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**BY EMAIL**

January 25, 2008

Ontario Energy Board  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Hydro One Brampton Networks Inc.  
2008 Incentive Regulation Mechanism Rate Application  
Board File Number EB-2007-0882**

Please find attached Board staff's submission for the above proceeding for distribution to the applicant and any intervenors.

Yours truly,

*Original signed by*

Laurie Reid  
Senior Policy Advisor, Regulatory Policy Development

c. Mr. Roger Albert, Hydro One Brampton Networks Inc.

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**2008 ELECTRICITY DISTRIBUTION RATES**

**Hydro One Brampton Networks Inc.**

**EB-2007-0882**

**January 25, 2008**

## **INTRODUCTION**

Hydro One Brampton Networks Inc. ("HOBN") submitted an application on November 1, 2007, seeking approval for changes to the rates that HOBN charges for electricity distribution, to be effective May 1, 2008. The application is based on the 2008 Incentive Regulation Mechanism. As part of the November 1 application, HOBN has proposed to adjust its Smart Meter Rate adder to \$0.79 and is requesting the approval of a negative rate rider of \$0.09 per month per metered customer to clear an over collection of revenue in comparison to actual expenses up to April 2007. In an addendum filed January 15, 2008, HOBN also proposed adjustments to its retail transmission service rates.

## **SMART METER RATE ADDER**

### **Background**

HOBN is authorized under Ontario Regulation 427/06 to undertake discretionary metering activities. In HOBN 2007 rate order (EB-2007-0541), the Board approved a rate adder of \$0.67 per month per metered customer to be included in the fixed customer charge for metered rate classes. In its Decision with Reasons in the Combined Proceeding associated with smart meter installations, (EB-2007-0063), the Board stated at page 18 that:

"The Board will allow [HOBN] to recover its costs as set out in Appendix "A" to the decision by including those costs in rate base for the 2006 and 2007 rate years and calculating a revenue requirement on that investment in the manner set out in Appendix "E". Before calculating a rate increase from this revenue requirement, however, the utility must first deduct the amount of money previously collected in rate adders pursuant to the Orders of March 21, 2006."

Following this combined proceeding on the review of costs incurred by the thirteen authorized electricity distributors to conduct discretionary metering activities, Board staff prepared a computer model to compute a revised smart meter adder. HOBN used this model as the basis for its calculation of the proposed smart meter rate adder.

As part of this model, HOBN has filed the Smart Meter Revenue Requirement – Summary (Appendix “E”). According to the information filed, the model identifies a rate adjustment to reflect approved capital additions to rate base of \$0.12 per month per customer. HOBN has added this, on Sheet 4 of the application, to the previously approved rate adder of \$0.67 for a total of \$0.79. The model also identifies a Rate Rider of (\$0.09) per month per metered customer to true-up for actual expenses up to April 2007. HOBN has entered this credit as a Z-factor rate rider adjustment on sheet 9 of the application.

### **Discussion and Submission**

During the interrogatory phase, Board staff questioned the discrepancy between the \$8,000 as total OM&A costs approved in EB-2007-0063 and the \$24,000 entered in the Smart Meter Revenue Requirement and Proposed Rates – Summary model in this application. HOBN stated that \$8,000 was mistakenly used in the EB-2007-0063 proceeding and that \$24,000 was the correct OM&A figure. However, HOBN notes that after 2008 IRM application was filed, Board staff advised that the \$8,000 amount has been approved and should be the figure used. Board staff notes that, due to rounding in the model, changing from the \$24,000 to the \$8,000 figure does not change the computed value of the resulting smart meter rate adder or the rate rider \$0.79 and (\$0.09) respectively.

Board staff also notes that, as listed in the model, the rate rider would be in effect from May 1, 2008 until April 30, 2009.

## **RETAIL TRANSMISSION SERVICE RATES ADJUSTMENT**

### **Background**

In its letter dated October 29, 2007, the Board directed each distributor to propose an adjustment to their retail transmission rates (RTR) and disposition of the associated variance account balances in its 2008 Cost of Service or Incentive Rate Mechanism application, as applicable.

HOBN proposes to reduce its RTR — Network Service Rate and its RTR — Line and Transformation Connection Service Rate by 18.4% and 6.7% for all customer rate classes.

HOBN has not proposed any disposition of associated variance account balances.

### **Discussion and Submission**

HOBN proposes to reduce its RTR — Network Service Rate by 18.4% by the corresponding reduction in the wholesale Network Rate payable to the IESO. Similarly, the reduction to the RTR — Line and Transformation Connection Service Rate reflects the weighted average of the change in the wholesale Line Connection Rate and the Transformation Connection Rate payable to the IESO which amounts to a reduction of 6.7%.

Consistent with past practice from the Board, HOBN is not proposing to dispose of discrete variance account balances.

All of which is respectfully submitted.