

Question #1

Reference: i) Exhibit 1, pages 33-34

a) Please indicate where in the Application EFHDC has provided an explanation as to the reasons for the two new variance accounts it is requesting. If not provided as part of the current Application, please provide the following for each of the two accounts requested:

- A description as to the purpose of the account (i.e., why is it needed)
- An explanation as to precisely what costs/revenues will be recorded in the account
- A draft accounting order for the account.

Response

Please refer to response to OEB staff interrogatories 38 and 39.

Question #2

Reference: i) Exhibit 1, page 35

a) Please confirm that ERHDC has not been authorized (as yet) to undertake Smart Meter installations. If it has, please provide a copy of the authorization. If not, does ERHDC have any indication as to when such authorization will be provided?

Response

ERHDC has not been authorized to undertake smart meter installations. The utility is a member of the Northeast Ontario utilities working group(referred to in some documents as District 9) who are working together to meet the government mandate of smart meter installations by the end of 2010. The District group through its consultant is participating as an observer in the London Hydro Smart Meter RFP process. The Ministry of Energy has been informed of the status and approach by the Northeast utilities with respect to smart meters. The Assistant Deputy Minister, Consumer and Regulatory Affairs, has provided correspondence dated December 21, 2007, that the Ministry of Energy will recommend to Cabinet an amendment to O. Reg. 427/06 to accomodate London Hydro and consortium members as well as any other LDCs outside the consortium (ERHDC as part of the District 9 group) that have chosen to participate in the process.

Question #3

Reference: i) Exhibit 1, page 44

a) Please confirm that ERHDC is fully embedded within Hydro One Networks and does not pay any Transmission charges directly to the IESO. If this not the case, please indicate the percentage of ERHDC's purchases that are made directly from the IESO administered grid.

Response

ERHDC is fully embedded within Hydro One Networks and has not been a market participant since March 1, 2007

Question #4

Reference: i) Exhibit 1, page 45

ii) Exhibit 4, page 13

a) Exhibit 4 includes copies of the Management Services and the Billing/Customer Service Agreements that ERHDC has with PUC. In both instances the Service Schedule outlining the specific service to be provided and the associated charges have been omitted – please provide.

Response

Please see below

MANAGEMENT SERVICES SCHEDULE

The intent of this agreement is to have ServiceCo undertake the oversight, management and control of the Client with the aim of providing a stable and reliable electrical distribution service to its customers at a reasonable cost through the provision of the services described below.

DESCRIPTION OF SERVICES

The following summary description is intended to set forth the various activities to be undertaken by ServiceCo on behalf of The Client.

- Board of Director meeting attendance in person on a quarterly basis and by conference call/video at each Board of Director meeting not attended in person.
- Supervision of the Client's staff including: performance as outlined in employee job description, safety, customer interaction, and work programs. This will include the following:
 - ° Attendance in person at The Client based on the following anticipated schedule which maybe altered by ServiceCo at its discretion:
 1. first 6 months of the Agreement Monday to Friday for normal working days;
 2. next 3 months 1 day per week; and
 3. remaining term of contract 1 day during each 2 week period.
 - ° To be available by conference call/video on a daily basis (24 hours per day 7 days per week for operational issues, normal working hours for administration issues)
 - ° To be available on an emergency basis as required or at the direction of the Board of Directors (to be charged on a cost plus basis)
- Evaluation of staff performance, and of hiring, discharge, promotion, remuneration, and training policies.
- Provide oversight, awareness or monitoring for the following requirements:
 - ° daily operations of the utility including work planning and assignments,
 - ° regulatory and legislative requirements,
 - ° contract administration including labour agreement, third party contracts,
 - ° purchasing of capital and operational items,
 - ° customer service, billing, collection according to Board direction,

°financial requirements including review of monthly and annual financial statements, cash flow, regulatory reporting, statistical reporting,

° revenue requirements including rate setting

°human resources including absences, training, adherence to regulations.

- Preparation of the annual capital and operating budget, 5 year forecast, strategic plan and financial review.
- Recommend policy to the Board and ensure that approved policy is carried out.
- During the first year of the Agreement review the processes, procedures, operating and capital expenditures including staffing requirements and provide recommendations to the Board on future direction.

ServiceCo will implement its operating standards for work performance, safety, and training at Espanola Re

ServiceCo will make a best effort to utilize two Espanola Hydro line staff for a minimum of four weeks each calendar year for which ServiceCo will pay the direct labour costs and expenses to The Client.

CLIENT RESPONSIBILITIES

The client's permanent staff that are in place at the start of the Agreement will continue to perform their c
Any changes to the Client's staffing levels will be agreed to by ServiceCo and the Client.

COST

The annual cost over the 5 year term of the agreement is \$132,400 subject to an inflationary adjustment o
for year's three to five.

Applicable taxes are in addition to the quoted cost.

ADDITIONAL SERVICES

The costs of the following services are not included in the estimated cost noted above:

- Cost-of-service study
- Rate applications
- Application of code changes, regulations
- Smart meter initiative
- Engineering services such as transmission/distribution system design
- Regulation 22/04 requirements and compliance
- Accounting services including payroll, accounts payable, inventory, miscellaneous billings

- Purchasing.

These services will be performed as approved by the Client as part of the budget process. The services may be performed by ServiceCo or another third party as approved by the Client subject to clause 5 (h). ServiceCo agrees to cooperate and work with such third parties for the purposes of its performance under the agreement.

SERVICES SCHEDULE

DESCRIPTION OF SERVICES

1. ServiceCo will perform for the Client:
 - a. Customer invoice preparation and mailing for both electricity and water consumption. This will include inputting consumption reads provided to ServiceCo by Client, data validation, invoice generation, reporting of hi/low readings, and billing adjustments. This does not include requirements which are the result of the provincial government smart meter initiative.
 - b. Scheduling and arranging for hydro meter readings having regard to the current time or times that same are scheduled by Client.
 - c. Cash processing including inputting and processing payments to customer accounts.
 - d. Collections including monitoring account activity, notifying customers of past due accounts and advising Client of past due accounts as specified by the Client's policies.
 - e. Customer service activities including handling customer calls with respect to service, rates, consumption and billing, and issuing customer notifications as required by regulation. Calls not related to services covered by this Agreement will be redirected to the Client.
 - f. Procedures and applications required to support billing requirements as of the date of this Agreement stipulated in the Standard Service Supply and Retail Settlement codes. This will include Electronic Business Transactions, Retail Settlement and MDMA – MV90 services.
 - g. Billing for unmetered electricity customers including sentinel lights and streetlighting.

The cost per meter per month is \$3.92 to provide the above services for up to 3,700 meters for residential and general service customers.

