

Ontario Energy
Board
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Commission de l'Énergie
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BY PRIORITY POST

February 26, 2002

Mr. Jim Huntingdon
General Manager
Niagara-on-the-Lake Hydro Inc.
P.O. Box 460
8 Henegan Road
Virgil, ON
L0S-1T0

Dear Mr. Huntingdon:

Re: **Niagara-on-the-Lake Hydro Inc.**
March 2002 LDC Rate Adjustments
Board File No. RP-2002-0090/EB-2002-0099

The Board has today issued its Decision and Order in the above matter and an executed copy is enclosed herewith.

Yours truly,


Peter H. O'Dell
Assistant Board Secretary

Encl.

RECEIVED FEB 27 2002

2001/2002

P.L.S.
Laurier

Mr 12 Aug/02

(from LDC is
Boardroom)



RP-2002-0090
EB-2002-0099

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
Niagara-on-the-Lake Hydro Inc. for an order or
orders approving or fixing just and reasonable rates.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

George Dominy
Vice Chair and Member

DECISION AND ORDER

On December 21, 2001 the Ontario Energy Board ("the Board") issued filing guidelines to all electricity distribution utilities for the March 1, 2002 distribution rate adjustments. Supplemental instructions were issued on January 18, 2002.

Niagara-on-the-Lake Hydro Inc. ("the Applicant") filed an Application ("the Application") dated January 25, 2002 for an order or orders approving or fixing just and reasonable rates for the distribution of electricity, effective March 1, 2002.

The Board published a generic Notice in newspapers across Ontario informing ratepayers of the distribution rate adjustments to be effective March 1, 2002 and providing the opportunity for ratepayers to participate in the proceeding or comment on the utility's application. In response to the Board's generic Notice, the Board received a total of 148 submissions in the form of a letter, facsimile, or e-mail. The total may be apportioned to the following four categories:

- 100 were copies of a template submission seeking an oral hearing, wanting to make oral submissions, claiming that rates are not just and reasonable. Another 9 were of the same template but indicated they did not wish to make an oral submission.
- 10 indicated that there should be an oral hearing and wanted to make a submission.
- 11 indicated that there should be an oral hearing but did not wish to make an oral submission.
- 18 made substantive submissions.

In some cases the submission named a specific electricity distributor, in other cases it did not. No submissions were received regarding this Application.

By letter dated February 11, 2002 the Board directed electricity distributors to serve the Notice to the municipal corporation in the distributors' service area. No submissions were received.

The Applicant applied to adjust its distribution rates for the following:

- Input Price Inflation (IPI) and Productivity Factor as provided for in the Performance Based Regulation (PBR) Plan.
- the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR), \$198,439.70.
- the 2001 deferred Payments in Lieu of Taxes (PILs), \$134,846.87. ^{Aug} ~~2371.00~~ ✓
= 132,475.87
- the 2002 Payments in Lieu of Taxes (PILs), \$324,093.43. ~~4915.00~~ = 319,178
- a Z-factor amount of \$9,646.98 to reflect the extraordinary event costs incurred as a result of \$85,750.95 spent to repair the damaged distribution system resulting from a storm.
- an interim amount of \$82,557.93 for transition costs.

Copies of the Application and supporting material are available for review at the Board's offices.

While the Board has considered all of the evidence filed in this proceeding, the Board has only referenced the evidence to the extent necessary to provide background to its findings.

Board Findings

As noted above, a number of persons have written to the Board requesting that the Board hold an oral hearing in the matter of the applications by electricity distributors.

Under subsection 5.1(2) of the *Statutory Powers Procedure Act*, the Board shall not hold a written hearing where a party satisfies it that there is good reason not to hold a written hearing, in which case the Board will proceed by way of an oral or electronic hearing. Good reasons for proceeding by way of an oral hearing may include the existence of questions of credibility in which the Board will be assisted by the ability to observe the demeanor of witnesses or the complexity of evidence which parties should have the ability to test through cross-examination. Another good reason may be where an oral hearing would allow the Board to more expeditiously deal with an application.

