
ATTACHMENT O

2001 and 2002 Board Decisions with PILS in Rates

RECEIVED MAR 08 2002

Ontario Energy
Board
P.O. Box 2319
26th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416-481-1967
Facsimile: 416-440-7656
Toll free: 1-888-632-6273

Commission de l'Énergie
de l'Ontario
C.P. 2319
26e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY PRIORITY POST

March 7, 2002

Kenneth Walsh
Senior Manager - Engineering & Operations
London Hydro Inc.
111 Horton St.
P.O. Box 2700
London, ON
N6A 4H6

*Energy & Distribution
Effective Mar 1/02
Implem. Mar 18/02
Rates to Apr 1/04*

Dear Mr. Walsh:

Re: **London Hydro Inc.**
March 2002 LDC Rate Adjustments
Board File No. RP-2002-0093/EB-2002-0102

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

Yours truly,


Peter H. O'Dell
Assistant Board Secretary

Encl.



RP-2002-0093
EB-2002-0102

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 London
Hydro Inc. for an order or orders approving or fixing
just and reasonable rates.

BEFORE: Paul Vlahos
Vice Chair and Presiding Member

George Dominy
Vice Chair and Member

DECISION AND ORDER

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

London Hydro Inc. ("the Applicant") filed an Application ("the Application"), dated January 25, 2002, for an order or orders under section 78 of the *Ontario Energy Board Act, 1998* approving or fixing just and reasonable rates for the distribution of electricity, effective March 1, 2002.

The Applicant filed additional evidence on Transition Costs on February 20, 2002.

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

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

In some cases the submission named a specific electricity distributor, in other cases it did not. The Applicant was named in 3 template submissions.

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

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

- Input Price Inflation (IPI) and Productivity Factor as provided for in the Performance Based Regulation (PBR) Plan.
- the second of three installments of the utility's incremental Market Adjusted Revenue Requirement (MARR), \$2,836,791.
- the 2001 deferred Payments in Lieu of Taxes (PILs), \$2,163,560.
- the 2002 Payments in Lieu of Taxes (PILs), \$8,115,298.
- an interim transition cost recovery of \$582,883.
- a Z-Factor recovery of \$3,204,200. This amount consisted of the following:
 - \$374,458 for distribution charges that will be levied by Hydro One Network's Inc. ("Hydro One") on the Applicant's long-term load transfer energy amounts,
 - \$1,065,936 for low voltage service charges that will be levied by Hydro One on the Applicant's power purchases, and
 - \$1,763,806 for environmental cleanup costs associated with lands previously owned by the Applicant.

The Applicant also applied for certain new specific service charges and a change in an existing specific service fee relating to the time of use meter rental fee; the Applicant applied to replace this fee with an interval meter charge of \$40 per month to be effective upon market opening.

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

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

Board Findings

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

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

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

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

Persons have received an opportunity to make their concerns known to the Board through the published Notice which invited written submissions on the applications. The Board notes that a written hearing is a public process in which all documents received by the Board are available to the public. The Board further notes that most of the issues raised by the submissions of the persons requesting an oral hearing are outside of the scope of the Board's jurisdiction in this proceeding. For example, some persons raised issues of privatization of electricity services and limitations in international trade agreements on the ability of the government to make changes to Ontario's electricity system in the future. These are not relevant to the Board's duty in this proceeding to approve just and reasonable rates for an individual distributor regulated by the Board.

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

The Board adjusts the Applicant's proposals as follows.

For both 2001 and 2002, the Applicant did not adjust the income tax gross-up formula for the 1.12% surtax rate.

The Board has corrected or adjusted the Applicant's proposals for transition costs to conform with the guidelines issued by the Board on November 9, 2001 and January 18, 2002 (the "Guidelines") as follows:

- the interest for the year 2001 was disallowed as the Applicant did not substantiate the amount claimed with a focussed external audit.
- the non-capital portion of the interest expenditures was reduced to one-third.
- the capital portion of the interest expenditures was disallowed.

The Board does not approve the amounts claimed as Z factor for the following reasons:

- For the \$374,458 claimed for the load transfer distribution charges from Hydro One, this matter has not been addressed by Hydro One. The Board determines this claim to be premature.
- For the \$1,065,936 claimed for the new low voltage service charge from Hydro One, no new charges have been levied by Hydro One since the Board has established a deferral account for Hydro One in this connection. As the Hydro One RP-2000-0023 proceeding which will address this issue is currently in progress, the Board determines the Applicant's claim to be premature.
- For the \$1,763,806 claimed for environmental costs, from the evidence available the Board notes that these costs are associated with lands previously owned by the Applicant and were incurred up to November 2000. Apart from issues of land ownership and nature of the expenses, in the Board's view these are out of period costs and not recoverable in rates.