2. Hosting of the Harris Customer Information (PUBS) and CArE software. This includes software updates and program fixes as covered under the Harris Software Maintenance Agreement. The cost per year is \$17,230.00 to be billed in equal monthly installments. Enhancements for requirements specific to the Client and those that are the result of new legislative requirements will be billed at cost plus 10%.

CLIENT RESPONSIBILITIES

1. Maintenance on software other than as provided in the Service Schedule.
2. Customization of any software to meet requirements specific to Client.
3. Setup of communications between Sault Ste. Marie and Espanola.
4. Any additional licensing fees (Unix, Terminal Server, Gui, etc.) The Client will maintain an adequate service level with respect to the number of users.
5. Purchase of additional software that may be required to meet legislative and regulatory requirements.

b) If there are separate Agreements and Service Schedules for the Retail Settlement Services and Software Support Services provided by PUC, please provide these as well.

Response

ERHDC does not have separate agreements and service schedules for the Retail Settlement Services and Software Support Services provided by PUC.

Question #5

Reference: i) Exhibit 1, page 162

a) Please confirm that the Distribution Revenue value (\$1,064,527) was calculated by applying the approved 2007 rates (excluding the smart meter rate adder) to the forecast 2008 billing quantities for each class.

Response

To be filed at a later date.

b) If the response to part (a) is yes, please provide a schedule setting out the detailed calculation, including:

- The 2007 rates used for each customer class
- The 2008 billing quantities for each customer class
- The total revenues by customer class

Response

To be filed at a later date.

c) If the response to part (a) is no, please explain what the value is based on and then recalculate the schedule per part (b).

Response

To be filed at a later date.

d) Please explain why there are no "property taxes" included in the Deficiency calculation.

Response

To be filed at a later date.

e) In the determination of the "deficiency" please confirm that interest is included as a separate cost (i.e., \$120,835) and then captured again as part of the overall cost of capital. Please remove any double counting of interest costs and redo the deficiency calculation.

Response

To be filed at a later date.

f) Please explain why the other Distribution revenue value of \$156,075 does not match the 2008 other revenue value reported in Exhibit 3 (page 14) of \$146,652.

Response

To be filed at a later date.

Question #6

Reference: i) Exhibit 1, pages 165-178 (2006 Financial Statements)

a) Page 175 (Note 8 b) makes reference to amounts paid by the company to the IESO for the cost of energy. However, on page 44, ERHDC indicated it was an embedded distributor. Is ERHDC a registered market participant?

Response

ERHDC is no longer a market participant as of March 1, 2007.

b) If the response to part (a) is yes, please explain the cost and benefits to ERHDC of registering as a market participant.

Response

ERHDC is no longer a market participant.

c) If the response to part (a) is no, please explain the basis on which ERHDC pays the IESO (as opposed to Hydro One) for the cost of energy.

Response

ERHDC no longer pays IESO.

Question #7

Reference: Exhibit 2, pages 27-28

a) How does ERHDC determine the number of "pole replacements" that will occur in a given year? Why is the number of replacements doubled from 2007 to 2008?

Response

A qualified consultant will be hired in 2008 to test all 2,040 wood poles in the ERHDC system over a period of five years. It is anticipated that at least 20 poles will be identified through the condition assessment that will require immediate replacement. The long term target for pole replacement levels is anticipated to be approximately 40 poles per year based on typical pole life of 50 years. This allocation will be increased gradually in each subsequent year until the long-term sustaining reinvestment in pole replacements reaches the target level of 40 poles per year. 2007 was the first year of this phase in approach, hence the increase in numbers over the two years.

b) How many new services (customers) were added in 2006 for the \$23,295?

Response

ERHDC added 7 new services (customers) in 2006

c) How many new services (customers) were added in 2007 for the \$47,635?

Response

ERHDC added 13 new services (customers) in 2007.

d) Why is there no forecasted expenditures on Services in 2008?

Response

The forecasted expenditure on Services in 2008 is listed in the table of Exhibit 2 Page 26 in the amount of \$12,883 under account 1855.

e) Please explain the "customer demand" that gives rise to the \$30,883 spending on lines. Why is there no capital contribution associated with this requirement?

Response

This allocation is an estimate based on reasonable assumptions based on past experience to account for unforeseen construction of miscellaneous lines that are expected to occur through the year in response to customer demand. There may be some recovery from the customer, but it is not possible to predict the amount in advance.

f) Please provide the asset condition assessment or other analyses that supports the need to replace the substation equipment in 2008.

Response

This allocation is required to replace deteriorated concrete blocks in Station #3. See attached report from structural engineer for details, along with the attached cost estimate from a local contractor to perform the work.

g) Please provide the asset condition assessment or other analyses that supports the need to replace the underground conduit in 2008.

Response

This allocation is required to initiate the process of replacing underground residential distribution cables that are now in excess of 30 years old in order to maintain reliability. Normal life expectancy of these underground cables is 30 years. Condition assessment of the underground system will be initiated in 2008 through inspection by the field crew. This inspection activity is included in the O&M allowances. It is anticipated that some replacement work will be required in 2008 as a result of this condition assessment. The long-term target for annual sustaining reinvestment in underground cable replacements is forecasted at double this 2008 allocation. This allocation will be increased each year until the long-term target level of expenditure is achieved.

Question #8

Reference: Exhibit 2, page 33

a) Please explain the basis for the 2007 and 2008 forecast values for Power Purchased Expenses.

Response

To be filed at a later date.

b) Please explain why there are no Transmission Charges included for 2007 or 2008 (i.e., #4714 and #4716).

Response

To be filed at a later date.

c) Please explain the "One-Time" charge for \$244,300 included for 2008.

Response

To be filed at a later date.

d) Please provide a schedule that reconciles ERHDC's forecast sales for 2008 per Exhibit 3 and the current wholesale charges for Rural Remote Rate Assistance (RRRA) for \$0.001/kWh with the projected 2008 value of \$334,165.

Response

To be filed at a later date.

e) Please explain the 23% increase in WMS charges assumed between 2006 and 2008.

Response

To be filed at a later date.

Question #9

Reference: Exhibit 3, page 6

a) Please reconcile the decrease in customers reported for 2006 and 2007 with the fact there was capital spending (Exhibit 2, pages 27-28) on new services in 2007 and 2008.

Response

To be filed at a later date.

Question #10

Reference: Exhibit 3, page 8

a) Please explain why there is such a large difference in the loss factors calculated for each rate class for 2004.

Response

To be filed at a later date.

Question #11

Reference: i) Exhibit 3, page 14

a) Please explain what is captured under "Other Electric Revenues" and why the value decreases by 30% between 2007 and 2008.