The persons who have requested an oral hearing have not cited any such reasons but have in most cases merely stated that "the rates are not just and reasonable" and that they "would like the opportunity to present to the Board on this matter".

The current proceeding is an extension of the process undertaken by the Board to restructure Ontario's electricity distribution industry. To facilitate this work, the Board developed a regulatory framework that was the result of extensive consultation and public hearings. The current applications are the result of this framework, which is largely formulaic and includes for the first time the provision for the legislative requirement of PILs.

Persons have received an opportunity to make their concerns known to the Board through the published Notice which invited written submissions on the applications. The Board notes that a written hearing is a public process in which all documents received by the Board are available to the public. The Board further notes that most of the issues raised by the submissions of the persons requesting an oral hearing are outside of the scope of the Board's jurisdiction in this proceeding. For example, some persons raised issues of privatization of electricity services and limitations in international trade agreements on the ability

of the government to make changes to Ontario's electricity system in the future. These are not relevant to the Board's duty in this proceeding to approve just and reasonable rates for an individual distributor regulated by the Board.

Therefore, the Board has decided not to hold an oral hearing in this matter.

The Board adjusts the Applicant's proposals for the following reasons. For both 2001 and 2002, the Applicant did not adjust the income tax gross-up formula for the 1.12% surtax rate. As a result,

- the 2001 deferred Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an overstatement of \$2,371.
- the 2002 Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an overstatement of \$4,915.

In addition, the Board notes that the \$9,646.98 Z factor amount claimed is for costs incurred in May 2000, prior to the Board approving or fixing the Applicant's rates for the first time (February 2001). The Board denies recovery of these costs as they are out of period.


Subject to these adjustments, the Board finds that the Applicant's proposals conform with the Board's earlier decisions, directives and guidelines and the resulting rates are just and reasonable.

THE BOARD ORDERS THAT:

- 1) The rates set out in Appendix "A" of this Order are approved effective March 1, 2002.
- 2) The Applicant shall notify its customers of the rate changes coincident with the first bill reflecting the new rates.

DATED at Toronto, February 26, 2002.

ONTARIO ENERGY BOARD



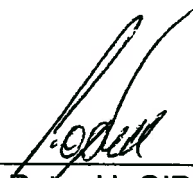
Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0090
EB-2002-0099

February 26, 2002

ONTARIO ENERGY BOARD

A handwritten signature in black ink, appearing to read "P. O'Dell", is written over a horizontal line.

Peter H. O'Dell
Assistant Board Secretary

Niagara-on-the-Lake Hydro Inc.
Schedule of Rates and Changes
Effective March 1, 2002

RP-2002-0090
EB-2002-0099

Time Periods for Time of Use (Eastern Standard Time)

Not applicable to NOTL Hydro Inc.

Cost of Power rates valid only until subsection 26(1) of the Electricity Act, 1998 comes into effect.

RESIDENTIAL

| | | |
|------------------------------|-------------|---------|
| Monthly Service Charge | (per month) | \$15.37 |
| Distribution Volumetric Rate | (per kWh) | 0.0087 |
| Cost of Power Rate | (per kWh) | 0.07525 |

GENERAL SERVICE < 50 KW

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$34.94 |
| Distribution Volumetric Rate | (per kWh) | \$0.0085 |
| Cost of Power Rate | (per kWh) | 0.07425 |

GENERAL SERVICE > 50 KW (Non Time of Use)

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$408.42 |
| Distribution Volumetric Rate | (per kW) | \$2.5885 |
| Cost of Power Demand Rate | (per kW) | 7.0321 |
| Cost of Power Energy Rate | (per kWh) | 0.05205 |

SENTINEL LIGHTS (Non Time of Use)

| | | |
|------------------------------|------------------|----------|
| Monthly Service Charge | (per connection) | \$2.43 |
| Distribution Volumetric Rate | (per kW) | \$4.2536 |
| Cost of Power Demand Rate | (per kW) | 23.065 |

