applied to the contracted amount (e.g. nameplate rating of generation facility)

\$/kW      1.1599

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## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to all services required to supply sentinel lighting equipment. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

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

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### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	4.00
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	0.48
Distribution Volumetric Rate	\$/kWh	6.5421
Low Voltage Service Rate	\$/kW	0.0101
Rate Rider for Tax Change – effective until April 30, 2011	\$/kW	(0.1990)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kW	0.7808
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kW	0.1691
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	9.7292
Retail Transmission Rate – Network Service Rate	\$/kW	1.3319
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1846

### 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 refers to the supply of electrical service for roadway lighting. Energy consumption is based on connected wattage and calculated hours of use. Customers are usually a Municipality, Region or the Ministry of Transportation. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

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

Service Charge (per connection)	\$	2.62
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$	0.40
Distribution Volumetric Rate	\$/kW	7.4860
Low Voltage Service Rate	\$/kW	0.0083
Rate Rider for Tax Change – effective until April 30, 2011	\$/kWh	(0.0710)
Rate Rider for Foregone Distribution Revenue – effective until April 30, 2011	\$/kW	1.1539
Rate Rider for Deferral/Variance Account Disposition (2009) – effective until October 31, 2010	\$/kW	0.0491
Rate Rider for Deferral/Variance Account Disposition (2010) – effective until April 30, 2011	\$/kW	2.9795
Retail Transmission Rate – Network Service Rate	\$/kW	1.2835
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1862

### **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



**Canadian Niagara Power – Port Colborne**  
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EB-2009-0215

## **microFIT GENERATOR SERVICE CLASSIFICATION**

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

### **APPLICATION**

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

Service Charge	\$	5.25
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**ALLOWANCES**

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

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

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No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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## Customer Administration

Arrears Certificate	\$	15.00
Statement of Account	\$	15.00
Pulling Post Dated Cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement Letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Returned cheque (plus bank charges)	\$	15.00
Charge to certify cheques	\$	15.00
Legal letter charge	\$	15.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00

## Non-Payment of Account

Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge – no disconnection – during regular hours	\$	30.00
Collection of account charge – no disconnection – after regular hours	\$	165.00
Disconnect/Reconnect Charges at meter - during regular hours	\$	65.00
Disconnect/Reconnect Charges at meter - after regular hours	\$	185.00
Disconnect/reconnect at pole – during regular hours	\$	185.00
Disconnect/reconnect at pole –after regular hours	\$	415.00

Install/remove load control device – during regular hours	\$	65.00
Install/remove load control device – after regular hours	\$	185.00
Service call – customer-owned equipment	\$	30.00

Revised April 20, 2010

**Canadian Niagara Power – Port Colborne**  
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Service call – after regular hours	\$ 165.00
Temporary service install & remove – overhead – no transformer	\$ 500.00
Temporary service install & remove – underground – no transformer	\$ 300.00
Temporary service install & remove – overhead – with transformer	\$ 1,000.00
Specific Charge for Access to the Power Poles – per pole/year	\$ 22.35

## RETAIL SERVICE CHARGES (if applicable)

### APPLICATION

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$ 100.00
Monthly Fixed Charge, per retailer	\$ 20.00
Monthly Variable Charge, per customer, per retailer	\$/cust. 0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust. 0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust. (0.30)
Service Transaction Requests (STR)	
Request fee, per request, applied to the requesting party	\$ 0.25
Processing fee, per request, applied to the requesting party	\$ 0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party	
Up to twice a year	no charge
More than twice a year, per request (plus incremental delivery costs)	\$ 2.00

## LOSS FACTORS

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

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0382
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0278

Revised April 20, 2010