Response

To be filed at a later date.

b) Where is the revenue from the SSS Admin charge reflected and what is the forecast revenue for 2008?

Response

The revenue from the SSS Admin charge is reflected in "other electric revenues" and is forecasted to be \$12,000 for 2008.

Question #12

Reference: i) Exhibit 4, pages 4-12

a) What is the reason for the increase in Maintenance of Overhead Lines (#5125) between 2006 (actual) and 2007?

Response
To be filed at a later date.

b) What is the reason for the increase in Account #5020 between 2007 and 2008?

Response
To be filed at a later date.

c) With respect to Purchase of Services (page 12), in which account are the costs for each of the services listed recorded?

Response
To be filed at a later date.

d) With respect to the purchase of services from PUC Inc., the Application indicates that for three areas the price was based on a tender. Please indicate how many parties submitted tenders for each of these services provided by PUC and, in each case, whether PUC was the lowest cost. If not the lowest cost tender, please explain why PUC was selected as the service provider.

Response
To be filed at a later date.

Question #13

Reference: i) Exhibit 4, page 34

a) Does ERHDC have any explanation as to why its loss factor is declining between 2004 and 2006 so markedly?

Response

Since 2004 ERHDC has taken steps to improve the determination of unbilled revenue and the kWh associated with the unbilled revenue which has contributed to a lower loss factor.

Question #14

Reference: i) Exhibit 5, pages 2-6

a) Please confirm that ERHDC is recording the revenues associated with its 2007 approved Smart Meter rate adder in Account #1555.

Response

ERHDC confirms that it is recording the revenues associated with its 2007 approved Smart Meter rate adder in Account #1555.

b) Are there any other Regulatory Asset accounts with non-zero balances as of December 31, 2006 other than those set out on page 4? If so, please identify them and indicate the December 31, 2006 balance.

Response

Smart Meter Recovery Account #1555 – balance of (\$1,423).

c) For each of ERHDC's deferral/variance accounts, please provide a continuity schedule for the period from December 31, 2004 to December 31, 2006 showing annual credits and debits to the account as well as carrying costs.

Response

Please refer to OEB Interrogatory response to Question #43 Appendix D (Espanola_IRR_OEB_AppendixA_20080228).

d) With respect to the claim for recover of costs recorded in Account #1570 (Transition Costs), ERHDC's Application does not conform with the requirements set out the OEB in its December 2004, Decision with Reasons on the Review and Recovery of Regulatory Assets – Phase 2 and the Filing Guidelines subsequently issued on July 12, 2005. Please explain why ERHDC has not provided the necessary documentation.

Response

ERHDC has removed this amount from its disposition request.

e) What costs are included in the "Other Regulatory Assets" account (#1508)

Response

- 1) OMERS 2005 \$27,985
- 2) OMERS 2006 \$14,333
- 3) OMERS Carrying Charges \$2,036
- 4) OEB CA \$8,079
- 5) OEB CA Carrying Charges \$648

f) What costs are captured in the "Miscellaneous Deferred Debits" account (#1525)?

Response

Ontario Price Credit expenses are captured in the "Miscellaneous Deferred Debits" account #1525.

g) Please confirm that ERHDC's 2006 (and 2007) rates included an adder to recovery LV Charges? If so, how were the revenues recorded?

Response

The adder to recover LV Charges are recorded in account #1550.

h) Please provide a schedule that shows the calculation of the residual balance in Account #1590 (\$31,700) as of April 30, 2008.

Response

To be filed at a later date.

Question #15

Reference: Exhibit 6, pages 2-8

a) Please clarify whether ERHDC is requesting approval of a capital structure that is 53 % debt or 53.33% debt.

Response

ERHDC has not finalized the debt restructuring as was anticipated.

b) On page 4, ERHDC states that it will be reduce its long term debt to move the actual capital structure closer to the deemed structure of 60% debt. However, on page 3 the schedule shows that the actual debt ratio for 2007 is 51.91% - which is, already, less than the deemed debt component. Please reconcile.

Response

In the 2007 Bridge year forecast the 51.91% reflects the move in capital structure to get closer to the deemed structure. It was expected that the capital structuring review would take place in 2007 but did not happen as planned and will be negotiated with the loan holders in the spring of 2008.

c) What is the basis for the reported 5.82% cost of debt. EHRDC's most recent financial statements for 2006 indicate the existing cost of debt is 5%.

Response

ERHDC has not finalized the debt restructuring as was anticipated.

Question #16

Reference: i) Exhibit 8, pages 1-7

a) Please provide a copy of the Cost Allocation informational filing Run that best matches ERHDC's 2008 Rate Application.

Response

Please refer to OEB Question #30 Appendix C (Espanola_
IRR_OEB_AppendixC_20080228).

Question #17

Reference: Exhibit 8, pages 8-10

a) Why is ERHDC proposing to increase the Revenue to Cost ratio for GS > 50 to 100% while leaving the ratio for Unmetered Scattered Load at 92%?

b) Why aren't the proposed ratios for Street Light and Sentinel Light closer to 100%?

c) Please explain plain how the revenue proportions set out in the table on page 8 under the columns "Cost Allocation" and "Existing Allocation" were determined.

d) If the response to part (c) indicates the revenue proportions are based on the revenues and costs from the Cost Allocation Informational filing then please explain why these percentages are appropriate for 2008 when the customer count and loads forecast for each customer class have changed between 2006 (the year used in the Informational filing) and 2008.

e) Please recalculate the revenue proportions associated with the "Existing Allocation" as follows:

- Determine the revenue by customer class based on 2007 approved rates (excluding the Smart Meter Rate Adder and the LV Cost recovery adder) and forecast 2008 billing parameters
- Determine the revenue proportions based on the results of the preceding step.

Please provide a schedule that sets out the associated input data and calculations.

f) Please explain how the "Proposed Allocation" percentages on page 8 were derived and why they are consistent with the proposed revenue to cost ratios.

Response

To be filed at a later date.

Question #18

Reference: i) Exhibit 9, pages 2-8

a) The Base Revenue Requirement (\$1,193,752) derived by ERHCD (see pages 2-3) does not appear to provide for the recovery of the transformer ownership allowance discount:

- What is the forecast "cost" of the discount for 2008?

Response

The forecasted "cost" of the discount for 2008 is \$12,958.

- Please provide a breakdown of the forecast "cost" by customer class – i.e. is it all associated with the GS > 50 class.

Response

Transformer allowance is all associated with the GS > 50 class.

b) Please provide a schedule that sets out the calculation of the "Percentage of Current Class Revenue from Current Monthly Fixed Charge Table" on page 4.

Response

Please see table below. The streetlight rate class is slightly different due to rounding.

