

March 27, 2008

**BY COURIER**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 26<sup>th</sup> Floor, P.O. Box 2319  
TORONTO, ON M4P 1E4

**Re: IRM 2008 EB Number: EB-2007-0883  
Kitchener-Wilmot Hydro Inc. Application for Approval of 2008 Electricity  
Distribution Rates, Licence No. ED-2002-0573  
Ontario Uniform Transmission Rate Order, EB-2007-0759**

Dear Ms. Walli:

On December 20, 2006, the Ontario Energy Board (the "Board") issued its Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors (the "IRM Report"). In addition, on October 29, 2007, electricity distributors received a letter from the Board Secretary with respect to the Ontario Uniform Transmission Rate Order (EB-2007-0759), directing each distributor to propose an adjustment to their retail transmission rates, taking into consideration the reduction in the wholesale transmission rates and the pattern of variance in the accounts. Accordingly, Kitchener-Wilmot Hydro Inc., referred to herein as the "Applicant", submitted its application on November 1, 2007 to adjust its distribution and retail transmission rates effective May 1, 2008.

Subsequently, on March 19, 2008, the Board issued its decision on the Applicant's rate applications, directing the Applicant on how to proceed to ensure timely implementation of its new distribution and retail transmission rates for the effective date of May 1, 2008. The Applicant filed its revised rate model with the Board on March 25, 2008, confirming the completeness and accuracy of the model.

Further to the March 25<sup>th</sup> filing, we are now submitting the Applicant's Draft Rate Order and proposed Tariff of Rates and Charges, which reflect the Board's price cap adjustments as verified by the Applicant. This submission consists of two hard copies, which have been filed through the Board's e-filing service and emailed to the Board Secretary. An electronic copy of all materials has been provided on CD ROM.



**Jerry Van Ooteghem**  
President & C.E.O  
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Should you require any further information or clarification of any of the above data, kindly contact either myself at (519) 745-4771 ext. 280, or our Vice President of Finance & CFO at ext. 217.

Respectfully submitted,

*Original Signed by*

J. Van Ooteghem, P.Eng.  
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President & CEO

Attachments



EB-2007-0883

**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  
Kitchener-Wilmot Hydro Inc. for an order or orders  
approving or fixing just and reasonable distribution rates  
and other charges, to be effective May 1, 2008.

**BEFORE:** Paul Vlahos  
Presiding Member

Paul Sommerville  
Member

## DECISION AND ORDER

### Introduction

Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot") is a licensed distributor of electricity providing service to consumers within its licensed service area. Kitchener-Wilmot 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, 2008.

Kitchener-Wilmot is one of over 80 electricity distributors in Ontario that are regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. As part of the plan, Kitchener-Wilmot is one of the electricity distributors to have its rates adjusted for 2008 on the basis of the 2<sup>nd</sup> Generation Incentive Rate Mechanism ("IRM") process.

To streamline the process for the approval of distribution rates and charges for distributors, the Board issued its *Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors* (the "Report") on December 20, 2006. Among other things, the Report contained the relevant guidelines

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for 2008 rate adjustments (the “Guidelines”) for distributors applying for rate adjustments pursuant to the IRM process.

Notice of Kitchener-Wilmot’s rate application was given through newspaper publication in Kitchener-Wilmot’s service area advising of the availability of the rate application and advising how interested parties may intervene in the proceeding or comment on the application. There were no intervention requests and no comments were received. The Board proceeded by way of a written hearing. Board staff participated actively in the proceeding.

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.

### **Price Cap Index Adjustment**

Kitchener-Wilmot’s rate application was filed on the basis of the Guidelines. In fixing new rates and charges for Kitchener-Wilmot, the Board has applied the policies described in the Report.

As outlined in the Report, distribution rates under the 2<sup>nd</sup> Generation IRM are to be adjusted by a price escalator less a productivity factor (X-factor) of 1.0%. Based on the final 2007 data published by Statistics Canada, the Board has established the price escalator to be 2.1%. The resulting price cap index adjustment is therefore 1.1%. The rate model was adjusted to reflect the newly calculated price cap adjustment. This price cap index adjustment applies to distribution rates (fixed and variable charges) uniformly across all customer classes. An adjustment for the transition to a common deemed capital structure of 60% debt and 40% equity was also effected. In addition, a change in the federal income tax rate effective January 1, 2008 was also incorporated into the rate model and reflected in distribution rates.

The Board also considered the reduction in Ontario capital tax and the increase in capital cost allowance (CCA) applicable to certain buildings and computers acquired after March 2007. The Board has decided that adjustments related to these items are not required, either because the changes are not of general application, or because they do not appear to be material.

The price cap index adjustment does not apply to the following components of the rates:

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

## **Rate Riders**

When the Board approved new rates for distributors for 2006, it also approved the recovery of regulatory asset balances on a final basis. The Board approved rate riders to facilitate the recovery of the approved balances over the two remaining years of the four-year recovery period mandated by the Minister of Energy (i.e. May 1, 2004 to April 30, 2008). The rate rider(s) associated with the recovery of regulatory assets will cease on May 1, 2008 and shall be removed from the Tariff of Rates and Charges, unless a previous Board decision authorized the continuation of such riders beyond April 30, 2008. No such authorization has been previously provided by the Board for Kitchener-Wilmot. The final balance in account 1590 cannot be confirmed until after the current recovery period has expired, i.e. after April 30, 2008. Once the residual balance in deferral account 1590 is finalized, the residual balance will be disposed in a future proceeding.

