



RP-2005-0013  
EB-2005-0010

**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  
**Brantford Power 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: \$1,340,000**

**2005 PILs Proxy: \$1,693,559**

**Regulatory Assets Second Tranche: \$1,042,424**

The Applicant also applied for recovery of amounts and/or items outside of the guidelines. The Applicant requested an amount of PILs Proxy in excess of the guidelines and also requested a rate adjustment to keep the Monthly Service Charge in each class constant.

### **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.

At this time, the Board will approve only the portion of the application that conforms to the guidelines as the generic notice published informed customers and the public of only the changes contemplated in the guidelines. As a result, the Board will not approve the requested adjustment to keep the Monthly Service Charge in each class constant. The Applicant may wish to apply for other specific changes to rates in a separate application.

The Board has also adjusted the applied for PILs proxy to conform with the guidelines, resulting in the following approved amounts:

**MARR:** \$1,340,000

**2005 PILs Proxy:** \$1,543,488

**Regulatory Assets Second Tranche:** \$1,042,424

Subject to these adjustments, 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 29, 2005

ONTARIO ENERGY BOARD

Peter H. O'Dell  
Assistant Board Secretary

Appendix "A"

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March 29, 2005

ONTARIO ENERGY BOARD

SECTION 93 PILs TAX GROSS-UP PROXY CALCULATION FOR 2005 TAX CALCULATIONS (TAXCALC)		ITEM	Proxy Calculation	Comments
Utility Name: Brantford Power Inc. Reporting Period: January 1, 2005 to December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365			\$	
Percentage used to determine the exemptions for capital tax and large corporations tax			83%	
<b>II) CAPITAL TAXES</b>				
Ontario				
Rate Base	15		\$46,980,726	
Less: Exemption	16		\$6,195,000	
Deemed Taxable Capital			\$40,785,726	
Rate (.3%)	17		0.3000%	
<b>Net Amount (Taxable Capital x Rate)</b>			<b>\$122,357</b>	
Federal (LCT)				
Base	18		\$46,980,726	
Less: Exemption	19		\$41,300,000	
Deemed Taxable Capital			\$5,680,726	
Rate (.175%)	20		0.1750%	
Gross Amount (Taxable Capital x Rate)			\$9,941	
Less: Federal Surtax	21		\$28,149	
<b>Net LCT</b>			<b>\$0</b>	
<b>III) INCLUSION IN RATES</b>				
Income Tax Rate used for gross-up			36.12%	
Income Tax (grossed-up)	22		\$1,421,131	
LCT (grossed-up)	23		\$0	
Ontario Capital Tax	24		\$122,357	
<b>Total S. 93 PILs Rate Adjustment</b> (Enter this amount in the 2005 RAM, Sheet #4, cell G14)		<b>25</b>	<b>\$1,543,488</b>	

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Utility Name: Brantford Power Inc. Reporting Period: January 1, 2005 to December 31, 2005 Days in Reporting Period: 365 Total days in the calendar year: 365			\$	
<b>I) CORPORATE INCOME TAXES</b>				
Regulatory Net Income		1	\$4,167,799	
BOOK TO TAX ADJUSTMENTS				
<b>Additions:</b>				
Depreciation & Amortization		2	\$2,600,455	
Employee Benefit Plans - Accrued, Not Paid		3	\$0	
Tax reserves deducted in prior year		4	\$0	
Reserves from financial statements-end of year		4	\$0	
Regulatory Adjustments		5	\$0	
<b>Other Additions</b>				
"Material" Items		6	\$0	
Other Additions		6	\$0	
"Material" Items		6	\$0	
Other Additions		6	\$0	
<b>Deductions:</b>				
Capital Cost Allowance and CEC		7	\$2,286,863	
Employee Benefit Plans - Paid Amounts		8	\$0	
Items Capitalized for Regulatory Purposes		9	\$0	
Regulatory Adjustments		10	\$0	
Interest Expense Deemed		11	\$1,703,051	
Tax reserves claimed in current year		4	\$0	
Reserves from F/S beginning of year		4	\$0	
Contributions to deferred income plans		3	\$0	
Contributions to pension plans		3	\$0	
Interest capitalized for accounting but deducted for tax		11	\$0	
<b>Other Deductions</b>				
"Material" Items		12	\$0	
C&DM 2005 Incremental OM&A expenses per C&DM Plan		12	\$265,000	
Material Items		12	\$0	
Other Deductions		12	\$0	
<b>REGULATORY TAXABLE INCOME</b>			\$2,513,340	
<b>CORPORATE INCOME TAX RATE</b>				
Deemed %		13	36.12%	
<b>REGULATORY INCOME TAX</b>			\$907,818	
Taxable Income x Rate				
Miscellaneous Tax Credits		14	\$0	
<b>Total Regulatory Income Tax</b>			\$907,818	