	Load Forecast for 2008	Forecast # of customers 2008	Existing Rates Variable	Existing Rates Fixed	Revenue from variable rates	Revenue from Fixed Rates	Total Revenue	% of Revenue from Fixed rates
	A	B	C	D	E	F	G	H
					(A*C)	(B*D*12)	(E+F)	(E/G)
Residential	33,090,578	2817	0.0135	10.39	446,723	351,224	797,946	44.02%
GS<50	14,771,227	431	0.0203	13.19	299,856	68,219	368,075	18.53%
GS>50	37,580	16	1.7424	123.37	65,479	23,687	89,166	26.56%
Streetlights	1,718	1011	2.9711	0.41	5,104	4,974	10,078	49.35%
Sentinel Lights	77	27	8.5578	0.45	659	146	805	18.12%
USL	125,709	11	0.0135	6.47	1,697	854	2,551	33.48%

c) If not done so in the Application, please recalculate the "Percentage of Current Class Revenue from Current Monthly Fixed Charge" as follows for each customer class:

- Base the fixed charge revenue on the 2007 approved monthly fixed charge (excluding the Smart Meter Rate Adder)

Response

To be filed at a later date.

- Base the variable charge revenue on the 2007 approved variable distribution rate (excluding the LV adder)

Response

To be filed at a later date.

d) Please recalculate Table shown on page 5 based on the results of part (c) above.

Response

To be filed at a later date.

Question #19

Reference: i) General

a) Please provide copies of all Board Decisions pertaining to ERHDC's rates issued since December 31, 2004.

Response
Please see below

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



EB-2005-0243

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 Espanola
Regional Hydro Distribution Corporation for an order or
orders approving or fixing just and reasonable rates.

BEFORE: Paul Vlahos
Presiding Member

The Board issued a procedural order in connection with this application dated May 2, 2005. An oral hearing was held in the Board's hearing room on May 12, 2005. At the end of the oral portion of the evidence, the Board reserved its decision.

A copy of the full record adduced in the proceeding is available at the Board's offices. The Board has summarized the record to the extent it felt necessary to provide context to its findings.

Summary of the Application

Espanola Hydro distributes electricity to approximately 3,500 customers. According to the Applicant's evidence, costs exceeded revenues in 2002 and 2004. In order to ensure that revenues match or exceed costs in future rate years, Espanola Hydro applied to the Board for an increase in the variable component of the distribution rates to customers in its General Service >50 kW rate class. There are currently sixteen customers in this rate class. When the application was originally prepared, the variable component for the GS>50 kW class was \$0.7777 per kW. However, prior to the oral hearing on this matter, that rate was increased as a result of the Applicant's 2nd tranche of MARR application to \$1.2523 per kW. The Applicant sought through the current application to have the rate increased to \$3.12 per kW. If this rate increase were implemented, it would result in approximately \$71,803 in additional annual revenue for the utility. The Applicant did not propose to raise rates for any other rate class.

The Applicant requested that the Board approve the requested rate increase retroactively to March 1, 2003, which was the rate implementation date the Applicant sought leave from the Minister of Energy, unsuccessfully, to bring the rate increase application before the Board.

Summary of Espanola Hydro's Evidence

The Applicant was represented at the oral hearing by its General Manager, Mr. Gary Keith. Mr. Keith testified that, in order to fund the utility's operations, he found new revenue streams through contracting out line crew personnel to neighbouring utilities and undertook certain cost cutting initiatives. The utility also corrected certain misapplications of eligibility in its rate classifications. Mr. Keith testified that while the measures he has undertaken to improve revenue and cut costs helped to improve the financial position of the utility, he

believed it to be necessary to seek a rate increase to ensure Espanola Hydro's continued viability.

Financial Health of Espanola Hydro

Audited financial statements for Espanola Hydro were presented by Board Staff for the past four years. These statements showed a net income of \$115,705 in 2001, a net loss of \$294,749 in 2002, a net income of \$127,267 in 2003, and a net loss of \$93,055 in 2004.

When questioned as to why its finances showed a substantial annual swing between net income and net loss, Mr. Keith explained that the positive change between 2002 and 2003 was the result of the utility finding new revenue streams, such as contracting its line crews to other utilities. The change from net income to net loss between 2003 and 2004 was largely the result of a \$163,000 interest payment on a loan from the Applicant's shareholders. Mr. Keith indicated that this was a "paper entry" only, and had been entered in the financial statements to avoid paying income tax. Mr. Keith suggested that this "paper entry" did not in fact come out of the Applicant's revenues, and therefore a net income was actually realized for 2004.

Through a holding company, the Town of Espanola and the Township of Sables-Spanish River are the owners of Espanola Hydro and a services company (the "Services Company"), each a separate legal entity. Espanola Hydro and the Services Company share the same employees and equipment. Apparently, the equipment was actually sold by Espanola Hydro to the Services Company. According to Mr. Keith, Espanola Hydro actually earned approximately \$70,000 in 2004 if one excludes the purported interest payment to the shareholders of \$163,000. However, according to Mr. Keith, the Services Company lost approximately \$76,000 in the same year.

The evidence was unclear on how income is allocated between the Services Company and Espanola Hydro, or what work is conducted by the Services Company for Espanola Hydro.

The Rate Increase

It was the Applicant's evidence that it decided an increase to the variable component of the GS>50 kW rate was in order after examining comparable rates in neighbouring utilities. The Applicant observed that it charged a much lower rate in this class than many of its

neighbouring electricity distributors, and therefore decided that it was appropriate to raise the rates for this customer class.

Mr. Keith was questioned on a chart prepared by Board staff which showed the percentage increase the sixteen GS>50 kW customers could expect in their bills if the proposed increase was approved. Mr. Keith confirmed that the figures in the chart were correct. The chart showed annual bill impacts of between 5.08% and 11.92%. The overall average increase was 6.82%. The 11.92% impact was something of an anomaly, as the next highest impact was 9.62%. Mr. Keith could not say why this particular customer would see such a pronounced bill impact, but he indicated that the utility would be willing to work with the customer to try to reduce the amount of the increase. Mr. Keith also testified that by increasing the rates for the GS>50 kW customers would reduce the observed inequity of these larger customers paying less in delivery charges in absolute terms than their smaller sized competitors.

Mr. Keith indicated that he had discussed Espanola Hydro's financial situation with the sixteen GS>50 kW customers, and that most of them agreed that a rate increase was necessary and they were willing to pay prior to the increase being approved by the Board. Mr. Keith testified that it bills and receives additional revenues from these customers from what the authorized rates generate. It was not clear from the evidence as to the accounting and ratemaking treatment of the additional revenues. Mr. Keith conceded that not all of the customers were willing to pay retroactively, and in fact a letter of comment was filed with the Board from a customer specifically requesting that the rates not be applied retroactively.