STREET LIGHTING (Non Time of Use)

| | | |
|------------------------------|------------------|----------|
| Monthly Service Charge | (per connection) | \$0.98 |
| Distribution Volumetric Rate | (per kW) | \$2.9988 |
| Cost of Power Demand Rate | (per kW) | 23.1051 |

Niagara-on-the-Lake Hydro Inc.
Schedule of Rates and Changes - page 2
Effective March 1, 2002

RP-2002-0090
EB-2002-0099

UNMETERED SCATTERED LOADS

Unmetered scattered loads will be billed at residential or general service <50 kW rates on estimated kWh usage based on connected load estimates

SPECIFIC SERVICE CHARGES

| | | |
|---|-------------|--------------|
| Late payment | (per month) | 1.50% |
| | (per annum) | 19.56% |
| Returned cheque charge | | |
| - Actual Bank Charges plus | | \$9.00 |
| Collection of Account Charge | | \$9.00 |
| Reconnection - during regular working hours | | \$20.00 |
| Account set up Charge | | \$8.80 |
| Arrears certificate charge | | \$10.70 |
| Transformer Losses: adjustment shall be made in accordance with Section IV, clause 7 of the Standard Application of Rates | | |
| Allowance for Ownership: (per kW of billing demand) | | |
| Service at less than 115kv (per kW) | | \$0.60 |
| Dispute Involvement Charges | | \$10.00 |
| Temporary Secondary Service | | \$250.00 |
| Temporary Secondary Service with a Transformer | | \$1,200.00 |
| After hours reconnection | | Actual costs |

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BY PRIORITY POST

March 21, 2005

2005 Hunt

James Huntingdon
General Manager
Niagara-on-the-Lake Hydro Inc.
#8 Henegan Road
P.O. Box 460
Virgil ON
L0S 1T0

Dear Mr. Huntingdon:

**Re: 2005 Electricity Distribution Rates
Board Decision and Order
Board File No. RP-2005-0013\EB-2005-0055**

The Board has now issued its Decision and Order for the above referenced proceeding and a copy is enclosed

Yours truly,

Peter H. O'Dell
Assistant Board Secretary



RP-2005-0013
EB-2005-0055

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
Niagara-on-the-Lake Hydro Inc. for an order or
orders approving or fixing just and reasonable rates.

BEFORE: Gordon Kaiser
Vice Chair and Presiding Member

Paul Vlahos
Member

Pamela Nowina
Member

DECISION AND ORDER

Background and Application

In November 2003 the Ontario government announced that it would permit local distribution companies to apply to the Board for the next installment of their allowable return on equity beginning March 1, 2005. The Government also indicated that the Board's approval would be conditional on a financial commitment to reinvest in conservation and demand management initiatives, an amount equal to one year's incremental returns.

Also in November 2003, the Government announced, in conjunction with the introduction of Bill 4, the *Ontario Energy Board Amendment Act, (Electricity Pricing)*, 2003, that electricity distributors could start recovering Regulatory Assets in their rates, beginning March 1, 2004, over a four year period.

In February and March, 2004, the Board approved the applications of distributors to recover 25% of their December 31, 2002 Regulatory Asset balances (or additional amounts for rate stability) in their distribution rates on an interim basis effective March 1, 2004 and implemented on April 1, 2004.

On December 20, 2004 the Board issued filing guidelines to all electricity distribution utilities for the April 1, 2005 distribution rate adjustments. The guidelines allowed the applicants to recover three types of costs. These costs concern (i) the rate recovery of the third tranche of the allowable return on equity (Market Adjusted Revenue Requirement or "MARR"), (ii) the 2005 proxy allowance for payments in lieu of taxes ("PILs") and (iii) a second installment of the recovery of Regulatory Assets.

A generic Notice of the proceeding was published on January 25, 2005 in major newspapers in the province, which provided a 14 day period for submissions from interested parties. On February 4, 2005, the Board issued Procedural Order No. 1, providing for an extension for submissions until February 16, 2005 and also providing for reply submissions from applicants and other parties.