## **Smart Meter Rate Adder**

Kitchener-Wilmot requested the continuation of the smart meter rate adder previously approved by the Board in order to provide funding for possible future implementation of smart meter costs and to minimize future rate impacts. The Board-approved rate adder for Kitchener-Wilmot of \$0.27 per month per metered customer shall continue. Kitchener-Wilmot's variance accounts for smart meter program implementation costs, previously authorized by the Board, shall also be continued.

## **Retail Transmission Service Rates**

On October 17, 2007, the Board issued its EB-2007-0759 Rate Order setting new Uniform Transmission Rates for Ontario transmitters, effective November 1, 2007. The Board approved a decrease of 18% to the wholesale transmission network rate, a decrease of 28% to the wholesale transmission line connection rate, and an increase of 7% to the wholesale transformation connection rate. The combined change in the wholesale transmission line connection and transformation connection rates is a reduction to the connection rate of 5%.

On October 29, 2007, the Board issued a letter to all electricity distributors directing them to propose an adjustment to their retail transmission service (RTS) rates to reflect the new Uniform Transmission Rates for Ontario transmitters effective November 1, 2007. The objective of resetting the rates was to minimize the prospective balance in variance accounts 1584 and 1586 and also to mitigate intergenerational inequities.

The Board directs Kitchener-Wilmot to reduce its RTS – Network Service Rates by 18% and its RTS – Line and Transformation Connection Service Rates by 5% for all its rate classes.

The Board has made the necessary adjustments to Kitchener-Wilmot's filed 2007 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2008. 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, 2008, for electricity consumed or estimated to have been consumed on and after May 1, 2008.
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 Kitchener-Wilmot, and is final in all respects, except for the standby rates which are approved as interim.
3. Kitchener-Wilmot shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

**DATED** at Toronto, April , 2008

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Paul Vlahos  
Presiding Member

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Paul Sommerville  
Member

# **Kitchener-Wilmot Hydro Inc.**

## **TARIFF OF RATES AND CHARGES**

### **Effective May 1, 2008**

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

EB-2007-0883

#### **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, 2008 for all consumption or deemed consumption services used on or after that date.

**SPECIFIC SERVICE CHARGES** - May 1, 2008 for all charges incurred by customers on or after that date.

**LOSS FACTOR ADJUSTMENT** – May 1, 2008 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 applies to an account taking electricity at 750 volts or less where the electricity is used exclusively in a separate metered living accommodation. Customers shall be residing in single-dwelling units that consist of a detached house or one unit of a semi-detached, duplex, triplex or quadruplex house, with a residential zoning. Separately metered dwellings within a town house complex or apartment building also qualify as residential customers. All customers are single-phase.

##### **General Service Less Than 50 kW**

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

##### **General Service 50 to 4,999 kW**

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 999 kW non-interval metered
- General Service 50 to 999 kW interval metered
- General Service 1,000 to 4,999 kW interval metered.

##### **Large Use**

This classification applies to an account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

##### **Unmetered Scattered Load**

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum 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 level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

# Kitchener-Wilmot Hydro Inc.

## TARIFF OF RATES AND CHARGES

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### Standby Power

This classification applies to an account with load displacement facilities that contracts with the distributor to provide emergency standby power when its load displacement facilities are not in operation. The level of the billing demand will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation such as name-plate rating of the load displacement facility.

### Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, 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.

### Embedded Distributor

This classification applies to an electricity distributor licensed by the Board that is provided electricity by means of this distributor's facilities.

## MONTHLY RATES AND CHARGES

### Residential

Service Charge	\$	9.81
Distribution Volumetric Rate	\$/kWh	0.0123
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0042
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0016
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	\$	25.42
Distribution Volumetric Rate	\$/kWh	0.0090
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0037
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0015
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	\$	232.78
Distribution Volumetric Rate	\$/kW	3.5172
Retail Transmission Rate – Network Service Rate	\$/kW	1.9213
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.7696
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# Kitchener-Wilmot Hydro Inc.

## TARIFF OF RATES AND CHARGES

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### Large Use

Service Charge	\$	14,184.10
Distribution Volumetric Rate	\$/kW	1.4304
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	1.8058
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	0.7234
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)	\$	12.58
Distribution Volumetric Rate	\$/kWh	0.0090
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0037
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0015
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

### Standby Power – INTERIM APPROVAL

Monthly Rate - Applicable Customer Class Distribution Volumetric Rate – \$/kW of contracted amount

### Street Lighting

Service Charge (per connection)	\$	0.78
Distribution Volumetric Rate	\$/kW	4.3911
Retail Transmission Rate – Network Service Rate	\$/kW	1.1684
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.4681
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

### Embedded Distributor

Monthly Distribution Wheeling Service Rate – Dedicated LV Line	\$/kW	1.1280
Monthly Distribution Wheeling Service Rate – Shared LV Line	\$/kW	0.0998
Retail Transmission Rate – Network Service Rate	\$/kW	1.8115
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	0.7256

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### Specific Service Charges

Customer Administration		
Returned Cheque charge (plus bank charges)	\$	15.00
Account set up charge / change of occupancy charge (plus credit agency costs if applicable)	\$	10.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect at meter – during regular hours	\$	45.00
Disconnect/Reconnect at meter – after regular hours	\$	75.00
Disconnect/Reconnect at pole – during regular hours	\$	95.00
Service call – after regular hours	\$	105.00
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	1.0329
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0154
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0226
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0053