Cost Allocation

Mr. Keith indicated that no formal cost allocation study had been conducted to justify raising the rates of only one rate class. Although evidence was presented by both the Applicant and Board staff comparing the Applicant's variable rate for GS>50 kW with neighbouring utilities, there was no filed evidence comparing the Applicant's other rate classes with those of other utilities. Mr. Keith did comment, however, that the Applicant's residential rates were also "on the low end of the scale" compared to neighbouring utilities.

Board Findings

The Panel cannot approve Espanola Hydro's application as presented. After hearing the Applicant's evidence, the Panel cannot determine from that evidence whether the current

rates result in a net deficiency or sufficiency from a revenue requirement perspective. The relationship between Espanola Hydro and the Services Company has not been sufficiently explained, and without reasonable clarity on how all utility costs and revenues are managed and presented between the two corporations, the Board cannot have confidence in the financial statements of Espanola Hydro.

Although the Panel is dismissing this application, Espanola Hydro may yet require some increase in its rates. It is not possible from the evidence presented to ascertain the true revenue requirement of the utility. The Board would be concerned if the utility itself may not be earning sufficient revenues to ensure its operational feasibility. The Panel encourages the Applicant to bring a fresh application to the Board, which better explains both the current financial situation of the utility and its projected revenue requirement. Such application should include a better rationale for allocating all of the proposed incremental revenue increase to a single rate class. It would not be a requirement in this case for Espanola Hydro to undertake a formal or complex cost allocation study, but it must provide a better rationale than simply to compare costs of the GS>50 kW rate class with neighbouring distribution systems. If it is the Applicant's position that the current rates for the GS>50 kW rate class have been incorrectly set since the rates were unbundled some years ago, a proposition that was not entirely clear from the record, then it must provide evidence in support of that proposition. Finally, the Applicant's evidence that its residential rates are low compared to neighbouring utilities suggests that it should have at least considered raising these rates as well.

The Board found Mr. Keith to be an open and forthright witness. However, for a proper assessment of the merits of an application for rate relief, the utility's evidence must be properly prepared from a revenue requirement perspective and contain sufficient cost allocation rationale. The allocation of any incremental revenue is especially important when the relief is targeted to a specific rate class. Espanola Hydro should consider retaining external assistance in bringing its application to the Board for rate relief and, in any event, consult with Board Staff for any assistance that it may require.

Mr. Keith testified that the Applicant had been charging some of its GS>50 kW customers rates in excess of the rates authorized in the current rate order on a voluntary basis by the customer. The Panel notes that section 78 of the *Ontario Energy Board Act* is quite clear in stating that a utility may only charge rates that have been approved by the Board. Espanola Hydro is therefore ordered to cease charging rates in excess of those that have been approved through the current rate order.

Ontario Energy Board

6

ISSUED at Toronto, May 31, 2005

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2005-0020
EB-2005-0362

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 Espanola
Regional Hydro Distribution Corporation for an order or
orders approving or fixing just and reasonable distribution
rates and other charges, effective May 1, 2006.

BEFORE: Paul Vlahos
Presiding Member

DECISION AND ORDER

Espanola Regional Hydro Distribution Corporation ("Espanola Hydro" or the "Applicant") is a licensed distributor providing electrical service to consumers within its defined service area. Espanola Hydro filed an application (the "Application") with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other matters, to be effective May 1, 2006. According to the Board's schedule for filings, Espanola Hydro was to have filed its application no later than October 2005. Espanola Hydro actually filed a complete application on January 31, 2006.

Espanola Hydro is one of over 90 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board developed and issued the *2006 Electricity Distribution Rate Handbook* (the "Handbook") and complementary spreadsheet-based models. These materials were developed after extensive public consultation with distributors, customer groups, public and environmental interest groups, and other interested parties. The Handbook contains requirements and guidelines for filing an application.

The models determine the amounts to be included for the payments in lieu of taxes ("PILs") and calculate rates based on historical financial and other information entered by the distributor.

Also included in this process was a methodology and model for the final recovery of regulatory assets flowing from the Board's decision dated December 9, 2004 on the Review and Recovery of Regulatory Assets – Phase 2 for Toronto Hydro, London Hydro, Enersource Hydro Mississauga and Hydro One. In Chapter 10 of the decision, the Board outlined a Phase 2 process for the remaining distributors. By letter of July 12, 2005, the Board provided guidance and a spreadsheet-based model to the distributors for the inclusion of this recovery as part of their 2006 distribution rate applications.

As a distributor that is embedded in Hydro One Network's low voltage system, the Applicant has included the recovery of certain Regulatory Assets that have been allocated by Hydro One Networks. The amount claimed by the Applicant was provided by Hydro One Networks as a reasonable approximation of the actual amount that Hydro One Networks will assess the Applicant. To the degree that the amount differs from the actual amount approved for Hydro One Networks in another proceeding (RP-2005-0020/EB-2005-0378), this difference will be reconciled at the end of the Regulatory Asset recovery period, as set out in the Phase II regulatory assets decision issued on December 9, 2004 (RP-2004-0064/RP-2004-0069/RP-2004-0100/RP-2004-0117/RP-2004-0118).

In its preliminary review of the 2006 rate applications received from the distributors, the Board identified several issues that appeared to be common to many or all of the distributors. As a result, the Board held a hearing (EB-2005-0529) to consider these issues (the "Generic Issues Proceeding") and released its decision (the "Generic Decision") on March 21, 2006. The rulings flowing from that Generic Decision apply to this Application, except to the extent noted in this Decision. The Board notes that pursuant to ss. 21 (6.1) of the *Ontario Energy Board Act, 1998*, and to the extent that it is pertinent to this Application, the evidentiary record of the Generic Issues Proceeding is part of the evidentiary record upon which the Board is basing this Decision.

In December 2001, the Board authorized the establishment of deferral accounts by the distributors related to the payments that the distributors make to the Ministry of Finance in lieu of taxes. The Board is required, under its enabling legislation, to make an order

with respect to non-commodity deferral accounts once every twelve months. The Board has considered the information available with respect to these accounts and orders that the amounts recorded in the accounts will not be reflected in rates as part of the Rate Order that will result from this Decision. The Board will continue to monitor the accounts with a view to clearing them when appropriate.

Public notice of the rate Application made by Espanola Hydro was given through newspaper publication in its service area. The evidence filed was made available to the public. Interested parties intervened in the proceeding. The evidence in the Application was tested through written interrogatories from Board staff and intervenors, and intervenors and Espanola Hydro had the opportunity to file written argument. While the Board has considered the entire record in this proceeding, it has made reference in this Decision only to such evidence and argument as is necessary to provide context to its findings.