The Applicant filed an application for adjustments to their rates for the following amounts:

MARR:- \$ 198,440

2005 PILs Proxy: \$ 182,688

Regulatory Assets Second Tranche: \$ 237,814

g written!

Submissions

The Board received one submission which addressed the 2005 rate setting process in general. This submission was made by School Energy Coalition (SEC). SEC objected to the guideline which caused the recovery of the 2005 PILs proxy to be reflected only on the variable charge. SEC was also concerned that monthly service charges and overall distribution charges varied significantly between utilities across the province. SEC also raised concerns regarding the consistency of, and access to, information on the applications as filed by the utilities.

Reply submissions to SEC's general submissions were received from the Coalition of Large Distributors, the Electricity Distributors Association, Hydro One Networks, and the LDC Coalition (a group of 7 distributors). These parties generally argued against the recommendations put forward by SEC, by and large indicating that the Board's existing processes for 2006 and 2007 have been planned to address these issues going forward and that these issues should not be added to the 2005 rates adjustment process.

The Applicant was not specifically named in any of these submissions.

The full record of the proceeding is available for review at the Board's offices.

Board Findings

The Board first addresses the general submission of SEC. While SEC raises important issues regarding electricity distribution rates, the Board has put in place a process which will address most of the issues raised by SEC on a comprehensive basis with coordinated cost of service, cost allocation and cost of

capital studies for all distributors in 2006, 2007 and 2008. The Board does agree that unless there are compelling reasons to diverge from the Board's original filing guidelines for the 2005 distribution rate adjustment process, distributors should follow the guidelines in their applications.

The Board finds that the application conforms with earlier decisions of the Board (including approval for the Applicant's Conservation and Demand Management plan), directives and guidelines.


The Board will issue a separate decision on cost awards.

THE BOARD ORDERS THAT:

- 1) The rate schedule attached as Appendix "A" is approved effective March 1, 2005, to be implemented on April 1, 2005. All other rates currently in effect that are not shown on the attached schedule remain in force. If the Applicant's billing system is not capable of prorating to accommodate the April 1, 2005 implementation date, the new rates shall be implemented with the first billing cycle for electricity consumed or estimated to have been consumed after April 1, 2005.
- 2) The Applicant shall notify its customers of the rate changes, no later than with the first bill reflecting the new rates and include the brochure provided by the Board.

DATED at Toronto, March 21, 2005

ONTARIO ENERGY BOARD



Peter H. O'Dell

Assistant Board Secretary

Appendix "A"

**RP-2005-0013
EB-2005-0055**

March 21, 2005

ONTARIO ENERGY BOARD

Niagara-on-the-Lake Hydro Inc.
Schedule of Changed Distribution Rates and Charges

Effective Date: March 1, 2005
Implementation Date: April 1, 2005

RP-2005-0013
EB-2005-0055

RESIDENTIAL

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$13.93 |
| Distribution Volumetric Rate | (per kWh) | \$0.0108 |

GENERAL SERVICE < 50 KW

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$31.77 |
| Distribution Volumetric Rate | (per kWh) | \$0.0105 |

GENERAL SERVICE > 50 KW (Non Time of Use)

| | | |
|------------------------------|-------------|----------|
| Monthly Service Charge | (per month) | \$371.25 |
| Distribution Volumetric Rate | (per kW) | \$3.1317 |

SENTINEL LIGHTS (Non Time of Use)

| | | |
|------------------------------|------------------|----------|
| Monthly Service Charge | (per connection) | \$2.31 |
| Distribution Volumetric Rate | (per kW) | \$5.0064 |

STREET LIGHTING (Non Time of Use)

| | | |
|------------------------------|------------------|----------|
| Monthly Service Charge | (per connection) | \$0.87 |
| Distribution Volumetric Rate | (per kW) | \$3.7532 |

Unmetered Scattered Loads

Unmetered scattered loads will be billed at residential or general service < 50 kW rates on estimated kWh usage based on connected load estimates.

The rates on this schedule include an interim recovery of Regulatory Assets.