As a result,

- the Z-factor recovery claimed was disallowed.
- the interim transition costs recovery was adjusted to \$359,294.
- the 2001 deferred Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an overstatement of \$35,119.
- the 2002 Payments in Lieu of Taxes (PILs) amount was adjusted to correct for an overstatement of \$1,499,175.

The Applicant applied for changes to its existing specific service charges or for the establishment of new charges. The Board recognizes that cost-related charges are an important regulatory principle and there should not be undue subsidization for specific services offered by the Applicant. The Board has not had an opportunity to deal with this issue and other issues related to the specific services offered and fees charged by Ontario's electricity distributors. The Board intends to initiate a comprehensive review of these issues at the earliest opportunity. In the meantime the Board is reluctant to deal with changes to the existing services and charges on a utility-specific and/or piecemeal basis, unless specifically required by Chapter 11 of the Rate Handbook to facilitate the processing of a Service Transaction Request. In making this finding, the Board considers that the cost and revenue consequences for the Applicant appear to be minor.

	<u>Requested</u>	<u>Adj.</u>	<u>Final</u>
2001 PILs -	\$2,163,560	-\$35,119	\$2,128,441.
2002 PILs -	\$8,115,298	-\$1,499,175	\$6,616,123.


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

THE BOARD ORDERS THAT:

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

DATED at Toronto, March 7, 2002.

ONTARIO ENERGY BOARD



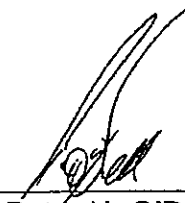
Peter H. O'Dell
Assistant Board Secretary

Appendix "A"

RP-2002-0093
EB-2002-0102

March 7, 2002

ONTARIO ENERGY BOARD

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

Peter H. O'Dell
Assistant Board Secretary

London Hydro Inc.
Schedule of Rates and Charges
Effective March 1, 2002

RP-2002-0093
EB-2002-0102

Time Periods for Time of Use (Eastern Standard Time)

Winter: All Hours, October 1 through March 31

Summer: All Hours, April 1 through September 30

Peak: 0700 to 2300 hours (local time) Monday to Friday inclusive, except for public holidays including New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday (Toronto) Labour Day, Thanksgiving Day, Christmas Day and Boxing Day.

Off Peak: All Other Hours.

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

RESIDENTIAL

Monthly Service Charge	(per month)	\$11.48
Distribution Volumetric Rate	(per kWh)	\$0.0093
Cost of Power Rate	(per kWh)	\$0.0740

RESIDENTIAL (Time of Use)

Monthly Service Charge	(per month)	\$11.48
Distribution Volumetric Rate	(per kWh)	\$0.0093
Cost of Power - Winter Peak	(per kWh)	\$0.1217
Cost of Power - Winter Off Peak	(per kWh)	\$0.0417
Cost of Power - Summer Peak	(per kWh)	\$0.0958
Cost of Power - Summer Off Peak	(per kWh)	\$0.0309

GENERAL SERVICE < 50 KW

Monthly Service Charge	(per month)	\$31.79
Distribution Volumetric Rate	(per kWh)	\$0.0070
Cost of Power Rate	(per kWh)	\$0.0729

GENERAL SERVICE > 50 KW (Non Time of Use)

Monthly Service Charge	(per month)	\$250.21
Distribution Volumetric Rate	(per kW)	\$0.9587
Cost of Power Demand Rate	(per kW)	\$6.6893
Cost of Power Energy Rate	(per kWh)	\$0.0518

GENERAL SERVICE > 50 KW (Time of Use)

Monthly Service Charge	(per month)	\$250.21
Distribution Volumetric Rate	(per kW)	\$0.9587
Cost of Power - Winter Peak	(per kW)	\$9.4243
Cost of Power - Summer Peak	(per kW)	\$7.6456
Cost of Power - Winter Peak	(per kWh)	\$0.0706
Cost of Power - Winter Off Peak	(per kWh)	\$0.0422
Cost of Power - Summer Peak	(per kWh)	\$0.0596
Cost of Power - Summer Off Peak	(per kWh)	\$0.0313