On April 28, 2006, the Board issued an Order declaring rates then existing for Espanola Hydro to be interim, effective May 1, 2006, until such time as the Board issued a final rate order for 2006 rates. This Decision and Order is final with respect to 2006 rates and supersedes the Order of April 28.

Espanola Hydro has requested an amount of \$1,450,397 as revenue to be recovered through distribution rates and charges. Included in this amount is a debit of \$139,363 for the recovery of regulatory assets. Except where noted in this Decision, the Board finds that Espanola Hydro has filed its Application in accordance with the Handbook and the guidelines for the recovery of regulatory assets.

Notwithstanding Espanola Hydro's general compliance with the Handbook and associated models, in considering this Application the Board reviewed the following matters in detail:

- Low Voltage Rates;
- Capital Structure;
- Claim of Financial Distress;
- Mitigation of Rate Impacts; and
- Consequences of the Generic Decision (EB-2005-0529).

Low Voltage Rates

Espanola Hydro included in its Application recovery of ongoing Low Voltage ("LV") charges that Hydro One Networks will be levying on Espanola Hydro for Low Voltage wheeling distribution services provided to Espanola Hydro.

The Board notes that this estimate reflects Hydro One Networks' previously approved LV rate of \$0.56/kW. The Board further notes that Hydro One Networks applied for an LV rate of \$0.63/kW in its 2006 rate application RP-2005-0020/EB-2005-0378, and the Board has approved this rate.

The Board is of the view that the LV adjustment that Espanola Hydro has included in its Application is insufficient to recover its expected LV charges in 2006, as this amount does not reflect the updated Hydro One Networks rate. Although the Generic Decision provides that embedded distributors are to track differences between LV costs charged by the host distributor(s) and corresponding revenues recovered from ratepayers, the Board seeks to minimize systemic sources of variance. The Board is of the view that Espanola Hydro's rates should reflect the LV rates authorized by the Board for the host distributor. Accordingly, the Board has revised the amount for LV charge recovery in Espanola Hydro's revenue requirement.

Capital Structure

Espanola Hydro indicated that its actual capital structure consisted of 106% debt and -6% equity. This deviates significantly from the 50:50 deemed capital structure outlined in the EDR Handbook to be used by distributors the size of the Applicant. The debt, which is held by its municipal corporation shareholder, consists of two notes payable, both of which feature a 5% interest rate. Espanola Hydro stated that the debt is 100% held by its shareholder and as there is no provision or expectation for any repayment of principal or interest to the shareholder, there should be no risk to the distributor. Espanola Hydro noted that its capital structure was set up this way for the most effective tax planning. Espanola Hydro also stated that in 2004, a 5% interest rate on the amount due to the shareholder was capitalized and added to the debt, thereby increasing debt to 106%.

The Board is concerned about the potential risk to the utility's financial viability arising from this unusually leveraged capital structure. It is not clear to what extent Espanola Hydro can avoid interest payments if its financial circumstances warrant. Nor is it clear what the consequences are of not making these debt payments to the municipal shareholder. For the purposes of setting rates for 2006, the Board will deem a capital structure as prescribed in the Handbook, 50% debt and 50% equity. However, the Board's Chief Regulatory Auditor will be informed of this situation, who will make a determination of how to proceed in this matter.

Claim of Financial Distress

In June 2005, the Board denied a request made by Espanola Hydro for an increase in distribution rates (EB-2005-0243). In its decision, the Board expressed concerns about the reliability of the Applicant's 2004 financial statements in support of its request, as well as the financial health of the utility. As a result, the Chief Regulatory Auditor undertook an audit review of the utility. The findings from this review confirm concerns about confidence in the accuracy of Espanola Hydro's 2004 financial statements, identify a range within which certain financial statement amounts actually fall, and notes that the values used by Espanola Hydro are within the ranges identified.

In its current application, Espanola Hydro claimed that it is in financial distress and proposed an upward adjustment of \$111,000 to the revenue requirement that resulted from the use of the rate model pursuant to the Handbook. Espanola Hydro did not claim this adjustment to be either of the Tier 1 or Tier 2 type as stipulated in the Handbook. Espanola Hydro did not attempt to substantiate this claim and how the proposed additional revenue would be used. Rather, Espanola Hydro's rationale for the adjustment is to bring the level of its distribution rates up to the provincial average.

The techniques of rate making are designed to safeguard a utility from financial hardship and to in fact create a robust financial company. The Board notes that, absent the additional money, the model generates a revenue requirement and resulting rates sufficient to cover operating and other expenses as well as providing for a reasonable return on a deemed equity. With respect to the Applicant's argument that this adjustment will bring the level its distribution rates in line with the provincial average, the Board reiterates that it does not set rates based on regional or provincial averages. The Board therefore does not accept the proposed additional \$111,000 over the revenue

requirement that the model would otherwise generate and has therefore removed this amount in setting 2006 rates.

Mitigation of Rate Impacts

The Handbook stipulates that an applicant must file a mitigation plan if total bill increases for any customer classes or group exceed 10%. Espanola Hydro has identified that the bill increases for the Sentinel Light sub-class would have been higher than 10% and has proposed a mitigation plan to reduce the level to less than 10%. There are 27 Sentinel Light accounts. The prime reason for the impact is the allocated share of the recovery of the Regulatory Asset costs.

Espanola Hydro proposed a three step mitigation plan as follows:

- Commencing May 1, 2006, the Regulatory Asset Recovery charge for this class be reduced by \$10.00 per kW from the rate determined by the model for a period of 6 months;
- Commencing November 1, 2006, the Regulatory Asset Recovery charge will be reduced by \$5.50 per kW from the rate determined by the model for the next 6 months; and
- Commencing May 1, 2007, the Regulatory Asset Recovery charge will go to the rate that is calculated in the rate model.

Espanola Hydro acknowledges that it will forego a small amount of revenue associated with the recovery of regulatory assets as part of the plan. The Board finds this plan to be acceptable, but will alter the commencement dates of the six month mitigation period to reflect the effective date of the rate order as a result of this decision.

Consequences of the Generic Decision on this Application

The Generic Decision contains findings relevant to funding for smart meters for electricity distributors. The Applicant did not file a specific smart meter investment plan or request approval of any associated amount in revenue requirement. Absent a specific plan or discrete revenue requirement, the Generic Decision provides that \$0.30 per residential customer per month be reflected in the Applicant's revenue requirement. The Board finds that this increase in the revenue requirement amount will be allocated

equally to all metered customers and recovered through their monthly service charge. This increment is reflected in the approved monthly service charges contained in the Tariff of Rates and Charges appended to this Decision. Pursuant to the Generic Decision, variance accounts have been authorized by the Board and the details have been communicated by the Board on June 13, 2006.

Resulting Revenue Requirements

As a result of the Board's determinations on these issues, the Board has adjusted the revenue requirement to be recovered through distribution rates and charges to \$1,460,632, including a debit amount of \$139,363 for the recovery of Regulatory Assets.

In its letter of December 20, 2004 to electricity distributors, the Board indicated that it would consider the disposition of the 2005 OEB dues recorded in Account 1508 in this proceeding. However, given that the final 2005 OEB dues are not available because of the difference in fiscal years for the Board and the distributors, and given that the model used to develop the Application does not incorporate this provision, the Board will review and dispose of the 2005 OEB dues at a later time.

Cost Awards

This Application is one of a number of applications before the Board dealing with 2006 rates chargeable by distributors. Intervenors may be parties to multiple applications and, if eligible, their costs associated with a specific distributor may not be separable. Therefore, for these applications, the matter of intervenor cost awards will be addressed by the Board at a later date, upon the conclusion of the current rate applications. If an intervenor that is eligible to recover its costs is able to uniquely identify its costs associated with this Application, it must file its cost claim within 10 days from the receipt of this Decision.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix "A" of this Order is approved, effective October 18, 2006, for electricity consumed or estimated to have been consumed on and after October 18, 2006. The application of the revised distribution rates shall be prorated. If Espanola Regional Hydro

Distribution Corporation's billing system is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors shall be implemented upon the first subsequent billing for each billing cycle.

2. The Tariff of Rates and Charges set out in Appendix "A" of this Order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Espanola Regional Hydro Distribution Corporation, and is final in all respects.
3. Espanola Regional Hydro Distribution Corporation shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, October 18, 2006

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0362

October 18, 2006

ONTARIO ENERGY BOARD

Espanola Regional Hydro Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective October 18, 2006

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

RP-2005-0020
EB-2005-0362

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders 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, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES – October 18, 2006 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES – October 18, 2006 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – October 18 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadplex with residential zoning.

General Service Less Than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW

This classification refers to a non residential account whose average peak demand is greater than, or is forecast to be greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

Sentinel Lighting

This classification applies to safety/security lighting with a Residential or General Service customer. This is typically exterior lighting, and unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

Espanola Regional Hydro Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective October 18, 2006

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

RP-2005-0020
EB-2005-0362

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	10.30
Distribution Volumetric Rate	\$/kWh	0.0131
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	12.95
Distribution Volumetric Rate	\$/kWh	0.0198
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	122.26
Distribution Volumetric Rate	\$/kW	1.6403
Regulatory Asset Recovery	\$/kW	0.4822
Retail Transmission Rate – Network Service Rate	\$/kW	1.9902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3968
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	6.34
Distribution Volumetric Rate	\$/kWh	0.0198
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Espanola Regional Hydro Distribution Corporation

TARIFF OF RATES AND CHARGES

Effective October 18, 2006

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

RP-2005-0020
EB-2005-0362

Sentinel Lighting

Service Charge (per connection)	\$	0.45
Distribution Volumetric Rate	\$/kW	8.4086
Regulatory Asset Recovery – Effective October 18, 2006 to April 30, 2007	\$/kW	2.0503
Regulatory Asset Recovery – Effective May 1, 2007 to October 31, 2007	\$/kW	6.5503
Regulatory Asset Recovery – Effective November 1, 2007	\$/kW	12.0503
Retail Transmission Rate – Network Service Rate	\$/kW	1.5085
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	2.8644
Regulatory Asset Recovery	\$/kW	0.1879
Retail Transmission Rate – Network Service Rate	\$/kW	1.5009
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0798
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Account history	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
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	\$	30.00
Disconnect/Reconnect Charge - at meter during regular hours	\$	65.00
Disconnect/Reconnect Charge - at pole during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
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)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0724
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0617
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A

Ontario Energy
Board

Commission de l'Énergie
de l'Ontario



RP-2005-0020
EB-2005-0362
EB-2006-0278

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF a motion by Espanola Regional
Hydro Distribution Corporation requesting the Board to
review and vary certain aspects of Decision and Order RP-
2005-0020 / EB-2005-0362 dated October 18, 2006.

BEFORE: Gordon Kaiser
Presiding Member and Vice Chair

Paul Vlahos
Member

Cathy Spoel
Member

DECISION AND ORDER

Espanola Regional Hydro Distribution Corporation ("Espanola Hydro") filed a motion, dated November 8, 2006, with the Ontario Energy Board requesting that the Board review and amend certain aspects of its October 18, 2006 Decision and Order. On December 6, 2006, Espanola Hydro filed an amended motion with the Board. On December 22, 2006, the Board issued Procedural Order No. 1 and agreed to hear the amended motion by way of an oral hearing scheduled for February 19, 2007.

On January 12, 2007, Espanola Hydro filed a letter with the Board withdrawing its motion to review. The Board hereby accepts Espanola Hydro's withdrawal of its motion.

During its review of this matter, the Board noticed an error in Espanola Hydro's Rate Order related to the amount that was approved for the recovery of Low Voltage ("LV") charges. The Board will amend Espanola Hydro's Rate Order to reflect the approved LV rate of \$0.63/kW, pursuant to its powers under Rule 43.02.

THE BOARD THEREFORE ORDERS THAT:

1. The provisions for submissions relating to Espanola Regional Hydro Distribution Corporation's motion to request a review of RP-2005-0020 / EB-2005-0362 as set out in Procedural Order No. 1 are rescinded.
2. Espanola Regional Hydro Distribution Corporation's Rate Order is hereby amended to correct a calculation error in the LV charges. A copy of the amended rate order is attached as Appendix "A".

ISSUED at Toronto, January 25, 2007.

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix "A"

RP-2005-0020
EB-2005-0362
EB-2006-0278

January 25, 2007

ONTARIO ENERGY BOARD

Espanola Regional Hydro Distribution Corporation
TARIFF OF RATES AND CHARGES
Effective January 25, 2007

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

RP-2005-0020
EB-2005-0362
EB-2006-0278

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders 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, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES – January 25, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES – January 25, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – January 25, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

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This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a single family unit, non-commercial. This can be a separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning.