London Hydro Inc.
Schedule of Rates and Charges - Page 2
Effective March 1, 2002

RP-2002-0093
EB-2002-0102

Cogeneration Backup Time of Use

Monthly Service Charge	(per month)	\$2,754.29
Distribution Volumetric Rate	(per kW incremental)	\$3.2492
STANDBY CHARGE KW RATE	(per kW reserved)	\$2.1146
Cost of Power - Winter Peak	(per kW)	\$12.0500
Cost of Power - Summer Peak	(per kW)	\$9.0200
Cost of Power - Winter Peak	(per kWh)	\$0.0706
Cost of Power - Winter Off Peak	(per kWh)	\$0.0422
Cost of Power - Summer Peak	(per kWh)	\$0.0596
Cost of Power - Summer Off Peak	(per kWh)	\$0.0313

LARGE USE

Monthly Service Charge	(per month)	\$13,795.56
Distribution Volumetric Rate	(per kW)	\$1.0958
Cost of Power - Winter Peak	(per kW)	\$10.4730
Cost of Power - Summer Peak	(per kW)	\$7.9206
Cost of Power - Winter Peak	(per kWh)	\$0.0689
Cost of Power - Winter Off Peak	(per kWh)	\$0.0412
Cost of Power - Summer Peak	(per kWh)	\$0.0582
Cost of Power - Summer Off Peak	(per kWh)	\$0.0306

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per connection)	\$0.48
Distribution Volumetric Rate	(per kW)	\$1.1027
Cost of Power Demand Rate	(per kW)	\$22.7094

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per connection)	\$0.27
Distribution Volumetric Rate	(per kW)	\$0.9928
Cost of Power - Winter	(per kW)	\$33.4045
Cost of Power - Summer	(per kW)	\$12.2585

UN-METERED SCATTERED LOADS

Distribution Volumetric Charge and Cost of Power for un-metered, scattered loads will be billed as General Service Non -Time of Use (< 50 kW) customers with a Monthly Service Charge the same as Sentinel Lighting Rate per connection.

Monthly Service Charge	(per connection)	\$0.48
Distribution Volumetric Rate	(per kW) per kWh	\$0.0070
Cost of Power	(per kW) per kWh	\$0.0729

London Hydro Inc.
Schedule of Rates and Charges - Page 3
Effective March 1, 2002

RP-2002-0093
EB-2002-0102

SPECIFIC SERVICE CHARGES

New Account Setup		\$	8.80
Late Payment Charge	(per month)		1.50%
	(per annum)		19.56%
Returned Cheque - actual bank charges plus		\$	8.50
Collection of Account Charge		\$	8.80
Disconnect/Reconnect Charges (non payment of account)			
At Meter - During Regular Hours		\$	17.60
At Meter - After Hours		\$	27.80
Diversity Adjustment Credit (per KW)	Winter	\$	1.27
(discontinued at Market Opening)	Summer	\$	1.15
Equipment:			
Fuse plug/reset breaker during regular working hours - plus materials		\$	27.00
Fuse plug/reset breaker after regular working hours - plus materials		\$	39.00
Replace/install 50/70 amp breaker - plus materials		\$	36.00
Service Calls			
Customer - owned equipment and special meter read.		\$	27.00
After regular working hours		\$	39.00
Transformers			
Allowance for ownership	(per kW)	\$	0.60
Time of use meter rental fee	(per month)	\$	5.50

London Hydro Inc.
Schedule of Rates and Charges
Effective March 1, 2002

Time Periods for Time of Use (Eastern Standard Time)

Winter; All Hours, October 1 through March 31

Summer; All Hours, April 1 through September 30

Peak: 0700 to 2300 hours (local time) Monday to Friday inclusive, except for public holidays including New Year's Day, Good Friday, Victoria Day, Canada Day, Civic Holiday (Toronto), Labour Day, Thanksgiving Day, Christmas Day and Boxing Day.