General Service Less Than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW

This classification refers to a non residential account whose average peak demand is greater than, or is forecast to be greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load

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Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

Espanola Regional Hydro Distribution Corporation TARIFF OF RATES AND CHARGES Effective January 25, 2007

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

RP-2005-0020
EB-2005-0362
EB-2006-0278

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	10.30
Distribution Volumetric Rate	\$/kWh	0.0134
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	13.07
Distribution Volumetric Rate	\$/kWh	0.0201
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	122.27
Distribution Volumetric Rate	\$/kW	1.7269
Regulatory Asset Recovery	\$/kW	0.4822
Retail Transmission Rate – Network Service Rate	\$/kW	1.9902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3968
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	6.35
Distribution Volumetric Rate	\$/kWh	0.0134
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Espanola Regional Hydro Distribution Corporation TARIFF OF RATES AND CHARGES Effective January 25, 2007

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

RP-2005-0020
EB-2005-0362
EB-2006-0278

Sentinel Lighting

Service Charge (per connection)	\$	0.45
Distribution Volumetric Rate	\$/kW	8.4815
Regulatory Asset Recovery	\$/kW	6.5503
Regulatory Asset Recovery – Effective September 29 to March 31, 2006	\$/kW	2.0503
Regulatory Asset Recovery – Effective April 1, 2006 to September 30, 2007	\$/kW	6.5503
Regulatory Asset Recovery – Effective October 1, 2007	\$/kW	12.0503
Retail Transmission Rate – Network Service Rate	\$/kW	1.5085
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	2.9446
Regulatory Asset Recovery	\$/kW	0.1879
Retail Transmission Rate – Network Service Rate	\$/kW	1.5009
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0798
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Regulated Price Plan – Administration Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Account history	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Collection of account charge – no disconnection	\$	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
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
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)

Espanola Regional Hydro Distribution Corporation
TARIFF OF RATES AND CHARGES
Effective January 25, 2007

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

RP-2005-0020
EB-2005-0362
EB-2006-0278

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0724
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0617
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2007-0525

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 Espanola
Regional Hydro Distribution Corporation for an order or
orders approving or fixing just and reasonable distribution
rates and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Espanola Regional Hydro Distribution Corporation ("Espanola Regional Hydro") is a licensed distributor providing electrical service to consumers within its licensed service area. Espanola Regional Hydro filed an application with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

Espanola Regional Hydro is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

- 2 -

Public notice of Espanola Regional Hydro's rate application was given through newspaper publication in Espanola Regional Hydro's service area. The evidence filed as part of the rate application was made available to the public. Both Espanola Regional Hydro and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received no submissions. 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.

Espanola Regional Hydro's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Espanola Regional Hydro, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

Espanola Regional Hydro requested an amount for smart meter costs. The Board has approved an amount of \$0.26 per month per metered customer. Espanola Regional Hydro's variance accounts for smart meter program implementation costs, previously authorized by the Board, are continued. It is the Board's understanding that Espanola Regional Hydro will not be undertaking any smart metering activity (i.e. discretionary metering activity) in 2007. The amount collected through the smart meter rate adder will be booked into the existing variance accounts, and retained in those accounts, to help fund future smart meter activity. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

- 3 -

The Board has made the necessary adjustments to Espanola Regional Hydro's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order superseded all previous distribution rate schedules approved by the Ontario Energy Board for Espanola Regional Hydro, and is final in all respects.
3. Espanola Regional Hydro shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 12, 2007

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

EB-2007-0525

April 12, 2007

ONTARIO ENERGY BOARD

Espanola Regional Hydro Distribution Corporation
TARIFF OF RATES AND CHARGES
Effective May 1, 2007

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

EB-2007-0525

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders 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, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

DISTRIBUTION RATES – May 1, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES – May 1, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification refers to an account taking electricity at 750 volts or less where the electricity is used exclusively in a single family unit, non-commercial. This can be separately metered living accommodation, town house, apartment, semi-detached, duplex, triplex or quadruplex with residential zoning.

General Service Less Than 50 kW

This classification refers to a non residential account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW.

General Service 50 to 4,999 kW

This classification refers to a non residential account whose average peak demand is greater than, or is forecast to be greater than, 50 kW but less than 5,000 kW.

Unmetered Scattered Load

This classification refers to an account taking electricity at 750 volts or less whose monthly average peak demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The customer will provide detailed manufacturer information/documentation with regard to electrical demand/consumption of the proposed unmetered load.

Sentinel Lighting

This classification applies to safety/security lighting with a Residential, General Service or Large Use customer. This is typically exterior lighting, and unmetered. Consumption is estimated based on the equipment rating and estimated hours of use.

Street Lighting

This classification refers to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting operation, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

Espanola Regional Hydro Distribution Corporation TARIFF OF RATES AND CHARGES Effective May 1, 2007

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

EB-2007-0525

MONTHLY RATES AND CHARGES

Residential

Service Charge	\$	10.39
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	0.0030
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0053
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0039
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	13.19
Distribution Volumetric Rate	\$/kWh	0.0203
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	123.37
Distribution Volumetric Rate	\$/kW	1.7424
Regulatory Asset Recovery	\$/kW	0.4822
Retail Transmission Rate – Network Service Rate	\$/kW	1.9902
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3968
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Unmetered Scattered Load

Service Charge (per connection)	\$	6.47
Distribution Volumetric Rate	\$/kWh	0.0135
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0049
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0035
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	0.45
Distribution Volumetric Rate	\$/kW	8.5578
Regulatory Asset Recovery – Effective May 1, 2007 to October 31, 2007	\$/kW	6.5503
Regulatory Asset Recovery – Effective November 1, 2007	\$/kW	12.0503
Retail Transmission Rate – Network Service Rate	\$/kW	1.5085
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.1024
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010

Espanola Regional Hydro Distribution Corporation TARIFF OF RATES AND CHARGES Effective May 1, 2007

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

Standard Supply Service – Administrative Charge (if applicable)	\$	EB-2007-0525 0.25
Street Lighting		
Service Charge (per connection)	\$	0.41
Distribution Volumetric Rate	\$/kW	2.9711
Regulatory Asset Recovery	\$/kW	0.1879
Retail Transmission Rate – Network Service Rate	\$/kW	1.5009
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.0798
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25
Specific Service Charges		
Customer Administration		
Arrears certificate	\$	15.00
Account history	\$	15.00
Returned Cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
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	\$	30.00
Disconnect/Reconnect Charges for non payment of account - At Meter During Regular Hours	\$	65.00
Disconnect/Reconnect at pole – during regular hours	\$	185.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Temporary service install & remove – underground – no transformer	\$	300.00
Specific Charge for Access to the Power Poles – per pole/year	\$	22.35
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0724
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0617
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A

Question #20

Reference: i) Exhibit 9

a) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:

- Consume less than 100 kWh per month
- Consume 100 -> 250 kWh per month
- Consume 250 -> 500 kWh per month
- Consume 500 -> 750 kWh per month

Response

2007 billing data

Consumption Range (kWhs)	Number of Customers with Average Monthly Bill within the Range
0 - 99	72
100 – 250	72
251 – 500	415
500 - 750	583