Off Peak: All Other Hours

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

RESIDENTIAL

Monthly Service Charge	(per month)	\$11.48
Distribution Volumetric Rate	(per kWh)	\$0.0093
Cost of Power Rate	(per kWh)	\$0.07395

RESIDENTIAL (Time of Use)

Monthly Service Charge	(per month)	\$11.48
Distribution Volumetric Rate	(per kWh)	\$0.0093
Cost of Power – Winter Peak	(per kWh)	\$0.12165
Cost of Power-Winter off peak	(per kWh)	\$0.04165
Cost of Power-Summer Peak	(per kWh)	\$0.09575
Cost of Power-Summer off Peak	(per kWh)	\$0.03085

GENERAL SERVICE <50 KW

Monthly Service Charge (per month)		\$31.79
Distribution Volumetric Rate	(per kWh)	\$0.0070
Cost of Power Rate	(per kWh)	\$0.07285

GENERAL SERVICE >50 KW (Non Time of Use)

Monthly Service Charge	(per month)	\$250.21
Distribution Volumetric Rate	(per kW)	\$0.9587
Cost of Power Demand Rate	(per kW)	\$6.6893
Cost of Power Energy Rate	(per kWh)	\$0.05175

GENERAL SERVICE >50 KW (Time of Use)

Monthly Service Charge	(per month)	\$250.21
Distribution Volumetric Rate	(per kW)	\$0.09587 1.9587
Cost of Power – Winter Peak	(per kW)	\$09.4243
Cost of Power- Summer Peak	(per kW)	\$07.6456
Cost of Power- Winter Peak	(per kWh)	\$0.07055
Cost of Power-Winter off peak	(per kWh)	\$0.04215
Cost of Power –Summer Peak	(per kWh)	\$0.05955
Cost of Power Summer off peak	(per kWh)	\$0.03125

Cogeneration Backup Time of Use

Monthly Service Charge	(per month)	\$2,754.29
Distribution Volumetric Rate	(per kW incremental)	\$3.2492
Standby Charge kW rate	(per kW reserved)	\$2.1146
Cost of Power – Winter Peak	(per kW)	\$12.050
Cost of Power – Summer Peak	(per kW)	\$9.020
Cost of Power – Winter Peak	(per kWh)	\$0.07055
Cost of Power – Winter off peak	(per kWh)	\$0.04215
Cost of Power – Summer Peak	(per kWh)	\$0.05955
Cost of Power –Summer Off Peak	(per kWh)	\$0.03125

Large Use

Monthly Service Charge	(per month)	\$13,795.56
Distribution Volumetric Charge	(per kW)	\$1.0958
Cost of Power – Winter Peak	(per kW)	\$10.4730
Cost of Power – Summer Peak	(per kW)	\$7.9206
Cost of Power – Winter Peak	(per kWh)	\$0.06885
Cost of Power –Winter Off Peak	(per kWh)	\$0.04115
Cost of Power- Summer Peak	(per kWh)	\$0.05815
Cost of Power –Summer Off Peak	(per kWh)	\$0.03055

SENTINEL LIGHTS (Non Time of Use)

Monthly Service Charge	(per connection)	\$0.48
Distribution Volumetric Rate	(per kW)	\$1.1027
Cost of Power Demand Rate	(per kW)	\$22.7094

STREET LIGHTING (Time of Use)

Monthly Service Charge	(per connection)	\$0.27
Distribution Volumetric Rate	(per kW)	\$0.9928
Cost of Power – Winter	(per kW)	\$33.4045
Cost of Power – Summer	(per kW)	\$12.2585

UNMETERED SCATTERED LOADS

Distribution Volumetric Charge and Cost of Power for un-metered, scattered loads will be billed as General Service Non-Time of Use (<50 kW) customers with a Monthly Service Charge the same as Sentinel Lighting Rate per connection.

Monthly Service Charge	(per connection)	\$0.48
Distribution Volumetric Rate	(per kWh)	\$0.0070
Cost of Power	(per kWh)	\$0.07285

SPECIFIC SERVICE CHARGES

New Account Setup		\$	8.80
Late Payment Charge	(per month)		1.50%
	(per annum)		19.56%
Returned Cheque – actual bank charge plus		\$	8.50
Collection of Account Charge		\$	8.80
Disconnect/Reconnect Charges (non payment of account)			
At Meter – During Regular Hours		\$	17.60
At Meter – After Hours		\$	27.80
Diversity Adjustment Credit (per KW) Winter		\$	1.27
(discontinued at Market Opening) Summer		\$	1.15
Equipment:			
Fuse plug/reset breaker during regular working hours		\$	27.00
-plus materials			
Fuse plug/reset breaker after regular working hours		\$	39.00
-plus materials			
Replace/install 50/70 amp breaker – plus materials		\$	36.00
Service Calls			
Customer-owned equipment and special read		\$	27.00
After regular working hours		\$	39.00
Transformers			
Allowance for ownership	(per kW)	\$	0.60
Time of use meter rental fee	(per month)	\$	5.50